



**Interfood Shareholding Company and its
subsidiary**

Consolidated Financial Statements for the
year ended 31 December 2012

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

Investment Licence No. 270/GP 16 November 1991

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

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

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

Board of Management	<p>Michio Nagabayashi Ryoichi Yonemura</p> <p>Toru Yamasaki</p> <p>Hiroshi Fujikawa Nguyen Thi Kim Lien Pang Tze Wei</p>	<p>Chairman Member (until 12 April 2012)</p> <p>Member (from 12 April 2012)</p> <p>Member Member Member</p>
Board of Directors	<p>Michio Nagabayashi Hajime Kobayashi</p> <p>Kazufumi Nagashima</p> <p>Hidefumi Matsuo</p> <p>Nguyen Thi Kim Lien</p> <p>Takaaki Suemitsu</p>	<p>General Director Director/General Manager of Corporate Planning Director/General Manager of Factory Director/General Manager of Administration Director/General Manager of Finance Director/General Manager of Sales and Marketing (from 15 August 2012)</p>
Registered Office	<p>Lot 13, Tam Phuoc Industrial Zone Bien Hoa City Dong Nai Province Vietnam</p>	
Auditors	<p>KPMG Limited Vietnam</p>	

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. In the opinion of the Board of Directors:

- (a) the consolidated financial statements set out on pages 4 to 41 are prepared and presented so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, 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




Michio Nagabayashi
Chairman – cum General Director

Ho Chi Minh City, 29 March 2013



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INDEPENDENT AUDITORS' REPORT

To the Shareholders Interfood Shareholding Company and its subsidiary

Scope

We have audited the accompanying consolidated balance sheet of Interfood Shareholding Company ("the Company") and its subsidiary (collectively "the Group") as of 31 December 2012, the related consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Group's management on 29 March 2013, as set out on pages 4 to 41. The consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Group as of and for the year ended 31 December 2011 were audited by another firm of auditors whose report dated 24 March 2012 expressed an unqualified opinion on those financial statements.

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

Audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2012 and the consolidated results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

KPMG Limited

Vietnam

Investment Licence No: 011043000345

Audit Report No: 12-01-204



Nguyễn Thanh Nghi
CPA No. 0304/KTV
Deputy General Director


Chong Kwang Puay
CPA No. N0864/KTV

Ho Chi Minh City, 29 March 2013

**Interfood Shareholding Company and its subsidiary
Consolidated balance sheet at 31 December 2012**

Form B 01 – DN/HN

	Code	Note	31/12/2012 USD	31/12/2011 USD
ASSETS				
Current assets (100 = 110 + 130 + 140 + 150)	100		12,859,970	9,812,959
Cash	110	5	3,946,703	1,978,801
Accounts receivable	130	6	1,238,950	971,107
Accounts receivable – trade	131		718,217	416,774
Prepayments to suppliers	132		271,630	490,192
Other receivables	135		249,103	64,141
Inventories	140	7	7,569,129	6,598,018
Inventories	141		7,880,042	6,598,018
Allowance for inventories	149		(310,913)	-
Other current assets	150		105,188	265,033
Short-term prepayments	151		3,666	12,025
Deductible value added tax	152		65,569	104,216
Taxes receivable from State Treasury	154		144	106,907
Other current assets	158		35,809	41,885
Long-term assets (200 = 220 + 260)	200		18,475,001	23,923,736
Fixed assets	220		16,863,186	20,465,208
Tangible fixed assets	221	8	16,459,968	19,056,730
<i>Cost</i>	222		28,899,583	34,296,280
<i>Accumulated depreciation</i>	223		(12,439,615)	(15,239,550)
Construction in progress	230	9	403,218	1,408,478
Other long-term assets	260		1,611,815	3,458,528
Long-term prepayments	261	10	1,539,088	1,397,181
Deferred tax assets	262	11	-	2,054,327
Other long-term assets	268		72,727	7,020
TOTAL ASSETS (270 = 100 + 200)	270		31,334,971	33,736,695

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

Interfood Shareholding Company and its subsidiary
Consolidated balance sheet at 31 December 2012 (continued)

Form B 01 – DN/HN

	Code	Note	31/12/2012 USD	31/12/2011 USD (Restated)
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		34,331,968	29,789,853
Current liabilities	310		22,515,988	24,425,532
Short-term borrowings	311	12	17,500,000	19,000,000
Accounts payable – trade	312	13	3,227,351	3,152,829
Advances from customers	313		314,620	151,256
Taxes payable to State Treasury	314	14	121,081	184,576
Payables to employees	315		453,554	375,276
Accrued expenses	316	15	841,505	468,455
Other payables	319	16	57,877	1,093,140
Long-term liabilities	330		11,815,980	5,364,321
Long-term deposits	331		1,255	1,255
Long-term borrowings	334	17	11,493,613	4,993,613
Deferred tax liabilities	335	11	161,351	138,280
Provision for severance allowance	337	18	159,761	231,173
EQUITY (400 = 410)	400		(2,967,462)	3,923,182
Owners' equity	410	19	(2,967,462)	3,923,182
Share capital	411	20	18,313,995	18,313,995
Share premium	412		4,082,759	4,082,759
Other reserves	418	21	(1,562,092)	(1,562,092)
Accumulated losses	420		(23,802,124)	(16,911,480)
MINORITY INTEREST	439		(29,535)	23,660
TOTAL RESOURCES (440 = 300 + 400 + 439)	440		31,334,971	33,736,695

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

**Interfood Shareholding Company and its subsidiary
Consolidated balance sheet at 31 December 2012 (continued)**

Form B 01 – DN/HN

OFF BALANCE SHEET ITEMS

	31/12/2012	31/12/2011
	USD	USD
Foreign currency (VND)	2,338,633	270,824

29 March 2013

Prepared by:

Approved by:



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 2012

Form B 02 – DN/HN

	Code	Note	2012 USD	2011 USD
Total revenue	01	22	42,221,249	43,905,391
Less revenue deductions	02	22	1,228,866	1,148,305
Net revenue (10 = 01 - 02)	10	22	40,992,383	42,757,086
Cost of sales	11	23	31,695,395	35,600,946
Gross profit (20 = 10 - 11)	20		9,296,988	7,156,140
Financial income	21	24	54,052	1,599,913
Financial expenses	22	25	478,584	2,052,684
<i>In which: Interest expenses</i>	23		379,403	1,395,373
Selling expenses	24		10,326,943	7,186,764
General and administration expenses	25		1,512,707	1,869,546
Net operating loss {30 = 20 + (21 - 22) - (24 + 25)}	30		(2,967,194)	(2,352,941)
Other income	31	26	1,265,830	528,006
Other expenses	32	27	2,965,876	803,180
Results of other activities (40 = 31 - 32)	40		(1,700,046)	(275,174)
Loss before tax (50 = 30 + 40)	50		(4,667,240)	(2,628,115)
Income tax expense – current	51	28	199,201	-
Income tax expense – deferred	52	28	2,077,398	103,794
Net loss (60 = 50 - 51 - 52)	60		(6,943,839)	(2,731,909)

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 2012 (continued)

Form B 02 – DN/HN

	Code	Note	2012 USD	2011 USD
Attributable to:				
Minority interest	61		(53,195)	23,660
Equity holders of the Company	62		(6,890,644)	(2,755,569)
Loss per share				
Basic loss per share	70	29	(0.236)	(0.095)

29 March 2013

Prepared by:


 Nguyen Hong Phong
 Chief Accountant

Approved by:


 Michio Nagabayashi
 Chairman and 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 2012
(Indirect method)

Form B 03 – DN/HN

	Code	Note	2012 USD	2011 USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	01		(4,667,240)	(2,628,115)
Adjustments for				
Depreciation and amortisation	02		2,160,768	2,129,663
Allowances and provisions	03		361,699	(170,987)
Unrealised foreign exchange (gains)/losses	04		(2,411)	2,340
Interest income	05		(22,250)	(11,234)
Loss on disposal of fixed assets	05		2,017,669	70,029
Interest expense	06		379,403	1,395,373
Operating profit before changes in working capital	08		227,638	787,069
Change in receivables	09		(223,264)	646,812
Change in inventories	10		(1,282,024)	932,282
Change in payables and other liabilities	11		295,528	(11,202)
Changes in prepayments	12		(133,548)	(1,956,192)
			(1,115,670)	398,769
Interest paid	13		(205,489)	(1,683,501)
Income tax paid	14		(92,294)	-
Other payments for operating activities	16		(65,707)	-
Net cash flows from operating activities	20		(1,479,160)	(1,284,732)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(576,415)	(1,268,828)
Receipts of interest	27		22,250	11,234
Net cash flows from investing activities	30		(554,165)	(1,257,594)

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 ended 31 December 2012
(Indirect method – continued)

Form B 03 – DN/HN

	Code	Note	2012 USD	2011 USD
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term borrowings	33		4,000,000	44,717,957
Payments to settle loan principals	34		-	(40,322,571)
Net cash flows from financing activities	40		4,000,000	4,395,386
Net cash flows during the year (50 = 20 + 30 + 40)	50		1,966,675	1,853,060
Cash at the beginning of the year	60		1,978,801	130,854
Effect of exchange rate fluctuations on cash	61		1,227	(5,113)
Cash at the end of the year (70 = 50 + 60 + 61)	70	5	3,946,703	1,978,801
NON-CASH INVESTING AND FINANCING ACTIVITIES				
			2012 USD	2011 USD
Transfer from other payables to short-term borrowings			1,000,000	-

29 March 2013

Prepared by:


 Nguyen Hong Phong
 Chief Accountant

Approved by:



 Michio Nagabayashi
 Chairman / General Director

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

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012

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 a joint stock company incorporated in Vietnam. The consolidated financial statements for the year ended 31 December 2012 comprises the Company and its subsidiary, Avafood Shareholding Company (“Avafood”) (collectively “the Group”). The principal activities of the Group are to produce 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 are 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.

As at 31 December 2012, the Group had 1,351 employees (the year ended 31 December 2011: 828 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 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
Note to the consolidated financial statements for the year ended 31 December 2012
(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 USD6,943,839 (2011: USD2,731,909) during the year and at the balance sheet date, current liabilities exceeded current assets by USD9,656,018 (31/12/2011: USD14,612,573) and total liabilities exceeded total assets by USD2,967,462. 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 United States Dollars ("USD") and presents its consolidated financial statements in USD as approved by the Ministry of Finance in its Official Letter No. 550 TC/CDKT dated 5 September 1998.

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.

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

(b) Foreign currency

Foreign currency transactions

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

(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.

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

(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) 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.

(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.

(ii) 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.

(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 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.

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
(continued)

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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 31 December 2012 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:

(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:

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

- 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
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
(continued)

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- 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.

(l) 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.

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.

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
(continued)

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(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.

(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.

Interfood Shareholding Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

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

	31/12/2012	31/12/2011
	USD	USD
Cash on hand	6,039	11,535
Cash in banks	3,940,664	1,967,266
	<hr/>	<hr/>
	3,946,703	1,978,801
	<hr/>	<hr/>

6. Accounts receivable

Other receivables comprised:

	31/12/2012	31/12/2011
	USD	USD
Marketing support receivable from Kirin Holdings Singapore Pte, Ltd. (*)	244,256	-
Others	4,847	64,141
	<hr/>	<hr/>
	249,103	64,141
	<hr/>	<hr/>

(*) The amount represented the financial support for marketing activities by Kirin Holdings Singapore Pte, Ltd., a related company, which is expected to be received within 2013.

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
(continued)

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7. Inventories

	31/12/2012	31/12/2011
	USD	USD
Raw materials	3,060,389	1,874,081
Tools and supplies	419,023	410,135
Work in progress	211,879	618,363
Finished goods	4,188,751	3,695,439
	<hr/>	<hr/>
	7,880,042	6,598,018
Allowance for inventories	(310,913)	-
	<hr/>	<hr/>
	7,569,129	6,598,018
	<hr/>	<hr/>

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

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Notes to the consolidated financial statements for the year ended 31 December 2012
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8. Tangible fixed assets

	Buildings USD	Machinery and equipment USD	Motor vehicles USD	Office equipment USD	Total USD
Cost					
Opening balance	4,783,275	28,685,915	553,264	273,826	34,296,280
Additions	-	188,788	147,588	53,289	389,665
Transfers from construction in progress	777,856	414,154	-	-	1,192,010
Written off	-	(6,691,993)	(214,473)	(71,906)	(6,978,372)
Closing balance	5,561,131	22,596,864	486,379	255,209	28,899,583
Accumulated depreciation					
Opening balance	785,234	13,818,088	473,791	162,437	15,239,550
Charge for the year	177,957	1,916,343	38,861	27,607	2,160,768
Written off	-	(4,685,826)	(210,603)	(64,274)	(4,960,703)
Closing balance	963,191	11,048,605	302,049	125,770	12,439,615
Net book value					
Opening balance	3,998,041	14,867,827	79,473	111,389	19,056,730
Closing balance	4,597,940	11,548,259	184,330	129,439	16,459,968

Included in the cost of tangible fixed assets were assets costing USD801,183 which were fully depreciated as of 31 December 2012 (31/12/2011: USD1,491,711), but are still in active use.

The carrying amount of temporarily idle tangible fixed assets amounted to USD929,152 as of 31 December 2012 (31/12/2011: USD3,256,846).

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9. Construction in progress

	2012	2011
	USD	USD
Opening balance	1,408,478	188,896
Additions	186,750	1,219,582
Transfer to tangible fixed assets	(1,192,010)	-
	<hr/>	<hr/>
Closing balance	403,218	1,408,478
	<hr/>	<hr/>

10. Long-term prepayments

	Prepaid land	Renovation	Total
	costs	expenses	Total
	USD	USD	USD
Opening balance	1,397,181	-	1,397,181
Additions	-	206,954	206,954
Amortisation for the year	(35,016)	(30,031)	(65,047)
	<hr/>	<hr/>	<hr/>
Closing balance	1,362,165	176,923	1,539,088
	<hr/>	<hr/>	<hr/>

11. Deferred tax assets and liabilities

(i) Recognised deferred tax assets and liabilities

	31/12/2012	31/12/2011
	USD	USD
Deferred tax assets		
Tax losses carry-forwards	-	2,054,327
Deferred tax liabilities:		
Fixed assets	(161,351)	(138,280)
	<hr/>	<hr/>

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
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(ii) Unrecognised deferred tax assets

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

	31/12/2012		31/12/2011	
	Temporary difference USD	Tax value USD	Temporary difference USD	Tax value USD
Deductible temporary differences	2,332,805	583,201	519,545	129,886
Tax losses	7,636,082	1,909,021	10,253,930	2,563,483
	<u>9,968,887</u>	<u>2,492,222</u>	<u>10,773,475</u>	<u>2,693,369</u>

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available USD
2013	Finalised	2,838,079
2014	Finalised	923,203
2015	Outstanding	72,310
2016	Outstanding	2,860,716
2017	Outstanding	941,774
		<u>7,636,082</u>

During the year, the Group's 2007, 2008 and 2009 open tax years were reviewed and finalised by the Tax Authorities. Based on the assessments made, the Group's previous tax losses were reduced by USD11.5 million. The Group annually assesses changes that impact its projected performance and resulting projected taxable profits of its business.

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.

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
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12. Short-term borrowings

	31/12/2012	31/12/2011
	USD	USD
Loans from Kirin Holdings Company, Limited	17,500,000	19,000,000

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

	Currency	Nominal interest rate	31/12/2012	31/12/2011
			USD	USD
Loan 1	USD	LIBOR plus 0.8% p.a.	7,000,000	7,000,000
Loan 2	USD	LIBOR plus 0.8% p.a.	2,500,000	2,500,000
Loan 3	USD	LIBOR plus 0.8% p.a.	3,000,000	3,000,000
Loan 4	USD	LIBOR plus 0.8% p.a.	-	6,500,000
Loan 5	USD	LIBOR plus 0.8% p.a.	5,000,000	-
			17,500,000	19,000,000

The applicable interest rates of these loans range from 1.456% to 1.928% per annum during the year (year ended 31 December 2011: 1.425% to 1.749%).

13. Accounts payable – trade

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

	31/12/2012	31/12/2011
	USD	USD
Amounts due to Vietnam Kirin Beverage Company Limited	152,503	-
Amounts due to other related companies	-	1,206,409

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

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Note to the consolidated financial statements for the year ended 31 December 2012
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14. Taxes payable to State Treasury

	31/12/2012	31/12/2011
	USD	USD
Value added tax	75,866	98,116
Import-export tax	28,407	11,531
Personal income tax	11,990	20,104
Foreign contractor tax	4,818	54,825
	<hr/>	<hr/>
	121,081	184,576
	<hr/>	<hr/>

15. Accrued expenses

	31/12/2012	31/12/2011
	USD	USD
Transportation fees	182,550	143,072
Sales discounts and commission	97,071	46,724
Loans interest payable	266,744	92,830
Secondment fee payable (*)	241,092	94,838
Others	54,048	90,991
	<hr/>	<hr/>
	841,505	468,455
	<hr/>	<hr/>

- (*) 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.

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Note to the consolidated financial statements for the year ended 31 December 2012
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16. Other payables

Other payables comprised:

	31/12/2012 USD	31/12/2011 USD
Dividends payable	24,265	24,265
Trade union, social and health insurance	8,864	8,002
Payable to related parties	-	1,031,901
Others	24,748	28,972
	57,877	1,093,140

Other payables include the following amounts due to related parties:

	31/12/2012 USD	31/12/2011 USD
Amounts due to Kirin Holdings Company, Limited (*)	-	1,000,000
Amounts due to Wonderfarm Biscuits & Confectionery Sdn. Bhd.	-	31,901
	-	1,031,901

(*) During the year, this amount was converted to short-term loan according to the revolving loan agreement dated 27 November 2011 (note 12).

17. Long-term borrowings

	Currency	Interest rate	Year of maturity	31/12/2012 USD	31/12/2011 USD
Loan from Trade Ocean Holdings Sdn. Bhd. (a)	USD	three-month SIBOR minus 1% p.a.	2014	3,430,928	3,430,928
Loan from Wonderfarm Biscuits & Confectionery Sdn. Bhd. (a)	USD	three-month SIBOR minus 1% p.a.	2014	1,562,685	1,562,685
Unsecured loan from Kirin Holdings Company, Limited (b)	USD	1.896% p.a.	2017	6,500,000	-
				11,493,613	4,993,613

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Note to the consolidated financial statements for the year ended 31 December 2012
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- (a) The loans were unsecured and bore effective interest at 0% during the year as the interest at SIBOR three-month period less 1% per annum was negative (year ended 31 December 2011: 0%).
- (b) 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.

18. Provision for severance allowance

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

	2012 USD
Opening balance – as restated (note 35)	231,173
Provision made during the year	50,786
Utilised during the year	(122,198)
	<hr/>
Closing balance	159,761
	<hr/>

During the year, the Group contributed USD35,934 (year ended 31 December 2011: USD21,604) 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 subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
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19. Movement in owner's equity

	Share capital USD	Share premium USD	Acquisition reserve USD	Accumulated losses USD	Total USD
Balance at 31 December 2010 – as previously stated	18,313,995	4,082,759	(1,562,092)	(14,057,161)	6,777,501
Impact of prior year's adjustment (note 35)	-	-	-	(98,750)	(98,750)
Balance at 31 December 2010 – as restated	18,313,995	4,082,759	(1,562,092)	(14,155,911)	6,678,751
Net loss for the year	-	-	-	(2,755,569)	(2,755,569)
Balance at 31 December 2011 – as restated	18,313,995	4,082,759	(1,562,092)	(16,911,480)	3,923,182
Net loss for the year	-	-	-	(6,890,644)	(6,890,644)
Balance at 31 December 2012	18,313,995	4,082,759	(1,562,092)	(23,802,124)	(2,967,462)

20. Share capital

The Group's authorised and issued share capital is:

	31/12/2012		31/12/2011	
	Number of shares	USD	Number of shares	USD
Authorised and issued share capital				
Ordinary shares	29,140,992	18,314,000	29,140,992	18,314,000
Shares in circulation				
Ordinary shares	29,140,984	18,313,995	29,140,984	18,313,995

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.

There were no movements in share capital during the year.

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Note to the consolidated financial statements for the year ended 31 December 2012
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21. Acquisition reserve

In 2007, the Group 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.

22. Revenue

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

Net revenue comprised

	2012	2011
	USD	USD
Total revenue		
▪ Sales of drinks	38,216,313	38,521,402
▪ Sales of biscuits	1,434,143	1,463,591
▪ Sales of other products	2,570,793	3,920,398
Less sales deductions		
▪ Sales allowances	1,208,957	1,127,533
▪ Sales returns	19,909	20,772
Net revenue	40,992,383	42,757,086

23. Cost of sales

	2012	2011
	USD	USD
Total cost of sales		
▪ Cost of drinks	28,354,210	29,896,665
▪ Cost of biscuit	1,526,867	1,492,931
▪ Cost of other products	1,814,318	4,211,350
	31,695,395	35,600,946

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Note to the consolidated financial statements for the year ended 31 December 2012
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24. Financial income

	2012	2011
	USD	USD
Interest income from bank deposits	22,250	11,234
Realised foreign exchange gains	29,289	1,585,120
Unrealised foreign exchange gains	2,513	3,559
	<hr/>	<hr/>
	54,052	1,599,913
	<hr/>	<hr/>

25. Financial expenses

	2012	2011
	USD	USD
Interest expense	379,403	1,395,373
Realised foreign exchange losses	78,923	651,412
Unrealised foreign exchange losses	102	5,899
Other finance expenses	20,156	-
	<hr/>	<hr/>
	478,584	2,052,684
	<hr/>	<hr/>

26. Other income

	2012	2011
	USD	USD
Support for marketing activities from Kirin Holdings Singapore Pte, Ltd. (note 6)	491,870	-
Reimbursement received for tax penalty payment	481,372	-
Loan interest exemption	-	242,272
Reversal of Avafood CIT payables for the year 2008	-	118,093
Others	292,588	167,641
	<hr/>	<hr/>
	1,265,830	528,006
	<hr/>	<hr/>

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Note to the consolidated financial statements for the year ended 31 December 2012
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27. Other expense

	2012	2011
	USD	USD
Book value of tangible fixed assets written off	2,017,669	70,029
Tax penalties	365,151	86,626
Depreciation of idle fixed assets	518,801	524,150
Others	64,255	122,375
	<hr/>	<hr/>
	2,965,876	803,180
	<hr/>	<hr/>

28. Income tax

(a) Recognised in the consolidated statement of income

	2012	2011
	USD	USD
Current tax expense		
Under provision in prior years	199,201	-
	<hr/>	<hr/>
Deferred tax income		
Written down of deferred tax asset	2,054,327	80,723
Origination and reversal of temporary differences	23,071	23,071
	<hr/>	<hr/>
	2,077,398	103,794
	<hr/>	<hr/>
Income tax expense	2,276,599	103,794
	<hr/>	<hr/>

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(b) Reconciliation of effective tax rate

	2012	2011
	USD	USD
Loss before tax	(4,667,240)	(2,628,115)
Tax at the Group's tax rate	(1,166,810)	(657,029)
Non-deductible expenses	501,122	103,741
Deferred tax assets not recognised	688,759	717,526
Tax losses not previously recognised utilised	-	(141,167)
Written down of deferred tax assets	2,054,327	80,723
Under provision in prior years	199,201	-
	<u>2,276,599</u>	<u>103,794</u>

(c) Applicable tax rates

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

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

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

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29. Loss per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 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 year, calculated as follows:

(i) Net loss attributable to ordinary shareholders

	2012 USD	2011 USD
Net loss attributable to ordinary shareholders	(6,890,644)	(2,755,569)

(ii) Weighted average number of ordinary shares

	2012	2011
Weighted average number of ordinary shares for the year	29,140,984	29,140,984

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.

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Note to the consolidated financial statements for the year ended 31 December 2012
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(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:

	Note	31/12/2012 USD	31/12/2011 USD
Cash in bank	(ii)	3,940,664	1,967,266
Trade and other receivables	(iii)	967,320	480,915
		<hr/>	<hr/>
		4,907,984	2,448,181
		<hr/>	<hr/>

(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 believes that no allowance for doubtful debts is necessary in respect of the outstanding trade and other receivables as of 31 December 2012.

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

	31/12/2012 USD	31/12/2011 USD
Past due 0 – 30 days	166,427	105,435
Past due 31 – 180 days	148,392	47,337
Over 180 days	38,705	4,109
	353,524	156,881

(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 2012

	Carrying amount USD	Contractual cash flows USD	Within 1 year USD	1 – 2 years USD	2 – 5 years USD
Trade and other payables	4,580,287	4,580,287	4,580,287	-	-
Short-term borrowings	17,500,000	17,677,950	17,677,950	-	-
Long-term borrowings	11,493,613	10,468,458	3,554,506	123,578	6,790,374
	33,573,900	32,726,695	25,812,743	123,578	6,790,374

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31 December 2011

	Carrying amount USD	Contractual cash flows USD	Within 1 year USD	1 – 2 years USD	2 – 5 years USD
Trade and other payables	5,089,700	5,089,700	5,089,700	-	-
Short-term borrowings	19,000,000	19,145,201	19,145,201	-	-
Long-term borrowings	4,993,613	4,993,613	1,562,685	3,430,928	-
	<u>29,083,313</u>	<u>29,228,514</u>	<u>25,797,586</u>	<u>3,430,928</u>	<u>-</u>

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

- USD10 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 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.

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Exposure to currency risk

At 31 December 2012 and 2011, the Group had the following net monetary asset position exposed to currency risk. The following balances are presented in original currency:

	31/12/2012 VND'000	31/12/2011 VND'000
Cash	48,679,339	5,640,505
Accounts receivable – trade	11,653,021	7,218,162
Account payables	(62,733,634)	(62,531,717)
Other receivables	100,953	83,888
Short-term deposit	279,344	675,578
Long-term deposit	1,514,758	-
Payables to employees	(7,877,854)	(7,753,946)
Other payables	(1,109,819)	(4,178,866)
	<hr/>	<hr/>
	(9,493,892)	(60,846,396)
	<hr/>	<hr/>

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

	Exchange rate as at 31/12/2012 VND	31/12/2011 VND
USD 1	20,828	20,828
	<hr/>	<hr/>

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 as at 31 December 2012. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Decrease in net loss USD
31 December 2012	
VND (1% weakening)	3,419
31 December 2011	
VND (9% weakening)	199,452
	<hr/>

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

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(ii) Interest rate risk

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

	Carrying amount	
	31/12/2012 USD	31/12/2011 USD
Fixed rate instruments		
Financial liabilities	(6,500,000)	-
Variable rate instruments		
Financial assets	3,940,664	1,967,266
Financial liabilities	(22,493,613)	(23,993,613)
	(18,552,949)	(22,026,347)

A change of 100 basis points in interest rates would have increased net losses of the Group by USD139,147 (2011: USD165,198). 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.

(e) Fair values

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.

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Notes to the consolidated financial statements for the year ended 31 December 2012
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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:

	Transaction value	
	2012	2011
	USD	USD
<i>Shareholders</i>		
Trade Ocean Holdings Sdn. Bhd.		
Parent company		
Long-term loan	-	3,430,928
<i>Related companies</i>		
Kirin Holding Company, Limited		
Ultimate Parent Company		
Short-term loan received	4,000,000	19,000,000
Other cash transferred	-	1,000,000
Interest expenses	379,403	116,443
Secondment fee	418,592	94,838
Kirin Holding Singapore Pte, Ltd.		
Financial support for marketing activities	491,870	-
Vietnam Kirin Beverage Company, Limited		
Purchase of goods	826,266	-
Processing fee	1,034,788	555,471
Board of Directors and Board of Management		
Secondment fees	412,060	-
Salary	62,621	376,917

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32. Commitments

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

	31/12/2012 USD	31/12/2011 USD
Within one year	541,163	343,054
Within two to five years	1,512,040	1,148,730
Over five years	834,814	1,129,722
	2,888,017	2,621,506

33. Post balance sheet event

Subsequent to the year end, 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 and USD1,562,685 (“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.

34. Production and business costs by element

	2012 USD	2011 USD
Raw material costs included in production costs	28,886,760	31,177,416
Labour costs and staff costs	5,115,110	4,261,347
Depreciation and amortisation	2,160,768	2,129,663
Outside services	6,303,406	3,879,375
Other expenses	4,193,728	3,663,129

Interfood Shareholding Company and its subsidiary
Note to the consolidated financial statements for the year ended 31 December 2012
 (continued)

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35. Prior year adjustment

The Group had retrospectively adjusted the prior year's financial statements to correct the misstatements relating to the understatement of allowance for severance allowance.

Balance sheet

	31/12/2011 (as previously reported) USD	Adjustments USD	31/12/2011 (as restated) USD
Severance allowance	132,423	98,750	231,173
Accumulated losses	(16,812,730)	(98,750)	(16,911,480)

29 March 2013

Prepared by:



Nguyen Hong Phong
 Chief Accountant

Approved by:



Michio Nagabayashi
 Chairman - Cum General Director

