

**Vietnam Dairy Products Joint Stock Company
and its subsidiaries**

Consolidated financial statements
for the year ended 31 December 2013

Vietnam Dairy Products Joint Stock Company Corporate Information

Business Registration Certificate No.

4103001932
0300588569

20 November 2003
29 May 2013

The Company's business registration certificate has been amended several times, the most recent of which is by business registration certificate No. 0300588569. The business registration certification was issued by Ho Chi Minh City Planning and Investment Department dated 29 May 2013.

Members' Council

Mdm Mai Kieu Lien	Chairwoman
Mr Le Song Lai	Member
Ms Ngo Thi Thu Trang	Member
Mr Pascal De Petrini	Member (until 23 May 2013)
Mr Ng Jui Sia	Member (from 23 May 2013)
Mr Le Anh Minh	Member
Ms Le Thi Bang Tam	Member
Mr Ha Van Tham	Member

Board of Directors

Mdm Mai Kieu Lien	Chief Executive Officer
Ms Nguyen Thi Thanh Hoa	Executive Director Production and Products Development
Ms Nguyen Thi Nhu Hang	Executive Director Dairy Farm Development
Ms Ngo Thi Thu Trang	Executive Director - Finance
Mr Tran Minh Van	Executive Director – Project
Mr Nguyen Quoc Khanh	Executive Director – Supply chain
Ms Nguyen Huu Ngoc Tran	Acting Executive Director – Marketing (until 15 January 2014)
Mr Mai Hoai Anh	Executive Director – Sales

Registered Office

10 Tan Trao
Tan Phu Ward, District 7
Ho Chi Minh City
Vietnam

Auditors

KPMG Limited
Vietnam

**Vietnam Dairy Products Joint Stock Company
Statement of the Board of Directors**

**STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN
RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors is responsible for the consolidated financial statements of Vietnam Dairy Products Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) which give a true and fair view of the consolidated financial position of the Group as at 31 December 2013 and of the consolidated results of operations and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

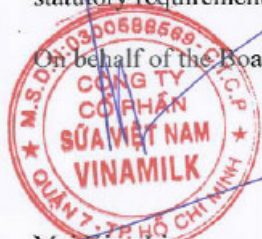
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and which enable these consolidated financial statements to be prepared which complies with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial statements. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 58 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2013, and of the consolidated results of operations and cash flows for the year ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial statements.

On behalf of the Board of Directors



Mai Kiều Liên
Chief Executive Officer

Ho Chi Minh City, 28 February 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders Vietnam Dairy Products Joint Stock Company

We have audited the accompanying consolidated financial statements of Vietnam Dairy Products Joint Stock Company (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated balance sheet as at 31 December 2013, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company’s Board of Directors on 28 February 2014, as set out on pages 5 to 58.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Vietnam Dairy Products Joint Stock Company and its subsidiaries as at 31 December 2013 and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting.

Other matters

The consolidated financial statements of the Group as of and for the year ended 31 December 2012 were audited by another firm of auditors whose report date 28 February 2013 expressed an unqualified opinion on those statements.

KPMG Limited's Branch in Ho Chi Minh City
Vietnam
Operating Registration Certificate No: 4114000230
Audit Report No: 13-01-237



Chang Hung Chun
Practicing Auditor Registration
Certificate No. 0863-2013-007-1
Deputy General Director

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

Ho Chi Minh City, 28 February 2014

Vietnam Dairy Products Joint Stock Company
Consolidated balance sheet as at 31 December 2013

Form B 01 – DN/HN

	Code	Note	31/12/2013 VND	31/12/2012 VND
ASSETS				
Current assets				
(100 = 110 + 120 + 130 + 140 + 150)	100		13,018,930,127,438	11,110,610,188,964
Cash and cash equivalents	110	6	2,745,645,325,950	1,252,120,160,804
Cash	111		1,394,534,283,673	852,120,160,804
Cash equivalents	112		1,351,111,042,277	400,000,000,000
Short-term investments	120	7	4,167,317,622,318	3,909,275,954,492
Short-term investments	121		4,313,292,575,718	4,039,304,630,112
Allowance for diminution in the value of short-term investments	129		(145,974,953,400)	(130,028,675,620)
Accounts receivable	130		2,728,421,414,532	2,246,362,984,001
Accounts receivable – trade	131		1,894,721,027,784	1,269,841,759,012
Prepayments to suppliers	132		423,820,755,014	576,619,318,260
Other receivables	135	8	417,266,719,643	403,754,490,615
Allowance for doubtful debts	139	37(b)	(7,387,087,909)	(3,852,583,886)
Inventories	140	9	3,217,483,048,888	3,472,845,352,518
Inventories	141		3,227,859,954,432	3,476,300,517,903
Allowance for inventories	149		(10,376,905,544)	(3,455,165,385)
Other current assets	150		160,062,715,750	230,005,737,149
Short-term prepayments	151		129,708,362,747	72,343,567,655
Deductible value added tax	152		25,468,115,542	154,118,437,302
Other current assets	158		4,886,237,461	3,543,732,192

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

Vietnam Dairy Products Joint Stock Company
Consolidated balance sheet as at 31 December 2013 (continued)

Form B 01 – DN/HN

	Code	Note	31/12/2013 VND	31/12/2012 VND
Long-term assets				
(200 = 220 + 240 + 250 + 260 +269)	200		9,856,483,929,198	8,587,258,231,415
Accounts receivable – long-term	210		736,666,667	-
Other long-term receivables			736,666,667	-
Fixed assets	220		8,918,416,535,379	8,042,300,548,493
Tangible fixed assets	221	10	7,849,058,771,126	4,223,443,459,603
<i>Cost</i>	222		11,147,267,493,199	6,512,875,316,427
<i>Accumulated depreciation</i>	223		(3,298,208,722,073)	(2,289,431,856,824)
Intangible fixed assets	227	11	531,485,413,625	253,615,655,556
<i>Cost</i>	228		690,742,242,273	387,180,023,184
<i>Accumulated amortisation</i>	229		(159,256,828,648)	(133,564,367,628)
Construction in progress	230	12	537,872,350,628	3,565,241,433,334
Investment property	240	13	149,445,717,001	96,714,389,090
<i>Cost</i>	241		176,332,062,888	117,666,487,460
<i>Accumulated depreciation</i>	242		(26,886,345,887)	(20,952,098,370)
Long-term investments	250	14	318,308,294,039	284,428,762,040
Investments in associates and joint-ventures	252		284,629,299,345	217,944,646,507
Other long-term investments	258		43,927,626,956	80,840,000,000
Allowance for diminution in the value of long-term investments	259		(10,248,632,262)	(14,355,884,467)
Other long-term assets	260		295,112,796,930	150,152,345,194
Long-term prepayments	261	15	171,151,838,315	41,073,978,122
Deferred tax assets	262	16	115,300,622,640	108,001,947,072
Other long-term assets	268		8,660,335,975	1,076,420,000
Goodwill	269	17	174,463,919,182	13,662,186,598
TOTAL ASSETS (270 = 100 + 200)	270		22,875,414,056,636	19,697,868,420,379

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

Vietnam Dairy Products Joint Stock Company
Consolidated balance sheet as at 31 December 2013 (continued)

Form B 01 – DN/HN

	Code	Note	31/12/2013 VND	31/12/2012 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		5,307,060,807,329	4,204,771,824,521
Current liabilities	310		4,956,397,594,108	4,144,990,303,291
Short-term borrowings	311	18	178,943,692,147	-
Accounts payable – trade	312		1,968,257,136,188	2,247,659,149,802
Advances from customers	313		20,929,404,542	21,589,364,414
Taxes payable to State Treasury	314	19	456,725,904,986	333,952,869,847
Payables to employees	315		137,540,107,294	106,150,509,860
Accrued expenses	316	20	490,760,970,004	365,103,636,850
Other payables	319	21	1,341,762,807,045	664,137,048,409
Bonus and welfare fund	323		361,477,571,902	406,397,724,109
Long-term liabilities	330		350,663,213,221	59,781,521,230
Other long-term liabilities	333		5,036,159,560	-
Long-term borrowings	334	22	184,142,784,403	-
Deferred tax liabilities	335		91,065,600,000	-
Provision for severance allowance	337	23	69,583,293,250	59,635,777,000
Unearned revenue	338		835,376,008	145,744,230
EQUITY (400 = 410 + 439)	400		17,545,489,315,423	15,493,096,595,858
Owners' equity	410	24	17,545,489,315,423	15,493,096,595,858
Share capital	411	25	8,339,557,960,000	8,339,557,960,000
Share premium	412		1,276,994,100,000	1,276,994,100,000
Treasury shares	414	25	(5,068,507,959)	(4,504,115,000)
Investment and development fund	417		950,237,983,612	93,889,017,729
Financial reserve	418		833,955,796,000	588,402,022,008
Retained profits	420		6,149,811,983,770	5,198,757,611,121
MINORITY INTEREST	439		22,863,933,884	-
TOTAL RESOURCES (440 = 300 + 400)	440		22,875,414,056,636	19,697,868,420,379

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

Vietnam Dairy Products Joint Stock Company
Consolidated balance sheet as at 31 December 2013 (continued)

Form B 01 – DN/HN

OFF BALANCE SHEET ITEMS

	31/12/2013	31/12/2012
Foreign currencies included in cash and cash equivalents:		
USD	16,776,618	11,737,838
EUR	21,606	49,848



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

Vietnam Dairy Products Joint Stock Company
Consolidated statement of income for the year ended 31 December 2013

Form B 02 – DN/HN

	Code	Note	2013 VND	2012 VND
Total revenue	01	27	31,586,007,133,622	27,101,683,739,278
Less revenue deductions	02	27	637,405,006,316	540,109,559,314
Net revenue (10 = 01 - 02)	10	27	30,948,602,127,306	26,561,574,179,964
Cost of sales	11	28	19,765,793,680,474	17,484,830,247,188
Gross profit (20 = 10 - 11)	20		11,182,808,446,832	9,076,743,932,776
Financial income	21	29	507,347,709,516	475,238,586,049
Financial expenses	22	30	90,790,817,490	51,171,129,415
<i>In which: Interest expense</i>	23		<i>104,027,048</i>	<i>3,114,837,973</i>
Selling expenses	24	31	3,276,431,628,666	2,345,789,341,875
General and administration expenses	25	32	611,255,506,250	525,197,269,346
Net operating profit {30 = 20 + (21 - 22) - (24 + 25)}	30		7,711,678,203,942	6,629,824,778,189
Other income	31	33	313,457,899,019	350,323,343,748
Other expenses	32	34	58,819,862,034	63,006,276,113
Results of other activities (40 = 31 - 32)	40		254,638,036,985	287,317,067,635
Share of profit in associates and jointly controlled entities	45		43,940,615,792	12,526,171,255
Profit before tax (50 = 30 + 40 + 45)	50		8,010,256,856,719	6,929,668,017,079
Income tax expense – current	51	35	1,483,448,216,660	1,137,571,835,560
Income tax benefit – deferred	52	35	(7,298,675,568)	(27,358,535,564)
Net profit after tax (60 = 50 - 51 - 52)	60		6,534,107,315,627	5,819,454,717,083

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

Vietnam Dairy Products Joint Stock Company
Consolidated statement of income for the year ended 31 December 2013 (continued)

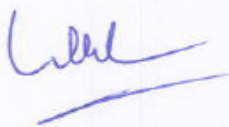


Form B 02 – DN/HN

	Code	Note	2013 VND	2012 VND
Attributable to:				
Minority interest	61		(26,347,207)	-
Equity holders of the Company	62		6,534,133,662,834	5,819,454,717,083
Basic earnings per share	70	36	7,839	6,981

28 February 2014

Prepared by:

Approved by:

Le Thanh Liem
Chief Accountant

Ngo Thi Thu Trang
Executive Director - Finance

Maí Kieu Lien
Chief Executive Officer

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

Vietnam Dairy Products Joint Stock Company
Consolidated statement of cash flows for the year ended 31 December 2013
(Indirect method)

Form B 03 – DN/HN

	Code Note	2013 VND	2012 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	01	8,010,256,856,719	6,929,668,017,079
Adjustments for			
Depreciation and amortisation	02	786,432,923,150	535,451,905,298
Allowances and provisions	03	33,285,887,136	(75,028,609,419)
Unrealised foreign exchange losses	04	13,064,625,014	23,750,178,315
Losses on disposals of fixed assets	05	10,670,289,649	20,674,462,045
Dividends and interest income	05	(417,488,105,102)	(362,908,428,453)
(Profit)/losses from other investing activities	05	(34,454,114,103)	12,177,054,066
Interest expense	06	104,027,048	3,114,837,973
Operating profit before changes in working capital	08	8,401,872,389,511	7,086,899,416,904
Change in receivables	09	(38,409,421,579)	(177,763,748,924)
Change in inventories	10	258,940,210,677	(273,491,911,774)
Change in payables and other liabilities	11	(272,224,654,212)	268,727,745,184
Change in prepayments	12	(27,641,597,327)	(18,320,018,252)
		8,322,536,927,070	6,886,051,483,138
Interest paid	13	(104,027,048)	(3,114,837,973)
Income tax paid	14	(1,399,982,286,806)	(1,073,341,754,164)
Other receipts from operating activities	15	20,984,913,520	3,704,175,480
Other payments for operating activities	16	(691,692,163,285)	(518,731,228,162)
Net cash flows from operating activities	20	6,251,743,363,451	5,294,567,838,319

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

Vietnam Dairy Products Joint Stock Company
Consolidated statement of cash flows for the year ended 31 December 2013
(Indirect method – continued)

Form B 03 – DN/HN

	Code	Note	2013 VND	2012 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets	21		(1,491,459,216,581)	(3,133,999,297,771)
Proceeds from disposals of fixed assets and other long-term investments	22		20,991,389,628	16,830,384,644
Loans granted to a third party	23		-	(30,000,000,000)
Increase on time deposits	24		(623,100,000,000)	(2,536,900,000,000)
Proceeds from sales of debt instruments of other entities	24		4,531,896,380	70,114,387,315
Collection of loans granted to associates	24		30,000,000,000	18,000,000,000
Payments for investments in other entities	25		(33,713,307,770)	-
Proceeds from matured bonds	26		350,000,000,000	250,000,000,000
Collections on investment in other entities	26		4,927,205,437	-
Receipts of interests and dividends	27		307,719,066,699	372,293,347,387
Acquisition of subsidiary, net of cash acquired			(159,686,267,298)	-
Net cash flows from investing activities	30		(1,589,789,233,505)	(4,973,661,178,425)

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

Vietnam Dairy Products Joint Stock Company
Consolidated statement of cash flows for the year ended 31 December 2013
(Indirect method – continued)


Form B 03 – DN/HN


	Code	Note	2013 VND	2012 VND
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for shares repurchases	32		(525,442,959)	(1,982,321,000)
Payments of dividends	36		(3,167,235,049,800)	(2,222,994,056,000)
Net cash flows from financing activities	40		(3,167,760,492,759)	(2,224,976,377,000)
Net cash flows during the year (50 = 20 + 30 + 40)	50		1,494,193,637,187	(1,904,069,717,106)
Cash and cash equivalents at the beginning of the year	60		1,252,120,160,804	3,156,515,396,990
Effect of exchange rate fluctuations on cash and cash equivalents	61		(668,472,041)	(325,519,080)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	6	2,745,645,325,950	1,252,120,160,804

28 February 2014

Prepared by:


 Le Thanh Liem
Chief Accountant


 Ngo Thi Thu Trang
Executive Director - Finance


 Mai Kien Lien
Chief Executive Officer

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

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2013

Form B 09 – DN/HN

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

1. Reporting Entity

Vietnam Dairy Products Joint Stock Company (“the Company”) is incorporated as a joint stock company in Vietnam. The principal activities of the Company are to:

- Process, manufacture and distribute milk cake, soya milk, fresh milk, refreshment drinks, bottled milk, powdered milk, nutritious powder and other products from milk;
- Trade in food technology, spare parts, equipment, materials and chemicals;
- Trade in houses, brokerage and leasing of real estate;
- Provide warehousing, transportation and loading service;
- Manufacture, sell and distribute beverages, grocery and processing foods, roasted-ground-filtered and instant coffee;
- Manufacture and sell plastic package and label printing;
- Manufacture and sell plastic products;
- Provide health care clinic services;
- Provide supporting agricultural operations such as: supply of seeds of cultivated crops, guidance on cultivation techniques, cultivation harvest, soil working, irrigation;
- Raise cattle: supply of breeding animals and breeding techniques, run agricultural operations;
- Provide post-harvest services;
- Treat seeds for multiplication purposes; and
- Manufacture biscuits.

The consolidated financial statements of the Group for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group’s interest in associates and a jointly controlled entity as listed below:

Subsidiaries	% of ownership	% of voting rights
Vietnam Dairy Cow One Member Limited Company	100%	100%
Lamson Dairy Products One Member Company Limited	100%	100%
International Real Estate One Member Limited Company	100%	100%
Thong Nhat Thanh Hoa Dairy Cow Limited Company	96.33%	96.33%
Driftwood Dairy Holdings Corporation	70%	70%
Associates		
Asia Saigon Food Ingredients Joint Stock Company	15.0%	15.0%
Miraka Limited	19.3%	19.3%
Jointly controlled entity		
Horizon Apartment – Business Cooperation Contract	24.5%	24.5%

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN/HN

The Company's representative office in Cambodia was established and approved on 5 March 2013. Driftwood Dairy Holdings Corporation is incorporated and operating in the US, other subsidiaries are incorporated and operating in Vietnam.

As at 31 December 2013, the Group had 5,619 employees (31 December 2012: 5,000 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 requirement applicable to financial statements.

(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.

(c) Annual accounting period

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

(d) Accounting currency

The consolidated financial statements are prepared and presented in Vietnam Dong ("VND").

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 the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN/HN

(ii) *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) *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. Unrealised gains and losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

(iv) *Business combination*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(b) *Foreign currency*

(i) *Foreign currency transactions*

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

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

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)

Form B 09 – DN/HN

(ii) Foreign operations

The assets and liabilities of the foreign operation are translated into VND rates of exchange ruling at the balance sheet date. The income and expenses of the foreign operation are translated into VND at rates approximating those ruling at the transaction dates.

Foreign currency differences are recognised directly in the foreign exchange differences in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange differences is transferred to profit or loss.

(c) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Short-term and long-term investments

(i) Classification

The Group classifies its investments in shares listed or non-listed, bonds, and investment funds as short-term investments or long-term investments depending on the Group's intention and investment strategy in respect of relevant investees.

(ii) Recognition

The Group recognises trading securities, short-term and long-term investments on the date it becomes a party to the contractual provisions of the investments (trade date accounting).

(iii) Measurement

Trade, securities, short-term and long-term investments are stated at cost less allowance for diminution in value.

Cost of trading securities, short-term and long-term investments are determined on a weighted average basis.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)

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(iv) Impairment

The allowance for diminution of publicly traded securities is made in accordance with the current regulation as issued by the Ministry of Finance. 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.

(v) Derecognition

Trading securities, short-term and long-term investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

(e) Accounts receivable

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

(f) 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 inventories.

(g) 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, and the costs of dismantling and removing the asset and restoring the site on which it is located. Expenditure incurred after tangible fixed assets have been put into operation, such as repair and maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the costs are 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.

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

▪ buildings and structures	10 – 50 years
▪ machinery and equipment	8 – 10 years
▪ motor vehicles	10 years
▪ office equipment	3 – 8 years
▪ livestock	6 years
▪ others	3 years

(h) Intangible fixed assets

(i) Land use rights

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

Land use rights with indefinite period are stated at cost and not amortised.

(ii) Software

Cost of acquiring of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over 6 years.

(iii) Others

Others represented trade mark and customer relationship, which are acquired through business combination and are initially recognised at fair value. Trade mark and customer relationship are amortised on a straight-line basis over 4-10 years.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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(i) Investment property

(i) Cost

Investment property is stated at cost less accumulated depreciation. The initial cost of an investment property comprises its purchase price, cost of land use rights and any directly attributable expenditure of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after the investment property has been put into operation, such as repair and maintenance, is charged to the consolidated statement of income in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property, the expenditure is capitalised as an additional cost of the investment property.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. The estimated useful lives are as follows:

- land use rights 49 years
- infrastructure 10 years
- buildings 10 – 50 years

Land use rights with indefinite period are not amortised.

(j) Construction in progress

Construction in progress represents the costs of construction which have not been fully completed. No depreciation is provided for construction in progress during the period of construction.

(k) 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.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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(ii) Tools and supplies

Tools and instruments include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under Circular 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance which provides guidance on management, use and depreciation of fixed assets (“Circular 45”). Cost of tools and instruments are amortised on a straight-line basis over a period ranging from 1 to 3 years. Other tools and supplies represent the cost of tools used for production and administration processes and are amortised on a straight line basis over two years.

(iii) Others

Others are recorded at cost and amortised on a straight-line basis over 2 years.

(l) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the consolidated statement of income. Goodwill is amortised on a straight-line basis over 10 years. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(m) Trade and other payables

Trade and other payables are stated at their cost.

(n) Provisions

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

Severance allowance

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more (“the 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 employee’s compensation at termination. Provision for severance allowance has been provided based on employees’ years of service and their current salary level.

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

(o) Classification of financial instruments

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

(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 financial assets at fair value through profit or loss.

Held-to-maturity investments

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

- those that the Group upon initial recognition designates as financial assets 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.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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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 financial assets 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 that is not classified as:

- financial assets at fair value through profit or loss;
- held-to-maturity investments; or
- 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 Group as financial liabilities 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 costs.

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.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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(p) Taxation

Income tax on the 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 amount 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 differences 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.

(q) Share capital and treasury shares

Ordinary shares in issue are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds.

Where the Group purchase the Group's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the share are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received less any directly attributable incremental transaction costs is included in equity attributable to the Group's equity holders.

(r) Revenue

(i) 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.

(ii) Services rendered

Revenue from services rendered is recognised in the consolidated statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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(iii) *Rental income*

Rental income from leased property is recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(s) **Financial income**

(i) *Interest income*

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

(ii) *Dividend income*

Dividend income is recognised when the right to receive dividend is established.

(iii) *Revenue from disposal of short-term and long-term investments*

Revenue from disposal of short-term and long-term investments is recognised in the consolidated statement of income when significant risks and rewards of ownership have been transferred to the buyer. Significant risks and rewards of ownership have been transferred upon the completion of trading transaction (for listed securities) or the completion of the agreement on transfer of assets (for non-listed securities).

(t) **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.

(u) **Dividend distribution**

The Group's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Group's Annual General Meeting and after making appropriation to reserve funds in accordance with the Group's Charter.

Dividends are declared and paid based on the estimated earnings of the year. Final dividends are declared and paid in the following year from undistributed earnings based on the approval of shareholders at the Group's Annual General Meeting.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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(v) Equity funds

Appropriation to equity funds is made in accordance with the Group's Charter as follows:

Investment and development fund	10% of profit after tax
Financial reserve	up to 5% of profit after tax

Appropriation to financial reserve will cease when the amount reaches 10% of the Group's paid in capital. Utilisation of the above reserve funds requires approval of the shareholders, the Board of Directors or the Chief Executive Officer, depending on the nature and magnitude of the transactions involved as stated in the Group's Charter and financial regulations.

(w) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

(x) 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 geographical segments.

(y) Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

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4. Segment reporting

Segment information is presented in respect of the Group’s geographical and business segment. The primary format, geographical and business segments, is based on the Group’s management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling, general and administration expenses, other gains or losses, and corporate income tax.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, which is located in Vietnam (“Domestic”) or countries other than Vietnam (“Export”).

	Domestic		Export		Total	
	2013 VND	2012 VND	2013 VND	2012 VND	2013 VND	2012 VND
Net sales	26,534,661,061,703	22,849,151,383,120	4,413,941,065,603	3,712,422,796,844	30,948,602,127,306	26,561,574,179,964
Cost of sales	(16,313,347,650,303)	(14,546,267,732,706)	(3,452,446,030,172)	(2,938,562,514,482)	(19,765,793,680,474)	(17,484,830,247,188)
Segment income	10,221,313,411,400	8,302,883,650,414	961,495,035,431	773,860,282,362	11,182,808,446,832	9,076,743,932,776

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5. Significant transactions

(i) Acquisition of Driftwood Dairy Holdings Corporation

On 31 December 2013, the Company completed the acquisition of 70% of Driftwood Dairy Holdings Corporation – a milk production factory in USA, for a total consideration of VND158 billion. Goodwill on acquisition was determined as follows:

	VND
Consideration paid	157,750,560,000
Share of net liabilities acquired	9,129,389,640
	<hr/>
Goodwill on acquisition (Note 17)	166,879,949,640
	<hr/> <hr/>

Goodwill recognised on the acquisition is attributable mainly to synergies which management expect to realise by integrating Driftwood Dairy Holdings Corporation into the Group's existing business.

(ii) New investment in Thong Nhat Thanh Hoa Dairy Cow Limited Company

On 17 November 2013, the Group invested to a new subsidiary – Thong Nhat Thanh Hoa Dairy Cow Limited Company with voting right 96.33%, for a total consideration of VND578 billion. As at 31 December 2013, the Company has transferred VND4.3 billion to contribute the capital for this subsidiary.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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6. Cash and cash equivalents

	31/12/2013 VND	31/12/2012 VND
Cash on hand	1,290,261,776	1,007,244,458
Cash in banks	1,393,244,021,897	850,362,916,346
Cash in transit	-	750,000,000
Cash equivalents	1,351,111,042,277	400,000,000,000
	<hr/> 2,745,645,325,950	<hr/> 1,252,120,160,804

7. Short-term investments

	31/12/2013 VND	31/12/2012 VND
Short-term investments in:		
▪ Listed securities	188,758,772,692	211,020,970,112
▪ Unlisted securities	82,533,803,026	82,283,660,000
▪ Term deposits	3,600,000,000,000	2,974,000,000,000
▪ Institution bonds	-	300,000,000,000
▪ Other short-term investments	442,000,000,000	472,000,000,000
	<hr/> 4,313,292,575,718	<hr/> 4,039,304,630,112
Allowance for diminution in value of short-term investments	(145,974,953,400)	(130,028,675,620)
	<hr/> 4,167,317,622,318	<hr/> 3,909,275,954,492

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2013
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Movements in the allowance for diminution in value of short-term investments during the year were as follows:

	2013 VND	2012 VND
Opening balance	130,028,675,620	79,244,243,600
Increase in allowance during the year	24,708,724,000	-
Allowance utilised during the year	(1,449,609,300)	-
Reclassification from provision for diminution in value of long-term investments	-	54,008,653,800
Written back	(7,312,836,920)	(3,224,221,780)
	<hr/>	<hr/>
Closing balance	145,974,953,400	130,028,675,620
	<hr/> <hr/>	<hr/> <hr/>

8. Other receivables

	31/12/2013 VND	31/12/2012 VND
Shortage of assets awaiting for resolution	737,900,941	-
Interest income on deposits	186,194,305,557	55,733,508,797
Dividend receivables	6,280,283,226	-
Interest income receivable on bonds and loans granted to other entities	-	27,586,763,700
Import tax refundable	126,227,097,567	235,708,097,835
Rebates receivable from suppliers	80,172,000,489	76,841,890,627
Others	17,655,131,863	7,884,229,656
	<hr/>	<hr/>
	417,266,719,643	403,754,490,615
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the consolidated financial statements for the year ended 31 December 2013
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9. Inventories

	31/12/2013	31/12/2012
	VND	VND
Goods in transit	545,709,876,853	702,869,203,610
Raw materials	1,672,882,301,995	2,041,420,485,347
Tools and supplies	8,098,365,017	8,332,323,313
Work in progress	138,430,291,511	89,198,796,393
Finished goods	837,395,279,814	591,779,813,093
Merchandise inventories	24,520,590,546	20,857,268,341
Goods on consignment	823,248,697	21,842,627,806
	<hr/>	<hr/>
	3,227,859,954,432	3,476,300,517,903
Allowance for inventories	(10,376,905,544)	(3,455,165,385)
	<hr/>	<hr/>
	3,217,483,048,888	3,472,845,352,518
	<hr/> <hr/>	<hr/> <hr/>

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

	2013	2012
	VND	VND
Opening balance	3,455,165,385	4,933,906,670
Increase in allowance during the year	12,956,320,720	8,686,194,492
Allowance utilised during the year	(1,412,200,625)	(1,688,279,614)
Written back	(4,622,379,936)	(8,476,656,163)
	<hr/>	<hr/>
Closing balance	10,376,905,544	3,455,165,385
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Vietnam Dairy Products Joint Stock Company

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10. Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Livestock VND	Other	Total VND
Cost							
Opening balance	1,187,312,617,245	4,404,145,312,663	362,119,442,659	316,019,727,093	243,278,216,767	-	6,512,875,316,427
Additions	21,443,281,411	170,337,213,245	31,869,550,334	93,830,103,903	1,418,527,662	-	318,898,676,555
Transfers from construction in progress	853,321,619,066	2,882,475,196,555	189,992,039,573	26,291,293,370	-	-	3,952,080,148,564
Transfers from inventories	-	-	-	-	52,940,783,988	-	52,940,783,988
Increase due to business acquisition	78,789,493,059	320,489,345,662	22,518,303,621	12,780,062,096	-	52,379,099,002	486,956,303,440
Transfers to investment property	(3,460,558,894)	(469,928,364)	-	-	-	-	(3,930,487,258)
Transfers to long-term prepayments (*)	(1,097,097,639)	(10,388,099,548)	(1,244,306,113)	(41,876,973,950)	(37,202,623,488)	(313,842,255)	(92,122,942,993)
Disposals	(10,010,177,958)	(17,750,933,890)	(14,313,380,542)	(7,103,428,556)	(31,487,930,578)	-	(80,665,851,524)
Reclassifications	(181,957,903)	(1,409,049,049)	1,195,238,095	631,314,857	-	-	235,546,000
Closing balance	2,126,117,218,387	7,747,429,057,274	592,136,887,627	400,572,098,813	228,946,974,351	52,065,256,747	11,147,267,493,199
Accumulated depreciation							
Opening balance	264,232,142,882	1,641,426,724,725	151,530,046,106	162,403,480,845	69,839,462,266	-	2,289,431,856,824
Charge for the year	77,250,222,562	561,606,403,695	41,657,775,642	51,747,651,000	39,340,277,534	5,389,951	771,607,720,384
Increase due to business acquisition	29,151,154,036	230,576,820,909	19,234,838,299	9,995,180,022	-	43,415,349,204	332,373,342,470
Transfers to investment property	(1,353,912,542)	(293,316,235)	-	-	-	-	(1,647,228,777)
Transfers to long-term prepayments (*)	(596,349,982)	(4,466,990,118)	(311,799,285)	(28,501,936,669)	(15,926,112,623)	(5,389,951)	(49,808,578,628)
Disposals	(3,362,269,602)	(14,446,301,494)	(8,088,626,123)	(7,008,792,787)	(10,842,400,194)	-	(43,748,390,200)
Reclassifications	2,425,343	(1,010,384,132)	946,573,604	61,385,185	-	-	-
Closing balance	365,323,412,697	2,413,392,957,350	204,968,808,243	188,696,967,596	82,411,226,983	43,415,349,204	3,298,208,722,073
Net book value							
Opening balance	923,080,474,363	2,762,718,587,938	210,589,396,553	153,616,246,248	173,438,754,501	-	4,223,443,459,603
Closing balance	1,760,793,805,690	5,334,036,099,924	387,168,079,384	211,875,131,217	146,535,747,368	8,649,907,543	7,849,058,771,126

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- (*) The transfers to long-term prepayments represents net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets as regulated in Article 3 of Circular 45, i.e. costing less than VND30 million. These assets are reclassified to long-term prepayments (Note 15).

Included in the cost of tangible fixed assets were assets costing VND829,810,123,906 which were fully depreciated as of 31 December 2013 (31 December 2012: VND671,586,199,605), but which are still in active use.

11. Intangible fixed assets

	Land use rights VND	Software VND	Others VND	Total VND
Cost				
Opening balance	324,478,280,840	62,701,742,344	-	387,180,023,184
Additions	37,683,017,909	8,883,112,715	-	46,566,130,624
Increase from newly acquired subsidiary	212,908,000,000	-	68,510,001,897	281,418,001,897
Transfers from construction in progress	30,097,930,832	24,588,635,232	-	54,686,566,064
Transfers to investment property	(15,850,800,000)	-	-	(15,850,800,000)
Transfers to long-term prepayments (*)	-	(264,952,072)	-	(264,952,072)
Disposals	-	(702,055,800)	-	(702,055,800)
Reclassifications	-	(235,546,000)	-	(235,546,000)
Other decreases	(62,055,125,624)	-	-	(62,055,125,624)
Closing balance	527,261,303,957	94,970,936,419	68,510,001,897	690,742,242,273
Accumulated amortisation				
Opening balance	82,756,148,988	50,808,218,640	-	133,564,367,628
Charge for the year	5,329,218,448	5,208,965,579	-	10,538,184,027
Increase from newly acquired subsidiary	-	-	47,943,521,448	47,943,521,448
Transfers to long-term prepayments (*)	-	(129,993,863)	-	(129,993,863)
Disposals	-	(702,055,800)	-	(702,055,800)
Other decreases	(31,957,194,792)	-	-	(31,957,194,792)
Closing balance	56,128,172,644	55,185,134,556	47,943,521,448	159,256,828,648
Net book value				
Opening balance	241,722,131,852	11,893,523,704	-	253,615,655,556
Closing balance	471,133,131,313	39,785,801,863	20,566,480,449	531,485,413,625

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- (*) The transfers to long-term prepayments represents net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets as regulated in Article 3 of Circular 45, i.e. costing less than VND30 million. These assets are reclassified to long-term prepayments (Note 15).

Included in the cost of intangible fixed assets were assets costing VND47,704,588,915 which were fully amortised as of 31 December 2013 (31 December 2012: VND45,221,516,597), but which are still in use.

12. Construction in progress

	2013 VND	2012 VND
Opening balance	3,565,241,433,334	1,295,087,396,884
Additions	1,127,953,553,346	3,244,215,655,105
Transfers to tangible fixed assets	(3,952,080,148,564)	(961,162,499,610)
Transfers to intangible fixed assets	(54,686,566,064)	-
Transfer to investment property	(38,884,288,170)	-
Other decreases	(109,671,633,254)	(12,899,119,045)
	<hr/>	
Closing balance	537,872,350,628	3,565,241,433,334

Major constructions in progress relate to the following locations:

	31/12/2013 VND	31/12/2012 VND
Vietnam milk factory	27,693,383,103	1,819,204,239,183
Vietnam powder milk factory	22,234,884,364	1,509,809,070,248
Can Tho branch	52,101,510,922	45,086,527,051
Dairy Cow farms (*)	35,827,102,037	35,366,294,536
Lam Son milk factory (*)	7,800,711,948	4,045,436,097
Da Nang milk factory	-	21,448,226,014
Saigon milk factory	-	591,352,078
Tien Son milk factory	92,638,406,909	-
Others	299,576,351,346	129,690,288,127
	<hr/>	
	537,872,350,628	3,565,241,433,334

(*) These constructions are owned by the Company.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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13. Investment property

	Land use rights VND	Infrastructure VND	Buildings VND	Total VND
Cost				
Opening balance	27,489,150,000	5,994,290,197	84,183,047,263	117,666,487,460
Transfers from fixed assets	15,850,800,000	612,850,894	3,317,636,364	19,781,287,258
Transfers from construction in progress	38,884,288,170	-	-	38,884,288,170
	<hr/>			
Closing balance	82,224,238,170	6,607,141,091	87,500,683,627	176,332,062,888
<hr/>				
Accumulated amortisation				
Opening balance	-	1,743,730,508	19,208,367,862	20,952,098,370
Charge for the year	264,518,968	643,677,805	3,378,821,967	4,287,018,740
Transfers from tangible fixed assets	-	324,282,781	1,322,945,996	1,647,228,777
	<hr/>			
Closing balance	264,518,968	2,711,691,094	23,910,135,825	26,886,345,887
<hr/>				
Net book value				
Opening balance	27,489,150,000	4,250,559,689	64,974,679,401	96,714,389,090
Closing balance	81,959,719,202	3,895,449,997	63,590,547,802	149,445,717,001
	<hr/>			

The Group's investment property represents buildings and infrastructure held for earning rental income.

The fair value of investment property has not been determined as there was no recent market transaction for similar property in the same location as the Group's investment property.

Included in the cost of investment property was assets costing VND7,228,577,143 which were fully depreciated as of 31 December 2013 (31 December 2012: VND6,976,800,000), but which are still in active use.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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14. Long-term investments

	% of ownership	% of voting right	2013 VND	2012 VND
Long-term equity investments in associates and a jointly control entity				
▪ Miraka Limited	19.3% (*)	19.3% (*)	248,670,851,841	178,904,317,366
▪ Asia Saigon Food Ingredients Joint Stock Company	15.0% (*)	15.0% (*)	27,975,762,678	21,888,373,590
▪ Horizon Apartment – Business Cooperation Contract	24.5%	24.5%	7,982,684,826	9,942,684,826
▪ Dairy Cow Development Project	-	-	-	7,209,270,725
			<hr/>	<hr/>
			284,629,299,345	217,944,646,507
Other long-term investments				
▪ Long-term corporate bonds			-	50,000,000,000
▪ Investment funds			21,677,078,220	30,540,000,000
▪ Others			22,250,548,736	300,000,000
			<hr/>	<hr/>
			43,927,626,956	80,840,000,000
			<hr/>	<hr/>
			328,556,926,301	298,784,646,507
Allowance for diminution in value of long-term investments			(10,248,632,262)	(14,355,884,467)
			<hr/>	<hr/>
			318,308,294,039	284,428,762,040
			<hr/>	<hr/>

(*) Management assessed that the Group had significant influence over these two entities because two members of the Company's Board of Directors are Board of Management members of these two entities.

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Movements in the allowance for diminution in value of long-term investments during the year were as follows:

	31/12/2013	31/12/2012
	VND	VND
Opening balance	14,355,884,467	142,350,792,629
Increase in allowance during the year	238,406,621	763,261,300
Allowance utilised during the year	(4,345,658,826)	-
Written back	-	(74,749,515,662)
Reclassification to provision for diminution in value of short-term investments	-	(54,008,653,800)
	<hr/>	<hr/>
Closing balance	10,248,632,262	14,355,884,467
	<hr/>	<hr/>

15. Long-term prepayments

	Prepaid land rental	Tools and supplies	Other prepayments	Total
Opening balance	2,159,885,571	37,556,491,051	1,357,601,500	41,073,978,122
Additions	8,455,270,242	147,440,864,836	92,427,754,240	248,323,889,319
Transfer from tangible fixed assets (*)	-	42,314,364,365	-	42,314,364,365
Transfer from intangible fixed assets (*)	-	134,958,209	-	134,958,209
Transfers to short-term prepayments	(852,304,998)	(102,324,091,622)	(1,010,634,673)	(104,187,031,293)
Transfers to expenses	(3,329,984,359)	(41,171,453,715)	(12,006,882,332)	(56,508,320,406)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing balance	6,432,866,456	83,951,133,124	80,767,838,735	171,151,838,315
	<hr/>	<hr/>	<hr/>	<hr/>

(*) Transfers from fixed assets represents the net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets, i.e. costing less than VND30 million, as regulated in Article 3 of Circular 45. These assets were reclassified from tangible and intangible fixed assets during the year (Note 10 and Note 11). The remaining net book values of these assets are amortised on a straight line basis over their remaining estimated useful lives, but not exceeding three years.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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16. Deferred tax assets

Deferred tax assets were recognised on the following:

	31/12/2013	31/12/2012
	VND	VND
Foreign exchange differences	597,622,666	2,593,255,781
Accrued expenses and provisions	114,702,999,974	105,408,691,291
	<hr/>	<hr/>
	115,300,622,640	108,001,947,072
	<hr/>	<hr/>

17. Goodwill

	31/12/2013	31/12/2012
	VND	VND
Opening balance	13,662,186,598	15,503,335,522
Increase due to acquisition of a new subsidiary	166,879,949,640	-
Charge for the year	(1,213,435,128)	(1,841,148,924)
Other decreases	(4,864,781,928)	-
	<hr/>	<hr/>
Closing balance	174,463,919,182	13,662,186,598
	<hr/>	<hr/>

18. Short-term borrowings

	31/12/2013	31/12/2012
	VND	VND
Short-term borrowings	517,000,000	-
Current portion of long-term borrowings and liabilities (Note 22)	178,426,692,147	-
	<hr/>	<hr/>
	178,943,692,147	-
	<hr/>	<hr/>

Short-term borrowings incurred by Thong Nhat Thanh Hoa Dairy Cow Limited Company. These borrowings are unsecured and bore interest rate of 12% per annum.

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Notes to the consolidated financial statements for the year ended 31 December 2013
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19. Taxes payable to State Treasury

	31/12/2013	31/12/2012
	VND	VND
Value added tax	106,950,956,654	59,106,005,706
Import tax	-	3,932,727,653
Income tax	336,889,518,369	252,860,913,932
Personal income tax	12,853,254,782	18,020,617,756
Other taxes	32,175,181	32,604,800
	<hr/>	<hr/>
	456,725,904,986	333,952,869,847
	<hr/> <hr/>	<hr/> <hr/>

20. Accrued expenses

	31/12/2013	31/12/2012
	VND	VND
Sale incentives for distributors	218,642,778,937	172,183,794,781
Advertising expenses	66,981,178,134	116,910,036,213
Transportation expenses	40,344,338,573	23,976,054,607
Fuel expenses	18,140,900,939	7,115,522,438
Repairs and maintenance expenses	12,478,798,051	5,797,227,711
Expenses for outsourced employees	13,071,225,266	11,164,299,513
Interest expense	384,249,613	-
Others	120,717,500,491	27,956,701,587
	<hr/>	<hr/>
	490,760,970,004	365,103,636,850
	<hr/> <hr/>	<hr/> <hr/>

21. Other payables

	31/12/2013	31/12/2012
	VND	VND
Short-term deposits received	21,931,607,492	18,642,185,025
Import duty payables	108,992,820,343	176,541,502,888
Other payables relating to financial investments (*)	448,007,419,155	448,007,419,155
Dividend payables	664,944,528,680	-
Insurance and trade union fees	945,240,476	582,711,892
Others	96,941,190,899	20,363,229,449
	<hr/>	<hr/>
	1,341,762,807,045	664,137,048,409
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the consolidated financial statements for the year ended 31 December 2013
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- (*) Other payables relating to financial investments included an advance payment of VND447,822,000,000 received from a third party in respect of the future transfer of the Group's investment in a bank. The transfer can only be effective upon approval by the bank's Annual General Meeting or Board of Management and its founding shareholders; or after five years from the date of establishment of the bank, whichever comes first.

22. Long-term borrowings

	31/12/2013	31/12/2012
	VND	VND
Long-term borrowings	362,569,476,550	-
Repayable within twelve months (Note 18)	(178,426,692,147)	-
	<hr/>	<hr/>
Repayable after twelve months	184,142,784,403	-
	<hr/> <hr/>	<hr/> <hr/>

Terms and conditions of long-term borrowings were as follows:

	Currency	Annual interest rate	Year of maturity	31/12/2013	31/12/2012
				VND	VND
Wells Fargo					
Loan 1	USD	3.75%	2016	74,835,282,296	-
Loan 2	USD	4.25%	2016	115,940,000,000	-
Loan 3	USD	4.25%	2016	24,111,957,480	-
Lincoln National	USD	15%	2015	131,742,704,212	-
Individuals	VND	None	2039	15,939,526,870	-
				<hr/>	<hr/>
				362,569,470,858	-
				<hr/> <hr/>	<hr/> <hr/>

23. Provision for severance allowance

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

	2013	2012
	VND	VND
Opening balance	59,635,777,000	66,923,897,268
Provision made during the year	12,277,166,717	1,687,443,587
Provision used during the year	(609,124,300)	(680,685,501)
Written back	(1,720,526,167)	(8,294,878,354)
	<hr/>	<hr/>
Closing balance	69,583,293,250	59,635,777,000
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

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24. Changes in owners' equity

	Share capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Financial reserve VND	Retained profits VND	Total VND
Balance at 1 January 2012	5,561,147,540,000	1,276,994,100,000	(2,521,794,000)	908,024,236,384	556,114,754,000	4,177,446,360,100	12,477,205,196,484
Capital increase during the year	2,778,410,420,000	-	-	(1,628,883,194,992)	-	(1,149,527,225,008)	-
Purchase of treasury shares	-	-	(1,982,321,000)	-	-	-	(1,982,321,000)
Net profit for the year	-	-	-	-	-	5,819,454,717,083	5,819,454,717,083
Appropriation to equity funds and bonus and welfare fund	-	-	-	814,747,976,337	32,287,268,008	(1,425,622,185,054)	(578,586,940,709)
Dividends	-	-	-	-	-	(2,222,994,056,000)	(2,222,994,056,000)
Balance at 31 December 2012	8,339,557,960,000	1,276,994,100,000	(4,504,115,000)	93,889,017,729	588,402,022,008	5,198,757,611,121	15,493,096,595,858
Decrease in bonus share issued	-	-	(38,950,000)	22,835,000	-	16,115,000	-
Purchase of treasury shares	-	-	(525,442,959)	-	-	-	(525,442,959)
Net profit for the year	-	-	-	-	-	6,534,133,662,834	6,534,133,662,834
Appropriation to equity funds and bonus and welfare fund	-	-	-	856,326,130,883	245,553,773,992	(1,749,089,266,584)	(647,209,361,709)
Dividends (Note 26)	-	-	-	-	-	(3,834,006,138,600)	(3,834,006,138,600)
Balance at 31 December 2013	8,339,557,960,000	1,276,994,100,000	(5,068,507,959)	950,237,983,612	833,955,796,000	6,149,811,983,770	17,545,489,315,423

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25. Share capital

The Company's authorised and issued share capital is:

	31/12/2013		31/12/2012	
	Number of shares	VND	Number of shares	VND
Authorised share capital	833,955,796	8,339,557,960,000	833,955,796	8,339,557,960,000
<hr/>				
Issued ordinary shares				
Ordinary shares	833,955,796	8,339,557,960,000	833,955,796	8,339,557,960,000
Treasury ordinary shares				
Ordinary shares	(488,735)	(5,068,507,959)	(430,120)	(4,504,115,000)
<hr/>				
Shares currently in circulation				
Ordinary shares	833,467,061	8,334,489,452,041	833,525,676	8,335,053,845,000
<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.

26. Dividends

The Shareholders of the Company on 26 April 2013, 31 July 2013 and 30 November 2013 resolved to distribute dividends amounting to VND1,500 billion (VND1,800 per share) and VND1,667 billion (VND2,000 per share) and VND667 billion (VND800 per share), respectively.

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27. Total revenue

Total revenue represented the gross value of goods sold and services rendered exclusive of value added tax.

Net sales comprised

	2013 VND	2012 VND
Total revenue		
▪ Sales of finished goods	31,150,951,345,551	26,687,053,494,046
▪ Sales of merchandise goods	392,518,053,443	378,856,511,250
▪ Rental income from investment property	12,125,306,829	11,694,544,989
▪ Other services	30,412,427,799	24,079,188,993
	<hr/> 31,586,007,133,622	<hr/> 27,101,683,739,278
Less sales deductions		
▪ Sale discounts	(615,609,946,192)	(529,926,422,029)
▪ Sale returns	(21,795,060,124)	(10,183,137,285)
	<hr/> (637,405,006,316)	<hr/> (540,109,559,314)
Net revenue	<hr/> 30,948,602,127,306	<hr/> 26,561,574,179,964

28. Cost of sales

	2013 VND	2012 VND
Total cost of sales		
▪ Finished goods sold	19,356,246,171,629	17,110,723,660,326
▪ Merchandise goods sold	333,087,645,676	313,985,989,376
▪ Rental of investment property	7,083,811,145	5,511,306,230
▪ Other services	2,153,118,401	1,021,956,715
▪ Inventories losses	7,972,098,132	6,163,282,024
▪ Under-capacity cost	50,916,894,707	47,214,514,188
▪ Increase of allowance for inventories	8,333,940,784	209,538,329
	<hr/> 19,765,793,680,474	<hr/> 17,484,830,247,188

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29. Financial income

	2013 VND	2012 VND
Interest income from deposits	370,757,416,185	249,762,897,095
Interest income from bonds	23,338,013,697	77,056,806,958
Interest income on loans granted	625,185,469	468,750,000
Gains on disposal of securities	12,258,500	8,790,592,000
Dividends	22,767,489,751	35,619,974,400
Realised foreign exchange gains	89,847,345,276	103,438,947,734
Others	638	100,617,862
	<hr/> 507,347,709,516	<hr/> 475,238,586,049 <hr/> <hr/>

30. Financial expenses

	2013 VND	2012 VND
Payment discounts for distributors	26,181,425,042	31,602,235,707
Interest expense on loans	104,027,048	3,114,837,973
Interest expense on deposits received	805,352,929	1,016,360,739
Realised foreign exchange losses	29,550,432,486	37,855,110,550
Unrealised foreign exchange losses	13,064,625,014	23,750,178,315
Allowance/(write back allowance) for short-term and long-term investments	17,634,293,701	(77,210,476,142)
Others	3,450,661,270	31,042,882,273
	<hr/> 90,790,817,490	<hr/> 51,171,129,415 <hr/> <hr/>

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31. Selling expenses

	31/12/2013	31/12/2012
	VND	VND
Advertising expenses	885,452,890,656	586,620,623,362
Promotion expenses	942,567,027,026	635,694,113,386
Support and commission expenses for distributors	512,198,480,608	405,354,439,716
Staff costs	194,049,933,281	154,142,240,782
Material expenses	60,524,090,011	56,236,043,231
Tools and supplies expenses	82,551,394,335	61,297,993,881
Depreciation expenses	24,911,649,370	25,653,373,488
Expenses of damaged goods	13,414,638,552	13,803,784,829
Transportation expenses	385,469,435,879	307,016,838,337
Outside service expenses	175,292,088,948	99,969,890,863
	<hr/>	<hr/>
	3,276,431,628,666	2,345,789,341,875
	<hr/>	<hr/>

32. General and administration expenses

	31/12/2013	31/12/2012
	VND	VND
Staff costs	203,720,294,882	165,496,215,666
Material expenses	17,697,620,827	13,566,054,345
Office supplies	8,519,542,351	4,275,239,859
Depreciation expenses	62,917,986,126	60,091,120,002
Fees and duties	6,898,909,318	15,421,910,323
Allowance for doubtful debts and provision for severance allowance	12,407,364,263	1,344,579,930
Transportation for internal transfers of goods	43,865,767,765	50,852,128,502
Outside service expenses	151,818,765,982	123,243,688,760
Loading expenses	20,323,775,456	24,670,644,465
Per-diem allowances	18,520,954,726	18,037,151,325
Bank charges	3,471,288,316	5,975,197,656
Others	61,093,236,238	42,223,338,513
	<hr/>	<hr/>
	611,255,506,250	525,197,269,346
	<hr/>	<hr/>

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33. Other income

	31/12/2013	31/12/2012
	VND	VND
Proceeds from disposals of tangible fixed assets	29,581,525,306	38,249,877,676
Proceeds from disposals of tools, supplies and technical equipments	96,319,979,308	94,593,140,503
Compensations received from other parties	938,427,793	789,778,800
Rebate income	167,756,170,079	196,470,446,738
Others	18,861,796,533	20,220,100,031
	<hr/>	<hr/>
	313,457,899,019	350,323,343,748
	<hr/> <hr/>	<hr/> <hr/>

34. Other expenses

	31/12/2013	31/12/2012
	VND	VND
Book value of tangible fixed assets disposed	36,917,461,324	58,923,685,176
Others	21,902,400,710	4,082,590,937
	<hr/>	<hr/>
	58,819,862,034	63,006,276,113
	<hr/> <hr/>	<hr/> <hr/>

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35. Income tax

(i) Recognised in the statement of income

	2013 VND	2012 VND
Current tax expense		
Current year	1,472,499,920,010	1,119,335,324,019
Under provision in prior year	10,948,296,650	18,236,511,541
	<hr/> 1,483,448,216,660	<hr/> 1,137,571,835,560
Deferred tax benefit		
Origination and reversal of temporary differences	(7,298,675,568)	(27,358,535,564)
	<hr/> 1,476,149,541,092	<hr/> 1,110,213,299,996

(ii) Reconciliation of effective tax rate

	2013 VND	2012 VND
Profit before tax	8,010,256,856,719	6,929,668,017,079
Tax at the Company's tax rate	2,002,564,214,180	1,732,417,004,270
Tax rate differential applied to Company's branches and factories	(282,235,173,307)	(313,944,391,849)
Non-taxable income	(13,678,892,481)	(21,681,732,054)
Non-deductible expenses	7,544,277,757	6,147,267,330
Tax incentives	(253,697,982,690)	(316,897,335,259)
Deferred tax assets not previously recognised	11,018,011,195	(7,099,509,506)
Deferred income tax asset written off	-	5,315,132,448
Current tax losses in subsidiaries for which no deferred income tax asset was recognised	-	7,720,353,075
Write down of deferred tax assets due to reduction in tax rate from 25% to 22%	15,722,812,178	-
Under provision in prior year	10,948,296,650	18,236,511,541
	<hr/> 1,476,149,541,092	<hr/> 1,110,213,299,996

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(iii) Applicable tax rates

The Companies in Group are required to pay income tax at rates ranging from 15% to 40%, depending on locations of its factories, on taxable profits. In the Group, only the Company and Lam Son Dairy One Member Company Limited incurred the income tax charges. Other companies have no taxable income.

36. Basic earnings per share

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

(i) Net profit attributable to ordinary shareholders

	2013	2012
	VND	VND
Net profit for the year – attributable to ordinary shareholders	6,534,133,662,834	5,819,454,717,083

(ii) Weighted average number of ordinary shares

	2013	2012
Number of ordinary shares at the beginning of the year	833,525,676	555,867,614
Effect of bonus shares issued	-	277,879,835
Purchase of treasury shares	(20,428)	(107,863)
Weighted average number of ordinary shares at the end of the year	833,505,248	833,639,586

As of 31 December 2013, the Company did not have potentially dilutive ordinary shares.

37. 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 risks.

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

(ii) Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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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 and investments in debt securities.

(i) Exposure to credit risk

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

	Note	31/12/2013 VND	31/12/2012 VND
Cash and cash equivalents	(ii)	2,744,355,064,174	1,251,112,916,346
Term deposits	(ii)	3,600,000,000,000	2,974,000,000,000
Trade and other receivables	(iii)	2,305,337,326,185	1,669,743,665,741
Short-term investments – debt instruments	(iv)	-	300,000,000,000
Long-term investments – debt instruments	(iv)	-	50,000,000,000
		8,649,692,390,359	6,244,856,582,087

(ii) Cash and cash equivalents and term deposits

Cash and cash equivalents and term deposits at banks of the Group are 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 Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In response to the risk, the Group's management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit purchase limit is established for each customer, which represents the maximum open amount without requiring approval from the Chief Executive Officer. The limit is reviewed in needed. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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

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

	31/12/2013	31/12/2012
	VND	VND
Past due 1 – 30 days	182,137,670,525	13,392,747,256
Past due 31 – 60 days	1,522,157,190	214,534,274
Past due 61 – 90 days	132,616,901	574,491,413
Past due more than 90 days	166,581,220	-
	<hr/>	<hr/>
	183,959,025,836	14,181,772,943
	<hr/> <hr/>	<hr/> <hr/>

Movements in the allowance for doubtful debts during the year were as follows:

	2013	2012
	VND	VND
Opening balance	3,852,583,886	1,918,007,430
Increase in allowance during the year	7,317,652,651	1,972,328,394
Written off	(3,783,148,628)	(37,751,938)
	<hr/>	<hr/>
Closing balance	7,387,087,909	3,852,583,886
	<hr/> <hr/>	<hr/> <hr/>

(iv) Short-term and long-term investments – debt instruments

The Group's exposure to credit risk by investing in bonds is influenced by individual characteristics of instrument issuers. In managing this risk, the Group management analyses the creditworthiness of the issuers before acquiring the instruments. Management assessed that the issuers had good track records and believe that credit risk on those instruments is low.

There is no allowance for diminution in the value of the investments in debt instruments during the year.

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(c) Liquidity risk

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

The financial liabilities with fixed or determinable payments have the following contractual maturities:

31 December 2013

	Carrying amount VND	Contractual cash flows VND	Within 1 year VND	1 – 2 years VND	2 – 5 years VND	More than 5 years VND
Accounts payable - trade	1,968,257,136,188	1,968,257,136,188	-	-	-	-
Payables to employees	137,540,107,294	137,540,107,294	-	-	-	-
Accrued expenses	490,760,970,004	490,760,970,004	-	-	-	-
Other payables	1,341,762,807,045	1,341,762,807,045	-	-	-	-
Long-term payables	5,036,159,560	5,036,159,560	-	5,036,159,560	-	-
Short-term borrowings	178,943,692,147	204,657,303,863	204,657,303,863	-	-	-
Long-term borrowings	184,142,784,403	198,513,958,271	-	50,652,124,622	131,922,306,779	15,939,526,870
	4,306,443,656,641	4,346,528,442,225	204,657,303,863	55,688,284,182	131,922,306,779	15,939,526,870

31 December 2012

	Carrying Amount VND	Contractual cash flows VND	Within 1 year VND
Accounts payable – trade	2,247,659,149,802	2,247,659,149,802	2,247,659,149,802
Payables to employees	106,150,509,860	106,150,509,860	106,150,509,860
Accrued expenses	365,103,636,850	365,103,636,850	365,103,636,850
Other payables	664,137,048,409	664,137,048,409	664,137,048,409
	3,383,050,344,921	3,383,050,344,921	3,383,050,344,921

The Group manages its ability to meet the expected operational expenses and servicing its debts by investing its cash surpluses in short-term and long-term investments.

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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 Group's results of operations 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, which is the VND. The currencies in which these transactions primarily are denominated are U.S Dollars (USD) and Euro (EUR).

The Group's exposure to currency risk is managed by keeping the exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term over-exposures.

Exposure to currency risk

At 31 December 2013, the Group had the following net monetary asset/(liability) position exposed to currency risk:

	31 December 2013		31 December 2012	
	USD	EUR	USD	EUR
Cash and cash in banks	16,776,618	21,606	11,737,838	49,848
Trade and other receivables	40,228,189	-	26,862,852	9,151
Trade and other payables	(28,256,420)	(6,861,815)	(35,559,707)	(12,185,695)
	28,748,387	(6,840,209)	3,040,983	(12,126,696)

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

	Exchange rate as at	
	31/12/2013	31/12/2012
	VND	VND
USD1	21,080	20,800
EUR1	28,956	27,301

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

	Effect to net profit VND
31 December 2013	
USD (5% strengthening)	22,725,600,132
EUR (5% strengthening)	(7,427,441,572)
<hr/>	
31 December 2012	
USD (5% strengthening)	2,371,967,217
EUR (5% strengthening)	(12,415,160,621)
<hr/>	

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

(ii) Interest rate risk

The changes of interest rates would not have significant impact on the net profit of the Group.

(iii) Price risk

The Group invests in equity investments of listed and unlisted companies and is exposed to risks of price fluctuation of these investments. The risk factors affecting the performance of these investments include financial performance and position of invested companies and market conditions. The Board manages the former factor by selecting industries and entities to invest in. The latter factor is itself affected by general economic condition of Vietnam and behaviours of investors, which are all out of the Board's control. These factors have caused conditions to be volatile in the past two years.

For investments in listed securities, if the share prices had increased/decreased by 10% with all other variables including tax rate being held constant, the Group's consolidated net profit would have been VND7,526,266,200 higher/lower (31 December 2012: VND10,425,695,430).

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(e) Fair values versus carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Note	31/12/2013		31/12/2012	
		Carrying amount VND	Fair value VND	Carrying amount VND	Fair value VND
Categorised as financial assets at fair value through profit or loss:					
- Short-term investments in listed equity instruments	(ii)	9,521,269,292	26,326,080,000	9,521,269,292	23,839,728,000
Categorised as held-to-maturity investments:					
- Term deposits	(i)	3,600,000,000,000	3,600,000,000,000	2,974,000,000,000	2,974,000,000,000
- Institution bonds	(v)	-	-	300,000,000,000	Note (v)
- Long-term corporate bonds	(v)	-	-	50,000,000,000	Note (v)
Categorised as loans and receivables:					
- Cash and cash equivalents	(i)	2,744,355,064,174	2,744,355,064,174	1,251,112,916,346	1,251,112,916,346
- Trade and other receivables	(i)	2,305,337,326,184	2,305,337,326,184	1,669,743,665,741	1,669,743,665,741
Categorised as available-for-sale					
- Short-term investments in listed equity instruments	(ii)	179,237,503,400	100,350,264,600	201,499,700,820	140,029,324,400
- Short-term investments in unlisted equity instruments	(iii)	82,533,803,026	15,446,113,626	82,283,660,000	13,725,392,800
- Other short-term investments	(v)	442,000,000,000	Note (v)	472,000,000,000	Note (v)
- Long-term investments in investment funds	(iv)	21,677,078,220	11,428,445,958	30,540,000,000	16,184,115,533
- Other long-term investments	(v)	22,250,548,736	Note (v)	300,000,000	Note (v)
Categorised as liabilities at amortised cost:					
- Trade and other payables	(i)	(4,306,443,656,641)	(4,306,443,656,641)	(3,383,050,344,921)	(3,383,050,344,921)

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(i) *Cash and cash equivalents, term deposits, trade and other receivables, trade and other payables*

The carrying amounts of these financial assets and financial liabilities approximate their respective fair values due to the short-term maturity of these instruments.

(ii) *Short-term investments in listed equity securities*

Market value of equity securities listed on the Ho Chi Minh Stock Exchange is based on the closing prices of the last official trading date of the year at the Ho Chi Minh Stock Exchange.

(iii) *Short-term investments in unlisted equity securities*

Market value of unlisted equity securities is based on the average of trading prices provided by 3 securities companies.

(iv) *Investment funds*

Market value of investments funds is based on Net Asset Value of funds portfolio which is verified by the appointed security company and supervising bank.

(v) *Institution bonds, other short-term investments, long-term corporate bonds and other long-term investments*

The Company has not determined fair values of these financial assets for disclosure 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 is 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 is not available. Fair value of these financial instruments may be different from their carrying values.

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38. Significant transactions with related parties

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

Related Party	Relationship	Nature of transaction	2013 VND	2012 VND
Miraka Limited	Associate	Purchase of goods	182,836,660,880	376,348,603,444
		Capital contribution	33,713,307,770	-
Asia Saigon Food Ingredients Joint Stock Group	Associate	Purchase of goods	11,414,335,000	37,676,635,000
		Sale of services and goods	228,233,276	-
Board of Management's and Board of Directors' members		Compensation	61,379,663,770	56,403,673,599
The State Capital Investment Corporation		Payment of dividends	1,427,781,600,000	1,001,952,000,000

39. Commitments

(a) Capital expenditure

The Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2013 VND	31/12/2012 VND
Approved and contracted	180,816,143,352	341,946,216,953

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(b) Leases

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

	31/12/2013	31/12/2012
	VND	VND
Within one year	10,229,299,096	8,415,283,099
Within two to five years	40,917,196,384	33,661,132,396
More than five years	298,345,396,804	237,595,297,887
	349,491,892,284	279,671,713,382
	349,491,892,284	279,671,713,382

41. Production and business costs by element

	2013	2012
	VND	VND
Raw material costs included in production costs	18,391,025,570,770	16,368,626,885,672
Labour costs and staff costs	972,049,819,144	736,961,575,667
Depreciation and amortisation	780,751,440,172	534,303,105,072
Outside services	1,222,110,846,980	922,116,282,884
Other expenses	2,628,574,296,692	1,842,875,132,323
	18,391,025,570,770	16,368,626,885,672
	18,391,025,570,770	16,368,626,885,672

42. Subsequent events

On 6 January 2014, the Company established a subsidiary in Cambodia. Total charter capital of this subsidiary is USD23,000,000, of which the Company contributed 51%.

On 24 February 2014, the Company's Board of Management passed a resolution to decide to liquidate Real Estate International One Member Limited, a 100% owned subsidiary.

28 February 2014

Prepared by:



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Chief Accountant



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Approved by:



Mai Kieu Lien
Chief Executive Officer