

HOA SEN GROUP

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

HOA SEN GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

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HOA SEN GROUP

CORPORATE INFORMATION

Business Registration Certificate

No. 3700381324 dated 21 June 2012
First issued on 8 August 2001

The Business Registration Certificate has been amended several times and the latest amendment was the Business Registration Certificate No. 3700381324 on 21 June 2012. The Business Registration Certificate was issued by the Department of Planning and Investment of Binh Duong Province.

Board of Directors

Mr Le Phuoc Vu	Chairman
Mr Tran Ngoc Chu	Vice Chairman
Mr Pham Gia Tuan	Member
Mr Ly Duy Hoang	Member
Mr Jean Eric Jacquemin	Member (appointed on 6 March 2013)
Mr Le Phung Hao	Member (resigned on 6 March 2013)

Board of Management

Mr Tran Ngoc Chu	General Director
Mr Hoang Duc Huy	Deputy General Director
Mr Tran Quoc Tri	Deputy General Director
Mr Vu Van Thanh	Deputy General Director
Mr Nguyen Minh Khoa	Deputy General Director (appointed on 21 January 2013)
Mr Ho Thanh Hieu	Deputy General Director (appointed on 21 January 2013)
Mr Nguyen Van Quy	Deputy General Director (appointed on 21 January 2013)

Legal representative

Mr Le Phuoc Vu	Chairman
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Registered office

No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park,
Di An Ward, Di An Town, Binh Duong Province, Vietnam

Auditor

PricewaterhouseCoopers (Vietnam) Limited

HOA SEN GROUP

STATEMENT OF THE RESPONSIBILITY OF THE GENERAL DIRECTOR IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The legal representative of Hoa Sen Group ("the Company") authorized the General Director to be responsible for the consolidated financial statements which give a true and fair view of the financial position of the Company and its subsidiaries (together "the Group") as at 30 September 2013 and the results of their operations and cash flows for the year then ended. In preparing these consolidated financial statements, the General Director is required to:

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

The General Director is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable consolidated financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the consolidated financial statements. The General Director is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

I hereby approve the accompanying consolidated financial statements as set out on pages 5 to 42 which give a true and fair view of the financial position of the Group as at 30 September 2013 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



Tran Ngoc Chu
General Director

Binh Duong Province, SR Vietnam
9 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HOA SEN GROUP

We have audited the accompanying consolidated financial statements of Hoa Sen Group ("the Company") and its subsidiaries (together "the Group") which were approved by the General Director on 9 December 2013. The consolidated financial statements comprise the consolidated balance sheet as at 30 September 2013, the consolidated income statement and consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 42.

The General Director's Responsibility for the Consolidated Financial Statements

The General Director is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 September 2013, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



Quach Thanh Chau
Audit Practising Licence No.
0875-2013-006-1
Deputy General Director
Authorised signatory

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM3847
9 December 2013

Nguyen Hoang Nam
Audit Practising Licence No.
0849-2013-006-1

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 30 September	
			2013 VND	2012 VND
100	CURRENT ASSETS		4,214,832,811,102	2,606,071,890,530
110	Cash and cash equivalents	3	177,312,594,189	67,431,992,847
111	Cash		177,312,594,189	67,431,992,847
120	Short-term investments		-	3,975,059,008
121	Short-term investment		-	3,975,059,008
130	Accounts receivable		748,158,629,178	757,901,543,650
131	Trade accounts receivable		548,362,562,681	607,105,628,000
132	Prepayments to suppliers	4	187,574,760,737	137,402,828,308
135	Other receivables	5	15,225,431,240	21,707,204,091
139	Provision for doubtful debts		(3,004,125,480)	(8,314,116,749)
140	Inventories	6	3,019,573,646,607	1,539,822,107,871
141	Inventories		3,020,464,536,423	1,541,607,709,143
149	Provision for decline in value of inventories		(890,889,816)	(1,785,601,272)
150	Other current assets		269,787,941,128	236,941,187,154
151	Short-term prepayments	7	79,882,282,268	37,748,239,662
152	Value Added Tax to be reclaimed		169,583,730,029	190,977,572,774
154	Other taxes receivable	8	3,821,219	856,983,479
158	Other current assets	9	20,318,107,612	7,358,391,239
200	LONG-TERM ASSETS		2,927,338,171,070	2,716,867,560,343
220	Fixed assets		2,789,679,562,937	2,585,419,833,744
221	Tangible fixed assets	10(a)	2,235,719,440,684	2,199,542,140,363
222	Cost		3,304,809,510,491	3,002,603,873,975
223	Accumulated depreciation		(1,069,090,069,807)	(803,061,733,612)
224	Financial lease assets	10(b)	122,416,298,653	119,589,366,865
225	Cost		141,197,532,904	133,541,500,504
226	Accumulated depreciation		(18,781,234,251)	(13,952,133,639)
227	Intangible fixed assets	10(c)	234,454,547,464	240,284,444,612
228	Cost		253,522,432,543	255,669,692,921
229	Accumulated amortisation		(19,067,885,079)	(15,385,248,309)
230	Construction in progress	10(d)	197,089,276,136	26,003,881,904
250	Long-term investments	11	59,456,331,634	59,456,331,634
	Investments in associates and joint ventures		44,456,331,634	44,456,331,634
252				
258	Other long-term investments		15,000,000,000	15,000,000,000
260	Other long-term assets		78,202,276,499	71,991,394,965
261	Long-term prepayments	12	57,767,508,898	61,094,031,932
262	Deferred income tax assets	13	16,019,217,700	7,539,813,132
268	Other long-term assets		4,415,549,901	3,357,549,901
270	TOTAL ASSETS		7,142,170,982,172	5,322,939,450,873

The notes on pages 9 to 42 are an integral part of these financial statements.


CONSOLIDATED BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 30 September	
			2013 VND	2012 VND
300	LIABILITIES		4,931,735,187,568	3,304,412,330,536
310	Current liabilities		4,338,668,254,238	2,693,075,577,757
311	Short-term borrowings	14(a)	2,814,413,724,769	2,039,925,750,068
312	Trade accounts payable		1,317,685,051,025	484,411,293,421
313	Advances from customers		73,221,290,326	10,597,895,943
314	Taxes and other payables to the State Budget	15	51,640,398,454	84,651,397,571
315	Payable to employees		38,337,483,577	24,185,784,602
316	Accrued expenses	16	22,392,802,462	26,740,904,843
319	Other payables	17	16,513,722,110	17,337,300,110
323	Bonus and welfare fund	18	4,463,781,515	5,225,251,199
330	Long-term liabilities		593,066,933,330	611,336,752,779
334	Long-term borrowings	14(b)	588,026,924,580	606,309,432,779
336	Provision for severance allowances		5,040,008,750	5,027,320,000
400	SHAREHOLDERS' EQUITY		2,210,435,794,604	2,018,527,120,337
410	Capital and reserves		2,210,435,794,604	2,018,527,120,337
411	Shareholders' capital	19, 20	1,007,907,900,000	1,007,907,900,000
412	Share premium	20	451,543,290,363	451,543,290,363
414	Treasury shares	20	(81,035,546,498)	(56,716,723,982)
418	Financial reserve funds	20	8,525,313,060	8,525,313,060
419	Other funds		2,007,734,351	2,148,326,909
420	Undistributed earnings	20	821,487,103,328	605,119,013,987
440	TOTAL RESOURCES		7,142,170,982,172	5,322,939,450,873


OFF BALANCE SHEET ITEMS

Cash and cash equivalents are balances held in foreign currencies as follows:

	As at 30 September	
	2013	2012
US\$	3,915,198.11	137,559.19
EUR	223.83	221.58
AUD	84.78	84.78



 Nguyen Thi Ngoc Lan
 Chief Accountant



 Tran Ngoc Chu
 General Director
 9 December 2013

The notes on pages 9 to 42 are an integral part of these financial statements.


CONSOLIDATED INCOME STATEMENT

Code		Note	Year ended 30 September	
			2013 VND	2012 VND
01	Sales		11,772,644,300,807	10,110,988,306,667
02	Less deductions		(12,745,708,265)	(23,032,075,122)
10	Net sales	21(a)	11,759,898,592,542	10,087,956,231,545
11	Cost of sales	22	(10,052,386,178,283)	(8,682,822,005,970)
20	Gross profit		1,707,512,414,259	1,405,134,225,575
21	Financial income	21(b)	39,687,232,366	48,591,843,754
22	Financial expenses	23	(246,584,741,097)	(409,241,900,486)
23	<i>Included: interest expense</i>		(167,862,447,942)	(340,390,787,401)
24	Selling expenses	24	(491,346,997,958)	(386,396,571,842)
25	General and administration expenses	25	(350,540,024,416)	(261,226,742,015)
30	Operating profit		658,727,883,154	396,860,854,986
31	Other income	26	37,177,802,534	31,785,941,720
32	Other expense	27	(16,908,741,004)	(17,090,439,659)
40	Net other income		20,269,061,530	14,695,502,061
50	Net accounting profit before tax		678,996,944,684	411,556,357,047
51	Business income tax - current	28	(106,636,699,375)	(43,377,160,455)
52	Business income tax - deferred	13	8,479,404,568	(75,828,704)
60	Net profit after tax		580,839,649,877	368,103,367,888
70	Earnings per share	29	5,941	3,761



 Nguyen Thi Ngoc Lan
 Chief Accountant





 Tran Ngoc Chu
 General Director
 9 December 2013

The notes on pages 9 to 42 are an integral part of these financial statements.


CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

		Year ended 30 September	
Code	Note	2013 VND	2012 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	678,996,944,684	411,556,357,047
	Adjustments for:		
02	Depreciation and amortisation	290,579,709,448	273,954,782,521
03	Provisions	566,356,047	5,109,784,753
04	Unrealised foreign exchange losses/(gains)	5,951,795,789	(4,119,532,487)
05	Gains from investing activities	(2,777,208,102)	(3,402,049,696)
06	Interest expense	167,862,447,942	340,390,787,401
08	Operating profit before changes in working capital	1,141,180,045,808	1,023,490,129,539
09	Decrease/(increase) in receivables	22,278,890,459	(74,065,954,408)
10	(Increase)/decrease in inventories	(1,478,856,827,280)	474,052,545,190
11	Increase/(decrease) in payables	863,895,232,096	(583,675,444,144)
12	Increase in prepaid expenses	(30,435,599,644)	(3,359,473,874)
13	Interest paid	(169,528,086,627)	(346,276,674,459)
14	Business income tax paid	(101,210,750,769)	(28,530,747,597)
16	Other payments on operating activities	(26,422,339,778)	(9,336,896,699)
20	Net cash inflows from operating activities	220,900,564,265	452,297,483,548
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(492,271,535,137)	(63,186,091,525)
22	Proceeds from disposals of fixed assets	7,248,031,779	3,248,224,565
27	Interest received	5,940,385,291	3,862,359,199
30	Net cash outflows from investing activities	(479,083,118,067)	(56,075,507,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
32	Purchases of treasury shares	(24,318,822,516)	(28,128,541,137)
33	Proceeds from borrowings	9,167,945,362,267	6,526,860,959,039
34	Repayments of borrowings	(8,408,505,209,722)	(6,822,779,336,715)
35	Finance lease payments	(24,793,510,017)	(34,996,166,525)
36	Dividends paid	(337,811,193,325)	(96,593,160,025)
40	Net cash inflows/(outflows) from financing activities	372,971,626,687	(455,636,245,363)
50	Net increase/(decrease) in cash and cash equivalents	114,789,072,885	(59,414,269,576)
60	Cash and cash equivalents at beginning of year	3 67,431,992,847	128,408,998,636
61	Effect of foreign exchange differences	(4,908,471,543)	(1,562,736,213)
70	Cash and cash equivalents at end of year	3 177,312,594,189	67,431,992,847

Major non-cash transaction in the year was acquisition of finance lease assets with value of VND21,351,032,400 (year ended 30 September 2012: VND84,032,961,457).


 Nguyen Thi Ngoc Lan
 Chief Accountant




 Tran Ngoc Chu
 General Director
 9 December 2013

The notes on pages 9 to 42 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

1 GENERAL INFORMATION

Hoa Sen Group – Vietnamese name is Cong ty Co phan Tap doan Hoa Sen - ("the Company") was established in SR Vietnam pursuant to Business Registration Certificate No. 3700381324, dated 8 August 2001 which was issued by the Department of Planning and Investment of Binh Duong Province. The latest amendment is on 21 June 2012.

On 5 December 2008, the Company's shares were listed and traded on the Ho Chi Minh City Stock Exchange pursuant to Decision No. 117/QD-SGDHCM dated 5 November 2008.

The principal activities of the Company are to:

- Manufacture roofing sheets by galvanized steel, zinc alloy, paint galvanized zinc plating and plating of other alloys
- Produce steel purlins, galvanized purlins
- Manufacture black steel pipes, galvanized steel pipes, and other alloys
- Manufacture steel mesh, galvanized steel wire, steel wire
- Manufacture PVC ceiling
- Produce building materials
- Buy and sell building materials, capital goods and consumer goods
- Rent store and transport goods
- Industrial and civil construction
- Produce cold rolled steel coils

As at 30 September 2013, the Company had the following subsidiaries:

Subsidiary name	Location	Principal activities	% ownership and voting rights	
			30.9.2013	30.9.2012
Hoa Sen Steel Sheet One Member Co., Ltd.	No. 9, Thong Nhat Boulevard, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam	Manufacture and trade in cold rolled steel products	100	100
Hoa Sen Building Materials One Member Co., Ltd.	Phu My Industrial Park I, Phu My Town, Tan Thanh District, Ba Ria – Vung Tau Province, Vietnam	Manufacture and trade in plastic building materials and steel pipe products	100	100
Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd.	No. 9 Thong Nhat Boulevard, Song Than II Industrial Park II, Di An Ward, Di An Town, Binh Duong Province, Vietnam	Provide engineering, civil and industrial construction projects; transportation service; produce and process rolling mill; cutter and industrial machine, equipment	100	100

All subsidiaries are incorporated in Vietnam.

As at 30 September 2013, the Company and its subsidiaries (together "the Group") had 3,731 employees (30 September 2012: 2,949 employees).

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES**2.1 Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. The consolidated financial statements have been prepared under the historical cost convention.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

2.2 Fiscal year

The Group's fiscal year is from 1 October to 30 September.

2.3 Consolidation

The Group prepared its consolidated financial statements in accordance with the Vietnamese Accounting Standard 25 – *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures and associates

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity which is subject to joint control. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures and associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.3 Consolidation (continued)*****Joint ventures and associates (continued)***

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Form of records applied

The Group uses journal vouchers to record its transactions.

2.5 Use of accounting estimates

The preparation of the consolidated financial statements requires the General Director to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the General Director's best knowledge of current events and actions, actual results may differ from those estimates.

2.6 Currency

The consolidated financial statements are measured in Vietnamese Dong and presented using Vietnamese Dong.

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.8 Trade receivables**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the General Director of all outstanding amounts at the year end. Bad debts are written off when identified.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

2.10 Investments**(a) Short-term investments**

Short-term investments are investments with maturities less than 12 months from the balance sheet date and investments that are held with the intention to dispose of them within 12 months from the balance sheet date. Short-term investments are initially accounted for at cost. Provision for diminution is recognised for short term equity securities where the cost exceeds the fair value of such securities.

(b) Investments in joint ventures and associates

Investments in joint ventures and associates are accounted for using equity method. The investments in joint ventures and associates which are acquired and held exclusively with a view to its disposal in the near future (under 12 months) are accounted for at cost less provision for diminution in value.

(c) Long-term investments

Long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose of them within 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

2.11 Fixed assets*Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.11 Fixed assets (continued)***Depreciation*

Fixed assets are depreciated using the straight-line method so as to write off the cost of the assets over their estimated useful lives. The principal annual rates used are:

Buildings	5 - 30 years
Machinery & equipment	3 - 10 years
Motor vehicles	6 - 10 years
Office equipment	6 - 8 years
Others	5 - 20 years

Land use rights which have definite term are amortised, using the straight-line method over number of years in accordance with the terms indicated in each land use right certificate. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

2.12 Leased assets

Leases of property, plant and equipment where the lessor has transferred the ownership at the end of the lease period, and transferred substantially the risks and rewards, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge, are included in long-term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the estimated useful life of the assets or the lease term. However, if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, depreciation is calculated over the estimated useful life of the assets.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.13 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.14 Long-term prepayments**

Long-term prepayments represent the expenditure relating to periods more than one year but unqualified for being classified as fixed assets. These items are recognised at historical cost and amortised over their estimated useful life.

2.15 Revenue recognition**(a) Sales of goods**

Revenue from the sale of goods is recognised in the income statement 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.

(b) Sales of services

Revenue from the sales of services is recognised in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividend income

Dividend income is recognised in the period in which the dividends are declared by the investee entities.

2.16 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries that SR Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.17 Share capital and treasury shares**

Share capital consists of all issued shares. Incremental costs directly attributable to the issue of ordinary shares or options are recognised as a deduction from equity.

Treasury shares are shares that are issued and repurchased by the Group. The amount of the consideration paid, which includes directly attributable cost, net off any tax effects, is recognised and presented as a deduction from equity. Total amount received from the reissue or sales of treasury shares less directly attributable costs are recorded as equity.

2.18 Dividend distribution

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

Interim dividends are declared and paid based on the estimated earnings of the year, which is approved by the Board of Directors. Final dividends are declared and paid in the following year from undistributed earnings based on the approval of shareholders at the Group's General Assembly of Shareholders.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements of the financial year that are approved by the Company's General Assembly of Shareholders.

2.19 Related parties

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

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)**2.21 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees. Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Group is no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as of 30 September 2013 is determined based on the employees' number of years of service up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

3 CASH AND CASH EQUIVALENTS

	30.9.2013 VND	30.9.2012 VND
Cash on hand	14,705,019,494	23,431,416,059
Cash at bank	107,927,629,097	43,100,528,271
Cash in transit	54,679,945,598	900,048,517
	<u>177,312,594,189</u>	<u>67,431,992,847</u>

4 PREPAYMENTS TO SUPPLIERS

	30.9.2013 VND	30.9.2012 VND
Third parties	97,391,533,737	47,219,601,308
Related parties (Note 32(b))	90,183,227,000	90,183,227,000
	<u>187,574,760,737</u>	<u>137,402,828,308</u>

5 OTHER RECEIVABLES

Other receivables as at 30 September 2013 include an amount of VND6,671,456,240 due from Vietnam Joint Stock Commercial Bank for Industry and Trade Finance Lease One Member Co., Ltd. ("Vietinbank Finance Lease Company") for the import on consignment of steel tube mill chain.

Other receivables as at 30 September 2012 include an amount of VND13,279,135,464 from liquidation contract of Pho Dong – Hoa Sen Building Project.

6 INVENTORIES

	30.9.2013 VND	30.9.2012 VND
Goods in transit	999,031,492,810	340,678,259,856
Raw materials	658,962,090,300	190,622,980,418
Tools	219,682,548,931	221,482,551,071
Work in progress	-	56,468,240
Finished goods	1,023,718,161,252	710,083,474,030
Merchandises (*)	119,070,243,130	78,683,975,528
	<u>3,020,464,536,423</u>	<u>1,541,607,709,143</u>
Provision for decline in value of inventory	(890,889,816)	(1,785,601,272)
	<u>3,019,573,646,607</u>	<u>1,539,822,107,871</u>

(*) Included in merchadises is an amount of VND17,268,969,715 representing 15 apartments the Group received as a part of settlement of other receivables from the liquidation contract of Pho Dong – Hoa Sen Building Project.

As at 30 September 2013, inventories with a carrying amount of VND820,719,777,712 (As at 30 September 2012: VND1,070,169,056,955) have been pledged as security for the bank loans.

7 SHORT-TERM PREPAYMENTS

	Year ended 30 September	
	2013 VND	2012 VND
Opening balance	37,748,239,662	34,577,517,459
Additions	192,998,954,765	116,473,531,106
Other increases	-	43,958,876
Transferred from fixed assets (*)	2,590,784,552	-
Amortisation	(153,455,696,711)	(113,346,767,779)
Closing balance	<u>79,882,282,268</u>	<u>37,748,239,662</u>

(*) This was to reclassify the net book value of fixed assets which have historical cost value under VND30 million to short-term prepayments in compliance with Circular 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013.

Short-term prepayments mainly comprise advertising expenses, rental expenses and tools and equipment.

8 TAX AND OTHER RECEIVABLE TO THE STATE BUDGET

	30.9.2013	30.9.2012
	VND	VND
Business income tax refundable	-	20,797,918
Other receivables from the State	3,821,219	836,185,561
	<u>3,821,219</u>	<u>856,983,479</u>

9 OTHER CURRENT ASSETS

	30.9.2013	30.9.2012
	VND	VND
Short-term deposits (*)	15,962,822,128	2,486,311,258
Advances to employees	4,355,285,484	4,872,079,981
	<u>20,318,107,612</u>	<u>7,358,391,239</u>

(*) Short-term deposits represent amounts deposited at commercial banks to guarantee for letters of credit for importing materials.

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10 FIXED ASSETS

(a) Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other tangible fixed assets VND	Total VND
Historical cost						
As at 1 October 2012	656,158,901,412	2,251,141,612,453	73,886,365,528	5,551,884,827	15,865,109,755	3,002,603,873,975
New purchases	1,064,814,719	25,287,242,439	10,540,790,853	434,756,772	5,389,194,569	42,716,799,352
Transferred from construction in progress	28,023,892,039	224,437,791,004	22,148,365,633	-	-	274,610,048,676
Transferred from finance lease assets (Note 10(b))	-	13,705,000,000	-	-	-	13,705,000,000
Transferred to prepayments (*)	(167,602,341)	(4,982,972,019)	(3,271,868,767)	(836,612,962)	(134,931,385)	(9,393,987,474)
Disposals	(500,000,000)	(17,919,216,769)	(209,438,040)	(41,019,100)	(42,857,142)	(18,712,531,051)
Other decreases	(33,495,248)	(657,130,012)	(15,249,545)	-	(13,818,182)	(719,692,987)
As at 30 September 2013	684,546,510,581	2,491,012,327,096	103,078,965,662	5,109,009,537	21,062,697,615	3,304,809,510,491
Accumulated depreciation						
As at 1 October 2012	114,048,081,661	646,797,598,843	34,794,783,446	3,593,832,600	3,827,437,062	803,061,733,612
Charge for the year	37,608,818,733	225,645,226,609	9,018,075,734	569,790,894	2,722,492,957	275,564,404,927
Transferred from finance lease assets (Note 10(b))	-	6,431,495,968	-	-	-	6,431,495,968
Transferred to prepayments (*)	(64,535,492)	(2,387,378,671)	(1,272,453,461)	(463,791,531)	(80,147,137)	(4,268,306,292)
Disposals	(165,322,554)	(10,892,770,972)	(192,368,220)	(40,285,808)	(42,857,142)	(11,333,604,696)
Other decreases	(24,656,218)	(318,493,858)	(8,685,454)	-	(13,818,182)	(365,653,712)
As at 30 September 2013	151,402,386,130	865,275,677,919	42,339,352,045	3,659,546,155	6,413,107,558	1,069,090,069,807
Net book value						
As at 1 October 2012	542,110,819,751	1,604,344,013,610	39,091,582,082	1,958,052,227	12,037,672,693	2,199,542,140,363
As at 30 September 2013	533,144,124,451	1,625,736,649,177	60,739,613,617	1,449,463,382	14,649,590,057	2,235,719,440,684

10 FIXED ASSETS (continued)**(a) Tangible fixed assets (continued)**

(*) This was to reclassify the net book value of fixed assets which have historical cost value under VND30 million to prepayments in compliance with Circular 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013.

As at 30 September 2013, cost of tangible fixed assets fully depreciated but are still in use was VND65,035,423,772 (As at 30 September 2012: VND49,172,810,851).

As at 30 September 2013, tangible fixed assets with net book value of VND1,415,732,334,554 (As at 30 September 2012: VND1,137,287,394,652) have been pledged as security for the borrowings.

(b) Finance lease assets

**Machinery and equipment
VND**

Historical cost

As at 1 October 2012	133,541,500,504
Additions	21,351,032,400
Other increases	10,000,000
Transferred to tangible fixed assets (Note 10(a))	(13,705,000,000)
	<hr/>
As at 30 September 2013	141,197,532,904
	<hr/>

Accumulated depreciation

As at 1 October 2012	13,952,133,639
Charge for the year	11,260,596,580
Transferred to tangible fixed assets (Note 10(a))	(6,431,495,968)
	<hr/>
As at 30 September 2013	18,781,234,251
	<hr/>

Net book value

As at 1 October 2012	119,589,366,865
	<hr/>
As at 30 September 2013	122,416,298,653
	<hr/>

10 FIXED ASSETS (continued)**(c) Intangible fixed assets**

	Land use rights VND	Computer software VND	Total VND
Historical cost			
As at 1 October 2012	253,762,224,817	1,907,468,104	255,669,692,921
Increase	748,696,710	-	748,696,710
Transferred to prepayments (*)	-	(43,527,300)	(43,527,300)
Disposals	(2,846,052,648)	-	(2,846,052,648)
Other decreases	(6,377,140)	-	(6,377,140)
As at 30 September 2013	251,658,491,739	1,863,940,804	253,522,432,543
Accumulated amortisation			
As at 1 October 2012	14,129,847,457	1,255,400,852	15,385,248,309
Charge for the year	3,454,355,730	300,352,211	3,754,707,941
Transferred to prepayments (*)	-	(25,085,221)	(25,085,221)
Disposals	(46,985,950)	-	(46,985,950)
As at 30 September 2013	17,537,217,237	1,530,667,842	19,067,885,079
Net book value			
As at 1 October 2012	239,632,377,360	652,067,252	240,284,444,612
As at 30 September 2013	234,121,274,502	333,272,962	234,454,547,464

(*) This was to reclassify the net book value of fixed assets which have historical cost value under VND30 million to prepayments in compliance with Circular 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013.

As at 30 September 2013, the cost of intangible fixed assets fully amortised but still in use was VND424,934,120 (As at 30 September 2012: VND280,361,120).

As at 30 September 2013, land use rights with net book value of VND179,608,001,028 (As at 30 September 2012: VND164,111,293,657) have been pledged as security for the bank loans.

10 FIXED ASSETS (continued)**(d) Construction in progress**

	Year ended 30 September	
	2013 VND	2012 VND
Opening balance	26,003,881,904	470,916,943,034
Additions	448,796,039,075	48,855,722,581
Transferred to long-term prepayments (Note 12)	(3,100,596,167)	(4,923,653,232)
Transferred to tangible fixed assets (Note 10(a))	(274,610,048,676)	(488,845,130,479)
Closing balance	<u>197,089,276,136</u>	<u>26,003,881,904</u>

Major projects include:

	30.9.2013 VND	30.9.2012 VND
Machinery and equipment for		
Hoa Sen Phu My Steel Sheet Plant	154,161,951,042	18,569,355,451
Hoa Sen Phu My Steel Sheet Plant Project	<u>15,404,412,315</u>	<u>5,113,690,655</u>

Borrowing costs capitalised in construction in progress for the year ended 30 September 2013 was VND6,815,357,992 (for the year ended 30 September 2012: VND8,715,760,598).

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11 LONG-TERM INVESTMENTS

Investee	Principal activities	Business License	% ownership and voting rights	Amount 30.9.2013 VND	30.9.2012 VND
Associates:					
Hoa Sen-Gemadep Logistics and International Port Corporation (*)	Provide sea cargo agency services	Business Registration Certificate No. 3500751828 issued by Department of Planning and Investment of Ba Ria-Vung Tau Province on 20 June 2006 and amended on 13 October 2009	45	44,456,331,634	44,456,331,634
Other long-term investment:					
Viet Capital Health Care Fund	Invest in listed and unlisted healthcare Vietnamese companies and projects in Vietnam	Decision No. 08/TB-UBCK issued by State Securities Commission of Vietnam on 15 January 2008	3	15,000,000,000	15,000,000,000
TOTAL				59,456,331,634	59,456,331,634

(*) Investment in Hoa Sen – Gemadep Logistics and International Port Corporation is awaiting for disposal according to Resolution of The General Assembly of Shareholders No. 02/NQ/DHDCD/HSG/2011 dated 16 June 2011.

12 LONG-TERM PREPAYMENTS

	Year ended 30 September	
	2013 VND	2012 VND
Opening balance	61,094,031,932	55,981,627,029
Additions	38,681,223,302	37,971,342,489
Transferred from construction in progress (Note 10(d))	3,100,596,167	4,923,653,232
Transferred from tangible fixed assets (*)	2,553,338,709	-
Other increases	127,200,500	-
Amortisation	(47,788,881,712)	(37,782,590,818)
Closing balance	57,767,508,898	61,094,031,932

(*) This was to reclassify the net book value of fixed assets which have historical cost value under VND30 million to long-term prepayments and have been allocated within three years in compliance with Circular 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013.

Long-term prepayments mainly comprise fixed assets overhaul, computers, and tools and equipment in use.

13 DEFERRED INCOME TAX ASSETS

The gross movement in the deferred income tax is as follows:

	Year ended 30 September	
	2013 VND	2012 VND
Opening balance	7,539,813,132	7,615,641,836
Credited/(debited) to income statement	8,479,404,568	(75,828,704)
Closing balance	16,019,217,700	7,539,813,132

Deferred income tax assets arise mainly from the temporary differences relating to unrealised profits on sales to branches of the Company, accrued interest expense and other accrued expenses.

14 BORROWINGS**(a) Short-term borrowings**

		30.9.2013 VND	30.9.2012 VND
Bank loans (*)		2,468,854,540,949	1,874,783,164,492
Current portion of long-term loans (Note 14(b))		298,642,575,600	144,621,141,648
Current portion of finance lease liabilities (Note 14(b))		20,616,608,220	20,521,443,928
Other short-term borrowings (**)		26,300,000,000	-
		<u>2,814,413,724,769</u>	<u>2,039,925,750,068</u>

(*) Detail of short-term bank loans is as follows:

No.	Currency	Annual interest	30.9.2013 VND	30.9.2012 VND
1	USD	4% - 7.0%	211,410,740,800	397,349,294,200
2	VND	11% - 18.5%	-	66,800,000,000
3	USD	4.15% - 5.5%	317,842,593,447	132,506,031,645
4	VND	7% - 12.5%	130,280,111,484	10,007,000,000
5	USD	3.8% - 6%	441,089,851,000	256,450,792,619
6	VND	6.75% - 12%	158,246,647,827	184,210,428,571
7	USD	4.5% - 5.7%	-	115,637,056,000
8	USD	3.3% - 4%	227,817,968,103	99,490,344,783
9	VND	6.15% - 10%	150,360,360,683	28,390,000,000
10	USD	3.8% - 5%	59,957,213,921	39,573,200,000
11	USD	3.8% - 6%	56,013,170,601	13,954,760,000
12	USD	3.4% - 3.8%	15,154,363,000	-
13	USD	4.2%	25,443,265,372	-
14	USD	3.3% - 4.5%	118,899,619,612	183,498,218,052
15	VND	6.4% - 11.2%	28,700,000,000	29,400,000,000
16	USD	6.00%	-	28,364,976,082
17	USD	3.8% - 5.1%	145,515,382,898	57,818,528,000
18	USD	3.8% - 6.3%	184,507,457,516	231,332,534,540
19	VND	7% - 11.9%	12,540,583,701	-
20	USD	4.00%	34,004,044,702	-
21	USD	3.25%	48,722,541,665	-
22	USD	3.80%	102,348,624,617	-
			<u>2,468,854,540,949</u>	<u>1,874,783,164,492</u>

All above short-term bank loans are secured by Group's fixed assets and inventories.

14 BORROWINGS (continued)

(**) Details of other short-term borrowings are as follows:

- (i) The loan balance of VND26,300,000,000 (As at 30 September 2012: Nil) from an individual is unsecured, due for repayment in December 2013, and bears interest at the rate 8% p.a.

(b) Long-term borrowings

		30.9.2013 VND	30.9.2012 VND
Bank loans	(*)	789,545,123,372	638,262,330,949
Finance lease liabilities	(**)	73,614,825,028	74,922,199,406
Other long-term debts	(***)	44,126,160,000	58,267,488,000
		<hr/>	<hr/>
		907,286,108,400	771,452,018,355
Less: Current portion of long-term loans (Note 14(a))		(298,642,575,600)	(144,621,141,648)
Less: Current portion of finance lease liabilities (Note 14(a))		(20,616,608,220)	(20,521,443,928)
		<hr/>	<hr/>
		588,026,924,580	606,309,432,779
		<hr/>	<hr/>

(*) Details of long-term bank loans as below:

No.	Currency	Repayment	Annual interest	30.9.2013 VND	30.9.2012 VND
1	VND	25/9/2017	10.5% - 15%	326,339,516,000	155,288,986,000
2	USD	16/7/2019	4.15%	58,081,311,390	-
3	VND	16/7/2019	10.00%	52,220,357,395	-
4	USD	15/9/2013	7.2%	-	1,564,516,048
5	VND	11/6/2016	9.7% - 15%	212,001,916,695	290,697,516,695
6	USD	8/9/2018	1.7%	80,621,411,392	96,581,300,106
7	VND	24/10/2015	7.8% - 8.4%	21,280,000,000	35,500,000,000
8	VND	16/7/2017	11% - 16%	39,000,610,500	49,400,122,100
9	VND	26/4/2015	13% - 14%	-	9,229,890,000
				<hr/>	<hr/>
				789,545,123,372	638,262,330,949
				<hr/>	<hr/>

All long-term bank loans are secured by the assets financed by these loans.

14 BORROWINGS (continued)**(b) Long-term borrowings (continued)****(**) Finance lease liabilities**

The minimum lease payments relating to non-cancellable finance lease agreements are as follows:

	30.9.2013		
	Total liabilities VND	Interest VND	Principal VND
Within 1 year	27,224,643,135	6,608,034,915	20,616,608,220
Between 1 and 5 years	60,316,844,271	7,318,627,463	52,998,216,808
	<u>87,541,487,406</u>	<u>13,926,662,378</u>	<u>73,614,825,028</u>

	30.9.2012		
	Total liabilities VND	Interest VND	Principal VND
Within 1 year	30,258,852,744	9,737,408,816	20,521,443,928
Between 1 and 5 years	67,908,490,149	13,507,734,671	54,400,755,478
	<u>98,167,342,893</u>	<u>23,245,143,487</u>	<u>74,922,199,406</u>

(***) Other long-term debt of EUR1,560,000 equivalent to VND44,126,160,000 (As at 30 September 2012: EUR2,144,000 equivalent to VND58,267,488,000) is from a supplier for purchases of fixed assets, bearing interest at the rate 5.8% p.a. and to be paid in 6-month instalments to May 2016.

15 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	30.9.2013 VND	30.9.2012 VND
VAT on imported goods	11,189,715,893	46,827,168,659
Output VAT	9,823,141,547	17,603,888,915
Import – export duties	94,673	76,358,503
Business income tax	25,104,924,169	19,678,975,563
Other taxes	5,522,522,172	465,005,931
	<u>51,640,398,454</u>	<u>84,651,397,571</u>

16 ACCRUED EXPENSES

	30.9.2013 VND	30.9.2012 VND
Electricity	117,193,240	3,855,747,726
Payable relating to construction in progress	334,545,454	1,623,564,318
Transportation fee	582,558,457	1,981,006,445
Audit fee	711,496,656	785,454,544
13 th month salary	14,993,297,000	10,262,949,429
Loan interest	2,227,290,276	3,892,928,961
Other accrued expenses	3,426,421,379	4,339,253,420
	<u>22,392,802,462</u>	<u>26,740,904,843</u>

17 OTHER PAYABLES

	30.9.2013 VND	30.9.2012 VND
Dividends	3,634,861,200	2,494,771,525
Social insurance, health insurance, unemployment insurance, and trade union fee	1,436,549,180	949,195,838
Tender deposits received	3,580,000,000	3,182,161,759
Unpaid tax from the liquidation of a subsidiary	-	2,431,698,169
Other payables	7,862,311,730	8,279,472,819
	<u>16,513,722,110</u>	<u>17,337,300,110</u>

18 BONUS AND WELFARE FUND

This fund is established by appropriating from retained profits as approved by shareholders at the General Assembly of Shareholders. This fund is used to pay bonus and welfare to the Company's and subsidiaries' employees in accordance with the Group's bonus and welfare policies. Movements of bonus and welfare fund during the year were as below:

	Year ended 30 September	
	2013 VND	2012 VND
Opening balance	5,225,251,199	7,946,458,110
Appropriated from undistributed earnings	14,724,134,716	6,406,734,996
Utilisation	(15,485,604,400)	(4,364,403,876)
Reversed to undistributed earnings (Note 20)	-	(4,055,557,395)
Transferred to other funds (Note 20)	-	(707,980,636)
Closing balance	<u>4,463,781,515</u>	<u>5,225,251,199</u>

19 NUMBER OF SHARES

	30.9.2013		30.9.2012	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares capital authorised and issued	100,790,790	-	100,790,790	-
Treasury shares	(4,477,692)	-	(3,859,212)	-
Number of existing shares in issue	<u>96,313,098</u>	<u>-</u>	<u>96,931,578</u>	<u>-</u>

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

HOA SEN GROUP

Form B 09 – DN/HN

20 MOVEMENTS IN OWNERS' EQUITY

	Shareholders' capital VND	Share premium VND	Other funds VND	Undistributed earnings VND	Treasury shares VND	Financial reserves VND	Total VND
As at 1 October 2011	1,007,907,900,000	451,543,290,363	343,337,080,796	-	(28,588,182,845)	8,525,313,060	1,782,725,401,374
Net profit for the year	-	-	368,103,367,888	-	-	-	368,103,367,888
Dividends declared	-	-	(97,557,418,000)	-	-	-	(97,557,418,000)
Repurchase of treasury shares	-	-	-	-	(28,128,541,137)	-	(28,128,541,137)
Appropriated to bonus and welfare funds (Note 18)	-	-	(6,406,734,996)	-	-	-	(6,406,734,996)
Appropriated to other funds	-	-	(6,412,839,096)	6,412,839,096	-	-	-
Used of other funds during the year	-	-	-	(4,972,492,823)	-	-	(4,972,492,823)
Reversal of bonus and welfare funds (Note 18)	-	-	4,055,557,395	-	-	-	4,055,557,395
Transferred from bonus and welfare funds (Note 18)	-	-	-	707,980,636	-	-	707,980,636
As at 30 September 2012	1,007,907,900,000	451,543,290,363	605,119,013,987	2,148,326,909	(56,716,723,982)	8,525,313,060	2,018,527,120,337
Net profit for the year	-	-	580,839,649,877	-	-	-	580,839,649,877
Dividends declared (*)	-	-	(338,951,283,000)	-	-	-	(338,951,283,000)
Repurchase of treasury shares	-	-	-	-	(24,318,822,516)	-	(24,318,822,516)
Appropriated to bonus and welfare funds (Note 18)	-	-	(14,724,134,716)	-	-	-	(14,724,134,716)
Appropriated to other funds	-	-	(10,796,142,820)	10,796,142,820	-	-	-
Used of other funds during the year (**)	-	-	-	(10,936,735,378)	-	-	(10,936,735,378)
As at 30 September 2013	1,007,907,900,000	451,543,290,363	821,487,103,328	2,007,734,351	(81,035,546,498)	8,525,313,060	2,210,435,794,604

(*) Pursuant to Resolution No. 01/NQ/DHDCD/HSG/2012 dated 22 March 2012 and Resolution No. 01/NQ/DHDCD/HSG/2013 dated 6 March 2013 issued by the General Assembly of Shareholders, Board of Directors issued Resolution No. 41/NQ/HĐQT/2012 dated 17 August 2012, Resolution No. 56/NQ/HĐQT/2012 dated 29 October 2012, Resolution No. 11/NQ/HĐQT/2013 dated 6 March 2013, Resolution No. 41/NQ/HĐQT/2013 dated 14 August 2013 to declare the dividends.

20 MOVEMENTS IN OWNERS' EQUITY (continued)

(**) The amount includes performance bonus of VND 6,404,713,970 that the Group has made to key management personnels for over achievement of the Group's target during the year pursuant to Meeting Minutes No. 10/BB/HĐQT/2012 dated 17 October 2012 and No. 12/BB/HĐQT/2012 dated 12 December 2012, Decision No. 206A dated 29 October 2012 and No. 1316 dated 20 December 2012 of Board of Management, and Resolution No. 01/NQ/ĐHĐCĐ/HSG/2013 dated 6 March 2013 issued by the General Assembly of Shareholders.

21 REVENUE**(a) Net sales**

	Year ended 30 September	
	2013 VND	2012 VND
Sales		
Finished goods	10,487,450,517,931	9,246,014,302,100
Merchandises	1,282,248,639,458	859,638,108,267
Services	2,945,143,418	5,335,896,300
	<u>11,772,644,300,807</u>	<u>10,110,988,306,667</u>
Sales deductions		
Trade discounts	-	(109,570,991)
Sales returns	(10,075,592,636)	(22,531,595,056)
Sales allowances	(2,670,115,629)	(390,909,075)
	<u>(12,745,708,265)</u>	<u>(23,032,075,122)</u>
	<u>11,759,898,592,542</u>	<u>10,087,956,231,545</u>

(b) Financial income

	Year ended 30 September	
	2013 VND	2012 VND
Interest income from deposits	5,940,385,291	3,862,359,199
Gain from foreign exchange differences	33,746,847,075	44,729,484,555
	<u>39,687,232,366</u>	<u>48,591,843,754</u>

22 COST OF SALES

	Year ended 30 September	
	2013 VND	2012 VND
Cost of finished goods sold	9,070,323,972,296	7,891,069,900,293
Cost of merchandises sold	981,192,369,717	787,245,656,610
Cost of services provided	869,836,270	2,720,847,795
Provision for decline in value of inventories	-	1,785,601,272
	<u>10,052,386,178,283</u>	<u>8,682,822,005,970</u>

23 FINANCIAL EXPENSES

	Year ended 30 September	
	2013 VND	2012 VND
Interest expense	167,862,447,942	340,390,787,401
Losses from foreign exchange differences	78,722,293,155	69,978,053,765
Provision/(reversal) for diminution in value of long-term investments	-	(1,126,940,680)
	<u>246,584,741,097</u>	<u>409,241,900,486</u>

24 SELLING EXPENSES

	Year ended 30 September	
	2013 VND	2012 VND
Staff costs	112,379,881,503	96,577,676,057
Depreciation and amortisation expenses	17,184,774,819	18,760,384,721
Material expenses	2,009,817,580	1,907,889,808
Outside service expenses	347,696,396,232	249,883,446,862
Other expenses	12,076,127,824	19,267,174,394
	<u>491,346,997,958</u>	<u>386,396,571,842</u>

25 GENERAL AND ADMINISTRATION EXPENSES

	Year ended 30 September	
	2013 VND	2012 VND
Staff costs	162,745,207,547	122,823,603,993
Office supplies	5,683,523,403	4,632,842,779
Depreciation and amortisation expenses	20,993,304,362	20,634,879,798
Outside service expenses	96,444,011,493	75,909,659,257
Other expenses	64,673,977,611	37,225,756,188
	<u>350,540,024,416</u>	<u>261,226,742,015</u>

26 OTHER INCOME

	Year ended 30 September	
	2013 VND	2012 VND
Sales of scraps	8,946,444,701	6,803,832,226
Proceeds from disposal of fixed assets	7,248,031,779	3,248,224,565
Others	20,983,326,054	21,733,884,929
	<u>37,177,802,534</u>	<u>31,785,941,720</u>

27 OTHER EXPENSES

	Year ended 30 September	
	2013 VND	2012 VND
Net book value of disposed fixed assets	10,177,993,053	3,291,082,139
Others	6,730,747,951	13,799,357,520
	<u>16,908,741,004</u>	<u>17,090,439,659</u>

28 TAXATION

Hoa Sen Group

Under the terms of its Investment Incentives Certificate No.108/CN-UB issued by the People's Committee of Binh Duong Province on 29 October 2001, the Company has an obligation to pay income tax at the rate of 25% on taxable profit. The provisions of the Investment Incentive Certificate allow the Company to be exempt from business income tax for 3 years starting from the first year it generates a taxable profit (2004), and entitled to a 50% reduction in business income tax for the 7 thereafter years.

Trading activities are subject to 25% tax rate and are not exempted for business income tax.

Hoa Sen Building Materials One Member Co., Ltd

Hoa Sen Building Materials One Member Co., Ltd has an obligation to pay income tax at the rate of 15% on taxable profit in 12 years since the first year of operation and of 25% for the following years. The provisions of the Business Registration Certificate allow this company to be exempt from business income tax for 3 years starting from the first year it generates a taxable profit (2007), and entitled to a 50% reduction in business income tax for the 5 thereafter years.

Trading activities are subject to 25% tax rate and are not exempted for business income tax.

Hoa Sen Steel Sheet One Member Co., Ltd

Hoa Sen Steel Sheet One Member Co., Ltd has an obligation to pay income tax at the rate of 15% on taxable profit in 12 years since the first year of operation and of 25% for the following years. The provisions of its Business Registration Certificate allow this company to be exempt from business income tax for 3 years starting from the first year it generates a taxable profit (2007), and entitled to a 50% reduction in business income tax for the 5 thereafter years.

Trading activities are subject to 25% tax rate and are not exempted for business income tax.

28 TAXATION (continued)***Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd***

Hoa Sen Transportation and Mechanical Engineering One Member Co., Ltd have an obligation to pay income tax at the rate of 25% on taxable profit.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates of the Company and its subsidiaries as follows:

	Year ended 30 September	
	2013 VND	2012 VND
Net accounting profit before tax	678,996,944,684	411,556,357,047
Tax calculated at rates of the Group	169,749,236,171	69,433,661,677
Effect of:		
Income not subject to tax	(7,365,965,578)	(13,755,469,574)
Expenses not deductible for tax purposes	40,609,921,753	17,560,066,771
Under provision from previous years	884,768,556	8,556,039,864
Impact of increase in tax rate	-	241,898,021
Tax losses for which no deferred tax assets were recognised	-	(4,379,706,492)
Impact of tax reductions	(91,737,371,901)	(29,408,100,515)
Income tax on transfer of land use rights	986,723	-
Other impacts	(13,984,280,917)	(4,795,400,593)
Business income tax charge	<u>98,157,294,807</u>	<u>43,452,989,159</u>
In which:		
Business income tax - Current	106,636,699,375	43,377,160,455
Business income tax - Deferred	<u>(8,479,404,568)</u>	<u>75,828,704</u>

The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Year ended 30 September	
	2013 VND	2012 VND
Net profit attributable to shareholders (VND)	580,839,649,877	368,103,367,888
Weighted average number of ordinary shares in issue (shares)	97,766,865	97,872,861
Basic earnings per share (VND)	5,941	3,761

30 COST OF GOODS MANUFACTURED BY FACTORS

	Year ended 30 September	
	2013 VND	2012 VND
Raw materials	9,461,695,196,929	10,177,050,899,778
Labour costs	389,205,966,441	310,562,325,023
Depreciation and amortisation expense	203,258,305,042	260,224,527,337
Outside service expenses	991,408,749,441	644,786,710,718
Other expenses	394,071,852,240	185,034,803,092
	11,439,640,070,093	11,577,659,265,948

31 FINANCIAL RISK MANAGEMENT*Financial risk factors*

The Group's activities expose it to market risk (including foreign exchange risk and interest rate risk), receivable risk and liquidity risk.

The Board of Management is responsible for setting the objectives and underlying principles of financial risk management for the Group. They establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies.

The finance department measures actual exposures against the limits set and prepares regular reports for the review of the Board of Management.

The information presented below is based on information received by the Board of Management.

31 FINANCIAL RISK MANAGEMENT (continued)**(a) Market risk***(i) Foreign exchange risk*

The Group's business is exposed to foreign exchange risk arising from United States Dollar ("USD") and Euro ("EUR") as certain purchases of raw materials and borrowings are denominated in these currencies. The Group manages this risk by promoting export sales to generate USD cash inflows to settle against USD-denominated creditors. In addition, from time to time, the Group reviews the market conditions to forecast the fluctuation of the interest rates in order to minimise the risk by appropriate actions.

The Group's foreign exchange exposure is as follows:

	30.9.2013		Total VND
	Balance in USD Equivalent to VND	Balance in EUR Equivalent to VND	
Financial assets			
Cash and bank	82,515,498,837	6,331,255	82,521,830,092
Trade accounts receivable	235,670,832,907	-	235,670,832,907
Prepayments to suppliers	87,218,736,948	-	87,218,736,948
	<u>405,405,068,692</u>	<u>6,331,255</u>	<u>405,411,399,947</u>
Financial liabilities			
Borrowings	(2,130,651,394,693)	(44,126,160,000)	(2,174,777,554,693)
Trade accounts payable	(1,081,691,062,033)	-	(1,081,691,062,033)
Advances from customers	(50,986,078,470)	-	(50,986,078,470)
	<u>(3,263,328,535,196)</u>	<u>(44,126,160,000)</u>	<u>(3,307,454,695,196)</u>
Foreign exchange exposure	<u>(2,857,923,466,504)</u>	<u>(44,119,828,745)</u>	<u>(2,902,043,295,249)</u>

31 FINANCIAL RISK MANAGEMENT (continued)**(a) Market risk (continued)***(i) Foreign exchange risk (continued)*

	30.9.2012		Total VND
	Balance in USD Equivalent to VND	Balance in EUR Equivalent to VND	
Financial assets			
Cash and bank	2,865,102,635	6,021,880	2,871,124,515
Trade accounts receivable	201,145,081,799	-	201,145,081,799
Prepayments to suppliers	37,532,010,178	39,699,997	37,571,710,175
	<u>241,542,194,612</u>	<u>45,721,877</u>	<u>241,587,916,489</u>
Financial liabilities			
Borrowings	(1,654,121,552,075)	(58,267,488,000)	(1,712,389,040,075)
Trade accounts payable	(335,204,971,804)	-	(335,204,971,804)
Advances from customers	(2,054,807,729)	-	(2,054,807,729)
	<u>(1,991,381,331,608)</u>	<u>(58,267,488,000)</u>	<u>(2,049,648,819,608)</u>
Foreign exchange exposure	<u>(1,749,839,136,996)</u>	<u>(58,221,766,123)</u>	<u>(1,808,060,903,119)</u>

The foreign exchange exposure represents the total net amount of financial assets and financial liabilities denominated in foreign currencies. Its expected value would change when the exchange rates of VND/USD or VND/EUR fluctuates.

As at 30 September 2013, if the USD had strengthened/weakened by 1% against the VND with all other variables being held constant the Group's profit after tax for the financial year would have been lower/higher by VND25,006,830,332 (year ended 30 September 2012: VND16,164,238,728).

As at 30 September 2013, if the EUR had strengthened/weakened by 1% against the VND with all other variables being held constant, the Group's profit after tax for the financial year would have been lower/higher by VND386,048,502 (year ended 30 September 2012: VND539,008,041).

(ii) Price risk

The Group is not exposed to equity securities price risk arising from the investments classified as available-for-sale because the Group does not invest in listed securities.

31 FINANCIAL RISK MANAGEMENT (continued)**(a) Market risk (continued)***(iii) Interest rate risk*

The Group is exposed to interest rate risk on its borrowings. The Group maintains balances of raw material, finished goods and spare part at appropriate level in order to minimise the demand for short-term loans and balance the VND and USD short-term loan structure, conformity with the fluctuation of interest and foreign exchange rates to have reasonable interest expenses. Most of loans whose interest rate are in VND and USD.

As at 30 September 2013, if the VND interest rates had increased/decreased by 1% with all other variables being held constant, the profit after tax for the financial year would have been lower/higher by VND9,231,138,166 (year ended 30 September 2012: VND13,264,531,271).

As at 30 September 2013, if the USD interest rates had increased/decreased by 0.5% with all other variables being held constant, the profit after tax for the financial year would have been lower/higher by VND8,451,016,886 (year ended 30 September 2012: VND7,003,069,527).

(b) Receivable risk

The Group manages receivable risk by taking the following actions:

- Establish a credit limit for each customer and require daily reports of payment progress for re-assessing credit limits, categorising as well as forcing the collection;
- Charge interest on debtors and establish the monthly average outstanding debt amount for each business unit and retail-distribution branch;
- Refuse credit sales for customers with over-90-day overdue debtors, except special cases as approved by the Board of Management;
- Involve the authorities when necessary.

Trade and other trade receivable include:

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings in Vietnam. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

31 FINANCIAL RISK MANAGEMENT (continued)**(c) Liquidity risk**

Liquidation risk is the risk that the Group encounters difficulty in meeting the obligations associated with its financial liabilities that are paid by cash or other financial assets.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirement in short and longer term.

The table below categorises the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	30.9.2013			Total VND
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade accounts payable	1,317,685,051,025	-	-	1,317,685,051,025
Short-term borrowings	2,495,154,540,949	-	-	2,495,154,540,949
Long-term borrowings	319,259,183,820	588,026,924,580	-	907,286,108,400
	<u>4,132,098,775,794</u>	<u>588,026,924,580</u>	<u>-</u>	<u>4,720,125,700,374</u>
	30.9.2012			Total VND
	Less than 1 year VND	Between 1 and 5 years VND	Over 5 years VND	
Trade accounts payable	484,411,293,421	-	-	484,411,293,421
Short-term borrowings	1,874,783,164,492	-	-	1,874,783,164,492
Long-term borrowings	165,142,585,576	606,308,855,689	577,090	771,452,018,355
	<u>2,524,337,043,489</u>	<u>606,308,855,689</u>	<u>577,090</u>	<u>3,130,646,476,268</u>

32 RELATED PARTY TRANSACTIONS

Related parties include subsidiaries, associates, shareholders, members of Board of Directors, and key personnels.

(a) Related party transactions

During the year, the following transactions were carried out with related parties:

i) Compensation of key management

	Year ended 30 September	
	2013 VND	2012 VND
Compensation for Board of Directors, Board of Advisors and Board of Supervisors	958,000,000	1,072,200,000
Bonus for Board of Directors, and Board of Supervisors	5,705,000,000	-
Gross salary of Board of Management	7,454,632,000	6,358,681,967
Bonus for Board of Management	2,865,200,000	-
	<u> </u>	<u> </u>

(b) Year end balances with related parties

	30.9.2013 VND	30.9.2012 VND
Prepayments to suppliers (Note 4)		
Mr Hoang Duc Huy (Deputy General Director)		
advance for acquisition of land use rights	90,183,227,000	90,183,227,000
	<u> </u>	<u> </u>

33 SEGMENT REPORTING

The General Director is of the opinion that the Group operates in one single business segment, which is the manufacture and sale of coated steel sheet, steel and building materials and one single geographical segment, which is Vietnam.

34 COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

	30.9.2013 VND	30.9.2012 VND
Within 1 year	30,199,614,448	21,998,113,123
Between 1 and 5 years	78,858,214,022	66,417,395,619
Over 5 years	285,475,419,963	246,047,114,053
Total minimum payments	<u>394,533,248,433</u>	<u>334,462,622,795</u>

35 CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the consolidated financial statements is as follows:

	30.9.2013 VND	30.9.2012 VND
Buildings, machinery and equipment	<u>615,558,105,177</u>	<u>186,444,843,145</u>

The consolidated financial statements were approved by the General Director on 9 December 2013.



Nguyen Thi Ngoc Lan
Chief Accountant





Tran Ngoc Chu
General Director