

**Interfood Shareholding Company and its  
subsidiary**

Consolidated Financial Statements for the  
year ended 31 December 2013

## **Interfood Shareholding Company and its subsidiary Corporate information**

**Investment Licence No.** 270/GP 16 November 1991

**Investment Certificate No.** 472033000328 (1<sup>st</sup> amendment) 28 November 2007  
472033000328 (2<sup>nd</sup> amendment) 20 May 2010  
472033000328 (3<sup>rd</sup> amendment) 22 April 2011  
472033000328 (4<sup>th</sup> 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.

<b>Board of Management</b>	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)
<b>Board of Directors</b>	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 and its subsidiary  
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 applicable to financial reporting. In the opinion of the Board of Directors:

- (a) the consolidated financial statements set out on pages 5 to 42 give a true and fair view of the consolidated financial position of the Group as at 31 December 2013, and of the consolidated results of operations and the consolidated cash flows of the Group 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 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 – cum General Director*

Ho Chi Minh City, 28 March 2014

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders Interfood Shareholding Company and its subsidiary**

We have audited the accompanying consolidated financial statements of Interfood Shareholding Company ("the Company") and its subsidiary (collectively "the Group"), which comprise the consolidated balance sheet as at 31 December 2013, the consolidated 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 42.

### **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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Interfood Shareholding Company and its subsidiary as at 31 December 2013 and of its consolidated results of operations and its consolidated 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

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

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

Ho Chi Minh City, 28 March 2014

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2013**

Form B 01 – DN/HN

	Code	Note	31/12/2013 VND'000	31/12/2012 VND'000
<b>ASSETS</b>				
<b>Current assets</b> <b>(100 = 110 + 130 + 140 + 150)</b>	<b>100</b>		<b>310,139,687</b>	<b>267,847,456</b>
<b>Cash</b>	<b>110</b>	<b>5</b>	<b>97,180,048</b>	<b>82,201,930</b>
<b>Accounts receivable</b>	<b>130</b>	<b>6</b>	<b>30,435,600</b>	<b>25,804,851</b>
Accounts receivable – trade	131		27,402,646	14,959,024
Prepayments to suppliers	132		4,981,139	5,657,510
Other receivables	135		97,283	5,188,317
Allowance for doubtful debts	139		(2,045,468)	-
<b>Inventories</b>	<b>140</b>	<b>7</b>	<b>180,423,407</b>	<b>157,649,819</b>
Inventories	141		180,423,407	164,125,515
Allowance for inventories	149		-	(6,475,696)
<b>Other current assets</b>	<b>150</b>		<b>2,100,632</b>	<b>2,190,856</b>
Short-term prepayments	151		1,115,439	76,355
Deductible value added tax	152		509,851	1,365,672
Taxes receivable from State Treasury	154		19,552	2,999
Other current assets	158		455,790	745,830
<b>Long-term assets (200 = 220 + 260)</b>	<b>200</b>		<b>353,382,119</b>	<b>384,797,320</b>
<b>Fixed assets</b>	<b>220</b>		<b>346,940,878</b>	<b>351,226,439</b>
Tangible fixed assets	221	8	308,326,494	342,828,214
Cost	222		601,363,233	601,920,515
Accumulated depreciation	223		(293,036,739)	(259,092,301)
Intangible fixed assets	227	9	35,882,573	-
Cost	228		43,675,947	-
Accumulated amortisation	229		(7,793,374)	-
Construction in progress	230	10	2,731,811	8,398,225
<b>Other long-term assets</b>	<b>260</b>		<b>6,441,241</b>	<b>33,570,881</b>
Long-term prepayments	261	11	4,990,766	32,056,123
Other long-term assets	268		1,450,475	1,514,758
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>663,521,806</b>	<b>652,644,776</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2013 (continued)**

**Form B 01 – DN/HN**

	<b>Code</b>	<b>Note</b>	<b>31/12/2013</b> <b>VND'000</b>	<b>31/12/2012</b> <b>VND'000</b>
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>595,820,918</b>	<b>715,066,230</b>
<b>Current liabilities</b>	<b>310</b>		<b>451,830,974</b>	<b>468,962,998</b>
Short-term borrowings	311	12	326,740,000	364,490,000
Accounts payable – trade	312	13	86,605,589	67,219,267
Advances from customers	313		6,118,814	6,552,905
Taxes payable to State Treasury	314	14	456,850	2,521,875
Payables to employees	315		13,440,963	9,446,623
Accrued expenses	316	15	17,748,074	17,526,866
Other payables	319	16	720,684	1,205,462
<b>Long-term liabilities</b>	<b>330</b>		<b>143,989,944</b>	<b>246,103,232</b>
Long-term deposits	331		26,139	26,139
Long-term borrowings	334	17	137,020,000	239,388,971
Deferred tax liabilities	335	18	3,819,011	3,360,619
Provision for severance allowance	337	19	3,124,794	3,327,503
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>64,716,007</b>	<b>(61,806,299)</b>
<b>Owners' equity</b>	<b>410</b>	<b>20</b>	<b>64,716,007</b>	<b>(61,806,299)</b>
Share capital	411	21	591,443,888	381,443,888
Share premium	412		85,035,704	85,035,704
Other reserves	418	22	(32,535,252)	(32,535,252)
Accumulated losses	420		(579,228,333)	(495,750,639)
<b>MINORITY INTEREST</b>	<b>439</b>		<b>2,984,881</b>	<b>(615,155)</b>
<b>TOTAL RESOURCES</b> <b>(440 = 300 + 400 + 439)</b>	<b>440</b>		<b>663,521,806</b>	<b>652,644,776</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated balance sheet as at 31 December 2013 (continued)**

**Form B 01 – DN/HN**

**OFF BALANCE SHEET ITEMS**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Foreign currency		
• USD	43,676,277	33,479,357
• EUR	10,426	13,546

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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*

*The accompanying notes are an integral part of these consolidated financial statements*



**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the year ended 31 December 2013**

Form B 02 – DN/HN

	Code	Note	2013 VND'000	2012 VND'000
<b>Total revenue</b>	<b>01</b>	<b>23</b>	<b>1,022,018,674</b>	<b>879,384,174</b>
<b>Less revenue deductions</b>	<b>02</b>	<b>23</b>	<b>28,872,788</b>	<b>25,594,821</b>
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>23</b>	<b>993,145,886</b>	<b>853,789,353</b>
<b>Cost of sales</b>	<b>11</b>	<b>24</b>	<b>709,078,303</b>	<b>660,151,687</b>
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>284,067,583</b>	<b>193,637,666</b>
Financial income	21	25	2,595,965	1,125,795
Financial expenses	22	26	15,945,780	9,967,948
<i>In which: Interest expenses</i>	23		8,402,063	7,902,206
Selling expenses	24		414,545,956	215,089,569
General and administration expenses	25		36,532,865	31,506,661
<b>Net operating loss</b> <b>{30 = 20 + (21 - 22) - (24 + 25)}</b>	<b>30</b>		<b>(180,361,053)</b>	<b>(61,800,717)</b>
Other income	31	27	115,374,238	26,364,707
Other expenses	32	28	11,259,845	61,773,265
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>104,114,393</b>	<b>(35,408,558)</b>
<b>Loss before tax (50 = 30 + 40)</b>	<b>50</b>		<b>(76,246,660)</b>	<b>(97,209,275)</b>
<b>Income tax expense – current</b>	<b>51</b>	<b>29</b>	<b>3,172,595</b>	<b>4,148,958</b>
<b>Income tax expense – deferred</b>	<b>52</b>	<b>29</b>	<b>458,403</b>	<b>43,268,046</b>
<b>Net loss (60 = 50 - 51 - 52)</b>	<b>60</b>		<b>(79,877,658)</b>	<b>(144,626,279)</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of income for the year ended 31 December 2013 (continued)**

**Form B 02 – DN/HN**

	<b>Code</b>	<b>Note</b>	<b>2013 VND'000</b>	<b>2012 VND'000</b>
<b>Attributable to:</b>				
Minority interest	61		3,600,036	(1,107,945)
Equity holders of the Company	62		(83,477,694)	(143,518,334)
<b>Loss per share</b>				
Basic loss per share	70	30	(2.709)	(4.925)

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 consolidated financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the year ended 31 December 2013**  
**(Indirect method)**

Form B 03 – DN/HN

	Code	Note	2013 VND'000	2012 VND'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Loss before tax</b>	<b>01</b>		<b>(76,246,660)</b>	<b>(97,209,275)</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		38,073,175	45,004,476
Allowances and provisions	03		(4,509,934)	7,533,467
Unrealised foreign exchange losses/(gains)	04		3,476,141	(50,216)
Income from loan waiving	05		(104,006,971)	-
Loss on disposal of tangible fixed assets	05		-	42,024,010
Interest income	05		(734,472)	(463,423)
Interest expense	06		8,402,063	7,902,206
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>(135,546,658)</b>	<b>4,741,245</b>
Change in receivables	09		(5,475,305)	(4,650,143)
Change in inventories	10		(16,297,892)	(26,701,996)
Change in payables and other liabilities	11		22,973,911	6,155,256
Changes in prepayments	12		(388,950)	(2,781,536)
			<b>(134,734,894)</b>	<b>(23,237,174)</b>
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		-	(1,368,545)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>(148,728,110)</b>	<b>(30,807,943)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(7,438,463)	(12,005,573)
Receipts of interest	27		734,472	463,423
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>(6,703,991)</b>	<b>(11,542,150)</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Consolidated statement of cash flows for the year ended 31 December 2013**  
**(Indirect method - continued)**

Form B 03 – DN/HN

	Code	Note	2013 VND'000	2012 VND'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
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)	-
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>170,320,000</b>	<b>83,312,000</b>
<b>Net cash flows during the year</b> <b>(50 = 20 + 30 + 40)</b>	<b>50</b>		<b>14,887,899</b>	<b>40,961,907</b>
<b>Cash at the beginning of the year</b>	<b>60</b>		<b>82,201,930</b>	<b>41,214,467</b>
<b>Effect of exchange rate fluctuations on cash</b>	<b>61</b>		<b>90,219</b>	<b>25,556</b>
<b>Cash at the end of the year</b> <b>(70 = 50 + 60 + 61)</b>	<b>70</b>	<b>5</b>	<b>97,180,048</b>	<b>82,201,930</b>

**NON-CASH ACTIVITIES**

	2013 VND'000	2012 VND'000
Transfer from other payables to short-term borrowings	-	20,828,000
Waive of long-term loans	104,006,971	-

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 consolidated financial statements*

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**

**Form B 09 – DN/HN**

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

**1. Reporting Entity**

Interfood Shareholding Company (“the Company”) is incorporated as a joint stock company in Vietnam. The consolidated financial statements for the year ended 31 December 2013 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 fruit juice with 5% alcohol content, bottled filtered water and PET bottle; and to manufacture packaging for foods and beverages.

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, 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.

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 Group had 1,434 employees (31/12/2012: 1,351 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 applicable to financial reporting.

**(b) Basis of measurement**

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

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
**(continued)**

**Form B 09 – DN/HN**

**(c) Going concern assumption**

The consolidated financial statements have been prepared on a going concern basis. The Group has incurred net loss after tax of VND79,878 million (2012: VND144,626 million) during the year and at the balance sheet date, current liabilities exceeded current assets by VND141,691 million (31/12/2012: VND201,115 million). 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 consolidated financial statements are prepared and presented in Vietnam Dong (“VND”) rounded to the nearest thousand (“VND’000”).

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. 244/2009/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 consolidated statements of income and cash flows and notes to the consolidated financial statements have been calculated by translating the USD amounts in the consolidated financial statements for the year ended 31 December 2012 at the exchange rate of VND20,828 to USD1.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
**(continued)**

**Form B 09 – DN/HN**

**3. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements.

**(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**

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.

**(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.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
**(continued)**

**Form B 09 – DN/HN**

**(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 tangible 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

**(g) Intangible fixed assets**

**(i) 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.



**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
**(continued)**

**Form B 09 – DN/HN**

**(ii) Land use rights**

Land use rights comprise:

- those granted by the State for which land use payments have been collected;
- those acquired in a legitimate transfer; and
- rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use right certificate issued by competent authority.

Land use rights are stated at cost less accumulated amortisation. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over 45.5 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 and installation.

**(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 include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND 30 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.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
**(continued)**

**Form B 09 – DN/HN**

**(k) Provisions**

A provision is recognised if, as a result of a past event, the Group 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 Group 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 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 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.

**(l) 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:

**(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.

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*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 Group'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

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- 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 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.

**(m) 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 or substantially 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 amount of assets and liabilities using 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) Acquisition reserve**

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, is recorded as acquisition reserve under other reserves.

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**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**(o) Revenue**

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.

**(p) 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.

**(q) 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.

**(r) 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.

**(s) 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.

**(t) 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.

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**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.

**5. Cash**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Cash on hand	150,812	125,780
Cash in banks	97,029,236	82,076,150
	<hr/>	<hr/>
	97,180,048	82,201,930
	<hr/> <hr/>	<hr/> <hr/>

**6. Accounts receivable**

Other receivables comprised:

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
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/>	<hr/> <hr/>

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**7. Inventories**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
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/>	<hr/> <hr/>

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

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
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/>	<hr/> <hr/>

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**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**8. Tangible fixed assets**

	<b>Buildings</b> VND'000	<b>Machinery and equipment</b> VND'000	<b>Motor vehicles</b> VND'000	<b>Office equipment</b> VND'000	<b>Total</b> VND'000
<b>Cost</b>					
Opening balance	115,827,236	470,647,484	10,130,302	5,315,493	601,920,515
Additions	-	1,297,913	460,000	20,400	1,778,313
Transfers from construction in progress	142,778	2,191,693	-	-	2,334,471
Reclassification (*)	(52,333)	(2,788,119)	(903,406)	(926,208)	(4,670,066)
Closing balance	115,917,681	471,348,970	9,686,896	4,409,686	601,363,233
<b>Accumulated depreciation</b>					
Opening balance	20,061,342	230,120,344	6,291,077	2,619,538	259,092,301
Charge for the year	3,940,776	31,427,291	1,047,568	607,586	37,023,221
Reclassification (*)	(11,015)	(1,764,867)	(862,225)	(440,676)	(3,078,783)
Closing balance	23,991,103	259,782,769	6,476,420	2,786,447	293,036,739
<b>Net book value</b>					
Opening balance	95,765,894	240,527,140	3,839,225	2,695,955	342,828,214
Closing balance	91,926,578	211,566,201	3,210,476	1,623,239	308,326,494

(\*) 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 VND23,357 million which were fully depreciated as of 31 December 2013 (31/12/2012: VND16,687 million), but are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to VND16,753 million as of 31 December 2013 (31/12/2012: VND19,352 million).



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**9. Intangible fixed assets**

	<b>Land use rights VND'000</b>	<b>Software VND'000</b>	<b>Total VND'000</b>
<b>Cost</b>			
Opening balance	-	-	-
Additions	-	50,990	50,990
Transfer from construction in progress	-	8,875,031	8,875,031
Transfer from long-term prepayments	34,749,926	-	34,749,926
	<hr/>	<hr/>	<hr/>
Closing balance	34,749,926	8,926,021	43,675,947
<b>Accumulated amortisation</b>			
Opening balance	-	-	-
Charge for the year	347,499	702,455	1,049,954
Transfer from long-term prepayments	6,743,420	-	6,743,420
	<hr/>	<hr/>	<hr/>
Closing balance	7,090,919	702,455	7,793,374
<b>Net book value</b>			
Opening balance	-	-	-
Closing balance	27,659,007	8,223,566	35,882,573
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**10. Construction in progress**

	<b>2013 VND'000</b>	<b>2012 VND'000</b>
Opening balance	8,398,225	29,335,779
Additions	5,609,160	3,889,630
Transfer to tangible fixed assets	(2,334,471)	(24,827,184)
Transfer to intangible fixed assets	(8,875,031)	-
Written off	(66,072)	-
	<hr/>	<hr/>
Closing balance	2,731,811	8,398,225
	<hr/> <hr/>	<hr/> <hr/>

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**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**11. Long-term prepayments**

	<b>Prepaid land costs VND'000</b>	<b>Renovation expenses VND'000</b>	<b>Tools and supplies VND'000</b>	<b>Total VND'000</b>
Opening balance	28,371,171	2,297,273	1,387,679	32,056,123
Additions	-	-	1,768,433	1,768,433
Reclassification from fixed assets (*)	-	-	1,591,283	1,591,283
Transfer to intangible fixed assets	(28,006,506)	-	-	(28,006,506)
Amortisation for the year	(364,665)	(947,144)	(1,106,758)	(2,418,567)
Closing balance	-	1,350,129	3,640,637	4,990,766

(\*) 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 fixed assets during the period (Note 8). The remaining net book value of fixed assets costing less than VND30 million are amortised on a straight line basis over their remaining estimated useful lives, but not exceeding three years.

**12. Short-term borrowings**

	<b>31/12/2013 VND'000</b>	<b>31/12/2012 VND'000</b>
Loans from Kirin Holdings Company, Limited	326,740,000	364,490,000

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

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>31/12/2013 VND'000</b>	<b>31/12/2012 VND'000</b>
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 ranged from 1.077% to 1.487% per annum during the year (year ended 31 December 2012: 1.1456% to 1.928%).

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**13. Accounts payable – trade**

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

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

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

**14. Taxes payable to State Treasury**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Value added tax	221,221	1,580,137
Import-export tax	-	591,661
Personal income tax	135,274	249,728
Foreign contractor tax	100,355	100,349
	<b>456,850</b>	<b>2,521,875</b>

**15. Accrued expenses**

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
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	2,531,310	1,125,712
	<b>17,748,074</b>	<b>17,526,866</b>

(\*) According to the Secondment Agreement dated 1 July 2011, the Group agreed to pay 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.

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**16. Other payables**

Other payables comprised:

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Dividends payable	505,391	505,391
Trade union, social and health insurance	122,077	184,619
Others	93,216	515,452
	<hr/>	<hr/>
	720,684	1,205,462
	<hr/>	<hr/>

**17. Long-term borrowings**

	<b>Currency</b>	<b>Interest rate</b>	<b>Year of maturity</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
				<b>VND'000</b>	<b>VND'000</b>
Unsecured loan from Kirin Holdings Company, Limited (a)	USD	1.896% p.a.	2017	137,020,000	135,382,000
Loan from Trade Ocean Holdings Sdn. Bhd. (b)	USD	three-month SIBOR minus 1% p.a.	2014	-	71,459,368
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (b)	USD	three-month SIBOR minus 1% p.a.	2014	-	32,547,603
				<hr/>	<hr/>
				137,020,000	239,388,971
				<hr/>	<hr/>

- (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. and Wonderfarm Biscuits & Confectionery Sdn. Bhd., shareholders ("the Lenders"), issued Deeds of Release ("Deeds") to waive the loans of USD3,430,928 (equivalent to VND71,459 million) and USD1,562,685 (equivalent to VND32,548 million) ("the Loans") granted to the Group under the Loan Novation Agreement date 28 February 2011 and loan contract dated 30 July 2009, respectively. According to the Deeds, the Lenders irrevocably releases and discharges the Group, 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 Loans to the Lenders and also releases the Group from all of its liabilities (including the interest) in all aspects whatsoever in respect of the Loans.

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**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**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:

	31/12/2013		31/12/2012	
	Temporary difference VND'000	Tax value VND'000	Temporary difference VND'000	Tax value VND'000
Deductible temporary differences	19,036,916	4,759,229	48,587,663	12,146,916
Tax losses	70,364,730	17,591,183	159,044,316	39,761,079
	89,401,646	22,350,412	207,631,979	51,907,995

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available VND'000
2014	Finalised	19,228,472
2015	Finalised	1,506,073
2016	Finalised	30,014,879
2017	Outstanding	19,615,306
		70,364,730

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.

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**19. Provision for severance allowance**

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

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Opening balance	3,327,503	4,814,871
Provision made during the year	38,141	1,057,771
Provision utilised during the year	(123,003)	(2,545,139)
Provision reversed during the year	(117,847)	-
	<hr/>	<hr/>
Closing balance	3,124,794	3,327,503
	<hr/>	<hr/>

During the year, the Group contributed VND1,020 million (2012: VND748 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the consolidated statement of income.

**20. Movement in owner's equity**

	<b>Share capital</b>	<b>Share premium</b>	<b>Acquisition reserve</b>	<b>Accumulated losses</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>Balance at 31 December 2011 – as restated</b>	381,443,888	85,035,704	(32,535,252)	(352,232,305)	81,712,035
Net loss for the year	-	-	-	(143,518,334)	(143,518,334)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2012</b>	381,443,888	85,035,704	(32,535,252)	(495,750,639)	(61,806,299)
Share capital issued	210,000,000	-	-	-	210,000,000
Net loss for the year	-	-	-	(83,477,694)	(83,477,694)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2013</b>	591,443,888	85,035,704	(32,535,252)	(579,228,333)	64,716,007
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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**21. Share capital**

The Group's authorised and issued share capital is:

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

	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

**22. Acquisition reserve**

In 2007, the Company acquired 90% shareholding of Avafood in a business combination under common control. 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.

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**23. Revenue**

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

Net revenue comprised

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Total revenue		
▪ Sales of drinks	888,947,223	795,969,367
▪ Sales of biscuits	28,550,969	29,870,330
▪ Sales of other products	104,520,482	53,544,477
Less sales deductions		
▪ Sales allowances	28,842,246	25,180,156
▪ Sales returns	30,542	414,665
Net revenue	993,145,886	853,789,353

**24. Cost of sales**

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Total cost of sales		
▪ Cost of drinks	619,735,324	590,561,486
▪ Cost of biscuits	26,578,647	31,801,586
▪ Cost of other products	62,764,332	37,788,615
	709,078,303	660,151,687

**25. Financial income**

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Interest income from bank deposits	734,472	463,423
Realised foreign exchange gains	1,763,019	610,032
Unrealised foreign exchange gains	98,474	52,340
	2,595,965	1,125,795



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**26. Financial expenses**

	<b>2013</b> <b>VND'000</b>	<b>2012</b> <b>VND'000</b>
Interest expense	8,402,063	7,902,206
Realised foreign exchange losses	3,969,102	1,643,808
Unrealised foreign exchange losses	3,574,615	2,124
Other finance expenses	-	419,810
	<hr/>	<hr/>
	15,945,780	9,967,948
	<hr/> <hr/>	<hr/> <hr/>

**27. Other income**

	<b>2013</b> <b>VND'000</b>	<b>2012</b> <b>VND'000</b>
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. and Wonderfarm Biscuits & Confectionery Sdn. Bhd. (Note 17)	104,006,971	-
Others	6,542,887	6,094,023
	<hr/>	<hr/>
	115,374,238	26,364,707
	<hr/> <hr/>	<hr/> <hr/>

**28. Other expense**

	<b>2013</b> <b>VND'000</b>	<b>2012</b> <b>VND'000</b>
Book value of tangible fixed assets written off	-	42,024,010
Tax penalties	6,282,256	7,605,365
Depreciation of idle fixed assets	2,551,748	10,805,587
Others	2,425,841	1,338,303
	<hr/>	<hr/>
	11,259,845	61,773,265
	<hr/> <hr/>	<hr/> <hr/>

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**29. Income tax**

**(a) Recognised in the consolidated statement of income**

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Current tax expense</b>		
Under provision in prior years	3,172,595	4,148,958
<b>Deferred tax income</b>		
Written down of deferred tax asset	-	42,787,523
Origination and reversal of temporary differences	458,403	480,523
	458,403	43,268,046
Income tax expense	3,630,998	47,417,004

**(b) Reconciliation of effective tax rate**

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Loss before tax	(76,246,660)	(97,209,275)
Tax at the Group's tax rate	(19,061,665)	(24,302,319)
Non-deductible expenses	38,720,567	10,437,380
Deferred tax assets not recognised	-	14,345,462
Tax losses not previously recognised utilised	(19,200,499)	-
Written down of deferred tax assets	-	42,787,523
Under provision in prior years	3,172,595	4,148,958
	3,630,998	47,417,004

**Interfood Shareholding Company and its subsidiary**  
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**(c) Applicable tax rates**

*The Company*

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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*Avafood Shareholding Company (“Avafood”) - the Subsidiary*

Under the terms of its Investment Certificate Avafood has an obligation to pay the government income tax at the rate of 15% of taxable profits from manufacturing processed products, including fruit juice, bottled filtered water, biscuits, jams and sweets of all kinds, and from agricultural and aquatic products as well as livestock for the first 12 years starting from the first year of operation (from 2006 to 2018) and 25% for the succeeding years. The current tax regulations allow the Avafood to be exempt from income tax for 2 years starting from the first year it generates a taxable profit (from 2011 to 2012) and entitled to a 50% reduction in income tax for the 3 succeeding years. The income tax regulations also specify that if the Avafood does not generate any taxable profit in three consecutive years from the first year it generates revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made. All the above tax exemption and reduction are not applicable to other income which is taxed at a rate of 25%.

Corporate income tax is payable at the rate stipulated by the current regulations on annual profit from processing service, office and workshop lease activity (2013: 25%; 2012: 25%).

**30. Loss per share**

**Basic earnings per share**

The calculation of basic earnings per share at 31 December 2013 was based on the profit or loss attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

**(i) Net loss attributable to ordinary shareholders**

	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Net loss attributable to ordinary shareholders	(83,477,694)	(143,518,334)

**(ii) Weighted average number of ordinary shares**

	<b>2013</b>	<b>2012</b>
Issued ordinary shares at the beginning of the year	29,140,984	29,140,984
Effect of shares issued on 2 December 2013	1,673,077	-
Weighted average number of ordinary shares for the year	30,814,061	29,140,984

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**31. 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.

The Company’s Board of Directors oversees and monitors the Group’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 Group.

**(ii) 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.

**(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>Note</b>	<b>31/12/2013</b> <b>VND’000</b>	<b>31/12/2012</b> <b>VND’000</b>
Cash in bank	(ii)	97,029,236	82,076,150
Trade and other receivables	(iii)	25,454,461	20,147,341
		122,483,697	102,223,491

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**(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.

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

The aging of trade and other receivables at year-end is as follows:

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
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
Over 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 31 December 2013 represents allowance made during the year. There was no movement in allowance for doubtful debts during the year ended 31 December 2012.

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**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**(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:

**31 December 2013**

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

**31 December 2012**

	<b>Carrying amount VND'000</b>	<b>Contractual cash flows VND'000</b>	<b>Within 1 year VND'000</b>	<b>1 – 2 years VND'000</b>	<b>2 – 5 years VND'000</b>
Trade and other payables	95,398,218	95,398,218	95,398,218	-	-
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	239,388,971	218,037,043	2,573,883	74,033,250	141,429,910
	699,303,328	681,657,743	466,194,583	74,033,250	141,429,910

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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The Group 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 renews automatically at the option of the 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.

**(i) Currency risk**

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

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*

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

	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>USD</b>	<b>USD</b>
Cash	2,073,661	1,607,578
Accounts receivable – trade	306,838	158,704
Account payables	(129,092)	(216,228)
Short-term borrowings	(15,500,000)	(19,062,685)
Long-term borrowings	(6,500,000)	(9,930,928)
Other monetary liabilities	(3,110)	-
	<hr/>	<hr/>
	(19,751,703)	(27,443,559)
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Exchange rate as at</b>	<b>Exchange rate as at</b>
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND</b>	<b>VND</b>
USD 1	21,080	20,828
	<hr/>	<hr/>



**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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Below is an analysis of the possible impact on the net loss of the Group, 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.

	<b>Effect to net loss VND'000</b>
<b>31 December 2013</b>	
USD (1% strengthening of USD)	4,167,609
<b>31 December 2012</b>	
USD (1% strengthening of USD)	5,708,260

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

**(ii) Interest rate risk**

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

	<b>Carrying amount</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Fixed rate instruments</b>		
Financial liabilities	(137,020,000)	(135,382,000)
<b>Variable rate instruments</b>		
Financial assets	97,029,236	82,076,150
Financial liabilities	(326,740,000)	(468,496,972)
	<b>(229,710,764)</b>	<b>(386,420,822)</b>

A change of 100 basis points in interest rates would have increased net losses of the Group by VND1,723 million (2012: VND2,898 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.

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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**(e) Fair values**

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

	<b>Carrying amount</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>VND'000</b>	<b>VND'000</b>
Categorised as loans and receivables:		
- Cash in bank	97,029,236	82,076,150
- Trade and other receivables	25,454,461	20,147,341
Categorised as liabilities at amortised cost:		
- Trade and other payables	(118,515,310)	(95,398,218)
- Short-term borrowings	(326,740,000)	(364,490,000)
- Long-term borrowings	(137,020,000)	(239,388,971)
- Other long-term liabilities	(26,139)	(26,139)
	(459,817,752)	(597,079,837)
	(459,817,752)	(597,079,837)

The Company has not determined fair values of these financial instruments for disclosure in the consolidated 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.

**32. 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:

	<b>Transaction value</b>	
	<b>2013</b>	<b>2012</b>
	<b>VND'000</b>	<b>VND'000</b>
<b>Kirin Holding Company, Limited</b>		
<b>Ultimate Parent Company</b>		
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
<b>Kirin Holding Singapore Pte, Ltd.</b>		
Financial support for marketing activities	-	10,244,668

**Interfood Shareholding Company and its subsidiary**  
**Notes to the consolidated financial statements for the year ended 31 December 2013**  
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	Transaction value	
	2013	2012
	VND'000	VND'000
<b>Vietnam Kirin Beverage Company, Limited</b>		
Purchase of goods	-	17,209,468
Processing fee	42,472,216	21,552,564
Sale of finished goods	57,078	-
<b>Board of Directors and Board of Management</b>		
Secondment fees	4,517,690	8,582,386
Salary	1,312,409	1,304,270

### 33. Commitments

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

	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
	50,492,051	60,151,618

### 34. 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	170,247,934	106,537,511
Depreciation and amortisation	38,073,175	45,004,476
Outside services	342,434,513	131,287,340
Other expenses	2,949,946	87,346,967

28 March 2014

Prepared by:

Signed

Nguyen Hong Phong  
*Chief Accountant*

Approved by:

Signed and sealed

Michio Nagabayashi  
*Chairman – cum General Director*