

Audited financial statements
(converted under international accounting standards)
of TYM Fund - Vietnam Women's Union
for the fiscal year ending 31 December 2004
Attached with
independent auditor's report

Vietnam women's union
TYM Fund
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Audited by:

Auditing - tax consultancy joint stock company (ATC)
Suite A1802 - Building M3M4 - Huynh Thuc Khang - Hanoi
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December 2005

Financial statements

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DIRECTORS' REPORT

We, the Board of Directors of TYM Fund ("the Fund"), present our report on the Financial Statements for the year ended 31 December 2004. 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. 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 2004, 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 2004 is:
VND3,832,713,249

Events subsequent to balance sheet date

Since the fiscal year from 01 January 2004 to 31 December 2004 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 2005.

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 2004 as well as the Fund's operating results and cash flows for the period from 01 January 2004 to 31 December 2004; in accordance with International Accounting Standards.

For and on behalf of

TYM Fund

Ho Thi Quy
Deputy Director

Hanoi, 01 April 2005

Hanoi, 12 December 2005

No: /ATC-BCKT

INDEPENDENT AUDITOR'S REPORT
On The Financial Statements of TYM Fund
For The Year Ending 31 December 2004

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 period from 01 January 2004 to 31 December 2004 as set out on pages 06 to 14 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 2004 since this date was prior to our engagement as the auditor.

Therefore, in this report, we are unable to form any opinion on their existence.

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 2004 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 2004 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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Duong Province
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Province
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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 costs conversion.

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 in accordance with Decesion No.206/2003/QD-BTC dated 12 December 2003 by the 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 15,739VND/USD.

Source funded from supporters and long-term borrowings are reflected upon the real amount recived 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

Unit: VND

Assets	Opening balance	Additions	Disposals	Closing balance
I. Historical costs				
Transportation means	385,671,000	-	-	385,671,000
Office equipment	582,170,704	45,838,000	8,570,800	619,437,904
Total	967,841,704	45,838,000	8,570,800	1,005,108,904
II. Accumulated depreciation				
Transportation means	122,130,796	38,568,000	-	160,698,796
Office equipment	346,111,458	105,157,357	-	451,268,815
Total	468,242,254	143,725,357	-	611,967,611
III. Net book value				
Transportation means	263,540,204			224,972,204
Office equipment	236,059,246			168,169,089

Total	<u>499,599,45</u> 0	<u>393,141,29</u> 3
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4. Lending to the members

	31/12/2003	31/12/2004
	<u>VND</u>	<u>VND</u>
General loan	17,238,595,0 00	21,970,149,0 20
Seasoning loan	2,200,000	2,200,000
Multi-purpose loan	2,329,504,00 0	2,482,850,00 0
Mid-term loan	13,930,663,0 00	14,775,785,0 00
	<u>33,500,962,0</u> 00	<u>39,230,984,0</u> 20
Provision for capital loss	(664,769,500)	(773,710,760)
Total	<u>32,836,192,5</u> 00	<u>38,457,273,2</u> 60

5. Cash on hand and cash in bank

	31/12/2003	31/12/2004
	<u>VND</u>	<u>VND</u>
Cash on hand	1.264.380.95 7	1.202.870.85 9
Cash in bank	1.005.994.07 0	8.067.209.25 2
Operating account at Agribank (USD)	-	9.447.807
Saving account at Vietcombank (USD)	60.133.292	59.198.022
Operating account at Agribank (VND)	597.704	3.318.953.54 3
Operating account at the branches of Agribank (VND)	945.263.074	4.679.609.88 0
Total	<u>2.270.375.02</u> 7	<u>9.270.080.11</u> 1

6. Sources funded by the supporters

	Opening balance	Additions	Disposals	Closing balance
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
From OXFAM	1,236,471. 00	200,000.0 0	-	1,436,471. 00
Other sources	292,233.56	-	-	292,233.56
Total USD	1,528,704.	200,000.0	-	1,728,704.

	56	0		56
VND conversion	<u>19,086,554,819</u>	<u>3,131,800,000</u>	-	<u>22,218,354,819</u>

7. Long-term borrowings

	<u>31/12/2003</u>	<u>31/12/2004</u>
	VND	VND
From GT	324,728,360	-
Others	850,870,000	-
Total	<u>1,175,598,360</u>	<u>-</u>

8. Saving and mutual funds

	<u>31/12/2003</u>	<u>31/12/2004</u>
	VND	VND
Compulsory saving	10,799,583,757	16,201,315,178
Voluntary saving	845,343,000	1,749,711,425
Member mutual fund	451,562,500	559,944,020
Staff mutual fund	124,577,400	159,970,399
Total	<u>12,221,066,657</u>	<u>18,670,941,022</u>

9. Accrued expenses and other payables

	<u>31/12/2003</u>	<u>31/12/2004</u>
	VND	VND
Social Insurance	1,160,626	45,691,600
Others	3,000,000	-
Total	<u>4,160,626</u>	<u>45,691,600</u>

10. Comparative figures

The comparative figures are taken from the 2003 Financial Statements audited by Auditing-Tax Consultancy Joint Stock Company (ATC).

income and expenditure statements
Year 2004

	Note	Year 2003 VND	Year 2004 VND
Loan interest income		5,478,061,900	7,617,244,300
Loan interest expenses		(561,147,500)	(844,541,368)
Loan interest - net	A	4,916,914,400	6,772,702,932
Other income			
Bank interests		70,616,383	198,425,982
Provision returns		728,472,200	912,529,840
Other income		46,532,400	131,712,150
Total other income	B	845,620,983	1,242,667,972
Operating expenditures			
Salary and bonus		1,410,564,900	1,457,384,000
Cooperative		209,675,000	114,150,000
Provision for bad debts cost		950,104,900	1,021,487,100
Stationeries		152,258,961	100,217,344
Travel costs		306,942,000	296,277,000
Operating and technical assistant cost		418,541,907	128,610,000
Training costs		222,242,200	218,693,000
Depreciation costs		159,174,969	143,725,357
External services and maintenance		246,507,468	246,752,000
Other expenditures		471,276,474	455,361,854
Total operating expenditures	C	4,547,288,779	4,182,657,655
Net profit	A+B-C	1,215,246,604	3,832,713,249

Chief Accountant

Hanoi, 01 April 2005
Deputy Director

Nguyen Minh Thuong

Ho Thi Quy

balance sheet
As at 31 December 2004

Unit: VND

	Note	31/12/2003	31/12/2004
assets			
Fixed assets	3	499,599,450	393,141,293
Current fixed assets			
Loans to the members	4	32,836,192,500	38,457,273,260
Other current assets		316,223,069	304,305,110
Cash on hand and cash in bank	5	2,270,375,027	9,270,080,111
Total current fixed assets		35,422,790,596	48,031,658,481
total assets		35,922,390,046	48,424,799,774
liabilities and owner's equity			
Owner's equity			
Funded sources	6	19,086,554,819	22,218,354,819
Accumulated profit		3,129,892,785	6,982,406,034
Other funds		305,116,799	470,918,299
Source of fixed assets		-	36,488,000
Total owner's equity		22,521,564,403	29,708,167,152
Long-term liabilities			
Long-term borrowings	7	1,175,598,360	-
Total long-term liabilities		1,175,598,360	-
Short-term liabilities			
Saving and Mutual Funds	8	12,221,066,657	18,670,941,022
Accrued expenses and other payables	9	4,160,626	45,691,600
Total short-term liabilities		12,225,227,283	18,716,632,622
total liabilities & owner's equity		35,922,390,046	48,424,799,774

Chief Accountant

Hanoi, 01 April 2005
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 2004

	Year 2003 VND	Year 2004 VND
cash flow from operating activities		
Net profit	1,215,246,604	3,852,513,249
Adjustment for	510,572,269	215,107,557
Fixed assets depreciation	159,174,969	143,725,357
Loss from provision returns	351,397,300	71,382,200
Operating profit before changes in working capital	1,725,818,873	4,067,620,806
Increasing in member's lending	(11,052,407,000)	(5,621,080,760)
Increasing in other payables	(3,000,000)	(42,691,600)
Increasing prepaid expenses	(9,795,415)	(9,795,415)
Other cash received from operations	(1,955,500)	10,432,300
Other cash paid to operations	(175,663,562)	(1,151,476,912)
Net cash flow from financing activities	(9,517,002,604)	(2,746,991,581)
cash flow from investing activities		
Investing fixed assets and other long-term fixed assets	(200,911,647)	(37,267,200)
Net cash flow from investing activities	(200,911,647)	(37,267,200)
cash flow from financing activities		
Fund received	305,116,799	202,289,500
Proceeds from long-term borrowings	850,870,000	3,131,800,000
Increasing in saving and mutual funds	3,272,846,300	6,449,874,365
Net cash flow from financing activities	4,428,833,099	9,783,963,865
cash increase (decrease) in the year	(5,289,081,152)	6,999,705,084
opening balance of cash	7,559,456,179	2,270,375,027
Effect of exchange rate differences	-	-
closing balance of cash	2,270,375,027	9,270,080,111

Chief Accountant

Hanoi, 01 April 2005

Deputy Director

Nguyen Minh Thuong

Ho Thi Quy

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

