

**PETROVIETNAM FERTILIZER
AND CHEMICALS CORPORATION JSC**
(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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STATEMENT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of PetroVietnam Fertilizer and Chemicals Corporation – JSC (“the Company”) presents this report together with the Company’s financial statements for the year ended 31 December 2011.

THE BOARDS OF MANAGEMENT AND GENERAL DIRECTORS

The members of the Boards of Management and General Directors of the Company who held office during the year and at the date of this report are as follows:

Board of Management

Mr. Bui Minh Tien	Chairman (appointed on 05 January 2011)
Ms. Nguyen Thi Hien	Vice Chairwoman (appointed on 08 February 2011)
Mr. Cao Hoai Duong	Member (appointed on 08 February 2011)
Mr. Pham Dang Nam	Member (resigned on 08 February 2011)
Mr. Bui Quang Hung	Member
Mr. Nguyen Duc Hoa	Member

Board of General Directors

Mr. Cao Hoai Duong	General Director
Mr. Tu Cuong	Deputy General Director
Mr. Hoang Viet Dung	Deputy General Director (appointed on 15 March 2011)
Mr. Nguyen Duc Thanh	Deputy General Director (resigned on 15 March 2011)
Mr. Le Van Quoc Viet	Deputy General Director
Mr. Nguyen Van Tong	Deputy General Director
Ms. Chu Thi Hien	Deputy General Director
Mr. Nguyen Hong Vinh	Deputy General Director

BOARD OF GENERAL DIRECTORS’ STATEMENT OF RESPONSIBILITY

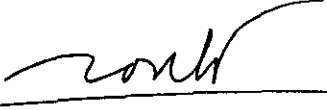
The Board of General Directors of the Company is responsible for preparing the financial statements which give a true and fair view of the financial position of the Company and of its results and cash flows for the year. In preparing these financial statements, the Board of General Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Board of General Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of General Directors confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of General Directors,



Nguyen Van Tong
Deputy General Director
5 March 2012
Ho Chi Minh City, S. R. Vietnam

No.: 973/2012/Deloitte-AUDHCM-RE

AUDITORS' REPORT

To: **The Shareholders**
The Boards of Management and General Directors
PetroVietnam Fertilizer and Chemicals Corporation – JSC

We have audited the accompanying balance sheet of PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Company") as at 31 December 2011, the related statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the financial statements"), as set out from page 3 to page 26. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of General Directors and Auditors

As stated in the Statement of the Board of General Directors on page 1, these financial statements are the responsibility of the Company's Board of General Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

As discussed further in Note 2 and 4 to the financial statements, the accompanying financial statements are prepared as solely to present separate financial position of the Company as at 31 December 2011, and the separate results of its operations and its separate cash flows for the year then ended as a single entity. This is the separate financial statements, therefore, the Company has accounted for its investment in subsidiaries and associates using cost method.



Tran Dinh Nghi Ha
Partner
CPA Certificate No. 0288/KTV
For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED
5 March 2012
Ho Chi Minh City, S. R. Vietnam

Pham Van Tan
Auditor
CPA Certificate No. 0401/KTV

BALANCE SHEET
As at 31 December 2011

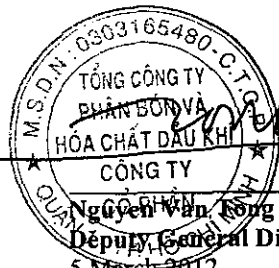
FORM B 01-DN
Unit: VND

ASSETS	Codes	Notes	31/12/2011	31/12/2010
A. CURRENT ASSETS	100		5,464,356,634,668	3,844,444,364,716
I. Cash and cash equivalents	110	5	3,633,780,353,239	2,876,483,097,099
1. Cash	111		258,780,353,239	88,483,097,099
2. Cash equivalents	112		3,375,000,000,000	2,788,000,000,000
II. Short-term financial investments	120		202,000,000,000	25,000,000,000
1. Short-term investments	121	6	202,000,000,000	25,000,000,000
III. Short-term receivables	130		478,597,862,736	291,992,118,625
1. Trade accounts receivable	131		209,522,866,280	14,684,146,491
2. Advances to suppliers	132		119,856,679,429	105,466,633,264
3. Short-term inter-company receivables	133		-	105,647,033,838
4. Other receivables	135	7	158,555,158,976	66,377,346,981
5. Provision of doubtful receivables	139		(9,336,841,949)	(183,041,949)
IV. Inventories	140	8	1,021,525,646,645	568,339,288,553
1. Inventories	141		1,028,619,849,295	568,339,288,553
2. Provision for devaluation in inventories	149		(7,094,202,650)	(7,094,202,650)
V. Other short-term assets	150		128,452,772,048	82,629,860,439
1. Short-term prepayments	151		11,838,427,664	10,351,032,141
2. Value added tax deductibles	152		113,211,738,860	61,542,163,178
3. Other short-term assets	158		3,402,605,524	10,736,665,123
B. NON-CURRENT ASSETS	200		3,590,872,373,635	3,297,663,668,488
I. Fixed assets	220		1,981,355,639,587	1,498,868,700,324
1. Tangible fixed assets	221	9	1,059,679,571,214	761,321,147,926
- Cost	222		6,566,922,568,601	6,134,127,922,277
- Accumulated depreciation	223		(5,507,242,997,387)	(5,372,806,774,351)
2. Intangible assets	227	10	627,804,437,666	27,555,900,904
- Cost	228		809,684,068,355	199,325,526,875
- Accumulated amortization	229		(181,879,630,689)	(171,769,625,971)
3. Construction in progress	230	11	293,871,630,707	709,991,651,494
II. Investment properties	240	12	308,492,302,434	260,997,855,414
- Cost	241		322,137,485,168	263,664,026,037
- Accumulated depreciation	242		(13,645,182,734)	(2,666,170,623)
III. Long-term financial investments	250		1,029,048,157,921	1,226,251,357,921
1. Investment in subsidiaries	251	13	466,456,800,000	892,660,000,000
2. Investments in associates	252	14	519,000,000,000	20,000,000,000
3. Other long-term investments	258	15	43,591,357,921	313,591,357,921
IV. Other long-term assets	260		271,976,273,693	311,545,754,829
1. Long-term prepayments	261	16	260,021,060,620	296,600,179,592
2. Deferred tax assets	262	17	11,823,362,873	14,813,075,437
3. Other long-term assets	268		131,850,200	132,499,800
TOTAL ASSETS	270		9,055,229,008,303	7,142,108,033,204

The accompanying notes set out on pages 8 to 26 are an integral part of these financial statements

FORM B 01-DN
Unit: VND

RESOURCES	Codes	Notes	31/12/2011	31/12/2010
A. LIABILITIES	300		817,255,753,520	1,039,824,634,016
I. Current liabilities	310		803,920,238,961	778,752,651,382
1. Short-term loans and liabilities	311		-	82,029,192,368
2. Trade accounts payable	312		335,512,607,275	347,493,535,145
3. Advances from customers	313		14,581,571,175	19,639,300,000
4. Taxes and amounts payable to State budget	314	18	88,609,868,041	47,852,850,247
5. Payables to employees	315		80,014,768,234	43,123,221,554
6. Accrued expenses	316	19	157,644,838,303	182,976,389,083
7. Short-term inter-company payables	317		-	20,719,981,292
8. Other current payables	319		50,859,750,751	12,460,169,186
9. Bonus and welfare funds	323		76,696,835,182	22,458,012,507
II. Long-term liabilities	330		13,335,514,559	261,071,982,634
1. Long-term loans and liabilities	334	20	-	246,087,577,105
2. Provision for severance allowance	336		8,466,986,977	9,444,356,903
3. Unearned revenue	338		4,868,527,582	5,540,048,626
B. EQUITY	400		8,237,973,254,783	6,102,283,399,188
I. Shareholders' equity	410	21	8,237,973,254,783	6,102,283,399,188
1. Charter capital	411		3,800,000,000,000	3,800,000,000,000
2. Treasury shares	414		(83,961,341,647)	(83,277,130,627)
3. Foreign exchange reserve	416		(835,361,854)	310,231,342
4. Investment and development fund	417		1,407,397,263,345	835,237,972,349
5. Financial reserve fund	418		488,321,761,273	333,085,317,442
6. Retained earnings	420		2,627,050,933,666	1,216,927,008,682
TOTAL RESOURCES	440		9,055,229,008,303	7,142,108,033,204



Nguyen Van Hong
Deputy General Director
5 March 2012

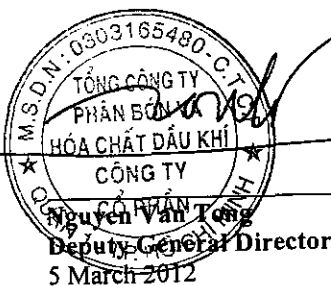
Huynh Kim Nhan
Chief Accountant

The accompanying notes set out on pages 8 to 26 are an integral part of these financial statements

INCOME STATEMENT
 For the year ended 31 December 2011

FORM B 02-DN
 Unit: VND

ITEMS	Codes	Notes	2011	2010
1. Gross sales	01		7,655,679,058,679	4,776,554,836,067
2. Less deductions	02		53,659,186,136	40,946,100,937
3. Net sales (10=01-02)	10	22	7,602,019,872,543	4,735,608,735,130
4. Cost of goods sold	11	22	3,798,294,922,197	2,596,760,833,227
5. Gross profit from sales (20=10-11)	20		3,803,724,950,346	2,138,847,901,903
6. Financial income	21	24	598,035,818,598	356,304,242,378
7. Financial expenses	22	25	68,794,763,342	79,986,692,661
<i>In which: Interest expense</i>	23		25,377,064,463	7,633,940,298
8. Selling expenses	24		461,540,749,528	298,770,119,631
9. General and administration expenses	25		441,512,649,319	329,949,510,920
10. Operating profit (30=(20+21)-22-24-25)	30		3,429,912,606,755	1,786,445,821,069
11. Other income	31		24,678,833,123	13,232,506,903
12. Other expenses	32		13,714,591,305	2,698,533,388
13. Profit from other activities (40=31-32)	40		10,964,241,818	10,533,973,515
14. Accounting profit before tax (50=30+40)	50		3,440,876,848,573	1,796,979,794,584
15. Current corporate income tax expense	51	26	317,708,671,428	176,936,737,983
16. Deferred tax expense/(income)	52		2,989,712,564	(12,779,656,650)
16. Net profit after corporate income tax (60=50-51-52)	60		3,120,178,464,581	1,632,822,713,251


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 HÓA CHẤT DẦU KHÍ
 CÔNG TY
 Nguyễn Văn Tông
 Deputy General Director
 5 March 2012


 Huynh Kim Nhan
 Chief Accountant

CASH FLOW STATEMENT
For the year ended 31 December 2011

FORM B 03-DN
Unit: VND

ITEMS	Codes	2011	2010
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	3,440,876,848,573	1,796,979,794,584
2. Adjustments for:			
Depreciation and amortisation	02	172,114,953,111	673,180,983,042
Provisions	03	7,094,202,650	60,995,585
Unrealized foreign exchange loss	04	-	10,065,177,076
Gain from investing activities	05	(594,859,433,769)	(262,610,144,144)
Interest expense	06	25,377,064,463	7,633,940,298
3. Operating profit before movements in working capital	08	3,050,603,635,028	2,225,310,746,441
Increase in receivables	09	(57,354,403,986)	(144,041,136,225)
Increase in inventories	10	(460,280,560,742)	(21,556,902,730)
(Decrease)/ increase in accounts payable	11	(27,974,286,308)	349,694,799,167
Decrease/(increase) in prepaid expenses	12	35,091,723,451	(5,185,542,375)
Interest paid	13	(25,377,064,463)	-
Corporate income tax paid	14	(280,618,701,902)	(236,371,210,251)
Other cash inflows	15	6,687,287,644	-
Other cash outflows	16	(173,128,042,095)	(101,020,146,788)
Net cash from operating activities	20	2,067,649,586,627	2,066,830,607,318
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and longterm assets	21	(730,632,653,197)	(757,597,161,880)
2. Proceeds from sale, disposal of fixed assets and other longterm assets	22	-	165,000,000
3. Cash outflow for buying debt instruments of other entities	23	(177,000,000,000)	-
4. Investments in other entities	25	(361,798,800,000)	(106,539,115,000)
5. Cash recovered from investments in other entities	26	502,908,424,557	-
6. Interest earned, dividends and profits received	27	552,677,656,877	286,313,394,634
Net cash used in investing activities	30	(213,845,371,763)	(577,657,882,246)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Buying treasury shares	32	(14,180,236,055)	(39,981,041,328)
2. Proceeds from borrowings	33	-	101,077,418,222
3. Repayment of borrowings	34	(328,116,769,473)	-
4. Dividends paid	36	(753,064,360,000)	(870,072,707,300)
Net cash used in financing activities	40	(1,095,361,365,528)	(808,976,330,406)
Net increase in cash	50	758,442,849,336	680,196,394,666
Cash and cash equivalents at the beginning of the year	60	2,876,483,097,099	2,196,286,702,433
Effect of changes in foreign exchange rates	61	(1,145,593,196)	-
Cash and cash equivalents at the end of the year	70	3,633,780,353,239	2,876,483,097,099

The accompanying notes set out on pages 8 to 26 are an integral part of these financial statements

CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2011

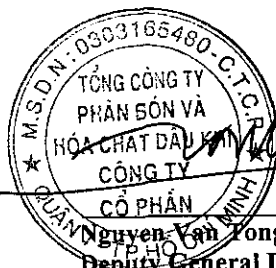
Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets during the year exclude an amount of VND 85,257,649,151, representing an addition in fixed assets during the year that has not yet been paid, and include an amount of VND 44,141,948,337, representing fixed assets purchased in last period but settled in this period, and an amount of VND 57,795,494,652, representing an advance to suppliers in this period for purchase of fixed assets in the next year. Consequently, changes in account payables and account receivables have been adjusted by the same amount.

Other information

Cash outflows for investments in other entities include an amount of VND 80,000,000,000, representing charter capital advance to PetroVietnam Urban Development Joint Stock Company (PVC-Mekong) in order to construct the Bac Lieu Tower in accordance with the Announcement No. 8606/TB-DKVN dated 22 September 2011 of Vietnam Oil & Gas Group. This capital advance is presented in "Other receivable" item in the balance sheet. Accordingly, changes in account receivables have been adjusted by the same amount.

Cash outflows for buying issued shares include an amount of VND 13,496,025,035, representing the advance to Petrovietnam Securities Incorporated – Ho Chi Minh City Branch for buying the Company's treasury shares. This advance is presented in "Advance to suppliers" item in the balance sheet. Accordingly, changes in account receivables have been adjusted by the same amount.



Nguyễn Văn Tông
Deputy General Director
5 March 2012

Huynh Kim Nhan
Chief Accountant

NOTES TO THE FINANCIAL STATEMENTS

FORM B 09-DN

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

1. GENERAL INFORMATION

Structure of ownership

PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Company"), formerly PetroVietnam Fertilizer and Chemicals Joint Stock Company, was established under the Business Registration Certificate No.4103007696 dated 31 August 2007 and as amended on 15 May 2008, issued by Ho Chi Minh City Department of Planning and Investment. On 1 September 2008, the Company transformed its operation into parent-subsidiary model in pursuant to Resolution No.01/ND-DHDCD of Shareholders' General Meeting. Accordingly, Holding Company - PetroVietnam Fertilizer and Chemicals Corporation - JSC was established from functional departments of PetroVietnam Fertilizer and Chemicals Joint Stock Company, Projects' management committee and Phu My Fertilizer Plant. The Company's shares are listed on Ho Chi Minh Stock Exchange from 5 November 2007 with stock symbol "DPM".

The parent company of the Company is Vietnam Oil and Gas Group which holds 61.37 % of its charter capital.

The total number of employees of the Company is 1,144 as at 31 December 2011 (31/12/2010: 1,137).

Principal activities

The principal activities of the Company are to produce and do business in fertilizer, liquid ammonia, industrial gas, other chemicals; technical services relating to production and trading of fertilizer and other related chemicals (excluding heavily toxic chemicals); producing and trading of electricity; real estate, trading of agriculture and forestry products, goods transport services by inbound waterway and car, processing of oil and gas-related products and minerals and service of vocational training.

2. ACCOUNTING CONVENTION AND FISCAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

Financial statement of the Company is prepared base on the aggregation financial statements of the head office and business units of the Company. The major transactions and balances incurring between the head office and business units of the Company is eliminated on the Company's financial statement.

The accompanying financial statements are prepared solely to present the separate financial position of the Company as at 31 December 2011 and the separate results of its operations and its separate cash flows for the year then ended; hence the Company did not consolidate investments in subsidiaries and associates in this separate financial statements. Accounting policies for the Company's investment are presented in Note 4.

Fiscal year

The Company's fiscal year begins on 1 January and ends on 31 December.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 06 November 2009, the Ministry of Finance issued Circular No.210/2009/TT-BTC ("Circular 210") guiding the application of International Financial Reporting Standards ("IFRS") on presentation of financial statements and disclosures of financial instruments. The adoption of Circular 210 requires disclosures of certain financial instruments as well as the effect thereof on the financial statements. This Circular is effective for the financial year ending on or after 31 December 2011. The Company has adopted Circular 210 and additional notes on this application to the financial statements for the year ended 31 December 2011 are set out in Note 28.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year (reporting period). Actual results could differ from those estimates.

Financial instruments

Initial recognition

Financial assets

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Company comprise cash and cash equivalents, short-term deposits, trade and other receivables, and listed and unlisted financial instruments.

Financial liabilities

At the date of initial recognition financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Company comprise borrowings, trade and other payables, and accrued expenses.

Re-measurement after initial recognition

Currently there are no requirements for the re-measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Provision for doubtful debts

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method, except that cost of raw materials which is calculated using the first in first out method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The provision for inventory obsolescence is made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working conditions and locations for their intended use. The costs of tangible fixed assets formed from construction investment by contractual mode or self-construction or self-generating process are the settled costs of the invested construction projects in accordance with the prevailing State's regulations on investment and construction management, directly-related expenses and registration fee (if any). In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognized at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives in accordance with Circular 203/2009/TT-BTC dated 20 October 2009 issued by Ministry of Finance, valid from 1 January 2010, as follows:

	Years
Buildings and structures	5 - 25
Machinery and equipment	3 - 6
Motor vehicles	6
Office equipment	3 - 5

With respect to repairing expenses of fixed assets at Phu My Fertilizer Plant which is on a cyclical basis, the Company shall be permitted to accrue such expenses to operating expenses in advance on the basis of annual budget. If actual expenses of repairs are higher than the accrued expenses, then the difference shall be directly charged to operating expenses. If the actual expenses of repairs are lower than the accrued expenses, then the difference shall be accounted for as a reduction of operating expenses of the year.

Intangible assets and amortization

Intangible assets represent patent rights, land use right, computer software and other intangible assets which are stated at cost less accumulated amortization. The patent rights and other intangible assets are amortized using the straight-line method over 6 years; the computer software is amortized using the straight-line method over 3 years. The Company amortizes its land use right that has definite term using the straight-line method over the duration of the right to use the land and does not amortize its land use right that has indefinite term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

Leasing

Operating lease includes office and land rentals. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Construction in progress

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction cost, equipment cost, other costs and related borrowing costs in accordance with the Company's accounting policy. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when they are put into use.

According to the State's regulations on investment and construction management, the settled costs of completed construction projects are subject to approval by appropriate level of competent authorities. The final costs of these completed construction projects may vary depending on the final approval by competent authorities.

Investment property

Investment properties, which are composed of land use rights and building and structure of Dong Tay Building at 27 Dinh Bo Linh, Ho Chi Minh City; Cuu Long Supermarket-Office Building in Ca Mau Province; and Sao Phuong Bac Hotel in Sapa Town, Lao Cai Province held by the Company to earn rentals, are stated at cost less accumulated depreciation. The cost of purchased investment properties comprises its purchase price and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Land use right	50
Building and structure	25

The Company does not depreciate investment properties which are land use rights of Dong Tay Building at 27 Dinh Bo Linh, Ho Chi Minh City, and Sao Phuong Bac Hotel in Sapa Town, Lao Cai Province because they have indefinite term.

Investments in subsidiaries

Subsidiary is a company in which the Company have a dominant portion of ownership and respective control right. Investments in subsidiaries are initially measured at cost that directly relate to its investment. At the subsequent reporting dates, investments in subsidiaries are recognized at cost less devaluation of investment.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Investments in subsidiaries are initially measured at cost that directly relate to its investment. At the subsequent reporting dates, investments in associates are recognized at cost less devaluation of investment.

Other long-term investments

Other long term investments are the investments into other entities which the Company holds below 20% of the owners' equity (below 20% voting rights) with no significant influence and over 1 year of capital withdrawing period. Other long-term investment are carried at cost. Provision for devaluation of other long-term investments is for devaluation of long-term investments or losses in investees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Long-term prepayments

Long-term prepayments include land rental, business privilege fee, spare parts, training fee for Fertilizer Plant, and other long-term prepayments.

Prepaid land rentals are charged to income statement on the straight-line basis over the lease term.

Business privilege fee incurred in the valuation of the enterprise for equitization purpose amounting to VND 531,700,794,477 and has been allocated to income for 6 years from 1 January 2007. According to the Board of General Directors' judgments, allocating business privilege fee within 6 years is in accordance with financial regulations applicable to privatized State-owned enterprises and estimated useful lives of production line.

Spare parts which are put in use at Phu My Fertilizer Plant are charged to income statement on the straight-line basis over 6 years in accordance with the depreciation duration of production lines.

Training fee for Ca Mau Fertilizer Plant incurred in the year are recorded as actually incurred but has not been charged to income statement, and will be charged to income statement when the Company finalizes the pre-operating expenses of Ca Mau Fertilizer Plant.

Other types of long-term prepayments comprise of tools and equipments which are charged to income statement on the straight-line basis from 1.5 to 2 years, and other prepaid rentals which are amortized over the validity duration of the lease contracts.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

Revenue recognition

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue of investment property rental is recognized in income statement on the straight-line basis over the lease term.

Financial income includes timely and non term interest income from banks. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate. Dividend income from investments is recognised when the Company's right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Foreign currencies

The Company applies the method of recording foreign exchange differences in accordance with Circular No.201/2009/TT-BTC dated 15 October 2009 issued by the Ministry of Finance. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date as follows:

- Foreign exchange differences arising from revaluation of monetary items, short-term receivables and payables denominated in foreign currencies at the balance sheet date are recorded in the balance sheet under the account "foreign exchange reserve" in the Owner's equity section.
- Foreign exchange differences arising from revaluation of long-term receivables and payables are recorded in the income statement for the reporting period.

The recognition of foreign exchange differences in accordance with Circular No.201/2009/TT-BTC differs from that as regulated in Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates". According to VAS 10, all foreign exchange differences arising from revaluation of balances denominated in foreign currencies at the balance sheet date are recognized in the income statement. The Board of Directors has decided to recognise foreign exchange differences as guided in Circular No.201/2009/TT-BTC and believes that such application and disclosure of differences at the same time, in the case where the Company would apply VAS 10, may provide more information to users of the financial statements. Accordingly, the adoption of Circular No.201/2009/TT-BTC in recording foreign exchange differences makes the Company's profit before tax for the year ended 31 December 2011 increase by VND 835,361,854 (2010: decrease by VND 310,231,342) and the "Foreign exchange reserve" item under Owner's equity section in the balance sheet as at 31 December 2011 changes by the same amount in comparison with the VAS 10 adoption.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in the consolidated income statement when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

For fertilizer production at Phu My Fertilizer Plant: the Company is obliged to pay corporate income tax at the rate of 15% its assessable income. The Company is entitled to corporate income tax exemption for four years from the first profit-making year (2004) and a 50% reduction in tax payable for the seven years thereafter (from 2008). The year 2011 is the fourth year the Company enjoys 50% corporate income tax reduction as it is the Company's eighth profitable year (since the Company's commencement of operation).

For other business activities, the Company and its subsidiaries' corporate income tax rate is applied at 25% of its taxable income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

5. CASH AND CASH EQUIVALENTS

	31/12/2011	31/12/2010
	VND	VND
Cash on hand	1,488,798,500	1,288,972,826
Cash in bank	257,291,554,739	87,194,124,273
Cash equivalents	3,375,000,000,000	2,788,000,000,000
	<u>3,633,780,353,239</u>	<u>2,876,483,097,099</u>

Cash equivalents represent the time deposits with terms of 1 to 3 months at commercial banks at the interest rate of 6% to 14% per annum.

6. SHORT-TERM INVESTMENTS

	31/12/2011	31/12/2010
	VND	VND
Time deposits at commercial banks	25,000,000,000	25,000,000,000
Time deposits at Petrovietnam Trade Union Finance Investment Corporation (PVFI)	177,000,000,000	-
	<u>202,000,000,000</u>	<u>25,000,000,000</u>

Short-term investments as at 31 December 2011 represent time deposits at commercial banks with terms from 6 to 12 months at the interest rate of 13.5% per annum, and time deposits at PVFI which has the maturity date at 31 December 2012 with interest rate of 2.4% per annum.

7. OTHER RECEIVABLES

	31/12/2011	31/12/2010
	VND	VND
Charter capital advance to PetroVietnam Urban Development Joint Stock Company (PVC-Mekong)	80,000,000,000	-
Accrued interest income from term deposits	54,677,916,668	24,247,891,668
Others	23,877,242,308	42,129,455,313
	<u>158,555,158,976</u>	<u>66,377,346,981</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

According to the Announcement No. 8606/TB-DKVN dated 22 September 2011 of Vietnam Oil & Gas Group, the Company advanced charter capital to PetroVietnam Urban Development Joint Stock Company (PVC-Mekong) in order to construct the Bac Lieu Tower.

8. INVENTORIES

	31/12/2011	31/12/2010
	<u>VND</u>	<u>VND</u>
Goods in transit	69,823,891,557	64,496,408,239
Raw materials	316,303,313,794	237,357,143,166
Tools and supplies	4,848,260,085	2,046,691,861
Work in process	38,953,701,976	9,861,228,348
Finished goods	129,190,073,743	89,439,656,697
Merchandise	469,500,608,140	165,138,160,242
	<u>1,028,619,849,295</u>	<u>568,339,288,553</u>
Provision for devaluation of inventories	(7,094,202,650)	-
Net realizable value	<u>1,021,525,646,645</u>	<u>568,339,288,553</u>

9. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
COST					
As at 1/1/2011	769,697,321,559	5,263,535,898,234	66,221,754,197	34,672,948,287	6,134,127,922,277
Purchases	2,531,986,036	17,276,990,759	8,952,749,545	23,655,108,927	52,416,835,267
Transfer from construction in progress	399,476,049,754	663,049,321	-	7,639,292,496	407,778,391,571
Other increase	-	-	1,664,197,273	1,192,089,739	2,856,287,012
Contribution to subsidiary	-	-	(30,152,622,493)	-	(30,152,622,493)
Other decrease	-	-	-	(104,245,033)	(104,245,033)
As at 31/12/2011	<u>1,171,705,357,349</u>	<u>5,281,475,938,314</u>	<u>46,686,078,522</u>	<u>67,055,194,416</u>	<u>6,566,922,568,601</u>
ACCUMULATED DEPRECIATION					
As at 1/1/2011	536,822,355,886	4,771,183,604,878	51,869,073,270	12,931,740,317	5,372,806,774,351
Charge for the year	43,543,252,974	90,913,648,732	3,843,262,157	14,015,652,291	152,315,816,154
Other increase	-	-	272,653,756	621,424,038	894,077,794
Contribution to subsidiary	-	-	(17,483,791,040)	-	(17,483,791,040)
Other decrease	(1,289,879,872)	-	-	-	(1,289,879,872)
As at 31/12/2011	<u>579,075,728,988</u>	<u>4,862,097,253,610</u>	<u>38,501,198,143</u>	<u>27,568,816,646</u>	<u>5,507,242,997,387</u>
NET BOOK VALUE					
As at 31/12/2011	<u>592,629,628,361</u>	<u>419,378,684,704</u>	<u>8,184,880,379</u>	<u>39,486,377,770</u>	<u>1,059,679,571,214</u>
As at 31/12/2010	<u>232,874,965,673</u>	<u>492,352,293,356</u>	<u>14,352,680,927</u>	<u>21,741,207,970</u>	<u>761,321,147,926</u>

Office building at 43 Mac Dinh Chi was completed and put in use on 01 August 2011 with estimated cost of VND 842,826,174,063. In which, estimated construction value of VND 270,959,052,384 was recorded as a tangible fixed asset, and land use right value of VND 571,867,121,679 was recorded as a intangible fixed asset in 2011. Currently, part of office building at 43 Mac Dinh Chi is rented by Petro Vietnam Southern Building and Development JSC (a Company's subsidiary). However, the Company has not determined and presented value of leased areas in the investment property.

The cost of the Company's tangible fixed assets at 31 December 2011 includes an amount of VND 5,334,205,422,387 (31/12/2010: VND 5,286,727,107,567) in respect of fully depreciated items which are still in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

10. INTANGIBLE ASSETS

	Land use rights VND	Patent VND	Software VND	Others VND	Total VND
COST					
As at 1/1/2011	12,406,575,000	159,117,493,074	18,263,140,769	9,538,318,032	199,325,526,875
Purchases	-	-	4,828,972,118	43,636,364	4,872,608,482
Transfer from construction in progress	571,867,121,679	12,323,643,983	21,295,167,336	-	605,485,932,998
As at 31/12/2011	584,273,696,679	171,441,137,057	44,387,280,223	9,581,954,396	809,684,068,355
ACCUMULATED AMORTIZATION					
As at 1/1/2011	-	159,117,493,074	3,113,814,865	9,538,318,032	171,769,625,971
Charge for the year	-	2,464,728,796	7,644,678,164	597,758	10,110,004,718
As at 31/12/2011	-	161,582,221,870	10,758,493,029	9,538,915,790	181,879,630,689
NET BOOK VALUE					
As at 31/12/2011	584,273,696,679	9,858,915,187	33,628,787,194	43,038,606,000	627,804,437,666
As at 31/12/2010	12,406,575,000	-	15,149,325,904	-	27,555,900,904

The cost of the Company's intangible assets at 31 December 2011 includes an amount of VND 168,792,861,106 (31/12/2010: VND 168,710,811,106) in respect of fully depreciated items which are still in use.

11. CONSTRUCTION IN PROGRESS

	31/12/2011 VND	31/12/2010 VND
Cai Cui - Can Tho warehouse	122,575,593,205	96,023,047,507
An Giang warehouse	40,907,321,778	-
Nam Phat - Tien Giang warehouse	34,854,969,899	-
Gia Lai warehouse	25,242,660,028	12,677,660,028
Amoniac project	24,397,090,908	-
Tay Ninh warehouse	15,126,000,000	4,510,000,000
Office building at 43 Mac Dinh Chi	5,732,174,223	432,199,782,107
Enterprise resource planning system	-	26,286,284,628
Vung Ang warehouse	-	25,011,558,283
Nghi Son warehouse	-	23,224,572,032
Others	25,035,820,666	90,058,746,909
	293,871,630,707	709,991,651,494

According to the Decision No. 751/QD-PBHC dated 27 July 2009, the Company's Board of Management approved on an investment project of Cai Cui port – Can Tho (the general dock warehouse 20,000 DWT) at Cai Rang District, Can Tho City (phase 1) with the total investment of VND 347,112,911,828. As of 31 December 2011, the total invested amount for the Project is VND 173,613,663,132. During the year, the Company put in use Cawaco warehouse with estimated amount of VND 51,038,069,927 in value.

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12. INVESTMENT PROPERTY

	Land use rights VND	Buildings and structures VND	Total VND
COST			
As at 1/1/2011	99,499,152,000	164,164,874,037	263,664,026,037
Purchases	24,500,000,000	33,973,459,131	58,473,459,131
As at 31/12/2011	<u>123,999,152,000</u>	<u>198,138,333,168</u>	<u>322,137,485,168</u>
ACCUMULATED DEPRECIATION			
As at 1/1/2011	684,138,123	1,982,032,500	2,666,170,623
Charge for the year	962,302,573	8,726,829,666	9,689,132,239
Other increase	-	1,289,879,872	1,289,879,872
As at 31/12/2011	<u>1,646,440,696</u>	<u>11,998,742,038</u>	<u>13,645,182,734</u>
NET BOOK VALUE			
As at 31/12/2011	<u>122,352,711,304</u>	<u>186,139,591,130</u>	<u>308,492,302,434</u>
As at 31/12/2010	<u>98,815,013,877</u>	<u>162,182,841,537</u>	<u>260,997,855,414</u>

Investment properties represent land use rights and buildings and structures of Dong Tay Building at 27 Dinh Bo Linh Street, Ho Chi Minh City; Cuu Long Supermarket-Office Building in Ca Mau Province; and Sao Phuong Bac Hotel in Sapa Town, Lao Cai Province. In which, Dong Tay Building is leased to PetroVietnam Southern Building and Development Joint Stock Company (a Company's subsidiary). As of 31 December 2011, the Company has not determined fair value of investment properties because the Company does not intend to sell or transfer in the foreseeable future.

13. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power (%)	31/12/2011 VND	31/12/2011 VND	Principal activity
Central PetroVietnam Fertilizer and Chemicals JSC	Binh Dinh Province	75	75,000,000,000	80,000,000,000	Trading of fertilizer and chemicals
SouthWest PetroVietnam Fertilizer and Chemicals JSC	Can Tho City	75	127,500,000,000	100,000,000,000	Trading of fertilizer and chemicals
SouthEast PetroVietnam Fertilizer and Chemicals JSC	Ho Chi Minh City	75	93,750,000,000	85,000,000,000	Trading of fertilizer and chemicals
Northern PetroVietnam Fertilizer and Chemicals JSC	Ha Noi City	75	90,000,000,000	65,000,000,000	Trading of fertilizer and chemicals
Phu My Fertilizer packaging joint stock Company	Ba Ria - Vung Tau Province	51	21,410,000,000	21,410,000,000	Production of packaging
Petro Vietnam Southern Building and Development JSC	Ho Chi Minh City	81	58,796,800,000	41,250,000,000	Investing and trading of real estates
Fertilizer and Chemicals Trading-Service Company Limited	Ho Chi Minh City	-	-	500,000,000,000	Trading of fertilizer and chemicals
			<u>466,456,800,000</u>	<u>892,660,000,000</u>	

According to Resolution No. 1929/NQ-DKVN dated 11 August 2010 from Vietnam Oil & Gas Group about comprehensive restructuring plan of PVFCCo - JSC, the Company transformed its subsidiaries into joint stock companies. Accordingly, as at 30 June 2011, the Company still owned by 75% (31 December 2010: 100%) at Central PetroVietnam Fertilizer and Chemicals Limited JSC, SouthWest PetroVietnam Fertilizer and Chemicals JSC, SouthEast JSC, SouthEast PetroVietnam Fertilizer and Chemicals Company JSC and Northern PetroVietnam Fertilizer and Chemicals Company JSC.

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In pursuant to Decision No. 16/NQ-PBHC, dated 12 January 2011, the Company disposed Fertilizer and Chemicals Trading-Service Company Limited, a subsidiary owned 100% by the Company. Then, Fertilizer and Chemicals Trading-Service Company Limited was officially transformed into a branch of PetroVietnam Fertilizer and Chemicals Corporation – JSC according to the business registration certificate No. 0303165480-010, dated on 28 January 2011. The transfers of assets, capital and labor between the Company and Fertilizer and Chemicals Trading-Service Company Limited was implemented under the Decision 265/QD-PBHC dated on 1 April 2011 with the handing-over figures being their book value as at 1 April 2011.

In accordance with Decision No. 335/NQ-PBHC, dated 5 October 2011 of the Board of Management, the Company contributed some motor vehicles with value of VND 17,248,000,000 into Petro Vietnam Southern Building and Development JSC. Accordingly, the Company owned 5,879,680 shares, equivalent to 81% in Petro Vietnam Southern Building and Development JSC since 5 October 2011.

14. INVESTMENTS IN ASSOCIATES

Name of associate	Place of incorporation and operation	Proportion of ownership interest and voting power (%)	31/12/2011 VND	Principal activity
Petrovietnam Urban Development JSC (PVC-Mekong)	Ca Mau City	20	20,000,000,000	Construction and installation of works
Petrovietnam Petrochemical and Textile Fiber JSC (PVTEX)	Hai Phong City	25	499,000,000,000	Manufacturing and trading polyester
			519,000,000,000	

In pursuant to Decision 192/QD-PBHC dated 16 June 2011 of Board of management, the Company acquired 18,000,000 shares in Petrovietnam Petrochemical and Textile Fiber Joint Stock Company ("PV TEX") from Petrovietnam Finance Corporation ("PVFC") with value of VND 180 billion. Accordingly, the Company owns 45,000,000 shares, equivalent to 25% since 16 June 2011.

According to Resolution No. 01/NQ-PVTEX/DHDCD/2011 dated 25 March 2011 of the annual meeting of shareholders of PVTEX, shareholders agreed to increase charter capital of PVTEX by VND 196 billion. Accordingly, the Company contributed more VND 49 billion, equivalent to 25% of the additional charter capital of PVTEX in 2011.

As at 31 December 2011, according to financial statements of PVTEX which have not yet audited, value of net assets was VND 1,769 billion which was less by VND 189 billion than the shareholders' equity (VND 1,958 billion). The main reason of this was from unrealized foreign exchange loss of VND 281 billion. In accordance with PVTEX's plan, the unrealized foreign exchange loss will be charged to income statement within maximum 5 years. Moreover, PVTEX was still in testing process prior to start of operation, and plants and production lines were in investment process at the year end. Therefore, Board of General Directors did not make provision for investment in PVTEX at the year end.

15. OTHER LONG-TERM INVESTMENTS

	31/12/2011 VND	31/12/2010 VND
Contributed capital in Petrovietnam Petrochemical and Textile Fiber JSC (PVTEX)	-	270,000,000,000
Others	43,591,357,921	43,591,357,921
	43,591,357,921	313,591,357,921

As at 31 December 2011, the Board of General Directors has evaluated other long-term investments and believes that there are no diminution in value, thus no provision was made.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

16. LONG-TERM PREPAYMENTS

	31/12/2011	31/12/2010
	<u>VND</u>	<u>VND</u>
Land rentals	5,618,251,495	6,180,076,651
Business privileges	88,616,799,064	177,233,598,148
Spare parts	61,700,077,851	77,125,097,319
Training fee for Ca Mau Fertilizer Plant	69,469,257,424	32,107,384,773
Others	34,616,674,786	3,954,022,701
	<u>260,021,060,620</u>	<u>296,600,179,592</u>

17. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognized by the Company, and the movements thereon, during the current and prior reporting periods.

	Severance allowance	Unearned revenue	Unearned profit	Accrued expenses	Total
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
As at 1/1/2010	545,148,875	(465,867,725)	-	1,954,137,637	2,033,418,787
Charge for the year	(545,148,875)	1,850,879,882	613,429,889	10,860,495,754	12,779,656,650
As at 1/1/2011	-	1,385,012,157	613,429,889	12,814,633,391	14,813,075,437
Charge for the year	-	(1,385,012,157)	(613,429,889)	(991,270,518)	(2,989,712,564)
As at 31/12/2011	-	-	-	11,823,362,873	11,823,362,873

18. TAXES AND AMOUNTS PAYABLE TO STATE BUDGET

	31/12/2011	31/12/2010
	<u>VND</u>	<u>VND</u>
Corporate income tax	83,398,140,810	46,308,171,284
Personal income tax	5,201,767,490	1,544,678,963
Other tax	9,959,741	-
	<u>88,609,868,041</u>	<u>47,852,850,247</u>

19. ACCRUED EXPENSES

	31/12/2011	31/12/2010
	<u>VND</u>	<u>VND</u>
Repair and maintenance expenses 2011	-	147,231,991,964
Repair and maintenance expenses 2013	72,380,000,000	-
Social donation expenses	38,283,665,997	11,092,663,603
Others	46,981,172,306	24,651,733,516
	<u>157,644,838,303</u>	<u>182,976,389,083</u>

During 2011, the Company accrued repair and maintenance expense of VND 72,380,000,000 in pursuant to the Plant of repair and maintenance in Phu My Fertilizer Plant in 2013.

In accordance with Decision No. 1762/QĐ-DKVN dated 24 June 2011 of Vietnam Oil and Gas Group, the Company accrued social donation expenses with amount of VND 150 billion in order to perform the social donation program of the Group. As at 31 December 2011, social donation expenses which have not been paid to donation parties are VND 38,283,665,997.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

20. LONG-TERM LOANS AND LIABILITIES

	31/12/2011	31/12/2010
	<u>VND</u>	<u>VND</u>
Asia Commercial Bank (ACB) and PetroVietnam Finance Corporation - Vung Tau Branch (PVFC)	-	246,087,577,105
	<u>-</u>	<u>246,087,577,105</u>

The long-term loan pursue to Credit Agreement No. 60095579 dated 29 May 2009 from Petrovietnam Finance Corporation - Vung Tau Branch (PVFC - Vung Tau Branch) and Asia Commercial Bank (ACB) for a credit facility of USD 23,905,925, of which USD 7,200,000 is from ACB and USD 16,705,925 from PVFC - Vung Tau Branch. The loan purpose is for the payment of investment cost in the Primary Reformer CO2 recovery system to upgrade capacity of Phu My Fertilizer Plant from 740,000 tons to 800,000 tons of Ure per year. The term of the loan (include the grace period of 24 months) is 120 months from the first withdrawal date.

As at 31 December 2010, the loan balance of this agreement is USD 17,331,332 which is equivalent to VND 328,116,769,473. In which, USD 5,199,302 which is equivalent to VND 98,433,190,955 is from ACB and USD 12,132,029 which is equivalent to VND 229,683,578,518 is from PVFC - Vung Tau Branch. This loan was refunded before due date in 2011.

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Financial statements
For the year ended 31 December 2011

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

21. OWNER'S EQUITY

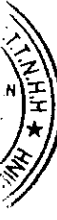
Movement in owner's equity

	Charter capital VND	Treasury shares VND	Foreign exchange reserve VND	Investment and development fund VND	Financial reserve fund VND	Retained earnings VND	Total VND
Balance as at 1/1/2010	3,800,000,000,000	(43,296,089,299)	310,157,521	291,045,353,197	194,258,112,775	1,188,655,706,062	5,430,973,240,256
Profit for the year	-	-	-	-	-	1,632,822,713,251	1,632,822,713,251
Acquisition of treasury share for the year	-	(39,981,041,328)	-	-	-	-	(39,981,041,328)
Profit distribution	-	-	-	528,346,030,875	128,110,079,818	(732,905,990,631)	(76,449,879,938)
Reclassified	-	-	-	16,075,687,277	10,717,124,849	-	26,792,812,126
Dividends paid	-	-	-	-	-	(871,645,420,000)	(871,645,420,000)
Others	-	-	73,821	(229,099,000)	-	-	(229,025,179)
Balance as at 01/1/2011	3,800,000,000,000	(83,277,130,627)	310,231,342	835,237,972,349	333,085,317,442	1,216,927,008,682	6,102,283,399,188
Profit for the period	-	-	-	-	-	3,120,178,464,581	3,120,178,464,581
Acquisition of treasury share for the year (1)	-	(684,211,020)	-	-	-	-	(684,211,020)
Profit distribution (2)	-	-	-	572,159,290,996	155,236,443,831	(727,395,734,827)	-
Provision for bonus and welfare funds (2)	-	-	-	-	-	(227,366,864,770)	(227,366,864,770)
Dividends paid (3)	-	-	-	-	-	(755,291,940,000)	(755,291,940,000)
Others	-	-	(1,145,593,196)	-	-	-	(1,145,593,196)
Balance at 31/12/2011	3,800,000,000,000	(83,961,341,647)	(835,361,854)	1,407,397,263,345	488,321,761,273	2,627,050,933,666	8,237,973,254,783

(1): During the year, the Company has acquired 28,540 treasury shares with average buying price per share of VND 23,974 per share.

(2): Profit distribution to funds includes the Company's additional distributed to Investment and Development funds and Financial Reserve funds with respective amount of VND 572,159,290,996 and 155,236,443,831 out of the profit after tax for the year ended 31 December 2010 according to the Resolution of the annual shareholders' meeting on 9 April 2011. Provision for bonus and welfare funds in the year includes VND 119,785,690,852 from the profit after tax of the year ended 31 December 2010, and VND 107,581,173,918 which was temporarily distributed from the profit after tax of the year ended 31 December 2011.

(3): According to the Resolution of the annual shareholders' meeting on 9 April 2011, the Company declared and paid dividends of VND 755,295,480,000 (VND 2,000 per share) for the fiscal year ended 31 December 2010. In which, the first dividend advance amounting to VND 377,647,740,000 (VND 1,000 per share) was paid in third quarter 2010. On 21 April 2011, the Company declared the second dividend payment for the year ended in 31 December 2010 after distributing to funds amounting to VND 377,647,740,000. On 25 August 2011, the Corporation declared the first dividend advance for the year ended in 31 December 2011 with amount of VND 1,000/share (10% face value). As a result, the Corporation temporarily paid VND 377,644,200,000.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Charter capital is in detail as below:

Shareholders	Proportion (%)	31/12/2011 VND
Vietnam Oil & Gas Group	61.37	2,332,042,530,000
Others	38.63	1,467,957,470,000
	<u>100.00</u>	<u>3,800,000,000,000</u>

The number of shares registered and issued to public by the Company as at 31 December 2011 was 380,000,000, in which, the Company is holding 2,380,800 treasury shares (equivalent to 2,380,800 shares). The Company has only ordinary shares with par value of VND 10,000 per share. The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company's shareholders meetings. All shares rank equally with regard to the Company's residual assets.

22. NET REVENUES AND COST OF SALES

	Locally-produced products VND	Imported goods VND	Total VND
2011			
Net sales	6,743,897,263,643	858,122,608,900	7,602,019,872,543
Cost of goods sold	<u>2,961,065,703,397</u>	<u>837,229,218,800</u>	<u>3,798,294,922,197</u>
Gross profit	<u>3,782,831,560,246</u>	<u>20,893,390,100</u>	<u>3,803,724,950,346</u>
2010			
Net sales	4,692,304,090,466	43,304,644,664	4,735,608,735,130
Cost of goods sold	<u>2,555,839,748,179</u>	<u>40,921,085,048</u>	<u>2,596,760,833,227</u>
Gross profit	<u>2,136,464,342,287</u>	<u>2,383,559,616</u>	<u>2,138,847,901,903</u>

Revenue from locally-produced products is as follows

	2011 VND	2010 VND
Sales of Ure	6,242,801,579,888	4,508,705,348,029
Sales of Amoniac	36,273,170,013	186,892,922,108
Sales of electricity	7,682,902,076	10,201,609,113
Others	<u>510,798,797,802</u>	<u>27,450,312,153</u>
	<u>6,797,556,449,779</u>	<u>4,733,250,191,403</u>
Sales discounts	<u>53,659,186,136</u>	<u>40,946,100,937</u>
	<u>6,743,897,263,643</u>	<u>4,692,304,090,466</u>

23. PRODUCTION COST BY NATURE

	2011 VND	2010 VND
Raw materials and consumables	2,173,695,813,486	1,580,402,261,150
Labour	320,666,105,255	227,554,464,285
Depreciation and amortization	172,114,953,111	673,180,983,042
Out-sourced services	430,981,958,254	433,672,098,150
Other expenses	<u>549,616,426,043</u>	<u>353,699,151,007</u>
	<u>3,647,075,256,150</u>	<u>3,268,508,957,634</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

24. FINANCIAL INCOME

	2011	2010
	VND	VND
Interest income	448,555,064,135	272,338,659,153
Dividend	141,725,201,087	83,657,226,279
Gain from realized foreign exchange rate difference	7,755,473,997	-
Others	79,379	308,356,946
	598,035,818,598	356,304,242,378

25. FINANCIAL EXPENSES

	2011	2010
	VND	VND
Loan interest	25,377,064,463	7,633,940,298
Loss from exchange difference	39,067,463,965	62,278,698,560
Others	4,350,234,914	10,074,053,803
	68,794,763,342	79,986,692,661

26. CORPORATE INCOME TAX

	2011	2010
	VND	VND
Current corporate income tax calculated on the current taxable incomes	317,645,112,808	176,936,737,983
Tax adjustments in previous years	63,558,620	-
Current corporate income tax expense	317,708,671,428	176,936,737,983

27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	31/12/2011	31/12/2010
	VND	VND
Within one year	7,188,223,094	12,873,721,961
In the second to fifth years inclusive	27,565,696,375	22,924,219,188
After five years	31,795,489,104	28,702,378,545
	66,549,408,572	64,500,319,694

On 3 September 2005, the Company was handed over with a land-subleasing contract No. 178/HD/TLĐ/UDEC.2001 dated 1 June 2001 signed between the PMU of Phu My Fertilizer Plant and Ba Ria-Vung Tau Urban Development and Construction Company for long-term rental of land and infrastructure in Phu My I Industrial Zone, Tan Thanh Commune, Ba Ria – Vung Tau Province. The contract is valid for 17 years from the date of 3 September 2004 with the rental fee and infrastructure use fee of USD 378,392 per annum.

On 1 November 2010, the Company signed the office rental contract in Cambodia with rental period of 3 years and rental fee of USD 1,500 per month.

28. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity attributable to equity holders (comprising capital, reserves and retained earnings).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 4.

Categories of financial instruments

	Carrying amounts	
	31/12/2011	31/12/2010
	<u>VND</u>	<u>VND</u>
Financial assets		
Cash and cash equivalents	3,633,780,353,239	2,876,483,097,099
Trade & other receivables	287,894,983,307	184,765,026,757
Short-term investments	202,000,000,000	25,000,000,000
Long-term investments	43,591,357,921	313,591,357,921
Other financial assets	151,850,200	6,839,137,844
Total	4,167,418,544,667	3,406,678,619,621
Financial liabilities		
Borrowings	-	328,116,769,473
Trade & other payables	375,712,089,362	372,240,996,959
Accruals	157,644,838,303	182,976,389,083
Total	533,356,927,665	883,334,155,515

The Company has not assessed fair value of its financial assets and liabilities as at the balance date since there are no comprehensive guidance under Circular 210 and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of IFRS on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

Financial risk management objectives

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company does not hedge these risk exposures due to the lack of a market to purchase financial instruments.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company does not hedge this risk due to the lack of any market to purchase such instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Liabilities		Assets	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	VND	VND	VND	VND
United States Dollar (USD)	4,260,029,420	597,806,637,247	147,465,726,357	1,755,187,612
Euro (EUR)	150,052,595	-	39,588,091	40,793,413
Singapore Dollar (SGD)	-	-	-	6,619,819

Price risk management

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Commodity price risk management

The Company purchases materials, commodities from local and foreign suppliers for business purpose. Therefore, the Company is exposed to the risk of changes in selling prices of materials, commodities. The Company does not hedge this risk due to the lack of any market to purchase such instruments.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not have any significant credit risk exposure to any counterparty.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Company believes can generate within that period. The Company policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Less than 1 year	Over 1 year	Total
	VND	VND	VND
31/12/2011			
Borrowings	-	-	-
Trade & other payables	375,712,089,362	-	375,712,089,362
Accruals	157,644,838,303	-	157,644,838,303
Total	533,356,927,665	-	533,356,927,665
31/12/2010			
Borrowings	82,029,192,368	246,087,577,105	328,116,769,473
Trade & other payables	372,240,996,959	-	372,240,996,959
Accruals	182,976,389,083	-	182,976,389,083
Total	637,246,578,410	246,087,577,105	883,334,155,515

The management assessed the liquidity risk at low level. The management believes that the Company will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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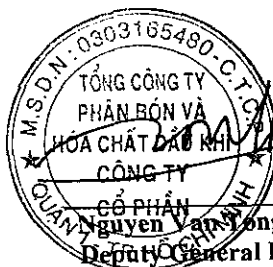
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The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets, if any. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	<u>Less than 1 year</u> <u>VND</u>	<u>Over 1 year</u> <u>VND</u>	<u>Total</u> <u>VND</u>
31/12/2011			
Cash and cash equivalents	3,633,780,353,239	-	3,633,780,353,239
Trade & other receivables	287,894,983,307	-	287,894,983,307
Short-term investments	202,000,000,000	-	202,000,000,000
Long-term investments	-	43,591,357,921	43,591,357,921
Other financial assets	20,000,000	131,850,200	151,850,200
Total	4,123,695,336,546	43,723,208,121	4,167,418,544,667
31/12/2010			
Cash and cash equivalents	2,876,483,097,099	-	2,876,483,097,099
Trade & other receivables	184,765,026,757	-	184,765,026,757
Short-term investments	25,000,000,000	-	25,000,000,000
Long-term investments	-	313,591,357,921	313,591,357,921
Other financial assets	6,706,638,044	132,499,800	6,839,137,844
Total	3,092,954,761,900	313,723,857,721	3,406,678,619,621

29. COMPARATIVE FIGURES

Comparative figures are figures in the audited financial statements for year ended 31 December 2010.



Nguyen Van Tong
 Deputy General Director
 5 March 2012

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Huynh Kim Nhan
 Chief Accountant