



**PETROVIETNAM MARINE SHIPYARD  
JOINT STOCK COMPANY**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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**PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY**

65A2, 30/4 Street, Thang Nhat Ward  
Ba Ria - Vung Tau Province, Vietnam

**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 2018.

**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
Mr. Nguyen Van Bao	Member
Mr. Dong Quang Trieu	Member
Mr. Le Hung	Member
Mr. Vu Minh Phu	Member
Mr. Nguyen Van Quang	Member
Ms. Le Thi Kim Khuyen	Member (resigned on 12 April 2018)
Mr. Le Huong Giang	Member (appointed on 12 April 2018)

**Board of Executive Officers**

Mr. Nguyen Quang Hieu	Chief Executive Officer
Mr. Nguyen Nam Anh	Deputy Chief Executive Officer
Mr. Dao Do Khlem	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 2018, 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,

  
**Nguyen Quang Hieu**  
**Chief Executive Officer**  
12 March 2019

No: 387 /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 12 March 2019, as set out from page 4 to page 27, which comprise the balance sheet as at 31 December 2018, 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 2018, 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 2018, the Company reported significant accumulated loss of VND 739,137,168,520 and as of that date, the Company's total current liabilities exceeded its total current assets by VND 362,822,300,197. 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.

Our audit opinion is not modified in respect of this matter.



**Nguyen Quang Trung**

**Audit Partner**

Audit Practising Registration Certificate

No. 0733-2018-001-1

**BRANCH OF DELOITTE VIETNAM**

**COMPANY LIMITED**

12 March 2019

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 2018*

Unit: VND

<b>ASSETS</b>	<b>Codes</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>289,763,384,375</b>	<b>386,704,509,389</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>28,358,304,357</b>	<b>44,027,098,367</b>
1. Cash	111		14,958,304,357	44,027,098,367
2. Cash equivalents	112		13,400,000,000	-
<b>II. Short-term financial investments</b>	<b>120</b>	<b>5</b>	<b>27,981,415,240</b>	<b>14,052,309,692</b>
1. Held-to-maturity investments	123		27,981,415,240	14,052,309,692
<b>III. Short-term receivables</b>	<b>130</b>		<b>141,773,508,224</b>	<b>262,217,470,195</b>
1. Short-term trade receivables	131	6	61,391,393,199	142,477,351,676
2. Short-term advances to suppliers	132		4,550,126,347	3,834,876,576
3. Receivables from construction contracts under percentage of completion method	134	7	73,934,954,203	13,705,372,702
4. Other short-term receivables	136	8	1,897,034,475	102,199,869,241
<b>IV. Inventories</b>	<b>140</b>	<b>9</b>	<b>84,668,625,527</b>	<b>64,197,458,494</b>
1. Inventories	141		85,828,239,369	81,200,381,195
2. Provision for devaluation of inventories	149		(1,159,613,842)	(17,002,922,701)
<b>V. Other short-term assets</b>	<b>150</b>		<b>6,981,531,027</b>	<b>2,210,172,641</b>
1. Short-term prepayments	151	10	685,264,947	1,043,341,675
2. Value added tax deductibles	152		4,885,360,041	1,166,830,966
3. Taxes and other receivables from the State budget	153	11	1,410,906,039	-
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>572,464,306,475</b>	<b>603,961,694,318</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>50,000,000</b>	<b>-</b>
1. Long-term trade receivables	216		50,000,000	-
<b>II. Fixed assets</b>	<b>220</b>		<b>437,434,767,701</b>	<b>482,497,618,862</b>
1. Tangible fixed assets	221	12	433,262,777,708	467,183,879,525
- Cost	222		1,271,680,675,008	1,271,120,297,309
- Accumulated depreciation	223		(838,417,897,300)	(803,936,417,784)
2. Intangible assets	227	13	4,171,989,993	15,313,739,337
- Cost	228		74,450,308,990	74,470,914,895
- Accumulated amortisation	229		(70,278,318,997)	(59,157,175,558)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>4,175,842,305</b>	<b>-</b>
1. Construction in progress	242		4,175,842,305	-
<b>IV. Other long-term assets</b>	<b>260</b>		<b>130,803,696,469</b>	<b>121,464,075,456</b>
1. Long-term prepayments	261	10	130,803,696,469	121,464,075,456
<b>TOTAL ASSETS (270=100+200)</b>			<b>862,227,690,850</b>	<b>990,666,203,707</b>


The accompanying notes are an integral part of these financial statements

**BALANCE SHEET (Continued)**  
As at 31 December 2018

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>1,006,097,602,379</b>	<b>1,046,757,899,197</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>652,585,684,572</b>	<b>613,875,105,259</b>
1. Short-term trade payables	311	14	146,178,926,957	267,177,266,661
2. Short-term advances from customers	312	15	33,483,262,000	6,656,783,777
3. Taxes and amounts payable to the State budget	313		-	6,683,219,234
4. Payables to employees	314		5,477,899,000	3,295,641,421
5. Short-term accrued expenses	315	16	172,531,589,449	101,691,258,483
6. Payables relating to construction contracts under percentage of completion method	317	17	5,351,161,360	5,351,161,360
7. Other current payables	319	18	21,413,194,124	20,527,144,768
8. Short-term loans and obligations under finance leases	320	19	263,000,000,000	195,000,000,000
9. Short-term provisions	321	21	4,751,290,086	6,803,467,959
10. Bonus and welfare funds	322		398,361,596	689,161,596
<b>II. Long-term liabilities</b>	<b>330</b>		<b>353,511,917,807</b>	<b>432,882,793,938</b>
1. Long-term loans and obligations under finance leases	338	20	352,104,449,097	430,104,449,097
2. Long-term provisions	342	21	1,407,468,710	2,778,344,841
<b>D. EQUITY</b>	<b>400</b>		<b>(143,869,911,529)</b>	<b>(56,091,695,490)</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>22</b>	<b>(141,641,577,057)</b>	<b>(76,142,596,770)</b>
1. Owner's 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 owner's capital	414		2,597,721,463	2,597,721,463
3. Retained earnings	421		(739,137,168,520)	(673,638,188,233)
- Losses accumulated to the prior year end	421a		(673,638,188,233)	(581,533,720,862)
- Losses of the current year	421b		(65,498,980,287)	(92,104,467,371)
<b>II. Other resources and funds</b>	<b>430</b>	<b>23</b>	<b>(2,228,334,472)</b>	<b>20,050,901,280</b>
1. Subsidised funds	431		(6,092,403,530)	4,974,210,722
2. Funds for fixed assets acquisition	432		3,864,069,058	15,076,690,558
<b>TOTAL RESOURCES</b> <b>(440=300+400)</b>	<b>440</b>		<b>862,227,690,850</b>	<b>990,666,203,707</b>

  
Dinh Hong Nhung  
Acting Chief Accountant

  
Nguyen Quang Hieu  
Chief Executive Officer  
12 March 2019



**INCOME STATEMENT**

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue services rendered	01	26	363,495,122,311	352,794,758,925
2. Net revenue services rendered (10=01)	10		363,495,122,311	352,794,758,925
3. Cost of services rendered	11	27	378,307,517,040	376,740,219,251
4. Loss from services rendered (20=10-11)	20		(14,812,394,729)	(23,945,460,326)
5. Financial income	21	29	4,545,789,312	5,985,330,236
6. Financial expenses	22	30	49,280,943,105	60,477,677,676
- In which: Interest expense	23		47,896,612,921	58,542,748,571
7. General and administration expenses	26	31	16,294,020,341	18,491,831,950
8. Operating loss (30=20+(21-22)-26)	30		(75,841,568,863)	(96,929,639,716)
9. Other income	31		14,490,463,485	21,998,568,058
10. Other expenses	32		4,147,874,909	17,173,395,713
11. Profit from other activities (40=31-32)	40	32	10,342,588,576	4,825,172,345
12. Accounting loss before tax (50=30+40)	50		(65,498,980,287)	(92,104,467,371)
13. Current corporate income tax expense	51	33	-	-
14. Loss after corporate income tax (60=50-51)	60		(65,498,980,287)	(92,104,467,371)
15. Basic losses per share	70	34	(1,101)	(1,548)

  
**Dinh Hong Nhung**  
Acting Chief Accountant

**Nguyen Quang Hieu**  
Chief Executive Officer  
12 March 2019



**CASH FLOW STATEMENT**  
*For the year ended 31 December 2018*

Unit: VND


ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. <b>Losses before tax</b>	<b>01</b>	<b>(65,498,980,287)</b>	<b>(92,104,467,371)</b>
2. <b>Adjustments for:</b>			
Depreciation and amortisation of fixed assets and investment properties	02	35,737,186,184	37,052,765,398
Provisions	03	(17,214,184,990)	(724,902,101)
Foreign exchange gain arising from translating foreign currency items	04	(174,084,557)	(2,430,146,994)
Gain from investing activities	05	(2,992,418,211)	(3,072,251,150)
Interest expense	06	47,896,612,921	58,542,748,571
3. <b>Operating losses before movements in working capital</b>	<b>08</b>	<b>(2,245,868,940)</b>	<b>(2,736,253,647)</b>
Changes in receivables	09	115,048,442,498	624,561,056,305
Changes in inventories	10	(4,627,858,174)	27,739,847,241
Changes in payables	11	(76,361,994,942)	(123,016,388,465)
Changes in prepaid expenses	12	(8,981,544,285)	14,035,227,379
Interest paid	14	(13,920,347)	(12,551,121,012)
Other cash inflows	16	18,908,529,794	14,500,000,000
Other cash outflows	17	(30,265,944,046)	(17,964,468,212)
<b>Net cash generated by operating activities</b>	<b>20</b>	<b>11,459,841,558</b>	<b>524,567,899,589</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(6,062,798,828)	(14,096,600,260)
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	(13,929,105,548)	(14,052,309,692)
4. Cash recovered from lending, selling debt instruments of other entities	24	-	913,634,631
5. Interest earned, dividends and profits received	27	2,992,418,211	2,157,585,673
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(16,999,486,165)</b>	<b>(24,163,024,171)</b>

**CASH FLOW STATEMENT (Continued)**  
For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Repayment of borrowings	34	(10,000,000,000)	(650,615,397,603)
2. Dividends and profits paid	36	(68,127,508)	(361,571,400)
<b>Net cash used in financing activities</b>	<b>40</b>	<b>(10,068,127,508)</b>	<b>(650,976,969,003)</b>
<b>Net decreases in cash (50=20+30+40)</b>	<b>50</b>	<b>(15,607,772,115)</b>	<b>(150,572,093,585)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>44,027,098,367</b>	<b>194,601,120,979</b>
Effects of changes in foreign exchange rates	61	(61,021,895)	(1,929,027)
<b>Cash and cash equivalents at the end of the year (70=50+60+61)</b>	<b>70</b>	<b>28,358,304,357</b>	<b>44,027,098,367</b>

  
**Dinh Hong Nhung**  
Acting Chief Accountant

  
**Nguyen Quang Hieu**  
Chief Executive Officer  
12 March 2019

**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 2018 was 484 (as at 31 December 2017: 358).

**Principal activities**

The principal activities of the Company are to build, maintain, and refurbish drilling platforms, oil platforms, ships, floating vessels 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 vessels, 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 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 2018, the Company reported significant accumulated losses of VND 739,137,168,520 (as at 31 December 2017 was VND 673,638,188,233) and as of that date, the Company's total current liabilities exceeded its total current assets by VND 362,822,300,197 (as at 31 December 2017 was VND 227,170,595,870). 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. CASH AND CASH EQUIVALENTS**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	87,283,541	262,686,029
Bank demand deposits	14,871,020,816	43,764,412,338
Cash equivalents (*)	13,400,000,000	-
	<u><b>28,358,304,357</b></u>	<u><b>44,027,098,367</b></u>

(\*) Cash equivalents represent time deposits at commercial banks with a period less than 3 months and interest rates ranged from 4.5% to 5.3% per annum.

### **5. HELD-TO-MATURITY INVESTMENTS**

Held-to-maturity investments as at 31 December 2018 represent time deposits at commercial banks with a period from 5 months to 12 months and interest rates ranged from 4.5% to 7% per annum (2017: 5% to 6.3% per annum).

The Company has pledged 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 project and two 6-month deposits amounting to VND 9,500,000,000 at Vietnam - Russia Joint Venture Bank to secure for Murmanskaya project.



**6. SHORT-TERM TRADE RECEIVABLES**

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
- Project management board of DKI Construction	27,616,490,000	127,616,490,000
- PTSC Mechanical and Construction Limited Company	3,744,536,833	3,859,350,489
- TJS Technical service & Construction Joint Stock Company	412,239,142	4,125,061,521
- Stensvik Company Limited	17,398,310,000	2,638,046,707
- Strategic Marine Company Limited	1,363,196,942	440,387,200
- Sao Mai - Ben Dinh Petroleum Investment Joint Stock Company	-	494,740,767
- Others	10,856,620,282	3,303,274,992
	<u><b>61,391,393,199</b></u>	<u><b>142,477,351,676</b></u>

**7. RECEIVABLES FROM CONSTRUCTION CONTRACTS**

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Construction of Salmon barges	-	6,042,680,940
Construction of Daman	-	3,191,289,710
Nghi Son Shipbuilding Project	-	4,471,402,052
Construction of Murmanskaya	50,988,142,195	-
Construction of Salmon barges 2	19,314,522,899	-
Construction of Salmon barges 3	3,632,289,109	-
	<u><b>73,934,954,203</b></u>	<u><b>13,705,372,702</b></u>

**8. OTHER SHORT-TERM RECEIVABLES**

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Receivable from employees	532,793,899	1,024,629,340
Other receivables		
- PetroVietnam Securities Incorporated	-	14,262,926,745
- Custom Department Ba Ria-Vung Tau Province	154,806,048	84,183,857,345
- Other receivables	1,209,434,528	2,728,455,811
	<u><b>1,897,034,475</b></u>	<u><b>102,199,869,241</b></u>

**9. INVENTORIES**

	<u>Closing balance</u> VND		<u>Ending balance</u> VND	
	Cost	Provision	Cost	Provision
Goods in transit	612,755,000	-	51,985,200	-
Raw materials	58,358,948,424	(1,159,613,842)	64,623,746,766	(17,002,922,701)
Tools and supplies	3,748,764,246	-	3,274,398,253	-
Work in progress	23,107,771,699	-	13,250,250,976	-
	<u><b>85,828,239,369</b></u>	<u><b>(1,159,613,842)</b></u>	<u><b>81,200,381,195</b></u>	<u><b>(17,002,922,701)</b></u>

During the year, the Company reversed a provision for devaluation of inventories with an amount of VND 15,843,308,859 (2017: the Company made provision with an amount of VND 4,338,879,587 for devaluation of slow-moving inventories).

10. PREPAYMENTS

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
<b>a. Current</b>		
- Tools	17,911,446	5,718,750
- Others	667,353,501	1,037,622,925
	<u>685,264,947</u>	<u>1,043,341,675</u>
<b>b. Non-current</b>		
- Land rental (*)	117,099,173,431	119,568,900,568
- Tools	11,263,343,252	935,178,083
- Others	2,441,179,786	959,996,805
	<u>130,803,696,469</u>	<u>121,464,075,456</u>

(\*) 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.

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

	<u>Opening balance</u> VND	<u>Payable/ Receivable during the year</u> VND	<u>Paid/Received during the year</u> VND	<u>Closing balance</u> VND
<b>a. Receivables</b>				
Personal income tax	-	-	(237,854,790)	237,854,790
Foreign contractor withholding tax	-	-	(1,167,051,249)	1,167,051,249
Others	-	35,000,000	(41,000,000)	6,000,000
	-	<u>35,000,000</u>	<u>(1,445,906,039)</u>	<u>1,410,906,039</u>
<b>b. Payables</b>				
Value added tax	5,361,194,069	4,317,379,360	(9,678,573,429)	-
Personal income tax	45,160,077	68,488,213	(113,648,290)	-
Foreign contractor withholding tax	1,276,865,088	1,269,483,382	(2,546,348,470)	-
Import tax	-	2,046,225,995	(2,046,225,995)	-
	<u>6,683,219,234</u>	<u>7,701,576,950</u>	<u>(14,384,796,184)</u>	-

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

## 12. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Assets formed from subsidised funds		Total
	VND	VND	VND	VND	VND	VND	
<b>COST</b>							
Opening balance	737,699,245,400	119,402,675,654	394,782,484,631	10,309,143,182	3,850,699,617	5,076,048,825	1,271,120,297,309
Additions	1,001,686,681	1,022,676,000	-	40,350,025	-	31,865,000	2,096,577,706
Adjustment due to stock take report	-	(1,030,677,919)	-	(434,022,088)	-	(71,500,000)	(1,536,200,007)
Closing balance	738,700,932,081	119,394,673,735	394,782,484,631	9,915,471,119	3,850,699,617	5,036,413,825	1,271,680,675,008
<b>ACCUMULATED DEPRECIATION</b>							
Opening balance	476,048,369,743	94,964,940,693	215,407,150,201	9,719,303,955	3,649,768,595	4,146,884,597	803,936,417,784
Charge for the year	15,721,726,606	3,455,751,630	15,823,313,508	271,512,940	131,121,744	404,631,912	35,808,058,340
Adjustment due to stock take report	-	(848,782,216)	-	(434,022,088)	-	(43,774,520)	(1,326,578,824)
Closing balance	491,770,096,349	97,571,910,107	231,230,463,709	9,556,794,807	3,780,890,339	4,507,741,989	838,417,897,300
<b>NET BOOK VALUE</b>							
Opening balance	261,650,875,657	24,437,734,961	179,375,334,430	589,839,227	200,931,022	929,164,228	467,183,879,525
Closing balance	246,930,835,732	21,822,763,628	163,552,020,922	358,676,312	69,809,278	528,671,836	433,262,777,708

As presented in Note 20, the Company has pledged the constructions and assets, equipment associated to constructions, assets formed in the future and associated to the project, machineries and equipment built, purchased, associated or located at site of Sao Mai Ben Dinh port No. 65A2, 30/4 Street, Thang Thang Ward, Vung Tau City with the carrying amount as at 31 December 2018 was VND 433,262,777,708 (as at 31 December 2017 was VND 467,183,879,525) to secure the loans.

As at 31 December 2018, the cost of the Company's tangible fixed assets includes an amount of VND 93,619,717,933 (as at 31 December 2017: VND 91,575,907,415) in respect of fully depreciated assets which are still in use.



**13. INTANGIBLE ASSETS**

	<b>Computer software VND</b>	<b>Software formed from subsidised funds VND</b>	<b>Total VND</b>
<b>COST</b>			
Opening balance	18,448,540,685	56,022,374,210	74,470,914,895
Disposals	(20,605,905)	-	(20,605,905)
Closing balance	<u>18,427,934,780</u>	<u>56,022,374,210</u>	<u>74,450,308,990</u>
<b>ACCUMULATED AMORTISATION</b>			
Opening balance	18,026,793,523	41,130,382,035	59,157,175,558
Charge for the year	60,249,588	11,081,499,756	11,141,749,344
Disposals	(20,605,905)	-	(20,605,905)
Closing balance	<u>18,066,437,206</u>	<u>52,211,881,791</u>	<u>70,278,318,997</u>
<b>NET BOOK VALUE</b>			
Opening balance	<u>421,747,162</u>	<u>14,891,992,175</u>	<u>15,313,739,337</u>
Closing balance	<u>361,497,574</u>	<u>3,810,492,419</u>	<u>4,171,989,993</u>

As at 31 December 2018, the cost of the Company's intangible assets includes an amount of VND 41,100,298,145 (as at 31 December 2017: VND 41,100,298,145) in respect of fully depreciated assets which are still in use.

**14. SHORT-TERM TRADE PAYABLES**

	<b>Closing balance</b>		<b>Opening balance</b>	
	<b>Amount</b>	<b>VND Amount able to be paid off</b>	<b>Amount</b>	<b>VND Amount able to be paid off</b>
<b>a. Short-term trade payables</b>				
- National Oilwell Varco LP	53,692,585,751	53,692,585,751	103,419,731,039	103,419,731,039
- Oakwell Engineering Vietnam Compan Limited	8,957,738,622	8,957,738,622	10,904,715,270	10,904,715,270
- IPC Sai Gon Steel Company Limited	4,563,409,320	4,563,409,320	12,243,761,797	12,243,761,797
- Petrovietnam Coating Joint Stock Company	5,812,366,173	5,812,366,173	11,012,366,173	11,012,366,173
- Sao Mai Ben Dinh Petroleum Investment Joint Stock Company	7,221,383,077	7,221,383,077	8,015,080,096	8,015,080,096
- Other suppliers	65,741,752,014	65,741,752,014	121,536,072,286	121,536,072,286
	<u>145,989,234,957</u>	<u>145,989,234,957</u>	<u>267,131,726,661</u>	<u>267,131,726,661</u>
<b>b. Trade payables to related parties (Details stated in Note 36)</b>	189,692,000	189,692,000	45,540,000	45,540,000
	<u>189,692,000</u>	<u>189,692,000</u>	<u>45,540,000</u>	<u>45,540,000</u>

**15. CURRENT ADVANCES FROM CUSTOMERS**

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
- ARKTIKMORNEFTEGAZRAZVEDKA Open JSC	28,074,798,885	-
- Petro Vietnam Construction Joint Stock Corporation	5,053,478,663	5,053,478,663
- Petro Vietnam Technical Services Corporation - Project management board of Long Phu Thermal	-	1,201,770,662
- Others	354,984,452	401,534,452
	<b><u>33,483,262,000</u></b>	<b><u>6,656,783,777</u></b>

**16. SHORT-TERM ACCRUED EXPENSES**

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Loan interest expense	115,368,338,203	67,485,645,629
Service cost of Project DKI/19 (P14)	8,281,784,744	15,247,754,754
Cost of Murmanskaya Project	33,994,090,327	-
Expenses for construction (projects XL2)	7,018,078,517	7,018,078,517
Cost of Ca Hoi 2,3 Project	4,465,339,505	-
Cost of Ca Hoi Project	-	4,161,997,365
Cost of Nghi Son Project	-	2,716,508,667
Leave allowance	1,721,290,567	2,714,997,782
Others	1,682,667,586	2,346,275,769
	<b><u>172,531,589,449</u></b>	<b><u>101,691,258,483</u></b>

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

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
DKI Project	5,351,161,360	5,351,161,360
	<b><u>5,351,161,360</u></b>	<b><u>5,351,161,360</u></b>

**18. OTHER SHORT-TERM PAYABLES**

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Dividend payable	18,395,862,192	18,463,989,700
Others	3,017,331,932	2,063,155,068
	<b><u>21,413,194,124</u></b>	<b><u>20,527,144,768</u></b>

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

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**19. SHORT-TERM LOANS**

	Opening balance		During the year		Closing balance	
	Amount	VND	Increase	Decrease	Amount	VND
		Amount able to be paid off			Amount	Amount able to be paid off
Short-term loans	-	-	3,534,312,010	(3,534,312,010)	-	-
Current portion of long-term loans (see Note 20)	195,000,000,000	195,000,000,000	78,000,000,000	(10,000,000,000)	263,000,000,000	263,000,000,000
	<b>195,000,000,000</b>	<b>195,000,000,000</b>	<b>81,534,312,010</b>	<b>(13,534,312,010)</b>	<b>263,000,000,000</b>	<b>263,000,000,000</b>

**20. LONG-TERM LOANS**

	Opening balance		During the year		Closing balance	
	Amount	VND	Increase	Decrease	Amount	VND
		Amount able to be paid off			Amount	Amount able to be paid off
Long-term loans	430,104,449,097	430,104,449,097	-	(78,000,000,000)	352,104,449,097	352,104,449,097
	<b>430,104,449,097</b>	<b>430,104,449,097</b>	<b>-</b>	<b>(78,000,000,000)</b>	<b>352,104,449,097</b>	<b>352,104,449,097</b>

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, equipment 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/HĐTDUT/TCDK-CNVT.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/HĐTDUT/TCDK-CNVT.TD and Credit contract No. 02/11/2011/HĐTDUT/TCDK-CNVT.TD. Thereon, these two loans will be rescheduled and 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 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/HĐTDUT/TCDK-CNVT.TD and Agreement No. 02/11/2011/HĐTDUT/TCDK-CNVT.TD. Accordingly, the remaining balance will be repaid until 30 June 2024. The outstanding balance as at 31 December 2018 was VND 615,104,449,097 (as at 31 December 2017 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	263,000,000,000	195,000,000,000
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	40,104,449,097	118,104,449,097
	<u>615,104,449,097</u>	<u>625,104,449,097</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(263,000,000,000)	(195,000,000,000)
<b>Amount due for settlement after 12 months</b>	<b><u>352,104,449,097</u></b>	<b><u>430,104,449,097</u></b>

**21. PROVISIONS**

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
<b>a. Short-term provisions</b>		
- Warranty provision for Tam Dao 05 Rig	1,574,386,174	6,803,467,959
- Warranty provision for DKI/19 Project	2,150,592,841	-
- Warranty provision for other projects	1,026,401,071	-
	<u>4,751,380,086</u>	<u>6,803,467,959</u>
<b>b. Long-term provisions</b>		
- Warranty provision for DKI/19 Project	-	2,152,092,841
- Warranty provision for Daman Project	1,007,365,835	-
- Severance allowance	400,102,875	626,252,000
	<u>1,407,468,710</u>	<u>2,778,344,841</u>

**22. OWNERS' EQUITY**

**Movement in owners' equity**

	<u>Owner's contributed capital</u> VND	<u>Other owner's capital</u> VND	<u>Accumulated losses</u> VND	<u>Total</u> VND
Prior year's opening balance	594,897,870,000	2,597,721,463	(581,533,720,862)	15,961,870,601
Loss for the year	-	-	(92,104,467,371)	(92,104,467,371)
Current year's opening balance	594,897,870,000	2,597,721,463	(673,638,188,233)	(76,142,596,770)
Loss for the year	-	-	(65,498,980,287)	(65,498,980,287)
<b>Current year's closing balance</b>	<b><u>594,897,870,000</u></b>	<b><u>2,597,721,463</u></b>	<b><u>(739,137,168,520)</u></b>	<b><u>(141,641,577,057)</u></b>

**Shares**

	<u>31/12/2018</u>	<u>31/12/2017</u>
- 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	59,489,787	59,489,787

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:

	31/12/2018 and 31/12/2017		
	<u>%</u>	<u>Shares</u>	<u>Amount(VND)</u>
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
Vietsovetropet 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>

**23. OTHER RESOURCES AND FUNDS**

	<u>Other resources and funds</u> <u>VND</u>
<b>As at the beginning 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
<b>Decrease in the year</b>	
- Subsidised funds	(21,169,094,088)
<i>In which: Forming in fixed assets</i>	-
<i>In which: Fund usage</i>	(21,169,094,088)
- 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 year end of the year</b>	<b>(2,228,334,472)</b>
- Subsidised funds	(6,092,403,530)
- Funds for fixed assets acquisition	3,864,069,058

**24. OFF BALANCE SHEET ITEMS**

	<u>Closing balance</u>	<u>Opening balance</u>
Foreign currencies		
United States Dollar ("USD")	400,300	738,220
Euro ("EUR")	102	2,467

**25. BUSINESS AND GEOGRAPHICAL SEGMENT**

Principal activities of the Company are to build, maintain and refurbish drilling rig platforms, oil rig platforms, ships, floating vessels 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 2018 and all its revenue, expenses in the income statement for ended 31 December 2018 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 2018 is in accordance with stipulations of Accounting Standard No. 28 "Segment reporting" and also in according with the business situation of the Company.

**26. NET REVENUE FROM SERVICES RENDERED**

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
- Construction of Tam Dao 05 Drilling Rig	-	7,249,120,867
- Construction of DKI/19 Platform Project	-	215,247,816,634
- Construction of Murmanskaya Rig	60,600,477,497	-
- Construction of Salmon barges	25,081,586,445	52,423,148,010
- Construction of Daman	12,043,924,915	36,278,099,220
- Service of berthing PVD Rig	10,235,415,305	10,987,683,142
- Nghi Son Shipbuilding Project	14,810,921,822	10,813,096,366
- Long Phu Thermal Project	14,672,762,388	9,092,488,016
- Construction of the second Salmon barges	101,881,122,899	-
- Construction of the third Salmon barges	79,110,789,109	-
- Other revenues	45,058,121,931	10,703,306,670
	<u><b>363,495,122,311</b></u>	<u><b>352,794,758,925</b></u>

**27. COST OF SERVICES RENDERED**

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Construction of Tam Dao 05 Drilling Rig	-	5,088,263,948
Construction of DKI/19 Platform Project	-	212,148,848,456
Construction of Murmanskaya Rig	49,067,205,304	-
Construction of Salmon barges	27,090,784,222	65,858,731,117
Construction of Daman	11,282,133,208	57,993,626,937
Service of berthing PVD Rig	5,643,497,233	9,747,915,771
Nghi Son Shipbuilding Project	14,919,280,181	11,185,637,632
Long Phu Thermal Project	15,390,041,157	10,630,924,668
Construction of the second Salmon barges	122,213,466,113	-
Construction of the third Salmon barges	108,175,128,417	-
Others	24,525,981,205	4,086,270,722
	<u><b>378,307,517,040</b></u>	<u><b>376,740,219,251</b></u>

**28. PRODUCTION COST BY NATURE**

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Raw materials and consumables	123,824,303,254	141,021,268,284
Labour	76,093,260,486	71,360,498,337
Depreciation and amortisation	35,737,186,184	37,052,765,398
Out-sourced services	139,351,014,213	143,318,460,548
Other monetary expenses	14,739,238,064	13,382,177,078
	<u><b>389,745,002,201</b></u>	<u><b>406,135,169,645</b></u>

**29. FINANCIAL INCOME**

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Bank interest	2,992,418,211	2,157,585,673
Foreign exchange gain	1,553,371,101	3,827,744,563
	<u><b>4,545,789,312</b></u>	<u><b>5,985,330,236</b></u>

30. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Interest expense	47,896,612,921	58,542,748,571
Foreign exchange loss	1,384,330,184	1,934,929,105
	<b>49,280,943,105</b>	<b>60,477,677,676</b>

31. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Salary for employees	4,737,882,529	8,746,028,963
Outsource services	6,959,696,477	5,401,183,414
Others	4,596,441,335	4,344,619,573
	<b>16,294,020,341</b>	<b>18,491,831,950</b>

32. PROFIT FROM OTHER ACTIVITIES

	Current year	Prior year
	VND	VND
<b>Other income</b>	<b>14,490,463,485</b>	<b>21,998,568,058</b>
Insurance compensation	660,860,240	9,463,752,397
Disposal of fixed assets	-	914,665,477
Reversal Tam Dao compensation	-	6,835,500,000
Reversal warranty provision of Tam Dao project	4,126,242,758	-
Other income from waiving payables	5,685,695,121	-
Others	4,017,665,366	4,784,650,184
<b>Other expenses</b>	<b>4,147,874,909</b>	<b>17,173,395,713</b>
Compensation provision - BOP cost for Tam Dao 03 Project	2,051,518,954	9,415,244,377
Non- deductible import tax	226,143,338	5,764,996,407
Others	1,870,212,617	1,993,154,929
<b>Other profit</b>	<b>10,342,588,576</b>	<b>4,825,172,345</b>

33. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year	Prior year
	VND	VND
<b>Loss before tax</b>	<b>(65,498,980,287)</b>	<b>(92,104,467,371)</b>
Adjustments for taxable profit		
Less: non-assessable income	(16,816,081,206)	(2,321,521,158)
Add back: non-deductible expenses	23,869,778,814	20,543,523,573
Add back: Other adjustments increase taxable profit	2,321,521,158	-
<b>Taxable profit</b>	<b>(56,123,761,521)</b>	<b>(73,882,464,956)</b>
Tax rate	20%	20%
<b>Corporate income tax expense based on taxable profit in the current year</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 2018, the Company has unused tax losses of VND 536,182,513,199 (as at 31 December 2017: VND 573,752,225,221) 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
2021	406,176,286,722
2022	73,882,464,956
2023	56,123,761,521
	<b>536,182,513,199</b>

**34. BASIC LOSSES PER SHARE**

	Current year VND	Prior year VND
Accounting losses after corporate income tax	(65,498,980,287)	(92,104,467,371)
Average ordinary shares in circulation for the year	59,489,787	59,489,787
<b>Basic losses per share</b>	<b>(1,101)</b>	<b>(1,548)</b>

**35. 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 19 and Note 20 offset by cash and cash equivalents) and equity attributable to equity shareholders (comprising owners's 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**

	Closing balance VND	Opening balance VND
<b>Financial assets</b>		
Cash and cash equivalents	28,358,304,357	44,027,098,367
Held-to-maturity investments	27,981,415,240	14,052,309,692
Trade and other receivables	141,773,508,224	145,205,807,487
<b>Total</b>	<b>198,113,227,821</b>	<b>203,285,215,546</b>
<b>Financial liabilities</b>		
Trade and other payables	148,890,704,639	268,580,368,719
Borrowings	615,104,449,097	625,104,449,097
Accrued expenses	172,531,589,449	101,691,258,483
<b>Total</b>	<b>936,526,743,185</b>	<b>995,376,076,299</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>	
	<u>Closing balance</u>	<u>Opening balance</u>	<u>Closing balance</u>	<u>Opening balance</u>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
United States Dollar ("USD")	37,343,918,586	16,832,486,133	57,550,863,381	123,679,588,358
Euro ("EUR")	<u>2,677,720</u>	<u>66,886,187</u>	<u>690,667,127</u>	<u>511,651,292</u>

*Foreign currency sensitivity*

The Company is mainly exposed to United States Dollar.

The following table details the Company's sensitivity to a 2% (2017: 2%) increase/decrease in Vietnam Dong against the United States Dollar. 2% (2017: 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% (2017: 2%) change in foreign currency rates. For a 2% (2017: 2%) increase/decrease in the following foreign currencies against Vietnam Dong, the company's loss before tax in the year would increased/decreased by the following amount:

	<b>Current year</b>		<b>Prior year</b>	
	Increase 2%	Decrease 2%	Increase 2%	Decrease 2%
United States Dollar ("USD")	<u>(404,138,896)</u>	<u>404,138,896</u>	<u>(2,136,942,045)</u>	<u>2,136,942,045</u>

*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 2018 would have increased/decreased by the following amount:

	<u>Increase/(Decrease) in basic points</u>	<u>Impact on loss before tax</u>
		<b>VND</b>
<b>Current year</b>	100	6,151,044,491
	(100)	(6,151,044,491)
<b>Prior year</b>	100	6,251,044,491
	(100)	(6,251,044,491)

**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.

<b>Closing balance</b>	<b>Less than 1 year VND</b>	<b>From 1 - 5 years VND</b>	<b>More than 5 years VND</b>	<b>Total VND</b>
Cash and cash equivalents	28,358,304,357	-	-	28,358,304,357
Held-to-maturity investments	27,981,415,240	-	-	27,981,415,240
Trade and other receivables	141,773,508,224	-	-	141,773,508,224
	<b>198,113,227,821</b>	<b>-</b>	<b>-</b>	<b>198,113,227,821</b>
Trade and other payables	148,890,704,639	-	-	148,890,704,639
Borrowings	263,000,000,000	312,000,000,000	40,104,449,097	615,104,449,097
Accrued expenses	172,531,589,449	-	-	172,531,589,449
	<b>584,422,294,088</b>	<b>312,000,000,000</b>	<b>40,104,449,097</b>	<b>936,526,743,185</b>
<b>Net liquidity gap</b>	<b>(386,309,066,267)</b>	<b>(312,000,000,000)</b>	<b>(40,104,449,097)</b>	<b>(738,413,515,364)</b>
<b>Opening balance</b>	<b>Less than 1 year VND</b>	<b>From 1 - 5 years VND</b>	<b>More than 5 years VND</b>	<b>Total 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>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>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>

The largest amount of financial liabilities are loans arising from commercial banks to be repaid basing on cashflows generated from project during the year 2018, 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.

**36. RELATED PARTY TRANSACTIONS AND BALANCES**

**Related party**

**Relationship**

PetroVietnam Technical Services Corporation  
Vietsovpetro Joint Venture

Major shareholder  
Shareholder

Remuneration paid to the Company's Boards of Executive Officers, 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 Executive Officers	1,371,443,573	1,510,764,247
Remuneration paid to Board of Directors and Board of Committee	436,258,519	533,400,077
	<u><b>1,807,702,092</b></u>	<u><b>2,044,164,324</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 payables</b>		
Vietsovpetro Joint Venture	<u>189,692,000</u>	<u>45,540,000</u>
<b>Other Payables</b>		
Vietsovpetro Joint Venture	<u>1,080,650,000</u>	<u>1,080,650,000</u>

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

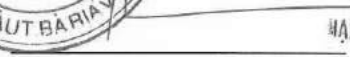
Cash outflows of interest expense paid during the year exclude an amount of VND 115,368,338,203 (31 December 2017: VND 67,485,645,629), representing the interest expense incurred during the year but has not been paid yet. Consequently, changes in accounts payable have been adjusted by the same amounts.

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

The financial statements for the year ended 31 December 2018 were approved for issuance by Board of Directors on 12 March 2019.

  
**Dinh Hong Nhung**  
Acting Chief Accountant



  
**Nguyen Quang Hieu**  
Chief Executive Officer  
12 March 2019

