



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

**Consolidated financial statements for the year
ended 31 December 2009**



Vietnam Dairy Products Joint Stock Company

Report from Management

The Management of Vietnam Dairy Products Joint Stock Company (“the Company”) presents its report and the consolidated financial statements of the Company and its subsidiaries (together refer to as “the Group”) as of and for the year ended 31 December 2009.

The Company’s background

Vietnam Dairy Products Joint Stock Company was initially established as a state owned enterprise under the control of the Ministry of Industry in accordance with Decision No. 420/CNN/TCLD dated 29 April 1993. On 1 October 2003, it was equitised following Decision No. 155/2003/QD-BCN issued by the Ministry of Industry. On 20 November 2003, the Company was incorporated as a joint stock company under the Law on Enterprises of Vietnam according to Registration Certificate No. 4103001932 issued by the Planning and Investment Department of Ho Chi Minh City. The Company was subsequently listed on the Ho Chi Minh City Stock Exchange on 19 January 2006 according to the Listing Licence No. 42/UBCK-GPNY dated 28 December 2005 issued by the State Securities Commission. The principal activities of the Company are to produce and distribute condensed milk, powdered milk, fresh milk, biscuits, soya milk, yogurts, ice-cream, cheese, fruit juice and other products derived from milk.

Board of Management	Mdm Mai Kieu Lien	Chairwoman
	Mr Hoang Nguyen Hoc	Member
	Ms Ngo Thi Thu Trang	Member
	Mr Dominic Scriven	Member
	Mr Wang Eng Chin	Member
Board of Directors	Mdm Mai Kieu Lien	Chief Executive Officer
	Ms Nguyen Thi Thanh Hoa	Executive Director - Supply Chain
	Ms Nguyen Thi Nhu Hang	Executive Director - Dairy Development
	Ms Ngo Thi Thu Trang	Executive Director - Finance
	Mr Tran Minh Van	Executive Director - Project
	Mr Nguyen Quoc Khanh	Cum. Executive Director – Production and R&D
	Ms Nguyen Huu Ngoc Tran	Cum. Executive Director - Marketing
Chief Accountant	Mr Pham Phu Tuan	Cum. Executive Director - Sales
	Mr Le Thanh Liem	

Results and dividends

The consolidated net profit for the year ended 31 December 2009 was VND2,375,692 million (31 December 2008: VND1,250,120 million).

Vietnam Dairy Products Joint Stock Company

Report from Management (continued)

Dividends declared in the year ended 31 December 2009 was VND351,281 million (31 December 2008: VND683,575 million).

On 9 September 2009, the Group declared 1:1 bonus share scheme to all existing shareholders, effective on 18 September 2009. Bonus shares were issued out of share premium and retained profits to all existing shareholders. These bonus shares were listed on Ho Chi Minh City Stock Exchange on 15 October 2009.

Events occurring after the balance sheet date

Except for those as disclosed in the Note 35 to the consolidated financial statements, there have been no significant events occurring after the balance sheet date which would require adjustments or disclosures in the financial statements.

Auditors

The Group's auditor is KPMG Limited.

Statement of management's responsibilities in respect of the consolidated financial statements

Management is responsible for the consolidated financial statements of the Group as of and for the year ended 31 December 2009 which give a true and fair view of the state of affairs of the Group and of its results and cash flows for the year. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Management confirmed that the Group has complied with the above requirements in preparing the consolidated financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and to ensure that the accounting records comply with the registered accounting system. It 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.

Vietnam Dairy Products Joint Stock Company
Report from Management (continued)

Approval of the financial statements

We hereby approve the accompanying consolidated financial statements which give a true and fair view of the financial position of the Group as at 31 December 2009, and the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

On behalf of the Management:



Mai Kieu Lien
Chief Executive Officer

01 MAR 2010



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INDEPENDENT AUDITORS' REPORT

To the Shareholders Vietnam Dairy Products Joint Stock Company

Scope

We have audited the accompanying consolidated balance sheet of Vietnam Dairy Products Joint Stock Company and its subsidiaries (together refer to as "the Group") as of 31 December 2009 and the related consolidated statements of income, changes in equity and cash flows for the year then ended and the explanatory notes thereto. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Group for the year ended 31 December 2008 were audited by another firm of auditors whose report dated 23 March 2009 expressed an unqualified opinion on the consolidated financial statements.

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

Audit opinion

In our opinion, the consolidated financial statements give a true and fair value of the financial position of the Group as of 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

KPMG Limited

Vietnam

Investment Certificate No: 011043000345

Audit Report No: 09-01-130



Chong Kwang Puay
CPA No. N0864/KTV
Deputy General Director

Nguyen Thanh Nghi
CPA No. 0304/KTV

Ho Chi Minh City,

01 MAR 2010

Vietnam Dairy Products Joint Stock Company
Consolidated balance sheet at 31 December 2009

	Code	Note	31/12/2009 VND million	31/12/2008 VND million
ASSETS				
Current assets	100		5,069,157	3,187,605
Cash and cash equivalents	110	4	426,135	338,654
Cash	111		376,135	132,977
Cash equivalents	112		50,000	205,677
Short-term investments	120	11	2,314,253	374,002
Short-term investments	121		2,400,760	496,998
Allowance for diminution in the value of short-term investments	129		(86,507)	(122,996)
Accounts receivable - short-term	130	5	728,634	646,385
Accounts receivable – trade	131		513,346	530,149
Prepayments to suppliers	132		139,363	75,460
Other receivables	135		76,588	40,923
Allowance for doubtful debts	139		(663)	(147)
Inventories	140	6	1,311,765	1,775,342
Inventories	141		1,321,271	1,789,646
Allowance for inventories	149		(9,506)	(14,304)
Other current assets	150		288,370	53,222
Short-term prepayments	151		21,986	31,460
Deductible value added tax	152		37,399	19,196
Income tax prepaid to State Treasury	154		226,000	-
Other current assets	158		2,985	2,566

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

Vietnam Dairy Products Joint Stock Company
Consolidated balance sheet at 31 December 2009 (continued)

	Code	Note	31/12/2009 VND million	31/12/2008 VND million
Long-term assets	200		3,412,879	2,779,354
Accounts receivable – long-term	210		8,822	475
Other receivables	218		8,822	475
Fixed assets	220		2,524,964	1,936,923
Tangible fixed assets	221	7	1,835,583	1,529,187
Cost	222		3,135,507	2,618,638
Accumulated depreciation	223		(1,299,924)	(1,089,451)
Intangible fixed assets	227	8	39,241	50,868
Cost	228		82,339	79,416
Accumulated amortisation	229		(43,098)	(28,548)
Construction in progress	230	9	650,140	356,868
Investment property	240	10	27,489	27,489
Cost	241		27,489	27,489
Long-term investments	250	11	602,479	570,657
Investments in associates and joint ventures	252		26,152	23,702
Other long-term investments	258		672,732	546,955
Allowance for diminution in the value of long-term investments	259		(96,405)	-
Other long-term assets	260		249,125	243,810
Long-term prepayments	261	13	194,714	195,512
Deferred tax assets	262	14	53,521	47,276
Other long-term assets	268		890	1,022
TOTAL ASSETS	270		8,482,036	5,966,959

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

Vietnam Dairy Products Joint Stock Company
Consolidated balance sheet at 31 December 2009 (continued)

	Code	Note	31/12/2009 VND million	31/12/2008 VND million
RESOURCES				
LIABILITIES	300		1,808,931	1,154,432
Current liabilities	310		1,552,606	972,502
Short-term borrowings	311	15	13,283	188,222
Accounts payable – trade	312		789,867	492,556
Advances from customers	313		28,827	5,917
Taxes payable to State Treasury	314	16	399,962	64,187
Payables to employees	315		28,688	3,104
Accrued expenses	316	17	208,131	144,052
Other payables	319	18	83,848	74,464
Long-term liabilities	330		256,325	181,930
Accounts payable – trade	331		116,940	93,612
Other long-term liabilities	333	19	92,000	30,000
Long-term borrowings	334	20	12,455	22,418
Provision for severance allowance and unemployment insurance	336	21	34,930	35,900
EQUITY	400		6,637,739	4,761,913
Equity	410		6,637,739	4,761,913
Share capital	411	22	3,512,653	1,752,757
Share premium	412		-	1,064,948
Treasury shares	414	22	(154)	-
Investment and development fund	417		1,756,283	869,697
Financial reserves	418		294,348	175,276
Bonus and welfare fund	419		182,265	96,198
Retained profits	420		892,344	803,037
MINORITY INTEREST	439	23	35,366	50,614
TOTAL RESOURCES	440		8,482,036	5,966,959

Prepared by:



Le Thanh Liem
Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

01 MAR 2010

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 2009

	Code	Note	31/12/2009 VND million	31/12/2008 VND million
Total revenue	01	24	10,820,142	8,380,563
Less sales deductions	02	24	(206,371)	(171,581)
Net sales	10	24	10,613,771	8,208,982
Cost of sales	11	25	(6,735,062)	(5,610,969)
Gross profit	20		3,878,709	2,598,013
Financial income	21	26	439,936	264,810
Financial expenses	22	27	(184,828)	(197,621)
Selling expenses	24		(1,245,476)	(1,052,308)
General and administration expenses	25		(292,942)	(297,804)
Net operating profit	30		2,595,399	1,315,090
Results of other activities	40			
Other income	31	28	143,031	136,903
Other expense	32	29	(7,072)	(6,730)
Share of loss in equity accounted investees	40		-	(73,950)
Profit before tax	50		2,731,358	1,371,313
Income tax expense – current	51	30	(361,536)	(161,874)
Income tax benefit – deferred	52	30	6,245	39,259
Net profit	60		2,376,067	1,248,698

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 2009 (continued)

	Code	Note	31/12/2009 VND million	31/12/2008 VND million
Attributable to:				
Minority interest	61	23	375	(1,422)
Equity holders of the Company	62		2,375,692	1,250,120
Earnings per share				
Basic earnings per share in VND	70	31	6,769	3,563

Prepared by:



Le Thanh Liem
Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

01 MAR 2010

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

Vietnam Dairy Products Joint Stock Company
Consolidated statement of changes in equity for the year ended 31 December 2009

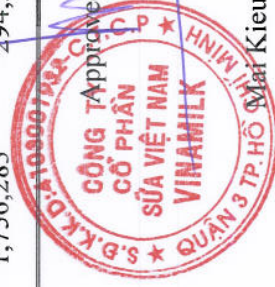
	Share capital VND million	Share premium VND million	Treasury shares VND million	Investment and development fund VND million	Financial reserves VND million	Bonus and welfare fund VND million	Retained profits VND million	Total equity VND million
Balance at 1 January 2008	1,752,757	1,064,948	-	744,540	136,313	91,622	525,757	4,315,937
Net profit for the year	-	-	-	-	-	-	1,250,120	1,250,120
Appropriation to equity funds	-	-	-	125,157	38,963	125,155	(289,275)	-
Dividends	-	-	-	-	-	2,842	(683,575)	(680,733)
Utilisation of funds	-	-	-	-	-	(123,421)	-	(123,421)
Others	-	-	-	-	-	-	10	10
Balance at 31 December 2008	1,752,757	1,064,948	-	869,697	175,276	96,198	803,037	4,761,913
Share capital issued	1,759,896	(1,064,948)	(154)	-	-	-	(691,302)	3,492
Net profit for the year	-	-	-	-	-	-	2,375,692	2,375,692
Appropriation to equity funds	-	-	-	886,586	119,072	238,144	(1,243,802)	-
Dividends (Note 32)	-	-	-	-	-	-	(351,281)	(351,281)
Utilisation of funds	-	-	-	-	-	(152,077)	-	(152,077)
Balance at 31 December 2009	3,512,653	-	(154)	1,756,283	294,348	182,265	892,344	6,637,739

Prepared by:



Le Thanh Liem
Chief Accountant

Approved by:




Mar Kieu Lien
General Director

01 MAR 2010

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 2009

	Code	Note	31/12/2009 VND million	31/12/2008 VND million
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		2,731,358	1,371,313
Adjustments for				
Depreciation and amortisation	02		234,078	178,430
Allowances	03		62,020	124,892
Unrealised foreign exchange losses/(gains)	04		3,486	(5,704)
Gain from disposal of tangible fixed assets	05		(1,251)	(917)
Interest expense	06		6,655	26,971
Interest and dividend income	07		(134,747)	(93,622)
(Profits)/losses from other investing activities	07		(23,032)	61,178
Negative goodwill	07		(20)	-
Gain from disposal of investment in joint venture	07		(139,577)	-
Operating profit before changes in working capital	08		2,738,970	1,669,727
Change in receivables and other current assets	09		(68,042)	13,354
Change in inventories	10		453,953	(112,069)
Change in payables and other liabilities	11		392,537	(105,919)
Change in prepaid expenses	12		10,276	(17,077)
			3,527,694	1,448,016
Interest paid	13		(6,942)	(25,957)
Income tax paid	14		(293,332)	(101,861)
Other receipts from operating activities	15		16,032	53,507
Other payments for operating activities	16		(146,949)	(103,946)
Net cash generated from operating activities	20		3,096,503	1,269,759

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 2009
(continued)

	Code	Note	31/12/2009 VND million	31/12/2008 VND million
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets	21		(654,817)	(445,062)
Proceeds from disposals of fixed assets	22		6,747	4,217
Purchases of equity securities and bonds	23		(200,000)	-
Proceeds from disposal of short term investment	23		91,913	3,010
Proceeds from disposal of investment in joint venture	24		134,267	-
Proceeds from bonds matured	24		10,005	-
Loan collected from a joint venture	24		207,968	-
Payments for investments in other entities	25		(2,450)	(134,152)
Payments for acquisition of interests in a subsidiary from minority shareholders	25		(15,603)	-
Receipts of interests and dividends	27		69,083	90,373
Increase in deposits at banks	28		(2,123,387)	(50,191)
Capital contribution from minority shareholders of subsidiaries	28		-	20
Net cash used in investing activities	30		(2,476,274)	(531,785)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contributions	31		3,646	-
Payments for share repurchases	32		(154)	-
Proceeds from short-term borrowings	33		3,320	173,547
Repayments of borrowings	34		(188,222)	(9,963)
Dividend paid	36		(351,281)	(680,733)
Net cash used in financing activities	40		(532,691)	(517,149)
Net cash flows during the year	50		87,538	220,825
Cash and cash equivalents at the beginning of the year	60		338,654	117,819
Effect of exchange rate fluctuations on cash and cash equivalents	61		(57)	10
Cash and cash equivalents at the end of the year	70	4	426,135	338,654

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 2009
(continued)

NON-CASH INVESTING AND FINANCING ACTIVITIES

	31/12/2009 VND million	31/12/2008 VND million
Cost of fixed assets acquired by the Group not paid yet	167,623	36,245

Prepared by:

[Signature]

Le Thanh Liem
Chief Accountant



Approved by:

Mai Kieu Lien
Chief Executive Officer

01 MAR 2010

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 2009

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

1. Reporting entity

Vietnam Dairy Products Joint Stock Company (“the Company” or “Vinamilk”) is a joint stock company incorporated in Vietnam. The consolidated financial statements of the Group for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities. The principal activities of the Group are to produce and distribute condensed milk, powdered milk, fresh milk, biscuits, soya milk, yogurts, ice-cream, cheese, fruit juice and other products derived from milk.

As at 31 December 2009, the Company has 4 subsidiaries:

Subsidiaries	Principal activities	Ownership of legal capital by the Company
Vietnam Dairy Cow One Member Limited Company	Milk production	100%
Lamson Dairy Products Joint Stock Company	Milk production	55%
International Real Estate One Member Limited Company	Real estate trading	100%
Victory – Vietnam Property Joint Stock Company	Real estate trading	100%

Victory – Vietnam Property Joint Stock Company is a wholly owned subsidiary of International Real Estate One Member Limited Company, which is a wholly owned subsidiary of the Company.

As at 31 December 2009 the Group had 4,670 employees (31/12/2008: 4,532 employees).

2. Summary of significant accounting policies

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

(a) Basis of financial statement preparation

(i) General basis of accounting

The consolidated financial statements, expressed in Vietnam Dong, rounded to the nearest million (“VND million”), have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

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.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(ii) Basis of consolidation

Subsidiaries

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

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 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.

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.

(b) 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 year 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 in accordance with Vietnamese Accounting Standard No. 10 ("VAS 10") – *The Effects of Changes in Foreign Exchange Rates*.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(c) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments with an original maturity of not longer than three months 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) Investments

Investments in term deposits and debt instruments; investments in equity instruments of entities over which the Group has no control or significant influence; and investments in subsidiaries and associates in the Company's separate financial statements are stated at cost. Allowance is made for reductions in investment values which in the opinion of the management are not temporary. 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.

(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 inventory.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(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 they are located. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to 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.

(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
▪ livestock	6 years
▪ motor vehicles	10 years
▪ office equipment	3 – 5 years

(h) Intangible fixed assets

(i) Land use rights

Freehold land use rights are stated at cost and not amortised. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right.

(ii) Software

Cost of acquisition 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 3 years.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(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 costs of bringing the asset to its working condition for its intended use. Expenditure incurred after investment property has been put into operation, such as repairs and maintenance, is normally charged to income in the year in which the costs are 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 investment property.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. Investment properties being land use rights with indefinite term are carried at cost and not amortised.

(j) Construction in progress

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

(k) Long-term prepayments

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 statement of income on a straight-line basis over the term of the lease ranging from 12 to 48 years.

(l) Trade and other payables

Trade and other payables are stated at their cost.

(m) 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.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(n) Taxation

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

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

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

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

(o) Revenue

(i) Goods sold

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

(ii) Services rendered

Revenue from services rendered is recognised in the 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 work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iii) Processing services

Revenue from processing services is recognised in the statement of income when the goods have been processed and accepted by the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(p) 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 profit or loss.

(q) Operating lease payments

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

(r) Borrowing costs

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

(s) Earnings per share

The Group presents basic (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. In respect of bonus issue, ordinary shares are issued to existing shareholders for no additional consideration. Therefore, the number of ordinary shares outstanding is increased without an increase in resources. The number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest year presented.

(t) 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 its geographical segments. The Group operates in one single business segment, which is the manufacturing and sale of milk a fruit and related products.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(u) Share based payments

Share based payments to employees for services rendered are treated as issuance of shares and do not affect income.

(v) Off balance sheet items

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these financial statements.

3. Segment reporting

Segment information is presented in respect of the Group's primary segment, which is the geographical segment.

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		Consolidated	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	VND	VND	VND	VND	VND	VND
	million	million	million	million	million	million
Sales revenue	9,415,221	6,993,223	1,198,550	1,215,759	10,613,771	8,208,982
Cost of sales	(5,886,501)	(4,727,145)	(848,561)	(883,824)	(6,735,062)	(5,610,969)
Segment income	3,528,720	2,266,078	349,989	331,935	3,878,709	2,598,013

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

4. Cash and cash equivalents

	31/12/2009 VND million	31/12/2008 VND million
Cash on hand	636	648
Cash in banks	374,659	130,544
Cash in transit	840	1,785
Cash equivalents	50,000	205,677
	426,135	338,654

Cash and cash equivalents at 31 December 2009 included amounts denominated in currencies other than VND amounting to VND66,781 million (31 December 2008: VND137,553 million).

5. Accounts receivable - short-term

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

	31/12/2009 VND million	31/12/2008 VND million
Opening balance	147	751
Increase in allowance during the year	588	432
Utilised during the year	-	(967)
Written back during the year	(72)	(69)
Closing balance	663	147

Other short-term receivables comprised:

	31/12/2009 VND million	31/12/2008 VND million
Dividends receivable	831	-
Interest income	56,340	4,176
Bonds interest receivable and interest income on giving loan	426	6,227
Matured bonds receivable	-	10,000
Import tax refundable	8,236	11,905
Rebates receivable from suppliers	5,114	742
Others	5,641	7,873
	76,588	40,923

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

6. Inventories

	31/12/2009 VND million	31/12/2008 VND million
Goods in transit	375,091	219,523
Raw materials	548,539	1,231,151
Tools and supplies	6,133	5,757
Work in progress	121,595	104,992
Finished goods	250,546	217,382
Merchandise inventories	11,410	10,710
Goods on consignment	7,957	131
	1,321,271	1,789,646
Allowance for inventories	(9,506)	(14,304)
	1,311,765	1,775,342

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

	31/12/2009 VND million	31/12/2008 VND million
Opening balance	14,304	11,629
Increase in allowance during the year	29,978	22,707
Allowance utilised during the year	(6,386)	-
Written back	(28,390)	(20,032)
Closing balance	9,506	14,304

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

7. Tangible fixed assets

	Buildings and structures VND million	Machinery and equipment VND million	Livestock VND million	Motor vehicles VND million	Office equipment VND million	Total VND million
Cost						
Opening balance	505,157	1,747,393	21,446	255,103	89,539	2,618,638
Additions	2,615	25,138	12,535	33,791	18,185	92,264
Transfer from construction in progress	93,959	258,423	-	72,087	7,871	432,340
Transfer from inventory	-	-	6,816	-	-	6,816
Disposals	(137)	(1,290)	(3,309)	(8,944)	(871)	(14,551)
Reclassifications	1,678	(4,216)	-	2,556	(18)	-
Closing balance	603,272	2,025,448	37,488	354,593	114,706	3,135,507
Accumulated depreciation						
Opening balance	138,864	792,233	5,476	93,496	59,382	1,089,451
Charge for the year	25,671	145,392	3,948	26,815	17,702	219,528
Disposals	(53)	(3,775)	(1,274)	(3,083)	(870)	(9,055)
Reclassifications	98	(98)	-	-	-	-
Closing balance	164,580	933,752	8,150	117,228	76,214	1,299,924
Net book value						
Closing balance	438,692	1,091,699	29,338	237,365	38,492	1,835,583
Opening balance	366,293	955,160	15,970	161,607	30,157	1,529,187

At 31 December 2009 tangible fixed assets with a carrying value of VND98,839 million (31 December 2008: VND77,554 million) were pledged with banks as security for loans granted to the Group.

Included in the cost of tangible fixed assets were assets costing VND620,924 million which were fully depreciated as of 31 December 2009 (31 December 2008: VND592,834 million), but which are still in active use.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

8. Intangible fixed assets

	Land use rights VND million	Software VND million	Total VND million
Cost			
Opening balance	35,751	43,665	79,416
Additions	-	2,923	2,923
Closing balance	35,751	46,588	82,339
Accumulated amortisation			
Opening balance	11,608	16,940	28,548
Charge for the year	-	14,550	14,550
Closing balance	11,608	31,490	43,098
Net book value			
Closing balance	24,143	15,098	39,241
Opening balance	24,143	26,725	50,868

Included in the cost of intangible fixed assets were assets costing VND26,136 million which were fully amortised as of 31 December 2009 (2008: VND1,103 million), but which are still in use.

The amortisation of land use rights ceased from 1 January 2004 following the Decision No. 206/2003/QĐ-BTC issued by the Ministry of Finance dated 12 December 2003 which regulated that freehold land use rights are carried at cost and not amortised.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

9. Construction in progress

	31/12/2009 VND million	31/12/2008 VND million
Opening balance	356,868	598,308
Additions during the year	727,248	364,411
Transfer to inventories	(1,636)	(15)
Transfer to tangible fixed assets	(432,340)	(589,341)
Transfer to intangible fixed assets	-	(16,441)
Disposals	-	(54)
Closing balance	650,140	356,868

10. Investment property

Investment property represented freehold land use right in Hai Chau District, Da Nang City and was carried at cost and not amortised.

11. Investments

	31/12/2009 VND million	31/12/2008 VND million
<i>Long term investments</i>		
Long-term equity investments in associates and joint venture:		
▪ Asia Saigon Food Ingredients Joint Stock Company	9,000	9,000
▪ Horizon Apartment – Business Cooperation Contract	9,943	7,493
▪ Dairy Cow Development Project	7,209	7,209
Long-term corporate bonds	200,000	3,200
Long-term treasury bonds	-	40
Other long-term investments:		
▪ Listed securities	223,520	277,933
▪ Unlisted securities	20,062	36,632
▪ Investment funds	106,350	106,350
▪ Others	122,800	122,800
	698,884	570,657
Allowance for diminution in value of long-term investments	(96,405)	-
	602,479	570,657

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
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Short-term investments

▪ Listed securities	87,537	33,071
▪ Unlisted securities	82,283	147,158
▪ Corporate bonds	3,200	2,400
▪ Term deposits	2,227,700	106,396
▪ Treasury bonds	40	5
▪ Loan to a joint venture	-	207,968
	2,400,760	496,998
Allowance for diminution in value of short-term investments	(86,507)	(122,996)
	2,314,253	374,002

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

	Short-term investments		Long-term investments	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	VND million	VND million	VND million	VND million
Opening balance	122,996	176	-	-
Increase in allowance during the year	-	122,820	96,405	48,630
Written back	(36,489)	-	-	(48,630)
Closing balance	86,507	122,996	96,405	-

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
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12. Group entities

The following is a list of subsidiaries, associates and jointly control entities as at 31 December 2009:

Name	Address	31/12/2009		31/12/2008	
		% of ownership	% of voting right	% of ownership	% of voting right
Subsidiaries					
Vietnam Dairy Cow One Member Limited Company	184-186-188 Nguyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Lamson Dairy Products Joint Stock Company	Le Mon Industry Zone, Thanh Hoa Province, Vietnam	55%	55%	55%	55%
International Real Estate One Member Limited Company	184-186-188 Nguyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Victory – Vietnam Property Joint Stock Company	95 Le Loi, Hai Chau District, Da Nang City, Vietnam	100%	100%	64.25%	64.25%
Jointly controlled entities					
SABMiller Vietnam Joint Venture Company	Lot A, My Phuoc 2 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	-	-	50%	50%
Dairy Cow Development Project	Tu Tra Ward, Don Duong District, Lam Dong Province, Vietnam	25%	25%	25%	25%
Associates					
Asia Saigon Food Ingredients Joint Stock Company	Lot C, 9E My Phuoc 3 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	20%	20%	20%	20%
Horizon Apartment – Business Cooperation Contract	214 Tran Quang Khai, District 1, Ho Chi Minh City, Vietnam	24.5%	24.5%	24.5%	24.5%

Vietnam Dairy Products Joint Stock Company**Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)**

On 17 February 2009, the Group signed a Capital Assignment Agreement with SABMiller Asia BV to transfer its entire interest in SABMiller Vietnam Joint Venture Company at the price of USD8,250,000 to SABMiller Asia BV. Gain on disposal of this investment, being the proceeds received over its carrying amount of nil, was recognised in the statement of income for the year as financial income.

On 31 December 2009, International Real Estate One Member Limited Company – a wholly owned subsidiary of Vinamilk – acquired all remaining minority interest's share in Victory – Vietnam Property Joint Stock Company, resulting in the increase of the Group's shareholding from 64.25% to 100%, the details of the acquisition were as follows:

	VND million
Net assets of the subsidiary at acquisition date	
Assets	
Cash and cash equivalents	230
Other current assets	211
Fixed assets	15,851
Investment property	27,489
Liabilities	
Accounts payable	(56)
Other current liabilities	(20)
Net assets at acquisition date	43,705
Less:	
Group's existing shares of the subsidiary's net assets at acquisition date	(28,082)
Minority interests acquired through business combination	15,623

International Real Estate One Member Limited Company – a wholly owned subsidiary of Vinamilk – have decided to liquidate Victory – Vietnam Property Joint Stock Company and are in the process to obtain approval to permanently cease its operations.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

13. Long-term prepayments

	Total VND million
Opening balance	195,512
Additions	13,853
Amortisation for the year	(481)
Other reduction	(14,170)
Closing balance	194,714

14. Deferred tax assets

	31/12/2009 VND million	31/12/2008 VND million
Allowance for investments	-	29,782
Accruals and provisions	51,749	17,957
Unrealised profit	591	-
Unrealised foreign exchange differences	1,181	(463)
Net deferred tax assets	53,521	47,276

15. Short-term borrowings

	31/12/2009 VND million	31/12/2008 VND million
Short-term borrowings	3,320	178,259
Current portion of long-term borrowings (Note 20)	9,963	9,963
	13,283	188,222

At 31 December 2009, short-term borrowings represented a short-term loan facility from Sacombank with maximum facility of VND 6,300 million. The VND facility was secured by tangible fixed assets with net book value at 31 December 2009 of VND30,454 million and bore interest from 10.5% to 12% per annum during the year (2008: 2.45% to 3.8% per annum).

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

16. Taxes payable to State Treasury

	31/12/2009 VND million	31/12/2008 VND million
Value added tax	52,305	12,868
Import tax	11,474	2,341
Income tax ^(*)	330,271	35,527
Personal income tax	5,903	13,180
Other taxes	9	271
	399,962	64,187

^(*) Income tax balance at 31 December 2009 was high as the Group was allowed to defer its income tax payment (nine months from the payment deadline as specified in Law on tax administration) pursuant to Circular No 03/2009/TT-BTC issued by Ministry of Finance on 13 January 2009 providing guidance to the implementation of Decree No 30/2008/NQ-CP issued by the Government on 11 December 2008 on income tax reduction and payment deferral.

17. Accrued expenses

	31/12/2009 VND million	31/12/2008 VND million
Sale incentives for customers	143,692	106,701
Advertising expenses	38,201	21,471
Transportation expenses	13,592	5,139
Repair and maintenance expenses	2,736	1,531
Others	9,910	9,210
	208,131	144,052

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

18. Other payables

	31/12/2009	31/12/2008
	VND million	VND million
Trade union fees	45	514
Social insurance	86	1
Deposits received from customers	48,131	6,247
Import duty payable	5,179	15,906
Dividends payable	500	8,220
Payables to minority shareholders of a subsidiary ^(*)	20,407	23,016
Others	9,500	20,560
	83,848	74,464

^(*) The amount represented advances received from minority shareholders to purchase shares that the Group holds on behalf of the minority shareholders.

19. Other long-term liabilities

Other long term liabilities represented an advance payment received from a third party in respect of the future transfer of the Group's investment in a credit institution. 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.

20. Long-term borrowings

	31/12/2009	31/12/2008
	VND million	VND million
Long-term borrowing	22,418	32,381
Repayable within twelve months	(9,963)	(9,963)
Repayable after twelve months	12,455	22,418

This long-term borrowings was signed with Ho Chi Minh City Investment and Development Fund (40%) and Vietcombank Ho Chi Minh branch (60%) to finance the condensed milk packing production line at Thong Nhat factory. The loan is secured by tangible fixed assets with net book value at 31 December 2009 of VND68,385 million (31 December 2008: VND77,554 million) and bore interest at the average interest rate of 12 month time deposits plus 2.4% per annum during the year and the remaining balance at 31 December 2009 is repayable in 9 equal quarterly installments of VND2,490 million each.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

21. Provision for severance allowance and unemployment insurance

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

	VND million
Opening balance	35,900
Provision made during the year	4,543
Provision used during the year	(3,542)
Provision reversed during the year	(1,971)
Closing balance	34,930

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

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of this unemployment insurance scheme, the Group is no longer required to provide severance allowance for the service year after 1 January 2009. However, severance allowance to be paid to existing eligible employees as of 31 December 2008 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the year prior to the termination date.

For the year ended 31 December 2009, the Group contributed VND2,135 million (31/12/2008: Nil) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the consolidated statement of income.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

22. Share capital

The Group's authorised and issued share capital are:

	31/12/2009		31/12/2008	
	Number of shares	VND million	Number of shares	VND million
Authorised share capital	351,265,300	3,512,653	175,275,670	1,752,757
Issued share capital				
Ordinary shares	351,265,300	3,512,653	175,275,670	1,752,757
Treasury shares				
Ordinary shares	(15,320)	(154)	-	-
Shares currently in circulation				
Ordinary shares	351,249,980	3,512,499	175,275,670	1,752,757

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

Movements in share capital during the year was as follows:

	31/12/2009		31/12/2008	
	Number of shares	VND million	Number of shares	VND million
Balance at the beginning of the year	175,275,670	1,752,757	175,275,670	1,752,757
Shares issued during the year	364,640	3,646	-	-
Treasury shares purchased during the year	(15,320)	(154)	-	-
Bonus shares issued during the year	175,624,990	1,756,250	-	-
Balance at the end of the year	351,249,980	3,512,499	175,275,670	1,752,757

On 10 June 2009, the Group issued 364,640 shares at par to its employees for cash.

On 3 September 2009, the Group repurchased 15,320 shares from resigned employees.

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

On 9 September 2009, the Group declared 1:1 bonus share scheme to all existing shareholders, effective on 18 September 2009. Bonus shares were issued out of share premium and retained profits to all existing shareholders. These bonus shares were listed on Ho Chi Minh City Stock Exchange on 15 October 2009.

23. Minority interest

	VND million
Balance at 1 January 2008	35,950
Capital contribution	16,086
Loss attributable to minority interest	(1,422)
Balance at 31 December 2008	50,614
Profit attributable to minority interest	375
Acquisition of a subsidiary from minority shareholders (Note 12)	(15,623)
Balance at 31 December 2009	<u>35,366</u>

24. Total revenue

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

Net sales comprised:

	31/12/2009	31/12/2008
	VND million	VND million
Total revenue		
▪ Sales of finished goods	10,730,665	8,292,713
▪ Sales of merchandise inventories and materials	69,238	76,760
▪ Services	20,239	11,090
Less sales deductions		
▪ Sales discounts	(196,965)	(141,199)
▪ Sales returns	(9,406)	(30,382)
Net sales	<u>10,613,771</u>	<u>8,208,982</u>

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
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25. Cost of sales

	31/12/2009 VND million	31/12/2008 VND million
Total cost of sales		
▪ Finished goods sold	6,637,850	5,532,689
▪ Merchandise inventories sold	50,001	60,770
▪ Services provided	3,850	1,445
▪ Inventories written off	910	605
▪ Under-capacity cost	40,863	15,050
▪ Allowance for inventories	1,588	410
	6,735,062	5,610,969

26. Financial income

	31/12/2009 VND million	31/12/2008 VND million
Interest income from deposits	106,573	60,109
Interest income from bonds	9,274	3,593
Proceeds from disposal of investment in joint venture	139,577	-
Gains from sales of equity securities	33,191	119,553
Dividend and bonus shares income	18,900	29,890
Foreign exchange gains	132,217	46,050
Others	204	5,615
	439,936	264,810

27. Financial expenses

	31/12/2009 VND million	31/12/2008 VND million
Interest expense	6,655	26,971
Allowance for diminution in the value of investments	59,916	122,820
Foreign exchange losses	118,124	47,315
Others	133	515
	184,828	197,621

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
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28. Other income

	31/12/2009 VND million	31/12/2008 VND million
Compensation received from other parties	1,952	4,190
Proceeds from disposals of fixed assets	6,749	4,265
Proceeds from disposals of scraps, tools and supplies	38,634	50,097
Rebate income from suppliers	91,480	73,558
Others	4,216	4,793
	143,031	136,903

29. Other expenses

	31/12/2009 VND million	31/12/2008 VND million
Net book value of fixed assets disposed	5,496	3,317
Sundry expenses	1,576	3,413
	7,072	6,730

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
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30. Income tax

(a) Recognised in the statement of income

	31/12/2009 VND million	31/12/2008 VND million
Current tax expense		
Current year	410,309	161,874
Over provision in prior years	(48,773)	-
	361,536	161,874
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	11,386	(17,730)
Effect of change in tax rate	(17,631)	(12,910)
Deferred tax assets written off	-	(8,619)
	(6,245)	(39,259)
Income tax expense	355,291	122,615

(b) Reconciliation of effective tax rate

	31/12/2009 VND million	31/12/2008 VND million
Profit before tax	2,731,358	1,371,313
Tax at the Group's tax rate	682,816	383,968
Effect of change in tax rate	(17,631)	(12,910)
Effect of unrealised loss eliminated for which deferred tax assets were not recognised	(125)	(1,074)
Effect of different tax rates in subsidiaries and Vinamilk's branches	(113,548)	(91,749)
Non-deductible expenses	3,131	5,988
Non-taxable income	(2,632)	(3,081)
Effect of tax incentives	(149,076)	(150,946)
Deferred tax assets not recognised	1,129	1,038
Deferred tax assets written off	-	(8,619)
Over provision in prior years	(48,773)	-
	355,291	122,615

Vietnam Dairy Products Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2009
(continued)

(c) Applicable tax rates

The Company and its subsidiaries have obligations to pay the Government income tax as follows:

Entity	Current tax rate	Tax incentives
Vinamilk		
The head office	25%	None
Saigon Coffee factory	25%	Exemption from 2009 to 2011 and 50% reduction from 2012 to 2016.
Can Tho Dairy factory	15% until 2014 and 25% afterwards	Exemption from 2004 to 2008 and 50% reduction from 2009 to 2013.
Dielac Dairy factory	15% until 2014 and 25% afterwards	Exemption from 2004 to 2008 and 50% reduction from 2009 to 2013.
Saigon Dairy factory	15% until 2012 and 25% afterwards	Exemption from 2003 to 2005 and 50% reduction from 2006 to 2012.
Nghe An Dairy factory	25%	None
Binh Dinh Dairy factory	25%	None
Ha Noi Dairy factory	25%	None
Thong Nhat Dairy factory	25%	None
Truong Tho Dairy factory	25%	None
Ha Noi branch	25%	None
Da Nang branch	25%	None
Can Tho branch	25%	None
HCMC Logistic and Warehouse Enterprise	25%	None
An Khang Clinic	25%	None
Tien Son Dairy factory	25%	Exemption from 2008 to 2010 and 50% reduction from 2011 to 2015.

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Entity	Current tax rate	Tax incentives
Vietnam Dairy Cow One Member Limited Company		
Head office and Tuyen Quang branch	15% until 2018 and 25% afterwards	Exemption from 2009 to 2011 and 50% reduction from 2012 to 2018.
Binh Dinh branch	25%	Exemption in 2009 and 50% reduction from 2010 to 2013.
Nghe An branch	25%	None
Lamson Dairy Products Joint Stock Company	15% until 2018 and 25% afterwards	Exemption for 3 years starting from the first year of taxable profit and 50% reduction for 7 succeeding years.
International Real Estate One Member Limited Company	25%	None
Victory – VN Property Joint Stock Company	25%	None

In the financial years ended 31 December 2006 and 2007, the Company declared that it was fully exempted from income tax (“CIT”) on the basis that it combined the following two tax incentives: (1) a full exemption from CIT for the two years ended 31 December 2004 and 2005 and a 50% reduction of CIT for a period of three years thereafter ended 31 December 2006, 2007 and 2008 upon the Company’s equitisation; and (2) a further 50% reduction in CIT for two years after its listing on the Ho Chi Minh City Stock Exchange (“HOSE”) on 19 January 2006. The combination of these incentives was allowed by the General Department of Taxation pursuant to Letter No. 1591/TCT-CST dated 4 May 2006.

On 22 May 2008, the Company was informed by the Ho Chi Minh City Tax Department (“HCMC TD”) that the Company was not entitled to combine the tax incentives as a result of the listing on the HOSE and the tax incentives as a result of equitisation for the years ended 31 December 2006 and 2007. The Company was therefore only entitled to 50% tax reduction instead of full exemption and HCM TD has issued a claim on unpaid taxes of VND225,803 million to the Company (VND76,637 million for 2006 and VND149,166 million for 2007).

On 25 July 2008, the Government’s Inspectors, after performing their inspection at the Company, requested the Company to declare and pay CIT relating to 2006 and 2007 to the State budget.

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On 13 November 2008, the Prime Minister's Office issued Letter No. 318/TB-VPCP in which it confirmed that companies listing their shares on the stock exchange during the period from 2004 to 2006 are entitled to a 50% reduction in CIT arising during the two years after their shares are listed. Official Letter No. 318/TB-VPCP was however silent as to whether the tax incentives under the two regimes could be combined.

On 20 March 2009, management received from the HCMC TD a copy of the Official Telegraph No 31/TCT-VP dated 16 March 2009 issued by the General Department of Taxation to HCMC TD to inform the HCMC TD that the Ministry of Finance had sent an official letter to the Prime Minister seeking for instructions to resolve the issue of CIT exemption and CIT reduction for companies which had their first listing. The General Department of Taxation requested HCMC TD not to assess or temporarily collect the CIT from listed companies pending the decision from the Prime Minister.

Subsequent to the balance sheet date, the combination of the tax incentives has been confirmed upon the interpretation of the Official Letter No. 148/TCT-PC issued by the General Department of Taxation to HCMC TD and the Company on 14 January 2010.

31. Earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders for the year ended 31 December 2009 of VND2,375,990 million (31 December 2008: VND1,250,120 million) and a weighted average number of ordinary shares outstanding of 350,950,861 (31 December 2008: 350,900,660).

Weighted average number of ordinary shares

	31/12/2009	31/12/2008
	Number of	Number of
	shares	shares
Issued ordinary shares at the beginning of the year	175,275,670	175,275,670
Effect of shares issued in 10 June 2009	204,798	-
Effect of share reduction in 3 September 2009	(5,037)	-
Effect of bonus share issued in 18 September 2009	175,475,430	175,624,990
Weighted average number of ordinary shares	350,950,861	350,900,660

As at 31 December 2009, the Group did not have any potentially dilutive shares.

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Notes to the consolidated financial statements for the year ended 31 December 2009
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32. Dividends

The General Meeting of Shareholders of the Company on 22 July 2009 resolved to distribute dividends amounting to VND351,281 million (VND2,000 per share).

33. Significant transactions with related parties

	Transaction value	
	31/12/2009 VND million	31/12/2008 VND million
Members of Board of Management and Board of Directors		
Gross salaries and other benefits	28,959	33,401

34. Commitments

(a) Capital expenditure

As at 31 December 2009 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2009 VND million	31/12/2008 VND million
Approved and contracted	365,161	216,343

(b) Leases

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

	31/12/2009 VND million	31/12/2008 VND million
Within a year	4,626	2,295
Within two to five years	18,530	9,230
More than five years	159,364	76,384
	182,520	87,909

