

**PETROVIETNAM GENERAL SERVICES  
JOINT STOCK CORPORATION**  
*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the year ended 31 December 2012**



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CÔNG TY CỔ PHẦN

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

The Board of General Directors of PetroVietnam General Services Joint Stock Corporation ("the Corporation") presents this report together with the Corporation's consolidated financial statements for the year ended 31 December 2012.

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

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

#### **Board of Management**

Mr. Vu Xuan Lung	Chairman
Mr. Phung Tuan Ha	Member
Mr. Nguyen Si Dam	Member
Mr. Le Thuan Khuong	Member
Mr. Pham Quang Huy	Member

#### **Board of General Directors**

Mr. Phung Tuan Ha	General Director
Mr. Ho Si Long	Deputy General Director (resigned on 01 March 2013)
Mr. Vu Tien Duong	Deputy General Director
Mr. Nguyen Xuan Hung	Deputy General Director
Mr. Bui Anh Dung	Deputy General Director
Ms. Pham Thi Hong Diep	Deputy General Director

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

The Board of General Directors of the Corporation is responsible for preparing the consolidated financial statements of each year, which give a true and fair view of the financial position of the Corporation and of its results and cash flows for the year. In preparing these consolidated financial statements, the Board of General Directors is required to:

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

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Corporation and that the consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Board of General Directors is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of General Directors,



**Phung Tuan Ha**  
General Director

15 March 2013



No.: 636 /Deloitte-AUDHN-RE

## INDEPENDENT AUDITORS' REPORT

To: **The shareholders**  
**The Boards of Management and General Directors of**  
**PetroVietnam General Services Joint Stock Corporation**

We have audited the accompanying consolidated balance sheet of PetroVietnam General Services Joint Stock Corporation ("the Corporation") as at 31 December 2012, the consolidated related statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the consolidated financial statements") prepared on 15 March 2013, as set out from page 03 to page 34. The accompanying consolidated 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.

### Respective Responsibilities of the Board of General Directors and Auditors

As stated in the Statement of the Board of General Directors on page 1, these consolidated financial statements are the responsibility of the Corporation's Board of General Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

### Basis of Opinion

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of, in all material respects, the financial position of the Corporation as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

As stated in Note 3, in the year, the Corporation prospectively adopted Circular No. 179/2012/TT-BTC ("Circular 179") providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises replacing Circular No. 201/2009/TT-BTC dated 15 October 2009 by the Ministry of Finance ("Circular 201"). The guidance under Circular 179 on recognition, measurement and treatment of foreign exchange differences arising from transactions and balances of monetary items denominated in foreign currencies arising from 1 January 2012 is basically the same as that under VAS 10. The effect of the Company's adoption of Circular 179 on its consolidated financial statements for the year ended 31 December 2012 is presented in Note 4.



**Khuê Thị Lan Anh**  
**Deputy General Director**  
CPA Certificate No. D.0036/KTV

**For and on behalf of**  
**DELOITTE VIETNAM COMPANY LIMITED**  
15 March 2013  
Hanoi, S.R. Vietnam

**Hoang Van Kien**  
**Auditor**  
CPA Certificate No. 1130/KTV



**CONSOLIDATED BALANCE SHEET**

*As at 31 December 2012*

**FORM B 01-DN/HN**

*Unit: VND*

<b>ASSETS</b>	<b>Codes</b>	<b>Notes</b>	<b>31/12/2012</b>	<b>31/12/2011</b>
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>3,653,796,151,783</b>	<b>3,314,288,464,552</b>
<b>(100=110+120+130+140+150)</b>				
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>1,129,910,129,741</b>	<b>363,906,568,157</b>
1. Cash	111		291,383,755,869	291,890,033,431
2. Cash equivalents	112		838,526,373,872	72,016,534,726
<b>II. Short-term financial investments</b>	<b>120</b>		<b>18,376,791,095</b>	<b>19,046,791,095</b>
1. Short-term investments	121	6	49,900,000,000	50,570,000,000
2. Provision for diminution in value of short-term investments	129	7	(31,523,208,905)	(31,523,208,905)
<b>III. Short-term receivables</b>	<b>130</b>		<b>1,299,536,975,284</b>	<b>1,445,851,559,019</b>
1. Trade accounts receivable	131		1,006,604,762,322	963,101,500,297
2. Advances to suppliers	132		216,481,346,136	379,499,820,304
3. Other receivables	135		96,603,783,020	120,616,168,568
4. Provision for short-term doubtful debts	139		(20,152,916,194)	(17,365,930,150)
<b>IV. Inventories</b>	<b>140</b>	<b>8</b>	<b>1,024,471,422,107</b>	<b>1,292,187,642,847</b>
1. Inventories	141		1,042,742,250,694	1,296,792,584,409
2. Provision for devaluation of inventories	149		(18,270,828,587)	(4,604,941,562)
<b>V. Other short-term assets</b>	<b>150</b>		<b>181,500,833,556</b>	<b>193,295,903,434</b>
1. Short-term prepayments	151		2,400,557,454	1,135,688,705
2. Value added tax deductibles	152		172,195,337,932	186,412,211,162
3. Taxes and other receivables from the State budget	154		113,520,964	544,734,276
4. Other short-term assets	158		6,791,417,206	5,203,269,291
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>612,852,087,962</b>	<b>796,074,171,452</b>
<b>(200=220+250+260)</b>				
<b>I. Fixed assets</b>	<b>220</b>		<b>308,785,645,486</b>	<b>373,564,194,468</b>
1. Tangible fixed assets	221	9	172,253,988,303	230,752,533,102
- Cost	222		347,759,292,547	375,953,711,223
- Accumulated depreciation	223		(175,505,304,244)	(145,201,178,121)
2. Intangible fixed assets	227	10	119,459,744,589	117,949,552,223
- Cost	228		121,916,073,849	119,718,885,796
- Accumulated amortisation	229		(2,456,329,260)	(1,769,333,573)
3. Construction in progress	230	11	17,071,912,594	24,862,109,143
<b>II. Long-term financial investments</b>	<b>250</b>		<b>37,611,862,007</b>	<b>156,394,879,631</b>
1. Investments in associates	252	13	35,611,862,007	44,394,879,631
2. Other long-term investments	258		2,000,000,000	112,000,000,000
<b>III. Other long-term assets</b>	<b>260</b>		<b>266,454,580,469</b>	<b>266,115,097,353</b>
1. Long-term prepayments	261	14	259,062,096,439	263,580,624,583
2. Other long-term assets	268		7,392,484,030	2,534,472,770
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>4,266,648,239,745</b>	<b>4,110,362,636,004</b>

*The notes set out on pages 7 to 34 are an integral part of these consolidated financial statements*

**PETROVIETNAM GENERAL SERVICES JOINT STOCK CORPORATION**

Floor 6, PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1  
Ho Chi Minh City, S.R. Vietnam

**Consolidated financial statements**  
For the year ended 31 December 2012

**CONSOLIDATED BALANCE SHEET (Continued)**

As at 31 December 2012

**FORM B 01-DN/HN**

Unit: VND

RESOURCES	Codes	Notes	31/12/2012	31/12/2011
<b>A. LIABILITIES (300=310+330)</b>	<b>300</b>		<b>2,936,239,178,771</b>	<b>2,824,642,259,245</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>2,889,929,815,099</b>	<b>2,739,211,749,113</b>
1. Short-term loans and liabilities	311	15	1,417,697,056,351	1,389,250,865,571
2. Trade accounts payable	312		820,257,149,427	564,933,990,241
3. Advances from customers	313		326,958,331,216	401,270,350,510
4. Taxes and amounts payable to the State budget	314	16	59,069,936,942	79,389,154,802
5. Payables to employees	315		108,418,177,670	80,937,671,579
6. Accrued expenses	316		8,121,828,868	11,158,612,125
7. Inter-company payables	317		-	9,410,478,071
8. Other current payables	319		79,518,002,129	146,494,234,973
9. Bonus and welfare funds	323		69,889,332,496	56,366,391,241
<b>II. Long-term liabilities</b>	<b>330</b>		<b>46,309,363,672</b>	<b>85,430,510,132</b>
1. Other long-term payables	333		46,309,363,672	36,518,044,319
2. Long-term loans and liabilities	334		-	45,674,675,266
3. Provision for severance allowance	336		-	3,237,790,547
<b>B. EQUITY (400=410)</b>	<b>400</b>		<b>1,241,214,005,483</b>	<b>1,212,217,645,077</b>
<b>I. Shareholders' equity</b>	<b>410</b>	17	<b>1,241,214,005,483</b>	<b>1,212,217,645,077</b>
1. Charter capital	411		698,420,000,000	698,420,000,000
2. Share premium	412		128,358,940,301	128,358,940,301
3. Other shareholders' capital	413		42,911,651,986	33,678,648,352
4. Treasury shares	414		(9,150,605,990)	(9,150,605,990)
5. Foreign exchange reserve	416		-	17,626,480,239
6. Investment and development fund	417		95,775,705,900	68,669,949,370
7. Financial reserve fund	418		580,799,271	839,728,344
8. Retained earnings	420		284,317,514,015	273,774,504,461
<b>C. NON-CONTROLLING INTEREST</b>	<b>439</b>	18	<b>89,195,055,491</b>	<b>73,502,731,682</b>
<b>TOTAL RESOURCES (440=300+400+439)</b>	<b>440</b>		<b>4,266,648,239,745</b>	<b>4,110,362,636,004</b>

**OFF BALANCE SHEET ITEMS**


	31/12/2012	31/12/2011
1. Goods held under trust or for processing (VND)	-	984,907,919
2. Foreign Currencies		
- USD	2,435,478	501,299
- EUR	105	-
- GBP	-	-

  
**Cao Thanh Hung**  
Preparer

15 March 2013

  
**Dao Van Dai**  
Chief Accountant



  
**Phung Tuan Ha**  
General Director

The notes set out on pages 7 to 34 are an integral part of these consolidated financial statements




**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2012*

**FORM B 02-DN/HN**

*Unit: VND*

ITEMS	Codes	Notes	2012	2011
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>		<b>10,448,000,089,865</b>	<b>10,655,420,376,827</b>
2. Deductions	02		294,200,298,314	334,750,565,520
<b>3. Net revenue from goods sold and services rendered (10=01-02)</b>	<b>10</b>		<b>10,153,799,791,551</b>	<b>10,320,669,811,307</b>
4. Cost of sales	11		9,393,586,873,477	9,321,311,801,799
<b>5. Gross profit from goods sold and services rendered (20 = 10 - 11)</b>	<b>20</b>		<b>760,212,918,074</b>	<b>999,358,009,508</b>
6. Financial income	21	21	80,181,199,937	91,153,329,969
7. Financial expenses	22	22	144,768,503,508	308,245,976,232
<i>In which: Interest expense</i>	23		103,154,269,027	157,036,923,986
8. Selling expenses	24		201,421,775,370	238,149,272,889
9. General and administration expenses	25		218,046,508,218	226,464,439,205
<b>10. Operating profit (30=20+(21-22)-(24+25))</b>	<b>30</b>		<b>276,157,330,915</b>	<b>317,651,651,151</b>
11. Other income	31	23	49,801,750,941	113,447,626,141
12. Other expenses	32		22,413,857,740	28,279,228,516
<b>13. Profit from other activities (40=31- 32)</b>	<b>40</b>		<b>27,387,893,201</b>	<b>85,168,397,625</b>
14. Share of net profit of associates, joint ventures	45		2,362,998,920	3,905,209,555
<b>15. Accounting profit before tax (50=30+40+45)</b>	<b>50</b>		<b>305,908,223,036</b>	<b>406,725,258,331</b>
16. Current corporate income tax expense	51	24	93,344,172,604	101,716,691,368
17. Deferred corporate tax expense	52		-	12,200,968,137
<b>18. Net profit after corporate income tax (60=50-51-52)</b>	<b>60</b>		<b>212,564,050,432</b>	<b>292,807,598,826</b>
<i>Attributable to:</i>				
<i>Non-controlling interests</i>	61		24,758,000,816	7,410,708,848
<i>Equity holders of the Corporation</i>	62		187,806,049,616	285,396,889,978
<b>19. Basic earnings per share</b>	<b>70</b>	<b>25</b>	<b>2,726</b>	<b>4,107</b>

  
Cao Thanh Hung  
Preparer

15 March 2013

  
Dao Van Dai  
Chief Accountant

  
Phung Tuan Ha  
General Director

*The notes set out on pages 7 to 34 are an integral part of these consolidated financial statements*



**PETROVIETNAM GENERAL SERVICES JOINT STOCK CORPORATION**

Floor 6, PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1  
Ho Chi Minh City, S.R. Vietnam

**Consolidated financial statements**  
For the year ended 31 December 2012

**CONSOLIDATED CASH FLOW STATEMENT**

*For the year ended 31 December 2012*

**FORM B 03-DN/HN**

*Unit: VND*

ITEMS	Codes	2012	2011
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	01	305,908,223,036	406,725,258,331
2. Adjustments for:			
Depreciation and amortisation	02	33,925,233,703	32,803,438,634
Provisions	03	16,452,873,069	(9,620,349,275)
Gain from investing activities	05	(39,774,610,822)	(48,852,654,927)
Interest expense	06	103,154,269,027	157,036,923,986
3. Operating profit before movements in working capital	08	419,665,988,013	538,092,616,749
Changes in receivables	09	118,971,496,184	(140,237,561,578)
Changes in inventories	10	253,411,005,554	307,718,039,875
Changes in accounts payable (not including accrued interest and corporate income tax payable)	11	(176,702,307,313)	(32,646,746,486)
Changes in prepaid expenses	12	2,170,691,757	33,486,450,756
Interest paid	13	(149,698,208,407)	(153,099,764,196)
Corporate income tax paid	14	(80,731,233,831)	(132,017,909,433)
Net cash from operating activities	20	387,087,431,957	421,295,125,687
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(24,745,808,650)	(88,286,333,560)
2. Proceeds from sales, disposal of fixed assets and other long-term assets	22	1,215,053,908	2,588,671,061
3. Investments in other entities	25	-	(20,069,879,631)
4. Cash recovered from investments in other entities	26	146,075,353,820	31,193,000,000
5. Interest earned, dividends and profits received	27	39,774,610,822	48,852,654,927
Net cash from/(used in) investing activities	30	162,319,209,900	(25,721,887,203)
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Capital withdrawals, buying treasury shares	32	-	(6,338,605,990)
2. Proceeds from borrowings	33	5,132,180,693,236	4,970,603,563,819
3. Repayment of borrowings	34	(4,791,288,157,509)	(5,399,723,375,741)
4. Dividends and profits paid	36	(124,295,616,000)	(111,297,279,400)
Net cash from/(used in) financing activities	40	216,596,919,727	(546,755,697,312)
Net increase/(decrease) in cash	50	766,003,561,584	(151,182,458,828)
Cash and cash equivalents at the beginning of the year	60	363,906,568,157	533,465,818,080
Effects of changes in foreign exchange rates			(18,376,791,095)
Cash and cash equivalents at the end of the year	70	1,129,910,129,741	363,906,568,157

  
Cao Thanh Hung  
Preparer

  
Dao Van Dai  
Chief Accountant

  
Phung Tuan Ha  
General Director

15 March 2013

The notes set out on pages 7 to 34 are an integral part of these consolidated financial statements



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***1. GENERAL INFORMATION****Structure of ownership**

PetroVietnam General Services Joint Stock Corporation ("the Corporation") is a joint stock company established in Vietnam in accordance with Business Registration Certificate No.4103005338 dated 29 September 2006 and the 13rd amendment No. 0300452060 dated 27 November 2012 issued by the Department of Planning and Investment of Ho Chi Minh City. The Corporation was transformed from PetroVietnam Tourism and Services Company, a wholly State-owned subsidiary of Vietnam Oil and Gas Group ("PetroVietnam").

The Corporation's head office is located on Floor 6, PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City, S.R. Vietnam.

The number of employees as at 31 December 2012 was 2,682 (31 December 2011: 2,487).

**Principal activities**

Principal activities of the Corporation include: purchase and sale of telecommunications equipment; travel agent; processing, purchase and sale of fresh water; production of food ethanol, industrial alcohol, fuel alcohol; business of liquefied petroleum gas bottling (inactive at the head office); lease of warehouses, workshops, premises, office; business of houses, representative offices, real estate business; trading of food, necessities, sea food, processing of agricultural commodities, foodstuff (no production and processing of fresh food at head office); sale of machinery, industrial equipment, supplies, office equipment, audio-visual equipment, machinery and equipment for industrial sanitation, components used for gas shell; wholesaler of electrical equipment, electrical materials, generators, electric motors, wires and other equipment used in the circuit; entertainment services (except karaoke and gambling), building houses, business of petroleum, tour operators, labor export and supply, support services related to the promotion and organization of tours; forage production (inactive at the head office); supply of sanitation services for residential construction works; real estate management, lease of vehicles; purchase and sale of agricultural products and food; wholesale of computers, peripherals and software; wholesale of fertilizer, industrial chemicals (except for crop protection products, chemical toxicity); purchase of biofuels, CO<sub>2</sub>, NH<sub>3</sub> (inactive at the head office); wholesale of plastics in primary forms, industrial chemicals, silk, textile fibers; purchase and sale of vehicles, specialized vehicles, goods trading agents, production of shell cylinders (except for mechanical processing, waste recycling, electroplating at headquarters); vocational training; production of biofuels, CO<sub>2</sub>, NH<sub>3</sub> (inactive at the head office), air and train ticket sales agent, shipping agent, shipping agent services; customs agents; freight agents, including services related to logistics; counting services; import and export freight forwarding; ship brokerage; international multimodal transport; production of plastics packaging (except waste recycling); hotel business; seafood processing (no production and processing of fresh food causing environmental pollution at the office); coastal and ocean freight; transport of goods by road; installation of oil and gas (except for mechanical processing, waste recycling, electroplating at headquarters); repair machinery, equipment; retail computers, peripherals, software and telecommunications equipment in specialized stores; retail of radio, cassette, TV, speakers, stereo equipment, music player, video, CD player, DVD.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR****Accounting convention**

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

**Financial year**

The Corporation's financial year begins on 01 January and ends on 31 December.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***3. ADOPTION OF NEW ACCOUNTING GUIDANCE**

On 24 October 2012, the Ministry of Finance issued Circular No. 179/2012/TT-BTC ("Circular 179") providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises replacing Circular No. 201/2009/TT-BTC dated 15 October 2009 by the Ministry of Finance ("Circular 201"). Circular 179 came into effect from 10 December 2012 and is applied from financial year 2012. Guidance under Circular 179 on recognition, measurement and treatment of foreign exchange differences arising from revaluation of transactions and balances of monetary items denominated in foreign currencies is basically the same as that of VAS 10. The effect of the Company's adoption of Circular 179 on its consolidated financial statements for the year ended 31 December 2012 is presented in Note 4.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Estimates**

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and enterprises controlled by the Corporation (its subsidiaries) up to 31 December each year. Control is achieved where the Corporation has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Corporation. All inter-company transactions and balances between group enterprises are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Corporation's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Corporation except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

**Business combinations**

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period of acquisition.

The interest of non-controlling shareholders is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Investments in associates**

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Interests in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Corporation's share of the net assets of the associate. Losses of an associate in excess of the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Corporation, unrealised profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

**Financial instruments*****Initial recognition******Financial assets***

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

***Financial liabilities***

At the date of initial recognition, financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Corporation comprise borrowings, trade payables, other payables, accruals and other financial liabilities.

***Re-measurement after initial recognition***

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

**Cash and cash equivalents**

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

**Provision for doubtful debts**

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

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

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in 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 condition and location for their intended use. The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

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

	2012 (%)
Buildings, structures	4 - 20
Machinery, equipment	14.2 - 20
Motor vehicles	14.2 - 20
Management tools	25 - 33
Other fixed assets	25 - 33

**Leasing**

Leases are classified as operating leases whenever the lessors hold substantially all the risks and rewards of ownership.

The Corporation as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recorded in expense when incurred.

The Corporation as lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**Intangible assets and amortization**

Intangible fixed assets represent land use rights and computer software that are stated at cost less accumulated amortization. Land use rights are amortized on a straight-line basis over the duration of the right to use the land and no amortization is calculated for land use rights of indefinite terms. Computer software is amortized on a straight-line basis over eight (08) years.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Construction in progress**

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

**Long-term prepayments**

Long-term prepayments comprise prepayment for goodwill arising from revaluation of subsidiaries' values for transformation from limited liability companies into joint stock companies, office rental, costs of small tools, supplies and spare parts issued for consumption and other long-term prepayments.

Goodwill arising from revaluation of subsidiaries' values for transformation from limited liability companies into joint stock companies is of VND 6,006,130,380, VND 12,595,093,168 and VND 33,235,767,000 and amortized over 3 years, 5 years and 10 years with respect to Petroleum Assets Management Company Limited (PSA), Petrosetco Vung Tau General Services Company Limited (Petrosetco Vung Tau) and Mien Trung Petroleum Trading and Services Company Limited (PSMT), respectively.

Prepayment for office rental includes:

- Prepayment represents an amount paid in advance for leasing 2,619.37 m<sup>2</sup> at PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City. The prepayment is amortized to the consolidated income statement on a straight-line basis over 50 years from 01 October 2010.

- Partial prepayment for office rental represents an amount paid in advance for leasing 568 m<sup>2</sup> at Vietnam Petroleum Institute, 173 Trung Kinh Street, Yen Hoa Ward, Cau Giay District, Ha Noi City within 50 years from 10 August 2010. The prepayment is amortized to the consolidated income statement on a straight-line basis over the lease term.

Other types of long-term prepayments comprise costs of small tools, supplies and spare parts issued for consumption storage rental of Ho Nai - Dong Nai and prepayment of land rental at Vung Tau are expected to provide future economic benefits to the Corporation for more than one year. These expenditures have been capitalised as long-term prepayments, and are allocated to the consolidated income statement using the straight-line method in accordance with the current prevailing accounting regulations.

**Long-term investments**

Other long-term investments are measured at cost less provision for diminution in value of such investments (if any).

Provision for diminution in value of financial investments is made when the Board of General Directors believes that diminution in value is not temporary. The provision shall be reversed when recoverable amount then increases due to objective event occurring after the provision has been made. The provision shall be reversed to the maximum amount equal to the net book value of the investment before the provision is made.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Revenue recognition**

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- (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.

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

**Foreign currencies**

In the year, the Company prospectively adopted Circular 179 providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises and replacing Circular 201. Accordingly, transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the buying exchange rate announced on the same date by the Joint Stock Commercial bank for Foreign Trade of Vietnam where the Company opens its bank account. Foreign exchange differences incurred and arising from revaluation of the balances of monetary assets denominated in foreign currencies are recognized in the income statement. Unrealized foreign exchange gains from revaluation of foreign currency balances at the balance sheet date are not treated as part of distributable profit to shareholders. Guidance under Circular 179 on recognition, measurement and treatment of foreign exchange differences for transactions and balances of monetary items denominated in foreign currencies is basically the same as that of VAS 10.

If the Company had adopted VAS, the balance of retained earnings as at 01 January 2012 would have increased by VND 17,626,480,239 and the Company's profit before tax for the year ended 31 December 2012 would have decreased by VND 17,626,480,239 and the balance of "Foreign exchange reserve" item under the "Shareholders' equity" section in the balance sheet as at 01 January 2012 would have had no balance. The Board of General Directors has decided to recognise foreign exchange differences as guided in Circular 179 and believes that such application and disclosure of differences at the same time, in the case where the Company would apply VAS 10, may provide more information to users of the consolidated financial statements.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Borrowing costs**

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.

All other borrowing costs are recognised in the consolidated income statement when incurred.

**Provisions**

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

**Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation 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.

**Funds**

Under Resolution No. 06/NQ-DVTHDK-DHDCD dated 10 April 2012 approved at the General Shareholders' Meeting, the Corporation will distribute to funds from profit after tax of year 2012 as follows:

Bonus and welfare funds	6% of profit after tax
Investment and development fund	10% of profit after tax
Charter capital supplementary reserve fund	5% of profit after tax

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**5. CASH AND CASH EQUIVALENTS**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>VND</b>	<b>VND</b>
Cash on hand	2,761,669,202	8,762,135,118
Cash in bank	288,622,086,667	283,127,898,313
Cash equivalents	838,526,373,872	72,016,534,726
	<b>1,129,910,129,741</b>	<b>363,906,568,157</b>

Cash equivalents represent term deposits of 3 months or less at banks.

**6. SHORT-TERM INVESTMENTS**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>VND</b>	<b>VND</b>
Petroleum Trading Services Company Limited (i)	39,500,000,000	39,500,000,000
Petroleum Saigon General Services Company Limited (i)	10,400,000,000	10,400,000,000
Other short-term investments	-	670,000,000
	<b>49,900,000,000</b>	<b>50,570,000,000</b>

(i) Under Decision No. 313/QĐ-DVTHDK-HĐQT and 314/QĐ-DVTHDK-HĐQT dated 26 December 2011, the Corporation's Board of Management decided to dissolve Petroleum Trading Services Company Limited ("Petrosetco Trading") and Petroleum Saigon General Services Company Limited ("Petrosetco Saigon") from 01 January 2012. Currently, Petrosetco Trading and Petrosetco Saigon are under tax finalization with the tax authorities to complete dissolution procedures; and the two companies have no business activities incurred. Accordingly, investments in Petrosetco Trading and Petrosetco Saigon are presented in the "Short-term investments" item - Code 121 instead of the "Investments in subsidiaries" item - Code 251 in the consolidated balance sheet.

**7. PROVISION FOR DIMINUTION IN VALUE OF SHORT-TERM INVESTMENTS**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>VND</b>	<b>VND</b>
Petroleum Trading Services Company Limited	29,882,192,415	29,882,192,415
Petroleum Saigon General Services Company Limited	1,641,016,490	1,641,016,490
	<b>31,523,208,905</b>	<b>31,523,208,905</b>

**8. INVENTORIES**

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>VND</b>	<b>VND</b>
Goods in transit	120,248,887,628	129,123,041,825
Raw materials	14,949,014,186	6,794,526,302
Tools and supplies	643,584,974	1,061,467,761
Work in progress	-	92,069,432
Finished goods	129,849,756	161,143,651
Merchandise	717,557,663,574	1,117,998,968,164
Goods on consignment	189,213,250,576	41,561,367,274
<b>Total</b>	<b>1,042,742,250,694</b>	<b>1,296,792,584,409</b>
Provision for devaluation of inventories	(18,270,828,587)	(4,604,941,562)
<b>Net reliable value</b>	<b>1,024,471,422,107</b>	<b>1,292,187,642,847</b>



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**9. TANGIBLE FIXED ASSETS**

	Buildings, structures	Machinery, equipment	Motor vehicles	Management tools	Others	Total
	VND	VND	VND	VND	VND	VND
<b>COST</b>						
As at 01/01/2012	176,099,417,727	99,219,380,371	83,835,091,765	14,564,292,350	2,235,529,010	375,953,711,223
Additions	682,261,487	6,287,907,726	5,878,353,653	2,349,775,796	-	15,198,298,662
Transfer from construction in progress	16,806,692,045	-	-	-	-	16,806,692,045
Other increase	4,328,774,751	70,682,000	1,080,785,474	967,065,205	-	6,447,307,430
Disposals	-	(376,368,295)	(3,841,881,264)	(633,723,783)	(25,913,182)	(4,877,886,524)
Decrease at PSP (i)	(29,969,274,116)	(24,955,922,785)	(2,399,990,326)	(256,266,911)	-	(57,581,454,138)
Other decrease	(3,854,517,825)	(83,047,181)	-	(249,811,145)	-	(4,187,376,151)
As at 31/12/2012	164,093,354,069	80,162,631,836	84,552,359,302	16,741,331,512	2,209,615,828	347,759,292,547
<b>ACCUMULATED DEPRECIATION</b>						
As at 01/01/2012	51,285,215,080	40,724,308,999	43,396,017,198	9,663,655,743	131,981,101	145,201,178,121
Charge for the year	7,301,561,947	9,887,343,609	12,466,825,617	3,515,209,201	37,337,552	33,208,277,926
Other increase	3,536,560,780	31,806,896	1,080,785,474	922,956,510	-	5,572,109,660
Disposals	-	(307,828,953)	(2,693,881,788)	(633,723,783)	(27,398,092)	(3,662,832,616)
Decrease at PSP (i)	(418,527,302)	(628,778,400)	(180,026,154)	(55,380,752)	-	(1,282,712,608)
Other decrease	(2,961,825,953)	(516,175,264)	-	(52,715,022)	-	(3,530,716,239)
As at 31/12/2012	58,742,984,552	49,190,676,887	54,069,720,347	13,360,001,897	141,920,561	175,505,304,244
<b>NET BOOK VALUE</b>						
As at 31/12/2012	105,350,369,517	30,971,954,949	30,482,638,955	3,381,329,615	2,067,695,267	172,253,988,303
As at 31/12/2011	124,814,202,647	58,495,071,372	40,439,074,567	4,900,636,607	2,103,547,909	230,752,533,102

(i) The Corporation transferred its capital contribution equivalent to 2,040,000 shares (51% of charter capital) at PetroVietnam Packaging Joint Stock Company (PSP) to PetroVietnam Camau Fertilizer Company Limited according to Stock transfer agreement No. 27/2012/PETROSETCO/PVCFC at 22 October 2012. The transfer process was completed in December 2012.

As at 31 December 2012, the cost of the Corporation's tangible fixed assets includes VND 54,214,857,471 (31 December 2011: VND 23,987,472,521) of assets which have been fully depreciated but are still in use.

**10. INTANGIBLE FIXED ASSETS**

	Land use rights	Computer software	Total
	VND	VND	VND
<b>COST</b>			
As at 01/01/2012	117,531,740,646	2,187,145,150	119,718,885,796
Additions	1,875,894,053	352,739,000	2,228,633,053
Other decrease	-	(31,445,000)	(31,445,000)
As at 31/12/2012	119,407,634,699	2,508,439,150	121,916,073,849
<b>ACCUMULATED AMORTISATION</b>			
As at 01/01/2012	283,000,940	1,486,332,633	1,769,333,573
Charge for the year	220,909,313	496,046,464	716,955,777
Other decrease	-	(29,960,090)	(29,960,090)
As at 31/12/2012	503,910,253	1,952,419,007	2,456,329,260
<b>NET BOOK VALUE</b>			
As at 31/12/2012	118,903,724,446	556,020,143	119,459,744,589
As at 31/12/2011	117,248,739,706	700,812,517	117,949,552,223

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**11. CONSTRUCTION IN PROGRESS**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
<b>As at 01 January</b>	<b>24,862,109,143</b>	<b>7,714,274,339</b>
Additions for the year	9,547,509,988	92,349,875,597
Transferred to fixed assets	16,806,692,045	70,018,647,358
Other decreases	531,014,492	5,183,393,435
<b>As at 31 December</b>	<b>17,071,912,594</b>	<b>24,862,109,143</b>

Details by constructions:

	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>VND</b>	<b>VND</b>
Dung Quat petroleum service center project	-	12,026,732,325
Thanh Da Petrosetco Tower project	16,349,341,923	11,581,791,655
Petroleum packaging production factory project	-	513,287,219
Others	722,570,671	740,297,944
	<b>17,071,912,594</b>	<b>24,862,109,143</b>

**12. INVESTMENT IN SUBSIDIARIES**

Details of the Corporation's subsidiaries as at 31 December 2012 are as follows:

<b>Subsidiaries</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Principal activity</b>
Petroleum General Distribution Services Joint Stock Company	Ho Chi Minh City	94.67%	94.67%	Distribution of telecom, electronic equipment
Petroleum Offshore Trading and Services Company Limited	Ho Chi Minh City	100%	100%	Trading, services
Hanoi Petroleum Trading Services Company Limited	Hanoi	100%	100%	Hotel services
Petrosetco Vung Tau General Services Joint Stock Company	Vung Tau	70%	70%	Services
Mien Trung Petroleum Trading and Services Joint Stock Company	Quang Ngai	89%	89%	Trading, services
PetroVietnam Assets Management Company Joint Stock Company	Hanoi	88.2%	88.2%	Building administration services
Petrosetco SSG Company Limited	Ho Chi Minh City	51%	51%	Real estates
Smart Convergence Joint Stock Company	Ho Chi Minh City	50%	50%	Equipments, electronic components, peripheral devices, softwares

The Corporation owns 50% of contributed charter capital of Smart Convergence Joint Stock Company ("Smartcom"); however, the Corporation has the right to cast the majority of votes at the Board of Management's meetings of Smartcom (3/5 members of the Management Board of this Company are the Corporation's representatives). Accordingly, Smartcom is still under control of The Corporation.



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**13. INVESTMENTS IN ASSOCIATES**

	<u>31/12/2012</u>	<u>31/12/2011</u>
	VND	VND
PetroVietnam Residence Development and Management Joint Stock Company	18,410,012,180	18,896,654,390
Dreamhouse Petroleum Service Education Company Limited	-	245,000,000
FGAS Petroleum Joint Stock Company	-	7,500,000,000
Loc Viet Service and Trading Joint Stock Company	-	2,000,000,000
Petro Tower Limited Company	17,201,849,827	15,753,225,241
	<u>35,611,862,007</u>	<u>44,394,879,631</u>

Details of the Corporation's associates as at 31 December 2012 as follows:

Name of associates	Place of incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
PetroVietnam Residence Development and Management Joint Stock Company	Quang Ngai	30	30	Housing managing and development
Petro Tower Limited Company	Ba Ria - Vung Tau	24	24	Office for lease

**14. LONG-TERM PREPAYMENTS**

	<u>31/12/2012</u>	<u>31/12/2011</u>
	VND	VND
Prepayments for office rental (i)	176,372,341,428	176,592,976,755
Difference from revaluation of assets (ii)	36,147,712,964	43,992,351,756
Other long-term prepayments	46,542,042,047	42,995,296,072
	<u>259,062,096,439</u>	<u>263,580,624,583</u>

(i) Including:

- An amount paid in advance for leasing 2,619.37 m<sup>2</sup> at PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City. The prepayment is amortized to the consolidated income statement on a straight-line basis over 50 years from 01 October 2010.

- An amount partially paid in advance for leasing 568 m<sup>2</sup> at Vietnam Petroleum Institute, 173 Trung Kinh Street, Yen Hoa Ward, Cau Giay District, Hanoi within 50 years from 10 August 2010. The prepayment is amortized to the consolidated income statement on a straight-line basis over the lease term.

(ii) Goodwill arising from revaluation of subsidiaries' values for transformation from limited liability companies into joint stock companies is of VND 6,006,130,380, VND 12,595,093,168 and VND 33,235,767,000 with respect to Petroleum Assets Management Company Limited, Petrossetco Vung Tau General Services Company Limited and Mien Trung Petroleum Trading and Services Company Limited, respectively. Such goodwill is recognized in the "Long-term prepayments" item and amortized over 3 years, 5 years and 10 years, respectively.

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**15. SHORT-TERM LOANS AND LIABILITIES**

	<u>31/12/2012</u>	<u>31/12/2011</u>
	VND	VND
<b>Short-term borrowings (i)</b>		
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	528,709,916,496	109,788,178,530
Military Commercial Joint Stock Bank	-	6,093,868,039
Vietnam International Commercial Joint Stock Bank - Vung Tau Branch	-	11,438,203,813
Dong A Commercial Joint Stock Bank	-	44,989,488,585
Asian Commercial Joint Stock Bank - Binh Thanh Branch	-	387,719,874,292
Indochina Bank - Ho Chi Minh City Branch	127,505,691,581	303,981,477,480
Vietnam Development Bank (VDB)	68,196,459,109	-
HSBC Bank (Vietnam) Ltd.	388,125,455,626	334,040,954,452
ANZ Bank (Vietnam) Ltd.	305,159,533,539	121,720,602,380
Vietnam Technological and Commercial Joint Stock Bank - Ho Chi Minh City Branch	-	58,511,267,281
<b>Current portion of long-term loans</b>	-	<b>10,966,950,719</b>
	<u><b>1,417,697,056,351</b></u>	<u><b>1,389,250,865,571</b></u>

(i) Short-term loans represent unsecured loans from commercial banks under short-term loans or letter of credit. The interest rates are determined by rates announced by the banks at the withdrawal date or by interest rate adjustable as agreed for loans in VND and from 3% to 5% p.a for loans in USD.

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

	<u>31/12/2011</u>	<u>Payable</u>	<u>Paid</u>	<u>31/12/2012</u>
	VND	VND	VND	VND
Value added tax	49,726,604,510	763,761,688,644	792,460,526,643	21,027,766,511
Corporate income tax	23,333,767,129	93,344,172,604	80,731,233,831	35,946,705,902
Personal income tax	1,918,049,628	27,897,754,046	28,016,776,052	1,799,027,622
Other taxes	4,410,733,535	8,393,347,382	12,507,644,010	296,436,907
	<u><b>79,389,154,802</b></u>	<u><b>893,396,962,676</b></u>	<u><b>913,716,180,536</b></u>	<u><b>59,069,936,942</b></u>



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**17. SHAREHOLDERS' EQUITY**

	Charter capital	Share premium	Other shareholders' capital	Treasury shares	Foreign exchange reserve	Investment and development fund	Financial reserve fund	Retained earnings	Total
	VND	VND	VND	VND	VND	VND	VND	VND	VND
<b>Balance as at 01/01/2011</b>	698,420,000,000	128,358,940,301	21,405,058,462	(2,812,000,000)	33,492,226,543	43,423,817,614	1,027,448,705	180,099,117,674	1,103,414,609,299
Profit for the year	-	-	-	-	-	-	-	285,396,889,978	285,396,889,978
Acquired treasury shares	-	-	-	(6,338,605,990)	-	-	-	-	(6,338,605,990)
Dividends paid	-	-	-	-	-	-	-	(111,297,279,400)	(111,297,279,400)
(Loss) from joint-ventures, associates according Equity method	-	-	-	-	-	-	-	(887,590,039)	(887,590,039)
Foreign exchange difference reversal	-	-	-	-	(33,492,226,543)	-	-	-	(33,492,226,543)
Foreign exchange reserve	-	-	-	-	17,626,480,239	-	-	-	17,626,480,239
Fund appropriation at company (ii)	-	-	12,303,376,214	-	-	23,994,781,302	-	(72,852,131,523)	(36,553,974,007)
Fund appropriation at subsidiaries	-	-	(29,786,324)	-	-	1,251,350,454	(187,720,361)	(6,303,416,935)	(5,269,573,166)
Other decrease	-	-	-	-	-	-	-	(381,085,294)	(381,085,294)
<b>Balance at 31/12/2011</b>	<b>698,420,000,000</b>	<b>128,358,940,301</b>	<b>33,678,648,352</b>	<b>(9,150,605,990)</b>	<b>17,626,480,239</b>	<b>68,669,949,370</b>	<b>839,728,344</b>	<b>273,774,504,461</b>	<b>1,212,217,645,077</b>
Profit for the year	-	-	-	-	-	-	-	212,564,050,432	212,564,050,432
Distribution to minority shareholders	-	-	-	-	-	(1,840,855,924)	(72,603,158)	(19,937,656,009)	(21,851,115,091)
Fund appropriation for 2011 (i)	-	-	-	-	-	611,971,127	-	(4,383,568,342)	(3,771,597,215)
Fund appropriation at company (ii)	-	-	9,233,003,634	-	-	18,466,007,266	-	(42,407,589,235)	(14,708,578,335)
Dividends paid (iii)	-	-	-	-	-	-	-	(124,295,616,000)	(124,295,616,000)
Foreign exchange difference reversal	-	-	-	-	(17,626,480,239)	-	-	-	(17,626,480,239)
Fund appropriation at subsidiaries	-	-	-	-	-	9,868,634,061	-	(16,560,684,582)	(6,692,050,521)
Subsidiary using fund to cover liabilities	-	-	-	-	-	-	(186,325,915)	-	(186,325,915)
Change due to liquidation of subsidiaries	-	-	-	-	-	-	-	5,564,073,290	5,564,073,290
Other decrease	-	-	-	-	-	-	-	-	-
<b>Balance at 31/12/2012</b>	<b>698,420,000,000</b>	<b>128,358,940,301</b>	<b>42,911,651,986</b>	<b>(9,150,605,990)</b>	<b>-</b>	<b>95,775,705,900</b>	<b>580,799,271</b>	<b>284,317,514,015</b>	<b>1,241,214,005,483</b>

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**17. SHAREHOLDERS' EQUITY (Continued)**

(i) Under Resolution No. 12/NQ-DVTHDK dated 27 April 2011 of the General Shareholders' Meeting, the Corporation temporarily allocated VND 23,994,781,302, VND 12,303,376,214, VND 10,992,454,242 and VND 25,561,519,765 from the Corporation's profit after tax of 2011 to Investment and development fund, Charter capital supplementary reserve fund, bonus and welfare funds, and bonus fund for outperforming business, respectively.

Under Resolution No. 06/NQ-DVTHDK dated 10 April 2012 of the General Shareholders' Meeting, the Corporation approved to distribute VND 24,606,752,429, VND 12,303,376,214, VND 14,764,051,457, and VND 25,561,519,765 from the Corporation's profit after tax of 2011 to Investment and development fund, Charter capital supplementary reserve fund, bonus and welfare funds, and bonus fund for outperforming business, respectively.

Accordingly, the additional amount to be distributed to Investment and development fund and Bonus and welfare funds has been recorded in the consolidated financial statements of 2012.

(ii) Under Resolution No. 06/NQ-DVTHDK-DHDCD dated 10 April 2012 of the General Shareholders' Meeting, Corporation temporarily allocated VND 18,466,007,266, VND 9,233,003,634, VND 11,080,788,672 and VND 3,627,789,663, and from the Corporation's profit after tax of 2011 to Investment and development fund, Charter capital supplementary reserve fund, bonus and welfare funds, and bonus fund for outperforming business, respectively. The final amounts will be approved in the Corporation's 2013 General Shareholders' Meeting.

(iii) Under Resolution No. 06/NQ-DVTHDK-DHDCD dated 10 April 2012 of the General Shareholders' Meeting, the Corporation declared dividends of 2011 to be VND 124,295,616,000. The dividends of year 2011 were fully paid in 2012.

The Corporation issues only one class of common share which carries no right to fixed dividends with par value of VND 10,000 per share. The common shareholders are entitled to dividends as declared and are entitled to one vote per share at the Corporation's Shareholders' Meetings.

The total number of treasury shares as at 31 December 2012 is 788,880 shares of VND 9,150,605,990. There are no transactions relating to treasury shares during the year.

	<u>31/12/2012</u>	<u>31/12/2011</u>
- Number of shares issued to public	69,842,000	69,842,000
+ <i>Common shares</i>	69,842,000	69,842,000
+ <i>Preferred shares</i>	-	-
- Number of treasury shares	788,880	281,200
+ <i>Common shares</i>	788,880	281,200
+ <i>Preferred shares</i>	-	-
- Number of outstanding shares in circulation	69,053,120	69,560,800
+ <i>Common shares</i>	69,053,120	69,560,800
+ <i>Preferred shares</i>	-	-

**Charter capital**

According to the 13rd amended Business Registration Certificate No. 0300452060 dated 27 November 2012, the Corporation's charter capital is VND 699 billion. Charter capital contributions by shareholders as at 31 December 2012 were as follows:

	<b>Charter capital contribution as at</b>			
	<b>31/12/2012</b>		<b>31/12/2011</b>	
	<b>VND</b>	<b>%</b>	<b>VND</b>	<b>%</b>
Vietnam Oil and Gas Group	246,092,850,000	35.24	246,092,850,000	35.24
Others	452,327,150,000	64.76	452,327,150,000	64.76
	<b>698,420,000,000</b>	<b>100</b>	<b>698,420,000,000</b>	<b>100</b>



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**18. NON-CONTROLLING INTERESTS**

	<u>31/12/2012</u>	<u>31/12/2011</u>
	<b>VND</b>	<b>VND</b>
Charter capital	80,033,000,000	67,333,432,000
Investment and development fund	2,574,532,029	578,562,453
Financial reserve fund	185,640,994	187,720,361
Foreign exchange reserve	-	182,873,182
Retained earnings	6,401,882,468	5,220,143,686
	<u><b>89,195,055,491</b></u>	<u><b>73,502,731,682</b></u>

**19. SEGMENT REPORT**Geographical segments

The Corporation has no business activities outside the territory of Vietnam; therefore, the Corporation has no geographical segments outside of Vietnam .

Business segments

For management purposes, the Company is currently organised into five operating divisions: Electronic product trading division, Petroleum materials and supplies providing division, plastic grain and textile trading division, gas distribution division and others. These divisions are the basis on which the Company reports its primary segment information.

Principal activities of the five divisions as follows:

Electronic product trading division: distributing electronic products (mainly mobile phone and laptop);

Petroleum materials and equipment providing division: providing equipment and materials for petroleum industry;

Plastic grain and textile trading division: trading plastic grain PP and textile.

Gas distribution division: distributing, pouring gas and liquid fuels;

Others: divisions providing and trading other products in the Corporation.

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**19. SEGMENT REPORT (Continued)**

Details about principal activities of the Corporation are as follows:

**Balance sheet at 31 December 2011:**

	Electronic product		Petroleum materials and supplies		Plastic grain		Gas distribution		Other services		Elimination		Total	
	VND		VND		VND		VND		VND		VND		VND	
<b>Assets</b>														
Segment assets	2,079,987,655,441		338,794,521,421		182,238,192,994		228,948,946,603		501,082,934,538		(771,840,883,896)		2,559,211,367,101	
Unallocated assets	-		-		-		-		-		-		1,551,151,268,903	
<b>Consolidated assets</b>													<b>4,110,362,636,004</b>	
<b>Liabilities</b>														
Segment liabilities	1,586,599,158,617		312,223,450,940		195,383,228,908		205,577,376,420		402,645,313,314		(258,006,516,572)		2,444,422,011,627	
Unallocated liabilities	-		-		-		-		-		-		380,220,247,618	
<b>Consolidated liabilities</b>													<b>2,824,642,259,245</b>	

**Balance sheet at 31 December 2012:**

	Electronic product		Petroleum materials and supplies		Plastic grain, textile		Gas distribution		Other service		Deduction		Total	
	VND		VND		VND		VND		VND		VND		VND	
<b>Assets</b>														
Segment assets	2,183,946,708,711		379,190,981,145		279,302,240,806		270,324,101,503		489,265,382,978		(778,918,288,190)		2,823,111,126,953	
Unallocated assets	-		-		-		-		-		-		1,443,537,112,792	
<b>Consolidated assets</b>													<b>4,266,648,239,745</b>	
<b>Liabilities</b>														
Segment liabilities	2,011,598,521,340		348,601,095,313		266,936,625,666		199,056,226,534		217,373,383,078		(364,243,257,652)		2,679,322,594,279	
Unallocated liabilities	-		-		-		-		-		-		256,916,584,492	
<b>Consolidated liabilities</b>													<b>2,936,239,178,771</b>	



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**19. SEGMENT REPORT (Continued)**

**Income statement for the year ended 31 December 2011:**

	Electronic product	Petroleum materials and supplies		Plastic grain	Gas distribution	Other services		Elimination	Total
	VND	VND	VND	VND	VND	VND	VND		VND
<b>Revenue</b>									
External sales	6,618,775,469,682	534,752,646,503	1,207,565,933,275	676,318,927,980	1,395,782,457,503	(112,525,623,636)	10,320,669,811,307		
Total revenue	6,618,775,469,682	534,752,646,503	1,207,565,933,275	676,318,927,980	1,395,782,457,503	(112,525,623,636)	10,320,669,811,307		
Cost of sales	5,977,213,611,583	493,461,986,692	1,166,138,014,021	651,393,671,237	1,101,014,878,481	(67,910,360,215)	9,321,311,801,799		
<b>Result</b>									
Segment result	641,561,858,099	41,290,659,811	41,427,919,254	24,925,256,743	294,767,579,022	(44,615,263,421)	999,358,009,508		
Unallocated expenses							464,613,712,094		
Operating profit							534,744,297,414		
Investment revenues							95,058,539,524		
Other gains							85,168,397,625		
Finance costs							308,245,976,232		
Profit before tax							406,725,258,331		
Income tax expense							101,716,691,368		
Deferred corporate tax expense							12,200,968,137		
<b>Net profit after corporate income tax</b>							<b>292,807,598,826</b>		

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**19. SEGMENT REPORT (Continued)**

**Income statement for the year ended 31 December 2012:**

	Electronic product	Petroleum materials and supplies		Plastic grain	Gas distribution	Other service	Elimination	Total
	VND	VND	VND	VND	VND	VND	VND	VND
<b>Revenue</b>								
External sales	5,739,209,755,902	830,915,244,288	1,273,494,439,331	745,006,932,029	1,707,438,080,234	(142,264,660,233)	10,153,799,791,551	
Total revenue	5,739,209,755,902	830,915,244,288	1,273,494,439,331	745,006,932,029	1,707,438,080,234	(142,264,660,233)	10,153,799,791,551	
Cost of sales	5,310,753,633,318	809,175,077,056	1,244,222,155,733	726,129,676,575	1,400,117,932,961	(96,811,602,166)	9,393,586,873,477	
<b>Result</b>								
Segment result	428,456,122,584	21,740,167,232	29,272,283,598	18,877,255,454	307,320,147,273	(45,453,058,067)	760,212,918,074	
Unallocated expenses							419,468,283,588	
Operating profit							340,744,634,486	
Investment revenues							82,544,198,857	
Other gains							27,387,893,201	
Finance costs							144,768,503,508	
Profit before tax							305,908,223,036	
Income tax expense							93,344,172,604	
<b>Net profit after corporate income tax</b>							<b>212,564,050,432</b>	





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	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Raw materials and consumables	664,077,677,600	408,163,445,626
Labour	426,137,928,577	297,924,930,756
Depreciation and amortization	33,925,233,703	32,803,438,634
Out-sourced services	316,689,487,598	643,256,646,401
Other expenses	181,072,876,967	240,792,337,206
	<b>1,621,903,204,445</b>	<b>1,622,940,798,623</b>

**21. FINANCIAL INCOME**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Bank and loan interests	39,621,047,347	46,174,622,248
Foreign exchange gain	29,731,565,832	15,308,718,865
Dividends and profits received	153,563,475	2,678,032,679
Foreign currency trading income	-	1,030,874,423
Proceeds from capital transfer	-	21,600,000,000
Other financial income	10,675,023,283	4,361,081,754
	<b>80,181,199,937</b>	<b>91,153,329,969</b>

**22. FINANCIAL EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Interest expense	103,154,269,027	157,036,923,986
Foreign exchange loss	26,233,528,424	132,199,105,653
Other financial expenses	15,380,706,057	19,009,946,593
	<b>144,768,503,508</b>	<b>308,245,976,232</b>

**23. OTHER INCOME**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Income from revaluation of assets for transformation purpose	-	82,700,997,163
The prior years' import tax reimbursement	31,563,205,536	-
Proceeds from contract penalty	6,029,130,073	5,727,149,780
Others	12,209,415,332	25,019,479,198
	<b>49,801,750,941</b>	<b>113,447,626,141</b>

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**24. CORPORATE INCOME TAX**

	2012	2011
	VND	VND
<b>Profit before tax</b>	<b>305,908,223,036</b>	<b>406,725,258,331</b>
<b>Adjustment for taxable income</b>		
<i>Add:</i>	<i>69,269,332,472</i>	<i>35,726,481,983</i>
- Non-deductible expenses	67,093,383,645	30,185,264,507
- Non-assessable loss	2,175,948,827	5,541,217,476
<i>Less:</i>	<i>(2,387,918,772)</i>	<i>(4,431,442,462)</i>
- Losses carried forward	-	(4,431,442,462)
- Income from providing meal for employee (i)	(2,301,699,179)	-
- Other deductions	(86,219,593)	-
<b>Taxable income</b>	<b>372,789,636,736</b>	<b>438,020,297,852</b>
<i>Assessable income at rate of 25% x 50%</i>	<i>-</i>	<i>46,634,033,983</i>
<i>Assessable income at rate of 25%</i>	<i>372,789,636,736</i>	<i>391,386,263,869</i>
The previous year corporate income tax adjustment	146,763,420	(1,959,128,847)
Normal tax rate	25%	25%
Current corporate income tax expense	93,344,172,604	101,716,691,368
Deferred corporate tax expense	-	12,200,968,137
<b>Current corporate income tax expense for the year</b>	<b>93,344,172,604</b>	<b>113,917,659,505</b>

(i) Income from providing meals for employees at Mien Trung Petroleum Trading and Services Joint Stock Company - the subsidiary of the Corporation is entitled to a corporate income tax exemption under Article 2 of Circular No. 140/2012/TT-BTC issued by the Ministry of Finance dated 21 August 2012 concerning details to implement Resolution No. 29/2012/QH13 issued by the National Assembly promulgating tax policies to alleviating difficulties for organizations and individuals.

**25. BASIC EARNINGS PER SHARE**

	2012	2011
	VND	VND
Net profit after corporate income tax	212,564,050,432	292,807,598,826
Profit for the year attributable to equity holders	187,806,049,616	285,396,889,978
Weighted average number of ordinary shares outstanding during the year	69,053,120	69,488,882
<b>Basic earnings per share</b>	<b>2,720</b>	<b>4,107</b>

**26. CONTINGENT LIABILITIES**

According to Decision No. 2759/QĐ-CT-TTr1-N4 dated 03 July 2012 issued by Ho Chi Minh Tax Department concerning "Tax treatment, administrative sanctions by inspecting the observance of tax legislation" of PetroVietnam General Distribution Services Joint Stock Corporation ("PSD") - the subsidiary of the Corporation for the period from 2008 to 2011, PSD is prosecuted for tax evasion and tax law violations.

Due to disagreement with some contents of the above Decision, PSD sent an official letter to the General Department of Taxation for clarification. The General Department of Taxation is currently reviewing and has not come to conclusion. As a result, PSD has not recorded these liabilities in its financial statements. Determination of additional tax payable of PSD (if applicable) from 2008 to 2011 is based on the final decision of the General Department of Taxation.



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**27. COMMITMENTS****Operating commitments**

	<u>2012</u>	<u>2011</u>
	<b>VND</b>	<b>VND</b>
Minimum lease payments under operating leases recognised in the income statement for the year	27,711,106,473	21,437,325,390

- On 29 June 2011, the Corporation, both as lessor and lessee, entered into an Appendix contract No. 10020/2010/HD-DKVN with Vietnam Oil and Gas Group in which the lease area is reduced from 4,844.36 m<sup>2</sup> to 2,619.37 m<sup>2</sup> at PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City. The lease term is 50 years from 01 October 2010. Total VAT-exclusive amount payable to Vietnam Oil and Gas Group as at 31 December 2012 is VND 185,727,354,531.

- On 12 July 2011, the Corporation signed an office lease agreement No. 6211/2011/HD-DKVN with Vietnam Oil and Gas Group to lease Floor 2 and part of Floor 6 of PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City with the total additional lease area of 2,224.99 m<sup>2</sup>. The monthly rental charge is USD 5,174.77 (equivalent to VND 1,065,868,110).

- On 29 November 2012, the Corporation signed an appendix to the office lease agreement No. 6211/2011/HD-DKVN with Vietnam Oil and Gas Group. The lease area is 2,224.99 m<sup>2</sup>, the monthly rental charge is VND 934,494,800. The appendix is valid from 01 October 2012.

- Petroleum Offshore Trading and Services Company limited - a subsidiary of the Corporation signed a lease contract with Vietnam Oil and Gas Group to lease 1,245.86 m<sup>2</sup> at PetroVietnam Tower 1-5 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh city with the monthly rental charge of VND 420,000/m<sup>2</sup>. The lease term is from 01 January 2010 to 20 August 2017.

- Petrosetco Assets Management JSC - a subsidiary of the Corporation signed an office leasing contract for leasing 568 m<sup>2</sup> at Vietnam Petroleum Institute, 173 Trung Kinh Street, Yen Hoa Ward, Cau Giay District, Hanoi within 50 years from 10 August 2010.

At the balance sheet date, the Corporation had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<u>31/12/2012</u>	<u>31/12/2011</u>
	<b>VND</b>	<b>VND</b>
Within one year	29,812,770,064	21,068,988,489
In the second to fifth year inclusive	98,238,642,151	69,709,919,647
After five years	626,422,859,389	709,406,787,192
	<u><b>754,474,271,604</b></u>	<u><b>800,185,695,328</b></u>

**28. FINANCIAL INSTRUMENTS****Capital risk management**

The Corporation manages its capital to ensure that the Corporation 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 Corporation consists of net debt (borrowings disclosed in Note 15, offset by cash and cash equivalents) and equity attributable to equity holders of the Corporation (comprising capital, reserves and retained earnings).

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

**FORM B 09-DN/HN**

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

**28. FINANCIAL INSTRUMENTS (Continued)**

*Gearing ratio*

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

	<u>31/12/2012</u>	<u>31/12/2011</u>
	<b>VND</b>	<b>VND</b>
Borrowings	1,417,697,056,351	1,434,925,540,837
Less: Cash and cash equivalents	1,129,910,129,741	363,906,568,157
Net debt	287,786,926,610	1,071,018,972,680
Equity	1,241,214,005,483	1,212,217,645,077
<b>Net debt to equity ratio</b>	<b>0.23</b>	<b>0.88</b>

**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, financial liability and equity instrument are disclosed in Note 4.

**Categories of financial instruments**

	<u>Carrying amounts</u>	
	<u>31/12/2012</u>	<u>31/12/2011</u>
	<b>VND</b>	<b>VND</b>
<b>Financial assets</b>		
Cash and cash equivalents	1,129,910,129,741	363,906,568,157
Investments	2,000,000,000	112,670,000,000
Trade and other receivables	1,083,055,629,148	1,066,351,738,715
Other financial assets	7,369,500,650	4,295,245,883
<b>Total</b>	<b>2,222,335,259,539</b>	<b>1,547,223,552,755</b>
<b>Financial liabilities</b>		
Borrowings	1,417,697,056,351	1,434,925,540,837
Trade and other payables	898,143,288,983	747,946,269,533
Accruals	8,121,828,868	11,158,612,125
Other financial liabilities	17,507,701,889	-
<b>Total</b>	<b>2,341,469,876,091</b>	<b>2,194,030,422,495</b>

The Corporation has not assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of 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 Corporation has set up risk management system to identify and assess the risks exposed by the Corporation 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 Corporation's operations.

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



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

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

**28. FINANCIAL INSTRUMENTS (Continued)**

**Market risk**

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

*Foreign currency risk management*

The Corporation undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Corporation does not hedge these exposures due to the lack of market to purchase these financial instruments.

The carrying amounts of the Corporation'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>31/12/2012</b>	<b>31/12/2011</b>	<b>31/12/2012</b>	<b>31/12/2011</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
US Dollar (USD)	134,670,153,531	116,842,691,735	1,584,784,988,833	1,218,033,213,553
Euro (EUR)	439,615,217	30,684,973	198,532,463	2,945,748,829
British Pound (GBP)	6,826,048	513,039,133	-	-

*Foreign currency sensitivity analysis*

The Corporation is mainly exposed to United States Dollar (USD), British Pound (GBP) and EURO (EUR).

The following table details the Corporation's sensitivity to a 10% increase and decrease in Vietnam Dong against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's 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 period end for a 10% change in foreign currency rates. For a 10% increase/decrease in the following foreign currencies against Vietnam Dong, assuming other variables were held contract, the profit before tax in the year would change by the following amount:

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Increase 10%	(144,986,692,650)	(110,359,254,654)
Decrease 10%	144,986,692,650	110,359,254,654

*Interest rate risk management*

The Corporation has significant interest rate risks arising from interest bearing loans which are arranged. The risk is managed by the Corporation 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 200 basis points higher/lower, the Corporation's profit before tax would have changed as follows:

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

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**28. FINANCIAL INSTRUMENTS (Continued)**

*Interest rate sensitivity (Continued)*

	<u>Increase/(decrease) in basis points</u>	<u>Impact on profit before tax VND</u>
<b>For the year ended 31 December 2012</b>		
VND	+200	(28,353,941,127)
VND	-200	28,353,941,127
<b>For the year ended 31 December 2011</b>		
VND	+200	(28,698,510,817)
VND	-200	28,698,510,817

*Price risk management*

The Corporation is exposed to equity price risks arising from equity investments in its associates. The Board of Management of the Corporation considered and approved decisions of investment in associate as business, investees, etc. Equity investments are held for strategic rather than trading purposes.

*Commodity price risk management*

The Corporation purchases materials, commodities from local and foreign suppliers for business purpose. Therefore, the Corporation is exposed to the risk of changes in selling prices of materials, commodities.

**Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Corporation does not have any significant credit risk exposure to any counterparty because receivables consist of a large number of customers, spread across diverse industries and geographical areas.

**Liquidity risk management**

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Corporation believes can generate within that period. The Corporation's policy is to regularly monitor current and expected liquidity requirements to ensure that the Corporation 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 Corporation'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 including interest that will be earned on those assets, if any and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The inclusion of information on non-derivative financial assets is necessary in order to understand the Corporation's liquidity risk management as the liquidity is managed on a net asset and liability basis.



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

**FORM B 09-DN/HN**

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**28. FINANCIAL INSTRUMENTS (Continued)**

**Liquidity risk management (Continued)**

	<b>Less than 1 year</b>	<b>From 1 - 5 years</b>	<b>Total</b>
<b>31/12/2012</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Cash and cash equivalents	1,129,910,129,741	-	1,129,910,129,741
Investments	-	2,000,000,000	2,000,000,000
Trade and other receivables	1,083,055,629,148	-	1,083,055,629,148
Other financial assets	323,726,620	7,045,774,030	7,369,500,650
	<b>2,213,289,485,509</b>	<b>9,045,774,030</b>	<b>2,222,335,259,539</b>
<b>31/12/2012</b>			
Borrowings	1,417,697,056,351	-	1,417,697,056,351
Trade and other payables	898,143,288,983	-	898,143,288,983
Accrued expenses	8,121,828,868	-	8,121,828,868
Other financial liabilities	-	17,507,701,889	17,507,701,889
	<b>2,323,962,174,202</b>	<b>17,507,701,889</b>	<b>2,341,469,876,091</b>
<b>Net liquidity gap</b>	<b>(110,672,688,693)</b>	<b>(8,461,927,859)</b>	<b>(119,134,616,552)</b>
	<b>Less than 1 year</b>	<b>From 1 - 5 years</b>	<b>Total</b>
<b>31/12/2011</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Cash and cash equivalents	363,906,568,157	-	363,906,568,157
Financial investments	670,000,000	112,000,000,000	112,670,000,000
Trade and other receivables	1,066,351,738,715	-	1,066,351,738,715
Other financial assets	1,760,773,113	2,534,472,770	4,295,245,883
	<b>1,432,689,079,985</b>	<b>114,534,472,770</b>	<b>1,547,223,552,755</b>
<b>31/12/2011</b>			
Borrowings	1,389,250,865,571	45,674,675,266	1,434,925,540,837
Trade and other payables	711,428,225,214	36,518,044,319	747,946,269,533
Accrued expenses	11,158,612,125	-	11,158,612,125
	<b>2,111,837,702,910</b>	<b>82,192,719,585</b>	<b>2,194,030,422,495</b>
<b>Net liquidity gap</b>	<b>(679,148,622,925)</b>	<b>32,341,753,185</b>	<b>(646,806,869,740)</b>

At 31 December 2012, the financial liabilities exceeded financial assets by VND 119,134,616,552. The Board of General Directors assessed the liquidity risk concentration at acceptable level. Accordingly, the management believes that the Corporation will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

**PETROVIETNAM GENERAL SERVICES JOINT STOCK CORPORATION**

Floor 6, PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1  
Ho Chi Minh City, S.R. Vietnam

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN**

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**29. RELATED PARTY TRANSACTIONS AND BALANCES**

During the year, the Corporation entered into following transactions with its related parties:

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
<b>Purchases</b>		
Vietnam Oil and Gas Group	14,484,003,169	15,928,147,163
Binh Son Refining and Petrochemical Company Limited	1,653,172,195,378	1,077,790,758,088
Drilling Mud Joint Stock Corporation	2,900,000,000	15,048,613,125
Petro Vietnam Fertilizer and Chemicals Joint Stock Corporation	147,780,275,000	92,766,647,621
PVI Holdings	-	728,144,781
Petro Vietnam Transportation Joint Stock Corporation	-	17,484,839,000
Petro Vietnam Security Service Joint Stock Corporation	15,946,812,993	12,376,803,208
Petrovietnam Petrochemical and Textile Fiber Joint Stock Company	106,275,956,028	-
<b>Sales</b>		
Vietnam Oil and Gas Group	108,983,977,909	102,560,350,951
Vietnam Petroleum Institute	24,408,131,002	30,365,045,739
Petro Vietnam Finance Corporation	19,246,060,356	25,462,695,101
Petro Vietnam Exploration Production Corporation	11,615,132,245	21,685,152,078
Drilling Mud Joint Stock Corporation	7,989,708,422	6,759,675,651
Petro Viet Nam Power Corporation	5,126,717,968	4,186,293,143
Petro Vietnam Technical Services Corporation	484,066,200,928	197,249,774,743
Petro Vietnam Gas Joint Stock Corporation	7,037,398,811	77,422,991,229
Dung Quat Shipyard Company Limited	23,526,990,507	17,095,909,454
Binh Son Refining and Petrochemical Company Limited	19,405,809,226	104,711,932,371
Petro Vietnam Drilling and Well Services Corporation	69,901,964,712	47,105,180,179
Petro Vietnam Transportation Joint Stock Corporation	12,070,312,579	4,740,631,604
PVI Holdings	128,072,768	12,994,294,777
Petro Vietnam Oil Corporation	7,990,698,113	10,143,559,512
Petro Vietnam Fertilizer and Chemicals Joint Stock Corporation	1,331,810,844	41,834,986,665
Petro Vietnam University	3,534,848,008	3,695,060,125
Petro Vietnam Engineering Consultancy Joint Stock Company	2,213,831,881	842,022,806
Petro Vietnam Construction Joint Stock Corporation	11,011,144,073	2,382,324,209
Thai Binh II Petroleum Electricity Project Management Board	-	112,161,000
Ca Mau Gas-Electricity-Fertilizer Project Management Board	-	173,800,000
Dung Quat Refinery Project Management Board	-	1,723,244,544
Petro Vietnam Security Service Joint Stock Corporation	-	106,089,833
Bien Dong Petroleum Operating Company	5,033,347,501	5,064,000
	6,180,204,405	-
<b>Loans received</b>		
Petro Vietnam Finance Corporation	480,000,000,000	700,000,000,000
<b>Loans repaid</b>		
Petro Vietnam Finance Corporation	498,930,229,527	700,000,000,000



**PETROVIETNAM GENERAL SERVICES JOINT STOCK CORPORATION**

Floor 6, PetroVietnam Tower, 1-5 Le Duan, Ben Nghe Ward, District 1  
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**29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

*Related parties balances at the balance sheet date were as follows:*

	<u>31/12/2012</u>	<u>31/12/2011</u>
	<b>VND</b>	<b>VND</b>
<b>Receivables</b>		
Vietnam Oil and Gas Group	5,935,445,434	10,927,350,520
Vietnam Petroleum Institute	4,291,440,705	4,701,798,741
Drilling Mud Joint Stock Corporation	2,194,662,597	1,799,607,232
Dung Quat Shipyard Company Limited	6,009,771,772	5,568,894,500
Petro Vietnam Drilling and Well Services Corporation	26,674,922,116	16,284,004,181
Petro Vietnam Transportation Joint Stock Corporation	6,501,454,269	4,836,005,708
Binh Son Refining and Petrochemical Company Limited	1,463,566,400	-
Bien Dong Petroleum Operating Company	3,752,481,289	-
Petro Vietnam Energy Technology Corporation	1,289,822,161	-
Petro Vietnam Exploration Production Corporation	4,543,511,635	-
Petro Vietnam Gas Joint Stock Corporation	189,887,656,347	-
Petro Vietnam Technical Services Corporation	24,532,318,063	-
Petro Vietnam Engineering Consultancy Joint Stock Company	1,479,401,660	-
<b>Payables</b>		
PTSC Mechanical and Construction Services	307,088,030,218	333,020,937,234
Binh Son Refining and Petrochemical Company Limited	241,671,867,737	288,658,684,333
Petro Vietnam Gas Joint Stock Corporation	4,897,660,548	16,684,358,855
Petro Vietnam Oil Corporation	902,277,800	-
Petro Vietnam Finance Corporation	526,446,199	-
Petro Vietnam Technical Services Corporation	7,089,002,414	4,193,159,418
Vietnam Oil and Gas Group	3,814,296,491	29,531,142,000
Petro Vietnam Manpower Training College	115,500,000	-
Vietnam Petroleum Institute	6,968,647	-
PVI Holdings	101,298,721	371,906,259
Petro Vietnam Drilling and Well Services Corporation	830,497,256	305,821,428
Petro Vietnam Security Service Joint Stock Corporation	301,950,000	-
Petro Vietnam Transportation Joint Stock Corporation	-	9,200,577,116
Petro Vietnam Construction Joint Stock Corporation	-	5,950,227,439
<b>Loans</b>		
Petro Vietnam Finance Corporation	-	18,930,229,527

**Remuneration of the Boards of Management and General Directors:**

	<u>2012</u>	<u>2011</u>
	<b>VND</b>	<b>VND</b>
Salaries, bonus and other benefit in kinds	6,617,575,800	8,204,353,114
	<u><b>6,617,575,800</b></u>	<u><b>8,204,353,114</b></u>

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

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