

Audited financial statements
(converted under international accounting standards)
of TYM Fund - Vietnam Women's Union
for the fiscal year ending 31 December 2003
Attached with
independent auditor's report

Audited by:

Auditing - tax consultancy joint stock company (ATC)
Suite A1802 - Building M3M4 - Huynh Thuc Khang - Hanoi
Tel: 04 266 2284 - Fax: 04 266 2285
Website: www.atc-audit.com
December, 2004

Vietnam women's union
TYM Fund

Address: 39 Hang Chuoi - Hai Ba Trung - Hanoi
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Financial statements

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Vietnam women's union
TYM FUND

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*Notes to the Financial
Statements
for the fiscal year ending 31
December 2003*

DIRECTORS' REPORT

We, the Board of Directors of TYM Fund (hereinafter called "the Fund"), present our report on the Financial Statements for the year ending 31 December 2003. The Board of Directors is responsible for the preparation and presentation of the Financial Statements and the information they contain.

The Board of Directors at the time of this report consist of:

- **Ms. Nguyen Bich Vuong** **Director**
- **Ms. Ho Thi Quy** **Deputy Director**

Introduction of TYM Fund

TYM Fund ("the Fund ") was established by Vietnam Women's Union under Circular No. 563/KTDN dated 20 February 1992 by the Council of Ministers (currently, the Office of Government) permitting the Fund to operate for poor regions. Regarding to the Decision No. 14/QD/DCT on 12 January 1998 by the Central Presidium of Vietnam Women's Union, TYM Fund is permitted to become a separate subsidiary directly under the Presidium.

Fund's objectives and Operation

The major objective of the Fund is to assist the poor women and their family in improving their living standards and social position through the credit assistant fund to establish a credit saving women group, create more opportunities for women to participate in the social - economic activities and help them approach necessary knowledge and skills to serve for production, career development and better income; to improve their social knowledge by credit saving program patterned Grameen Bank model in Bangladesh.

Head Office and Branch offices:

The Head Office of the Fund is located at the Vietnam Women's Union whose address is at No. 39 Hang Chuoi - Hai Ba Trung - Hanoi.

Up to 31 December 2003, the Fund has operated at 15 branches as the followings:

- ❖ Soc Son District - Hanoi : 2 branches
- ❖ Me Linh District - Vinh Phuc : 2 branches
Province
- ❖ Binh Xuyen District - Vinh Phuc : 1 branch
Province
- ❖ Kim Dong District - Hung Yen : 2 branches
Province
- ❖ Y Yen District - Nam Dinh : 2 branches
Province
- ❖ Hung Nguyen District - Nghe An : 2 branches
Province
- ❖ Nghi Loc District - Nghe An : 1 branch
Province
- ❖ Ninh Giang District - Hai Duong : 1 branch
Province

- ❖ Yen Lac District - Vinh Phuc : 1 branch
Province
- ❖ Quang Xuong District - Thanh : 1 branch
Hoa Province

Operating Results

The profit of the Fund from operating result in the year 2003 is VND1,215,246,604

Events subsequent to balance sheet date

Since the fiscal year from 01 January 2003 to 31 December 2003 end, no matter or circumstance or otherwise dealt with in the Financial Statements has or may significantly affect to the fund operation in the year 2004.

Recommendations

The Fund's Board of Director affirms that the Financial Statements, including Income and Expenditure Statements, Balance Sheet, Cash Flow Statement and accompanying Notes to the Financial Statements are properly drawn up so as to give a true and fair view of the financial position as at 31 December 2003 as well as the Fund's operating results and cash flows for the period from 01 January 2003 to 31 December 2003; in accordance with International Accounting Standards.

For and on behalf of

TYM Fund

Ho Thi Quy
Deputy Director

Hanoi, 01 March 2004

No: /ATC-BCKT

INDEPENDENT AUDITOR'S REPORT
On The Financial Statements of TYM Fund
For The Year Ending 31 December 2003

To: The Board of Directors of TYM Fund

We, Auditing - Tax Consultancy Joint Stock Company (ATC) have audited the accompanying Financial Statements of TYM Fund ("the Fund") for the fiscal year of 2003 as set out on pages 06 to 13 including Income and Expenditure Statements, Balance Sheet, Cash Flow Statement and accompanying Notes to the Financial Statements.

Responsibilities of the Board of Directors and the Auditors

As stated in the Director's Report on pages 02 to 03, The Board of Directors is responsible for the preparation and explanation of the Financial Statements, which give a true and fair view.

Our responsibility is to form an independent opinion on the Financial Statements, based on our audit, and report our opinion to the Board of Directors of the Fund.

Basis of the Auditors' opinion

We have conducted our audit in accordance with the accepted Internationally Standards on Auditing, Vietnamese Standards on Auditing and other Vietnamese prevailing regulations which were issued under the Decree No. 105/CP dated 30 March 2004 by the Government. An audit includes examination, on a test basis, of accounting records, the true and fair of accounting documents, books that Fund has been applying for financial statements preparation. During audit implementation, we also have reviewed the expenditure procedures and financial management of the project and carried out other audit procedures, as we consider necessary in the circumstance.

We planned and performed our audit so as to obtain all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

Limitation on the scope

We did not observe the counting of cash on hand, physical inventories and fixed assets of the Fund as at 31 December 2003 since this date was prior to our engagement as the auditor. With additional audit procedure, we can not verify the correctness of these items as above-mentioned date. Therefore, in this report, we

are unable to form any opinion on their existence in the Financial Statements of the Fund.

We also do not have any opinion on opening balance audited by Hanoi Company of Professional Auditing and Accounting (CPA Hanoi) as well as its influence of adjusted entries upon 2002's audit figures that were adjusted in 2003 on information presented in the Financial Statements.

Opinion of Auditor

In our opinion, except for the effects (if any) on the Financial Statements of the matters stated at limitation on the scope, in all material aspects, the Financial Statements for the fiscal year ended 31 December 2003 of TYM Fund is properly drawn up:

(a) So as to give a true and fair view of the state of assets, liabilities and implementing capital of the Fund as at 31 December 2003 as well as its operating results and cash flows for the year then ended; and

(b) In accordance with the International Accounting Standards.

The Independent Auditor's Report is prepared in 10 copies in Vietnamese and 10 copies in English. The Fund keeps 08 copies in Vietnamese and 08 copies in English, Auditing - Tax Consultancy Joint Stock Company keeps 02 Vietnamese copies and 02 English copies.

For and on behalf of
Auditing - tax consultancy joint stock company

Le Thanh Cong
Director
CPA No. 0498/KTV

Bui The Dung
Auditor
CPA No. 0501/KTV

Notes to the financial statements

(These notes on page 09 to 13 form a part of and should be read in conjunction with the Financial Statements)

1. Principle activities

TYM Funds ("the Fund ") was established by Vietnam Women's Union in 1992. Regarding to the Decision No. 14/QD/DCT on 12 January 1998, the President of Vietnam Women's Union permitted TYM fund to become a separate subsidiary directly under the Presidium.

Fund's objective and Operation:

The major objective of the Fund is to assist the poor women and their family in improving their living standards and social position through the credit assistant fund to establish a credit saving women group, create more opportunities for women to participate in the social - economic activities and help them approach necessary knowledge and skills to serve for production, career development and better income; to improve their social knowledge by credit saving program patterned Grameen Bank model in Bangladesh.

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Province
- ❖ Quang Xuong District - Thanh : 1 branch
Hoa Province

2. Main accounting policies

The followings are the main accounting policies, which have been adopted by the Fund in the preparation of these financial statements.

(a) *Accounting basis*

The Financial Statements have been prepared in Vietnam Dong under the historical cost convention.

Currently, the Fund has not yet established a consistent account system as well as accounting method for the Central project office and sub-offices at the project sites under Vietnamese Accounting Systems. Instead, the Fund has applying the principles and forms provided by the supporters in accordance with the International Accounting System.

The fiscal year is from 01 January to 31 December annually.

(b) *Basis for preparing the Financial Statements*

The Head Office of the Fund is responsible for consolidating the Financial Statements based on the financial reports prepared by Branch offices. The liabilities and payables between the Head Office and Branch offices would be balanced upon consolidating the Financial Statements.

(c) *Fixed assets and depreciation*

Fixed assets have been accounted under the historical cost, depreciation and net book value. The original costs of fixed assets were recorded under cost basis including costs and expenses that incurred in acquiring a fixed assets and other related expenses occurred to bring to the readily working conditions for its intended use.

The Company would record value of assets plus (+) other costs related to asset investment such as transportation, installation, testing and import duty toward a new asset;

Depreciation of tangible fixed assets has been charged under the straight-line method over the estimated useful lives of assets. This rate would be accounted in accordance with the rate stipulated at the Decision form Ministry of Finance.

Annual depreciation rate is as follows:

Assets	Rate
- Tools and equipment for management	25-33%
- Transportation means	10%

Loss and profit from fixed assets liquidation would be accounted as a loss or profit accounts.

(d) *Foreign currency conversion*

The currency used for record keeping and preparation of the Financial Statements is Vietnam Dong (VND) and converted into USD; accounts are kept under the historical cost convention.

Balances of items in the Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements are converted from VND to USD ruling at the rate of 15,608VND/USD.

Source funded from supporters and long-term borrowings are reflected upon the real amount received in USD.

Arising in differences of conversion is included in Resource item presented in the Balance Sheet.

(e) *Recognition of the fund*

The funded sources were recognized based on actual received amounts

(f) *Lending to members and provisions*

Lending to the members was presented at the principal amount lent in accordance with the Fund's regulations of the project. The annual provision for bad debts is determined at 2% of total amount lent to members as at the financial statements date.

(g) *Lent amount returns*

The principle and interests would be returned weekly until the final lending limit. Writing down of principle balance of loans is performed based on the actual amount paid in cash.

(h) *Recognition of income*

Lending interests, bank interests, exchange rate differences and provision for bad-debts returns are recognized as incurred.

Income from lending is recognized by the following formula:

$$\text{Lending interest} = \text{balance of the principal} \times \text{equivalent interest rate (\%)}$$

The interest rate would be stipulated for each specific credit type, such as:

Lending rate in general is: 12% per year, 1 year duration

Lending for multi-purposes is 0.2% per week, duration from 10 to 30 weeks

Mid-term lending is 10% per year, 2 years duration

Lending for special purposes is 12% per year, 1 year duration

(i) *Recognition of expenditures*

Interest payable to the members is bearing a rate at 0.5% per month if they take part in compulsory and voluntary saving fund. These expenditures are recognized on a accrual basis of accounting.

Other expenditures would be recognized as the actual arising amount.

(j) *Establishment of funds*

- Compulsory fund: This fund indicates that the weekly regular saving amount is VND1,000 per person. For each

time of borrowing, 5% or 10% (according to specific regulation of each fund) of the amount is kept to build members' self-replenished capital. Members will enjoy deposit interest as described for each period.

- Voluntary fund: The members are encouraged to set up spontaneous saving. They will also enjoy interest at rate described for each period and withdraw their saving when in need.
- Member mutual fund: Each member contributes VND200 per week. This fund is to support members or their relatives when they pass away and to write off their unpaid debt. This contribution shall not be refunded to them when they leave the program.
- Staff mutual fund: This fund was established based on the contribution of VND15,000 per person per month, the finance of VND15.000 per person by the Fund and interest collected from staff who make loan. This fund is used for assisting staff to make loan when they are in difficulties.

3. Fixed assets

Assets	Opening balance	Additions	Disposals	Unit: VND
				Closing balance
I. Historical costs				
Transportation means	385,671,00	-	-	385,671,00
	0			0
Office equipment	381,259,05	200,911,64	-	582,170,70
	7	7		4
Total	766,930,05	200,911,64	-	967,841,70
	7	7		4
II. Accumulated depreciation				
Transportation means	83,562,796	38,568,000	-	122,130,79
				6
Office equipment	225,504,48	120,606,96	-	346,111,45
	9	9		8
Total	309,067,28	159,174,96	-	468,242,25
	5	9		4
III. Net book value				
Transportation means	302,108,20			263,540,20
	4			4
Office equipment	155,754,56			236,059,24
	8			6
Total	457,862,77			499,599,45
	2			0

4. Lending to the members

	31/12/2002	31/12/2003
	VND	VND
General loan	12,013,400,0 00	17,238,595,0 00
Seasoning loan	7,954,320,00	2,200,000
Multi-purpose loan	4,040,000	2,329,504,00
Mid-term loan	2,476,795,00	13,930,663,0 00
	<u>22,448,555,0</u> 00	<u>33,500,962,0</u> 00
Provision for capital loss	(443,136,800)	(664,769,500)
Total	<u>22,005,418,2</u> 00	<u>32,836,192,5</u> 00

5. Cash on hand and cash in bank

	31/12/2002	31/12/2003
	VND	VND
Cash on hand	722,256,587	1,264,380,95 7
Cash in bank	6,837,199,59 2	1,005,994,07 0
Operating account at Vietcombank (USD)	1,798,845,92 1	-
Saving account at Vietcombank (USD)	2,260,500,00 1	60,133,292
Operating account at Agribank (VND)	278,832,379	597,704
Operating account at the branches of Agribank (VND)	2,499,021,29 1	945,263,074
Total	<u>7,559,456,17</u> 9	<u>2,270,375,02</u> 7

6. Sources funded by the supporters

	Opening balance	Additions	Disposals	Closing balance
	USD	USD	USD	USD
From OXFAM	1,236,471. 00	-	-	1,236,471. 00
Other sources	292,233.56	-	-	292,233.56
Total USD	<u>1,528,704. 56</u>	-	-	<u>1,528,704. 56</u>
VND translation	19,086,554 ,819	-	-	19,086,554, 819

7. Long-term borrowings

31/12/2002	31/12/2003
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	<u>VND</u>	<u>VND</u>
From Grameen(*)	324,728,360	324,728,360
Others	-	850,870,000
Total	<u>324,728,360</u>	<u>1,175,598,360</u>

Note (*)

In the year 1993, the Fund received a long-term borrowing amounted **USD21,548**, equivalent to **VND324,728,360** from Authorized Fund Grameen under the Agreement signed between Vietnam Women's Union and Authorized Fund Grameen in Bangladesh. However, this Agreement did not state clearly the term for this principle return as well as related interests that the Fund has to pay.

8. Saving and mutual funds

	<u>31/12/2002</u>	<u>31/12/2003</u>
	<u>VND</u>	<u>VND</u>
Compulsory saving	7,953,544,557	10,799,583,757
Voluntary saving	514,498,600	845,343,000
Member mutual fund	383,907,100	451,562,500
Staff mutual fund	96,270,100	124,577,400
Total	<u>8,948,220,357</u>	<u>12,221,066,657</u>

9. Accrued expenses and other payables

	<u>31/12/2002</u>	<u>31/12/2003</u>
	<u>VND</u>	<u>VND</u>
Social Insurance	9,309,450	1,160,626
Others	-	3,000,000
Total	<u>9,309,450</u>	<u>4,160,626</u>

10. Comparative figures

The comparative figures are taken from the 2002 Financial Statements audited by Hanoi Company Profession of Auditing & Accounting (CPA Hanoi) and reclassified to be in accordance with the presentation of the 2003 Financial Statements.

income and expenditure statements
Year 2003

	Note	Year 2002 VND	Year 2003 VND
Loan interest income		4,119,225,300	5,478,061,900
Loan interest expenses		(422,039,400)	(561,147,500)
Loan interest - net	A	3,697,185,900	4,916,914,400
Other income			
Bank interests		105,182,478	70,616,383
Provision returns		491,390,900	728,472,200
Other income		62,229,000	46,532,400
Total other income	B	658,802,378	845,620,983
Operating expenditures			
Salary and bonus		1,130,676,112	1,410,564,900
Cooperative		170,610,000	209,675,000
Provision for bad debts cost		598,707,600	950,104,900
Stationeries		152,677,601	152,258,961
Travel costs		249,325,400	306,942,000
Operating and technical assistant cost		257,066,261	418,541,907
Training costs		155,824,958	222,242,200
Depreciation costs		125,976,332	159,174,969
External services and maintenance		189,741,796	246,507,468
Exchange rate differences costs		809,000	-
Other expenditures		393,994,330	471,276,474
Total operating expenditures	C	3,425,409,390	4,547,288,779
Net profit	A+B-C	930,578,888	1,215,246,604

Chief Accountant

Hanoi, 01 March 2004
Deputy Director

Nguyen Minh Thuong

Ho Thi Quy

balance sheet
As at 31 December 2003

Unit: VND

	Note	31/12/2002	31/12/2003
assets			
Fixed assets	3	457,862,772	499,599,450
Current fixed assets			
Loans to the members	4	22,005,418,200	32,836,192,500
Other current assets		468,509,491	316,223,069
Cash on hand and cash in bank	5	7,559,456,179	2,270,375,027
Total current fixed assets		30,033,383,870	35,422,790,596
total assets		30,491,246,642	35,922,390,046
Liabilities and owner's equity			
Owner's equity			
Funded sources	6	19,086,554,819	19,086,554,819
Accumulated profit		1,914,646,181	3,129,892,785
Other funds		-	305,116,799
Exchange rate differences		207,787,475	-
Total owner's equity		21,208,988,475	22,521,564,403
Long-term liabilities			
Long-term borrowings	7	324,728,360	1,175,598,360
Total long-term liabilities		324,728,360	1,175,598,360
Short-term liabilities			
Saving and Mutual Funds	8	8,948,220,357	12,221,066,657
Accrued expenses and other payables	9	-	4,160,626
Total short-term liabilities		8,948,220,357	12,225,227,283
total liabilities & owner's equity		30,481,937,192	35,922,390,046

Chief Accountant

Hanoi, 01 March 2004
Deputy Director

Nguyen Minh Thuong

Ho Thi Quy

These notes on page 09 to 13 form part of the financial statements

cash flow statement
<Under indirect method>
Year 2003

	Year 2002 VND	Year 2003 VND
cash flow from operating activities		
Profit before tax	930,578,988	1,215,246,604
Adjustment for	233,293,032	510,572,269
Fixed assets depreciation	125,976,332	159,174,969
Loss from provision returns	107,316,700	351,397,300
Operating profit before changes in working capital	1,163,872,020	1,725,818,873
Increase in member's lending	(5,560,016,000)	(11,052,407,000)
Increase in other payables	(243,288,021)	(3,000,000)
Increase in prepaid expenses	(359,890)	(9,795,415)
Other cash receipts from operations	1,599,150	(1,955,500)
Other cash paid to operations	-	(175,663,562)
Net cash flow from financing activities	(4,638,192,741)	(9,517,002,604)
cash flow from investing activities		
Investing fixed assets and other long-term fixed assets	(80,457,796)	(200,911,647)
Net cash flow from investing activities	(80,457,796)	(200,911,647)
cash flow from financing activities		
Fund received	3,687,360,000	305,116,799
Proceeds from long-term borrowings	-	850,870,000
Increasing in saving and mutual funds	2,314,052,560	3,272,846,300
Net cash flow from financing activities	6,001,412,560	4,428,833,099
cash increase (decrease) in the year	1,282,762,023	(5,289,081,152)
opening balance of cash	6,276,694,156	7,559,456,179
Effect of exchange rate differences	-	-
closing balance of cash	7,559,456,179	2,270,375,027

Chief Accountant

Hanoi, 01 March 2004
Deputy Director

Nguyen Minh Thuong

Ho Thi Quy

