

**Interfood Shareholding Company and its subsidiaries**

**Consolidated financial statements  
Quarter 3 - 2014**

## Interfood Shareholding Company and its subsidiaries

### Corporate information

Investment Licence No.	270/GP	16/11/1991
Investment Certificate No.	472033000328 (1st amendment)	28/11/2007
	472033000328 (2nd amendment)	20/05/2010
	472033000328 (3rd amendment)	22/04/2011
	472033000328 (4th amendment)	18/10/2011
	472033000328 (5th amendment)	14/05/2014

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.

<b>Board of Management:</b>	Michio Nagabayashi	Chairman
	Toru Yamasaki	Member
	Hiroshi Fujikawa	Member
	Nguyen Thi Kim Lien	Member
	Takayuki Morisawa	Member

<b>Board of Director:</b>	Michio Nagabayashi	General Director
	Kazufumi Nagashima	Director/General Manager of Factory <i>(Until 24/03/2014)</i>
	Hidefumi Matsuo	Director/General Manager of Administration <i>(Until 24/09/2014)</i>
	Nguyen Thi Kim Lien	Director/General Manager of Finance
	Taiichiro Iizumi	Director/General Manager of Sales and Marketing
	Yutaka Ogami	Director/Finance Controller
	Yoshihisa Fujiwara	Director/General Manager of Factory <i>(From 24/03/2014)</i>
	Takayuki Morisawa	Director/General Manager of Administration <i>(From 24/09/2014)</i>

<b>Registered Office</b>	Lot 13, Tam Phuoc Industrial Zone Bien Hoa City Dong Nai Province Vietnam
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<b>Auditors</b>	KPMG Limited Vietnam
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## Interfood Shareholding Company and its subsidiaries

### Report of the Board of Directors

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

- (a) the consolidated financial statements set out on pages 4 to 30 are prepared and presented so as to give a true and fair view of the consolidated financial position of the Group as at 30 September 2014, and of the consolidated results of operations and the consolidated cash flows of the Group for the year then ended in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements; and
- (b) at the date of this statement, there are no reasons to believe that the Group 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, authorised these consolidated financial statements for issue.

On behalf of the Board of Directors

*(Signed and Sealed)*

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Michio Nagabayashi

*Chairman, General Director*

Dong Nai province, dated 14th November 2014.

## Interfood Shareholding Company and its subsidiaries

### Consolidated balance sheet

ASSETS	Code	Notes	30/09/2014 VND'000	31/12/2013 VND'000
<b>Current assets</b> (100=110+130+140+150)	<b>100</b>		<b>335,809,296</b>	<b>310,139,687</b>
<b>Cash</b>	<b>110</b>	<b>5</b>	<b>96,243,321</b>	<b>97,180,048</b>
<b>Accounts receivable</b>	<b>130</b>	<b>6</b>	<b>23,525,012</b>	<b>30,435,600</b>
Trade accounts receivable - trade	131		18,250,178	27,402,646
Prepayments to suppliers	132		7,225,542	4,981,139
Other receivables	135		94,760	97,283
Provision for doubtful debts	139		(2,045,468)	(2,045,468)
<b>Inventories</b>	<b>140</b>	<b>7</b>	<b>213,483,084</b>	<b>180,423,407</b>
Inventories	141		215,057,605	180,423,407
Allowance for inventories	149		(1,574,521)	-
<b>Other current assets</b>	<b>150</b>		<b>2,557,879</b>	<b>2,100,632</b>
Short term prepayments	151		1,646,984	1,115,439
Deductible value added tax	152		-	509,851
Taxes receivable from State Treasury	154		-	19,552
Other current assets	158		910,895	455,790
<b>Long-term assets</b> (200=220+260)	<b>200</b>		<b>329,964,931</b>	<b>353,382,119</b>
<b>Fixed assets</b>	<b>220</b>		<b>297,445,896</b>	<b>346,940,878</b>
Tangible fixed assets	221	8	285,954,819	308,326,494
Cost	222		604,727,320	601,363,233
Accumulated depreciation	223		(318,772,501)	(293,036,739)
Intangible fixed assets	227	9	9,270,718	35,882,573
Cost	228		10,815,193	43,675,947
Accumulated depreciation	229		(1,544,475)	(7,793,374)
Construction in progress	230	10	2,220,359	2,731,811
<b>Other long-term assets</b>	<b>260</b>		<b>32,519,035</b>	<b>6,441,241</b>
Long-term prepayments	261	11	31,065,051	4,990,766
Deferred tax assets	262		-	-
Other long-term assets	268		1,453,984	1,450,475
<b>TOTAL ASSETS</b> (270=100+200)	<b>270</b>		<b>665,774,227</b>	<b>663,521,806</b>

**Interfood Shareholding Company and its subsidiaries**

**Consolidated balance sheet**

			<b>30/09/2014</b>	<b>31/12/2013</b>
<b>RESOURCES</b>	<b>Code</b>	<b>Notes</b>	<b>VND'000</b>	<b>VND'000</b>
<b>LIABILITIES (300=310+330)</b>	<b>300</b>		<b>730,543,236</b>	<b>595,820,918</b>
<b>Current liabilities</b>	<b>310</b>		<b>586,024,830</b>	<b>451,830,974</b>
Short-term borrowings	311	12	455,585,000	326,740,000
Trade accounts payable-trade	312	13	94,281,838	86,605,589
Advances from customers	313		4,240,567	6,118,814
Taxes payable to State Treasury	314	14	1,576,896	456,850
Payable to employees	315		12,201,368	13,440,963
Accrued expenses	316	15	17,568,576	17,748,074
Other payables	319	16	570,585	720,684
<b>Long term liabilities</b>	<b>330</b>		<b>144,518,406</b>	<b>143,989,944</b>
Long-term deposits	331		26,139	26,139
Long-term borrowings	334	17	137,735,000	137,020,000
Deferred tax liabilities	335	18	3,679,794	3,819,011
Provision for severance allowance	337	19	3,077,473	3,124,794
<b>EQUITY (400=410)</b>	<b>400</b>		<b>(68,133,097)</b>	<b>64,716,007</b>
<b>Owners' equity</b>	<b>410</b>	<b>19</b>	<b>(68,133,097)</b>	<b>64,716,007</b>
Share capital	411	21	591,443,888	591,443,888
Share premium	412		85,035,704	85,035,704
Difference of exchange rate	413		-	-
Other reserves	418	22	(32,535,252)	(32,535,252)
Accumulated losses	420		(712,077,437)	(579,228,333)
<b>MINORITY INTEREST</b>	<b>439</b>		<b>3,364,088</b>	<b>2,984,881</b>
<b>TOTAL RESOURCES (440=300+400+439)</b>			<b><u>665,774,227</u></b>	<b><u>663,521,806</u></b>
			-	-
<b>OFF BALANCE SHEET ITEMS</b>				
Foreign currencies				
US dollar			45,976,469	43,676,277
Euro			10,254	10,426

14th November 2014

Prepared by:

Approved by:

*(Signed)*

*(Signed and Sealed)*

Nguyễn Hồng Phong  
Chief Accountant

Michio Nagabayashi  
Chairman, General Director

## Interfood Shareholding Company and its subsidiaries

### Consolidated statement of income

	Code	Notes	Q3-2014 VND'000	Q3-2013 VND'000	YTD2014 VND'000	YTD2013 VND'000
<b>Total revenue</b>	<b>01</b>	<b>23</b>	<b>276,361,940</b>	<b>215,167,495</b>	<b>822,561,764</b>	<b>1,022,018,674</b>
<b>Less revenue deductions:</b>	<b>02</b>	<b>23</b>	<b>7,826,817</b>	<b>5,978,510</b>	<b>27,474,928</b>	<b>28,872,788</b>
<b>Net revenue (10=01-02)</b>	<b>10</b>	<b>23</b>	<b>268,535,123</b>	<b>209,188,985</b>	<b>795,086,836</b>	<b>993,145,886</b>
<b>Cost of sales</b>	<b>11</b>	<b>24</b>	<b>192,267,244</b>	<b>159,015,368</b>	<b>588,293,853</b>	<b>709,078,303</b>
<b>Gross profit (20=10-11)</b>	<b>20</b>		<b>76,267,879</b>	<b>50,173,617</b>	<b>206,792,983</b>	<b>284,067,583</b>
Financial income	21	25	3,804,485	79,958	7,144,223	2,595,965
Financial expenses	22	26	3,184,933	2,207,987	14,466,887	15,945,780
<i>In which: Interest expenses</i>	23		<i>1,722,871</i>	<i>2,078,489</i>	<i>5,192,932</i>	<i>8,402,063</i>
Selling expenses	24		109,911,311	102,188,880	311,862,198	414,545,956
G&A expenses	25		8,708,427	7,939,667	25,954,357	36,532,865
<b>Operating profit/(loss) {30=20+(21-22)-(24+25)}</b>	<b>30</b>		<b>(41,732,307)</b>	<b>(62,082,959)</b>	<b>(138,346,236)</b>	<b>(180,361,053)</b>
Other income	31	27	1,571,547	573,346	9,743,323	115,374,238
Other expenses	32	28	2,582,353	10,200,179	4,006,209	11,259,845
<b>Result of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>(1,010,806)</b>	<b>(9,626,833)</b>	<b>5,737,114</b>	<b>104,114,393</b>
<b>Profit (loss) before tax</b>	<b>50</b>		<b>(42,743,113)</b>	<b>(71,709,792)</b>	<b>(132,609,122)</b>	<b>(76,246,660)</b>
Income tax expenses - current	51	29	-	-	-	3,172,595
Income tax expenses - deferred	52	29	151,678	103,631	(139,217)	458,403
<b>Profit(loss) after tax</b>	<b>60</b>		<b>(42,894,791)</b>	<b>(71,813,423)</b>	<b>(132,469,905)</b>	<b>(79,877,658)</b>
<b>Attributable to:</b>						
Minority interest	61		99,263	110,171	379,200	3,600,036
Equity holders of the Company	62		(42,994,054)	(71,923,594)	(132,849,105)	(83,477,694)
<b>Earning(loss) per share</b>	<b>36</b>	<b>30</b>	<b>(0.857)</b>	<b>(2.468)</b>	<b>(2.650)</b>	<b>(2.865)</b>

14th November 2014

Prepared by:

Approved by:

*(Signed)**(Signed and Sealed)*

Nguyễn Hồng Phong  
Chief Accountant

Michio Nagabayashi  
Chairman, General Director

**Interfood Shareholding Company and its subsidiaries**

<b>Consolidated statements of cash flows</b>		<b>30/09/2014</b>	<b>31/12/2013</b>
	<b>Notes Code</b>	<b>VND'000</b>	<b>VND'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/(loss) before tax</b>	<b>01</b>	<b>(132,609,122)</b>	<b>(76,246,660)</b>
Adjustments for:			
Depreciation and amortisation	02	28,464,861	38,073,175
Increase in provisions	03	1,603,875	(4,509,934)
Unreal gain (loss) on foreign currency translation	04	2,227,129	3,476,141
Income from loan waiving	05	-	(104,006,971)
Interest income	05	(223,277)	(734,472)
Loss from disposal fixed assets	05	-	-
Interest expense	06	5,192,932	8,402,063
<b>Operating profit/(loss) before adjustments to w</b>	<b>08</b>	<b>(95,343,602)</b>	<b>(135,546,658)</b>
Change in accounts receivable	09	7,005,634	(5,475,305)
Change in inventory	10	(34,634,198)	(16,297,892)
Change in accounts payable	11	4,124,953	22,973,911
Change in prepaid expenses	12	2,083,543	(388,950)
Interest paid	13	(4,058,413)	(10,820,621)
Business income tax paid	14	-	(3,172,595)
Other payable	16	-	-
<b>Cash generated from operating activities</b>	<b>20</b>	<b>(120,822,083)</b>	<b>(148,728,110)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of fixed assets and investment constru	21	(7,659,252)	(7,438,463)
Interest income received	27	223,277	734,472
<b>Net cash inflows/(outflows) from investing activ</b>	<b>30</b>	<b>(7,435,975)</b>	<b>(6,703,991)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from equity issued	31	-	210,000,000
Proceeds from loan	33	126,945,000	199,842,000
Repayments for debt	34	-	(239,522,000)
<b>Net cash inflows/(outflows) from financing acti</b>	<b>40</b>	<b>126,945,000</b>	<b>170,320,000</b>
<b>Net increase/(decrease) in cash</b>	<b>50</b>	<b>(1,313,058)</b>	<b>14,887,899</b>
<b>Cash at beginning of the year</b>	<b>60</b>	<b>97,180,048</b>	<b>82,201,930</b>
Effects of changes in foreign exchange rates	61	376,331	90,219
<b>Cash at end of the year</b>	<b>70</b>	<b>96,243,321</b>	<b>97,180,048</b>

14th November 2014

Prepared by:

*(Signed)*

Nguyễn Hồng Phong  
Chief Accountant

Approved by:

*(Signed and Sealed)*

Michio Nagabayashi  
Chairman, General Director

## **Interfood Shareholding Company and its subsidiaries**

### **Notes to the consolidated financial statements**

#### **1. Reporting Entity**

Interfood Shareholding Company (“the Company”) is a joint stock company incorporated in Vietnam. The consolidated financial statements for the year ended 30 September 2014 comprises the Company and its subsidiary, Avafood Shareholding Company (“Avafood”) (collectively “the Group”). The principal activities of the Group 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 non-carbonated fruit juice, beverage with non-carbonated or carbonated, with or without low alcohol (less than 10%); bottled filtered water; manufactured packaging for foods and beverages; and performance of the right to export, import products in accordance with business operation as required by law

The Company owns 90.4% of the equity interests in Avafood, whose principal activities are to provide processing service and produce products including fruit juice, beverage, bottled filtered water; biscuits, jams and sweets, snack food; and from agricultural and aquatic products, livestock; lease a workshop, office; and performance of the right to export, import products in accordance with business operation as required by law under the Investment Licence No. 48/GP-ĐN issued by the People’s Committee of Dong Nai Province on 19 July 2002.

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 30 September 2014, the Group had 1,578 employees (the year ended 31 December 2013: 1,434 employees).

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

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

##### **(b) Basis of measurement**

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



## **Interfood Shareholding Company and its subsidiaries**

### **Notes to the consolidated financial statements (continues)**

#### **(c) Going concern assumption**

The consolidated financial statements have been prepared on a going concern basis. The Group has made loss after tax of 132,470 Million VND (2013: Loss 79,878 Million VND) during the year and at the balance sheet date, current liabilities still exceeded current assets by 250,216 Million VND (31/12/2013: 141,691 Million VND) but total assets has exceeded total liabilities by 64,769 Million VND (31/12/2013: total liabilities exceeded total assets 67,701 Million VND). Furthermore, the Group 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 Group to meet its liabilities as and when they fall due and to maintain the Group 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 Group is from 1 January to 31 December.

#### **(e) Accounting currency**

The Group maintains its accounting records in Vietnam Dong (“VND”) and presents its consolidated financial statements in VND.

### **3. Summary of significant accounting policies**

#### **(a) Basis of consolidation**

##### **(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### **(ii) Transactions eliminated on consolidation**

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

##### **(b) Foreign currency transactions**

From year 2012 onward, 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 consolidated statement of income.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

**(c) Cash**

Cash comprises cash balances and call deposits.

**(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 Group applies the perpetual method of accounting for inventory.

**(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 for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has 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 fixed assets. The estimated useful lives are as follow:

Buildings	15 – 30 years
Machinery and equipment	10 – 15 years
Motor vehicles	6 years
Office equipment	10 years
ERP System	10 years

**(g) 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 and installation.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

**(h) Long-term prepayments**

**(i) Prepaid land costs**

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease of 45.5 years.

During 2013, the prepaid land cost has been transferred to intangible asset

**(ii) Other expenses**

Other 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 work.

**(i) Trade and other payables**

Trade and other payables are stated at their cost.

**(j) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or contractual 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 Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees’ basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of unemployment insurance scheme, the Group 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 30 September 2014 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.

**(k) Classification of financial instruments**

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

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (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 Group 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 Group has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group 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 Group 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 Group upon initial recognition designates as available-for-sale; or
- for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or those 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.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (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 Group 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 Group's financial liabilities, comprising borrowings, accounts payables 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.

#### (I) **Taxation**

Income tax on the consolidated profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated 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.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

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.

#### **(m) Acquisition reserve**

Acquisition reserve represents the difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity in a business combination involving entities under common control.

#### **(n) Revenue**

##### ***Goods sold***

Revenue from the sale of goods is recognised in the consolidated 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 consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated 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.

#### **(q) Earnings per share**

The Group presents basic earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. The Group does not present diluted EPS as it has no potential ordinary shares.

#### **(r) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (s) 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. Segment reporting

The Group mainly operates in one business segment, which is the production and sales of beverage and in one geographical segment, which is Vietnam. During the year, the Group was involved in certain production and trading transactions of biscuits and other related products which do not qualify as separate segments

<b>5.</b>	<b>Cash</b>	<b>30/09/2014</b>	<b>31/12/2013</b>
		VND'000	VND'000
	Cash on hand	76,244	150,812
	Cash in banks	96,167,077	97,029,236
		<u>96,243,321</u>	<u>97,180,048</u>
		-	-
<b>6.</b>	<b>Accounts receivable</b>	<b>30/09/2014</b>	<b>31/12/2013</b>
	Other receivables comprised:	VND'000	VND'000
	Other receivable	94,760	97,283
		<u>94,760</u>	<u>97,283</u>
		0	-
<b>7.</b>	<b>Inventories</b>	<b>30/09/2014</b>	<b>31/12/2013</b>
		VND'000	VND'000
	Good in transit	-	-
	Raw materials	64,136,950	57,807,048
	Tools and supplies	13,393,283	10,352,938
	Work in progress	9,992,500	2,439,256
	Finished goods	127,534,872	109,824,165
		<u>215,057,605</u>	<u>180,423,407</u>
	Allowance for inventories	(1,574,521)	-
		<u>213,483,084</u>	<u>180,423,407</u>
		-	-

The outstanding balance of the allowance for inventories represented allowance made during the year.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 8. Tangible fixed assets

	<b>Building</b>	<b>Machinery &amp; Equipment</b>	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Total</b>
	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>	<b>VND'000</b>
<b>Historical cost</b>					
Opening balance	115,917,681	471,348,970	9,686,896	4,409,686	<b>601,363,233</b>
Additions	-	1,513,535	120,000	788,600	<b>2,422,135</b>
Transfer from CIP	785,355	2,525,400	-	142,050	<b>3,452,805</b>
Disposals(*)	-	(2,510,853)	-	-	<b>(2,510,853)</b>
Closing balance	<u>116,703,036</u>	<u>472,877,052</u>	<u>9,806,896</u>	<u>5,340,336</u>	<b><u>604,727,320</u></b>
<b>Accumulated depreciation</b>					
Opening balance	23,991,103	259,782,769	6,476,420	2,786,447	<b>293,036,739</b>
Charge for the year	2,989,463	23,561,417	574,486	497,475	<b>27,622,841</b>
Disposals(*)	-	(1,887,078)	-	-	<b>(1,887,078)</b>
Closing balance	<u>26,980,566</u>	<u>281,457,108</u>	<u>7,050,906</u>	<u>3,283,922</u>	<b><u>318,772,502</u></b>
<b>Net book value</b>					
Opening balance	91,926,578	211,566,201	3,210,476	1,623,239	<b>308,326,494</b>
Closing balance	<u>89,722,470</u>	<u>191,419,944</u>	<u>2,755,990</u>	<u>2,056,414</u>	<b><u>285,954,818</u></b>

Included in the cost of tangible fixed assets were assets costing 24,671 million VND which were fully depreciated as of 30 September 2014 (31/12/2013: 23,357 million VND), but are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to 15,614 million VND as of 30 September 2014 (31/12/2013: 16.753 million VND).



## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 9. Intangible fixed assets

	ERP	Land			Total
	VND'000	VND'000			VND'000
<b>Historical cost</b>					
Opening balance	8,926,021	34,749,926			43,675,947
Additions	1,889,172	-			1,889,172
Transfer to PPE(*)	-	(34,749,926)			(34,749,926)
Written off	-	-			-
Closing balance	<u>10,815,193</u>	<u>-</u>			<u>10,815,193</u>
<b>Accumulated depreciation</b>					
Opening balance	702,455	7,090,919			7,793,374
Transfer from PPE(*)	-	(7,090,919)			(7,090,919)
Charge for the year	842,020	-			842,020
Disposals	-	-			-
Closing balance	<u>1,544,475</u>	<u>-</u>			<u>1,544,475</u>
<b>Net book value</b>					
Opening balance	8,223,566	27,659,007	-	-	35,882,573
Closing balance	<u>9,270,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,270,718</u>

(\*) This is present for the historical cost and accumulated amortized value of the Intangible fixed asset of the land rental fee which transfer to prepayment expenses (PPE) which was not entitled for recording as Intangible fixed asset as per regulation.

10. Construction in progress	30/09/2014	31/12/2013
	VND'000	VND'000
Opening balance	2,731,811	8,398,225
Additions during the quarter	3,347,945	5,609,160
Transferred to tangible fixed assets	(3,452,805)	(2,334,471)
Transferred to intangible fixed asset	-	(8,875,031)
Transferred to allocation expenses	(406,592)	-
Disposals	-	(66,072)
Closing balance	<u>2,220,359</u>	<u>2,731,811</u>
	-	-

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 11. Long-term prepayment

	Prepaid land costs VND'000	Renovation expenses VND'000	Tool and supplies VND'000	Total VND'000
Opening balance	-	1,350,129	3,640,637	4,990,766
Additions	-	988,883	263,799	1,252,682
Reclassification from intangible asset (*)	34,749,926	-	-	34,749,926
Amortisation	(7,612,168)	(1,867,544)	(448,611)	(9,928,323)
Closing balance	<b>27,137,758</b>	<b>471,468</b>	<b>3,455,825</b>	<b>31,065,051</b>

(\*) Reclassification from intangible fixed asset represents the net book value of prepayment of land rental fee which was not entitled for recording as Intangible fixed asset as per regulation.

#### 12. Short-term borrowings

	30/09/2014 VND'000	31/12/2013 VND'000
Short-term Loans from Kirin Holdings Company, Limited	455,585,000	326,740,000
	-	-

Terms and conditions of outstanding unsecured short-term borrowings were as follow:

	Currency	Nominal interest rate	30/09/2014 VND'000	31/12/2013 VND'000
Loan 7 Million USD	USD	LIBOR + 0,8%/p.a	148,330,000	147,560,000
Loan 9 Million USD	USD	LIBOR + 0,8%/p.a	180,115,000	179,180,000
Loan 9.5 Million USD	USD	LIBOR + 0,8%/p.a	127,140,000	-
			<b>455,585,000</b>	<b>326,740,000</b>
			-	-

The applicable interest rates of these loans ranged from 0.990% to 1.492% per annum during the year (year ended 2013: 1.077% to 1.487%).

#### 13. Accounts payable – trade

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

	30/09/2014 VND'000	31/12/2013 VND'000
Amounts due to Vietnam Kirin Beverage Company, Limited	31,553,296	2,502,632
Amounts due to other related companies	-	-

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

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

<b>14. Taxes payable to State Treasury</b>		<b>30/09/2014</b>	<b>31/12/2013</b>		
		VND'000	VND'000		
Value added tax		1,448,779	221,221		
Import, export tax		(41,138)	-		
Personal income tax		68,900	135,274		
Other tax		100,355	100,355		
		<u><b>1,576,896</b></u>	<u><b>456,850</b></u>		
		-	-		
<b>15. Accrued expenses</b>		<b>30/09/2014</b>	<b>31/12/2013</b>		
		VND'000	VND'000		
Transportation fee		8,739,199	5,378,039		
Sales discounts and commission		3,328,003	2,110,356		
Loans interest payable		1,731,373	3,137,186		
Secondment fee payable (*)		2,345,675	4,591,183		
Others		1,424,326	2,531,310		
		<u><b>17,568,576</b></u>	<u><b>17,748,074</b></u>		
		-	-		
(*) According to the Secondment Agreement dated 1 July 2011, the Group agreed to pay the secondment fee to Kirin Holdings Company, Limited, who provides strategic and management advice and assistance to the Group at fixed amounts stipulated in the agreement with each seconded employee.					
<b>16. Other payables</b>		<b>30/09/2014</b>	<b>31/12/2013</b>		
		VND'000	VND'000		
Dividend payable		505,391	505,391		
Trade union, social and health insurance		(125,031)	122,077		
Other payable		190,225	93,216		
		<u><b>570,585</b></u>	<u><b>720,684</b></u>		
		-	-		
<b>17. Long-term borrowings</b>		<b>30/09/2014</b>	<b>31/12/2013</b>		
	<b>Currency</b>	<b>Interest rate</b>	<b>Year of maturity</b>	<b>VND'000</b>	<b>VND'000</b>
Unsecured loan from Kirin Holdings Company, Limited	USD	1.896% p.a.	2017	137,735,000	137,020,000
				<u><b>137,735,000</b></u>	<u><b>137,020,000</b></u>
				-	-

The unsecured loans bears 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.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 18. Deferred tax liabilities

##### (i) Recognised deferred tax liabilities

Deferred tax liabilities related to temporary differences arising from depreciation of fixed assets.

##### (ii) Unrecognised deferred tax assets

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

	30/09/2014		31/12/2013	
	Temporary difference VND'000	Tax value VND'000	Temporary difference VND'000	Tax value VND'000
Deductible temporary differences	42,784,564	9,412,604	19,036,916	4,759,229
Taxes loss	119,875,684	26,372,650	70,364,730	17,591,183
	<b>162,660,248</b>	<b>35,785,255</b>	<b>89,401,646</b>	<b>22,350,412</b>

#### The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available
2014	Finalised	19,228,472
2015	Finalised	1,506,073
2016	Finalised	30,014,879
2017	Outstanding	19,615,306
2019	Outstanding	49,510,954

The deductible temporary differences other than tax losses 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 Group can utilise the benefits therefrom.

#### 19. Provision for severance allowance

Movements of provision during the year were as follow:

	30/09/2014 VND'000	31/12/2013 VND'000
Opening balance	3,124,794	3,327,503
Provision made during the year	29,354	38,141
Utilised during the year	(76,675)	(123,003)
Reversal during the year	-	(117,847)
Closing balance	<b>3,077,473</b>	<b>3,124,794</b>

Accumulating to this Quarter, the Group contributed 824 million VND (year ended 31 December 2013: 1020 million VND) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the consolidated statement of income.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 19. Movement in owner's equity

	Paid in capital	Share premium	Acquisition Reserves	Undistributed earnings	Total
	VND'000	VND'000	VND'000	VND'000	VND'000
Prior year's opening balance	381,443,888	85,035,704	(32,535,252)	(495,750,639)	(61,806,299)
Current year's capital increase	210,000,000	-	-	-	210,000,000
Prior year's net loss	-	-	-	(83,477,694)	(83,477,694)
Prior year's closing balance	591,443,888	85,035,704	(32,535,252)	(579,228,333)	64,716,007
Current year's opening balance	591,443,888	85,035,704	(32,535,252)	(579,228,333)	64,716,007
Current year's capital adjustment	(90,034,048)	-	90,034,048	-	-
Current year's net profit	-	-	-	(132,849,105)	(132,849,105)
Foreign exchange differences	-	-	-	-	-
Current year's closing balance	501,409,840	85,035,704	57,498,796	(712,077,438)	(68,133,098)

#### 20. Share capital

The Group's authorised and issued share capital is:

	30/09/2014		31/12/2013	
	Number of shares	VND'000	Number of shares	VND'000
<b>Authorised and issued share capital</b>				
Ordinary shares	50,140,992	501,409,920	50,140,992	501,409,920
<b>Shares in circulation</b>				
Ordinary shares	50,140,984	501,409,840	50,140,984	501,409,840
<b>Treasury shares</b>				
Treasury shares	8	80	8	80

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

Movements in share capital during the year were as follows:

	30/09/2014		31/12/2013	
	shares	VND'000	shares	VND'000
Balance at the beginning of the period	50,140,984	501,409,840	29,140,984	381,443,888
Shares issued during the year	-	-	21,000,000	210,000,000
Balance at the end of period:	50,140,984	501,409,840	50,140,984	591,443,888

### Notes to the consolidated financial statements (continues)

**Interfood Shareholding Company and its subsidiaries**

21. Acquisition reserve	30/09/2014 VND'000	31/12/2013 VND'000
Acquisition reserve (a)	(32,535,252)	(32,535,252)
Other reserve (b)	-	-
	<u><u>(32,535,252)</u></u>	<u><u>(32,535,252)</u></u>

(a) In 2007, the Group acquired 90% shareholding of Avafood in a business combination under common control. In 2012, the Group increased its shareholding of Avafood to 90.4%. This amount represents the difference between consideration given and the net amounts of assets and liabilities of Avafood attributable to the Group at the acquisition date.

(b) On 1 January 2013, the Group changed its accounting currency from United States Dollars (USD) to Vietnam Dong (VND) in accordance with the requirements of Circular No. 244/2010/TT/BTC dated 31 December 2009 of the Ministry of Finance (Circular 244). Accordingly, all balances in USD as at 31 December 2012 have been translated to VND at the exchange rate of VND20,828 to USD1. This amount represents the difference between the converted value and par value of ordinary shares in VND.

**22. Revenues**

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

Net sales comprised.

	Q3-2014 VND'000	Q3-2013 VND'000	YTD2014 VND'000	YTD2013 VND'000
<b>Total revenue</b>				
■ Sales of drinks	240,590,861	184,853,326	713,074,953	888,947,223
■ Sales of biscuits	5,042,576	5,222,164	14,923,901	28,550,969
■ Sales of other products	30,728,503	25,092,005	94,562,910	104,520,481
	<u><u>276,361,940</u></u>	<u><u>215,167,495</u></u>	<u><u>822,561,764</u></u>	<u><u>1,022,018,674</u></u>
<b>Less sales deductions:</b>				
■ Sales allowances	7,826,817	5,954,906	23,582,606	28,042,333
■ Sales return	-	23,604	3,892,322	830,455
	<u><u>7,826,817</u></u>	<u><u>5,978,510</u></u>	<u><u>27,474,928</u></u>	<u><u>28,872,788</u></u>
<b>Net sales</b>	<u><u>268,535,123</u></u>	<u><u>209,188,985</u></u>	<u><u>795,086,836</u></u>	<u><u>993,145,886</u></u>

**23. Cost of goods sold**

	Q3-2014 VND'000	Q3-2013 VND'000	YTD2014 VND'000	YTD2013 VND'000
<b>Total cost of sales</b>				
■ Cost of drinks	169,138,508	146,718,206	505,048,198	619,211,845
■ Cost of biscuit	5,377,089	6,060,686	14,227,783	26,846,494
■ Cost of other products	17,751,648	6,236,476	69,017,873	63,019,965
	<u><u>192,267,244</u></u>	<u><u>159,015,368</u></u>	<u><u>588,293,853</u></u>	<u><u>709,078,303</u></u>

**Interfood Shareholding Company and its subsidiaries**
**Notes to the consolidated financial statements (continues)**

<b>24. Income from financial activities</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>YTD2014</b>	<b>YTD2013</b>
	VND'000	VND'000	VND'000	VND'000
Interest income from bank deposits	63,099	18,824	223,277	720,497
Realised gains from foreign exchange	3,656,458	61,134	6,435,438	1,593,515
Unrealised gains from foreign exchange	84,927	-	485,508	281,953
	<b>3,804,485</b>	<b>79,958</b>	<b>7,144,223</b>	<b>2,595,965</b>
	-	-	-	-
<b>25. Financial expenses</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>YTD2014</b>	<b>YTD2013</b>
	VND'000	VND'000	VND'000	VND'000
Interest expenses	1,722,870	2,078,489	5,192,931	8,402,063
Realised foreign exchange losses	24,672	129,498	2,741,355	3,969,102
Unrealised foreign exchange losses	1,437,391	-	6,532,600	3,574,615
	<b>3,184,933</b>	<b>2,207,987</b>	<b>14,466,887</b>	<b>15,945,780</b>
	-	-	-	-
<b>26. Other income</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>YTD2014</b>	<b>YTD2013</b>
	VND'000	VND'000	VND'000	VND'000
Reimbursement received for tax penalty paymen	-	-	-	4,824,380
Internal Loan waiver	-	-	-	104,006,971
Others	1,571,547	573,346	9,743,323	6,542,887
	<b>1,571,547</b>	<b>573,346</b>	<b>9,743,323</b>	<b>115,374,238</b>
	-	-	-	-
<b>27. Other expenses</b>	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>YTD2014</b>	<b>YTD2013</b>
	VND'000	VND'000	VND'000	VND'000
Book value of tangible fixed assets written off	623,775	-	623,775	-
Tax penalties	-	6,282,256	-	6,282,256
Depreciation of idle fixed assets	669,575	683,908	1,968,291	2,551,747
Others	1,289,003	3,234,015	1,414,143	2,425,842
	<b>2,582,353</b>	<b>10,200,179</b>	<b>4,006,209</b>	<b>11,259,845</b>
	-	-	-	-

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

<b>28.</b>	<b>Coporate Income Taxes</b>		
(a)	<b>Recognised in the consolidated statement of income</b>		
		<b>2014</b>	<b>2013</b>
		<b>VND'000</b>	<b>VND'000</b>
	<b>Current tax expense</b>		
	Under provision in prior years	-	3,172,595
		<u>                    </u>	<u>                    </u>
	<b>Deferred tax income</b>		
	Written down of deferred tax asset	-	-
	Origination and reversal of temporary	(139,217)	458,403
		<u>(139,217)</u>	<u>458,403</u>
	<b>Income tax expense</b>	<u>(139,217)</u>	<u>3,630,998</u>
		<u>                    </u>	<u>                    </u>
	(b)	<b>Reconciliation of effective tax rate</b>	
		<b>2013</b>	<b>2013</b>
		<b>VND'000</b>	<b>VND'000</b>
	Loss before tax	(132,609,122)	(76,246,660)
		<u>                    </u>	<u>                    </u>
	Tax at the Group's tax rate	(29,174,007)	(19,061,665)
	Effect of change in tax rate	(458,281)	
	Non-deductible expenses	4,474,377	38,720,567
	Deferred tax assets not recognised	16,116,893	-
	Tax losses not previously recognised utilised	(653,362)	(19,200,499)
	Under provision in prior years		3,172,595
		<u>(9,694,380)</u>	<u>3,630,998</u>
		<u>                    </u>	<u>                    </u>
	(c)	<b>Applicable tax rates</b>	

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 to 2013, the Company is subject to income tax at the rate of 25% and from 2014 onward will be 22%.

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.



## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

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 No124/2008/ND-CP), the Company will continue to enjoy its tax incentives under Decree No. 24/2007/ND-CP dated 14 February 2007.

#### 29. Loss per share

##### (a) Basic earnings per share

The calculation of basic earnings per share at 30 September 2014 was based on the profit or loss attributable to ordinary shareholders of the Group and a weighted average number of ordinary shares outstanding during the period, calculated as follows:

(i)	<i>Net/(loss) profit attributable to ordinary shareholders</i>		
		<b>2014</b>	<b>2013</b>
		<b>VND'000</b>	<b>VND'000</b>
	Net profit/(loss) attributable to ordinary shareholders	<u>(132,849,105)</u>	<u>(83,477,694)</u>
(ii)	<i>Weighted average number of ordinary shares</i>		
		<b>2014</b>	<b>2013</b>
		<b>VND'000</b>	<b>VND'000</b>
	Weighted average number of ordinary shares for the year	<u>50,140,984</u>	<u>30,814,061</u>

#### 30. Financial instruments

##### (a) Financial risk management

##### (i) Overview

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

##### Risk management framework

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

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (b) Credit risk

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

##### (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:

	<b>2014</b> <b>VND'000</b>	<b>2013</b> <b>VND'000</b>
Cash in bank	96,167,077	97,029,236
Trade and other receivables	18,344,938	27,499,929
	<b><u>114,512,015</u></b>	<b><u>124,529,165</u></b>

##### (ii) Cash in bank

The cash at bank of the Group 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 Group.

##### (iii) Trade and other receivables

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

The Group'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 Group 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.

Based on historic default rates, the Group has made allowance for doubtful debts is necessary in respect of the outstanding trade and other receivables as of 30 September 2014.

The aging of trade and other receivables at year-end that were past due but not impaired is as follows:

	<b>2014</b> <b>VND'000</b>	<b>2013</b> <b>VND'000</b>
Non past due	12,652,640	23,186,248
Past due 0 – 30 days	2,096,907	1,410,811
Past due 31 – 180 days	1,040,515	857,402
Over 180 days	2,554,877	2,045,468
	<b><u>18,344,938</u></b>	<b><u>27,499,929</u></b>

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation. The Group also manages its borrowings from related companies by managing the financing terms with the related companies.

Financial liabilities with fixed or determinable payments have the following contractual maturities including the estimated interest payments:

30/09/2014	Carrying	Contractual	Within 1 year	1 – 2 years	2 – 5 years
	amount.	cash flows			
	VND'000	VND'000	VND'000	VND'000	VND'000
Trade and other payables.	130,439,830	130,439,830	130,439,830	-	-
Long term deposit	26,139	26,139	26,139	-	-
Short-term borrowings.	455,585,000	455,454,279	455,454,279	-	-
Long-term borrowings.	138,417,500	145,276,881	2,631,586	2,631,586	140,013,708
	<b>724,468,469</b>	<b>731,197,129</b>	<b>588,551,834</b>	<b>2,631,586</b>	<b>140,013,708</b>

  

31/12/2013	Carrying	Contractual	Within 1 year	1 – 2 years	2 – 5 years
	amount.	cash flows			
	VND'000	VND'000	VND'000	VND'000	VND'000
Trade and other payables.	118,515,310	118,515,310	118,515,310	-	-
Long term deposit	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
	<b>582,301,449</b>	<b>593,057,516</b>	<b>449,909,321</b>	<b>2,605,017</b>	<b>140,543,178</b>

The Group manages its ability to meet the expected operational expenses and servicing its debts by maintaining several financial facilities as follow:

- USD 4 million unused short-term loan facility which renew automatically at the option of Group. 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 Group'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.

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (i) *Currency risk*

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

The Group'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*

At 30 September 2014 and year 2013, the Group had the following net monetary liability position exposed to currency risk. The following balances are presented in original currency:

	<b>USD</b>	<b>USD</b>
	<b>30/09/2014</b>	<b>31/12/2013</b>
Cash	2,169,725	2,073,661
Accounts receivable – trade.	163,873	306,838
Account payables.	61,094	(129,092)
Short-term borrowings	(21,500,000)	(15,500,000)
Long-term borrowings	(6,500,000)	(6,500,000)
Other payables.	-	(3,110)
	<u><b>(25,605,308)</b></u>	<u><b>(19,751,703)</b></u>

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

	<b>VND</b>	<b>VND</b>
	<b>30/09/2014</b>	<b>31/12/2013</b>
1 USD	<u>21,190</u>	<u>21,080</u>

Below is an analysis of the possible impact on the net profit of the Group, after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at 30 September 2014. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Increase in net loss.
	<b>VND'000</b>
30/09/2014.	<b>30/09/2014</b>
USD (1% strengthening)	<u>5,377,115</u>
	Increase in net loss.
	<b>VND'000</b>
31/12/2013.	<b>31/12/2013</b>
USD (1% strengthening)	<u>4,167,609</u>

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

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### (ii) Interest rate risk

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

	Carrying amount	
	30/09/2014	31/12/2013
	VND'000	VND'000
<b>Fixed rate instruments.</b>		
Financial liabilities.	<u>(137,735,000)</u>	<u>(137,020,000)</u>
<b>Variable rate instruments.</b>		
Financial assets.	96,167,077	97,029,236
Financial liabilities.	<u>(455,585,000)</u>	<u>(326,740,000)</u>
	<u><b>(359,417,923)</b></u>	<u><b>(229,710,764)</b></u>

A change of 100 basis points in interest rates would have increased net losses of the Company by Million VND 464 (2012: Million VND 1,723). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

#### (e) Fair value

The Group has not determined fair values of financial assets and liabilities in accordance with Article 28 of Circular No. 210/2009/TT-BTC dated 6 November 2009 of the Ministry of Finance because (i) quoted prices in active market are not available for these financial assets and liabilities; and (ii) Vietnamese Accounting Standards and the Vietnamese Accounting System do not provide guidance on measurement of fair values in the case where quoted prices in active market are not available. Fair values of these financial instruments may be different from their carrying values.

### 31. Significant transactions with related parties

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

	Carrying amount	
	30/09/2014	31/12/2013
	VND'000	VND'000
<b>Related companies</b>		
<b>Kirin Holding Company, Limited - Parent Company</b>		
Short-term loan received	128,845,000	199,842,000
Share subscription	-	210,000,000
Interest expenses	5,192,932	8,402,063
Secondment fee	7,211,074	9,078,597
<b>Vietnam Kirin Beverage Company, Limited</b>		
Processing fee	93,341,085	42,472,216
Sale of finished goods	5,867	57,078
<b>Board of Directors and Board of Management</b>		
Secondment fees	4,198,548	4,517,690
Salary	938,343	1,312,409

## Interfood Shareholding Company and its subsidiaries

### Notes to the consolidated financial statements (continues)

#### 32. Commitments

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

	<b>VND'000</b>	<b>VND'000</b>
	<b>30/09/2014</b>	<b>31/12/2013</b>
Within one year	10,280,574	11,528,803
Within two to five years	24,550,032	27,499,588
Over five years	7,014,843	11,463,660
	<b><u>41,845,449</u></b>	<b><u>50,492,051</u></b>

#### 33. Production and business costs by element

	<b>Q3-2014</b>	<b>Q3-2013</b>	<b>YTD2014</b>	<b>YTD2013</b>
	VND'000	VND'000	VND'000	VND'000
Raw material costs	135,466,726	137,211,097	469,810,481	581,402,928
Labour costs and staff costs	47,841,454	42,919,949	139,085,978	171,593,735
Depreciation and amortisation	9,303,589	9,214,140	27,604,388	37,320,482
Outside services	138,334,826	96,493,955	361,657,872	379,795,611
Other expenses	79,747	40,717	193,672	15,876,503
	<b><u>331,026,342</u></b>	<b><u>285,879,857</u></b>	<b><u>998,352,392</u></b>	<b><u>1,185,989,259</u></b>

14th November 2014

Prepared by:

Approved by:

*(Signed)*

*(Signed and Sealed)*

Nguyễn Hồng Phong  
Chief Accountant

Michio Nagabayashi  
Chairman, General Director