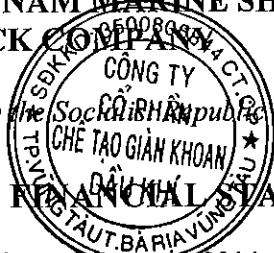


**PETROVIETNAM MARINE SHIPYARD  
JOINT STOCK COMPANY**

*(Incorporated in the Socialist Republic of Vietnam)*

**REVIEWED FINANCIAL STATEMENTS**

**For the period from 1 January 2014 to 30 June 2014**



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## **STATEMENT OF THE BOARD OF DIRECTORS**

The Board of Directors of PetroVietnam Marine Shipyard Joint Stock Company (the "Company") presents this report together with the Company's financial statements for the period from 1 January 2014 to 30 June 2014.

### **THE BOARDS OF MANAGEMENT AND DIRECTORS**

The members of the Boards of Management and Directors of the Company who held office during the period and at the date of this report are as follows:

#### **Board of Management**

Mr. Dang The Huong	Chairman
Mr. Phan Tu Giang	Member
Mr. Hoang Huy Ha	Member
Mr. Vu Minh Phu	Member
Mr. Nguyen Van Quang	Member

#### **Board of Directors**

Mr. Phan Tu Giang	General Director
Mr. Le Hung	Deputy General Director
Mr. Tran Quoc Thanh	Deputy General Director
Mr. Tran Luu Tam	Deputy General Director

### **BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY**

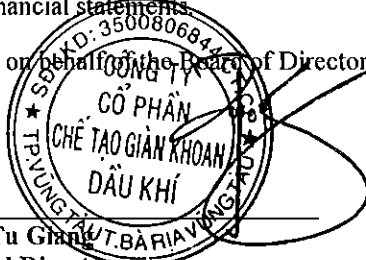
The Board of Directors of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company and of its results and cash flows for the period in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Directors, 



Phan Tu Giang  
General Director  
11 July 2014

No: 092 /VNIA-HC-BC

## REVIEW REPORT ON FINANCIAL STATEMENTS

**To:** The shareholders  
The Boards of Management and Directors  
PetroVietnam Marine Shipyard Joint Stock Company

We have reviewed the accompanying balance sheet as at 30 June 2014, the related statements of income and cash flows for the period from 1 January 2014 to 30 June 2014 and the notes thereto (collectively referred to as the "financial statements") of PetroVietnam Marine Shipyard Joint Stock Company (the "Company"), prepared on 11 July 2014 as set out from page 3 to page 25. The preparation of these financial statements is the responsibility of the Board of Directors of the Company. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with Vietnamese Standard on Auditing No. 910 - Engagements to review financial statements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of, in all material respects, the financial position of the Company as at 30 June 2014, the results of its operations and its cash flows for the period from 01 January 2014 to 30 June 2014 in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



**Đào Đình Tú**  
Audit Partner  
Audit Practising Registration Certificate  
No. 0488-2013-001-1  
For and on behalf of  
**DELOITTE VIETNAM COMPANY LIMITED**  
11 July 2014  
Ho Chi Minh City, S.R. Vietnam

**Dang Thi Loi**  
Auditor  
Audit Practising Registration Certificate  
No. 1529-2013-001-1

**PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY**

65A2, 30/4 Road, Thang Nhat Ward  
Ba Ria - Vung Tau Province, S.R. Vietnam

**Financial Statements**

For the period from 1 January 2014 to 30 June 2014

**BALANCE SHEET**

*As at 30 June 2014*

**FORM B 01-DN**

Unit: VND

ASSETS	Codes	Notes	30/6/2014	31/12/2013
<b>A. CURRENT ASSETS</b> (100=110+130+140+150)	<b>100</b>		<b>1,075,729,955,957</b>	<b>928,561,331,650</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>743,945,530,627</b>	<b>766,437,653,703</b>
1. Cash	111		693,945,530,627	416,437,653,703
2. Cash equivalents	112		50,000,000,000	350,000,000,000
<b>II. Short-term receivables</b>	<b>130</b>		<b>209,568,522,877</b>	<b>131,503,276,742</b>
1. Trade accounts receivable	131	5	46,983,647,238	65,774,695,500
2. Advances to suppliers	132		122,553,156,363	10,492,477,918
3. Other receivables	135	6	40,031,719,276	55,236,103,324
<b>III. Inventories</b>	<b>140</b>		<b>101,612,425,455</b>	<b>22,083,725,267</b>
1. Inventories	141	7	101,612,425,455	22,083,725,267
<b>IV. Other short-term assets</b>	<b>150</b>		<b>20,603,476,998</b>	<b>8,536,675,938</b>
1. Short-term prepayments	151		3,947,304,713	2,130,564,692
2. Value added tax deductibles	152		4,003,904,461	178,123,270
3. Taxes and other receivables from the State budget	154	8	2,682,742,729	-
4. Other short-term assets	158		9,969,525,095	6,227,987,976
<b>B. NON-CURRENT ASSETS</b> (200=220+260)	<b>200</b>		<b>890,680,176,926</b>	<b>950,537,151,063</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>744,401,165,543</b>	<b>801,339,444,069</b>
1. Tangible fixed assets	221	9	721,414,007,802	791,955,282,495
- Cost	222		1,245,188,346,115	1,244,096,834,951
- Accumulated depreciation	223		(523,774,338,313)	(452,141,552,456)
2. Intangible assets	227	10	7,548,915,213	5,692,882,799
- Cost	228		40,995,298,145	35,269,773,145
- Accumulated amortization	229		(33,446,382,932)	(29,576,890,346)
3. Construction in progress	230	11	15,438,242,528	3,691,278,775
<b>II. Other long-term assets</b>	<b>260</b>		<b>146,279,011,383</b>	<b>149,197,706,994</b>
1. Long-term prepayments	261	12	138,001,851,301	140,920,546,912
2. Deferred tax assets	262	13	8,277,160,082	8,277,160,082
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>1,966,410,132,883</b>	<b>1,879,098,482,713</b>

The accompanying notes set out on pages 7 to 25 are an integral part of these financial statements

**PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY**

65A2, 30/4 Road, Thang Nhat Ward  
Ba Ria - Vung Tau Province, S.R. Vietnam

Financial Statements

For the period from 1 January 2014 to 30 June 2014

**BALANCE SHEET (Continued)**

As at 30 June 2014

FORM B 01-DN

Unit: VND

RESOURCES	Codes	Notes	30/6/2014	31/12/2013
<b>A. LIABILITIES (300=310+330)</b>	<b>300</b>		<b>1,570,664,866,746</b>	<b>1,470,877,287,628</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>993,472,417,649</b>	<b>811,228,838,531</b>
1. Short-term loans and liabilities	311	14	259,652,136,000	164,912,000,000
2. Trade accounts payable	312		40,932,125,351	83,715,817,781
3. Advances from customers	313	15	421,501,405,919	491,829,894,134
4. Taxes and amounts payable to the State budget	314	16	1,232,764,027	381,942,127
5. Payables to employees	315		8,649,391,174	7,822,477,309
6. Accrued expenses	316	17	52,205,011,787	32,259,449,224
7. Payables relating to construction contracts under percentage of completion method	318	18	179,130,569,321	-
8. Other current payables	319	19	26,905,444,474	26,870,198,360
9. Bonus and welfare funds	323		3,263,569,596	3,437,059,596
<b>II. Long-term liabilities</b>	<b>330</b>		<b>577,192,449,097</b>	<b>659,648,449,097</b>
1. Long-term loans and liabilities	334	20	577,192,449,097	659,648,449,097
<b>B. EQUITY (400=410+430)</b>	<b>400</b>		<b>395,745,266,137</b>	<b>408,221,195,085</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>21</b>	<b>392,846,499,421</b>	<b>401,578,584,390</b>
1. Charter capital	411		594,897,870,000	594,897,870,000
2. Other owner's capital	413		2,597,721,463	2,597,721,463
3. Accumulated losses	420		(204,649,092,042)	(195,917,007,073)
<b>II. Other resources and funds</b>	<b>430</b>		<b>2,898,766,716</b>	<b>6,642,610,695</b>
1. Funds for fixed assets acquisition	433		2,898,766,716	6,642,610,695
<b>TOTAL RESOURCES (440 = 300+ 400)</b>	<b>440</b>		<b>1,966,410,132,883</b>	<b>1,879,098,482,713</b>

**OFF BALANCE SHEET ITEMS**

Foreign currencies

United States Dollar

Euro

444,429.68

5,874,764.96

7,486.92

Nguyen Phuong Huong  
Preparer

Nguyen Van Quang  
Chief Accountant



Phan Tu Giang  
General Director  
11 July 2014

The accompanying notes set out on pages 7 to 25 are an integral part of these financial statements

**PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY**

65A2, 30/4 Road, Thang Nhat Ward  
Ba Ria - Vung Tau Province, S.R. Vietnam

**Financial Statements**


For the period from 1 January 2014 to 30 June 2014


**INCOME STATEMENT**


*For the period from 1 January 2014 to 30 June 2014*

**FORM B 02-DN**  
Unit: VND

ITEMS	Codes	Notes	From 01/01/2014	From 01/01/2013
			to 30/6/2014	to 30/6/2013
1. Gross revenue from services rendered	01		333,234,715,631	1,272,086,038
2. Deductions from services rendered	02		1,654,801,189	-
3. Net revenue (10 = 01-02)	10	23	331,579,914,442	1,272,086,038
4. Cost of services	11	24	291,442,260,630	735,127,442
5. Gross profit (20=10-11)	20		40,137,653,812	536,958,596
6. Financial income	21	26	9,214,864,940	8,167,772,096
7. Financial expenses	22	27	32,671,724,951	42,254,063,700
<i>In which: Interest expense</i>	23		31,714,656,273	42,174,665,019
8. General and administration expenses	25		14,176,375,123	14,951,966,853
9. Operating profit/(loss) (30=20+(21-22)-25)	30		2,504,418,678	(48,501,299,861)
10. Other income	31		209,810,261	558,313,262
11. Other expenses	32		11,446,313,908	107,945,547,540
12. Loss from other activities (40=31-32)	40	28	(11,236,503,647)	(107,387,234,278)
13. Loss before tax (50=30+40)	50		(8,732,084,969)	(155,888,534,139)
14. Current corporate tax expense	51	29	-	10,662,149,275
15. Deferred corporate tax income	52	13	-	(164,166,711)
16. Loss after tax (60=50-51-52)	60		(8,732,084,969)	(166,386,516,703)
17. Basic earnings per share	70	30	(147)	(2,797)

  
\_\_\_\_\_  
Nguyen Phuong Huong  
Preparer

  
\_\_\_\_\_  
Nguyen Van Quang  
Chief Accountant

  
\_\_\_\_\_  
Phan Tu Giang  
General Director  
11 July 2014



**CASH FLOW STATEMENT**  
*For the period from 1 January 2014 to 30 June 2014*

FORM B 03-DN  
Unit: VND

ITEMS	Codes	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013
<b>I. CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>			
1. Loss before tax	01	(8,732,084,969)	(155,888,534,139)
2. Adjustments for:			
Depreciation and amortisation	02	71,758,434,464	65,834,532,866
Unrealized foreign exchange loss	04	584,588,106	-
Gain from investing activities	05	(8,220,338,723)	(7,535,959,303)
Interest expense	06	31,714,656,273	42,174,665,019
3. Operating profit/(loss) before movements in working capital	08	87,105,255,151	(55,415,295,557)
Changes in receivables	09	(85,219,636,137)	279,553,338,586
Changes in inventories	10	(79,528,700,188)	1,742,249,811
Changes in accounts payable	11	78,053,511,183	(76,007,425,202)
Changes in prepaid expenses	12	1,101,955,590	948,163,226
Interest paid	13	(23,061,800,756)	(66,567,002,520)
Corporate income tax paid	14	-	(17,140,796,862)
Other cash inflows	15	474,000,000	3,728,000,000
Other cash outflows	16	(4,023,141,989)	(4,486,137,806)
Net cash (used in)/from operating activities	20	(25,098,557,146)	66,355,093,676
<b>II. CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>			
1. Acquisition of fixed assets	21	(18,563,999,917)	(1,469,003,264)
2. Interest earned	27	8,803,672,056	6,931,792,636
Net cash (used in)/from investing activities	30	(9,760,327,861)	5,462,789,372
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	12,284,136,000	-
2. Dividends paid	36	(224,279,600)	-
Net cash from financing activities	40	12,059,856,400	-
Net (decrease)/increase in cash (50=20+30+40)	50	(22,799,028,607)	71,817,883,048
Cash and cash equivalents at the beginning of the period	60	766,437,653,703	236,580,775,891
Effects of changes in foreign exchange rates	61	306,905,531	-
Cash and cash equivalents at the end of the period (70=50+60+61)	70	743,945,530,627	308,398,658,939

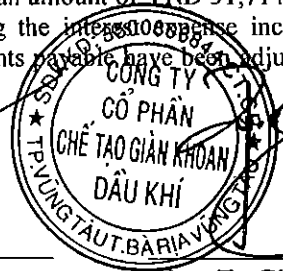
**Supplemental non-cash disclosures**

Cash outflows of interest expense paid during the period exclude an amount of VND 31,714,656,273 (for the period first 6 months 2013: VND 42,067,470,801), representing the interest expense incurred during the period but has not been paid yet. Consequently, changes in accounts payable have been adjusted by the same amounts.

\_\_\_\_\_  
Nguyen Phuong Huong  
Preparer

\_\_\_\_\_  
Nguyen Van Quang  
Chief Accountant

\_\_\_\_\_  
Phan Tu Giang  
General Director  
11 July 2014





**NOTES TO THE FINANCIAL STATEMENTS**

**FORM B 09-DN**

*These notes are an integral part of and should be read in conjunction with the financial statements*

**1. GENERAL INFORMATION**

**Structure of ownership**

PetroVietnam Marine Shipyard Joint Stock Company (the "Company") was incorporated in Vietnam under Enterprise Registration Certificate No. 3500806844 dated 9 July 2007 issued by the Department of Planning and Investment of Ba Ria - Vung Tau Province, as amended.

The number of the Company's employees as at 30 June 2014 was 730 (as at 31 December 2013: 725).

**Principal activities**

The principal activities of the Company are to build, maintain, refurbish drilling platforms, oil platforms, ships, floating devices and related equipments; trade in related materials and equipments.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting Convention**

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

**Financial year**

The Company's financial year begins on 1 January and ends on 31 December. The interim financial statements of the Company were prepared for the 6-month period from 1 January to 30 June each year.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:

**Estimates**

The preparation of financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during reporting period. Although these accounting estimates are based on the Board of Directors' best knowledge, actual results may differ from those estimates.

**Financial instruments**

**Initial recognition**

*Financial assets:* At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Company comprise cash and cash equivalents, trade and other receivables and deposits.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

FORM B 09-DN

*These notes are an integral part of and should be read in conjunction with the financial statements*

**Financial liabilities:** At the date of initial recognition financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Company comprise trade and other payables, borrowings and accrued expenses.

***Subsequent measurement after initial recognition***

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Provision for doubtful debts**

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

The Company applies perpetual inventory method to record its inventories.

The evaluation of necessary provision for inventory follows current prevailing accounting regulations.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working conditions and locations for their intended use. The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs. Tangible fixed assets are depreciated using the straight-line method over their following estimated useful lives as follows:

	<u>Years</u>
Buildings and structures	5 - 25
Machinery and equipment	5 - 7
Office equipment	3 - 15
Motor vehicles	2 - 6
Assets formed from Subsidised funds	2 - 3
Others	3

**Leasing**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

FORM B 09-DN

*These notes are an integral part of and should be read in conjunction with the financial statements*

**Intangible assets**

Intangible assets represent computer software that is stated at cost less accumulated amortisation. Computer software which is not part of the related hardware, the relevant purchase price will be capitalized and recorded as intangible assets. Computer software is amortized using straight-line method over 3 years.

**Construction in progress**

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

**Long-term prepayments**

Long-term prepayments comprise prepaid land rentals and other types of long-term prepayments.

Prepaid land rentals are charged to the income statement using the straight-line method over the lease term of 47 years.

Other types of long-term prepayments comprise land clearance costs and tools which transferred from tangible fixed assets according to Circular 45/2013/TT-BTC due to their costs are under VND 30 million which are expected to provide future economic benefit to the Company with a term of one year and more. These expenditures have been capitalised as long-term prepayments, and are allocated to the income statement using the straight-line method from 2 years to 6 years.

**Revenue recognition**

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) The percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from construction contracts is recognised in accordance with the Company's accounting policy on construction contracts.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

**Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable of recovery.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

FORM B 09-DN

*These notes are an integral part of and should be read in conjunction with the financial statements*

**Foreign currencies**

The Company applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates" and Circular No. 179/2012/TT-BTC dated 24 October 2012 by the Ministry of Finance providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balance of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences are recognised in the income statement. Unrealised exchange gains at the balance sheet date are not treated as part of distributable profit to shareholder.

**Borrowing costs**

Borrowing costs are recognised in the income statement when incurred.

**Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Board of Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determinations of the tax currently payable and deferred tax are based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

**PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY**

65A2, 30/4 Road, Thang Nhat Ward  
Ba Ria - Vung Tau Province, S.R. Vietnam

**Financial statements**

For the period from 1 January 2014 to 30 June 2014

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FORM B 09-DN**

*These notes are an integral part of and should be read in conjunction with the financial statements*

**4. CASH AND CASH EQUIVALENTS**

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
Cash on hand	14,028,655,729	6,927,001,142
Cash in bank	679,916,874,898	409,510,652,561
Cash equivalents	50,000,000,000	350,000,000,000
	<u>743,945,530,627</u>	<u>766,437,653,703</u>

Cash equivalents represent time deposits by Vietnam Dong at the local joint stock commercial banks with a term from 1 month to 2 months and earn interest rates of the range from 5.5% to 6.2% per annum.

**5. TRADE ACCOUNTS RECEIVABLE**

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
Joint Venture Vietsovpetro	41,431,028,070	-
Seneco Maritime Vietnam Joint Stock Company	-	39,898,247,751
PTSC Offshore Services Joint Stock Company (*)	356,610,729	16,407,583,214
Other customers	5,196,008,439	9,468,864,535
	<u>46,983,647,238</u>	<u>65,774,695,500</u>

(\*) PTSC Offshore Services Joint Stock Company belongs to PetroVietnam Technical Services Corporation's group ("PTSC").

**6. OTHER RECEIVABLES**

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
PetroVietnam Insurance Company (PVI) - Vung Tau Branch (*)	19,617,674,232	49,753,235,033
PetroVietnam Securities Incorporated (**)	17,262,827,435	-
Other receivables	3,151,217,609	5,482,868,291
	<u>40,031,719,276</u>	<u>55,236,103,324</u>

(\*) Other receivables from PetroVietnam Insurance Company ("PVI") - Vung Tau Branch mainly related to amounts which the Company paid for repairing the crane DEMAG CC6800. The Company will claim this expense from PVI according to Insurance Certificate No. 12/16/01/XDLDP/PC00057 with the maximum insurance amount of VND 230,968,860,174 which equals to cost of the crane.

As at 30 June 2014, the Company and PVI have not finalized insurance claim amount. However, according to insurance contract, insurance amount will be excluded an exempt amount stated in Insurance Certificate (5%). In addition, PVI just compensates the fee after accepting all supporting documents to prove that the repair incurred, depends on each specific case. Estimated expenses for the crane repair are VND 134 billion which comprises of damage inspection expense, transportation fees, labor costs and material costs, in which the main repair expense at overseas factory is EUR 2,691,761.29, equivalent to VND 73 billion. During the period, the Company has partly received reimbursement from PVI with an amount of VND 46 billion. As at 30 June 2014, receivables from PVI presents actual expense related to the crane repair which has not been compensated. The Board of Directors believes that the amount would be reimbursed according to the compensation terms of the asset insurance contract.

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(\*\*) Receivables from PetroVietnam Securities Incorporated ("PSI") as at 30 June 2014 present the actual dividend amounts transferred to PSI but PSI has not made the payment to the Company's shareholders.

**7. INVENTORIES**

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
Goods in transit	25,560,000,000	-
Raw materials	66,641,993,931	16,220,424,565
Tools and supplies	7,982,261,979	5,291,045,287
Work in progress	1,428,169,545	572,255,415
	<u>101,612,425,455</u>	<u>22,083,725,267</u>

**8. TAXES AND OTHER RECEIVABLES FROM THE STATE BUDGET**

Tax and other receivables from the State budget represent the over payment of import tax, VAT output and personal income tax (see further Note 16).

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**9. TANGIBLE FIXED ASSETS**

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Assets formed from Subsidiary funds VND	Others VND	Total VND
<b>COST</b>							
As at 1/1/2014	737,423,602,480	108,622,692,961	377,762,806,033	8,299,917,097	3,850,699,617	8,137,116,763	1,244,096,834,951
Additions	-	66,000,000	318,922,204	706,588,960	-	-	1,091,511,164
As at 30/6/2014	737,423,602,480	108,688,692,961	378,081,728,237	9,006,506,057	3,850,699,617	8,137,116,763	1,245,188,346,115
<b>ACCUMULATED DEPRECIATION</b>							
As at 1/1/2014	263,812,982,740	52,495,707,626	119,517,666,045	7,075,804,296	2,485,585,837	6,753,805,912	452,141,552,456
Charge for the period	45,744,350,286	7,818,778,052	16,216,826,388	474,287,523	445,514,604	933,029,004	71,632,785,857
Reclassification	-	-	-	-	16,232,639	(16,232,639)	-
As at 30/6/2014	309,557,333,026	60,314,485,678	135,734,492,433	7,550,091,819	2,947,333,080	7,670,602,277	523,774,338,313
<b>NET BOOK VALUE</b>							
As at 30/6/2014	427,866,269,454	48,374,207,283	242,347,235,804	1,456,414,238	903,366,537	466,514,486	721,414,007,802
As at 31/12/2013	473,610,619,740	56,126,985,335	258,245,139,988	1,224,112,801	1,365,113,780	1,383,310,851	791,955,282,495

As at 30 June 2014, the cost of the Company's tangible fixed assets includes an amount of VND 10,487,083,107 (as at 31 December 2013: VND 10,131,958,924) in respect of fully depreciated assets which are still in use.

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**10. INTANGIBLE ASSETS**

	Computer Software VND	Software formed from Subsidised funds VND	Total VND
<b>COST</b>			
As at 01/01/2014	12,104,018,935	23,165,754,210	35,269,773,145
Additions	325,525,000	-	325,525,000
Transfer from construction in progress	5,400,000,000	-	5,400,000,000
As at 30/6/2014	<u>17,829,543,935</u>	<u>23,165,754,210</u>	<u>40,995,298,145</u>
<b>ACCUMULATED AMORTISATION</b>			
As at 01/01/2014	11,688,633,051	17,888,257,295	29,576,890,346
Charge for the period	571,163,211	3,298,329,375	3,869,492,586
As at 30/6/2014	<u>12,259,796,262</u>	<u>21,186,586,670</u>	<u>33,446,382,932</u>
<b>NET BOOK VALUE</b>			
As at 30/6/2014	<u>5,569,747,673</u>	<u>1,979,167,540</u>	<u>7,548,915,213</u>
As at 31/12/2013	<u>415,385,884</u>	<u>5,277,496,915</u>	<u>5,692,882,799</u>

As at 30 June 2014, the cost of the Company's intangible assets includes an amount of VND 27,590,272,050 (as at 31 December 2013: VND 10,544,802,150) in respect of fully depreciated assets which are still in use.

**11. CONSTRUCTION IN PROGRESS**

	From 01/01/2014 to 30/6/2014 VND	2013 VND
As at the beginning of the year	3,691,278,775	24,044,565,109
Additions	17,146,963,753	1,862,212,280
Transferred to tangible fixed asset	-	(16,963,457,872)
Transferred to intangible assets	(5,400,000,000)	-
Transfer to other expenses	-	(5,252,040,742)
As at the end of the period/year	<u>15,438,242,528</u>	<u>3,691,278,775</u>

**12. LONG-TERM PREPAYMENT**

	30/6/2014 VND	31/12/2013 VND
Land rental (*)	130,966,180,813	132,506,959,411
Tools	2,578,120,396	3,844,519,402
Others	4,457,550,092	4,569,068,099
	<u>138,001,851,301</u>	<u>140,920,546,912</u>



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(\*) Land rental presents the land lease in Ba Ria - Vung Tau Province with area of 39.8 ha according to the rental contract no CN0107001/HDKT –PVSB signed with Sao Mai – Ben Dinh Petroleum Investment Joint Stock Company on 6 December 2007 to build the office, factory and warehouse for business purpose. The lease term is from the date of signing the handover minute to 31 December 2057.

13. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognized by the Company, and the movements thereon, during the current period and prior years:

	Unrealised foreign exchange losses	Tax losses	Total
	VND	VND	VND
As at 1/1/2013	351,294,804	-	351,294,804
Charge/(credit) to profit for the year	(274,568,421)	8,200,433,699	7,925,865,278
As at 31/12/2013 and 30/6/2014	<u>76,726,383</u>	<u>8,200,433,699</u>	<u>8,277,160,082</u>

As at 30 June 2014, the Company has unused tax losses of VND 179,939,912,926 (at 31 December 2013: VND 183,860,577,202) available for offset against future profits. In which:

- Deferred tax asset was recognized from these tax losses of VND 82,004,336,994 with tax rate 10% due to high predictability of future profit stream from the construction of Tam Dao 05 and upgrading of Tam Dao 02 which has been signed with Vietsovpetro on 29 November 2013 to utilise this loss.

- The Company has not recognized the deferred tax assets from the remaining tax loss amount of VND 97,935,575,932 due to the uncertainty of the future profit.

These losses can be carried forward for a maximum period of five years after the year it was incurred. The benefits from the Company' tax losses carried forward expires in 2018.

14. SHORT-TERM LOANS AND LIABILITIES

	30/6/2014 VND	31/12/2013 VND
Vietnam Public Joint Stock Commercial Bank (see further Note 20)	247,368,000,000	164,912,000,000
Ocean Commercial Joint Stock Bank (*)	<u>12,284,136,000</u>	<u>-</u>
	<u>259,652,136,000</u>	<u>164,912,000,000</u>

(\*) This is the short-term loan from Ocean Commercial Joint Stock Bank ("Ocean Bank") with the amount of USD 576,720. The loan term is from 27 June 2014 to 27 December 2014 with the interest rate of 3% per annum.

15. ADVANCES FROM CUSTOMERS

In 2013, Joint Venture Vietsovpetro ("Vietsovpetro") made the advance payment with 10% of contract value according to the Contract No. 885/13/T-N4/KB-PVShipyards for the construction of Tam Dao 05 and the Contract No. 0884/13/T-N4/KB-PVShipyards for upgrading of Tam Dao 02 signed between the Company and Vietsovpetro on 29 November 2013. These advance amounts will be gradually offset against the next payments in accordance with the specific terms in the contracts. The balance of advances from customers as at 30 June 2014 present the remaining advance amounts from Vietsovpetro which have not been offset.

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**16. TAX AND AMOUNTS PAYABLE TO THE STATE BUDGET**

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
Personal income tax	-	301,270,523
Others	1,232,764,027	80,671,604
	<u>1,232,764,027</u>	<u>381,942,127</u>

The movement for the tax and amounts payable to the State Budget during the period is as follows:

	As at 01/01/2014	Payable addition during the period	Paid amounts during the period	As at 30/6/2014
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
Value added tax	-	32,262,151,308	32,572,798,348	(310,647,040)
Import tax	-	180,553,166	2,204,263,919	(2,023,710,753)
Personal income tax	301,270,523	2,466,047,162	3,115,702,621	(348,384,936)
Corporate income tax	-	-	-	-
Others	80,671,604	3,956,436,593	2,804,344,170	1,232,764,027
<b>Total</b>	<u>381,942,127</u>	<u>38,865,188,229</u>	<u>40,697,109,058</u>	<u>(1,449,978,702)</u>

*In which:*

*- Taxes and other  
receivables from the  
State budget*

- 2,682,742,729

*- Taxes and amounts  
payable to the State  
budget*

381,942,127

1,232,764,027

**17. ACCRUED EXPENSES**

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
Loan interest expense	31,714,656,273	23,061,800,756
Expenses for construction (projects XL2 and EPC3)	7,018,078,517	7,018,078,517
Expenses for Tam Dao 05 project	1,804,343,474	-
Expenses for Naga 3 project	5,605,000,000	-
Expenses for Living quarter project	4,283,300,000	-
Others	1,779,633,523	2,179,569,951
	<u>52,205,011,787</u>	<u>32,259,449,224</u>

**18. PAYABLES RELATING TO CONSTRUCTION CONTRACTS UNDER PERCENTAGE OF COMPLETION METHOD**

Payables relating to construction contracts under percentage of completion method present the variance between the amount paid by Vietsovpetro for the construction project of Tam Dao 05 according to the payment terms prescribed in the Contract No. 0885/13/T-N4/KB-PVShipyards PV Shipyards dated 29 November 2013 and the revenue recognised in the period corresponding with the stage of completion as at 30 June 2014.

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**19. OTHER CURRENT PAYABLES**

	30/6/2014 VND	31/12/2013 VND
Dividend payables	21,621,849,900	21,846,129,500
Union fees	408,707,475	512,473,022
Others	4,874,887,099	4,511,595,838
	<u>26,905,444,474</u>	<u>26,870,198,360</u>

**20. LONG-TERM LOANS AND LIABILITIES**

Long-term loans and liabilities which present the long-term loans from PetroVietnam Joint Stock Finance Corporation ("PVFC"), now known as Vietnam Public Joint Stock Commercial Bank ("PVcomBank"), include two credit facilities:

- Agreement No. 11/2011/HDTDUT/TC DK-CNVT.TD dated 17 May 2011 with the amount of VND 641,000,000,000 for payment of investment cost of project "Building and maintain oil platforms". The term loan is 12 months from 24 May 2011 to 24 May 2012 and is extended to 24 November 2014 according to Appendix No. 01/11/2011/HDTDUT/TC DK-CNVT.TD. This loan is unsecured loan and it was fully disbursed in 2011.
- Agreement No. 07/HDTDUT/TC DK-CNVT.TD dated 18 March 2011 with the maximized amount of VND 250,000,000,000 for payment of investment cost of project "Building and maintain oil platforms". Interest of loan is the same with interest rate from economics entities with the term of 12 months of PVFC plus 5% per annum for loans disbursed before 06 October 2011 and 14.2% per annum for loans disbursed after 06 October 2011. This loan is unsecured. Term loan is starting from the date PetroVietnam transfers its entrusted fund to PVFC to the date 06 April 2012. The Company has withdrawn VND 153,197,270,000 in 2011 and VND 30,363,179,097 in 2012.

On 09 May 2013, the Company entered into two Appendices of two Agreement No. 02/07/HDTDUT/TC DK-CNVT.TD and Agreement No. 02/11/2011/HDTDUT/TC DK-CNVT.TD. Thereon, these two loans will be extended to 31 December 2018. These two loans are repayable in instalments starting from 30 June 2014 to 31 December 2018. The loans bear interest at the rate of 100% saving rate in the 12 months of postpaid from Bank for Foreign Trade of Vietnam ("VietcomBank") at the time of adjusted rate plus entrust rate (0.15%/year).

Long-term loans and liabilities are repayable as follows:

	30/6/2014 VND	31/12/2013 VND
On demand or within one year	247,368,000,000	164,912,000,000
In the second year	164,912,000,000	164,912,000,000
In the third to fifth year inclusive	412,280,449,097	494,736,449,097
After five years	-	-
	<u>824,560,449,097</u>	<u>824,560,449,097</u>
Less: Amount due for settlement within 12 months (presents at Note 14)	(247,368,000,000)	(164,912,000,000)
Amount due for settlement after 12 months	<u>577,192,449,097</u>	<u>659,648,449,097</u>

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**21. OWNER'S EQUITY**

**Movement in owner's equity**

	Charter capital VND	Other owners' capital VND	(Accumulated losses)/ Retained earnings VND	Total VND
Balance as at 1/1/2013	594,897,870,000	2,597,721,463	43,861,904,638	641,357,496,101
Loss during the year	-	-	(209,135,193,633)	(209,135,193,633)
Dividends paid	-	-	(29,744,893,500)	(29,744,893,500)
Funds appropriation	-	-	(898,824,578)	(898,824,578)
Balance as at 31/12/2013	594,897,870,000	2,597,721,463	(195,917,007,073)	401,578,584,390
Loss during the period	-	-	(8,732,084,969)	(8,732,084,969)
Balance as at 30/6/2014	594,897,870,000	2,597,721,463	(204,649,092,042)	392,846,499,421

Under Resolution No. 026/13/NQ-DHDCD dated 15 April 2013 issued by annual General Shareholders' Meeting 2013, the General Shareholders agreed to increase the charter capital from VND 594,897,870,000 to VND 892,346,800,000. However, as at the reporting date, the Company has not carried out the procedure to increase the charter capital.

**Shares**

	30/6/2014	31/12/2013
- Shares authorized to be issued	59,489,787	59,489,787
- Shares issued	59,489,787	59,489,787
- Shares are currently traded	59,489,787	59,489,787

The Company has one class of ordinary share which carry no right to fixed income with par value of VND 10,000 per share. The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company's shareholders meetings. All shares rank equally with regard to the Company's residual assets.

Details of the Company's capital contribution as at balance sheet date are as follows:

	30/6/2014 and 31/12/2013		
	%	Shares	Amount(VND)
PetroVietnam Technical Services Corporation ("PTSC")	28.75	17,105,643	171,056,430,000
Vietnam Shipbuilding Industry Group	7.53	4,479,257	44,792,570,000
Bank for Investment and Development of Vietnam JSC	4.03	2,400,000	24,000,000,000
Joint Venture Vietsovpetro	3.63	2,161,300	21,613,000,000
LILAMA	4.03	2,400,000	24,000,000,000
LILAMA 18 Joint Stock Company	3.03	1,800,000	18,000,000,000
Others	49.00	29,143,587	291,435,870,000
	<b>100.00</b>	<b>59,489,787</b>	<b>594,897,870,000</b>

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22. BUSINESS AND GEOGRAPHICAL SEGMENT

Principal activities of the Company are to build, maintain and refurbish drilling platforms, oil platforms, ships, floating devices and related equipments. During the operation course, the Company's other production and business activities are very small proportion of its total revenue and operating results, accordingly, the financial information that was presented in the balance sheet as at 30 June 2014 and all its revenue, expenses in the income statement for the period from 1 January 2014 to 30 June 2014 are related to its principal activities. In geography, the Company mainly operates within Vietnam.

Accordingly, the Board of Directors has assessed and believes that the financial statement in which did not presented information related to business and geographical segment for the period from 1 January 2014 to 30 June 2014 is in accordance with stipulations of Accounting Standard No.28 "Segment reporting" and also in according with the business situation of the Company.

23. NET REVENUE FROM SERVICES RENDERED

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Construction contracts	247,082,224,188	-
Other upgrading, maintenance contracts	79,163,775,132	-
Other services	6,988,716,311	1,272,086,038
	<u>333,234,715,631</u>	<u>1,272,086,038</u>
Deduction - Sales rebates	(1,654,801,189)	-
	<u>331,579,914,442</u>	<u>1,272,086,038</u>

24. COST OF SERVICES

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Construction contracts	228,779,837,211	-
Other upgrading, maintenance contracts	57,678,862,401	-
Other services	4,983,561,018	735,127,442
	<u>291,442,260,630</u>	<u>735,127,442</u>

25. PRODUCTION COST BY NATURE

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Raw materials and consumables	69,081,063,582	2,565,601,285
Labour	83,152,213,132	38,903,207,939
Depreciation and amortization	71,758,434,464	65,834,532,866
Out-sourced services	85,412,168,158	9,350,456,517
Other expenses	7,557,585,766	5,381,376,455
	<u>316,961,465,102</u>	<u>122,035,175,062</u>

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**26. FINANCIAL INCOME**

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Bank interest	8,220,338,723	7,535,959,303
Realized foreign exchange gain	994,526,217	631,812,793
	<u>9,214,864,940</u>	<u>8,167,772,096</u>

**27. FINANCIAL EXPENSES**

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Interest expense	31,714,656,273	42,174,665,019
Realised foreign exchange loss	372,480,572	79,398,681
Unrealised foreign exchange loss	584,588,106	-
	<u>32,671,724,951</u>	<u>42,254,063,700</u>

**28. LOSS FROM OTHER ACTIVITIES**

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Other income	209,810,261	558,313,262
Raw materials and consumables	-	1,923,125,067
Labour	-	32,370,061,774
Depreciation and amortization	7,698,962,004	65,481,539,794
Out-sourced services	-	5,593,282,740
Others	3,747,351,904	2,577,538,165
Other expenses	<u>11,446,313,908</u>	<u>107,945,547,540</u>
Loss from other activities	<u>(11,236,503,647)</u>	<u>(107,387,234,278)</u>

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29. CURRENT TAX EXPENSE

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Loss before tax	(8,732,084,969)	(155,888,534,139)
Add: non-deductible expenses	12,959,654,776	8,271,751,763
Less: non-assessable income	(306,905,531)	(3,283,194,017)
Assessable profit/(loss)	3,920,664,276	(150,899,976,393)
Tax loss used	(3,920,664,276)	-
Taxable loss	-	(150,899,976,393)
Current corporate income tax expense	-	-
Additional tax from year 2008 to year 2012	-	10,662,149,275
Current tax expense	-	10,662,149,275

According to Official Letter No. 6031/CT-TTHT dated 17 October 2008 issued by Tax Department of Ba Ria - Vung Tau, the Company is obliged to pay corporate income tax at three applicable tax rates are as follows:

- For the activities to build, maintain, refurbish drilling platforms, oil platforms, ships, the Company is obliged to pay corporate income tax of 20% of its assessable income for 10 years from the date of operation and the normal tax rate applied for the following years. The Company is also entitled to corporate income tax exemption during 2 years from the first taxable profit making year (2010), and a reduction of 50% for the following three years.

- For the activities to execute marine construction, manufacture materials, electronical and mechanical equipments use for manufacturing drilling platforms, oil platforms and ships, manufacture equipment and steel structures for industrial and infrastructure projects, dredge narrow passage and site clearance, and provide construction services for petroleum projects, the Company is obliged to pay corporate income tax at normal tax rate of its assessable income in according with prevailing regulations. The Company is also entitled to corporate income tax exemption for 2 years from the first taxable profit making year (2010), and a reduction of 50% for the following two years.

- For other activities, the Company is obliged to pay corporate income tax at normal tax rate of its assessable income.

In the period, the corporate income tax expense has not been recognised because the Company has not had the taxable profit.

30. BASIC EARNINGS PER SHARE

	From 01/01/2014 to 30/6/2014 VND	From 01/01/2013 to 30/6/2013 VND
Loss for the purposes of calculating basic earnings per share	(8,732,084,969)	(166,386,516,703)
Ordinary shares during the period	59,489,787	59,489,787
Basic earnings per share	(147)	(2,797)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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These notes are an integral part of and should be read in conjunction with the financial statements

31. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings disclosed in Note 14 and Note 20 offset by cash and cash equivalents) and equity attributable to equity shareholders (comprising charter capital, other owner's capital and accumulated losses).

Gearing ratio

The gearing ratio of the Company as at the balance sheet date was as follows:

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
Borrowings	836,844,585,097	824,560,449,097
Less: Cash and cash equivalents	743,945,530,627	766,437,653,703
Net debt	92,899,054,470	58,122,795,394
Equity	392,846,499,421	401,578,584,390
Net debt to equity ratio	<u>0.24</u>	<u>0.14</u>

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Categories of financial instruments

	<u>Carrying amounts</u>	
	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
<b>Financial assets</b>		
Cash and cash equivalents	743,945,530,627	766,437,653,703
Trade and other receivables	87,015,366,514	121,010,798,824
Deposits	6,021,820,479	2,646,168,490
<b>Total</b>	<u>836,982,717,620</u>	<u>890,094,621,017</u>
<b>Financial liabilities</b>		
Trade and other payables	67,109,192,782	109,824,210,616
Borrowings and interests	1,054,650,999,739	1,137,110,119,752
Accrued expenses	52,205,011,787	32,259,449,224
<b>Total</b>	<u>1,173,965,204,308</u>	<u>1,279,193,779,592</u>

The Company has not assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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*These notes are an integral part of and should be read in conjunction with the financial statements***Financial risk management objectives**

The Company has set up risk management system to identify and assess the risks exposed by the Company and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Company's operations.

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

**Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices. The Company does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

**Foreign currency risk management**

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the period are as follows:

	Assets		Liabilities	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	VND	VND	VND	VND
United States Dollar (USD)	48,015,400,201	131,001,541,592	23,532,403,494	2,060,632,841
Euro (EUR)	31,323,164	213,145,724	1,572,649,944	45,979,180,390

**Foreign currency sensitivity**

The sensitivity rate used when reporting foreign currency risk determined by the Board of Directors is 2%. Accordingly, the Board of Directors assesses that foreign exchange differences will affect outstanding foreign currency denominated monetary items at the end of the reporting period/year. For a 2% increase/(decrease) in the following foreign currencies against Vietnam Dong, the Company's loss before tax in the period would decrease/(increase) VND 458,833,399, respectively (2013: VND 1,663,497,482).

**Interest rate risk management**

The Company does not have significant interest rate risks arising from interest bearing loans from Oceanbank and PVcombank because the interest expenses mainly incur from the long-term loans from PVcombank at the rate of 100% saving rate in the 12 months of postpaid VietcomBank at the time of adjusted rate plus entrust rate of 0.15%/year.

**Price risk management**

The Company purchases materials, equipments from local and foreign suppliers to build, maintain, refurbish drilling platforms. Therefore, the Company is exposed to the risk of changes in selling prices of materials, equipments. However, the Company has assessed the price risk concentration at low level because these materials and equipments are particular in Oil and Gas industry with no much price fluctuation.

**Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not have any significant credit risk exposure to any counterparty.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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*Liquidity risk management*

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Company believes can generate within that period. The Company policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

30/6/2014	Less than 1 year VND	From 1-5 year VND	Total VND
Cash and cash equivalents	743,945,530,627	-	743,945,530,627
Trade and other receivables	87,015,366,514	-	87,015,366,514
Deposits	6,021,820,479	-	6,021,820,479
<b>Total</b>	<b>836,982,717,620</b>	<b>-</b>	<b>836,982,717,620</b>
Trade and other payables	67,109,192,782	-	67,109,192,782
Borrowings	278,760,050,040	775,890,949,699	1,054,650,999,739
Accrued expenses	52,205,011,787	-	52,205,011,787
<b>Total</b>	<b>398,074,254,609</b>	<b>775,890,949,699</b>	<b>1,173,965,204,308</b>
<b>Net liquidity gap</b>	<b>438,908,463,011</b>	<b>(775,890,949,699)</b>	<b>(336,982,486,688)</b>
31/12/2013	Less than 1 year VND	From 1-5 year VND	Total VND
Cash and cash equivalents	766,437,653,703	-	766,437,653,703
Trade and other receivables	121,010,798,824	-	121,010,798,824
Deposits	2,646,168,490	-	2,646,168,490
<b>Total</b>	<b>890,094,621,017</b>	<b>-</b>	<b>890,094,621,017</b>
Trade and other payables	109,824,210,616	-	109,824,210,616
Borrowings	179,795,308,000	957,314,811,752	1,137,110,119,752
Accrued expenses	32,259,449,224	-	32,259,449,224
<b>Total</b>	<b>321,878,967,840</b>	<b>957,314,811,752</b>	<b>1,279,193,779,592</b>
<b>Net liquidity gap</b>	<b>568,215,653,177</b>	<b>(957,314,811,752)</b>	<b>(389,099,158,575)</b>

Owing to the largest amount of financial liabilities are borrowings from PVcomBank with the instalment payment schedule to 2018 basing on the Company's operating cashflows in the following years. Therefore, the Company has assessed the liquidity risk concentration at medium level.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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*These notes are an integral part of and should be read in conjunction with the financial statements*

## 32. RELATED PARTY TRANSACTIONS AND BALANCES

Beside the related party transactions and balances as stated in other Notes to the financial statements, during the period, the Company has significant related party transactions are as below:

**Remuneration paid to the Company's Boards of Management and Directors:**

	From 01/01/2014 to 30/6/2014 <u>VND</u>	From 01/01/2013 to 30/6/2013 <u>VND</u>
Salaries and bonus	2,500,103,746	1,292,715,750

The related parties' balances as at 30 June 2014 and 31 December 2013 are as follows:

	30/6/2014	31/12/2013
	<u>VND</u>	<u>VND</u>
<b>Dividend payables</b>		
Vietnam Shipbuilding Industry Group	2,239,628,500	2,239,628,500
Joint Venture Vietsovpetro	1,080,650,000	1,080,650,000

**Nguyen Phuong Huong**  
Preparer

Nguyen Van Quang  
Chief Accountant

**Phan Tu Giang**  
**General Director**  
*11 July 2014*