

**PETROVIETNAM MARINE SHIPYARD  
JOINT STOCK COMPANY**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**



**TABLE OF CONTENTS**

<b><u>CONTENTS</u></b>	<b><u>PAGE(S)</u></b>
STATEMENT OF THE BOARD OF EXECUTIVE OFFICERS	1
INDEPENDENT AUDITORS' REPORT	2 - 3
BALANCE SHEET	4 - 5
INCOME STATEMENT	6
CASH FLOW STATEMENT	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 27



## **STATEMENT OF THE BOARD OF EXECUTIVE OFFICERS**

The Board of Executive Officers of PetroVietnam Marine Shipyard Joint Stock Company (the "Company") presents this report together with the Company's financial statements for the year ended 31 December 2017.

### **THE BOARDS OF DIRECTORS AND EXECUTIVE OFFICERS**

The members of the Boards of Directors and Executive Officers of the Company who held office during the year and to the date of this report are as follows:

#### **Board of Directors**

Mr. Nguyen Quang Hieu	Chairman (appointed on 24 May 2017)
Mr. Phan Tu Giang	Chairman (resigned on 24 May 2017)
Mr. Nguyen Van Bao	Member (appointed on 24 May 2017)
Mr. Dong Quang Trieu	Member (appointed on 31 July 2017)
Mr. Le Hung	Member
Ms. Le Thi Kim Khuyen	Member
Mr. Tran Thien Le	Member (resigned on 31 July 2017)
Mr. Vu Minh Phu	Member
Mr. Nguyen Van Quang	Member

#### **Board of Executive Officers**

Mr. Nguyen Quang Hieu	Chief Executive Officer (appointed on 4 May 2017)
Mr. Le Hung	Chief Executive Officer (resigned on 4 May 2017)
Mr. Tran Quoc Thanh	Deputy Chief Executive Officer
Mr. Nguyen Nam Anh	Deputy Chief Executive Officer
Mr. Dao Do Khiem	Deputy Chief Executive Officer

### **BOARD OF EXECUTIVE OFFICERS' STATEMENT OF RESPONSIBILITY**

The Board of Executive Officers of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended 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 Executive Officers 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; and
- 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 Executive Officers 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 Executive Officers is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of Executive Officers,



\_\_\_\_\_  
Nguyễn Quang Hieu  
Chief Executive Officer  
9 March 2018

No: 322 /VN1A-HC-BC

## INDEPENDENT AUDITORS' REPORT

To: **The Shareholders  
The Boards of Directors and Executive Officers  
PetroVietnam Marine Shipyard Joint Stock Company**

We have audited the accompanying financial statements of PetroVietnam Marine Shipyard Joint Stock Company (the "Company"), prepared on 9 March 2018, as set out from page 4 to page 27, which comprise the balance sheet as at 31 December 2017, and the statement of income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Board of Executive Officers' Responsibility for the Financial Statements***

Board of Executive Officers is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as the Board of Executive Officers determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Executive Officers, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Auditors' Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

## INDEPENDENT AUDITORS' REPORT (Continued)

### Emphasis of Matter

We would like to draw attention to Note 2 of Notes to the financial statements. As at 31 December 2017, the Company reported significant accumulated loss of VND 673,638,188,233 and as of that date, the Company's total current liabilities exceeded its total current assets by VND 227,170,595,870. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The plans of the Board of Executive Officers related to this matter have been disclosed at Note 2.

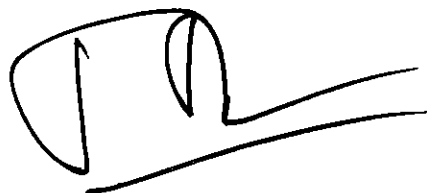
We would like to draw attention to adjustments mentioned in Note 4 of Notes to the financial statements, in the year ended 31 December 2017, the Board of Executive Officers has assessed and retrospectively recognized the warranty provision according to the warranty clause of Tam Dao 05 Drilling Rig Contract No. 0885/13/T-N4/KB-PVShipyards dated 19 November 2013 that the Company had completed and handed over to customer on 1 November 2016. This matter is qualified in our independent auditors' report dated 17 March 2017.

We also draw attention to Note 4 of Notes to the financial statements, describing the retrospective adjustments of certain figures relating to the Company's financial statements for the year ended 31 December 2016.

Our audit opinion is not modified in respect of these matters.



  
**Nguyen Quang Trung**  
**Audit Partner**  
Audit Practising Registration Certificate  
No. 0733-2018-001-1  
**BRANCH OF DELOITTE VIETNAM  
COMPANY LIMITED**  
9 March 2018  
Ho Chi Minh City, S.R. Vietnam



**Dao Thai Thinh**  
**Auditor**  
Audit Practising Registration Certificate  
No. 1867-2018-001-1

**BALANCE SHEET**  
*As at 31 December 2017*

Unit: VND

<b>ASSETS</b>	<b>Codes</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance (Restated)</b>
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>386,704,509,389</b>	<b>1,187,250,810,881</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>44,027,098,367</b>	<b>194,601,120,979</b>
1. Cash	111		44,027,098,367	74,601,120,979
2. Cash equivalents	112		-	120,000,000,000
<b>II. Short-term financial investments</b>	<b>120</b>		<b>14,052,309,692</b>	<b>913,634,631</b>
1. Held-to-maturity investments	123	6	14,052,309,692	913,634,631
<b>III. Short-term receivables</b>	<b>130</b>		<b>262,217,470,195</b>	<b>880,430,407,241</b>
1. Short-term trade receivables	131	7	142,477,351,676	769,015,581,021
2. Short-term advances to suppliers	132		3,834,876,576	2,037,874,152
3. Receivables from construction contracts under percentage of completion method	134	8	13,705,372,702	-
4. Other short-term receivables	136	9	102,199,869,241	109,376,952,068
<b>IV. Inventories</b>	<b>140</b>	<b>10</b>	<b>64,197,458,494</b>	<b>96,276,185,322</b>
1. Inventories	141		81,200,381,195	108,940,228,436
2. Provision for devaluation of inventories	149		(17,002,922,701)	(12,664,043,114)
<b>V. Other short-term assets</b>	<b>150</b>		<b>2,210,172,641</b>	<b>15,029,462,708</b>
1. Short-term prepayments	151	11	1,043,341,675	9,837,962,668
2. Value added tax deductibles	152		1,166,830,966	4,446,984,926
3. Taxes and other receivables from the State budget	153	12	-	744,515,114
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>603,961,694,318</b>	<b>657,347,687,602</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>482,497,618,862</b>	<b>530,161,009,010</b>
1. Tangible fixed assets	221	13	467,183,879,525	503,512,518,140
- Cost	222		1,271,120,297,309	1,279,704,887,200
- Accumulated depreciation	223		(803,936,417,784)	(776,192,369,060)
2. Intangible assets	227	14	15,313,739,337	26,648,490,870
- Cost	228		74,470,914,895	73,988,918,145
- Accumulated amortisation	229		(59,157,175,558)	(47,340,427,275)
<b>II. Long-term assets in progress</b>	<b>240</b>		<b>-</b>	<b>481,996,750</b>
1. Long-term construction in progress	242		-	481,996,750
<b>III. Other long-term assets</b>	<b>260</b>		<b>121,464,075,456</b>	<b>126,704,681,842</b>
1. Long-term prepayments	261	11	121,464,075,456	126,704,681,842
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>990,666,203,707</b>	<b>1,844,598,498,483</b>

The accompanying notes are an integral part of these financial statements

**BALANCE SHEET (Continued)**  
As at 31 December 2017

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance (Restated)
<b>C. LIABILITIES</b>	<b>300</b>		<b>1,046,757,899,197</b>	<b>1,795,203,136,890</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>613,875,105,259</b>	<b>1,279,256,561,264</b>
1. Short-term trade payables	311	15	267,177,266,661	278,547,482,381
2. Short-term advances from customers	312	16	6,656,783,777	120,053,478,663
3. Taxes and amounts payable to the State budget	313	12	6,683,219,234	1,237,639,645
4. Payables to employees	314		3,295,641,421	5,868,831,301
5. Short-term accrued expenses	315	17	101,691,258,483	70,643,106,598
6. Payables relating to construction contracts under percentage of completion method	317	18	5,351,161,360	-
7. Short-term unearned revenue	318		-	8,545,082,343
8. Other current payables	319	19	20,527,144,768	24,761,881,134
9. Short-term loans	320	20	195,000,000,000	767,615,397,603
10. Short-term provisions	321	22	6,803,467,959	-
11. Bonus and welfare funds	322		689,161,596	1,983,661,596
<b>II. Long-term liabilities</b>	<b>330</b>		<b>432,882,793,938</b>	<b>515,946,575,626</b>
1. Long-term loans	338	21	430,104,449,097	508,104,449,097
2. Long-term provisions	342	22	2,778,344,841	7,842,126,529
<b>D. EQUITY</b>	<b>400</b>		<b>(56,091,695,490)</b>	<b>49,395,361,593</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>23</b>	<b>(76,142,596,770)</b>	<b>15,961,870,601</b>
1. Owners' contributed capital	411		594,897,870,000	594,897,870,000
- Ordinary shares carrying voting rights	411a		594,897,870,000	594,897,870,000
2. Other owners' capital	414		2,597,721,463	2,597,721,463
3. Accumulated losses	421		(673,638,188,233)	(581,533,720,862)
- Losses accumulated to the prior year end	421a		(581,533,720,862)	(137,035,445,225)
- Loss of the current year	421b		(92,104,467,371)	(444,498,275,637)
<b>II. Other resources and funds</b>	<b>430</b>	<b>24</b>	<b>20,050,901,280</b>	<b>33,433,490,992</b>
1. Subsidised funds	431		4,974,210,722	7,144,178,934
2. Funds for fixed assets acquisition	432		15,076,690,558	26,289,312,058
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>990,666,203,707</b>	<b>1,844,598,498,483</b>

Pham Van Dau  
Preparer

Dinh Hong Nhung  
Acting Chief Accountant



Nguyễn Quang Hiếu  
General Director  
9 March 2018

**INCOME STATEMENT**

*For the year ended 31 December 2017*

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year (Restated)
1. Gross revenue from services rendered	01		352,794,758,925	1,472,772,198,124
2. Net revenue from services rendered (10=01)	10	27	352,794,758,925	1,472,772,198,124
3. Cost of services rendered	11	28	376,740,219,251	1,791,983,860,878
4. Losses from services rendered (20=10-11)	20		(23,945,460,326)	(319,211,662,754)
5. Financial income	21	30	5,985,330,236	13,657,252,609
6. Financial expenses	22	31	60,477,677,676	75,565,405,580
- In which: Interest expense	23		58,542,748,571	63,097,115,410
7. General and administration expenses	26	32	18,491,831,950	24,326,427,650
8. Operating losses (30=20+(21-22)-26)	30		(96,929,639,716)	(405,446,243,375)
9. Other income	31		21,998,568,058	5,940,362,519
10. Other expenses	32		17,173,395,713	41,718,994,781
11. Profit/(loss) from other activities (40=31-32)	40	33	4,825,172,345	(35,778,632,262)
12. Losses before tax (50=30+40)	50		(92,104,467,371)	(441,224,875,637)
13. Corporate income tax expense	51	34	-	-
14. Deferred corporate tax expense	52		-	3,273,400,000
15. Losses after tax (60=50-51-52)	60		(92,104,467,371)	(444,498,275,637)
16. Basic losses per share	70	35	(1,548)	(7,472)

Pham Van Dau  
Preparer

Dinh Hong Nhung  
Acting Chief Accountant



Nguyen Quang Hieu  
General Director  
9 March 2018




**CASH FLOW STATEMENT**  
For the year ended 31 December 2017

Unit: VND

ITEMS	Codes	Current year	Prior year (Restated)
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Losses before tax	01	(92,104,467,371)	(441,224,875,637)
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	37,052,765,398	41,674,750,654
Provisions	03	(724,902,101)	19,696,043,114
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(2,430,146,994)	7,953,912,337
Gain from Investing activities	05	(3,072,251,150)	(3,923,016,096)
Interest expense	06	58,542,748,571	63,097,115,410
3. Operating Losses before movements in working capital	08	(2,736,253,647)	(312,726,070,218)
Changes in receivables	09	624,561,056,305	(625,043,879,393)
Changes in Inventories	10	27,739,847,241	702,718,347,911
Changes in payables	11	(123,016,388,465)	(18,205,134,601)
Changes in prepaid expenses	12	14,035,227,379	(927,584,960)
Interest paid	14	(12,551,121,012)	(64,550,528,710)
Other cash inflows	16	14,500,000,000	44,092,500,000
Other cash outflows	17	(17,964,468,212)	(7,535,478,448)
Net cash generated by/(used in) operating activities	20	524,567,899,589	(282,177,828,419)
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition of fixed assets	21	(14,096,600,260)	(1,393,882,850)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	914,665,477	-
3. Cash outflow for lending, buying debt instruments of other entities	23	(14,052,309,692)	(913,634,631)
4. Cash recovered from lending, selling debt instruments of other entities	24	913,634,631	-
5. Interest earned	27	2,157,585,673	3,923,016,096
Net cash (used in)/generated by Investing activities	30	(24,163,024,171)	1,615,498,615
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	-	698,730,265,976
2. Repayment of borrowings	34	(650,615,397,603)	(703,107,592,500)
3. Dividend paid	36	(361,571,400)	(848,694,300)
Net cash used in financing activities	40	(650,976,969,003)	(5,226,020,824)
Net decrease in cash (50=20+30+40)	50	(150,572,093,585)	(285,788,350,628)
Cash and cash equivalents at the beginning of the year	60	194,601,120,979	479,440,036,807
Effects of changes in foreign exchange rates	61	(1,929,027)	949,434,800
Cash and cash equivalents at the end of the year (70=50+60+61)	70	44,027,098,367	194,601,120,979

  
Pham Van Dau  
Preparer

  
Dinh Hong Nhung  
Acting Chief Accountant

  
Nguyen Quang Hieu  
General Director  
9 March 2018

**NOTES TO THE FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION****Structure of ownership**

PetroVietnam Marine Shipyard Joint Stock Company ("the Company") was incorporated in Vietnam under Business 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 31 December 2017 was 358 (as at 31 December 2016: 522).

**Principal activities**

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

**Normal production and business cycle**

The principal activities of the Company are to build, maintain oil platforms, floating devices, the normal production and business cycle is carried out accordingly to the timing for building and maintaining, upon projects, normally for a time period from 1 to 3 year for building and of 12 months or less for maintaining.

**Disclosure of Information comparability in the financial statements**

Comparative figures are the figures of the restated audited financial statements for the year ended 31 December 2016. The retrospective adjustments of certain figures relating to the Company's financial statements represents at Note 4.

**Significant events during the financial year**

On 29 December 2017, the Company's shares were officially traded on UPCoM with the stock code PVY according to the Announcement No. 1660/TB-SGDHN issued by Hanoi Stock Exchange dated 22 December 2017.

**2. ACCOUNTING CONVENTION AND ACCOUNTING 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.

As at 31 December 2017, the Company reported significant accumulated losses of VND 673,638,188,233 (as at 31 December 2016 was VND 581,533,720,862) and as of that date, the Company's total current liabilities exceeded its total current assets by VND 227,170,595,870 (as at 31 December 2016 was VND 92,005,750,383). In view thereof, the Company's ability to continue its business as a going concern is dependent upon its ability to generate sufficient cash flows. The Board of Executive Officers believes that the operation will continue with contracts signed and being conducted in upcoming years and generate sufficient funds to meet its financial obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

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.

**Accounting year**

The Company's financial year begins on 1 January and ends on 31 December.

**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 Executive Officers to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Executive Officers' best knowledge, actual results may differ from those estimates.

**Financial Instruments**

***Initial recognition***

*Financial assets:* At the date of initial recognition, financial assets are recognised 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, held-to-maturity investments, trade and other receivables.

*Financial liabilities:* At the date of initial recognition financial liabilities are recognised 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***

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.

**Financial investments**

***Held-to-maturity investments***

Held-to-maturity investments comprise term deposits that the Company has the positive intent or ability to hold to maturity. Post-acquisition interest income from bank deposit is recognised in the income statement on accrual basis. Held-to-maturity investments are measured at cost less any impairment. Impairment of held-to-maturity investments is made in accordance with prevailing accounting regulations.

**Receivables**

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less 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 cost of purchases and other directly attributable expenses. 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 marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

### **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 tangible fixed assets formed from construction investment by contractual mode or self-construction or self-generating process are the settled costs of the invested construction projects in accordance with the prevailing state's regulations on investment and construction management, directly-related expenses and registration fee (if any). In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognised at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities.

Tangible fixed assets are depreciated using the straight-line method over their following estimated useful lives as follows:

	<u>Years</u>
Buildings structures	5 - 40
Machinery, equipment	5 - 7
Office equipment	3 - 15
Motor vehicles	6 - 20
Equipment formed from Subsidised funds	2 - 3
Others	3

### **Leases**

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.

### **Intangible assets and amortisation**

Intangible assets represent computer software and vessel designing software formed from subsidised funds that are stated at cost less accumulated amortisation. Computer software and vessel designing software formed from subsidised funds which are not part of the related hardware, the relevant purchase price will be capitalized and recorded as intangible assets. Computer software and vessel designing software formed from subsidised funds are amortized using straight-line method from 3 to 5 years.

### **Construction in progress**

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs and other expenses 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.

### **Prepayments**

Prepayments are expenses which have already been paid but relate to results of operations of multiple financial years. 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 prepayments comprise costs of land clearance and tools which are expected to provide future economic benefits to the Company for more than 1 year. These expenditures have been capitalised as prepayments, and are allocated to the income statement using the straight-line method in accordance with the current prevailing accounting regulations.

### **Payable Provisions**

Payable 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 Executive officers' best estimate of the expenditure required to settle the obligation as at the balance sheet date.

### **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 years, revenue is recognised in each year by reference to the percentage of completion of the transaction at the balance sheet date of that year. 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 (see below).

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. The stage of completion of the contract activity at the balance sheet date is determined by one of the following methods: (a) Percentage of costs of the work volume completed at a certain time on the total estimated costs of the contract; (b) appraisal of the completed work volume; (c) percentage of the completed construction and installation volume on the total construction and installation volume which must be completed under the contract.

For fixed price construction contracts, the contract results shall be reliably estimated when the following four (4) conditions are simultaneously met:

- (a) Total contract revenue can be calculated reliably;
- (b) It is probable that the economic benefits associated with the contract will flow to the entity;
- (c) Both the contract costs to complete the contract and the stage of contract completion at the end of the reporting year can be calculated reliably;
- (d) The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with the total cost estimates.

In addition, the Company must regularly review and, when necessary, revise the estimates of contract revenue and contract costs as the contract progresses.

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, then no profit is recognised, even if the outcome of a construction contract may exceed the total contract revenue.

### **Foreign currencies**

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances 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 arising from the translation of these accounts are recognised in the income statement.

### **Borrowing costs**

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No.16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

### **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 year. Taxable profit differs from profit before tax 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 year 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 tax authority and the company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is 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.

## **4. RESTATEMENT**

During the financial year ended 31 December 2017, the Board of Executive officers decided to retrospectively adjust certain figures of the financial statements for the year ended 31 December 2016. These adjustments relate to the warranty provision and penalty on late delivery of the construction of Tam Dao 05 Drilling Rig Project according to Contract No. 0885/13/T-N4/KB-PVShipyard dated 19 November 2013 in the year 2016. The effects of these retrospective adjustments on the financial statements for the year ended 31 December 2016 are as follows:

Balance sheet as at 31 December 2016

Unit: VND

Items	Code	Opening balance (Reported)	Adjustment	Opening balance (Restated)
1. Short-term accrued expenses	315	46,946,706,598	23,696,400,000	70,643,106,598
2. Long-term provisions	342	810,126,529	7,032,000,000	7,842,126,529
3. (Loss) of the current year/prior year	421b	(413,769,875,637)	(30,728,400,000)	(444,498,275,637)

**Income statement for the year ended 31 December 2016**

Unit: VND

Items	Code	Prior year (Reported)	Adjustment	Prior year (Restated)
1. Cost of services rendered	11	1,784,951,860,878	7,032,000,000	1,791,983,860,878
2. Other Income	32	18,022,594,781	23,696,400,000	41,718,994,781
3. Loss after tax	60	(413,769,875,637)	30,728,400,000	(444,498,275,637)
4. Basic earnings per share	35	(6,955)	(517)	(7,472)

**Cash flow statement for the year ended 31 December 2016**

Unit: VND

Items	Code	Prior year (Reported)	Adjustment	Prior year (Restated)
1. Losses before tax	01	(410,496,475,637)	(30,728,400,000)	(441,224,875,637)
2. Provisions	03	12,664,043,114	7,032,000,000	19,696,043,114
3. Change in payables	11	(41,901,534,601)	23,696,400,000	(18,205,134,601)

**5. CASH AND CASH EQUIVALENTS**

	Closing balance VND	Opening balance VND
Cash on hand	262,686,029	764,934,019
Demand deposits	43,764,412,338	73,836,186,960
Cash equivalents	-	120,000,000,000
	<b>44,027,098,367</b>	<b>194,601,120,979</b>

Term deposit with an amount of VND 2,625,144,574 were deposited at Joint Stock Commercial Bank for Investment and Development of Vietnam – Ba Ria Vung Tau Branch as security for payment guarantee for projects during year.

**6. HELD-TO-MATURITY INVESTMENTS**

Held-to-maturity investments as at 31 December 2017 represent time deposits at commercial banks with a period from 5 months to 12 months and interest rates ranged from 5% to 6.3% per annum (2016: 4.3% to 5.2% per annum).

The Company has pledged a 12-month deposit amounting to VND 7,191,862,992 at Military Commercial Joint Stock Bank to secure for payment guarantee for Construction of Tam Dao 05 Drilling Rig and a 5-month deposit amounting to VND 4,560,446,700 at Joint Stock Commercial Bank for Investment and Development of Vietnam – Ba Ria Vung Tau Branch to secure for Salmon barges.

**7. SHORT-TERM TRADE RECEIVABLES**

	Closing balance VND	Opening balance VND
<b>a. Receivables from related parties</b> (see Note 37)	-	<b>745,226,226,582</b>
<b>b. Receivables from others</b>	<b>142,477,351,676</b>	<b>23,789,354,439</b>
Project management board of DKI Construction	127,616,490,000	-
PTSC Mechanical and Construction Limited Company	3,859,350,489	12,046,979,817
TJS Technical service & Construction Joint Stock Company	4,125,061,521	3,604,665,633
Stensvik Company Limited	2,638,046,707	-
Strategic Marine Company Limited	440,387,200	-
Sao Mai - Ben Dinh Petroleum Investment Joint Stock Company	494,740,767	1,455,026,764
Other receivables	3,303,274,992	6,682,682,225
	<b>142,477,351,676</b>	<b>769,015,581,021</b>

**8. RECEIVABLES FROM CONSTRUCTION CONTRACTS**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Construction of Salmon barges	6,042,680,940	-
Construction of Daman	3,191,289,710	-
Nghi Son Shipbuilding Project	4,471,402,052	-
	<b>13,705,372,702</b>	<b>-</b>

**9. OTHER SHORT-TERM RECEIVABLES**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Receivable from employees	1,024,629,340	84,438,808
Short-term deposits	-	27,000,000
Other receivables		
- PetroVietnam Securities Incorporated (*)	14,262,926,745	14,606,419,575
- Custom Department Ba Ria-Vung Tau Province (**)	84,183,857,345	89,948,853,752
- PetroVietnam Insurance Company (PVI) Vung Tau Branch	-	2,156,727,272
- Other receivables	2,728,455,811	2,553,512,661
	<b>102,199,869,241</b>	<b>109,376,952,068</b>

(\*) Short-term receivable from PetroVietnam Securities Incorporated ("PSI") as at 31 December 2017 presents the actual dividend amounts transferred to PSI but PSI has not made the payment to the Company's shareholders.

(\*\*) Short-term receivable from Custom Department Ba Ria - Vung Tau Province represents Import tax, Import value added tax of equipment declared for refund relating to Tam Dao 05 project.

**10. INVENTORIES**

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Goods in transit	51,985,200	-	20,939,526,472	-
Raw materials	64,623,746,766	17,002,922,701	73,664,066,245	12,664,043,114
Tools and supplies	3,274,398,253	-	4,763,524,275	-
Work on progress	13,250,250,976	-	9,573,111,444	-
	<b>81,200,381,195</b>	<b>17,002,922,701</b>	<b>108,940,228,436</b>	<b>12,664,043,114</b>

During the year, the Company has made provision with an amount of VND 4,338,879,587 (2016: VND 12,664,043,114) for devaluation of slow-moving inventories. This is provision for inventories that were bought for Tam Dao 05 project but have not been used yet. According to the Board of Executive Officers' assessment, these inventories cannot be able to use for other projects in future.



**11. PREPAYMENTS**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>a. Short-term</b>		
Tools	5,718,750	42,004,952
Others	<u>1,037,622,925</u>	<u>9,795,957,716</u>
	<b><u>1,043,341,675</u></b>	<b><u>9,837,962,668</u></b>
<b>b. Long-term</b>		
Land rental (*)	119,568,900,568	122,650,457,764
Tools	935,178,083	1,880,022,655
Others	<u>959,996,805</u>	<u>2,174,201,423</u>
	<b><u>121,464,075,456</u></b>	<b><u>126,704,681,842</u></b>

(\*) Land rental presents the land lease in PTSC port 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 office, factory and warehouse for business purpose. The lease term is from the date of signing the handover minutes until 31 December 2057.

**12. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET**

	<u>Opening balance</u>	<u>Receivable/Payable</u>	<u>Received/Paid</u>	<u>Closing balance</u>
	VND	during the year	during the year	VND
		VND	VND	
<b>a. Receivables</b>				
Import tax	138,222,014	142,782,108	(281,004,122)	-
Value added tax	<u>606,293,100</u>	-	<u>(606,293,100)</u>	-
	<b><u>744,515,114</u></b>	<b><u>142,782,108</u></b>	<b><u>(887,297,222)</u></b>	<b><u>-</u></b>
<b>b. Payables</b>				
Value added tax	-	5,967,487,169	(606,293,100)	5,361,194,069
Personal income tax	296,622,334	1,337,811,009	(1,589,273,266)	45,160,077
Foreign contractor withholding tax	<u>941,017,311</u>	<u>2,611,216,676</u>	<u>(2,275,368,899)</u>	<u>1,276,865,088</u>
	<b><u>1,237,639,645</u></b>	<b><u>9,916,514,854</u></b>	<b><u>(4,470,935,265)</u></b>	<b><u>6,683,219,234</u></b>

**PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FORM B 09a-DN**

**13. TANGIBLE FIXED ASSETS**

	Buildings, structures	Machinery, equipment	Motor vehicles	Office equipment	Assets formed from subsidised funds	Others	Total
	VND	VND	VND	VND	VND	VND	VND
<b>COST</b>							
Opening balance	737,699,245,400	120,122,402,553	397,516,923,844	10,371,363,961	3,850,699,617	10,144,251,825	1,279,704,887,200
Additions	-	120,000,000	-	-	-	-	120,000,000
Disposal	-	-	(2,734,439,213)	-	-	-	(2,734,439,213)
Adjustment due to stock take report	-	(839,726,899)	-	(62,220,779)	-	(5,068,203,000)	(5,970,150,678)
Closing balance	<b>737,699,245,400</b>	<b>119,402,675,654</b>	<b>394,782,484,631</b>	<b>10,309,143,182</b>	<b>3,850,699,617</b>	<b>5,076,048,825</b>	<b>1,271,120,297,309</b>
<b>ACCUMULATED DEPRECIATION</b>							
Opening balance	460,249,386,447	91,963,543,456	202,318,275,906	9,372,943,337	3,518,646,851	8,769,573,063	776,192,369,060
Charge for the year	15,798,983,296	3,841,124,136	15,823,313,508	408,581,397	131,121,744	445,514,534	36,448,638,615
Disposal	-	-	(2,734,439,213)	-	-	-	(2,734,439,213)
Adjustment due to stock take report	-	(839,726,899)	-	(62,220,779)	-	(5,068,203,000)	(5,970,150,678)
Closing balance	<b>476,048,369,743</b>	<b>94,964,940,693</b>	<b>215,407,150,201</b>	<b>9,719,303,955</b>	<b>3,649,768,595</b>	<b>4,146,884,597</b>	<b>803,936,417,784</b>
<b>NET BOOK VALUE</b>							
Opening balance	<b>277,449,858,953</b>	<b>28,158,859,097</b>	<b>195,198,647,938</b>	<b>998,420,624</b>	<b>332,052,766</b>	<b>1,374,678,762</b>	<b>503,512,518,140</b>
Closing balance	<b>261,650,875,657</b>	<b>24,437,734,961</b>	<b>179,375,334,430</b>	<b>589,839,227</b>	<b>200,931,022</b>	<b>929,164,228</b>	<b>467,183,879,525</b>

As presented in Note 21, the Company has pledged the constructions and assets, equipments associated to constructions, assets formed in the future and associated to the project, machineries and equipments have been built, purchased, associated or located at site of Sao Mai Ben Dinh port No. 65A2, 30/4 Street, Thang Nhat Ward, Vung Tau City with the carrying amount as at 31 December 2017 was VND 467,183,879,525 (as at 31 December 2016 was VND 503,512,518,140) to secure the loans.

As at 31 December 2017, the cost of the Company's tangible fixed assets includes an amount of VND 91,575,907,415 (as at 31 December 2016: VND 66,942,409,556) in respect of fully depreciated assets which are still in use.

**14. INTANGIBLE ASSETS**

	Computer Software VND	Software formed from subsidised funds VND	Total VND
<b>COST</b>			
Opening balance	17,966,543,935	56,022,374,210	73,988,918,145
Transfer from construction in progress	481,996,750	-	481,996,750
Closing balance	18,448,540,685	56,022,374,210	74,470,914,895
<b>ACCUMULATED AMORTISATION</b>			
Opening balance	17,291,544,996	30,048,882,279	47,340,427,275
Charge for the year	735,248,527	11,081,499,756	11,816,748,283
Closing balance	18,026,793,523	41,130,382,035	59,157,175,558
<b>NET BOOK VALUE</b>			
Opening balance	674,998,939	25,973,491,931	26,648,490,870
Closing balance	421,747,162	14,891,992,175	15,313,739,337

As at 31 December 2017, the cost of the Company's Intangible assets includes an amount of VND 41,100,298,145 (as at 31 December 2016: VND 35,269,773,145) in respect of fully depreciated assets which are still in use.

**15. SHORT-TERM TRADE PAYABLES**

	Closing balance		Opening balance	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
<b>a. Payable to related parties</b> (see Note 37)	45,540,000	45,540,000	1,204,147,017	1,204,147,017
<b>b. Payable to others</b>	267,131,726,661	267,131,726,661	277,343,335,364	277,343,335,364
National Oilwell Varco LP	103,419,731,039	103,419,731,039	103,193,478,535	103,193,478,535
Oakwell Engineering Vietnam Company Limited	10,904,715,270	10,904,715,270	16,115,610,413	16,115,610,413
IPC Sai Gon Steel Company Limited	12,243,761,797	12,243,761,797	-	-
Petrovietnam Coating Joint Stock Company	11,012,366,173	11,012,366,173	-	-
Sao Mai Ben Dinh Petroleum Investment Joint Stock Company	8,015,080,096	8,015,080,096	10,983,700,724	10,983,700,724
Other suppliers	121,536,072,286	121,536,072,286	147,050,545,692	147,050,545,692
	<b>267,177,266,661</b>	<b>267,177,266,661</b>	<b>278,547,482,381</b>	<b>278,547,482,381</b>

**16. ADVANCES FROM CUSTOMERS**

	Closing balance VND	Opening balance VND
Petro Vietnam Construction Joint Stock Corporation	5,053,478,663	5,053,478,663
Project management board of DKI Construction	-	115,000,000,000
Petro Viet Nam Technical Services Corporation - Project management board of Long Phu Thermal	1,201,770,662	-
Others	401,534,452	-
	<b>6,656,783,777</b>	<b>120,053,478,663</b>

**17. SHORT-TERM ACCRUED EXPENSES**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	(Restated) VND
Loan interest expense	67,485,645,629	21,494,018,070
Service cost of Project DKI/19 (P14)	15,247,754,754	-
Compensation of Tam Dao 05 Project	-	23,696,400,000
Expenses for construction (projects XL2)	7,018,078,517	7,018,078,517
Cost of Ca Hol Project	4,161,997,365	-
Cost of Nghi Son Project	2,716,508,667	-
Provision for BOP cost - Tam Dao 03	-	11,357,500,000
Leave allowance	2,714,997,782	-
Others	2,346,275,769	7,077,110,011
	<b>101,691,258,483</b>	<b>70,643,106,598</b>

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

Payables relating to construction contracts represent the payables to Project Management Board of DKI Platform Project relating to the preparing, upgrading the P14 Construction in the exclusive economic zone and continental shelf of Vietnam, based on the difference between the progress billing and the accumulated amount of work completed at the reporting preparation.

**19. OTHER SHORT-TERM PAYABLES**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Dividend payable	18,463,989,700	18,825,561,100
Others	2,063,155,068	5,936,320,034
	<b>20,527,144,768</b>	<b>24,761,881,134</b>

**20. SHORT-TERM LOANS**

	<u>Opening balance</u>		<u>During the year</u>		<u>Closing balance</u>	
	Amount VND	Amount able to be paid off VND	Increases VND	Decrease VND	Amount VND	Amount able to be paid off VND
Short-term loans	650,615,397,603	650,615,397,603	-	(650,615,397,603)	-	-
Current portion of long-term loans (see Note 21)	117,000,000,000	117,000,000,000	78,000,000,000	-	195,000,000,000	195,000,000,000
	<b>767,615,397,603</b>	<b>767,615,397,603</b>	<b>78,000,000,000</b>	<b>(650,615,397,603)</b>	<b>195,000,000,000</b>	<b>195,000,000,000</b>

**21. LONG-TERM LOANS**

	<u>Opening balance</u>		<u>During the year</u>		<u>Closing balance</u>	
	Amount VND	Amount able to be paid off VND	Increases VND	Decreases VND	Amount VND	Amount able to be paid off VND
Long-term loans	508,104,449,097	508,104,449,097	-	(78,000,000,000)	430,104,449,097	430,104,449,097

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"). These loans are secured by the machineries, equipments of the Company according to the Mortgage Contract No. 03/2013/HĐTC-TCDK-CNVT.TD&QLTD dated 27 September 2013 (refer to Note 13). These loans include two credit facilities:

- Credit contract No. 11/2011/HĐTDUT/TCDK-CNVT.TD dated 17 May 2011 with the amount of VND 641 billion for payment of investment cost of project "Building and maintaining oil rig platforms". The loan term 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/HĐTDUT/TCDK-CNVT.TD. This loan was fully disbursed in 2011.

- Credit contract No. 07/HDTDUT/TC DK-CNV.TD dated 18 March 2011 with the maximum amount of VND 250 billion for payment of investment cost of project "Building and maintaining oil rig platforms". Interest of loan is the same with interest rate from economics entities with the term of 12 months of PVcomBank plus 5% per annum for loans disbursed before 6 October 2011 and 14.2% per annum for loans disbursed after 6 October 2011. The loan term is starting from the date PetroVietnam transfers its entrusted fund to PVFC to the date 6 April 2012.

On 9 May 2013, the Company entered into two Appendixes of two Credit contract No. 02/07/HDTDUT/TC DK-CNV.TD and Credit contract No. 02/11/2011/HDTDUT/TC DK-CNV.TD. Thereon, these two loans will be rescheduled and 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 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% p.a.).

On 29 June 2015, the Company additionally entered into two Appendixes of two Agreement No. 02/07/HDTDUT/TC DK-CNV.TD and Agreement No. 02/11/2011/HDTDUT/TC DK-CNV.TD. Accordingly, the remaining balance will be repaid until 30 June 2024. The outstanding balance as at 31 December 2017 was VND 625,104,449,097 (as at 31 December 2016 was VND 625,104,449,097).

Long-term loans are repayable as follows:

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
On demand or within one year	195,000,000,000	117,000,000,000
In the second year	78,000,000,000	78,000,000,000
In the third to fifth year inclusive	234,000,000,000	234,000,000,000
After five years	118,104,449,097	196,104,449,097
	<b>625,104,449,097</b>	<b>625,104,449,097</b>
Less: Amount due for settlement within 12 months (presents at Note 20)	(195,000,000,000)	(117,000,000,000)
<b>Amount due for settlement after 12 months</b>	<b>430,104,449,097</b>	<b>508,104,449,097</b>

## 22. LONG-TERM PROVISION

	<u>Closing balance</u> VND	<u>Opening balance</u> (Restated) VND
<b>a. Short-term</b>		
Warranty provision for Tam Dao 05 Rig	6,803,467,959	-
<b>b. Long-term</b>		
Warranty provision for Tam Dao 05 Rig	-	7,032,000,000
Warranty provision for DKI/19 Project	2,152,092,841	-
Severance allowance	626,252,000	810,126,529
	<b>2,778,344,841</b>	<b>7,842,126,529</b>

In 2016, the Company completed the construction of Tam Dao 05 Drilling Rig and handed over to its customer on 1 November 2016. According to the warranty clause of Tam Dao 05 Drilling Rig Contract No. 0885/13/T-N4/KB-PVShipyards dated 19 November 2013, the Company has responsibility for rig warranty within 24 months from the date of handed over of the rig. Basically, the warranty work comprises two main parts as follows:

- The first part is for equipments, the warranty responsibility will be done by the equipment suppliers as "back to back" contractors, so the Company will not bear warranty costs if equipments are damaged.

- The second is construction work implemented by the Company. According to the Company's experience on operation of Tam Dao 03 Drilling Rig in the past, the probability of mechanical failure of construction work is assessed at low level. The Board of Executive Officers assessed and recognized the warranty provision at the rate of 0.5% of construction work.

**23. OWNERS' EQUITY**

**Movement in owners' equity**

	Owners' contributed capital VND	Other owners' capital VND	Accumulated losses VND	Total VND
Prior year's opening balance	594,897,870,000	2,597,721,463	(137,035,445,225)	460,460,146,238
Loss during the year	-	-	(444,498,275,637)	(444,498,275,637)
<b>Current year's opening balance (Restated)</b>	<b>594,897,870,000</b>	<b>2,597,721,463</b>	<b>(581,533,720,862)</b>	<b>15,961,870,601</b>
Loss during the year	-	-	(92,104,467,371)	(92,104,467,371)
<b>Current year's closing balance</b>	<b>594,897,870,000</b>	<b>2,597,721,463</b>	<b>(673,638,188,233)</b>	<b>(76,142,596,770)</b>

**Shares**

	<u>31/12/2017</u> Shares	<u>31/12/2016</u> Shares
- Shares authorised to be issued to the public	59,489,787	59,489,787
- Shares Issued	59,489,787	59,489,787
- Shares are currently traded	<u>59,489,787</u>	<u>59,489,787</u>

The Company has one class of ordinary share which carries 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:

		<u>31/12/2017</u>	<u>31/12/2016</u>
	%	Shares	Amount(VND)
PetroVietnam Technical Services Corporation	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
Vietsovpetro Joint Venture	3.63	2,161,300	21,613,000,000
LILAMA	4.03	2,400,000	24,000,000,000
Others	52.03	30,943,587	309,435,870,000
	<b>100</b>	<b>59,489,787</b>	<b>594,897,870,000</b>

**24. OTHER RESOURCES AND FUNDS**

	Subsidised funds VND
<b>As at the beginning of the year</b>	<b>33,433,490,992</b>
- Subsidised funds	7,144,178,934
- Funds for fixed assets acquisition	26,289,312,058
<b>Increase in the year</b>	<b>14,500,000,000</b>
- Received subsidised funds from Science and Technology Development fund from the State budget	14,500,000,000
<b>Decrease in the year:</b>	<b>(27,882,589,712)</b>
- Subsidised funds	(16,669,968,212)
<i>In which: forming in fixed assets</i>	-
<i>In which: fund usage</i>	(16,669,968,212)
- Funds for fixed assets acquisition	(11,212,621,500)
<i>In which: depreciation in the year</i>	(11,212,621,500)
<b>As at the end of the year</b>	<b>20,050,901,280</b>
- Subsidised funds	4,974,210,722
- Funds for fixed assets acquisition	15,076,690,558

**25. OFF BALANCE SHEET ITEMS**

	<u>Closing balance</u>	<u>Opening balance</u>
Foreign currencies		
United States Dollar ("USD")	738,220	2,424,599
Euro ("EUR")	<u>2,467</u>	<u>2,467</u>

**26. BUSINESS AND GEOGRAPHICAL SEGMENT**

Principal activities of the Company are to build, maintain and refurbish drilling rig platforms, oil rig platforms, ships, floating devices and related equipment. During the year, 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 31 December 2017 and all its revenue, expenses in the Income statement for ended 31 December 2017 are related to its principal activities. In geography, the Company mainly operates within Vietnam.

Accordingly, the Board of Executive Officers has assessed and believes that the financial statements in which did not present information related to business and geographical segment for the year ended 31 December 2017 is in accordance with stipulations of Accounting Standard No. 28 "Segment reporting" and also in according with the business situation of the Company.

**27. NET REVENUE FROM SERVICES RENDERED**

	<u>Current year</u> VND	<u>Prior year</u> VND
Construction of Tam Dao 05 Drilling Rig	7,249,120,867	1,352,358,081,649
Construction of DKI/19 Platform Project	215,247,816,634	-
Construction of Salmon barges	52,423,148,010	-
Construction of Daman	36,278,099,220	-
Service of berthing PVD Rig	10,987,683,142	3,584,351,182
Nghi Son Shipbuilding Project	10,813,096,366	-
Long Phu Thermal Project	9,092,488,016	-
Other revenues	<u>10,703,306,670</u>	<u>116,829,765,293</u>
	<b><u>352,794,758,925</u></b>	<b><u>1,472,772,198,124</u></b>

**28. COST OF SERVICES RENDERED**

	<u>Current year</u> VND	<u>Prior year</u> (Restated) VND
Construction of Tam Dao 05 Drilling Rig	5,088,263,948	1,695,836,056,270
Construction of DKI/19 Platform Project	212,148,848,456	-
Construction of Salmon barges	65,858,731,117	-
Construction of Daman	57,993,626,937	-
Service of berthing PVD Rig	9,747,915,771	3,884,630,440
Nghi Son Shipbuilding Project	11,185,637,632	-
Long Phu Thermal Project	10,630,924,668	-
Other revenues	<u>4,086,270,722</u>	<u>92,263,174,168</u>
	<b><u>376,740,219,251</u></b>	<b><u>1,791,983,860,878</u></b>

**29. PRODUCTION COST BY NATURE**

	Current year	Prior year (Restated)
	VND	VND
Raw materials and consumables	137,090,085,164	1,129,883,506,858
Labour	93,520,815,990	140,921,316,904
Depreciation and amortization	37,052,765,398	40,991,034,118
Out-sourced services	128,501,013,728	438,846,487,804
Other expenses	8,481,257,248	90,667,214,811
	<b>404,645,937,528</b>	<b>1,841,309,560,495</b>

**30. FINANCIAL INCOME**

	Current year	Prior year
	VND	VND
Bank Interest	2,157,585,673	3,923,016,096
Foreign exchange gain	3,827,744,563	9,734,236,513
	<b>5,985,330,236</b>	<b>13,657,252,609</b>

**31. FINANCIAL EXPENSES**

	Current year	Prior year
	VND	VND
Interest expense	58,542,748,571	63,097,115,410
Foreign exchange loss	1,934,929,105	12,468,290,170
	<b>60,477,677,676</b>	<b>75,565,405,580</b>

**32. GENERAL AND ADMINISTRATION EXPENSES**

	Current year	Prior year
	VND	VND
Salary for employees	8,746,028,963	16,976,853,492
Outsource services	5,401,183,414	2,715,105,892
Others	4,344,619,573	4,634,468,266
	<b>18,491,831,950</b>	<b>24,326,427,650</b>

**33. PROFIT/(LOSS) FROM OTHER ACTIVITIES**

	Current year	Prior year (restated)
	VND	VND
<b>Other income</b>	<b>21,998,568,058</b>	<b>5,940,362,519</b>
Insurance compensation	9,463,752,397	4,788,742,834
Disposal of fixed assets	914,665,477	-
Reversal Tam Dao compensation	6,835,500,000	-
Other expenses	4,784,650,184	1,151,619,685
<b>Other expenses</b>	<b>17,173,395,713</b>	<b>41,718,994,781</b>
Compensation provision - BOP cost for Tam	9,415,244,377	11,357,500,000
Penalty on late delivery of the construction of Tam Dao 05 Drilling Rig Project	-	23,696,400,000
Non- deductible Import tax	5,764,996,407	-
Other expenses	1,993,154,929	6,665,094,781
<b>Profit/(loss)</b>	<b>4,825,172,345</b>	<b>(35,778,632,262)</b>



**34. CURRENT CORPORATE INCOME TAX EXPENSE**

The current corporate income tax expense for the year was computed as follows:

	Current year VND	Prior year (restated) VND
<b>Profit before tax</b>	<b>(92,104,467,371)</b>	<b>(441,224,875,637)</b>
Adjustment for assessable income		
Less: non-assessable income	(2,321,521,158)	(6,117,893,237)
Add: non-deductible expenses	20,543,523,573	40,977,748,484
<b>Taxable income</b>	<b>(73,882,464,956)</b>	<b>(406,365,020,390)</b>
Current corporate income tax	20%	20%
<b>Current corporate income tax expense</b>	<b>-</b>	<b>-</b>

The Company is obliged to pay corporate income tax at the rate of 20% of its taxable income. No income tax has been provided for during the year as the Company has no taxable income.

As at 31 December 2017, the Company has unused tax losses of VND 573,752,225,221 (as at 31 December 2016: VND 499,869,760,265) available for offset against future profit.

The Company had not recognized deferred tax asset for the tax loss during the year due to the uncertainty of having enough taxable profit streams to be used in the future.

The unused tax losses will be carried forward within 5 years from the year it was incurred. The benefits from the Company's tax losses carried forward will be expired as follows:

Year	VND
2018	93,504,739,875
2021	406,365,020,390
2022	73,882,464,956
	<b><u>573,752,225,221</u></b>

**35. BASIC LOSSES PER SHARE**

	Current year VND	Prior year (Restated) VND
Losses for the purposes of calculating basic losses per share	(92,104,467,371)	(444,498,275,637)
Weighted average number of ordinary shares for the purposes of calculating basic losses per share	59,489,787	59,489,787
<b>Basic losses per share</b>	<b><u>(1,548)</u></b>	<b><u>(7,472)</u></b>

**36. 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 20 and Note 21 offset by cash and cash equivalents) and equity attributable to equity shareholders (comprising owners' contributed capital, other owner's capital and accumulated losses).

**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**

	<b>Carrying amounts</b>	
	<b>Closing balance</b>	<b>Opening balance</b>
	<b>VND</b>	<b>(Restated) VND</b>
<b>Financial assets</b>		
Cash and cash equivalents	44,027,098,367	194,601,120,979
Held-to-maturity investments	14,052,309,692	913,634,631
Trade and other receivables	145,205,807,487	788,332,240,529
Deposits	-	27,000,000
<b>Total</b>	<b>203,285,215,546</b>	<b>983,873,996,139</b>
<b>Financial liabilities</b>		
Trade and other payables	268,580,368,719	302,837,208,734
Borrowings	625,104,449,097	1,275,719,846,700
Accrued expenses	101,691,258,483	70,643,106,598
<b>Total</b>	<b>995,376,076,299</b>	<b>1,649,200,162,032</b>

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 6 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.

**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 and interest rate 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 year are as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>Closing balance</b>	<b>Opening balance</b>	<b>Closing balance</b>	<b>Opening balance</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
United States Dollar (USD)	16,832,486,133	320,055,937,043	123,679,588,358	813,447,923,827
Singapore Dollar (SGD)	-	-	-	15,493,438
British Pound (GBP)	-	-	-	1,935,763,867
Euro (EUR)	66,886,187	58,565,268	511,651,292	-

*Foreign currency sensitivity*

The Company is mainly exposed to United States Dollar.

The following table details the Company's sensitivity to a 2% (2016: 2%) increase/decrease in Vietnam Dong against the United States Dollar. 2% (2016: 2%) is the sensitivity rate used when reporting foreign currency risk internally to the Board of Executive Officers and represents the Board of Executive Officers' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% (2016: 2%) change in foreign currency rates. For a 2% (2016: 2%) increase/decrease in the following foreign currencies against Vietnam Dong, the company's loss before tax in the year would increase/decrease by the following amount:

	Current year		Prior year	
	VND		VND	
	2% Increase	2% decrease	2% Increase	2% decrease
United States Dollar (USD)	(2,136,942,045)	2,136,942,045	(9,867,839,736)	9,867,839,736

*Interest rate risk management*

The Company has significant interest rate risks arising from interest bearing loans from commercial banks. The risk is managed by the Company by maintaining an appropriate level of borrowings and analyzing market competition to enjoy favorable interest rates from appropriate lenders.

*Interest rate sensitivity*

The loan's sensitivity to interest rate changes which may arise at an appropriate level is presented in the following table. Assuming all other variables were held constant, if interest rates applicable to floating interest bearing loans had been 100 basis points higher/lower, the Company's loss before tax for the year ended 31 December 2017 would have increased/decreased by the following amount:

	Increase/(decrease) in basis points	Impact on loss before tax VND
Current year	100 (100)	6,251,044,491 (6,251,044,491)
Prior year	100 (100)	12,757,198,467 (12,757,198,467)

*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 on-going basis. The Company does not have any significant credit risk exposure to any counterparty.

*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 year is kept to manageable levels relative to the amount of funds that the Company believes can generate within that year. 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.

**PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FORM B 09a -DN**

<b>31/12/2017</b>	<b>Less than 1 year</b>	<b>From 1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Cash and cash equivalents	44,027,098,367	-	-	44,027,098,367
Held-to-maturity Investments	14,052,309,692	-	-	14,052,309,692
Trade and other receivables	145,205,807,487	-	-	145,205,807,487
<b>Total</b>	<b>203,285,215,546</b>	<b>-</b>	<b>-</b>	<b>203,285,215,546</b>
Trade and other payables	268,580,368,719	-	-	268,580,368,719
Borrowings	195,000,000,000	312,000,000,000	118,104,449,097	625,104,449,097
Accrued expenses	101,691,258,483	-	-	101,691,258,483
<b>Total</b>	<b>565,271,627,202</b>	<b>312,000,000,000</b>	<b>118,104,449,097</b>	<b>995,376,076,299</b>
<b>Net liquidity gap</b>	<b>(361,986,411,656)</b>	<b>(312,000,000,000)</b>	<b>(118,104,449,097)</b>	<b>(792,090,860,753)</b>

<b>31/12/2016 (Restated)</b>	<b>Less than 1 year</b>	<b>From 1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Cash and cash equivalents	194,601,120,979	-	-	194,601,120,979
Held-to-maturity Investments	913,634,631	-	-	913,634,631
Trade and other receivables	788,332,240,529	-	-	788,332,240,529
Deposits	27,000,000	-	-	27,000,000
<b>Total</b>	<b>983,873,996,139</b>	<b>-</b>	<b>-</b>	<b>983,873,996,139</b>
Trade and other payables	302,837,208,734	-	-	302,837,208,734
Borrowings	767,615,397,603	312,000,000,000	196,104,449,097	1,275,719,846,700
Accrued expenses	70,643,106,598	-	-	70,643,106,598
<b>Total</b>	<b>1,141,095,712,935</b>	<b>312,000,000,000</b>	<b>196,104,449,097</b>	<b>1,649,200,162,032</b>
<b>Net liquidity gap</b>	<b>(157,221,716,796)</b>	<b>(312,000,000,000)</b>	<b>(196,104,449,097)</b>	<b>(665,326,165,893)</b>

The largest amount of financial liabilities are loans arising from commercial banks to be repaid basing on cashflows generated from project during the year 2017, and borrowings from Petro Vietnam through entrusted party, PVcomBank, with the payment schedule to 2024 basing on the Company's operating cashflows in the following years. Therefore, the Company has assessed the liquidity risk at high level.

**37. RELATED PARTY TRANSACTIONS AND BALANCES**

**Related party**

**Relationship**

PetroVietnam Technical Services Corporation  
Vietsovpetro Joint Venture

Major shareholder  
Shareholder

During the year, the Company entered into the following significant transactions with its related party:

	<b>Current year</b>	<b>Prior year</b>
	<b>VND</b>	<b>VND</b>
<b>Sales</b>		
Vietsovpetro Joint Venture	-	1,352,358,081,649

Remuneration paid to the Company's Boards of Management, Directors and Board of Committee during the year are as follows:

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Salary and bonus paid to Board of Management	1,510,764,247	2,895,365,951
Remuneration paid to Board of directors and Board of Committee	533,400,077	1,276,924,749
	<u><b>2,044,164,324</b></u>	<u><b>4,172,290,700</b></u>

Significant related party balances as at the balance sheet date were as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
<b>Short-term trade receivables</b>		
Vietsovpetro Joint Venture	-	745,226,226,582
<b>Short-term advance from customer</b>		
Vietsovpetro Joint Venture	45,540,000	1,204,147,017
<b>Other payable</b>		
Vietsovpetro Joint Venture	1,080,650,000	1,080,650,000

**38. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash outflows of interest expense paid during the year exclude an amount of VND 67,485,645,629 (31 December 2016: VND 21,494,018,070), representing the interest expense incurred during the year but has not been paid yet. Consequently, changes in accounts payable have been adjusted by the same amounts.


Cash outflows for purchases of fixed assets during the year included the amount of VND 14,096,600,260 was the purchases of fixed assets in prior year that paid in current year.

**39. APPROVAL FOR ISSUANCE OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 December 2017 was approved for issuance by Board of Executive officers on 9 March 2018.

  
**Pham Van Dau**  
Preparer

  
**Dinh Hong Nhung**  
Acting Chief Accountant

  
**Nguyen Quang Hieu**  
General Director  
9 March 2018

