



**Minh Phu Seafood Joint Stock Company
and its subsidiaries**

Consolidated financial statements for
the year ended 31 December 2012



Minh Phu Seafood Joint Stock Company
Corporate Information

Business Registration Certificate	6103000072	12 May 2006
	6103000072 (1 st amendment)	25 May 2007
	6103000072 (2 nd amendment)	12 November 2007
	2000393273	23 June 2010

The Business Registration Certificate and its updates were issued by the Planning and Investment Department of Ca Mau Province.

Board of Management	Mr. Le Van Quang	Chairman
	Ms. Chu Thi Binh	Vice chairwoman
	Mr. Chu Van An	Member
	Ms. Dinh Anh Tuyet	Member
	Mr. Jean-Eric Jacquemin	Member

Board of Directors	Mr. Le Van Quang	General Director
	Ms. Chu Thi Binh	Deputy General Director
	Mr. Chu Van An	Deputy General Director
	Mr. Thai Hoang Hung	Deputy General Director
	Mr. Nguyen Tan Anh	Deputy General Director
	Mr. Le Van Diep	Deputy General Director
	Mr. Bui Anh Dung	Deputy General Director
	Mr. Le Ngoc Anh	Deputy General Director

Supervisory Board	Mr. Phan Van Dung	Head of Board
	Ms. Nguyen Viet Hong	Member (until 14 December 2012)
	Mr. Nguyen Xuan Toan	Member (from 14 December 2012)
	Ms. Mai Thi Hoang Minh	Member

Registered Office Ward 8 Industrial Zone
Ca Mau City, Ca Mau Province
Vietnam

Auditors KPMG Limited
Vietnam

Minh Phu Seafood Joint Stock Company
Statement of the Board of Directors

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

- (a) the consolidated financial statements set out on pages 4 to 62 are prepared and presented so as to give a true and fair view of the consolidated financial position of Minh Phu Seafood Company and its subsidiaries (together referred to as "the Group") as at 31 December 2012, and of the consolidated results of operations and the consolidated cash flows of the Group for the year then ended in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements; and
- (b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these consolidated financial statements for issue.

On behalf of the Board of Directors



Le Van Quang
General Director

Ca Mau City, 26 March 2013



KPMG Limited Branch
10th Floor, Sun Wah Tower
115 Nguyen Hue Street
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The Socialist Republic of Vietnam

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
Minh Phu Seafood Joint Stock Company

Scope

We have audited the accompanying consolidated balance sheet of Minh Phu Seafood Joint Stock Company ("the Company") and its subsidiaries (together referred to as "the Group") as of 31 December 2012, the related consolidated statements of income, and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's management on 26 March 2013, as set out on pages 4 to 62. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Minh Phu Seafood Joint Stock Company and its subsidiaries as of 31 December 2012 and their consolidated results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

KPMG Limited

Vietnam

Investment Certificate No: 011043000345

Audit Report No: 11-01-174



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

Ho Chi Minh City, 26 March 2013

Nguyen Thanh Nghi
CPA No. 0304/KTV

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated balance sheet as at 31 December 2012

Form B 01 – DN/HN

	Code	Note	31/12/2012 VND	31/12/2011 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		4,388,614,632,763	4,269,271,984,792
Cash and cash equivalents	110	5	1,298,619,003,857	1,092,050,143,361
Cash	111		31,485,118,507	107,660,976,207
Cash equivalents	112		1,267,133,885,350	984,389,167,154
Short-term investments	120	6	128,384,747,714	79,837,226,370
Short-term investments	121		138,167,027,714	89,761,306,370
Allowance for diminution in the value of short-term investments	129		(9,782,280,000)	(9,924,080,000)
Accounts receivable – short-term	130	7	577,285,119,435	472,712,160,466
Accounts receivable - trade	131		534,722,242,679	440,462,646,656
Prepayments to suppliers	132		23,369,903,794	26,649,799,035
Other receivables	135		28,275,058,286	19,018,384,867
Allowance for doubtful debts	139		(9,082,085,324)	(13,418,670,092)
Inventories	140	8	2,228,389,598,540	2,408,809,317,557
Inventories	141		2,301,566,070,320	2,462,562,328,071
Allowance for inventories	149		(73,176,471,780)	(53,753,010,514)
Other current assets	150		155,936,163,217	215,863,137,038
Short-term prepayments	151		1,495,455,602	3,358,294,400
Deductible value added tax	152		92,657,134,536	155,420,150,276
Taxes receivable from State Treasury	154	9	8,942,525,760	8,763,287,256
Other current assets	158	10	52,841,047,319	48,321,405,106

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated balance sheet as at 31 December 2012 (continued)

Form B 01 – DN/HN

	Code	Note	31/12/2012 VND	31/12/2011 VND
Long-term assets (200 = 210 + 220 + 250 + 260)	200		1,881,317,171,189	2,056,194,027,466
Accounts receivable - long-term	210	11	112,489,382,844	92,225,592,536
Fixed assets	220		1,645,650,809,029	1,648,678,615,293
Tangible fixed assets	221	12	1,291,876,203,564	1,323,306,403,936
Cost	222		1,676,913,350,862	1,561,336,531,019
Accumulated depreciation	223		(385,037,147,298)	(238,030,127,083)
Intangible fixed assets	227	13	99,024,434,708	57,062,190,693
Cost	228		104,256,753,082	60,896,179,479
Accumulated amortisation	229		(5,232,318,374)	(3,833,988,786)
Construction in progress	230	14	254,750,170,757	268,310,020,664
Long-term investments	250	15	9,068,753,530	160,168,753,530
Investments in associates	252		2,180,000,000	2,180,000,000
Other long-term investments	258		7,000,000,000	207,000,000,000
Allowance for diminution in the value of long-term investments	259		(111,246,470)	(49,011,246,470)
Other long-term assets	260		114,108,225,786	155,121,066,107
Long-term prepayments	261	16	91,057,013,097	105,904,990,453
Deferred tax assets	262	33	6,319,694,503	24,839,504,113
Other long-term assets	268		-	4,556,157,655
Goodwill	269	17	16,731,518,186	19,820,413,886
TOTAL ASSETS (270 = 100 + 200)	270		6,269,931,803,952	6,325,466,012,258

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated balance sheet as at 31 December 2012 (continued)

Form B 01 – DN/HN

	Code	Note	31/12/2012 VND	31/12/2011 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		4,889,148,610,669	4,707,852,603,427
Current liabilities	310		4,056,858,838,496	3,565,128,372,484
Short-term borrowings	311	18	3,449,058,871,964	2,936,239,690,612
Accounts payable – trade	312	19	135,868,027,758	313,623,931,737
Advances from customers	313		8,525,302,719	7,607,282,515
Taxes payable to State Treasury	314	20	18,446,907,372	64,218,324,764
Payables to employees	315		38,688,257,921	52,666,140,501
Accrued expenses	316	21	105,484,633,458	91,187,673,067
Other payables	319	22	211,370,253,272	35,041,880,688
Bonus and welfare fund	323	23	89,416,584,032	64,543,448,600
Long-term liabilities	330		832,289,772,173	1,142,724,230,943
Long-term borrowings	334	24	828,632,880,684	1,129,764,991,861
Deferred tax liabilities	335	33	-	9,248,315,394
Provision for severance allowance	336	25	3,656,891,489	3,710,923,688
EQUITY (400 = 410)	400		1,310,050,470,480	1,538,891,403,059
Equity	410	26	1,310,050,470,480	1,538,891,403,059
Share capital	411	27	700,000,000,000	700,000,000,000
Capital surplus	412		177,876,869,236	177,876,869,236
Foreign exchange differences	416		88,506,239,451	88,506,239,451
Investment and development fund	417		58,470,998,521	41,298,066,764
Financial reserve	418		13,769,908,805	-
Retained profits	420		271,426,454,467	531,210,227,608
MINORITY INTEREST	439	28	70,732,722,803	78,722,005,772
TOTAL RESOURCES (440 = 300 + 400 + 439)	440		6,269,931,803,952	6,325,466,012,258

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated balance sheet as at 31 December 2012 (continued)

Form B 01 – DN/HN

OFF BALANCE SHEET ITEMS

	Note	31/12/2012	31/12/2011
Foreign currencies included in cash:			
USD		664,110	1,657,292

26 March 2013

Prepared by:



Luu Minh Trung
 Chief Accountant

Approved by:



Le Van Quang
 General Director

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of income for the year ended 31 December 2012

Form B 02 – DN/HN

	Code	Note	2012 VND	2011 VND
Total revenue	01	29	7,965,666,905,962	7,083,660,612,588
Less sales deductions	02	29	(29,164,778,420)	(45,134,289,780)
Net sales (10 = 01 + 02)	10	29	7,936,502,127,542	7,038,526,322,808
Cost of sales	11	30	(7,050,386,436,392)	(5,989,259,197,437)
Gross profit (20 = 10 + 11)	20		886,115,691,150	1,049,267,125,371
Financial income	21	31	62,860,638,501	99,386,100,773
Financial expenses	22	32	(419,351,062,292)	(402,046,481,459)
In which: Interest expense	23		(412,791,349,076)	(340,901,136,561)
Selling expenses	24		(403,716,071,737)	(317,523,408,035)
General and administration expenses	25		(89,631,724,753)	(98,280,361,276)
Net operating profit (30 = 20 + 21 + 22 + 24 + 25)	30		36,277,470,869	330,802,975,374
Other income	31		3,937,090,474	8,239,870,443
Other expenses	32		(5,763,525,895)	(1,575,586,366)
Results of other activities (40 = 31 + 32)	40		(1,826,435,421)	6,664,284,077
Profit before tax (50 = 30 + 40)	50		34,451,035,448	337,467,259,451
Income tax expense – current	51	33	(9,301,474,368)	(52,822,946,649)
Income tax expense – deferred	52	33	(9,271,494,216)	(946,468,498)
Net profit after tax (60 = 50 + 51 + 52)	60		15,878,066,864	283,697,844,304

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2012
(Indirect method)

Form B 03 – DN/HN

	Code	Note	2012 VND	2011 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		34,451,035,448	337,467,259,451
Adjustments for				
Depreciation and amortisation	02		151,886,043,097	92,172,726,929
Allowances and provisions	03		12,265,076,498	87,476,978,265
Unrealised foreign exchange gains	04		(3,207,118,308)	(6,214,609,921)
Construction in progress written off	05		-	713,800,200
Dividends and interest income	06		(50,353,321,356)	(40,159,265,990)
Losses on disposal of an investment	07		3,758,527,264	-
Interest expense	08		412,791,349,076	340,901,136,561
Operating profit before changes in working capital	09		561,591,591,719	812,358,025,495
Change in receivables and other current assets	10		(71,968,071,650)	(148,950,150,039)
Change in inventories	11		160,996,257,751	(1,180,515,168,705)
Change in payables and other liabilities	12		(209,668,096,453)	263,394,303,425
Change in prepayments	13		16,710,816,154	-
			457,662,497,521	(253,712,989,824)
Interest paid	14		(412,872,391,686)	(352,121,786,264)
Corporate income tax paid	15		(6,551,600,129)	(64,297,557,844)
Other payments for operating activities	17		(46,740,849,401)	(56,989,034,976)
Net cash flows from operating activities	20		(8,502,343,695)	(727,121,368,908)

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2012
(Indirect method - continued)

Form B 03 – DN/HN

	Code	Note	2012 VND	2011 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets	21		(147,230,298,915)	(782,724,873,995)
Proceeds from disposals of fixed assets	22		919,594,405	-
Payments for term deposits	24		(114,575,988,828)	-
Term deposits received	25		66,170,267,484	7,340,555,968
Payments for investments in other entities	26		-	(600,000,000)
Collections on investments in other entities	27		144,235,294,118	-
Receipts of interest and dividends	28		52,356,193,433	37,913,579,798
Receipts of long-term deposits	29		4,556,157,655	11,876,818,345
Net cash flows from investing activities	30		6,431,219,352	(726,193,919,884)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from capital contribution by minority interest	31		-	900,000,000
Proceeds from borrowings	33		9,939,364,492,628	8,799,853,014,423
Payments to settle debts	34		(9,724,216,257,626)	(6,991,132,607,902)
Payments of dividends to minority interest	35		(6,094,297,579)	(6,680,123,049)
Net cash flows from financing activities	40		209,053,937,423	1,802,940,283,472
Net cash flows during the year (50 = 20 + 30 + 40)	50		206,982,813,080	349,624,994,680
Cash and cash equivalents at the beginning of the year	60		1,092,050,143,361	741,370,744,436
Impact of exchange rate fluctuation	61		(413,952,584)	1,054,404,245
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	5	1,298,619,003,857	1,092,050,143,361

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2012
(Indirect method - continued)

Form B 03 – DN/HN

NON-CASH INVESTING ACTIVITIES

	2012 VND	2011 VND
Cost of construction in progress that has not been paid	4,794,769,163	20,492,296,551
Cost of long-term prepayments that has not been paid	-	5,670,000,000
Proceeds from sale of investment not received	5,786,178,618	-

26 March 2013

Prepared by:



Luu Minh Trung
Chief Accountant

Approved by:



Luu Van Quang
General Director

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012

Form B 09 – DN/HN

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

1. Reporting Entity

Minh Phu Seafood Joint Stock Company (“the Company”) is incorporated as a joint-stock company under Business Registration Certificate No. 2000393273 issued by Ca Mau Province’s Department of Planning and Investment on 23 June 2010. The principal activities of the Company are to process and trade in aquatic products; to trade in aquatic breeds and aquatic foods; and to trade in machinery and equipment for aquaculture.

The Company’s shares are listed on the Ho Chi Minh Stock Exchange.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associate.

The details of the subsidiaries are as follows:

Name	Principal activity	Business Registration Certificate	% of ownership	
			31/12/2012	31/12/2011
Mseafood Corporation	Trade in aquatic products.	2370515 issued by the State of California, the United States of America on 27 December 2001.	90.0%	90.0%
Minh Phu - Hau Giang Seafood Processing Co., Ltd	Process and trade in fish powder, aquatic products, bio-diesel fuel from fish oil, aquatic products; trade in goods, materials, machinery and equipment for aquaculture; invest and trade in infrastructure; conduct construction of civil and industrial works.	642041000003 issued by the Management Board of Hau Giang Industrial Zone on 29 December 2006.	97.5%	97.5%
Minh Qui Seafood Co., Ltd	Process and trade in aquatic products, import materials, machinery and equipment for aquaculture.	6102000008 issued by the Planning and Investment Department of Ca Mau Province on 19 September 2000.	97.5%	97.5%

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

Name	Principal activity	Business Registration Certificate	% of ownership	
			31/12/2012	31/12/2011
Minh Phat Seafood Co., Ltd	Process and trade in aquatic products, import materials, machinery and equipment for aquaculture.	6102000035 issued by the Planning and Investment Department of Ca Mau Province on 30 October 2001.	95.0%	95.0%
Minh Phu – Kien Giang Seafood Co., Ltd	Breed aquaculture products; process, preserve aquatic products; produce aquatic breeds; trade in machinery and equipment for aquaculture.	56-02-000417 issued by the Planning and Investment Department of Kien Giang Province on 16 January 2006.	99.1%	99.1%
Minh Phu Aquatic Larvae Co., Ltd	Produce, supply and trade in aquatic breeds; process, preserve aquatic products; trade in foods and materials for livestock, poultry and aquaculture.	4302000139 issued by the Planning and Investment Department of Ninh Thuan Province on 9 February 2006.	98.5%	98.5%
Minh Phu – Loc An Aquaculture Co., Ltd	Breed aquacultural products; produce and trade in aquatic foods, trade in machinery and equipment for aquaculture.	2000393273 issued by the Planning and Investment Department of Ba Ria - Vung Tau Province on 11 November 2010.	100%	100%
Minh Phu Bio Co., Ltd	Produce biological products and fertilizer for agriculture.	6104000049 issued by the Planning and Investment Department of Ca Mau Province on 8 July 2008.	100%	100%
Minh Phu Organic Shrimp Farming Co., Ltd	Breed and process aquatic products; produce and trade in aquatic breeds, aquatic foods; trade in machinery and equipment for aquaculture.	2000971566 issued by the Planning and Investment Department of Ca Mau Province on 26 May 2010.	100%	100%

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

Name	Principal activity	Business Registration Certificate	% of ownership	
			31/12/2012	31/12/2011
Minh Phu Hoa Dien Aquaculture One Member Company	Produce aquatic breed; breed, process, and preserve aquatic products; produce and trade in aquatic food, trade in machinery and equipment for aquaculture; trade in food and materials for livestock, poultry and aquaculture.	1701635962 issued by the Planning and Investment Department of Kien Giang Province on 22 December 2011.	100%	-

As at 31 December 2012 the Group had 10,421 employees (31 December 2011: 12,068 employees).

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Annual accounting period

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

(d) Accounting currency

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

3. Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

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

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains or losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill represents the excess of the cost of a third party acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries and associates at the date of acquisition. Goodwill is amortised over 10 years.

If the fair value of the Group's share of the net assets of the acquired subsidiaries and associates exceeds the cost of its acquisition, the excess is recognised in the statement of income immediately.

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

(b) Foreign currency

(i) Foreign currency transactions

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

All foreign exchange differences are recorded in the statement of income, except when they relate to the construction of tangible fixed assets or the translation of foreign currency monetary items during entity's pre-operating stage, in which case they are recorded in the foreign exchange difference account in equity until the subsidiary commences operations and the tangible fixed assets are put into use. Once the entity commences operations and the tangible fixed assets are put into use, the related foreign exchange gains are transferred to the unearned revenue account and foreign exchange losses are transferred to the long-term prepayments account. The gains and losses are then amortised on a straight line basis over 5 years.

(ii) Foreign operations

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

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

(c) Cash and cash equivalents

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012
(continued)

Form B 09 – DN/HN

(d) Investments

Investments in term deposits and debt instruments; investments in equity instruments of entities over which the Group has no control or significant influence are stated at cost. Allowance is made for reduction in investment values if the market value of the investment falls below cost or if the investee has suffered a loss. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

(e) Accounts receivable

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

(f) Inventories

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

The Group applies the perpetual method of accounting for inventory.

(g) Tangible fixed assets

(i) Cost

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

(ii) Depreciation

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

▪ buildings	5 – 39 years
▪ machinery and equipment	4 – 15 years
▪ motor vehicles	5 – 15 years
▪ office equipment	3 – 15 years

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012
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(h) Intangible fixed assets

(i) Indefinite land use rights

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

(ii) Definite land use rights

Definite land use rights are stated at cost less accumulated amortisation. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over 50 years.

(iii) Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over a period of 5 to 10 years.

(i) Construction in progress

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

(j) Long-term prepayments

(i) Pre-operating expenses

Pre-operating expenses are recorded in the statement of income, except for establishment costs and expenditure on training, advertising and promotional activities incurred from the incorporation date to the commercial operation date. These expenses are recognised as long-term prepayments, initially stated at cost, and are amortised on a straight line basis over 2 years starting from the date of commercial operation.

(ii) Prepaid land costs

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the statement of income on a straight-line basis over the term of the lease of 6 - 20 years.

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Notes to the consolidated financial statements for the year ended 31 December 2012
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(iii) Foreign exchange differences

All foreign exchange differences are recorded in the statement of income, except when they relate to the construction of tangible fixed assets or the translation of foreign currency monetary items during entity's pre-operating stage, in which case they are recorded in the foreign exchange difference account in equity until the subsidiary commences operations and the tangible fixed assets are put into use. Once the entity commences operations and the tangible fixed assets are put into use, the related foreign exchange losses are transferred to the long-term prepayment account. The losses are then amortised on a straight line basis over 5 years.

(iv) Tools and supplies

Tools and supplies which do not qualify for recognition of tangible fixed assets under Vietnamese regulation as their cost is less than VND10 million are classified as long-term prepayments and are amortised on a straight line basis over 2 years.

(k) Trade and other payables

Trade and other payables are stated at their cost.

(l) Provisions

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

Severance allowance

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

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Company and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of unemployment insurance scheme, the Company is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 31 December 2012 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

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Notes to the consolidated financial statements for the year ended 31 December 2012
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(m) Classification of financial instruments

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

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

Held-to-maturity investments

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

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

Loans and receivables

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

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

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Available-for-sale financial assets

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

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

Cash equivalents and term deposits are under the category of held-to-maturity investments. Equity investments are under the category of available for sale financial assets. All other financial assets are under the category of loans and receivables.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities carried at amortised cost

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

All financial liabilities on the balance sheet are under the category of financial liabilities carried at amortised cost.

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

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Notes to the consolidated financial statements for the year ended 31 December 2012
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(n) Taxation

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

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

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

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

(o) Investment and development fund

The fund is established through appropriation from retained profits at the discretion of shareholders at annual general meeting of shareholders. The fund is used for activities related to research and development of aquatic breeds.

(p) Revenue

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

(q) Interest income

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

(r) Operating lease payments

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

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Notes to the consolidated financial statements for the year ended 31 December 2012
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(s) Borrowing costs

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

(t) Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The Company does not have any potentially dilutive ordinary shares.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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4. Segment reporting

(a) Business segments

The Group comprise the following main business segments:

- Aquaculture products breeding
- Aquatic products processing
- Aquatic products trading
- Others

<i>For the year ended 31 December 2012</i>	Aquaculture products breeding VND	Aquatic products processing VND	Aquatic products trading VND	Others VND	Elimination VND	Consolidated VND
External revenue	345,225,300	5,157,878,098,880	2,763,024,739,644	15,254,063,718	-	7,936,502,127,542
Inter-segment revenue	53,308,315,942	2,585,613,978,695	60,924,276,305	44,167,359,071	(2,744,013,930,013)	-
Total segment revenue	53,653,541,242	7,743,492,077,575	2,823,949,015,949	59,421,422,789	(2,744,013,930,013)	7,936,502,127,542
Segment result	(92,299,594,826)	416,410,713,937	15,045,342,692	5,145,389,452	48,466,043,405	392,767,894,660
Financial income						62,860,638,501
Financial expenses						(419,351,062,292)
Result from operating activities						36,277,470,869
Other income						3,937,090,474
Other expenses						(5,763,525,895)
Income tax						(18,572,968,584)
Net profit after tax						15,878,066,864

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<i>For the year ended</i> <i>31 December 2011</i>	Aquaculture products breeding VND	Aquatic products processing VND	Aquatic products trading VND	Others VND	Elimination VND	Consolidated VND
External revenue	-	5,291,427,235,800	1,725,624,384,750	21,474,702,258	-	7,038,526,322,808
Inter-segment revenue	325,981,226,166	1,792,809,399,251	-	33,987,007,120	(2,152,777,632,537)	-
Total segment revenue	325,981,226,166	7,084,236,635,051	1,725,624,384,750	55,461,709,378	(2,152,777,632,537)	7,038,526,322,808
Segment result	94,436,423,955	513,565,616,307	17,607,094,146	13,563,940,871	(5,709,719,219)	633,463,356,060
Financial income						99,386,100,773
Financial expenses						(402,046,481,459)
Result from operating activities						330,802,975,374
Other income						8,239,870,443
Other expenses						(1,575,586,366)
Income tax						(53,769,415,147)
Net profit after tax						283,697,844,304

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

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<i>As of 31 December 2012</i>	Aquaculture products breeding VND	Aquatic products processing VND	Aquatic products trading VND	Others VND	Elimination VND	Consolidated VND
Segment assets	360,502,063,988	4,040,775,106,219	1,419,765,335,805	46,165,625,227	(999,079,901,596)	4,868,128,229,643
Investment in equity accounted associate						2,180,000,000
Unallocated assets						1,399,623,574,309
Total assets						6,269,931,803,952
Segment liabilities	109,847,125,596	4,214,227,702,558	831,488,418,343	4,706,447,933	(987,715,216,480)	4,172,554,477,950
Unallocated liabilities						716,594,132,719
Total liabilities						4,889,148,610,669
<i>For the year ended 31 December 2012</i>						
Capital expenditure	34,392,454,878	107,053,797,479	-	5,784,046,558	-	147,230,298,915
Depreciation and amortisation	22,647,727,312	125,554,320,898	314,815,220	3,369,179,667	-	151,886,043,097

Minh Phu Seafood Joint Stock Company and its subsidiaries
 Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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<i>As of 31 December 2011</i>	Aquaculture products breeding VND	Aquatic products processing VND	Aquatic products trading VND	Others VND	Elimination VND	Consolidated VND
Segment assets	451,033,557,164	5,535,732,286,410	829,024,308,810	54,196,867,157	(1,762,791,270,119)	5,107,195,749,422
Investment in equity accounted associate						2,180,000,000
Unallocated assets						1,216,090,262,836
Total assets						6,325,466,012,258
Segment liabilities	59,649,088,055	5,238,526,311,741	425,247,088,036	8,600,249,053	(1,748,417,581,568)	3,983,605,155,317
Unallocated liabilities						724,247,448,110
Total liabilities						4,707,852,603,427
<i>For the year ended 31 December 2011</i>						
Capital expenditure	171,068,408,301	630,968,988,811	-	4,155,208,349	(23,467,731,466)	782,724,873,995
Depreciation and amortisation	7,303,956,263	69,245,847,144	337,566,663	2,830,588,013	-	79,717,958,083

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(b) Geographical segments

(i) Segment revenues

	External revenue	
	2012 VND	2011 VND
Vietnam	53,004,428,258	390,927,291,510
North America	3,325,212,673,520	3,045,566,192,648
Europe	715,849,045,093	851,883,601,265
Japan	1,991,492,964,961	1,396,379,739,454
Korea	1,191,117,393,991	839,890,899,817
Others	659,825,621,719	513,878,598,114
	<hr/>	<hr/>
	7,936,502,127,542	7,038,526,322,808

(ii) Segment assets

	Total assets	
	31/12/2012 VND	31/12/2011 VND
Vietnam	5,322,249,785,172	5,476,968,264,178
North America	947,682,018,780	848,497,748,080
	<hr/>	<hr/>
	6,269,931,803,952	6,325,466,012,258

5. Cash and cash equivalents

	31/12/2012 VND	31/12/2011 VND
Cash on hand	14,508,151,434	8,768,451,368
Cash in bank	16,976,967,073	98,892,524,839
Cash equivalents	1,267,133,885,350	984,389,167,154
	<hr/>	<hr/>
	1,298,619,003,857	1,092,050,143,361

Cash on hand and cash in bank at 31 December 2012 included VND261 million and VND4,311 million respectively (31 December 2011: VND434 million and VND82,279 million respectively) pledged with banks as security for loans granted to the Group.

Cash equivalent at 31 December 2012 represented term deposits with the maturity of less than three months and bore interest at rate ranging from 8.0% to 9.0% (2011: from 12.0% to 14.0%) per annum.

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6. Short-term investments

	31/12/2012 VND	31/12/2011 VND
Short-term investments in shares		
▪ PetrolVietnam Transportation Corporation	6,004,500,000	6,004,500,000
▪ No.8 Investment & Construction JSC	5,263,000,000	5,263,000,000
▪ REE Corporation	80,000	80,000
Other short-term investments		
▪ Loan receivables (*)	7,746,276,778	7,746,276,778
▪ Term deposits (**)	119,153,170,936	70,747,449,592
	138,167,027,714	89,761,306,370

(*) These loans represented loans to a shrimp farmer for operational support and were unsecured, interest free and payable on demand. According to loan agreements, the shrimp farmer has the commitment to sell all shrimps to the Group. Management assessed that the Group can recover the loans through future shrimp purchase.

(**) This represented term deposits with the maturity of less than a year and bore interest at rates ranging from 9.0% to 13.2% (2011: from 13.2% to 14.0%) per annum for deposits in VND and from 0.1% to 0.5% (2011: nil) per annum for deposits in USD during the year.

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

	2012 VND	2011 VND
Opening balance	9,924,080,000	8,241,940,000
Increase in allowance during the year	-	1,738,860,000
Transfers from allowance for diminution in the value of long-term investments (Note 15)	48,900,000,000	-
Allowance utilised during the year	(46,220,000,000)	-
Written back	(2,821,800,000)	(56,720,000)
	9,782,280,000	9,924,080,000

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7. Accounts receivable – short-term

Accounts receivable - trade represented the amounts due from third parties which were unsecured, interest free and are receivable within 15 - 60 days from invoice date.

Accounts receivable – trade and prepayments to suppliers at 31 December 2012 included VND318,573 million and VND651 million respectively (31 December 2011: VND322,091 million and VND1,869 million respectively) pledged with banks as security for loans granted to the Group.

Included in the prepayments to suppliers at 31 December 2012 were VND11,731 million (31 December 2011: VND25,211 million) of prepayments for acquisition of machinery and construction services.

Other short-term receivables comprised:

	31/12/2012 VND	31/12/2011 VND
Interest receivable	4,430,530,163	6,433,402,240
Loans to employees (*)	8,580,952,385	10,095,418,099
Receivables from liquidation of invested entity	5,786,178,618	-
Others	9,477,397,120	2,489,564,528
	28,275,058,286	19,018,384,867

(*) This represented loan receivables from employees which were unsecured, interest free and receivable on demand.

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Notes to the consolidated financial statements for the year ended 31 December 2012
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8. Inventories

	31/12/2012	31/12/2011
	VND	VND
Goods in transit	200,454,463,851	-
Raw materials	88,350,011,869	86,401,393,236
Tools and materials	11,273,071,227	17,349,253,304
Work in progress	86,939,795,679	19,757,428,416
Finished goods	1,914,548,727,694	2,254,850,912,465
Merchandise inventory	-	84,203,340,650
	<hr/>	<hr/>
	2,301,566,070,320	2,462,562,328,071
Allowance for inventories	(73,176,471,780)	(53,753,010,514)
	<hr/>	<hr/>
	2,228,389,598,540	2,408,809,317,557

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

	2012	2011
	VND	VND
Opening balance	53,753,010,514	17,529,048,781
Increase in allowance during the year	28,644,508,821	64,912,931,787
Written back	(9,221,047,555)	(29,030,806,919)
Translation differences	-	341,836,865
	<hr/>	<hr/>
Closing balance	73,176,471,780	53,753,010,514

At 31 December 2012 inventories with a carrying value of VND1,643,581 million (31 December 2011: VND1,777,883 million) were pledged with banks as security for loans granted to the Group.

Included in finished goods at 31 December 2012 was VND325,961 million (31 December 2011: VND920,028 million) of inventories carried at net realisable value.

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Notes to the consolidated financial statements for the year ended 31 December 2012
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9. Taxes receivable from State Treasury

	31/12/2012 VND	31/12/2011 VND
Corporate income tax	8,728,722,749	8,745,385,149
Personal income tax	213,803,011	17,902,107
	8,942,525,760	8,763,287,256

10. Other current assets

Included in other current assets at 31 December 2012 was advance to an employee of VND49,253 million (31 December 2011: VND42,472 million) to purchase land use right on behalf of the Group.

Other current assets at 31 December 2012 included VND51,037 million (31 December 2011: VND44,205 million) pledged with banks as security for loans granted to the Group.

11. Accounts receivable – long-term

Pursuant to the United States of America's Antidumping Law, Mseafod Corporation ("Mseafod"), a subsidiary, is required to pay antidumping tax based on the annual decision of the United States of America's Department of Commerce ("DOC"). For each annual period, Mseafod is required to make a provisional payment based on the specific tax rate stipulated by DOC. Subsequently the antidumping tax will be finalized and settled based on the final annual decision.

Accounts receivable – long-term which belonged to Mseafod represented the prepayments of antidumping tax. Details of this receivable were as follows:

	31/12/2012 VND	31/12/2011 VND
Period from 1 February 2008 to 30 September 2008	41,136,174,776	41,136,174,776
Period from 1 October 2010 to 30 September 2011	45,704,942,372	45,704,942,372
Period from 1 October 2011 to 30 September 2012	21,898,246,780	5,384,475,388
Period from 1 October 2012 to 31 December 2012	3,750,018,916	-
	112,489,382,844	92,225,592,536

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

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12. Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Cost					
Opening balance	509,701,738,120	941,327,392,968	97,925,735,016	12,381,664,915	1,561,336,531,019
Additions	11,843,087,329	14,115,120,677	3,764,152,100	5,180,321,200	34,902,681,306
Transfers from construction in progress	61,024,962,807	3,237,833,163	17,722,734,566	-	81,985,530,536
Disposals	-	(1,311,391,999)	-	-	(1,311,391,999)
Reclassifications	3,172,713,636	(3,172,713,636)	-	-	-
Closing balance	585,742,501,892	954,196,241,173	119,412,621,682	17,561,986,115	1,676,913,350,862
Accumulated depreciation					
Opening balance	49,919,534,589	167,644,522,149	15,065,302,238	5,400,768,107	238,030,127,083
Charge for the year	37,398,219,800	93,347,105,235	15,085,874,684	1,567,618,090	147,398,817,809
Disposals	-	(391,797,594)	-	-	(391,797,594)
Closing balance	87,317,754,389	260,599,829,790	30,151,176,922	6,968,386,197	385,037,147,298
Net book value					
Opening balance	459,782,203,531	773,682,870,819	82,860,432,778	6,980,896,808	1,323,306,403,936
Closing balance	498,424,747,503	693,596,411,383	89,261,444,760	10,593,599,918	1,291,876,203,564

Included in the cost of tangible fixed assets were assets costing VND73,055 million which were fully depreciated as of 31 December 2012 (31 December 2011: VND68,078 million), but which are still in active use.

At 31 December 2012 tangible fixed assets with a carrying value of VND882,552 million (31 December 2011: VND1,004,648 million) were pledged with banks as security for loans granted to the Group.

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13. Intangible fixed assets

	Indefinite land use rights VND	Definite land use rights VND	Software VND	Total VND
Cost				
Opening balance	17,689,478,796	40,850,153,392	2,356,547,291	60,896,179,479
Additions	-	-	14,985,000	14,985,000
Transfers from construction in progress	-	43,345,588,603	-	43,345,588,603
Closing balance	17,689,478,796	84,195,741,995	2,371,532,291	104,256,753,082
Accumulated amortisation				
Opening balance	-	3,138,077,044	695,911,742	3,833,988,786
Charge for the year	-	1,105,026,902	293,302,686	1,398,329,588
Closing balance	-	4,243,103,946	989,214,428	5,232,318,374
Net book value				
Opening balance	17,689,478,796	37,712,076,348	1,660,635,549	57,062,190,693
Closing balance	17,689,478,796	79,952,638,049	1,382,317,863	99,024,434,708

Included in the cost of intangible fixed assets were assets costing VND2,205 million which were fully amortised as of 31 December 2012 (31 December 2011: VND2,048 million), but which are still in use.

At 31 December 2012 intangible fixed assets with a carrying value of VND72,261 million (31 December 2011: VND27,656 million) were pledged with banks as security for loans granted to the Group.

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012
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14. Construction in progress

	2012 VND	2011 VND
Opening balance	268,310,020,664	595,195,981,730
Additions during the year	111,771,269,232	528,701,006,487
Transfers to tangible fixed assets	(81,985,530,536)	(832,580,963,353)
Transfers to intangible fixed assets	(43,345,588,603)	(22,292,204,000)
Written off	-	(713,800,200)
	<hr/>	<hr/>
Closing balance	254,750,170,757	268,310,020,664

At 31 December 2012 construction in progress with a carrying value of VND245,996 million (31 December 2011: VND250,189 million) were pledged with banks as security for loans granted to the Group.

During the year, borrowing costs capitalised into construction in progress amounted to VND1,676 million (31 December 2011: VND25,320 million).

15. Long-term investments

	31/12/2012 VND	31/12/2011 VND
Investments in an associate		
▪ Minh Phu Hau Giang Port Corporation	2,180,000,000	2,180,000,000
	<hr/>	<hr/>
Other long-term investments		
▪ SSI Vision Fund	-	200,000,000,000
▪ Saigon - Camau Infrastructure Corporation	7,000,000,000	7,000,000,000
	<hr/>	<hr/>
	7,000,000,000	207,000,000,000

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

	2012 VND	2011 VND
Opening balance	49,011,246,470	12,131,246,470
Increase in allowance during the year	-	80,394,174,535
Written back	-	(43,514,174,535)
Transfers to allowance for diminution in the value of short-term investments (Note 6)	(48,900,000,000)	-
	<hr/>	<hr/>
Closing balance	111,246,470	49,011,246,470

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Notes to the consolidated financial statements for the year ended 31 December 2012
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Details of the investments in associate were as follows:

Name	Principal activity	Business Registration Certificate	% of ownership	
			31/12/2012	31/12/2011
Associate				
Minh Phu Hau Giang Port Corporation	Construct seaport for container and goods transportation, warehouses, seaport for petrol, gas and oil transportation; trade in petrol, oil, gas, materials and machineries for manufacturing.	6300108975 issued by the Planning and Investment Department of Hau Giang Province on 24 February 2010.	40%	40%

16. Long-term prepayments

	Pre-operating expenses VND	Prepaid land costs VND	Foreign exchange differences VND	Tools and supplies VND	Total VND
Opening balance	1,939,881,949	62,474,153,689	18,362,365,671	23,128,589,144	105,904,990,453
Additions	-	-	-	7,577,931,502	7,577,931,502
Amortisation for the year	(431,084,877)	(3,368,200,435)	(4,080,525,705)	(14,186,496,801)	(22,066,307,818)
Disposals	-	(359,601,040)	-	-	(359,601,040)
Closing balance	1,508,797,072	58,746,352,214	14,281,839,966	16,520,023,845	91,057,013,097

At 31 December 2012 long-term prepayments with a carrying value of nil (31 December 2011: VND66,778 million) were pledged with banks as security for loans granted to the Group.

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17. Goodwill

	VND
Cost	
Opening and closing balance	30,888,957,000
Accumulated amortisation	
Opening balance	11,068,543,114
Charge for the year	3,088,895,700
Closing balance	14,157,438,814
Net book value	
Opening balance	19,820,413,886
Closing balance	16,731,518,186

18. Short-term borrowings

	31/12/2012 VND	31/12/2011 VND
Short-term borrowings	3,148,072,571,964	2,626,418,137,945
Current portion of long-term borrowings (Note 24)	300,986,300,000	309,821,552,667
	3,449,058,871,964	2,936,239,690,612

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Notes to the consolidated financial statements for the year ended 31 December 2012
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Terms and conditions of short-term borrowings were as follows:

	Currency	Interest rate (per annum)	31/12/2012 VND	31/12/2011 VND
Bank for Investment and Development of Vietnam – Ca Mau Branch				
Loan 1	VND	-	-	291,675,753,237
Loan 2	VND	-	-	90,399,220,806
Loan 3	USD	3.5%	85,435,800,000	-
Vietnam Joint Stock Commercial Bank for Industry and Trade – Ca Mau Branch				
Loan 4	VND	9.0%-17.0%	279,402,989,338	1,107,596,010,539
Loan 5	VND	9.0%	13,236,370,767	695,796,340,372
Loan 6	USD	3.5%-7.0%	1,499,401,930,600	108,004,514,598
Loan 7	VND	-	-	98,417,700,976
Loan 8	VND	-	-	96,516,876,276
Loan 9	USD	3.5%	100,522,762,056	-
Loan 10	USD	3.5%-4.0%	44,499,507,324	-
Loan 11	USD	3.5%-4.0%	729,172,943,474	-
The Vietnam Development Bank – Minh Hai Branch				
Loan 12	VND	-	-	107,227,118,389
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ca Mau Branch				
Loan 13	VND	-	-	30,784,602,752
Loan 14	USD	3.0%-4.0%	213,856,890,180	-
HSBC Bank (Vietnam) Ltd				
Loan 15	USD	3.0%-4.5%	99,231,378,225	-
Comerica Bank (U.S.A.)				
Loan 16	USD	3.25%	83,312,000,000	-
			3,148,072,571,964	2,626,418,137,945

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Notes to the consolidated financial statements for the year ended 31 December 2012
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The bank loans are secured by the following assets of the Group:

	Carrying amount as at	
	31/12/2012 VND	31/12/2011 VND
Cash	4,138,969,282	79,105,488,777
Term deposits	-	22,874,000,000
Accounts receivable - trade	318,572,661,364	322,090,597,392
Inventories	1,555,685,951,209	1,719,248,332,059
Tangible fixed assets	5,807,736,260	30,554,578,797
Intangible fixed assets	3,205,264,572	1,057,378,618
	<hr/>	<hr/>
	1,887,410,582,687	2,174,930,375,643
	<hr/>	<hr/>

19. Accounts payable - trade

Accounts payable - trade represented the amounts due to third parties which were unsecured, interest free and payable on demand.

20. Taxes payable to State Treasury

	31/12/2012 VND	31/12/2011 VND
Value added tax	47,273,000	49,009,056,360
Corporate income tax	17,318,452,460	14,585,240,621
Personal income tax	1,061,148,212	624,027,783
Other	20,033,700	-
	<hr/>	<hr/>
	18,446,907,372	64,218,324,764
	<hr/>	<hr/>

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2012
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21. Accrued expenses

	31/12/2012 VND	31/12/2011 VND
External service payable	27,395,296,114	20,584,439,623
Anti-dumping tax payable for the period from 1 February 2008 to 31 January 2009	54,676,624,200	54,676,624,200
Anti-dumping tax payable for the period from 1 February 2009 to 31 January 2010	15,926,609,244	15,926,609,244
Anti-dumping tax payable for the period from 1 February 2010 to 31 January 2011	7,486,103,900	-
	105,484,633,458	91,187,673,067

Anti-dumping tax payable as of and for the year ended 31 December 2012 has not been finalised. Management expected that the anti-dumping tax for the year ended 31 December 2012 would be consistent with the finalised rate for the period from 1 February 2011 to 31 January 2012, which is 0%. The Group has estimated the final tax payable which may change according to the final amount payable imposed by the foreign authority.

22. Other payables

	31/12/2012 VND	31/12/2011 VND
Dividends payable	175,000,000,000	-
Social insurance, health insurance and trade union	921,651,909	876,979,684
Short-term deposits received	11,000,000,000	11,040,682,989
Interest payable	16,594,132,719	14,999,132,716
Commission payable	392,099,083	392,099,083
Land rental payable	4,779,359,064	5,670,000,000
Others	2,683,010,497	2,062,986,216
	211,370,253,272	35,041,880,688

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23. Bonus and welfare fund

The fund is established through appropriation from retained profits at the discretion of shareholders at the annual general meeting of shareholders. The fund is used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and Board of Management fee in accordance with the resolution of the shareholders in the annual general meeting.

Movements of bonus and welfare fund during the year were as follows:

	2012 VND
Opening balance	64,543,448,600
Allocation to the fund	52,694,844,634
Utilisation of the fund	(27,821,709,202)
	<hr/>
Closing balance	89,416,584,032
	<hr/>

24. Long-term borrowings

	31/12/2012 VND	31/12/2011 VND
Long-term borrowings	429,619,180,684	539,586,544,528
Long-term corporate bonds	700,000,000,000	900,000,000,000
	<hr/>	<hr/>
	1,129,619,180,684	1,439,586,544,528
Repayable within twelve months (Note 18)	(300,986,300,000)	(309,821,552,667)
	<hr/>	<hr/>
Repayable after twelve months	828,632,880,684	1,129,764,991,861
	<hr/>	<hr/>

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Notes to the consolidated financial statements for the year ended 31 December 2012
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Terms and conditions of long-term borrowings and long-term non-convertible corporate bonds were as follows:

	Currency	Interest rate (per annum)	Year of maturity	31/12/2012 VND	31/12/2011 VND
Long-term borrowings					
Vietnam Joint Stock Commercial Bank for Industry and Trade – Ca Mau Branch					
Loan 1	VND	14.0%-21.0%	2017	232,979,592,184	287,802,592,184
Loan 2	USD	7.0%-8.0%	2017	196,639,588,500	243,000,559,677
Saigon Thuong Tin Commercial Joint Stock Bank – Ca Mau Branch					
Loan 3	VND	-	2012	-	2,128,791,124
Loan 4	VND	-	2012	-	1,200,925,083
Loan 5	VND	-	2012	-	852,358,060
Loan 6	VND	-	2012	-	2,458,082,700
Loan 7	VND	-	2012	-	2,143,235,700
Long-term non-convertible corporate bonds					
Lot 1	VND	-	2012	-	200,000,000,000
Lot 2	VND	14.0%-19.0%	2013	200,000,000,000	200,000,000,000
Lot 3	VND	14.0%-19.0%	2014	500,000,000,000	500,000,000,000
				1,129,619,180,684	1,439,586,544,528

The bank loans and long-term non-convertible corporate bonds were secured by the following assets of the Group:

	Carrying amount as at	
	31/12/2012 VND	31/12/2011 VND
Cash	433,075,880	3,607,142,559
Prepayments to suppliers	651,006,121	1,869,400,010
Inventories	87,894,595,781	58,634,584,041
Other current assets	51,037,496,700	44,204,986,671
Tangible fixed assets	876,743,968,576	974,093,022,418
Intangible fixed assets	69,055,991,092	26,598,440,535
Construction in progress	245,996,061,173	250,188,788,748
Long-term prepayments	-	66,778,429,577
		1,331,812,195,323
		1,425,974,794,559

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Notes to the consolidated financial statements for the year ended 31 December 2012
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25. Provision for severance allowance

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

	2012 VND
Opening balance	3,710,923,688
Additions during the period	22,039,002
Utilised during the year	(76,071,201)
	<hr/>
Closing balance	3,656,891,489
	<hr/>

For the year ended 31 December 2012, the Group contributed VND1,731 million (2011: VND1,324 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the statement of income.

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26. Changes in equity

	Share capital VND	Capital surplus VND	Foreign exchange differences VND	Investment and development fund VND	Financial reserve VND	Retained profits VND	Total VND
Balance at 1 January 2011	700,000,000,000	177,876,869,236	54,301,347,051	19,700,529,953	-	386,088,364,453	1,337,967,110,693
Net profit for the year	-	-	-	-	-	275,398,176,101	275,398,176,101
Appropriation to equity fund	-	-	-	37,979,312,473	-	(37,979,312,473)	-
Transfer to bonus and welfare fund	-	-	-	-	-	(81,647,741,362)	(81,647,741,362)
Unrealised exchange differences	-	-	(17,067,368,685)	-	-	-	(17,067,368,685)
Currency translation differences	-	-	30,869,632,562	-	-	-	30,869,632,562
Utilisation of fund	-	-	-	(16,381,775,662)	-	-	(16,381,775,662)
Transfers to long term prepayments	-	-	20,402,628,523	-	-	-	20,402,628,523
Withholding tax on dividends remitted from foreign operations	-	-	-	-	-	(10,649,259,111)	(10,649,259,111)
Balance at 1 January 2012	700,000,000,000	177,876,869,236	88,506,239,451	41,298,066,764	-	531,210,227,608	1,538,891,403,059
Net profit for the year	-	-	-	-	-	16,839,844,522	16,839,844,522
Appropriation to equity fund	-	-	-	36,092,071,956	13,769,908,805	(49,861,980,761)	-
Dividends (Note 35)	-	-	-	-	-	(175,000,000,000)	(175,000,000,000)
Transfer to bonus and welfare fund	-	-	-	-	-	(51,761,636,902)	(51,761,636,902)
Utilisation of fund	-	-	-	(18,919,140,199)	-	-	(18,919,140,199)
Balance at 31 December 2012	700,000,000,000	177,876,869,236	88,506,239,451	58,470,998,521	13,769,908,805	271,426,454,467	1,310,050,470,480

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27. Share capital

The Company's authorised and issued share capital is:

	31/12/2012 and 31/12/2011	
	Number of shares	VND
Authorised and issued share capital	70,000,000	700,000,000,000

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

28. Minority interest

	2012	2011
	VND	VND
Balance at the beginning of the year	78,722,005,772	67,310,550,351
Additional investments during the year	-	900,000,000
Net earnings attributable to minority interest during the year	(961,777,658)	8,299,668,203
Translation differences borne by minority interest	-	9,814,166,940
Bonus and welfare fund borne by minority interest	(933,207,732)	(922,256,673)
Dividends	(6,094,297,579)	(6,680,123,049)
Balance at the end of the year	70,732,722,803	78,722,005,772

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29. Total revenue

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

Net sales comprised:

	2012 VND	2011 VND
Total revenue		
▪ Finished goods sold	7,931,607,515,820	5,038,683,559,029
▪ Merchandise goods sold	-	1,997,966,611,496
▪ Scraps sold	32,665,364,042	47,010,442,063
▪ Others	1,394,026,100	-
	<hr/> 7,965,666,905,962	<hr/> 7,083,660,612,588
Less sales deductions		
▪ Sales allowances	-	(737,022,306)
▪ Sales returns	(29,164,778,420)	(44,397,267,474)
	<hr/> (29,164,778,420)	<hr/> (45,134,289,780)
Net sales	<hr/> 7,936,502,127,542	<hr/> 7,038,526,322,808

30. Cost of sales

	2012 VND	2011 VND
Finished goods sold	7,030,855,092,577	4,097,514,849,179
Merchandise goods sold	-	1,855,862,223,390
Allowance for inventories	19,423,461,266	35,882,124,868
Others	107,882,549	-
	<hr/> 7,050,386,436,392	<hr/> 5,989,259,197,437

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31. Financial income

	2012 VND	2011 VND
Interest income	50,333,601,356	40,159,265,990
Dividend income	19,720,000	-
Realised foreign exchange gains	9,160,578,818	51,190,013,870
Unrealised foreign exchange gains	3,346,738,327	8,036,820,913
	<hr/> 62,860,638,501	<hr/> 99,386,100,773

32. Financial expenses

	2012 VND	2011 VND
Interest expense	412,791,349,076	340,901,136,561
Losses from trading of securities	3,758,527,264	-
Realised foreign exchange losses	5,483,365,933	13,860,993,906
Unrealised foreign exchange losses	139,620,019	1,822,210,992
Allowance for investments	(2,821,800,000)	38,562,140,000
Others	-	6,900,000,000
	<hr/> 419,351,062,292	<hr/> 402,046,481,459

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33. Income tax

(a) Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) were attributable to the following:

	31/12/2012	31/12/2011
	VND	VND
Deferred tax assets		
Tax losses carry-forwards	2,963,265,883	1,092,899,778
Provision and allowances	515,257,341	-
Unrealised profits arising from intra-group transactions	2,841,171,279	23,746,604,335
	<hr/> 6,319,694,503	<hr/> 24,839,504,113
Deferred tax liabilities		
Unrealised foreign exchange differences	-	(1,376,499,148)
Allowance for inventories	-	(7,871,816,246)
	<hr/> -	<hr/> (9,248,315,394)
Net deferred tax assets	<hr/> 6,319,694,503	<hr/> 15,591,188,719

(b) Recognised in the statement of income

	2012	2011
	VND	VND
Current tax expense		
Current year	14,418,626,296	40,582,417,264
(Over)/under provision in prior years	(5,117,151,928)	12,240,529,385
	<hr/> 9,301,474,368	<hr/> 52,822,946,649
Deferred tax expenses		
Reversal of temporary differences	9,271,494,216	946,468,498
	<hr/> 18,572,968,584	<hr/> 53,769,415,147

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(c) Reconciliation of effective tax rate

	2012 VND	2011 VND
Profit before tax	34,451,035,448	337,467,259,451
Tax at the Company's tax rate	8,612,758,862	84,366,814,863
Non-deductible expenses	4,054,694	537,228,108
Non-taxable income	(4,930,000)	-
Tax incentives	(9,877,996,025)	(47,329,119,123)
Difference tax rates applied on deferred tax assets	19,049,054,031	-
Deferred tax assets not recognised	7,889,492,181	1,326,498,879
Effect of different tax rates in subsidiaries	(1,982,313,231)	2,627,463,035
(Over)/under provision in prior years	(5,117,151,928)	12,240,529,385
Income tax expense	18,572,968,584	53,769,415,147

Pursuant to Decree No.60/2012/ND-CP ("Decree 60") issued by the government on 30 July 2012, the Company's operations meet the definition of labour intensive enterprises and co-operatives operating in seafood processing and the Company is therefore entitled to a 30% reduction of current income tax expense for the whole year of 2012.

(d) Applicable tax rates

The Company

Under the terms of its Business Registration Certificate, the Company has an obligation to pay the government corporate income tax at the rate of 25% of taxable profits.

The Subsidiaries

Mseafood Corporation ("Mseafood")

Under the regulations of United States of America, Mseafood has the obligation to pay two types of corporate income taxes:

- State corporate income tax: at the rate of 8.84% on the taxable income. In case of losses, Mseafood still has to pay the minimum tax of USD800.
- Federal corporate income tax: at the higher rate of assessable income multiplying the progressive tax rate or 20% on taxable income.

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Minh Phu - Hau Giang Seafood Processing Co., Ltd (“Minh Phu – Hau Giang”)

Under the terms of its Business Registration Certificate, the Company has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2011 to 2026 and 25% thereafter. The provisions of the Company’s Business Registration Certificate allow it to be exempted from income tax from 2012 to 2015 and receive a 50% reduction in income tax from 2016 to 2024. All the above tax incentives are not applicable to other income which is taxed at rate of 25%.

Minh Qui Seafood Co., Ltd (“Minh Qui”)

Under the terms of its Business Registration Certificate, Minh Qui has an obligation to pay the government corporate income tax at the rate of 20% of taxable profit from 2003 to 2012 and 25% thereafter. The provisions of Minh Qui’s Business Registration Certificate allow it to be exempted from income tax from 2003 to 2004 and receive a 50% reduction in income tax from 2005 to 2009.

Minh Phat Seafood Co., Ltd (“Minh Phat”)

Under the terms of its Investment Certificate, Minh Phat has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2006 to 2015 and 25% thereafter. The provisions of Minh Phat’s Investment Certificate allow it to be exempted from income tax from 2006 to 2007 and receive a 50% reduction in income tax from 2008 to 2012.

Minh Phu – Kien Giang Seafood Co., Ltd (“Minh Phu – Kien Giang”)

Under the terms of its Business Registration Certificate, Minh Phu – Kien Giang has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2006 to 2020 and 25% thereafter. The provisions of Minh Phu – Kien Giang’s Business Registration Certificate allow it to be exempted from income tax from 2007 to 2009 and receive a 50% reduction in income tax from 2010 to 2018.

Minh Phu Aquatic Larvae Co., Ltd (“Minh Phu Larvae”)

Under the terms of its Investment Certificate, Minh Phu Larvae has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2006 to 2020 and 25% thereafter. The provisions of Minh Phu Larvae’s Investment Certificate allow it to be exempted from income tax from 2009 to 2012 and receive a 50% reduction in income tax from 2013 to 2019.

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Minh Phu – Loc An Aquaculture Co., Ltd (“Minh Phu - Loc An”)

Under the terms of its Investment Certificate, Minh Phu - Loc An has an obligation to pay the government corporate income tax at the rate of 25% of taxable profits. The provisions of Minh Phu - Loc An's Investment Certificate allow it to be exempted from income tax for one year starting from the first year it generates a taxable profit and receive a 50% reduction in income tax for four succeeding years. The income tax regulations also specify that if Minh Phu - Loc An does not generate any taxable profit in three consecutive years from the first year it generate revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made. All the above tax incentives are not applicable to other income which is taxed at rate of 25%.

Minh Phu Bio Co., Ltd (“Minh Phu Bio”)

Under the terms of its Investment Certificate, Minh Phu Bio has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2009 to 2023 and 25% thereafter. The provisions of Minh Phu Bio's Investment Certificate allow it to be exempted from income tax from 2009 to 2012 and receive a 50% reduction in income tax from 2013 to 2021.

Minh Phu Organic Shrimp Farming Co., Ltd (“Minh Phu Organic Shrimp”)

Under the terms of its Business Registration Certificate, Minh Phu Organic Shrimp has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2010 to 2024 and 25% thereafter. The provisions of Minh Phu Organic Shrimp's Business Registration Certificate allow it to be exempted from income tax from 2012 to 2015 and receive a 50% reduction in income tax from 2016 to 2024.

Minh Phu Hoa Dien Aquaculture One Member Company (“Minh Phu Hoa Dien”)

Under the terms of its Business Registration Certificate, Minh Phu Hoa Dien has an obligation to pay the government income tax at the rate of 10% of taxable profits from 2012 to 2026 and 25% thereafter. The provisions of Minh Phu Hoa Dien's Business Registration Certificate allow it to be exempted from income tax for 4 years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for the 9 succeeding years. The income tax regulations also specify that if Minh Phu Hoa Dien does not generate any taxable profit in three consecutive years from the first year it generate revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made.

All the above tax incentives are not applicable to other income which is taxed at rate of 25%.

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34. Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(i) Net profit attributable to ordinary shareholders

	2012 VND	2011 VND
Net profit attributable to ordinary shareholders	16,839,844,522	275,398,176,101

(ii) Weighted average number of ordinary shares

	2012	2011
Weighted average number of ordinary shares at the beginning and the end of the period	70,000,000	70,000,000

35. Dividends

The General Meeting of Shareholders of the Company on 14 December 2012 resolved to distribute interim dividends of 2012 by cash amounting to VND175,000 million (VND2,500 per share).

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36. Financial instruments

(a) Financial risk management

(i) Overview

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

- credit risk
- liquidity risk
- market risk

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

(ii) Risk management framework

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

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and term deposits, loans receivables, and trade and other receivables.

(i) Exposure to credit risk

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

	Notes	31/12/2012 VND	31/12/2011 VND
Cash in bank and cash equivalents	(ii)	1,284,110,852,423	1,083,281,691,993
Term deposits	(ii)	119,153,170,936	70,747,449,592
Other long-term assets	(ii)	-	4,556,157,655
Loan receivables	(iii)	7,746,276,778	7,746,276,778
Trade and other receivables	(iv)	553,915,215,641	446,062,361,431
		1,964,925,515,778	1,612,393,937,449

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(ii) Cash in bank, cash equivalents, term deposits and other long-term assets

The cash in bank, cash equivalents, term deposits and other long-term assets of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(iii) Loan receivables from shrimp farmer

Loans to shrimp farmer were for operational support and were unsecured, interest free and payable on demand. According to loan agreements, the shrimp farmer has the commitment to sell all shrimps to the Group. Management assessed that the Group can recover the loans through future shrimp purchase.

(iv) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In response to the risk, management of the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. In addition, the Group always asks for collateral from customers for each sale order, normally in the form of letter of credit. Receivables are due within 15 days to 60 days from the date of billing. Debtors with balances that are more than 60 days outstanding are requested to settle the balances before further credit is granted.

Based on historic default rates, the Group believes that, apart from the amount provided for below, no further allowance for doubtful debts is necessary in respect of the outstanding trade and other receivables. The aging analysis of the receivables was as follows:

	Gross 31/12/2012 VND	Allowance for doubtful debts 31/12/2012 VND
Not past due	520,745,574,895	-
Past due 0 – 30 days	28,807,221,113	-
Past due 31 – 180 days	1,963,911,085	-
Past due more than 180 days	11,480,593,872	(9,082,085,324)
	<hr/> 562,997,300,965	<hr/> (9,082,085,324) <hr/>

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	Gross 31/12/2011 VND	Allowance for doubtful debts 31/12/2011 VND
Not past due	402,857,585,168	-
Past due 0 – 30 days	23,383,918,841	-
Past due 31 – 180 days	19,820,857,422	-
Past due more than 180 days	13,418,670,092	(13,418,670,092)
	459,481,031,523	(13,418,670,092)

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

	31/12/2012 VND	31/12/2011 VND
Opening balance	13,418,670,092	385,956,695
Increase in allowance during the year	-	17,542,577,828
Allowance reversed during the year	(4,336,584,768)	(4,509,864,431)
	9,082,085,324	13,418,670,092

(c) Liquidity risk

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

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

	Carrying amount VND	Contractual cash flows VND	Within 1 year VND	1 – 2 years VND	2 – 5 years VND	More than 5 years VND
As at 31 December 2012						
Short-term borrowings	3,148,072,571,964	3,182,138,435,132	3,182,138,435,132	-	-	-
Accounts payable - trade	135,868,027,758	135,868,027,758	135,868,027,758	-	-	-
Payables to employees	38,688,257,921	38,688,257,921	38,688,257,921	-	-	-
Accrued expenses	105,484,633,458	105,484,633,458	105,484,633,458	-	-	-
Other payables	211,370,253,272	211,370,253,272	211,370,253,272	-	-	-
Long-term borrowings	429,619,180,684	538,124,155,764	119,364,208,967	133,861,744,909	284,898,201,888	-
Long-term non-convertible corporate bonds	700,000,000,000	815,188,888,889	297,688,888,889	517,500,000,000	-	-
	4,769,102,925,057	5,026,862,652,194	4,090,602,705,397	651,361,744,909	284,898,201,888	-
As at 31 December 2011						
Short-term borrowings	2,626,418,137,945	2,737,466,331,233	2,737,466,331,233	-	-	-
Accounts payable - trade	313,623,931,737	313,623,931,737	313,623,931,737	-	-	-
Payables to employees	52,666,140,501	52,666,140,501	52,666,140,501	-	-	-
Accrued expenses	91,187,673,067	91,187,673,067	91,187,673,067	-	-	-
Other payables	35,041,880,688	35,041,880,688	35,041,880,688	-	-	-
Long-term borrowings	539,586,544,528	746,959,685,987	154,334,926,812	156,764,482,740	410,247,924,574	25,612,351,861
Long-term non-convertible corporate bonds	900,000,000,000	1,225,070,888,889	360,070,888,889	340,000,000,000	525,000,000,000	-
	4,558,524,308,466	5,202,016,532,102	3,744,391,772,927	496,764,482,740	935,247,924,574	25,612,351,861

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(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales and borrowings that are denominated in a currency other than the VND.

Exposure to currency risk

The Group had the following net monetary liability position exposed to currency risk:

	USD	
	31/12/2012	31/12/2011
Cash and cash equivalents	664,110	1,292,170
Accounts receivable – trade	15,856,451	17,578,319
Other monetary assets	525,195	333,861
Accounts payable – trade	(235,657)	(5,180,642)
Short-term borrowings	(133,166,795)	(5,185,544)
Long-term borrowings	(9,447,014)	(11,667,014)
Other monetary liabilities	(1,135,862)	-
	(126,939,572)	(2,828,850)

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

	Exchange rate as at	
	31/12/2012	31/12/2011
	VND	VND
USD1	20,815	20,828

Below is an analysis of the possible impact on the net profit of the Group, after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at 31 December 2012. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases:

	Effect to net profit for the year ended	
	31/12/2012	31/12/2011
	VND	VND
USD (1% strengthening)	(22,112,702,630)	(1,015,488,441)

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

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(ii) Interest rate risk

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

	31/12/2012 VND	31/12/2011 VND
Fixed rate instruments		
Cash equivalents	1,267,133,885,350	984,389,167,154
Term deposits	119,153,170,936	70,747,449,592
Other long-term assets	-	4,556,157,655
Long-term non-convertible corporate bond	-	(200,000,000,000)
	<hr/> 1,386,287,056,286	<hr/> 859,692,774,401
Variable rate instruments		
Cash in bank	16,976,967,073	98,892,524,839
Short-term borrowings	(3,148,072,571,964)	(2,736,239,690,612)
Long-term borrowings	(429,619,180,684)	(429,764,991,861)
Long-term non-convertible corporate bond	(700,000,000,000)	(700,000,000,000)
	<hr/> (4,260,714,785,575)	<hr/> (3,767,112,157,634)

Variable rate instruments expose the Group to risk of changes in interest rate. No policy was in place pertaining to the mitigation of any potential volatility of the interest rate. An increased of 100 basic points in interest rate would have decreased the Group' net profit by VND13,444 million (31 December 2011: VND14,123 million).

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(e) Fair values

The Group has not determined fair values of all financial instruments, except for short-term investments as shown in table below, for disclosure in accordance with Article 28 of Circular No. 210/2009/TT-BTC dated 6 November 2009 of the Ministry of Finance because (i) quoted prices in active market are not available for these financial assets and liabilities; and (ii) Vietnamese Accounting Standards and the Vietnamese Accounting System do not provide guidance on measurement of fair values in the case where quoted prices in active market are not available. Fair values of these financial instruments may be different from their carrying value.

	31/12/2012	
	Fair value VND	Carrying value VND
Short-term investments in:		
▪ No.8 Investment & Construction JSC	336,000,000	5,263,000,000
▪ PetrolVietnam Transportation Corporation	609,740,000	6,004,500,000
▪ REE Corporation	136,000	80,000
	945,876,000	11,267,580,000

37. Significant transactions with related parties**Identity of related parties**

The Group has related party relationship with associates, shareholders, directors and executive officers and the entity owned by its major shareholders.

Significant transactions with related companies

In additions to balances with related companies disclosed in other notes to the financial statements, there were the following significant transactions with related companies during the year:

	2012 VND	2011 VND
Minh Phu Hau Giang Port Corporation		
Capital contribution	-	600,000,000
Long Phung Investment Corporation		
Office rental	1,024,601,700	2,513,949,000

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Transactions with key management personnel

Total remunerations and business allowances to key management personnel were as follows:

	2012 VND	2011 VND
Remunerations and business allowances	11,644,096,372	11,574,915,266

38. Commitments

(a) Capital expenditure

At 31 December 2012, the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2012 VND	31/12/2011 VND
Approved but not contracted	-	9,717,542,656
Approved and contracted	111,279,648,241	222,168,758,738
	<u>111,279,648,241</u>	<u>231,886,301,394</u>

(b) Leases

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

	31/12/2012 VND	31/12/2011 VND
Within one year	2,035,707,000	3,046,978,400
From two to five years	1,577,672,925	6,532,086,300
More than 5 years	-	845,000,000
	<u>3,613,379,925</u>	<u>10,424,064,700</u>

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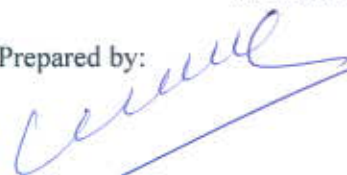
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39. Production and business costs by element

	2012 VND	2011 VND
Raw material costs included in production costs	6,247,223,637,445	6,863,711,011,390
Labour costs and staff costs	540,586,407,933	462,232,333,545
Depreciation and amortisation	151,886,043,097	92,172,726,929
Outside services	346,503,691,558	335,188,900,077
Other expenses	243,511,071,165	134,182,324,025

26 March 2013

Prepared by:



Luu Minh Trung
 Chief Accountant

Approved by:




Le Van Quang
 General Director

