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STATEMENT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of PetroVietnam Fertilizer and Chemicals Corporation - JSC presents this report together with the financial statements of the Holding Company - PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Company") for the year ended 31 December 2012.

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
Ms. Nguyen Thi Hien	Vice Chairwoman
Mr. Cao Hoai Duong	Member
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
Mr. Le Van Quoc Viet	Deputy General Director
Mr. Nguyen Van Tong	Deputy General Director
Ms. Chu Thi Hien	Deputy General Director (resigned on 01 March 2013)
Ms. Le Thi Thu Huong	Deputy General Director (appointed on 01 March 2013)
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 of each year 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,



Nguyễn Văn Tong
Deputy General Director

08 March 2013
Ho Chi Minh City, S. R. Vietnam

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of the Holding Company - PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Company") as at 31 December 2012, the related statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the financial statements") prepared on 8 March 2013, as set out from page 3 to page 27. 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.

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.

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.

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 2012 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.



8 March 2013
Hanoi, S.R. Vietnam

Tran Huy Cong
Auditor
CPA Certificate No. 0891/KTV

BALANCE SHEET

As at 31 December 2012

FORM B 01-DN

Unit: VND

ASSETS	Codes	Notes	31/12/2012	31/12/2011
A. CURRENT ASSETS (100=110+120+130+140+150)	100		6,537,835,014,112	5,464,356,634,668
I. Cash and cash equivalents	110	5	5,209,946,797,179	3,633,780,353,239
1. Cash	111		189,694,797,179	258,780,353,239
2. Cash equivalents	112		5,020,252,000,000	3,375,000,000,000
II. Short-term financial investments	120		59,477,046,183	202,000,000,000
1. Short-term investments	121	6	59,477,046,183	202,000,000,000
III. Short-term receivables	130		156,511,933,406	478,597,862,736
1. Trade accounts receivable	131		18,248,172,455	209,522,866,280
2. Advances to suppliers	132		94,615,513,958	119,856,679,429
3. Other receivables	135	7	162,945,314,282	158,555,158,976
4. Provision of doubtful receivables	139		(119,297,067,289)	(9,336,841,949)
IV. Inventories	140	8	979,362,417,883	1,021,525,646,645
1. Inventories	141		979,362,417,883	1,028,619,849,295
2. Provision for devaluation in inventories	149		-	(7,094,202,650)
V. Other short-term assets	150		132,536,819,461	128,452,772,048
1. Short-term prepayments	151	9	12,702,390,398	11,838,427,664
2. Value added tax deductibles	152		112,368,878,073	113,211,738,860
3. Taxes and other receivables from the State budget	154	19	5,736,410,209	-
4. Other short-term assets	158		1,729,140,781	3,402,605,524
B. NON-CURRENT ASSETS (200=220+240+250+260)	200		3,687,351,115,050	3,590,872,373,635
I. Fixed assets	220		2,051,193,329,172	1,981,355,639,587
1. Tangible fixed assets	221	10	953,298,097,742	1,059,679,571,214
- Cost	222		6,624,748,941,795	6,566,922,568,601
- Accumulated depreciation	223		(5,671,450,844,053)	(5,507,242,997,387)
2. Intangible fixed assets	227	11	667,159,564,553	627,804,437,666
- Cost	228		860,569,144,834	809,684,068,355
- Accumulated amortization	229		(193,409,580,281)	(181,879,630,689)
3. Construction in progress	230	12	430,735,666,877	293,871,630,707
II. Investment properties	240	13	387,821,602,923	308,492,302,434
- Cost	241		412,389,407,195	322,137,485,168
- Accumulated depreciation	242		(24,567,804,272)	(13,645,182,734)
III. Long-term financial investments	250		1,133,601,016,483	1,029,048,157,921
1. Investments in subsidiaries	251	14	466,456,800,000	466,456,800,000
2. Investments in associates	252	15	599,000,000,000	519,000,000,000
3. Other long-term investments	258	16	83,625,067,921	43,591,357,921
4. Provision for diminution in value of long-term financial investments	259	15	(15,480,851,438)	-
IV. Other long-term assets	260		114,735,166,472	271,976,273,693
1. Long-term prepayments	261	17	61,380,955,057	260,021,060,620
2. Deferred tax assets	262	18	53,146,484,811	11,823,362,873
3. Other long-term assets	268		207,726,604	131,850,200
TOTAL ASSETS (270=100+200)	270		10,225,186,129,162	9,055,229,008,303

The notes set out on pages 7 to 27 are an integral part of these financial statements

BALANCE SHEET (Continued)

As at 31 December 2012

FORM B 01-DN

Unit: VND


RESOURCES	Codes	Notes	31/12/2012	31/12/2011
A. LIABILITIES (300=310+330)	300		1,263,027,388,808	817,255,753,520
I. Current liabilities	310		1,258,830,382,270	803,920,238,961
1. Trade accounts payable	312		377,735,482,928	335,512,607,275
2. Advances from customers	313		199,582,957,503	14,581,571,175
3. Taxes and amounts payable to State budget	314	19	114,318,466,349	88,609,868,041
4. Payables to employees	315		55,910,481,201	80,014,768,234
5. Accrued expenses	316	20	290,145,735,059	157,644,838,303
6. Other current payables	319	21	39,119,068,794	50,859,750,751
7. Bonus and welfare funds	323		182,018,190,436	76,696,835,182
II. Long-term liabilities	330		4,197,006,538	13,335,514,559
1. Provision for severance allowance	336		-	8,466,986,977
2. Unearned revenue	338		4,197,006,538	4,868,527,582
B. EQUITY (400=410)	400		8,962,158,740,354	8,237,973,254,783
I. Shareholders' equity	410	22	8,962,158,740,354	8,237,973,254,783
1. Charter capital	411		3,800,000,000,000	3,800,000,000,000
2. Treasury shares	414		(85,447,473,262)	(83,961,341,647)
3. Foreign exchange reserve	416		(78,903,497)	(835,361,854)
4. Investment and development fund	417		2,499,459,725,948	1,407,397,263,345
5. Financial reserve fund	418		800,339,607,731	488,321,761,273
6. Retained earnings	420		1,947,885,783,434	2,627,050,933,666
TOTAL RESOURCES (440=300+400)	440		10,225,186,129,162	9,055,229,008,303

OFF-BALANCE SHEET ITEMS

	31/12/2012	31/12/2011
1. Foreign currencies		
- USD	2,773,417	7,272,812
- EUR	1,429	19,864


 Hoang Thi Lan Anh
 Preparer

08 March 2013


 Huynh Kim Nhan
 Chief Accountant


 TÔNG CÔNG TY
 PHÂN BÓN VÀ
 HÓA CHẤT DẦU KHÍ
 CÔNG TY
 CỔ PHẦN
 Nguyễn Văn Tong
 Deputy General Director

INCOME STATEMENT


For the year ended 31 December 2012

FORM B 02-DN
 Unit: VND

ITEMS	Codes	Notes	2012	2011
1. Gross revenue from goods sold and services rendered	01		11,871,226,840,649	7,655,679,058,679
2. Deductions	02		141,447,278,083	53,659,186,136
3. Net revenue from goods sold and services rendered (10=01-02)	10	23	11,729,779,562,566	7,602,019,872,543
4. Cost of goods sold and services rendered	11	23	7,771,712,981,448	3,798,294,922,197
5. Gross profit from goods sold and services rendered (20=10-11)	20		3,958,066,581,118	3,803,724,950,346
6. Financial income	21	25	591,020,867,945	598,035,818,598
7. Financial expenses	22	26	20,776,580,286	68,794,763,342
<i>In which: Interest expense</i>	23		-	25,377,064,463
8. Selling expenses	24		562,292,508,777	461,540,749,528
9. General and administration expenses	25		561,386,017,670	441,512,649,319
10. Operating profit (30=20+(21-22)-(24+25))	30		3,404,632,342,330	3,429,912,606,755
11. Other income	31		10,013,422,937	24,678,833,123
12. Other expenses	32		1,056,815,591	13,714,591,305
13. Profit from other activities (40=31-32)	40		8,956,607,346	10,964,241,818
14. Accounting profit before tax (50=30+40)	50		3,413,588,949,676	3,440,876,848,573
15. Current corporate income tax expense	51	27	470,436,302,359	317,708,671,428
16. Deferred tax (income)/expense	52	18	(41,323,121,938)	2,989,712,564
17. Net profit after corporate income tax (60=50-51-52)	60		2,984,475,769,255	3,120,178,464,581


 Hoang Thi Lan Anh
 Preparer

08 March 2013


 Huynh Kim Nhan
 Chief Accountant



CASH FLOW STATEMENT

For the year ended 31 December 2012

FORM B 03-DN
 Unit: VND

ITEMS	Codes	2012	2011
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	3,413,588,949,676	3,440,876,848,573
2. Adjustments for:			
Depreciation and amortisation	02	187,597,519,962	172,114,953,111
Provisions	03	118,346,874,128	7,094,202,650
Unrealized foreign exchange loss	04	327,161,230	-
(Gain) from investing activities	05	(589,255,689,341)	(594,859,433,769)
Interest expense	06	-	25,377,064,463
3. Operating profit before movements in working capital	08	3,130,604,815,655	3,050,603,635,028
Change in receivables	09	237,891,389,917	(57,354,403,986)
Change in inventories	10	62,327,205,791	(460,280,560,742)
Change in accounts payable (not including accrued interest and corporate income tax payable)	11	339,118,244,136	(27,974,286,308)
Change in prepaid expenses	12	197,776,142,829	35,091,723,451
Interest paid	13	-	(25,377,064,463)
Corporate income tax paid	14	(446,118,862,153)	(280,618,701,902)
Other cash inflows	15	1,673,464,743	6,687,287,644
Other cash outflows	16	(266,543,531,576)	(173,128,042,095)
Net cash from operating activities	20	3,256,728,869,342	2,067,649,586,627
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and long-term assets	21	(328,891,474,376)	(730,632,653,197)
2. Cash outflow for buying debt instruments of other entities	23	(342,382,830,000)	(177,000,000,000)
3. Cash recovered from lending, selling debt instruments of other entities	24	307,905,783,817	-
4. Investments in other entities	25	(23,131,710,000)	(361,798,800,000)
5. Cash recovered from investments in other entities	26	-	502,908,424,557
6. Interest earned, dividends and profits received	27	588,194,391,387	552,677,656,877
Net cash from/(used in) investing activities	30	201,694,160,828	(213,845,371,763)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Buying treasury shares	32	-	(14,180,236,055)
2. Repayment of borrowings	34	-	(328,116,769,473)
3. Dividends paid	36	(1,881,929,425,000)	(753,064,360,000)
Net cash (used in) financing activities	40	(1,881,929,425,000)	(1,095,361,365,528)
Net increase in cash	50	1,576,493,605,170	758,442,849,336
Cash and cash equivalents at the beginning of the year	60	3,633,780,353,239	2,876,483,097,099
Effect of changes in foreign exchange rates	61	(327,161,230)	(1,145,593,196)
Cash and cash equivalents at the end of the year	70	5,209,946,797,179	3,633,780,353,239

Hoang Thi Lan Anh
 Hoang Thi Lan Anh
 Preparer

08 March 2013

Huynh Kim Nhan
 Huynh Kim Nhan
 Chief Accountant



Nguyen Van Tong
 Nguyen Van Tong
 Deputy General Director

The notes set out on pages 7 to 27 are an integral part of these financial statements

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 known as PetroVietnam Fertilizer and Chemicals Joint Stock Company, was established under Business Registration Certificate No. 4103007696 dated 31 August 2007 and amended on 15 May 2008, issued by Department of Planning and Investment of Ho Chi Minh City. On 01 September 2008, the Company officially transformed its operation into parent-subsidiary model in accordance with Resolution No. 01/ND-DHDCD passed at the Shareholders' General Meeting. Accordingly, the Holding Company - PetroVietnam Fertilizer and Chemicals Corporation - JSC was established from functional departments of PetroVietnam Fertilizer and Chemicals Joint Stock Company, project management units 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 as at 31 December 2012 was 1,166 (31/12/2011: 1,144).

Principal activities

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

2. ACCOUNTING CONVENTION AND FINANCIAL 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.

The Company's financial statements are prepared based on the aggregation financial statements of the head office and business units of the Company. The major transactions and balances between the head office and business units of the Company are eliminated on the Company's financial statements.

Financial year

The Company's financial year begins on 01 January and ends on 31 December.

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 24 October 2012, the Ministry of Finance issued Circular No. 179/2012/TT-BTC ("Circular 179") providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises, replacing Circular No. 201/2009/TT-BTC dated 15 October 2009 by the Ministry of Finance ("Circular 201"). Circular 179 came into effect from 10 December 2012 and is applied from financial year 2012. The guidance under Circular 179 on recognition, measurement and treatment of foreign exchange differences for transactions and balances of monetary items denominated in foreign currencies arising from 01 January 2012 is basically the same as that under VAS 10. According to the Board of General Directors' assessment, Circular 179 has immaterial effect on the Company's financial statements for the year ended 31 December 2012.

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 accompanying financial statements

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. Although these accounting estimates are based on the management's best knowledge 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, cash equivalents, short-term deposits, trade and other receivables, and investments.

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 trade payables, accrued expenses and other payables.

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.

As at 31 December 2012, the Company had receivables of VND 110,143,267,289 from PetroVietnam Trade Union Finance Investment Corporation (PVFI), including due entrusted fund of VND 101,597,868,000 and unsettled entrusted interest of VND 8,545,399,289. The Board of General Directors assessed recoverability of such receivables at very low level since PVFI experienced difficulties in operations with losses, unsecured ability to continue as a going concern and inability to pay debts as they fall due. Therefore, the Board of General Directors decided to make full provision for the above receivables.

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 accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable 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, as follows:

	<u>Years</u>
Buildings, structures	5 - 25
Machinery, 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 fixed assets and amortization

Intangible fixed assets represent patent, land use rights, computer software and other intangible assets which are stated at cost less accumulated amortization. The patent 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. Definite-term land use rights are amortized using the straight-line method over the duration of the right to use the land. Indefinite-term land use rights are not amortized.

Leasing

Operating lease includes office and land rentals. Payments under operating leases are charged to profit or loss on a straight-line basis over the lease 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 accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 properties

Investment properties, which are composed of 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; Sao Phuong Bac Hotel in Sapa Town, Lao Cai Province; PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City; Can Tho Office Building at 151/18 Tran Hoang Na Street, Can Tho City 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 rights	44 - 50
Buildings and structures	25

The Company does not depreciate investment properties which are land use rights with 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. At the subsequent reporting dates, investments in subsidiaries are recognized at cost less the amount of diminution in value of the investments (if any).

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 the amount of diminution in value of the investments (if any).

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 investments are carried at cost. Provision for diminution in value of other long-term investments is provision for impairment of long-term investments or losses in investees.

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 accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term prepayments

Long-term prepayments include land rentals, business privilege, spare parts and other long-term prepayments.

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

Business privilege 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 01 January 2007. As at 31 December 2012, business privilege was charged in full to the income statement. According to the Board of General Directors' judgments, allocation of business privilege over 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 the income statement on the straight-line basis over 6 years in accordance with the depreciation duration of production lines.

Other types of long-term prepayments comprise of tools and equipments which are charged to the income statement on the straight-line basis from 1.5 to 2 years.

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 the income statement on the straight-line basis over the lease term.

Financial income includes interests on time and demand deposits and on investments, in which deposit interests are 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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These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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% of 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 2012 is the fifth year the Company enjoys 50% corporate income tax reduction as it is the Company's ninth 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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5. CASH AND CASH EQUIVALENTS

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Cash on hand	651,526,703	1,488,798,500
Cash in bank	189,043,270,476	257,291,554,739
Cash equivalents	5,020,252,000,000	3,375,000,000,000
	<u>5,209,946,797,179</u>	<u>3,633,780,353,239</u>

Cash equivalents represent time deposits for terms from 1 to 3 months at commercial banks and credit institutions at the interest rate of 8% to 14% per annum.

6. SHORT-TERM INVESTMENTS

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Time deposits at commercial banks	51,000,000,000	25,000,000,000
Time deposits at PetroVietnam Trade Union Finance Investment Corporation (PVFI)	-	177,000,000,000
Time deposits at PetroVietnam Finance Joint Stock Corporation - Sai Gon Branch (PVFC - SG)	8,477,046,183	-
	<u>59,477,046,183</u>	<u>202,000,000,000</u>

Short-term investments as at 31 December 2012 represent time deposits for terms from 6 to 12 months at commercial banks and PetroVietnam Finance Joint Stock Corporation - Sai Gon Branch with interest rate from 10% to 13% per annum.

7. OTHER RECEIVABLES

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Charter capital advance to PetroVietnam Urban Development Joint Stock Company (PVC-Mekong)	-	80,000,000,000
Accrued interest income from term deposits	47,008,472,222	54,677,916,668
PetroVietnam Trade Union Finance Investment Corporation (PVFI)	110,143,267,289	-
Others	5,793,574,771	23,877,242,308
	<u>162,945,314,282</u>	<u>158,555,158,976</u>

The receivable from PetroVietnam Trade Union Finance Investment Corporation (PVFI) as at 31 December 2012 included due entrusted fund of VND 101,597,868,000 and unsettled entrusted interest of VND 8,545,399,289. The Board of General Directors assessed recoverability of such receivables at very low level since PVFI experienced difficulties in operations with losses, unsecured ability to continue as a going concern and inability to pay debts as they fall due. Therefore, the Board of General Directors decided to make full provision for the above receivables.

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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 accompanying financial statements***8. INVENTORIES**

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Goods in transit	178,255,480,490	69,823,891,557
Raw materials	444,817,892,070	316,303,313,794
Tools and supplies	9,394,950,210	4,848,260,085
Work in process	34,717,024,425	38,953,701,976
Finished goods	312,177,070,688	129,190,073,743
Merchandise	-	469,500,608,140
	<u>979,362,417,883</u>	<u>1,028,619,849,295</u>
Provision for devaluation of inventories	-	(7,094,202,650)
Net realizable value	<u>979,362,417,883</u>	<u>1,021,525,646,645</u>

9. SHORT-TERM PREPAYMENTS

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Asset insurance prepayment	10,792,388,054	11,003,395,240
Others	1,910,002,344	835,032,424
	<u>12,702,390,398</u>	<u>11,838,427,664</u>

10. TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery, equipment	Motor vehicles	Office equipment	Total
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
COST					
As at 01/01/2012	1,171,705,357,349	5,281,475,938,314	46,686,078,522	67,055,194,416	6,566,922,568,601
Purchases	1,493,424,998	24,814,311,173	8,977,240,955	26,113,018,836	61,397,995,962
Transfer from construction in progress	75,955,743,000	-	-	-	75,955,743,000
Disposals	-	-	-	(937,102,166)	(937,102,166)
Transfer to investment properties	(78,590,263,602)	-	-	-	(78,590,263,602)
As at 31/12/2012	<u>1,170,564,261,745</u>	<u>5,306,290,249,487</u>	<u>55,663,319,477</u>	<u>92,231,111,086</u>	<u>6,624,748,941,795</u>
ACCUMULATED DEPRECIATION					
As at 01/01/2012	579,075,728,988	4,862,097,253,610	38,501,198,143	27,568,816,646	5,507,242,997,387
Charge for the year	46,695,620,063	95,167,604,432	2,184,355,214	21,582,583,366	165,630,163,075
Disposals	-	-	-	(937,102,166)	(937,102,166)
Transfer to investment properties	(485,214,243)	-	-	-	(485,214,243)
As at 31/12/2012	<u>625,286,134,808</u>	<u>4,957,264,858,042</u>	<u>40,685,553,357</u>	<u>48,214,297,846</u>	<u>5,671,450,844,053</u>
NET BOOK VALUE					
As at 31/12/2012	<u>545,278,126,937</u>	<u>349,025,391,445</u>	<u>14,977,766,120</u>	<u>44,016,813,240</u>	<u>953,298,097,742</u>
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>

The cost of the Company's tangible fixed assets as at 31 December 2012 included VND 5,309,945,595,948 (31 December 2011: VND 5,307,633,788,367) of tangible assets which have been fully depreciated but are still in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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11. INTANGIBLE FIXED ASSETS

	<u>Land use rights</u> <u>VND</u>	<u>Patent</u> <u>VND</u>	<u>Software</u> <u>VND</u>	<u>Others</u> <u>VND</u>	<u>Total</u> <u>VND</u>
COST					
As at 01/01/2012	584,273,696,679	171,441,137,057	44,387,280,223	9,581,954,396	809,684,068,355
Purchases	-	-	117,332,000	400,000,000	517,332,000
Transfer from construction in progress	62,333,089,204	-	619,254,720	-	62,952,343,924
Transfer to investment properties	(12,406,575,000)	-	-	-	(12,406,575,000)
Other decrease	(178,024,445)	-	-	-	(178,024,445)
As at 31/12/2012	634,022,186,438	171,441,137,057	45,123,866,943	9,981,954,396	860,569,144,834
ACCUMULATED AMORTIZATION					
As at 01/01/2012	-	161,582,221,870	10,758,493,029	9,538,915,790	181,879,630,689
Charge for the year	-	2,464,728,796	9,027,349,627	37,871,169	11,529,949,592
As at 31/12/2012	-	164,046,950,666	19,785,842,656	9,576,786,959	193,409,580,281
NET BOOK VALUE					
As at 31/12/2012	634,022,186,438	7,394,186,391	25,338,024,287	405,167,437	667,159,564,553
As at 31/12/2011	584,273,696,679	9,858,915,187	33,628,787,194	43,038,606	627,804,437,666

The cost of the Company's intangible assets at 31 December 2012 included VND 168,896,621,106 (31 December 2011: VND 168,792,861,106) of intangible assets which have been fully amortized but are still in use.

12. CONSTRUCTION IN PROGRESS

	<u>31/12/2012</u> <u>VND</u>	<u>31/12/2011</u> <u>VND</u>
Cai Cui port - Can Tho warehouse	235,149,280,732	122,575,593,205
An Giang warehouse	-	40,907,321,778
Nam Phat - Tien Giang warehouse	-	34,854,969,899
Gia Lai warehouse	-	25,242,660,028
Ammoniac project	44,003,993,921	24,397,090,908
Apartment building for staff	36,148,525,618	-
Tay Ninh warehouse	23,268,818,182	15,126,000,000
Da Nang warehouse	22,875,662,950	61,818,182
Tra Noc warehouse	4,238,253,953	-
Office building at 43 Mac Dinh Chi street	-	5,732,174,223
Other projects	65,051,131,521	24,974,002,484
	<u>430,735,666,877</u>	<u>293,871,630,707</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 accompanying financial statements

13. INVESTMENT PROPERTIES

	Land use rights	Buildings and	Total
	<u>VND</u>	<u>structures</u>	<u>VND</u>
COST			
As at 01/01/2012	123,999,152,000	198,138,333,168	322,137,485,168
Transfer from tangible fixed assets	-	78,590,263,602	78,590,263,602
Transfer from intangible fixed assets	12,406,575,000	-	12,406,575,000
Other decrease	-	(744,916,575)	(744,916,575)
As at 31/12/2012	<u>136,405,727,000</u>	<u>275,983,680,195</u>	<u>412,389,407,195</u>
ACCUMULATED DEPRECIATION			
As at 01/01/2012	1,646,440,696	11,998,742,038	13,645,182,734
Charge for the year	1,481,410,746	8,955,996,549	10,437,407,295
Transfer from tangible fixed assets	-	485,214,243	485,214,243
As at 31/12/2012	<u>3,127,851,442</u>	<u>21,439,952,830</u>	<u>24,567,804,272</u>
NET BOOK VALUE			
As at 31/12/2012	<u>133,277,875,558</u>	<u>254,543,727,365</u>	<u>387,821,602,923</u>
As at 31/12/2011	<u>122,352,711,304</u>	<u>186,139,591,130</u>	<u>308,492,302,434</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; Sao Phuong Bac Hotel in Sapa Town, Lao Cai Province, PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City; Can Tho Office Building at 151/18 Tran Hoang Na Street, Can Tho City which were held to earn rentals.

According to VAS No. 05 - *Investment Properties*, fair value of investment properties as at 31 December 2012 is required to be disclosed. However, since the Company has not determined the fair value at 31 December 2012; therefore, no information about the fair value is stated at the notes to the financial statements.

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14. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	31/12/2012 VND	31/12/2011 VND	Principal activity
Central PetroVietnam Fertilizer and Chemicals JSC	Binh Dinh Province	75	75	75,000,000,000	75,000,000,000	Trading of fertilizer and chemicals
SouthWest PetroVietnam Fertilizer and Chemicals JSC	Can Tho City	75	75	127,500,000,000	127,500,000,000	Trading of fertilizer and chemicals
SouthEast PetroVietnam Fertilizer and Chemicals JSC	Ho Chi Minh City	75	75	93,750,000,000	93,750,000,000	Trading of fertilizer and chemicals
Northern PetroVietnam Fertilizer and Chemicals JSC	Ha Noi City	75	75	90,000,000,000	90,000,000,000	Trading of fertilizer and chemicals
Phu My Fertilizer Packaging Joint Stock Company	Ba Ria - Vung Tau Province	51	51	21,410,000,000	21,410,000,000	Production of packages
PetroVietnam Southern Building and Development JSC	Ho Chi Minh City	81	81	58,796,800,000	58,796,800,000	Investing and trading of real estates
				466,456,800,000	466,456,800,000	

15. INVESTMENTS IN ASSOCIATES

Name of associates	Place of incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	31/12/2012 VND	31/12/2011 VND	Principal activity
Petrovietnam Urban Development JSC (PVC-Mekong) (1)	Ca Mau City	35.63	35.63	100,000,000,000	20,000,000,000	Construction and installation of industrial and civil works
Petrovietnam Petrochemical and Textile Fiber JSC (PVTEX) (2)	Hai Phong City	24.72	24.72	499,000,000,000	499,000,000,000	Manufacturing and trading of polyester fiber
				599,000,000,000	519,000,000,000	

(1) Based on the Resolution passed at the annual meeting of shareholders in 2011 of PVC-Mekong, the charter capital of the PVC-Mekong was approved to increase from VND 100 billion to VND 500 billion by issuing and public offering 40 million shares. The number of actually issued shares was 18,068,900 in which the Company contributed VND 80 billion equivalent to 8 million shares. Accordingly, the contributed capital of the Company at PVC - Mekong was VND 100 billion as at 31 December 2012, equivalent to 35.63% of PVC - Mekong's charter capital.

PVC Mekong has incurred a loss for the year 2012; therefore, the Company has assessed the diminution in value of the investment in PVC - Mekong based on its financial statements collected at the nearest date (30 September 2012). Moreover, the PVC - Mekong's net asset is VND 43,453,047,093 less than the shareholders' contributed capital. Therefore, the Board of General Directors made provision for diminution in value of the investment in PVC - Mekong of VND 15,480,851,438. The Board of General Directors believed that there was no significant change about PVC - Mekong's financial statements in comparison with the nearest statements which were used to determine the provision for diminution in value of the investment which may have material impact on the Company's financial statements.

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 accompanying financial statements

15. INVESTMENTS IN ASSOCIATES (Continued)

- (2) According to the unaudited consolidated financial statements for the year ended 31 December 2012 of PetroVietnam Petrochemical and Textile Fiber Joint Stock Company (PVTEX), PVTEX's net assets of VND 1,809 billion is VND 209 billion less than the capital contributed by owners of VND 2,018 billion. This is because PVTEX has an amount of VND 275 billion, representing unrealized foreign exchange difference in the course of construction. At the reporting date, PVTEX has been under pre-operation period, building and production line under investment period, and such difference is planned to be allocated to business expenses of PVTEX over the maximum period of 5 years. Therefore, the Board of General Directors believes that provision for diminution in value of the investment in PVTEX should not be made.

16. OTHER LONG-TERM INVESTMENTS

Name of investees	Proportion of ownership interest (%)	31/12/2012	31/12/2011
		VND	VND
Drilling Mud Joint Stock Corporation (DMC)	10.27%	57,373,067,921	34,241,357,921
Petroleum Information Technology Telecom and Automation Joint Stock Company (PAIC)	8.59%	3,600,000,000	3,600,000,000
Petroleum Sport and Culture Corporation (PSCC)	10.00%	1,000,000,000	1,000,000,000
PetroVietnam Packing Joint Stock Company (PSP)	14.55%	4,750,000,000	4,750,000,000
UTXI Aquatic Product Processing Corporation	6.78%	16,902,000,000	-
		83,625,067,921	43,591,357,921

As at 31 December 2012, the Board of General Directors has evaluated the above long-term investments and believes that there are no diminution in value, thus no provision was made.

17. LONG-TERM PREPAYMENTS

	31/12/2012	31/12/2011
	VND	VND
Land rentals	5,056,426,345	5,618,251,495
Business privileges	-	88,616,799,064
Spare parts	46,275,058,387	61,700,077,851
Training fee for Ca Mau Fertilizer Plant	21,952,000	69,469,257,424
Others	10,027,518,325	34,616,674,786
	61,380,955,057	260,021,060,620

18. 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.

	Provision of doubtful debts	Provision for diminution in value of long-term financial investments	Accrued expenses	Unearned revenue	Retained earnings	Total
	VND	VND	VND	VND	VND	VND
As at 01/01/2011	-	-	12,814,633,391	1,385,012,157	613,429,889	14,813,075,437
Charge for the year	-	-	(991,270,518)	(1,385,012,157)	(613,429,889)	(2,989,712,564)
As at 01/01/2012	-	-	11,823,362,873	-	-	11,823,362,873
Charge for the year	27,535,816,822	3,870,212,860	9,917,092,256	-	-	41,323,121,938
As at 31/12/2012	27,535,816,822	3,870,212,860	21,740,455,129	-	-	53,146,484,811

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 accompanying financial statements

19. TAXES AND AMOUNTS PAYABLE TO STATE BUDGET

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
VAT payables	532,229,491	-
Import - export duties	602,523,952	-
Corporate income tax	110,029,012,584	83,398,140,810
Personal income tax	150,982,320	5,201,767,490
Other taxes	3,003,718,002	9,959,741
	<u>114,318,466,349</u>	<u>88,609,868,041</u>

IMPLEMENTATION OF TAX OBLIGATIONS TO THE STATE BUDGET

Sections	Tax payable	Accumulated amounts		Tax payable
	31/12/2011	Tax payable	Tax paid	31/12/2012
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
VAT domestic payables	-	33,377,225,121	33,377,225,121	-
VAT import/export payables	-	13,598,740,911	13,066,511,420	532,229,491
Import - export duties	-	5,585,686,701	4,983,162,749	602,523,952
Corporate income tax	83,398,140,810	470,436,302,359	446,118,862,153	107,715,581,016
Personal income tax	5,201,767,490	66,018,863,903	74,492,627,714	(3,271,996,321)
Natural resource tax	-	1,508,918,988	1,508,918,988	-
Environmental protection tax	-	32,952,516,935	29,995,772,737	2,956,744,198
Business tax	-	11,979,302	11,979,302	-
Withholding tax	-	543,696,086	543,696,086	-
Other taxes	9,959,741	961,930,412	924,916,349	46,973,804
Total	88,609,868,041	624,995,860,718	605,023,672,619	108,582,056,140
<i>In which:</i>				
- Taxes and amounts payable to the State budget	88,609,868,041	-	-	114,318,466,349
- Taxes and other receivables from the State budget	-	-	-	5,736,410,209
+) Personal income tax	-	-	-	3,422,978,641
+) Corporate income tax	-	-	-	2,313,431,568

20. ACCRUED EXPENSES

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Repair and maintenance expenses for 2013 (i)	151,714,209,145	72,380,000,000
Social security expenses (ii)	73,570,862,067	38,283,665,997
Others	64,860,663,847	46,981,172,306
	<u>290,145,735,059</u>	<u>157,644,838,303</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued) **FORM B 09-DN**
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20. ACCRUED EXPENSES (Continued)

(i) During 2012, the Company accrued repair and maintenance expenses of VND 79,334,209,145 in pursuant to the plan of repair and maintenance of Phu My Fertilizer Plant in 2013.

(ii) In accordance with Decision No. 404/NQ-DKVN dated 07 March 2012 of Vietnam Oil and Gas Group, the Company accrued social security expenses of VND 130 billion in order to implement social security program for the whole Group. By 31 December 2012, the social security expenses of VND 73,570,862,067 had not been transferred to the beneficiaries.

21. OTHER CURRENT LIABILITIES

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Discounts payable to subsidiaries	10,414,712,380	23,837,428,366
Payables to PetroVietnam Camau Fertilizer Company Limited	-	8,112,540,000
Dividends payable	16,502,443,664	10,660,268,664
Others	12,201,912,750	8,249,513,721
	<u>39,119,068,794</u>	<u>50,859,750,751</u>

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22. SHAREHOLDERS' EQUITY

Movement in shareholders' 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 01/01/2011	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 year	-	-	-	-	-	3,120,178,464,581	3,120,178,464,581
Acquisition of treasury share for the year	-	(684,211,020)	-	-	-	-	(684,211,020)
Profit distribution	-	-	-	572,159,290,996	155,236,443,831	(727,395,734,827)	-
Provision for bonus and welfare funds	-	-	-	-	-	(227,366,864,770)	(227,366,864,770)
Dividends declared	-	-	-	-	-	(755,291,940,000)	(755,291,940,000)
Others	-	-	(1,145,593,196)	-	-	-	(1,145,593,196)
Balance as at 01/01/2012	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
Profit for the year	-	-	-	-	-	2,984,475,769,255	2,984,475,769,255
Acquisition of treasury share for the year (1)	-	(1,486,131,615)	-	-	-	-	(1,486,131,615)
Profit distribution (2)	-	-	-	1,092,062,462,603	312,017,846,458	(1,404,080,309,061)	-
Provision for bonus and welfare funds (2)	-	-	-	-	-	(371,789,010,426)	(371,789,010,426)
Dividends paid (3)	-	-	-	-	-	(1,887,771,600,000)	(1,887,771,600,000)
Others	-	-	756,458,357	-	-	-	756,458,357
Balance at 31/12/2012	3,800,000,000,000	(85,447,473,262)	(78,903,497)	2,499,459,725,948	800,339,607,731	1,947,885,783,434	8,962,158,740,354

(1) During the year, the Company acquired 64,880 treasury shares with average buying price of VND 22,906 per share.

(2) The Investment and development funds, Financial reserve fund and Bonus and welfare funds with the respective amounts of VND 1,092,062,462,603, VND 312,017,846,458 and 371,789,010,426 were allocated from profit after tax for the year ended 31 December 2011 under the Resolution passed at the general meeting of shareholders on 27 April 2012.

(3) Under the Resolution passed at the general meeting of shareholders on 27 April 2012, the Company declared to pay dividends for the year ended 31 December 2011 amounting to VND 1,321,533,540,000 (VND 2,500 per share), of which VND 377,647,740,000 (VND 1,000 per share) for the 1st dividend payment was made in advance in Quarter 3 of 2011. On 5 June 2012, the Company declared to pay the 2nd dividend payment of VND 943,885,800,000 for the year ended 31 December 2011 after fund allocation.

Also in 2012, the Company made interim dividend payment for 2012 of VND 943,885,800,000, i.e. the 1st interim dividend of VND 566,331,480,000 (VND 1,500 per share or 15% of par value) on 19 September 2012; the 2nd interim dividend of VND 377,554,320,000 (VND 1,000 per share or 10% of par value) on 19 December 2012.

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 accompanying financial statements

22. SHAREHOLDERS' EQUITY (Continued)

Shares	31/12/2012	31/12/2011
- Number of shares issued to public		
+ Common shares	380,000,000	380,000,000
+ Preferred shares	-	-
- Number of treasury shares		
+ Common shares	2,445,680	2,380,800
+ Preferred shares	-	-
- Number of outstanding shares in circulation		
+ Common shares	377,554,320	377,619,200
+ Preferred shares	-	-

A common share has par value of VND 10,000.

Charter capital

According to the Company's Business Registration Certificate No. 4103007696 dated 31 August 2007, amended on 15 May 2008, issued by Department of Planning and Investment of Ho Chi Minh City, the Company's charter capital is VND 3,800,000,000,000. The charter capital fully contributed by the shareholders as at 31 December 2012 was as follows:

Shareholders	Per Business Registration Certificate		Capital contribution	
	VND	(%)	31/12/2012 VND	31/12/2011 VND
Vietnam Oil and Gas Group	2,332,042,530,000	61.37	2,332,042,530,000	2,332,042,530,000
Others	1,467,957,470,000	38.63	1,467,957,470,000	1,467,957,470,000
	3,800,000,000,000	100.00	3,800,000,000,000	3,800,000,000,000

23. NET REVENUE AND COST OF SALES

	Locally-produced products and services VND	Imported goods VND	Total VND
2012			
Net sales	11,619,482,869,918	110,296,692,648	11,729,779,562,566
Cost of goods sold	7,663,318,417,337	108,394,564,111	7,771,712,981,448
Gross profit	3,956,164,452,581	1,902,128,537	3,958,066,581,118
2011			
Net sales	6,743,897,263,643	858,122,608,900	7,602,019,872,543
Cost of goods sold	2,961,065,703,397	837,229,218,800	3,798,294,922,197
Gross profit	3,782,831,560,246	20,893,390,100	3,803,724,950,346

Revenue from locally-produced products and services are as follows:

	2012 VND	2011 VND
Sales of Urea	8,011,626,699,524	6,242,801,579,888
Sales of Ca Mau Urea	3,387,520,963,139	-
Sales of Ammonia	-	36,273,170,013
Sales of Electricity	3,779,578,565	7,682,902,076
Others	358,002,906,773	510,798,797,802
	11,760,930,148,001	6,797,556,449,779
Sales discounts	141,447,278,083	53,659,186,136
	11,619,482,869,918	6,743,897,263,643

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 accompanying financial statements

24. PRODUCTION COST BY NATURE

	2012	2011
	<u>VND</u>	<u>VND</u>
Raw materials and consumables	3,273,710,799,080	2,173,695,813,486
Labour	309,679,109,820	320,666,105,255
Depreciation and amortization	187,597,519,962	172,114,953,111
Out-sourced services	991,709,386,950	430,981,958,254
Other expenses	305,780,752,065	549,616,426,043
	<u>5,068,477,567,877</u>	<u>3,647,075,256,150</u>

25. FINANCE INCOME

	2012	2011
	<u>VND</u>	<u>VND</u>
Interest income	523,019,401,100	448,555,064,135
Dividends and profits received	66,236,288,241	141,725,201,087
Gain from foreign exchange difference	1,106,883,596	7,755,473,997
Others	658,295,008	79,379
	<u>591,020,867,945</u>	<u>598,035,818,598</u>

26. FINANCIAL EXPENSES

	2012	2011
	<u>VND</u>	<u>VND</u>
Loan interest	-	25,377,064,463
Loss from foreign exchange difference	4,966,604,584	39,067,463,965
Provision for decline in value of long-term investments	15,480,851,438	-
Others	329,124,264	4,350,234,914
	<u>20,776,580,286</u>	<u>68,794,763,342</u>

27. CORPORATE INCOME TAX

	2012	2011
	<u>VND</u>	<u>VND</u>
Current corporate income tax calculated on the current taxable income	423,427,760,401	317,645,112,808
Tax adjustments in previous years	47,008,541,958	63,558,620
Current corporate income tax expense	<u>470,436,302,359</u>	<u>317,708,671,428</u>

28. OPERATING LEASE COMMITMENTS

At the balance sheet date, the schedule of operating lease payments is as follows:

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Within one year	7,188,223,094	7,188,223,094
In the second to fifth year inclusive	27,565,696,375	27,565,696,375
After five years	24,414,393,419	31,795,489,104
	<u>59,168,312,888</u>	<u>66,549,408,573</u>

On 03 September 2005, the Company was handed over with a land-subleasing contract No. 178/HD/TLD/UDEC.2001 dated 01 June 2001 signed between the Project Management Unit (PMU) of Phu My Fertilizer Plant and Ba Ria-Vung Tau Urban Development and Construction Company on the 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 03 September 2004 with the rental fee and infrastructure use fee of USD 378,392 per annum.

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 accompanying financial statements

28. OPERATING LEASE COMMITMENTS (Continued)

On 01 November 2010, the Company signed the office-rental contract in Cambodia for the term of 3 years and the rental fee of USD 1,500 per month.

Other commitments:

In accordance with Gas Sales and Purchase Agreement No. 188/2006-2007/PVGAS-TM-PVFCCO/B1 dated 31 March 2006 and additional appendices signed with PetroVietnam Gas Joint Stock Corporation, the gas purchase price at Cuu Long Gas Tank for the period from 01 January 2012 to 31 December 2012 is 6,43 USD/MMBTU (from 01 January 2011 to 31 March 2011: 3,55 USD/MMBTU and from 01 April 2011 to 31 December 2011: 3,62 USD/MMBTU) and Nam Con Son gas price for the period from 01 January 2012 to 31 December 2012 is 6,43 USD/MMBTU (from 01 January 2011 to 31 March 2011: 3,84 USD/MMBTU and from 01 April 2011 to 31 December 2011: 3,91 USD/MMBTU).

29. 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 shareholders' equity of the Company (comprising capital, reserves and retained earnings).

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	
	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Financial assets		
Cash and cash equivalents	5,209,946,797,179	3,633,780,353,239
Trade and other receivables	61,628,148,368	278,741,183,307
Short-term investments	59,477,046,183	202,000,000,000
Long-term investments	83,625,067,921	43,591,357,921
Total	5,414,677,059,651	4,158,112,894,467
Financial liabilities		
Trade and other receivables	416,124,179,960	384,242,351,706
Accruals	290,145,735,059	157,644,838,303
Total	706,269,915,019	541,887,190,009

The Company has not determined fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("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 International Financial Reporting Standards ("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.

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 accompanying financial statements

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives

The Company has set up risk management system to identify and assess the risks exposed by the Company and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Company's operations.

Financial risks include market risk (including foreign currency risk, and price risk), credit risk and liquidity risk. The Company does not hedge these risk exposures due to the lack of any 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 prices. 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 carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

	Liabilities		Assets	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
United States Dollar (USD)	301,172,880	4,260,029,420	64,381,819,564	147,465,726,357
Euro (EUR)	-	150,052,595	6,940,940,364	39,588,091

Share price risk management

Shares held by the Company are affected by market risks arising from the uncertainty about future prices of such shares. The Company manages this risk exposure by setting up investment limits. The Company's Board of Management also assesses and approves decisions on share investments such as operating industry, investees, etc. The Company assesses the share price risk to be immaterial.

Investments in equity instruments are held for long-term strategic investments rather than trading purposes. The Company does not have intention to trade these investments in the foreseeable future. As at 31 December 2012, the Board of General Directors has assessed investments in shares and noted that except for the diminution in value of the investment in PetroVietnam Urban Development Joint Stock Company (PVC-Mekong), there was no diminution in value of other investments. Therefore, the Company only made provision for the investment in PVC - Mekong with an amount of VND 15,480,851,438.

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.

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. As at 31 December 2012, the Company had some credit risks, including: the amount receivable from PetroVietnam Trade Union Finance Investment JSC (PVFI) for the over due trusted investment and accrued trust interest with the total amount of VND 110,143,267,289; the amount receivable from Ngoc Lan Private Enterprise with an amount of VND 9,153,800,000. The recovery of these amounts is uncertainty based on the Board of General Directors' assessment. Therefore, Board of Directors decided to make provision for all these receivables.

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 accompanying financial statements

29. FINANCIAL INSTRUMENTS (Continued)

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's 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 shareholders 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 assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets financial liabilities based on the earliest date on which the Company can be required to pay. The table includes the principal cash flow. 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.

	Less than 1 year	Over 1 year	Total
	VND	VND	VND
31/12/2012			
Cash and cash equivalents	5,209,946,797,179	-	5,209,946,797,179
Trade and other receivables	61,628,148,368	-	61,628,148,368
Short-term investments	59,477,046,183	-	59,477,046,183
Long-term investments	-	83,625,067,921	83,625,067,921
Total	5,331,051,991,730	83,625,067,921	5,414,677,059,651
31/12/2012			
Trade and other receivables	416,124,179,960	-	416,124,179,960
Accruals	290,145,735,059	-	290,145,735,059
Total	706,269,915,019	-	706,269,915,019
Net liquidity gap	4,624,782,076,711	83,625,067,921	4,708,407,144,632
31/12/2011			
Cash and cash equivalents	3,633,780,353,239	-	3,633,780,353,239
Trade and other receivables	278,741,183,307	-	278,741,183,307
Short-term investments	202,000,000,000	-	202,000,000,000
Long-term investments	-	43,591,357,921	43,591,357,921
Total	4,114,521,536,546	43,591,357,921	4,158,112,894,467
31/12/2011			
Trade and other receivables	384,242,351,706	-	384,242,351,706
Accruals	157,644,838,303	-	157,644,838,303
Total	541,887,190,009	-	541,887,190,009
Net liquidity gap	3,572,634,346,537	43,591,357,921	3,616,225,704,458

The management assessed the liquidity risk concentration 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)

FORM B 09-DN

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

30. COMPARATIVE FIGURES

Comparative figures are figures in the audited financial statements for the year ended 31 December 2011.



Hoang Thi Lan Anh
Preparer

08 March 2013



Huynh Kim Nhan
Chief Accountant



Nguyen Van Tong
Deputy General Director