

Interfood Shareholding Company

Separate Financial Statements for the year
ended 31 December 2013

Interfood Shareholding Company

Corporate information

Investment Licence No. 270/GP 16 November 1991

Investment Certificate No. 472033000328 (1st amendment) 28 November 2007
472033000328 (2nd amendment) 20 May 2010
472033000328 (3rd amendment) 22 April 2011
472033000328 (4th amendment) 18 October 2011

The Company's investment licence has been amended several times, the most recent of which is by investment licence No. 270 CPH/GCNDDC3-BHK dated 23 August 2006. The investment licence and its amendments were issued by the Ministry of Planning and Investment and are valid for 50 years.

The investment certificates were issued by the Dong Nai Industrial Zone Authority and are valid for 50 years from the date of the initial investment licence.

Board of Management	Michio Nagabayashi	Chairman
	Toru Yamasaki	Member
	Hiroshi Fujikawa	Member
	Nguyen Thi Kim Lien	Member
	Pang Tze Wei	Member (until 11 December 2013)
	Takayuki Morisawa	Member (from 11 December 2013)

Board of Directors	Michio Nagabayashi	General Director
	Hajime Kobayashi	Director/General Manager of Corporate Planning
	Kazufumi Nagashima	Director/General Manager of Factory
	Hidefumi Matsuo	Director/General Manager of Administration
	Nguyen Thi Kim Lien	Director/General Manager of Finance
	Takaaki Suemitsu	Director/General Manager of Sales and Marketing

Registered Office Lot 13, Tam Phuoc Industrial Zone
Bien Hoa City
Dong Nai Province
Vietnam

Auditors KPMG Limited
Vietnam

Interfood Shareholding Company
Statement of the Board of Directors

The Board of Directors is responsible for the preparation and presentation of the separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting. In the opinion of the Board of Directors:

- (a) the separate financial statements set out on pages 5 to give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2013, and of the unconsolidated results of operations and the unconsolidated cash flows of the Company for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorized these separate financial statements for issue.

On behalf of the Board of Directors

Signed and sealed

Michio Nagabayashi
Chairman – cum General Director

Ho Chi Minh City, 28 March 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders Interfood Shareholding Company

We have audited the accompanying separate financial statements of Interfood Shareholding Company (“the Company”), which comprise the separate balance sheet as of 31 December 2013, the separate statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company’s Board of Directors on 28 March 2014, as set out on pages 5 to 41.

Management’s Responsibility for the Financial Statements

The Company’s Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these separate 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 separate financial statements are free of 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 auditor’s judgement, 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 auditor considers internal control relevant to the entity’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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Audit opinion

In our opinion, the separate financial statements give a true and fair view, in all material respects, of the unconsolidated financial position of Interfood Shareholding Company as of 31 December 2013 and of its unconsolidated results of operations and its unconsolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting.

KPMG Limited's Branch in Ho Chi Minh City

Vietnam

Operating registration certificate No.: 4114000230

Audit Report No: 13-01-289

Signed and sealed

Signed

Nguyen Thanh Nghi
Practicing Auditor Registration
Certificate No. 0304-2013-007-1
Deputy General Director

Chong Kwang Puay
Practicing Auditor Registration
Certificate No. 0864-2013-007-1

Ho Chi Minh City, 28 March 2014

Interfood Shareholding Company
Separate balance sheet as at 31 December 2013

Form B 01 – DN

	Code	Note	31/12/2013 VND'000	31/12/2012 VND'000
ASSETS				
Current assets (100 = 110 + 130 + 140 + 150)	100		423,371,659	394,740,754
Cash	110	4	96,582,678	81,642,948
Accounts receivable	130	5	144,730,352	154,689,431
Accounts receivable – trade	131		27,402,646	14,959,024
Prepayments to suppliers	132		2,631,416	3,035,244
Intra-company receivables	133		116,644,475	131,506,846
Other receivables	135		97,283	5,188,317
Allowance for doubtful debts	139		(2,045,468)	-
Inventories	140	6	180,423,407	157,649,819
Inventories	141		180,423,407	164,125,515
Allowance for inventories	149		-	(6,475,696)
Other current assets	150		1,635,222	758,556
Short-term prepayments	151		650,029	12,726
Taxes and other receivables from State				
Treasury	154		529,403	-
Other current assets	158		455,790	745,830
Long-term assets (200 = 210 + 220 + 250 + 260)	200		297,092,300	320,730,559
Accounts receivable – long-term	210	5	24,993,600	24,993,600
Intra-company long-term receivables	213		24,993,600	24,993,600
Fixed assets	220		172,202,425	196,391,440
Tangible fixed assets	221	7	163,978,859	187,993,216
<i>Cost</i>	222		378,446,061	379,932,567
<i>Accumulated depreciation</i>	223		(214,467,202)	(191,939,351)
Intangible fixed assets	227	8	8,223,566	-
<i>Cost</i>	228		8,926,021	-
<i>Accumulated amortisation</i>	229		(702,455)	-
Construction in progress	230	9	-	8,398,224
Long-term investments	250	10	94,145,809	94,145,809
Investment in subsidiary	251		94,145,809	94,145,809

The accompanying notes are an integral part of these separate financial statements

Interfood Shareholding Company
Separate balance sheet as at 31 December 2013 (continued)

Form B 01 – DN

	Code	Note	31/12/2013 VND'000	31/12/2012 VND'000
Other long-term assets	260		5,750,466	5,199,710
Long-term prepayments	261	11	4,299,991	3,684,952
Other long-term assets	268		1,450,475	1,514,758
TOTAL ASSETS (270 = 100 + 200)	270		720,463,959	715,471,313
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		588,871,862	676,501,188
Current liabilities	310		448,951,728	466,528,559
Short-term borrowings	311	12	326,740,000	364,490,000
Accounts payable – trade	312	13	85,727,963	66,406,162
Advances from customers	313		6,118,814	6,552,905
Taxes payable to State Treasury	314	14	231,016	2,516,127
Payables to employees	315		12,367,541	8,421,739
Accrued expenses	316	15	17,089,922	16,956,554
Other payables	319	16	676,472	1,185,072
Long-term borrowings and liabilities	330		139,920,134	209,972,629
Other long-term liabilities	333		26,139	26,139
Long-term borrowings	334	17	137,020,000	206,841,368
Provision for severance allowance	337	18	2,873,995	3,105,122
EQUITY (400 = 410)	400		131,592,097	38,970,125
Equity	410	19	131,592,097	38,970,125
Share capital	411	20	591,443,888	381,443,888
Share premium	412		85,035,704	85,035,704
Accumulated losses	420		(544,887,495)	(427,509,467)
TOTAL RESOURCES (440 = 300 + 400)	440		720,463,959	715,471,313

The accompanying notes are an integral part of these separate financial statements

Interfood Shareholding Company
Separate balance sheet as at 31 December 2013 (continued)

Form B 01 – DN

OFF BALANCE SHEET ITEMS

	31/12/2013	31/12/2012
	VND'000	VND'000
Foreign currency		
• USD	43,639,871	33,442,616
• EUR	10,426	13,546

28 March 2014

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director

The accompanying notes are an integral part of these separate financial statements

Interfood Shareholding Company
Separate statement of income for the year ended 31 December 2013

Form B 02 – DN

	Code	Note	2013 VND'000	2012 VND'000
Total revenue	01	21	1,022,018,674	879,382,008
Less sales deductions	02	21	28,872,788	25,594,821
Net revenue (10 = 01 - 02)	10	21	993,145,886	853,787,187
Cost of sales	11	22	721,964,445	673,469,089
Gross profit (20 = 10 - 11)	20		271,181,441	180,318,098
Financial income	21	23	5,368,283	4,027,864
Financial expenses	22	24	15,935,655	9,546,014
<i>In which: Interest expense</i>	23		8,402,063	7,902,206
Selling expenses	24		414,545,956	215,082,987
General and administration expenses	25		33,654,493	28,525,321
Net operating loss {30 = 20 + (21 - 22) - (24 + 25)}	30		(187,586,380)	(68,808,360)
Other income	31	25	82,068,031	25,958,311
Other expenses	32	26	8,687,084	43,050,497
Results of other activities (40 = 31 - 32)	40		73,380,947	(17,092,186)
Loss before tax (50 = 30 + 40)	50		(114,205,433)	(85,900,546)
Income tax expense – current	51	27	3,172,595	4,148,958
Income tax expense – deferred	52	27	-	42,787,523
Net loss after tax (60 = 50 - 51 - 52)	60		(117,378,028)	(132,837,027)

28 March 2014

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director

The accompanying notes are an integral part of these separate financial statements

Interfood Shareholding Company
Separate statement of cash flow for the year ended 31 December 2013
(Indirect method)

Form B 03 – DN

	Code	Note	2013 VND'000	2012 VND'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	01		(114,205,433)	(85,900,546)
Adjustments for				
Depreciation and amortisation	02		26,168,340	31,583,350
Allowances and provisions	03		(4,548,075)	7,499,392
Unrealised foreign exchange losses	04		3,473,758	-
Income from loan waiving	05		(71,459,368)	-
Loss on disposal of fixed assets	05		-	28,542,712
Interest income	05		(3,506,790)	(3,417,832)
Interest expense	06		8,402,063	7,902,206
Operating loss before changes in working capital	08		(155,675,505)	(13,790,718)
Change in receivables	09		(8,008,160)	37,501,272
Change in inventories	10		(16,297,892)	(26,701,996)
Change in payables and other liabilities	11		72,124,605	5,377,748
Change in prepayments	12		181,878	(3,628,467)
			(107,675,074)	(1,242,161)
Interest paid	13		(10,820,621)	(4,279,925)
Income tax paid	14		(3,172,595)	(1,922,299)
Other payments for operating activities	16		-	(1,514,758)
Net cash flows from operating activities	20		(121,668,290)	(8,959,143)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(3,479,616)	(9,418,630)
Loan granted to a related company	23		(31,050,000)	(24,678,889)
Receipts of interests from bank deposits	27		726,483	421,829
Net cash flows from investing activities	30		(33,803,133)	(33,675,690)

The accompanying notes are an integral part of these separate financial statements

Interfood Shareholding Company
Separate statement of cash flow for the year ended 31 December 2013
(Indirect method - continued)

Form B 03 – DN

	Code	Note	2013 VND'000	2012 VND'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from equity issued	31		210,000,000	-
Proceeds from short-term borrowings	33		199,842,000	83,312,000
Payments to settle loan principals	34		(239,522,000)	-
Net cash flows from financing activities	40		170,320,000	83,312,000
Net cash flows during the year (50 = 20 + 30 + 40)	50		14,848,577	40,677,167
Cash at the beginning of the year	60		81,642,948	40,965,781
Effect of exchange rate fluctuations on cash	61		91,153	-
Cash at the end of the year (70 = 50 + 60)	70	4	96,582,678	81,642,948

NON-CASH ACTIVITIES

	2013 VND'000	2012 VND'000
Transfer from other payables to short-term borrowings	-	20,828,000
Net off intra-company payable against receivables for loan principal and interest from the subsidiary	48,812,471	41,852,408
Investment in subsidiary not yet paid for	-	419,809
Waive of long-term loans	71,459,368	-

28 March 2014

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director

The accompanying notes are an integral part of these separate financial statements

Interfood Shareholding Company

Notes to the separate financial statements for the year ended 31 December 2013

Form B 09 – DN

These notes form an integral part of and should be read in conjunction with the accompanying separate financial statements.

1. Reporting Entity

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The principal activities of the Company are to process agricultural and aquatic products into canned, dried, frozen, salted, and pickled products and the production of biscuits and snack food, carbonated fruit juice and fruit juice with 5% alcohol content, bottled filtered water and PET bottle; and to manufacture packaging for foods and beverages.

The Company’s shares were listed on the Ho Chi Minh Stock Exchange in accordance with the Listing License No. 61/UBCK-GPNY issued by the Ho Chi Minh City Stock Exchange on 29 September 2006.

According to the Announcement No. 395/2013 of Ho Chi Minh Stock Exchange, the Company’s shares were delisted from 3 May 2013 and thereafter trading on Vietnam Security Depository.

As at 31 December 2013, the Company had 1,288 employees (31/12/2012: 1,196 employees).

2. Basis of preparation

(a) Statement of compliance

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting.

The Company separately prepares and issues consolidated financial statements.

(b) Basis of measurement

The separate financial statements, except for the separate statement of cash flows, are prepared on the accrual basis using the historical cost concept. The separate statement of cash flows is prepared using the indirect method.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN

(c) Going concern assumption

The separate financial statements have been prepared on a going concern basis. The Company incurred net loss after tax of VND117,378 million (2012: VND132,837 million) during the year and at the balance sheet date, current liabilities exceeded current assets by VND25,580 million (31/12/2012: VND71,787 million). Furthermore, the Company has significant loans that will require refinancing within the next 12 months (Note 12). The validity of the going concern assumption fundamentally depends on the ultimate majority shareholder continuing to provide such financial assistance as is necessary to enable the Company to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future.

At the time of this report, there is no reason for the management to believe that the ultimate majority shareholder will not continue its support.

(d) Annual accounting period

The annual accounting period of the Company is from 1 January to 31 December.

(e) Accounting currency

The separate financial statements are prepared and presented in Vietnam Dong (“VND”) rounded to the nearest thousand (“VND’000”).

On 1 January 2013, the Company changed its accounting currency from United States Dollars (“USD”) to Vietnam Dong (“VND”) in accordance with the requirements of Circular No. 244/2009/TT/BTC dated 31 December 2009 of the Ministry of Finance (“Circular 244”). The method of translation applied is as follows:

- All balances in USD as at 31 December 2012 have been translated to VND at the closing exchange rate of VND20,828 to USD1.
- The corresponding figures as at 31 December 2011 and 2012, and for the year ended 31 December 2012 presented in the separate statements of income and cash flows and notes to the separate financial statements have been calculated by translating the USD amounts in the separate financial statements for the year ended 31 December 2012 at the exchange rate of VND20,828 to USD1.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN

3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Company in the preparation of the accompanying separate financial statements.

(a) Foreign currency

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the year have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded in the statement of income.

(b) Cash

Cash comprises cash balances and call deposits.

(c) Investments

Investments are stated at cost. An allowance is made for reductions in investment values if market value of the investment falls below cost or if the investee has suffered a loss. The allowance is reversed if the recoverable amount is subsequently increased after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(d) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Company applies the perpetual method of accounting for inventory.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN

(f) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follow:

- machinery and equipment 10 – 15 years
- motor vehicles 6 years
- office equipment 10 years

(g) Intangible fixed assets

Software

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 10 years.

(h) Construction in progress

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction or installation.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN

(i) Long-term prepayments

(i) Renovation expenses

Renovation expenses are initially stated at cost and are amortised on a straight line basis over 3 years starting from the date of completion of the renovation.

(ii) Tools and supplies

Tools and supplies and instruments include assets held for use by the Company in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under Circular 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance which provides guidance on management, use and depreciation of fixed assets (“Circular 45”). Cost of tools and instruments are amortised on a straight-line basis over 3 years.

(j) Trade and other payables

Trade and other payables are stated at their cost.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Severance allowance

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more (“eligible employees”) voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employees’ compensation at termination. Provision for severance allowance has been provided based on employees’ years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Company and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of unemployment insurance scheme, the Company is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 31 December 2013 will be determined based on the eligible employees’ years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN

(I) Classification of financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the Company's financial position and results of operations and the nature and extent of risk arising from financial instruments, the Company classifies its financial instruments as follow:

(i) *Financial assets*

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- It is considered by management as held for trading. A financial asset is considered as held for trading if:
 - it is acquired principally for the purpose of selling it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Company as at fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity, other than:

- those that the Company upon initial recognition designates as at fair value through profit or loss;
- those that the Company designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- that the Company intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity on initial recognition designates as at fair value through profit or loss;
- that the Company upon initial recognition designates as available-for-sale; or
- for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

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Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified as:

- financial assets at fair value through profit or loss;
- held-to-maturity investments; or
- loans and receivables.

The Company's financial assets, comprising cash in bank, accounts receivable and other receivables, are under the category of loans and receivables.

(ii) *Financial liabilities*

Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- It is considered by management as held for trading. A financial liability is considered as held for trading if:
 - it is incurred principally for the purpose of repurchasing it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Company as at fair value through profit or loss.

Financial liabilities carried at amortised cost

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised cost.

The Company's financial liabilities, comprising borrowings, accounts payable and other payables, are under the category of financial liabilities carried at amortised cost.

The above described classification of financial instruments is solely for presentation and disclosure purpose and is not intended to be a description of how the instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN

(m) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Revenue

Revenue from the sale of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

(o) Operating lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

(p) Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2013
(continued)

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(q) Related companies

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

4. Cash

	31/12/2013	31/12/2012
	VND'000	VND'000
Cash on hand	142,279	105,514
Cash in banks	96,440,399	81,537,434
	<hr/>	<hr/>
	96,582,678	81,642,948
	<hr/>	<hr/>

5. Accounts receivable short-term and long-term

Intra-company receivables comprised:

	31/12/2013	31/12/2012
	VND'000	VND'000
Short-term		
Short-term loan granted to a related company (a)	116,644,475	131,506,846
Long-term		
Long-term loan granted to a related company (b)	24,993,600	24,993,600
	<hr/>	<hr/>

- (a) The amount due from a related company represented a short-term loan receivable from Avafood Shareholding Company (“Avafood”), a subsidiary.

The short-term loan to Avafood with credit limit of VND145,796 million was unsecured and earns interest at Libor plus 1% per annum. The interest rate was 1.896% per annum during the year (2012: from 1.731% to 1.896% per annum for loans in USD).

- (b) Long-term loan granted to a related company represented long-term loan to Avafood which was unsecured and earns fixed interest rate of 1.896% per annum during the year. The principal and related interest is due in May 2017.

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Notes to the separate financial statements for the year ended 31 December 2013
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Other short-term receivables comprised:

	31/12/2013	31/12/2012
	VND'000	VND'000
Marketing support receivable from Kirin Holdings Singapore Pte, Ltd.	-	5,087,364
Others	97,283	100,953
	<hr/>	<hr/>
	97,283	5,188,317
	<hr/>	<hr/>

6. Inventories

	31/12/2013	31/12/2012
	VND'000	VND'000
Raw materials	57,807,048	63,741,782
Tools and supplies	10,352,938	8,727,411
Work in progress	2,439,256	4,413,016
Finished goods	109,824,165	87,243,306
	<hr/>	<hr/>
	180,423,407	164,125,515
Allowance for inventories	-	(6,475,696)
	<hr/>	<hr/>
	180,423,407	157,649,819
	<hr/>	<hr/>

Movements in the allowance for inventories during the year were as follows:

	2013	2012
	VND'000	VND'000
Opening balance	6,475,696	-
Increase in allowance during the year	-	6,475,696
Allowance utilised during the year	(6,475,696)	-
	<hr/>	<hr/>
Closing balance	-	6,475,696
	<hr/>	<hr/>

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7. Tangible fixed assets

	Machinery and equipment VND'000	Motor vehicles VND'000	Office equipment VND'000	Total VND'000
Cost				
Opening balance	366,490,529	9,194,250	4,247,788	379,932,567
Additions	1,297,913	460,000	20,400	1,778,313
Transfer from construction in progress	1,107,435	-	-	1,107,435
Transfer to long-term prepayment ^(*)	(2,573,072)	(903,406)	(895,776)	(4,372,254)
Closing balance	366,322,805	8,750,844	3,372,412	378,446,061
Accumulated depreciation				
Opening balance	184,426,733	5,610,543	1,902,075	191,939,351
Charge for the year	23,984,129	979,164	502,592	25,465,885
Transfer to long-term prepayment ^(*)	(1,645,531)	(862,225)	(430,278)	(2,938,034)
Closing balance	206,765,331	5,727,482	1,974,389	214,467,202
Net book value				
Opening balance	182,063,796	3,583,707	2,345,713	187,993,216
Closing balance	159,557,474	3,023,362	1,398,023	163,978,859

(*) The reclassification represents net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets as regulated in Article 3 of Circular 45, i.e. costing VND30 million or more. These assets are reclassified to Long-term Prepayment (Note 11).

Included in the cost of tangible fixed assets were assets costing VND23,105 million which were fully depreciated as of 31 December 2013 (31/12/2012: VND16,435 million), but are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to VND1,706 million as of 31 December 2013 (31/12/2012: VND2,177 million).

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8. Intangible fixed assets

	Software VND'000
Cost	
Opening balance	-
Addition	50,990
Transfer from construction in progress	8,875,031
	<hr/>
Closing balance	8,926,021
	<hr/>
Accumulated amortisation	
Opening balance	-
Charge for the year	702,455
	<hr/>
Closing balance	702,455
	<hr/>
Net book value	
Opening balance	-
Closing balance	8,223,566
	<hr/> <hr/>

9. Construction in progress

	2013 VND'000	2012 VND'000
Opening balance	8,398,224	7,095,558
Additions during the year	1,650,313	1,302,666
Transfer to tangible fixed assets	(1,107,435)	-
Transfer to intangible fixed assets	(8,875,031)	-
Written off	(66,071)	-
	<hr/>	<hr/>
Closing balance	-	8,398,224
	<hr/> <hr/>	<hr/> <hr/>

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10. Investments

Investment in subsidiary represented 90.4% shareholding investment in Avafood Shareholding Company (“Avafood”) whose principal activities are to provide processing service and produce products including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and from agricultural and aquatic products as well as livestock and lease a workshop under the Investment Licence No. 48/GP-ĐN issued by the People’s Committee of Dong Nai Province on 19 July 2002.

11. Long-term prepayments

Movements of long-term prepayments during the year were as follow:

	Renovation expenses VND’000	Tools and supplies VND’000	Total VND’000
Opening balance	2,297,273	1,387,679	3,684,952
Additions	-	1,062,870	1,062,870
Transfer from tangible fixed assets (*)	-	1,434,220	1,434,220
Amortisation for the year	(947,144)	(934,907)	(1,882,051)
Closing balance	1,350,129	2,949,862	4,299,991

(*) Reclassification from fixed assets represents the net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets, i.e. costing VND30 million or more, as regulated in Article 3 of Circular 45. These assets were reclassified from tangible and intangible fixed assets during the period (Note 8). The remaining net book values of these assets are amortised on a straight line basis over their remaining estimated useful lives, but not exceeding three years.

12. Short-term borrowings

	31/12/2013 VND’000	31/12/2012 VND’000
Loans from Kirin Holdings Company, Limited	326,740,000	364,490,000

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Notes to the separate financial statements for the year ended 31 December 2013
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Terms and conditions of unsecured outstanding short-term borrowings were as follow:

	Currency	Nominal interest rate	31/12/2013 VND'000	31/12/2012 VND'000
Loan 1	USD	LIBOR plus 0.8% p.a.	147,560,000	145,796,000
Loan 2	USD	LIBOR plus 0.8% p.a.	-	52,070,000
Loan 3	USD	LIBOR plus 0.8% p.a.	-	62,484,000
Loan 4	USD	LIBOR plus 0.8% p.a.	179,180,000	104,140,000
			326,740,000	364,490,000

The applicable interest rates of these loans range from 1.077% to 1.487% per annum during the year (2012: 1.456% to 1.928%).

13. Accounts payable - trade

Accounts payable - trade included the following amounts due to related companies:

	31/12/2013 VND'000	31/12/2012 VND'000
Amounts due to Vietnam Kirin Beverage Company Limited	2,502,632	3,176,332

The amounts due to Vietnam Kirin Beverage Company Limited represented the processing fee payable, which was unsecured, interest free and are payable on demand.

14. Taxes payable to State Treasury

	31/12/2013 VND'000	31/12/2012 VND'000
Value added tax	-	1,580,137
Import-export tax	-	591,662
Personal income tax	130,661	243,979
Foreign contractor tax	100,355	100,349
	231,016	2,516,127

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Notes to the separate financial statements for the year ended 31 December 2013
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15. Accrued expenses

	31/12/2013	31/12/2012
	VND'000	VND'000
Transportation fees	5,378,039	3,802,151
Sales discounts and commission	2,110,356	2,021,795
Loans interest payable	3,137,186	5,555,744
Secondment fee payable (*)	4,591,183	5,021,464
Others	1,873,158	555,400
	<hr/>	<hr/>
	17,089,922	16,956,554
	<hr/> <hr/>	<hr/> <hr/>

(*) According to the Secondment Agreement dated 1 July 2011, the Company agreed to pay secondment fee to Kirin Holdings Company, Limited, who provides strategic and management advice and assistance to the Company at fixed amounts stipulated in the agreement with each seconded employee.

16. Other payables

Other payables comprised:

	31/12/2013	31/12/2012
	VND'000	VND'000
Dividends payable	505,391	505,391
Trade union, social and health insurance	122,077	164,229
Others	49,004	515,452
	<hr/>	<hr/>
	676,472	1,185,072
	<hr/> <hr/>	<hr/> <hr/>

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17. Long-term borrowings

	Currency	Interest rate	Year of maturity	31/12/2013 VND'000	31/12/2012 VND'000
Unsecured loan from Kirin Holdings Company, Limited (a)	USD	1.896% p.a. three-month	2017	137,020,000	135,382,000
Loan from Trade Ocean Holdings Sdn. Bhd. (b)	USD	1% p.a. SIBOR minus	2014	-	71,459,368
				137,020,000	206,841,368

- (a) The unsecured loans bore fixed interest rate of 1.896% p.a., which is based on USD Swap Semi 30/360 5-year plus 0.8% per annum according to current Kirin Group's financial rules.
- (b) On 1 March 2013, Trade Ocean Holding Sdn. Bhd., a shareholder ("the Lender"), issued a Deed of Release ("Deed") to waive the loan of USD3,430,928 (equivalent to VND71,459 million) ("the Loan") granted to the Company under the Loan Novation Agreement date 28 February 2011. According to the Deed, the Lender irrevocably releases and discharges the Company, without any representation or warranty and without any recourse of any nature whatsoever (whether past, present or future and whether actual or contingent), from any and all of its obligations to repay the Loan to the Lender and also releases the Company from all of its liabilities (including the interest) in all aspects whatsoever in respect of the Loan.

18. Provision for severance allowance

Movements of provision for severance allowance during the year were as follow:

	2013 VND'000	2012 VND'000
Opening balance	3,105,122	4,276,030
Provision made during the year	-	1,023,696
Utilised during the year	(113,280)	(2,194,604)
Provision reversed during the year	(117,847)	-
	2,873,995	3,105,122

During the year, the Company contributed VND964 million (2012: VND701 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the separate statement of income.

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Notes to the separate financial statements for the year ended 31 December 2013
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19. Movement in owner's equity

	Share capital VND'000	Share premium VND'000	Accumulated losses VND'000	Total VND'000
Balance at 31 December 2011 – as restated	381,443,888	85,035,704	(294,672,440)	171,807,152
Net loss for the year	-	-	(132,837,027)	(132,837,027)
Balance at 31 December 2012	381,443,888	85,035,704	(427,509,467)	38,970,125
Share capital issued	210,000,000	-	-	210,000,000
Net loss for the year	-	-	(117,378,028)	(117,378,028)
Balance at 31 December 2013	591,443,888	85,035,704	(544,887,495)	131,592,097

20. Share capital

The Company's authorised and issued share capital is:

	31/12/2013		31/12/2012	
	Number of shares	VND'000	Number of shares	VND'000
Authorised and issued share capital				
Ordinary shares	50,140,992	591,443,992	29,140,992	381,443,992
Shares in circulation				
Ordinary shares	50,140,984	591,443,888	29,140,984	381,443,888

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

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Notes to the separate financial statements for the year ended 31 December 2013
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Movements in share capital during the year were as follows:

	2013		2012	
	Number of shares	VND'000	Number of shares	VND'000
Balance at the beginning of the year	29,140,984	381,443,888	29,140,984	381,443,888
Shares issued during the year	21,000,000	210,000,000	-	-
Balance at the end of the year	50,140,984	591,443,888	29,140,984	381,443,888

21. Total revenue

Total revenue represents the gross value of goods sold exclusive of value added tax.

Net revenue comprised:

	2013 VND'000	2012 VND'000
Total revenue		
▪ Sales of drinks	888,947,223	795,969,367
▪ Sales of biscuits	28,550,969	29,868,164
▪ Sales of other products	104,520,482	53,544,477
Less sales deductions		
▪ Sales allowance	28,842,246	25,180,156
▪ Sales returns	30,542	414,665
Net revenue	993,145,886	853,787,187

22. Cost of sales

	2013 VND'000	2012 VND'000
Total cost of sales		
▪ Cost of drinks	632,621,466	603,878,888
▪ Cost of biscuits	26,578,647	31,801,586
▪ Cost of other products	62,764,332	37,788,615
	721,964,445	673,469,089

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23. Financial income

	2013	2012
	VND'000	VND'000
Interest income from bank deposits	726,483	421,829
Interest income from loan to Avafood	2,780,307	2,996,003
Realised foreign exchange gains	1,763,019	610,032
Unrealised foreign exchange gains	98,474	-
	<hr/>	<hr/>
	5,368,283	4,027,864
	<hr/>	<hr/>

24. Financial expenses

	2013	2012
	VND'000	VND'000
Interest expense	8,402,063	7,902,206
Realised foreign exchange losses	3,961,360	1,643,808
Unrealised foreign exchange losses	3,572,232	-
	<hr/>	<hr/>
	15,935,655	9,546,014
	<hr/>	<hr/>

25. Other income

	2013	2012
	VND'000	VND'000
Support for marketing activities from Kirin Holdings Singapore Pte, Ltd.	-	10,244,668
Reimbursement received for tax penalty payment	4,824,380	10,026,016
Loan waiving from Trade Ocean Holdings Sdn. Bhd (Note 17(b))	71,459,368	-
Others	5,784,283	5,687,627
	<hr/>	<hr/>
	82,068,031	25,958,311
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26. Other expenses

	2013	2012
	VND'000	VND'000
Book value of tangible fixed assets written off	-	28,542,712
Tax penalties	6,282,256	7,605,365
Depreciation of idle fixed assets	423,905	6,255,086
Others	1,980,923	647,334
	<hr/>	<hr/>
	8,687,084	43,050,497
	<hr/>	<hr/>

27. Income tax

(a) Recognised in the statement of income

	2013	2012
	VND'000	VND'000
Current tax expense		
Under provision in prior years	3,172,595	4,148,958
Deferred tax expense		
Written down of deferred tax asset	-	42,787,523
	<hr/>	<hr/>
Income tax expense	3,172,595	46,936,481
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Notes to the separate financial statements for the year ended 31 December 2013
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(b) Reconciliation of effective tax rate

	2013	2012
	VND'000	VND'000
Loss before tax	(114,205,433)	(85,900,546)
Tax at the Company's tax rate	(28,551,358)	(21,475,137)
Non-deductible expenses	38,061,292	9,116,260
Deferred tax assets not recognised	-	12,358,877
Written down of deferred tax assets	-	42,787,523
Tax losses utilised	(9,509,934)	-
Under provision in prior years	3,172,595	4,148,958
	<u>3,172,595</u>	<u>46,936,481</u>

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31/12/2013		31/12/2012	
	Temporary difference	Tax value	Temporary difference	Tax value
	VND'000	VND'000	VND'000	VND'000
Deductible temporary differences	19,036,916	4,759,229	48,587,663	12,146,916
Tax losses	41,683,805	10,420,952	79,723,544	19,930,886
	<u>60,720,721</u>	<u>15,180,181</u>	<u>128,311,207</u>	<u>32,077,802</u>

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available
		VND'000
2016	Outstanding	30,014,879
2017	Outstanding	11,668,926
		<u>41,683,805</u>

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The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

(d) Applicable tax rates

Under the terms of the Company's Investment Certificate, the Company has an obligation to pay the government income tax at the rate of 15% of taxable profits for the first 12 years starting from the first year of operation (1994). Thereafter, from 2006 onwards the Company is subject to income tax at the rate of 25%.

According to Decree No. 24/2007/ND-CP dated 14 February 2007 (which replaced Decree No. 164/2003/ND-CP dated 22 December 2003) the Company is entitled to tax incentives in relation to the relocation of its business activities out of an urban area. In 2006, the Company relocated one of its production lines from Bien Hoa City to Tam Phuoc Industrial Zone, Bien Hoa City. As a result, profit derived from this line is exempted from corporate income tax for two years and a reduction of 50% for the following six years. Also as stated in this Decree, the Company is entitled to tax incentives in relation to investments made in new production lines that are qualified under this Decree. The tax incentives include one year of exemption from corporate income tax and a reduction of 50% for the following four years applied to profit derived from the new production lines.

Under Decree No. 124/2008/ND-CP dated 11 December 2008 (which replaced Decree No. 24/2007/ND-CP dated 14 February 2007) and Decree 122/2011ND-CP dated 27 December 2012 (which provided a number of amendments to prevailing Decree No. 124/2008/ND-CP), the Company will continue to enjoy its tax incentives under Decree No. 24/2007/ND-CP dated 14 February 2007.

According to Letter No. 11924/TC-CST dated 20 October 2004 issued by the Ministry of Finance, the Company is entitled to a 50% reduction for two years after listing its shares in Ho Chi Minh City Securities Trading Centre. The Company has completed the registration with the tax authority to apply the incentives commencing from 2007.

On 19 June 2013, the National Assembly approved the Law on amendments and supplements to a number of articles of the Corporate Income Tax Law. Accordingly, the highest income tax rate shall be reduced from 25% to 22% for 2014 and 2015, and to 20% from 2016.

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Notes to the separate financial statements for the year ended 31 December 2013
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28. Financial instruments

(a) Financial risk management

(i) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Company's Board of Directors oversees and monitors the Company's compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

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Notes to the separate financial statements for the year ended 31 December 2013
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(i) Exposure to credit risk

The total of carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follow:

	Note	31/12/2013 VND'000	31/12/2012 VND'000
Cash in bank	(ii)	96,440,399	81,537,434
Trade and other receivables	(iii)	25,454,461	20,147,341
Intra-company receivable – short-term	(iv)	116,644,475	131,506,846
Long-term loan receivable	(iv)	24,993,600	24,993,600
		263,532,935	258,185,221
		263,532,935	258,185,221

(ii) Cash in bank

The cash at bank of the Company is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Company.

(iii) Trade and other receivables

The carrying amount of receivables represents the maximum credit risk pertaining to receivables.

The Company's exposure to credit risk in relation to receivables is mainly influenced by the individual characteristics of each customer. In response to the risk, the Company has established a credit policy under which most customers have to settle payment in advance before the goods delivery is carried out. Only customers considered with high creditworthiness by the management are offered credit terms. Receivables are due within 30 days to 45 days from the date of billing. Debtors with balances that are overdue are requested to settle the balances and management will perform an assessment before further credit is granted. No collateral is collected from the customers.

Trade and other receivables that are neither past due nor impaired are mostly due from companies with good collection track records with the Company. Management believes that those receivables are of high credit quality.

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The aging of trade and other receivables is as follows:

	31/12/2013	31/12/2012
	VND'000	VND'000
Not past due	23,186,248	12,784,142
Past due 0 – 30 days	1,410,811	3,466,342
Past due 31 – 180 days	857,402	3,090,709
Past due more than 180 days	2,045,468	806,148
	<hr/>	<hr/>
	27,499,929	20,147,341
	<hr/>	<hr/>

The balance of allowance for doubtful debts at the year end represents allowance made during the year. There was no movement in allowance for doubtful debts in last year.

(iv) *Intra-company receivables – short-term and long-term loan receivables*

The Company believes that the amounts receivable from its subsidiary will be receivable through purchases from the subsidiary.

(c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company also manages its borrowings from related companies by managing the financing terms with the related companies.

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Notes to the separate financial statements for the year ended 31 December 2013
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Financial liabilities with fixed or determinable payments have the following contractual maturities including the estimated interest payments:

31 December 2013

	Carrying amount VND'000	Contractual cash flows VND'000	Within year VND'000	1 – 2 years VND'000	2 – 5 years VND'000
Trade and other payables	115,861,898	115,861,898	115,861,898	-	-
Other long-term liabilities	26,139	26,139	26,139	-	-
Short-term borrowings	326,740,000	328,762,855	328,762,855	-	-
Long-term borrowings	137,020,000	145,753,212	2,605,017	2,605,017	140,543,178
	579,648,037	590,404,104	447,255,909	2,605,017	140,543,178

31 December 2012

	Carrying amount VND'000	Contractual cash flows VND'000	Within 1 year VND'000	1 – 2 years VND'000	2 – 5 years VND'000
Trade and other payables	92,969,527	92,969,527	92,969,527	-	-
Other long-term liabilities	26,139	26,139	26,139	-	-
Short-term borrowings	364,490,000	368,196,343	368,196,343	-	-
Long-term borrowings	206,841,368	218,037,044	2,573,883	74,033,251	141,429,910
	664,327,034	679,229,053	463,765,892	74,033,251	141,429,910

The Company manages its ability to meet the expected operational expenses and servicing its debts by maintaining financial facility as follow:

- USD8.5 million unused short-term loan facility which renew automatically at the option of the Company. Interest would be payable at rates of Libor + 0.8% per annum.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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Notes to the separate financial statements for the year ended 31 December 2013
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(i) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the accounting currency of the Company, the VND. The currency in which these transactions primarily are denominated is USD.

The Company's exposure to currency risk is managed by keeping the exposure to an acceptable level by entering into currency transactions to address short-term over-exposures.

Exposure to currency risk

The Company had the following net monetary liabilities position exposed to currency risk. The following balances are presented in original currency:

	31/12/2013	31/12/2012
	USD	USD
Cash	2,071,930	1,605,814
Accounts receivable – trade	306,838	158,704
Short-term borrowings	(15,500,000)	(17,500,000)
Account payable – trade	(96,171)	(183,307)
Long-term borrowings	(6,500,000)	(9,930,928)
	<hr/>	<hr/>
	(19,717,403)	(25,849,717)
	<hr/>	<hr/>

The followings are the significant exchange rates applied by the Company:

	Exchange rate as at	
	31/12/2013	31/12/2012
	VND	VND
USD 1	21,080	20,828
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Below is an analysis of the possible impact on the net loss of the Company, after taking into account the current level of exchange rates and the historical volatility as well as market expectations. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Effect to net loss VND'000
31 December 2013	
USD (1% strengthening of USD)	4,160,372
	<hr/> <hr/>
31 December 2012	
USD (1% strengthening of USD)	5,376,741
	<hr/> <hr/>

The opposite movement of the currencies would have the equal but opposite effect to the net loss of the Company.

(ii) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	31/12/2013	31/12/2012
	VND'000	VND'000
Fixed rate instruments		
Financial assets	24,993,600	24,993,600
Long-term borrowings	(137,020,000)	(135,382,000)
	<hr/> <hr/>	<hr/> <hr/>
	(112,026,400)	(110,388,400)
Variable rate instruments		
Financial assets	213,084,874	213,044,280
Short-term borrowings	(326,740,000)	(435,949,368)
	<hr/> <hr/>	<hr/> <hr/>
	(852,413)	(222,905,088)

A change of 100 basis points in interest rates would have increased net losses of the Company by VND8 million (2012: VND2,229 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

No policy was in place pertaining to the mitigation of any potential volatility of the interest rate.

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(e) Fair values

The carrying amounts of financial assets and liabilities shown in the balance sheet, are as follow:

	Carrying amount	
	31/12/2013	31/12/2012
	VND'000	VND'000
Categorised as loans and receivables:		
- Cash in bank	96,440,399	81,537,434
- Trade and other receivables	25,454,461	20,147,341
- Intra-company receivable - short-term	116,644,475	131,506,846
- Long-term loan receivable	24,993,600	24,993,600
Categorised as liabilities at amortised cost:		
- Trade and other payables	(115,861,898)	(92,969,527)
- Other long-term liabilities	(26,139)	(26,139)
- Short-term borrowings	(326,740,000)	(364,490,000)
- Long-term borrowings	(137,020,000)	(206,841,368)
	(316,115,102)	(406,141,813)
	(316,115,102)	(406,141,813)

The Company has not determined fair values of these financial instruments for disclosure in the financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System. The fair values of these financial instruments may differ from their carrying amounts.

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29. Significant transactions with related parties

In addition to related party balances disclosed in other notes to the separate financial statements, during the year there were the following significant transactions with related parties:

	Transaction value	
	2013	2012
	VND'000	VND'000
Kirin Holding Company, Limited		
Ultimate Parent Company		
Short-term loan received	199,842,000	83,312,000
Share capital	210,000,000	-
Interest expense	8,402,063	7,902,206
Secondment fees	9,087,597	8,718,434
Avafood Shareholding Company		
Short-term loan granted	31,050,000	24,678,889
Interest income	2,780,307	2,996,004
Processing service	38,445,194	35,094,638
Office and factory rental fee	5,929,780	5,927,795
Kirin Holding Singapore Pte, Ltd.		
Financial support for marketing activities	-	10,244,668
Vietnam Kirin Beverage Company, Limited		
Purchase of goods	-	17,209,468
Sale of finished goods	57,078	-
Processing fee	42,472,216	21,552,564
Member of Board of Directors		
Secondment fees	4,517,690	8,582,386
Salary	1,312,409	1,304,270

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30. Commitments

The future minimum lease payments under non-cancellable operating leases were as follow:

	31/12/2013	31/12/2012
	VND'000	VND'000
Within one year	11,528,803	11,271,343
Within two to five years	27,499,588	31,492,769
Over five years	11,463,660	17,387,506
	<hr/>	<hr/>
	50,492,051	60,151,618
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31. Production and business costs by element

	2013	2012
	VND'000	VND'000
Raw material costs included in production costs	632,248,251	601,653,437
Labour costs and staff costs	161,653,759	98,154,158
Depreciation and amortisation	26,168,340	31,583,350
Outside services	373,891,891	160,054,057
Other expenses	2,481,946	86,163,728
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28 March 2014

Prepared by:

Approved by:

Signed

Signed and sealed

Nguyen Hong Phong
Chief Accountant

Michio Nagabayashi
Chairman – cum General Director