



Interfood Shareholding Company

Separate Financial Statements for the
year ended 31 December 2012

Interfood Shareholding Company
Corporate information

Investment Licence No. 270/GP 16 November 1991

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

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

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

Board of Management	Michio Nagabayashi	Chairman
	Ryoichi Yonemura	Member (until 12 April 2012)
	Toru Yamasaki	Member (from 12 April 2012)
	Hiroshi Fujikawa	Member
	Nguyen Thi Kim Lien	Member
	Pang Tze Wei	Member

Board of Directors	Michio Nagabayashi	General Director
	Hajime Kobayashi	Director/General Manager of Corporate Planning
	Kazufumi Nagashima	Director/General Manager of Factory
	Hidefumi Matsuo	Director/General Manager of Administration
	Nguyen Thi Kim Lien	Director/General Manager of Finance
	Takaaki Suemitsu	Director/General Manager of Sales and Marketing (from 15 August 2012)

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

Auditors KPMG Limited
Vietnam

**Interfood Shareholding Company
Statement of the Board of Directors**

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

- (a) the separate financial statements set out on pages 4 to 35 are prepared and presented so as to give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2012, and of the unconsolidated results of operations and the unconsolidated cash flows of the Company 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 Company will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these separate 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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The Socialist Republic of Vietnam

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INDEPENDENT AUDITORS' REPORT

To the Shareholders Interfood Shareholding Company

Scope

We have audited the accompanying separate balance sheet of Interfood Shareholding Company ("the Company") as of 31 December 2012, the related separate statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's management on 29 March 2013, as set out on pages 4 to 35. The separate financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these separate financial statements based on our audit. The separate financial statements of the Company 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 separate financial statements give a true and fair view of the unconsolidated financial position of the Company as of 31 December 2012 and its unconsolidated results of operations and its unconsolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

KPMG Limited

Vietnam

Investment Licence No: 011043000345

Audit Report No: 12-01-204



Nguyen 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
Separate balance sheet as at 31 December 2012

Form B 01 – DN

	Code	Note	31/12/2012 USD	31/12/2011 USD
ASSETS				
Current assets (100 = 110 + 130 + 140 + 150)	100		18,952,408	17,702,792
Cash	110	4	3,919,865	1,966,861
Accounts receivable	130	5	7,426,994	8,985,798
Accounts receivable – trade	131		718,217	416,546
Prepayments to suppliers	132		145,729	226,336
Intra-company receivables	133		6,313,945	8,338,485
Other receivables	135		249,103	4,431
Inventories	140	6	7,569,129	6,598,018
Inventories	141		7,880,042	6,598,018
Allowance for inventories	149		(310,913)	-
Other current assets	150		36,420	152,115
Short-term prepayments	151		611	3,323
Taxes and other receivables from State				
Treasury	154		-	106,907
Other current assets	158		35,809	41,885
Long-term assets (200 = 210 + 220 + 250 + 260)	200		15,399,009	18,418,110
Accounts receivable – long-term	210	5	1,200,000	-
Intra-company long-term receivables	213		1,200,000	-
Fixed assets	220		9,429,203	11,863,783
Tangible fixed assets	221	7	9,025,985	11,523,109
Cost	222		18,241,433	23,553,248
Accumulated depreciation	223		(9,215,448)	(12,030,139)
Construction in progress	230	8	403,218	340,674
Long-term investments	250	9	4,520,156	4,500,000
Investments in subsidiary	251		4,520,156	4,500,000
Other long-term assets	260		249,650	2,054,327
Long-term prepayments	261	10	176,923	-
Deferred tax assets	262	11	-	2,054,327
Other long-term assets	268		72,727	-
TOTAL ASSETS (270 = 100 + 200)	270		34,351,417	36,120,902

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

Interfood Shareholding Company
Separate balance sheet as at 31 December 2012 (continued)

Form B 01 – DN

	Code	Note	31/12/2012 USD	31/12/2011 USD (Restated)
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		32,480,372	27,872,047
Current liabilities	310		22,399,105	24,234,562
Short-term borrowings	311	12	17,500,000	19,000,000
Accounts payable – trade	312	13	3,188,312	3,102,650
Advances from customers	313		314,620	151,256
Taxes payable to State Treasury	314	14	120,805	136,574
Payables to employees	315		404,347	336,314
Accrued expenses	316	15	814,123	414,678
Other payables	319	16	56,898	1,093,090
Long-term borrowings and liabilities	330		10,081,267	3,637,485
Other long-term liabilities	333		1,255	1,255
Long-term borrowings	334	17	9,930,928	3,430,928
Provision for severance allowance	337	18	149,084	205,302
EQUITY (400 = 410)	400		1,871,045	8,248,855
Equity	410	19	1,871,045	8,248,855
Share capital	411	20	18,313,995	18,313,995
Share premium	412		4,082,759	4,082,759
Accumulated losses	420		(20,525,709)	(14,147,899)
TOTAL RESOURCES (440 = 300 + 400)	440		34,351,417	36,120,902
OFF BALANCE SHEET ITEMS				
			31/12/2012 USD	31/12/2011 USD
Foreign currency (VND)			2,313,558	259,608

29 March 2013

Prepared by:



Nguyen Hong Phong
 Chief Accountant

Approved by:



Michio Nagabayashi
 Chairman – also General Director

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

Interfood Shareholding Company
Separate statement of income for the year ended 31 December 2012

Form B 02 – DN

	Code	Note	2012 USD	2011 USD
Total revenue	01	21	42,221,145	43,888,800
Less sales deductions	02	21	1,228,866	1,148,305
Net revenue (10 = 01 - 02)	10	21	40,992,279	42,740,495
Cost of sales	11	22	32,334,794	36,255,137
Gross profit (20 = 10 - 11)	20		8,657,485	6,485,358
Financial income	21	23	193,387	1,934,318
Financial expenses	22	24	458,326	2,507,506
<i>In which: Interest expenses</i>	23		379,403	1,366,496
Selling expenses	24		10,326,627	7,146,315
General and administration expenses	25		1,369,566	1,622,376
Net operating loss {30 = 20 + (21 - 22) - (24 + 25)}	30		(3,303,647)	(2,856,521)
Other income	31	25	1,246,318	116,998
Other expenses	32	26	2,066,953	539,290
Results of other activities (40 = 31 - 32)	40		(820,635)	(422,292)
Loss before tax (50 = 30 + 40)	50		(4,124,282)	(3,278,813)
Income tax expense – current	51	27	199,201	-
Income tax expense – deferred	52	27	2,054,327	80,723
Net loss after tax (60 = 50 - 51 - 52)	60		(6,377,810)	(3,359,536)

29 March 2013

Prepared by:


 Nguyen Hong Phong
 Chief Accountant

Approved by:


 Michio Nagabayashi
 Chairman – cum General Director

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

Interfood Shareholding Company
Separate statement of cash flows for the year ended 31 December 2012
(Indirect method)

Form B 03 – DN

	Code	Note	2012 USD	2011 USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	01		(4,124,282)	(3,278,813)
Adjustments for				
Depreciation and amortisation	02		1,516,389	1,522,395
Allowances and provisions	03		360,063	(170,987)
Unrealised foreign exchange gains	04		-	(3,559)
Loss on disposal of fixed assets	05		1,370,401	70,029
Interest income	05		(164,098)	(521,910)
Interest expense	06		379,403	1,366,496
Operating loss before changes in working capital	08		(662,124)	(1,016,349)
Change in receivables	09		1,800,522	(1,219,490)
Change in inventories	10		(1,282,024)	1,030,789
Change in payables and other liabilities	11		258,198	(933,389)
Change in prepayments	12		(174,211)	3,340
			(59,639)	(2,135,099)
Interest paid	13		(205,489)	(1,273,666)
Income tax paid	14		(92,294)	-
Other payments for operating activities	16		(72,727)	-
Net cash flows from operating activities	20		(430,149)	(3,408,765)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(452,210)	(275,531)
Payments for purchase of debt instrument of the subsidiary	23		(1,184,890)	-
Receipts of interests	27		20,253	10,522
Net cash flows from investing activities	30		(1,616,847)	(265,009)

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

Interfood Shareholding Company
Separate statement of cash flows for the year ended 31 December 2012
(Indirect method – continued)

Form B 03 – DN

	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		-	(39,195,053)
Net cash flows from financing activities	40		4,000,000	5,522,904
Net cash flows during the year (50 = 20 + 30 + 40)	50		1,953,004	1,849,130
Cash at the beginning of the year	60		1,966,861	117,731
Cash at the end of the year (70 = 50 + 60)	70	4	3,919,865	1,966,861

NON-CASH INVESTING AND FINANCING ACTIVITIES

	2012 USD	2011 USD
Transfer from other payables to short-term borrowings	1,000,000	-
Net off intra-company receivables against payments for loan principal and interest from the subsidiary	2,009,430	-
Investment in the subsidiary not yet paid	20,156	-

29 March 2013

Prepared by:



Nguyen Hong Phong
Chief Accountant

Approved by:



Michio Nagabayashi
Chairman - cũng General Director

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

Interfood Shareholding Company
Notes to the separate financial statements for the year ended 31 December 2012

Form B 09 – DN

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

1. Reporting Entity

Interfood Shareholding Company (“the Company”) is a joint stock company incorporated in Vietnam. The principal activities of the Company 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’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 Company had 1,196 employees (31/12/2011: 674 employees).

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Going concern assumption

The separate financial statements have been prepared on a going concern basis. The Company incurred net loss after tax of USD6,377,810 (2011: USD3,359,536) during the year and at the balance sheet date, current liabilities exceeded current assets by USD3,446,697 (31/12/2011: USD6,531,770). Furthermore, the Company has significant loans that will require refinancing within the next 12 months (note 12). The validity of the going concern assumption fundamentally depends on the ultimate majority shareholder continuing to provide such financial assistance as is necessary to enable the Company to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future.

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

Interfood Shareholding Company

**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

Form B 09 – DN

(d) Annual accounting period

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

(e) Accounting currency

The Company maintains its accounting records in United States Dollars (“USD”) and presents its 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 Company in the preparation of the accompanying separate financial statements.

(a) Foreign currency

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 statement of income.

(b) Cash

Cash comprises cash balances and call deposits.

(c) Investments

Investments are stated at cost. An allowance is made for reductions in investment values if market value of the investment falls below cost or if the investee has suffered a loss. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment’s carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(d) Accounts receivable

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

Interfood Shareholding Company

**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

Form B 09 – DN

(e) Inventories

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

The Company applies the perpetual method of accounting for inventory.

(f) Tangible fixed assets

(i) Cost

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

(ii) Depreciation

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

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

(g) Construction in progress

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

Interfood Shareholding Company

**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

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(h) Long-term prepayments

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

Severance allowance

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

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Company and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. 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 Company is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 31 December 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 Company’s financial position and results of operations and the nature and extent of risk arising from financial instruments, the Company classifies its financial instruments as follow:

Interfood Shareholding Company

**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

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(i) *Financial assets*

Financial assets at fair value through profit or loss

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

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

Held-to-maturity investments

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

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

Loans and receivables

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

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

Available-for-sale financial assets

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

Interfood Shareholding Company

**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

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

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

(ii) *Financial liabilities*

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities carried at amortised cost

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

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

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

Interfood Shareholding Company

**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

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(l) Taxation

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

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

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

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

(m) Revenue

Goods sold

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

(n) Operating lease payments

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

(o) Borrowing costs

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

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

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(p) Related companies

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

4. Cash

	31/12/2012 USD	31/12/2011 USD
Cash on hand	5,066	9,014
Cash in banks	3,914,799	1,957,847
	<hr/> 3,919,865	<hr/> 1,966,861

5. Accounts receivable short-term and long-term

Intra-company receivables comprised:

	31/12/2012 USD	31/12/2011 USD
Short-term		
Short-term loan granted to a related company (a)	6,313,945	8,198,121
Others	-	140,364
	<hr/> 6,313,945	<hr/> 8,338,485
Long-term		
Long-term loan granted to a related company (b)	1,200,000	-

- (a) This amount represented the short-term loan receivable from Avafood Shareholding Company (“Avafood”), a subsidiary.

The short-term loan to Avafood with credit limit of USD7 million was unsecured and earns interest at Libor plus 1% per annum. The applicable interest rates range from 1.731% to 1.896% per annum during the year (year ended 31 December 2011: 1.732% per annum for loans in USD).

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

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

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Other receivables comprised:

	31/12/2012 USD	31/12/2011 USD
Marketing support receivable from Kirin Holdings Singapore Pte, Ltd. (c)	244,256	-
Others	4,847	4,431
	<hr/> 249,103	<hr/> 4,431

- (c) 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.

6. Inventories

	31/12/2012 USD	31/12/2011 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/> 7,880,042	<hr/> 6,598,018
Allowance for inventories	(310,913)	-
	<hr/> 7,569,129	<hr/> 6,598,018

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

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
(continued)**

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7. Tangible fixed assets

	Machinery and equipment USD	Motor vehicles USD	Office equipment USD	Total USD
Cost				
Opening balance	22,829,655	501,033	222,560	23,553,248
Additions	188,786	147,588	53,292	389,666
Written off	(5,422,391)	(207,184)	(71,906)	(5,701,481)
Closing balance	17,596,050	441,437	203,946	18,241,433
Accumulated depreciation				
Opening balance	11,455,448	441,581	133,110	12,030,139
Charge for the year	1,459,092	34,810	22,487	1,516,389
Written off	(4,059,790)	(207,016)	(64,274)	(4,331,080)
Closing balance	8,854,750	269,375	91,323	9,215,448
Net book value				
Opening balance	11,374,207	59,452	89,450	11,523,109
Closing balance	8,741,300	172,062	112,623	9,025,985

Included in the cost of tangible fixed assets were assets costing USD789,083 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 USD104,552 as of 31 December 2012 (31/12/2011: USD1,566,524).

8. Construction in progress

	2012 USD	2011 USD
Opening balance	340,674	188,896
Additions during the year	62,544	151,778
Closing balance	403,218	340,674

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
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9. Investments

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

In July to December 2012, the Company acquired a further 0.4% shareholding in Avafood for a consideration of USD20,156, increasing its equity interest in Avafood from 90% to 90.4%.

10. Long-term prepayments

	2012 USD
Opening balance	-
Additions	206,954
Amortisation for the year	(30,031)
	<hr/>
Closing balance	176,923
	<hr/>

11. Deferred tax assets*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	3,827,710	956,928	6,540,512	1,635,128
	<hr/>	<hr/>	<hr/>	<hr/>
	6,160,515	1,540,129	7,060,057	1,765,014
	<hr/>	<hr/>	<hr/>	<hr/>

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
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The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available USD
2013	Finalised	406,742
2016	Outstanding	2,860,716
2017	Outstanding	560,252
		3,827,710

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

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits therefrom.

12. Short-term borrowings

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

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

	Currency	Nominal interest rate	31/12/2012 USD	31/12/2011 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%).

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13. Accounts payable - trade

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

	31/12/2012 USD	31/12/2011 USD
Amounts due to Vietnam Kirin Beverage Company Limited	152,503	-
Amount due other related parties	-	1,206,409
	<hr/>	<hr/>

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

14. Taxes payable to State Treasury

	31/12/2012 USD	31/12/2011 USD
Value added tax	75,866	98,116
Import-export tax	28,407	-
Personal income tax	11,714	19,729
Foreign contractor tax	4,818	18,729
	<hr/>	<hr/>
	120,805	136,574
	<hr/>	<hr/>

15. Accrued expenses

	31/12/2012 USD	31/12/2011 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	26,666	37,214
	<hr/>	<hr/>
	814,123	414,678
	<hr/>	<hr/>

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

Interfood Shareholding Company**Notes to the separate 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	7,885	8,002
Payable to related companies	-	1,031,901
Others	24,748	28,922
	<hr/>	<hr/>
	56,898	1,093,090

Other payables included the following amounts due to related companies:

	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

(*) 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
Unsecured loan from Kirin Holdings Company, Limited (b)	USD	1.896% p.a.	2017	6,500,000	-
				<hr/>	<hr/>
				9,930,928	3,430,928

(a) The loan was unsecured and bore effective interest at 0% during the year as the interest at three-month SIBOR minus 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.

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
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18. Provision for severance allowance

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

	2012 USD
Opening balance – as restated (note 33)	205,302
Provision made during the year	49,150
Utilised during the year	(105,368)
	<hr/>
Closing balance	149,084

During the year, the Company contributed USD33,670 (year ended 31 December 2011: USD19,773) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the separate statement of income.

19. Movement in owner's equity

	Share capital USD	Share premium USD	Accumulated losses USD	Total USD
Balance at 31 December 2010 – as previously stated	18,313,995	4,082,759	(10,705,863)	11,690,891
Impact of prior year's adjustment (note 33)	-	-	(82,500)	(82,500)
	<hr/>			
Balance at 31 December 2010 – as restated	18,313,995	4,082,759	(10,788,363)	11,608,391
Net loss for the year	-	-	(3,359,536)	(3,359,536)
	<hr/>			
Balance at 31 December 2011 – as restated	18,313,995	4,082,759	(14,147,899)	8,248,855
Net loss for the year	-	-	(6,377,810)	(6,377,810)
	<hr/>			
Balance at 31 December 2012	18,313,995	4,082,759	(20,525,709)	1,871,045

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
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20. Share capital

The Company'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
<hr/>				
Shares in circulation				
Ordinary shares	29,140,984	18,313,995	29,140,984	18,313,995
<hr/>				

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

There were no movements in share capital during the year.

21. Total revenue

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

Net revenue comprised

	2012 USD	2011 USD
Total revenue		
▪ Sales of drinks	38,216,313	38,504,811
▪ Sales of biscuits	1,434,039	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
<hr/>		
Net revenue	40,992,279	42,740,495
<hr/>		

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Notes to the separate financial statements for the year ended 31 December 2012
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22. Cost of sales

	2012	2011
	USD	USD
Total cost of sales		
▪ Cost of drinks	28,993,609	30,550,856
▪ Cost of biscuit	1,526,867	1,492,931
▪ Cost of other products	1,814,318	4,211,350
	<hr/>	<hr/>
	32,334,794	36,255,137
	<hr/>	<hr/>

23. Financial income

	2012	2011
	USD	USD
Interest income from bank deposits	20,253	10,522
Interest income from loans to Avafood	143,845	511,388
Realised foreign exchange gains	29,289	1,408,849
Unrealised foreign exchange gains	-	3,559
	<hr/>	<hr/>
	193,387	1,934,318
	<hr/>	<hr/>

24. Financial expenses

	2012	2011
	USD	USD
Interest expense	379,403	1,366,496
Realised foreign exchange losses	78,923	1,133,131
Other finance expenses	-	7,879
	<hr/>	<hr/>
	458,326	2,507,506
	<hr/>	<hr/>

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25. Other income

	2012 USD	2011 USD
Support for marketing activities from Kirin Holdings Singapore Pte, Ltd. (note 5)	491,870	-
Reimbursement received for tax penalty payment	481,372	-
Others	273,076	116,998
	<hr/> 1,246,318	<hr/> 116,998

26. Other expenses

	2012 USD	2011 USD
Book value of tangible fixed assets written off	1,370,401	70,029
Tax penalties	365,151	86,626
Depreciation of idle fixed assets	300,321	313,138
Others	31,080	69,497
	<hr/> 2,066,953	<hr/> 539,290

27. Income tax

(a) Recognised in the statement of income

	2012 USD	2011 USD
Current tax expense		
Under provision in prior years	199,201	-
Deferred tax expense		
Written down of deferred tax asset	2,054,327	80,723
	<hr/> 2,253,528	<hr/> 80,723

Interfood Shareholding Company**Notes to the separate financial statements for the year ended 31 December 2012
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(b) Reconciliation of effective tax rate

	2012 USD	2011 USD
Loss before tax	(4,124,282)	(3,278,813)
Tax at the Company's tax rate	(1,031,071)	(819,703)
Non-deductible expenses	437,693	102,177
Deferred tax assets not recognised	593,378	717,526
Written down of deferred tax assets	2,054,327	80,723
Under provision in prior years	199,201	-
	<u>2,253,528</u>	<u>80,723</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. 124/2008/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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Notes to the separate financial statements for the year ended 31 December 2012
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28. Financial instruments

(a) Financial risk management

(i) Overview

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

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

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

Risk management framework

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

(b) Credit risk

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

(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)	3,914,799	1,957,847
Trade and other receivables	(iii)	7,281,265	8,759,462
Long-term loan receivable	(iv)	1,200,000	-
		12,396,064	10,717,309

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**Notes to the separate financial statements for the year ended 31 December 2012
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(ii) Cash in bank

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

(iii) Trade and other receivables

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

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

Based on historic default rates, the Company believes that no allowance for doubtful debts is necessary in respect of the outstanding trade and other receivables as of 31 December 2012.

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
Past due more than 180 days	38,705	4,109
	<hr/>	<hr/>
	353,524	156,881
	<hr/>	<hr/>

(iv) Loan and other receivables from subsidiary

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

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(c) Liquidity risk

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

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	4,463,680	4,463,680	4,463,680	-	-
Short-term borrowings	17,500,000	17,677,950	17,677,950	-	-
Long-term borrowings	9,930,928	10,468,458	3,554,506	123,578	6,790,374
	31,894,608	32,610,088	25,696,136	123,578	6,790,374

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	4,946,732	4,946,732	4,946,732	-	-
Short-term borrowings	19,000,000	19,145,201	19,145,201	-	-
Long-term borrowings	3,430,928	3,430,928	-	3,430,928	-
	27,377,660	27,522,861	24,091,933	3,430,928	-

The Company 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 renew automatically at the option of the Company. Interest would be payable at rates of Libor + 0.8% per annum.

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(d) Market risk

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

(i) Currency risk

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

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

Exposure to currency risk

At 31 December 2012 and 2011, the Company 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	48,157,077	5,406,899
Accounts receivable – trade	11,653,021	7,218,162
Intra-company receivables	131,506,846	173,673,966
Intra-company long-term receivables	24,993,600	-
Account payables	(62,606,200)	(62,172,268)
Other receivables	100,953	83,888
Short-term deposit	279,344	675,578
Long-term deposit	1,514,758	-
Payables to employees	(6,914,479)	(7,003,721)
Other payables	(1,089,428)	(1,247,783)
	147,595,492	116,634,721

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

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

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Notes to the separate financial statements for the year ended 31 December 2012
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Below is an analysis of the possible impact on the net loss of the Company, after taking into account the current level of exchange rates and the historical volatility as well as market expectations 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)	53,148
	<hr/>
31 December 2011	
VND (9% weakening)	382,325
	<hr/>

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

(ii) Interest rate risk

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

	Carrying amount	
	31/12/2012	31/12/2011
	USD	USD
Fixed rate instruments		
Financial assets	1,200,000	-
Financial liabilities	(6,500,000)	-
	<hr/>	<hr/>
	(5,300,000)	-
	<hr/>	<hr/>
Variable rate instruments		
Financial assets	10,228,744	10,296,332
Financial liabilities	(20,930,928)	(22,430,928)
	<hr/>	<hr/>
	(10,702,184)	(12,134,596)
	<hr/>	<hr/>

A change of 100 basis points in interest rates would have increased net losses of the Company by USD80,266 (2011: USD91,009). 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**Notes to the separate financial statements for the year ended 31 December 2012
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(e) Fair values

The Company 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.

29. Significant transactions with related parties

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

	Transaction value	
	2012 USD	2011 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
Avafood Shareholding Company		
Short-term loan granted	1,184,890	3,296,619
Interest income	143,845	511,388
Processing service	1,684,974	1,821,869
Office and factory rental fee	284,607	315,503
Sale of drink products	-	14,510
Payment on behalf	-	740,808
Advance to Avafood	-	140,364
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

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	Transaction value	
	2012 USD	2011 USD
Board of Directors and Board of Management		
Secondment fees	412,060	-
Salary	62,621	322,917

30. Commitments

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

	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
	<u>2,888,017</u>	<u>2,621,506</u>

31. Post balance sheet event

Subsequent to the year end, on 1 March 2013, Trade Ocean Holding Sdn. Bhd., a shareholder ("the Lender"), issued a Deed of Release ("Deed") to waive the loan of USD3,430,928 ("the Loan") granted to the Company under the Loan Novation Agreement date 28 February 2011. According to the Deed, the Lender irrevocably releases and discharges the Company, without any representation or warranty and without any recourse of any nature whatsoever (whether past, present or future and whether actual or contingent), from any and all of its obligations to repay the Loan to the Lender and also releases the Company from all of its liabilities (including the interest) in all aspects whatsoever in respect of the Loan.

Interfood Shareholding Company

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32. Production and business costs by element

	2012	2011
	USD	USD
Raw material costs included in production costs	28,886,760	31,172,708
Labour costs and staff costs	4,712,606	3,830,003
Depreciation and amortisation	1,516,389	1,522,395
Outside services	7,684,562	5,740,282
Other expenses	4,136,918	3,045,839

33. Prior year adjustment

The Company 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	Adjustments	31/12/2011
	(as previously reported)	USD	(as restated)
	USD	USD	USD
Severance allowance	122,802	82,500	205,302
Accumulated losses	(14,065,399)	(82,500)	(14,147,899)

29 March 2013

Prepared by:



Nguyen Hong Phong
Chief Accountant

Approved by:



Michio Nagabayashi
Chairman – ~~CEO~~ General Director

