

**EXPRESS FINANCE – INSTITUȚIE
FINANCIARĂ NEBANCARĂ S.A.**

Financial Statements

30 September 2009

Prepared in accordance with
International Financial Reporting Standards

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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2009

(All amounts presented in USD unless otherwise stated)

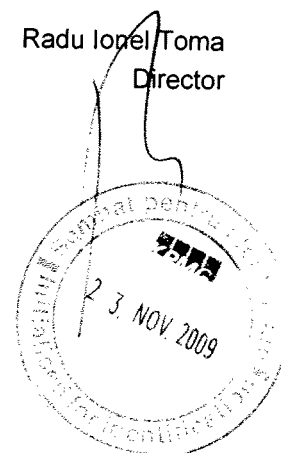
	Note	Year ended 30 September 2009	Year ended 30 September 2008
Interest and similar income		3,338,911	3,372,625
Interest expenses and similar charges		(882,221)	(1,048,179)
Net interest income	7	2,456,690	2,324,446
Net fee and commission expense	8	(22,964)	(26,884)
Net trading income		49,973	(53,160)
Other operating income	9	69,548	10,136
Operating income		2,553,247	2,254,538
Net Impairment losses on loans	10	(1,112,508)	(328,576)
Personnel expenses	11	(807,659)	(1,095,990)
Other expenses	12	(733,357)	(988,154)
Loss before income tax		(100,277)	(158,182)
Income tax expense	13	(601)	-
Loss for the year		(100,878)	(158,182)

The financial statements on pages 1 to 69 were approved by the Board of Directors on 23 November 2009 and signed on its behalf by:

Cristian Ioan Jurma
General Director




Radu Ionel Toma
Director



The accompanying notes set out on pages 5 to 69 are an integral part of these financial statements.

EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

(All amounts presented in USD unless otherwise stated)

	Note	Year ended 30 September 2009	Year ended 30 September 2008
Loss for the year		(100,878)	(158,182)
Other comprehensive income			
Translations adjustment	2(c)	(194,737)	(164,638)
Other comprehensive income		92	-
Total comprehensive income / (expense) for the year		(295,523)	(322,820)

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General Director




Radu Ionel Toma
Director




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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)**

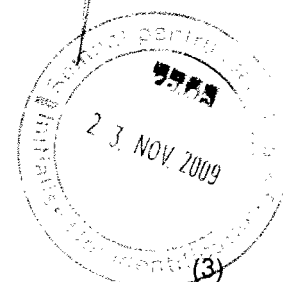
	Note	30 September 2009	30 September 2008
Assets			
Cash and cash equivalents	14	3,498,879	2,144,081
Loans to customers	15	10,270,586	16,191,763
Property and equipments	16	22,640	42,053
Intangible assets	17	421	6,859
Other assets	18	115,218	66,073
Total assets		13,907,744	18,450,829
Liabilities			
Borrowed funds	19	12,095,839	16,175,236
Deferred income	20	296,278	453,033
Other liabilities	21	65,325	76,735
Total liabilities		12,457,442	16,705,004
Equity			
Share capital	22	2,154,432	2,154,432
Reserves		(176,582)	18,063
Accumulated deficit		(527,548)	(426,670)
Total shareholders' equity		1,450,302	1,745,825
Total liabilities and equity		13,907,744	18,450,829

The financial statements on pages 1 to 69 were approved by the Board of Directors on 23 November 2009 and signed on its behalf by:

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General Director




Radu Ionel Toma
Director



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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

STATEMENT OF CASH FLOWS

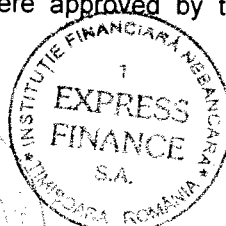
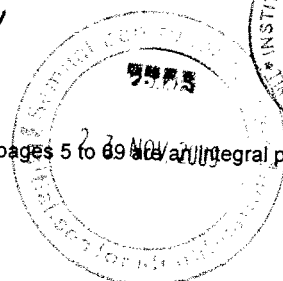
FOR THE YEAR ENDED 30 SEPTEMBER 2009

(All amounts presented in USD unless otherwise stated)

	Note	Year ended 30 September 2009	Year ended 30 September 2008
Cash flows from operating activities			
Net loss before taxation		(100,277)	(158,182)
Adjustments for:			
Depreciation and amortization	16,17	22,629	127,995
Provision for impairment losses	10	1,112,508	328,576
Other provisions		(13,615)	(33,274)
Interest and similar income	7	(3,338,911)	(3,319,339)
Interest expense	7	882,221	1,048,179
Other non-cash adjustments		(313,659)	135,111
		(1,749,104)	(1,870,934)
Change in loans to customers		5,351,193	(2,194,121)
Change in other assets		(51,914)	(40,698)
Change in other payables		(10,519)	52,603
		3,539,656	(4,053,150)
Interest received		2,711,087	3,302,566
Interest paid		(865,132)	(1,111,614)
Net cash from operating activities		5,385,611	(1,862,198)
Cash flows from investing activities			
Acquisition of intangible assets	17	(78)	(398)
Net payments for acquisition of property and equipment	16	(2,551)	(4,352)
Net cash used in investing activities		(2,629)	(4,750)
Cash flows from financing activities			
Proceeds from borrowed funds		3,399,634	4,227,262
Repayment of borrowed funds		(7,466,740)	(2,814,032)
Net cash from financing activities		(4,067,106)	1,413,230
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 October		1,315,876	(453,718)
Translation effect		2,144,081	2,804,240
		38,922	(206,441)
Cash and cash equivalents at 30 September	14	3,498,879	2,144,081

The financial statements on pages 1 to 69 were approved by the Board of Directors on 28 November 2009 and signed on its behalf by:

Cristian Ioan Jurma
General Director

Radu Ionel Toma
Director



The accompanying notes set out on pages 5 to 69 are an integral part of these financial statements.

EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)**

	Share capital	Translation reserve	Other reserves	Retained earnings	Total
Balance as at 1 October 2007	2,362,694	(25,561)	-	(268,488)	2,068,645
Net loss for the year 2008	-	-	-	(158,182)	(158,182)
Translation adjustment	(208,262)	43,624	-	-	(164,638)
Balance as at 30 September 2008	2,154,432	18,063	-	(426,670)	1,745,825
Balance as at 1 October 2008	2,154,432	18,063	-	(426,670)	1,745,825
Net loss for the year 2009	-	-	-	(100,878)	(100,878)
Other reserves	-	-	92	-	92
Translation adjustment	-	(194,737)	-	-	(194,737)
Balance as at 30 September 2009	2,154,432	(176,674)	92	(527,548)	1,450,302

The financial statements on pages 1 to 69 were approved by the Board of Directors on 23 November 2009 and signed on its behalf by:

Cristian Ioan Jurma
General Director




Radu Ionel Toma
Director




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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (All amounts presented in USD unless otherwise stated)

1. REPORTING ENTITY

Express Finance – Instituție Financiară Nebancară S.A. (the “Company” or “Express Finance”) is incorporated and domiciled in Romania. The Company was legally registered in January 2006 (up to August 2006 under the name of Express Finance – Societate de Microfinanțare S.A) and is licensed by the National Bank of Romania as Non-Banking Financial Institution. Express Finance’s immediate parent and the ultimate controlling party is CHF International, USA.

The core activity of Express Finance consists of providing finance to micro, small and medium-sized enterprises for working capital and acquisition of fixed assets. The Company is also financing individuals authorized to act as entrepreneurs. Starting with June 2007, the Company also launched energy efficiency and home improvement loans for individuals.

The Company operates through its Headquarters located in Timisoara and through its network of 14 site-offices (working points) (30 September 2008: 16) located in Romania.

The registered address of Express Finance is 53, Stefan cel Mare Street, 300106 Timisoara, Romania.

The Company’s number of employees as at 30 September 2009 was of 51 (30 September 2008: 60).

2. BASIS OF PREPARATION

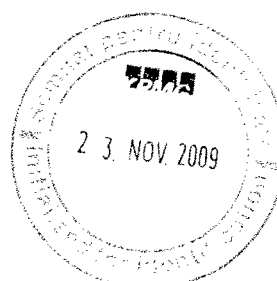
a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and effective for the Company’s IFRS annual reporting date, 30 September 2009.

In estimating impairment losses for loans to customers the Company has applied the internal methodology described in the Note 3.f.VII.

Differences between IFRS and statutory accounts

The accounting records of the Company are maintained in RON in accordance with Romanian accounting law and National Bank of Romania non-banking regulations (“statutory accounts”).



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

2. BASIS OF PREPARATION (continued)

a) Statement of compliance (continued)

These accounts have been restated to reflect the existing differences between the statutory accounts and the IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements into line, in all material respects, with IFRS.

The major changes from the statutory financial statements prepared under domestic law are:

- Use of a different presentation currency, i.e. the USD;
- Grouping of numerous detailed items into broader captions;
- Different methodology for the calculation of loan and advances to customers loss provisions;
- Provision for deferred taxation, where appropriate; and
- The necessary IFRS disclosure requirements.

b) Basis of measurement

The financial statements of the Company are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except those for which a reliable measure of fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revaluated amount or historical cost.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.

c) Functional and presentation currency

The functional currency of the Company is the Romanian Lei ("RON") which is the currency of the primary economic environment in which it operates.

The financial statements are presented in American Dollars ("USD") which is the Company's presentation currency, following the requirements of IAS 21, *The Effects of Changes in Foreign Exchange Rates*.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency (continued)

According to IAS 21, since the measurement currency is RON, for translation from RON to USD the following procedures were followed:

- assets, liabilities and equity items for all statement of financial position items presented (i.e. including comparatives) were translated at the closing rate existing at the end of each reporting period presented (30 September 2009: 2.8619 RON/USD; 30 September 2008: 2.5957 RON/USD);
- income and expense items for the two periods presented were translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange (average exchange rate for the year ended 30 September 2009: 3.0481 RON/USD; average exchange rate for the year ended 30 September 2008: 2.3899 RON/USD);
- all exchange differences resulting from translation in the current period are recognised in other comprehensive income.

The restatement and presentation procedures used according to IAS 21, *The Effects of Changes in Foreign Exchange Rates*, could result in difference of the figures presented in USD compared with real values.

The reason for using a presentation currency different from the functional currency is to meet the requirements of Company's shareholder CHF International and the expectations of providers of external financing.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 5.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

a) Business Combinations between entities under common control

Entities under common control are those entities for which there is a contractual agreement for the common control of the economic activities of the respective entities. Assets and liabilities transferred through business combinations between entities under common control are initially recognised by the Company at the carrying amount from the book of the entity under common control.

b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to RON at the foreign exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are included in the fair value adjustment reserve.

The exchange rates of major foreign currencies were:

Currencies	30 September 2009	30 September 2008	Increase / (Decrease)
Euro (EUR)	1: RON 4.1981	1: RON 3.7336	12.4%
US Dollar (USD)	1: RON 2.8619	1: RON 2.5957	10.3%



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period of time.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, however it does not account for future credit losses.

The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

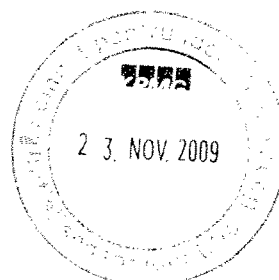
Interest income presented in the statement of comprehensive income includes interest on loans and advances to customers at amortised cost on an effective interest rate basis and interest income on current accounts and deposits placed.

Interest expense presented in the statement of comprehensive income includes interest on borrowings at amortised cost on an effective interest rate basis.

d) Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received and accounted for under fees and commission expense.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Net trading income

Net trading income comprises gain less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences

f) Financial assets and liabilities

I. Classification

The Company classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit and loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of the Company's instruments at initial recognition.

(i) *Financial instruments at fair value through profit and loss ("FVPL")*

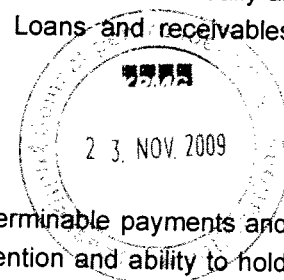
This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated and effective hedging instruments. The Company currently does not have any financial assets or financial liabilities designated at fair value through profit and loss at inception.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near term, those that the Company, upon initial recognition, designates as at fair value through profit and loss, those that the Company, upon initial recognition, designates as available for sale or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables comprise loans to customers.

(iii) *Held-to-maturity ("HTM")*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. The Company did not hold any HTM securities in its portfolio during the 2009 or 2008 financial years.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

I. Classification (continued)

(iv) Available-for-sale financial assets ("AFS")

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as loans, held-to-maturity investments or financial assets at fair value through profit or loss. As at 30 September 2009 and 30 September 2008 the Company had no available-for-sale financial assets.

II. Recognition

The Company initially recognises loans, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognised at fair value plus/minus transaction costs for all financial assets and liabilities not carried at fair value to profit or loss.

III. Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

IV. Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

IV. *Offsetting (continued)*

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

V. *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured subsequent to the initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

VI. *Fair value measurement*

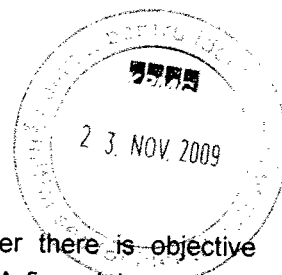
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Where a fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

VII. *Identification and measurement of impairment*

Assets carried at amortized cost

The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may be difficult to identify a single event that caused the impairment.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

VII. Identification and measurement of impairment (continued)

Assets carried at amortized cost (continued)

Rather, the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized.

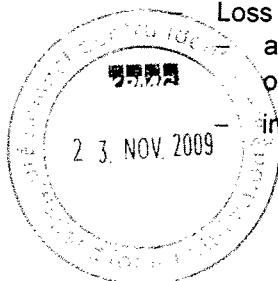
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default. Management has approved the split of loan portfolio based on days in arrears and/or evidence that a loan exhibit deficiencies that impair their full collectability. The five grades used are the following:

- Standard Loans – Loans that are paid on time and do not meet any of the criteria defined for the subsequent grades.
- Watch Loans – Loans in this category have the number of days in delays between 1 and 30 days. In this category are included also the restructured loans with no delays.
- Substandard Loans – Loans in this category have the number of days in delays between 31 and 60 days. In this category are included also the restructured loans with delays between 1 and 30 days.
- Doubtful Loans – Loans in this category have the number of days in delay between 61 and 90 days. In this category are included also the restructured loans with delays between 31 and 60 days.

Loss Loans – Loans classified in this category include, but are not limited to:
- a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers, triggered by a number of days of delay over 90;
- initiation of legal proceeding against the borrower by the Company or by other parties.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

VII. *Identification and measurement of impairment (continued)*

Assets carried at amortized cost (continued)

- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- any loan which has been restructured and has subsequently become 61 days or more delinquent.

The Company first assesses whether objective evidence of impairment exists individually for Loss Loans that are individually significant, and collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Senior Credit Committee.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

VII. Identification and measurement of impairment (continued)

Assets carried at amortized cost (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (e.g. on the basis of the risk grades). Management considers that these characteristic is the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, loan size and economic factors. In assessing collective impairment the Company uses statistical modelling of historical trends of the probability of default and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

VII. Identification and measurement of impairment (continued)

Assets carried at amortized cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

Assets carried at fair value

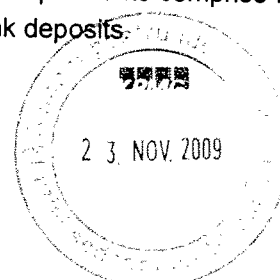
The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash balance and placements with banks and other financial assets with a high degree of liquidity – less than 3 months – and without a significant risk of change in fair value.

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days original maturity including: cash and bank deposits.



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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment

I. Recognition and measurement

Items of property, plant and equipment are recorded initially at cost.

Subsequently, items of property and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy 3.k). Expenditure with property and equipment in progress are capitalized and depreciated at the time of the set up.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

II. Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

III. Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

<u>Class</u>	<u>Useful life</u>
Equipment	3-12 years
Vehicles	5 years
Furniture and fixtures	3-15 years



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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each end of the reporting period.

IV. Sale/disposal of property, plant and equipment

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the statement of financial position along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the current statement of comprehensive income.

V. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets, are capitalized as part of the cost of those assets. The capitalization of borrowing costs commences when initial borrowing costs start being incurred (but not earlier than commencement of construction works) and ceases when substantially all the activities necessary to prepare the qualified asset for its intended use are complete. Other borrowing costs are recognized as an expense in the period when incurred.

i) Intangible assets

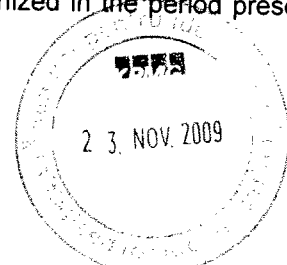
Software products acquired by the Company are stated at cost less accumulated amortization and impairment losses (refer to accounting policy 3.j).

I. Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

II. Subsequent costs

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. No software development costs were recognized in the period presented in these financial statements.



NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangible assets (continued)

III. Amortization

Amortization is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, which is typically three years. Intangible assets are amortized from the date they are available for use.

j) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

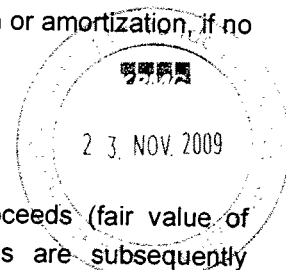
An impairment loss is recognized if the carrying amounts of an asset or its cash-generating unit exceed its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

k) Borrowed funds

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortized cost using the linear method; any difference between proceeds net of transaction costs and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. The management of the Company estimated that the difference between applying the effective interest rate method and the linear method is not significant.



NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Government grant

Government grant in the form of government assistance is the action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Loans at nil or low interest rates provided by Government agencies are a form of government assistance.

Borrowings received from government agencies at below market interest rates are initially measured at fair value, as described in Note 3.k). Any difference between the amount received from the government and the fair value of the liability represents a government grant related to income.

Grants related to income from below-market borrowings received from government agencies are recognized in the statement of comprehensive income on a systematic basis, using the effective interest rate method, over the period of the borrowing. For reporting purposes, the grant income is deducted from the related interest expense.

m) Employees benefits

I. Short-term benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short term employee benefits are recognized as expense when services are rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

II. Defined contribution plans

The Company, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Company are legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the statement of comprehensive income as incurred. The Company does not have any further obligations.

The Company does not operate any independent pension scheme and, consequently, have no obligation in respect of pensions.



NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Employees benefits (continued)

II. Defined contribution plans (continued)

The Company does not operate any other post retirement benefit plan. The Company has no obligation to provide further services to current or former employees.

III. Defined benefit plans

The Company does not operate any defined benefit plan, thus has no obligation related to contributions to any such plan.

IV. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Company's Collective Labour Agreement, the Company has no contractual obligation to pay any long-term benefit calculated taking into account the past service.

V. Termination benefits

The Company is not committed, without realistic possibility of withdrawal, to any formal detailed plan to terminate employment before the normal retirement date.

n) Dividends

Dividends on ordinary shares are treated as an appropriation of profit in the period in which they are declared and approved by the Annual General Meeting of Shareholders. The only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these financial statements, prepared in accordance with IFRS, due to the differences between the applicable Romanian Accounting Regulations and IFRS.

o) Provisions

Provisions claims are recognized in the statement of financial position when: the Company 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 recognized for future operating losses.



NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

p) Related parties

Parties are considered related when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly control or significantly influence the other party.

q) Taxation

The Company records profit tax upon net income for the Romanian financial statements in accordance with Romanian profit tax legislation. Romanian profits tax legislation is based on a fiscal year ending on 31 December. In recording both the current and deferred income tax charge for the year ended, the Company has computed the annual income tax charge based on Romanian profits tax legislation enacted (or substantially enacted) at the end of the reporting period.

Differences between financial reporting under International Financial Reporting Standards and Romanian fiscal regulations give rise to material differences between the carrying value of certain assets and liabilities and income and expenses for financial reporting and income tax purposes.

Deferred income tax is provided for using the statement of financial position liability method, for such temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The tax rates used to calculate the current and deferred tax positions at 30 September 2009 are 16% (30 September 2008: 16%). Also, the Company is calculating and paying a minimum current income tax even if it is posting a loss position.



**NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation (continued)

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

The main temporary differences arise from the differences between provisions for loans under IFRS and Romanian fiscal regulations and the treatment of the up-front commission for loan disbursement.



NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

By their nature, the Company's activities are principally related to the use of financial instruments. The Company contracts borrowing facilities mainly at fixed rates, and seeks to earn above-average interest margins by investing these funds in high-quality assets.

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

- credit risk
- market risk
- liquidity risk
- operational risks

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

Risk management framework

The Company's approach to risk management, including the internal control system and internal audit, is in line with the Company's risk profile. The Company's risk profile is determined by the business conducted and Company's operating environment.

The Company's management team has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's management has established the Finance Committee and Credit Committees, which are responsible for developing and monitoring Company's risk management policies in their specified areas.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.



NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's lending activity.

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired.

Significant changes in the economy, depreciation of the local currency against the currencies of the indexed portfolio, or in the health of a particular industry segment, could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. The management therefore carefully monitor and manage its exposure to credit risk.

Management of credit risk

The management of credit risk is based on the Company's overall business strategy and reviewed on a regular basis to ensure that it meets current requirements. The Board of Directors also determines the credit risk appetite of the Company.

The Company's Audit Committee reports to Board of Directors and is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Accountability rests with the Senior Credit Committee, the chair of which is the General Director (GD) for the adherence to the policy and implementation of credit risk procedures. All members of staff operating within the provision of credit function are fully aware of the policies and procedures covering their area of responsibility.

The GD maintains the credit policies and procedures as a part of overall credit risk management framework and where appropriate seeks Board approval for amendments to existing policy and the introduction of new credit policy. The GD is also responsible for the credit operation and staff adherence to policy and procedures but it is the responsibility of the Portfolio Manager (PM), supported by Regional Managers (RM's) for the credit operation and day to day staff adherence to those policies and procedures.



NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Management of credit risk (continued)

The Internal Auditor (IA) also independently audits and assesses the credit operation and adherence to policies and procedures.

The company's credit risk management framework consists of a set of policies and procedures defining and limiting credit risks, process flows and organizational structure for segregation of duties and capturing of potential risks and adoption of a strong MIS system providing timely access to data and reporting.

As part of the overall credit risk management framework credit policies are detailed in the Credit Manual (CM) and credit procedures are documented separately. In order to minimize this risk, procedures are in place to screen the customers before granting the loans and to monitor their ability to repay the principal and interest during the duration of the loans and establishment of exposure limits.

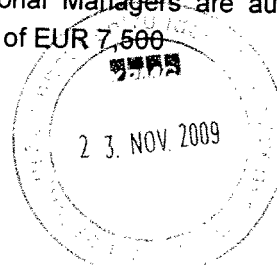
The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and by borrower are approved by the Board of Directors. The maximum allowed exposure to a borrower is EUR 35,000.

Starting March 2009, the Company has introduced the following conditions for its current loan products:

- Restrict the coverage area to 50 kilometres around its branch network;
- Mandatory clearance check of the payment incident registry with NBR;
- Special limitations to business from the construction and transport services and business providing services mainly with the local authorities;
- Additional requirements and restrictions for "Express Short Term" and "Express Global" loan products.

The Board of Directors has delegated the responsibility for the management of credit risk to its Credit Committees. The Company has three separate Credit Committees, each with an established level of loan approval authority. The larger loans require the approval of the highest level Credit Committee. The levels of approval are as follow:

- Regional Credit Committee 1 ("RCC -1") where Regional Managers are authorized to approve loans up to a maximum exposure to a customer of EUR 7,500



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4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

(for “Express Standard”, “Express Global” and “Express Casa Mea” loan products), as well as “Express Short Term” loan product.

- Regional Credit Committee 2 (“RCC -2”) where Regional Managers and a Senior Regional Manager can approve loans from EUR 7,501 up to a maximum exposure to a customer of EUR 15,000 (for “Express Standard” and “Express Global” loan products).
- Senior Credit Committee (“SCC”) where two Senior Managers have to approve loans of more than a maximum exposure to a customer of EUR 15,000 and all “Express Global” loans and as well as “Express Short Term” loan product requested by new clients.

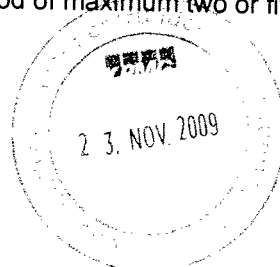
Note: Since June 2009, all loan applications approved by Regional Credit Committees are reviewed by the Senior Credit Committee for a final decision.

The Senior Credit Committee is also responsible for the following issues:

- Formulating credit policies in consultation with Regional Managers, and other Senior Management members, after establishing internal requirements, making credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Limiting concentrations of exposure to groups of companies and industries.
- Reviewing compliance of credit contracts concluded by the Company with agreed exposure limits, including those for selected industries and environment covenants.

Each Company site-office is required to implement Company’s credit policies and procedures, with credit approval authorities delegated from the SCC. Each Company site-office is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval by SCC.

The Company monitors the quality of the loan portfolio on a daily basis, using a portfolio at risk definition that includes all exposures with payments overdue more than 1 day broken down by different aging categories as the basic measure of current portfolio quality. The Company chooses this measure because the vast majority of all loans have fixed instalments with monthly payment of principal and interest. Exceptions are seasonal “Express Short Term” loans and “Express Global” loans, which have a grace period of maximum two or five months.



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4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Additionally the company is compiling and reviewing on an ongoing basis a set of risk management reports used to identify measure and actively monitor and implement changes to reduce risks.

Exposure to credit risk

	Loans and advances to customers	
	30 September 2009	30 September 2008
Carrying amount	10,270,586	16,191,763
Individually impaired		
Gross amount	878,217	182,846
Deferred commission	(856)	1,265
Allowance for impairment	(670,110)	(61,285)
Carrying amount	207,251	122,826
Collectively impaired		
Standard	8,098,973	-
Watch	1,864,103	1,190,128
Substandard	481,159	193,187
Doubtful	187,128	107,749
Loss	495,746	121,730
Gross amount	11,127,109	1,612,794
Deferred commission	(109,211)	(17,841)
Allowance for impairment	(954,563)	(425,082)
Carrying amount	10,063,335	1,169,871
Neither past due nor impaired		
Standard	-	15,208,667
Deferred commission	-	(309,601)
Carrying amount	-	14,899,066
Total carrying amount	10,270,586	16,191,763



NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Impaired loans and securities

Impaired loans and advances to customers assessed individually or collectively based on groups of financial assets with similar credit risk characteristics, are loans and advances to customers for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s).

Neither past due nor impaired

This category includes all exposures not classified in the above categories.

Allowances for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Company writes off a loan (and any related allowances for impairment losses) when Company's Risk Committee determines that the loans and advances to customers are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Collaterals

The Company holds collaterals against loans to customers in the form of mortgage interest over property, other registered advances to customers over assets and guarantees. Estimates of value are based on the value of the collateral assessed at the time of borrowing and generally are not updated.

Changes in fair market value at various intervals is difficult to determine due to the fact that the loans made by the Company are generally short term and the change in value of any collateral is negligible in relationship to the term of the loan.

Collateral generally is not held over cash deposited with banks and other financial institutions.



NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

An estimate of the value of collateral and other security enhancements held against loans and advances to customers is shown below:

	Loans and advances to customers	
	<u>30 September 2009</u>	<u>30 September 2008</u>
Against individually impaired		
Property	1,101,662	171,600
Other	286,953	160,422
Against collectively impaired		
Property	36,272,830	2,173,664
Other	5,109,609	745,493
Against neither past due nor impaired		
Property	-	20,691,692
Other	-	5,250,164
Total	<u>42,771,054</u>	<u>29,193,035</u>

The Company monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances to customers	
	<u>30 September 2009</u>	<u>30 September 2008</u>
Agriculture	308,141	579,147
Commerce	5,468,601	7,993,802
Industry	1,138,754	1,822,507
Construction	596,114	749,198
Services	3,587,341	4,750,393
Individuals	614,095	967,967
Gross portfolio	<u>11,713,046</u>	<u>16,863,014</u>
Accrued interest & penalties	292,280	141,293
Deferred commission	(110,067)	(326,177)
Less allowance for loans losses	(1,624,673)	(486,367)
Total carrying amount	<u>10,270,586</u>	<u>16,191,763</u>



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk

Market risk is defined as external influences, generally outside of the control of the organization's executive management, but which can be identified, assessed and mitigating actions put in place to reduce any adverse impact.

The Company has identified the following market risks:

- Interest rate risk
- Currency risk
- Operational environment risk
- Taxation risk

c1) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly.

The interest rates related to the major foreign currencies as at 30 September 2009 and 2008 were as follows:

Currencies	Interest rate	30 September 2009	30 September 2008
Euro (EUR)	EURIBOR 3 months	0.753%	5.237%
Euro (EUR)	EURIBOR 6 months	1.016%	5.315%
US Dollar (USD)	LIBOR 6 months	0.629%	3.834%

All Company's loans receivables and most of Company's borrowings are at fixed interest rates (76% as of September 2009 and 56% as of September 2008). The loan receivables mature much faster than the related borrowings, a fact that allows the Company to adjust the fixed interest of its receivables to market conditions. As part of its financing strategy, the Company also seeks to attract longer term, fixed-rate financing which also allows for better interest rate risk management.



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

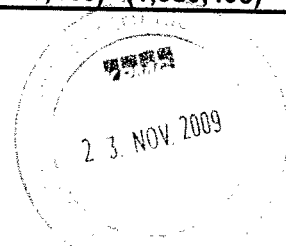
c1) Interest rate risk (continued)

The tables below summarises the effective interest rate by major currencies for monetary interest bearing financial instruments.

	30 September 2009			30 September 2008		
	EUR (%)	USD (%)	RON (%)	EUR (%)	USD (%)	RON (%)
Assets						
Cash	2.47	1.23	2.38	2.84	0.93	2.83
Loans to customers	22.00	21.35	30.12	22.13	20.73	30.45
Liabilities						
Borrowed funds	9.13	5.61	n/a	9.31	4.84	n/a

The table below summarizes the Company's exposure to interest rate risk as at 30 September 2009. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash	3,498,879	-	-	-	-	-	3,498,879
Loans to customers	1,213,437	1,078,163	4,124,536	3,854,450	-	-	10,270,586
Property, plant and equipments	-	-	-	-	-	22,640	22,640
Intangible assets	-	-	-	-	-	421	421
Other assets	-	-	-	-	-	-	-
Total assets	4,712,316	1,078,163	4,124,536	3,854,450	-	115,218	115,218
Liabilities							
Borrowed funds	3,709,523	(8,985)	1,171,293	6,133,878	1,386,408	-	12,392,117
Other liabilities	-	-	-	-	-	65,325	65,325
Total liabilities	3,709,523	(8,985)	1,171,293	6,133,878	1,386,408	65,325	12,457,442
Interest sensitivity gap	1,002,793	1,087,148	2,953,243	(2,279,428)	(1,386,408)	72,954	1,450,302



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c1) Interest rate risk (continued)

The table below summarizes the Company's exposure to interest rate risk as at 30 September 2008. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash	2,144,081	-	-	-	-	-	2,144,081
Loans to customers	1,466,580	1,554,452	5,684,654	7,486,077	-	-	16,191,763
Property, plant and equipments	-	-	-	-	-	42,053	42,053
Intangible assets	-	-	-	-	-	6,859	6,859
Other assets	-	-	-	-	-	66,073	66,073
Total assets	3,610,661	1,554,452	5,684,654	7,486,077	-	114,985	18,450,829
Liabilities							
Borrowed funds	7,296,764	661,265	1,870,665	5,902,825	896,750	-	16,628,269
Other liabilities	-	-	-	-	-	76,735	76,735
Total liabilities	7,296,764	661,265	1,870,665	5,902,825	896,750	76,735	16,705,004
Interest sensitivity gap							
	(3,686,103)	893,187	3,813,989	1,583,252	(896,750)	38,250	1,745,825

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of interest rate changes and its resultant effect on profitability of the Company. Standard scenarios that are considered include a sensitivity analysis at 200 basis points increase and 200 basis points decrease in interest rates for assets and liabilities.



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c1) Interest rate risk (continued)

The interest rate risk is the risk of loss resulting from changes in interest rates to alter future cash flows.

In order to have a more accurate image of the total impact of an interest rate increase/decrease at the end of the financial year on the net income over the full coming year, the company applied a sensitivity factor related to the time interval. The assumption was that the 0 to 1 month gap immediately re-prices and is subject of the higher/lower interest, while for instance, the 3-12 month gap is influenced by the higher/lower interest only for the last three quarters of the year.

The positions are monitored on a monthly basis and the company ensures that these positions are maintained within the established limits.

An analysis of the Company's interest carrying assets and liabilities sensitivity to a reasonable possible increase or decrease in market interest rates, maintaining all other variable constant, is presented in the following table:

	30 September 2009		30 September 2008	
	200 basis points increase	200 basis points decrease	200 basis points increase	200 basis points decrease
0 to 1 month	19,220	(19,220)	(70,650)	70,650
1 to 3 months	18,119	(18,119)	14,886	(14,886)
3 to 12 months	22,149	(22,149)	28,605	(28,605)
Total	59,488	(59,488)	(27,159)	27,159

c2) Currency risk

The Company is exposed to currency risk through transactions in foreign currencies against RON. There is also a statement of financial position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into RON as a result of currency movements. The foreign currencies held by the Company are USD and EUR.



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c2) Currency risk (continued)

On the Romanian market, exchange rates have high volatility therefore open foreign exchange positions represent a source of currency risk. The Company carries out operations in both the local currency and hard currencies (USD and EUR), monitors its foreign currency exposure on a daily basis and closes out its positions within individually defined limits.

The establishment of foreign currency positions for speculative purposes is not permitted. Currently the Company does not use derivative instruments for hedging purposes. The strategy is to avoid the foreign exchange risk to the maximum extent possible. Management tries to match the volume of financial assets and liabilities denominated in the same currency in order to hedge the currency risk. This is performed by:

- planning and monitoring loan disbursement by currency which is monitored on a daily basis.
- making adjustment of the daily currency position by varying the available cash positions in the different currencies.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 September 2009. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by currency.

	EUR	USD	RON	Total
Assets				
Cash	1,634,625	974,594	889,660	3,498,879
Loans to customers	3,796,596	6,037,802	436,188	10,270,586
Property, plant and equipments	-	-	22,640	22,640
Intangible assets	-	-	421	421
Other assets	2,289	4,432	108,497	115,218
Total assets	5,433,510	7,016,829	1,457,406	13,907,744
Liabilities				
Borrowed funds	4,047,926	8,252,932	91,259	12,392,117
Other liabilities	14,094	28,719	22,512	65,325
Total liabilities	4,062,020	8,281,651	113,771	12,457,442
Net foreign exchange position	1,371,490	(1,264,823)	1,343,635	1,450,302



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c2) Currency risk (continued)

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 September 2008. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by currency.

	EUR	USD	RON	Total
Assets				
Cash	254,123	887,522	1,002,436	2,144,081
Loans to customers	7,419,703	7,904,758	867,302	16,191,763
Property, plant and equipments	-	-	42,053	42,053
Intangible assets	-	-	6,859	6,859
Other assets	23,086	30	42,957	66,073
Total assets	7,696,912	8,792,310	1,961,607	18,450,829
Liabilities				
Borrowed funds	7,631,369	8,787,150	209,750	16,628,269
Other liabilities	-	13,670	63,065	76,735
Total liabilities	7,631,369	8,800,820	272,815	16,705,004
Net foreign exchange position	65,543	(8,510)	1,688,792	1,745,825

The management of currency risk against currency gap limits is supplemented by monitoring the sensitivity of exchange rate changes and its resultant effect on profitability of the Company. Standard scenarios that are considered include a sensitivity analysis of a reasonably possible change of the exchange rate, maintaining all the other variables constant. A negative value shows a potential decrease of the net income, while a positive value reflects a potential increase in the Company's profitability.

An analysis of the Company's sensitivity to an increase or decrease in exchange rates, taking in consideration the same change in the exchange rate as during a year, are as follows:

Currencies	30 September 2009		30 September 2008	
	Exchange Rate change %	Effect	Exchange Rate change %	Effect
Euro (EUR)	12.4	170,628	11.3	7,377
US Dollar (USD)	10.3	(129,713)	9.7	(823)



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c3) Operational environment risk

The process of risk reprising during 2008 and 2009 in the international financial markets severely affected the performance of those markets and fostered heightened uncertainty with regard to economic developments in 2009. The ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and Central Banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping restoring normal market functioning. The identification and valuation of investments influenced by the illiquid credit market conditions, the determination of compliance with debt agreement and other contract covenants, and the evaluation of significant uncertainties, including uncertainties associated with an entity's ability to continue as a going concern for a reasonable period of time, bring their own challenges.

The effects of these on the Romania financial market have been seen in the form of falls in prices and liquidity in the capital markets and an increase in the medium term financing interest rates due to the worldwide liquidity conditions. The customers of the Company may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for customers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment. Such ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping minimizing the effects of the financial crisis and finally restoring normal market functioning.

c4) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Company has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the newly enforced EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Company's treatment.



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c3) Taxation risk (continued)

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Company will continue to be subject to regular controls as new laws and regulations are issued.

d) Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of the asset positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Company continually assesses liquidity risk by identifying and monitoring changes in funding, and diversifying the funding base.

Management sets limits on the minimum proportion of maturing funds available and on the minimum level of other borrowing facilities to meet such calls. The Company has access to a multi-purpose credit facility with Raiffeisen Bank to cover temporary liquidity needs of up to the RON equivalent of EUR 750,000 for up to 45 days (Note 19).

The treasury department performs daily cash flow planning for the current month, as well as bi-weekly and monthly for the entire year. Based on CHF International USA group recommendations, the Company aims at maintaining its cash balance to 7% of the Company's total assets.



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4. FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

The table below analyses the Company's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

At 30 September 2009	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Assets							
Cash	3,498,879	-	-	-	-	-	3,498,879
Loans to customers	1,213,437	1,078,163	4,124,536	3,854,450	-	-	10,270,586
Property, plant and equipments	-	-	-	-	-	22,640	22,640
Intangible assets	-	-	-	-	-	421	421
Other assets	-	-	-	-	-	115,218	115,218
Total assets	4,712,316	1,078,163	4,124,536	3,854,450	-	138,279	13,907,744
Liabilities							
Borrowed funds	2,884,395	(8,985)	1,996,421	6,133,878	1,386,408	-	12,392,117
Other liabilities	-	-	-	-	-	65,325	65,325
Total liabilities	2,884,395	(8,985)	1,996,421	6,133,878	1,386,408	65,325	12,457,442
Net liquidity gap	1,827,921	1,087,148	2,128,115	(2,279,428)	(1,386,408)	72,954	1,450,302



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4. FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

At 30 September 2008	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Assets							
Cash	2,144,081	-	-	-	-	-	2,144,081
Loans to customers	1,466,580	1,554,452	5,684,654	7,486,077	-	-	16,191,763
Property, plant and equipments	-	-	-	-	-	42,053	42,053
Intangible assets	-	-	-	-	-	6,859	6,859
Other assets	-	-	-	-	-	66,073	66,073
Total assets	3,610,661	1,554,452	5,684,654	7,486,077	-	114,985	18,450,829
Liabilities							
Borrowed funds	1,183,652	661,265	5,053,733	8,832,869	896,750	-	16,628,269
Other liabilities	-	-	-	-	-	76,735	76,735
Total liabilities	1,183,652	661,265	5,053,733	8,832,869	896,750	76,735	16,705,004
Net liquidity gap	2,427,009	893,187	630,921	(1,346,792)	(896,750)	38,250	1,745,825

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors, other than credit, market and liquidity risk such those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.



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4. FINANCIAL RISK MANAGEMENT (continued)

e) Operational risk (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions; the credit department, treasury and senior management are required to separately verify and approve cash transactions;
- Minimizing the handling of cash by making loan disbursements and loan collections through banks;
- Limiting the impact of a single bank on operations by banking with three separate banks;
- Requirements for the reconciliation and monitoring of cash transactions; transactions are reconciled between the loan tracking system and the bank accounts on a daily basis by separate departments within the Company;
- Compliance with regulatory and other legal requirements through monthly, quarterly, semi-annual and annual reporting to the National Bank of Romania, the Ministry of Finance, its shareholders and lenders. The Internal Audit department also conducts audits related to the regulatory and agreement compliance of the Company;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified; the Company conducts regularly Senior Staff Meetings (“SSM”) during which it reviews in systematic fashion the operating risks faced by the Company;
- Requirements for the reporting of operational losses and proposed remedial action;
- Training and professional development; Staff and management have access to internal trainings conducted by the company as well as external trainings supported by available technical assistance funds from EBRD;
- Development of contingency plans;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by periodical reviews undertaken by Internal Auditor. The results of Internal Auditor reviews are discussed with the Regional Managers of the Company’s site offices to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.



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5. USE OF ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

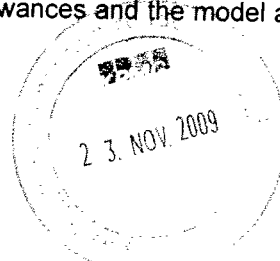
In 2009 financial year, the Company continued to refine its methodology for assessment of loan loss allowances in accordance with the provision of IAS 39, "Financial Instruments: Recognition and Measurement".

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3. (f) (VII).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Senior Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, loan size and economic factors. In assessing collective impairment the Company uses statistical modeling of historical trends of the probability of default and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.



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5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Impairment losses on loans and advances (continued)

The Company reviews its loan portfolios to assess impairment at least on a yearly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

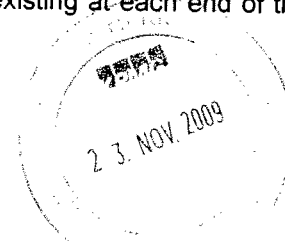
The loan impairment assessment considers the visible effects on current market conditions on the individual / collective assessment of loans and advances to customers' impairment especially because of the significant uncertainties on the international and local financial markets.

The borrowers of the Company may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating market conditions for borrowers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that the net present value of estimated cash-flows differs by +/-5 percent, the provision would be estimated +/- USD 77,184 (30 September 2008: +/- USD 24,318).

Hence, the Company has estimated the impairment loss provision for loans and advances to customers based on the internal methodology and assessed that no further provision for impairment losses is required except as already provided for in the financial statements.

Determining fair values

The fair value of financial instruments that are not traded in an active market (for example loans and advances to customers and borrowings) is determined by using valuation techniques. The Company uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each end of the reporting period.



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5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Determining fair values (continued)

Fair value of loans and receivables

Management estimated the market annual interest rates used for discounting the estimated future cash flows for loan receivables based on the effective interest rates of similar product on the market. The estimates used were as follows:

Products	30 September 2009	30 September 2008
"Express Standard"	23.57%	23.57%
"Express Short Term"	32.13%	32.13%
"Express Global"	35.10%	35.10%
"Express Casa Mea"	23.70%	23.70%

Fair value of borrowings

Management estimated the market annual interest rates used for discounting the estimated future cash flows for borrowed funds with fixed interest or borrowed funds at nil or low interest rates based on the variable effective interest rates of similar borrowings available to the Company.

The estimates used were as follows:

	30 September 2009	30 September 2008
Long term loans from related parties	5.22%	9.52%
Short term loans from related parties	-	9.24%
Short term loans from other financial institutions	5.22%	-
Long term loans from other financial institutions	4.75%	9.52%
Loans from governmental programs	1.77%	8.03%

For the year ended 30 September 2009 and year ended 30 September 2008 the discount rate for long term loans from related parties was based on the offer received from European Fund for Southeast Europe (EFSE) for a long term loan;

For the year ended 30 September 2009 and year ended 30 September 2008 the discount rate for short term loans was based on the variable effective interest rate of the BLUE ORCHARD loan (Note 19).

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5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Determining fair values (continued)

Fair value of borrowings (continued)

For the year ended 30 September 2009 and year ended 30 September 2008 the discount rate for loans for governmental programs was based on the variable effective interest rate of the Rural Central and West loans (Note 19).

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



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6. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The following table summarizes the Company's classification of each class of financial assets and liabilities and their fair values. Market annual interest rates are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	Note	Trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
30 September 2009									
Financial Assets									
Cash and cash equivalents	14	-	-	-	-	-	3,498,879	3,498,879	3,498,879
Loans to customers	15	-	-	-	10,270,586	-	-	10,270,586	10,223,335
Total financial assets					10,270,586		3,498,879	3,769,465	13,722,214
Financial Liabilities									
Interest bearing loans and borrowings	19	-	-	-	-	-	12,392,117	12,392,117	12,657,185
Total financial liabilities							12,392,117	12,392,117	12,657,185
30 September 2008									
Financial Assets									
Cash and cash equivalents	14	-	-	-	-	-	2,144,081	2,144,081	2,144,081
Loans to customers	15	-	-	-	16,191,763	-	-	16,191,763	15,382,586
Total financial assets					16,191,763		2,144,081	18,335,844	17,526,667
Financial Liabilities									
Interest bearing loans and borrowings	19	-	-	-	-	-	16,628,269	16,628,269	15,938,829
Total financial liabilities							16,628,269	16,628,269	15,938,829

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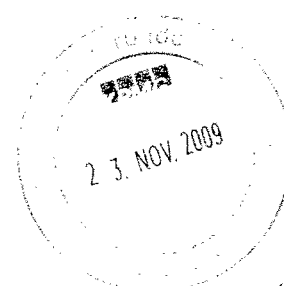
(All amounts presented in USD unless otherwise stated)

7. NET INTEREST INCOME

	<u>Year ended 30 September 2009</u>	<u>Year ended 30 September 2008</u>
Interest and similar income		
Interest income for loans to customers	3,304,379	3,319,339
Interest income for current accounts and deposits to banks	34,532	53,286
Total interest and similar income	<u>3,338,911</u>	<u>3,372,625</u>
Interest expense for borrowings	(1,029,400)	(1,207,116)
Income from government grant amortization	147,179	158,937
Total interest expenses and similar charges	<u>(882,221)</u>	<u>(1,048,179)</u>
Net interest income	<u>2,456,690</u>	<u>2,324,446</u>

8. NET FEE AND COMMISSION EXPENSE

	<u>Year ended 30 September 2009</u>	<u>Year ended 30 September 2008</u>
Fee and commission income	949	423
Fee and commission expense	(23,913)	(27,307)
Net fee and commission expense	<u>(22,964)</u>	<u>(26,884)</u>



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9. OTHER OPERATING INCOME

	<u>Year ended 30 September 2009</u>	<u>Year ended 30 September 2008</u>
Fixed assets and inventory sold	33,493	-
Revenues obtained from enforcing collaterals	23,985	-
Other operating income	12,070	10,136
Total operating income	<u>69,548</u>	<u>10,136</u>

10. NET IMPAIRMENT LOSSES ON LOANS

	<u>Year ended 30 September 2009</u>	<u>Year ended 30 September 2008</u>
Expense with allowance for impairment	1,459,303	525,780
Income from reversal of impairment allowance	(346,391)	(195,601)
Recoveries from loans previously written-off	(404)	(1,603)
Net impairment losses on loans	<u>1,112,508</u>	<u>328,576</u>

11. PERSONNEL EXPENSES

	<u>Year ended 30 September 2009</u>	<u>Year ended 30 September 2008</u>
Wages and salaries	628,208	849,032
Compulsory social security obligations	169,587	230,826
Other personnel expenses	9,864	16,132
Total personnel expenses	<u>807,659</u>	<u>1,095,990</u>



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NOTES TO THE FINANCIAL STATEMENTS
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12. OTHER EXPENSES

	<u>Year ended 30 September 2009</u>	<u>Year ended 30 September 2008</u>
Management fee (i)	219,501	180,609
Depreciation	22,630	127,995
Consultancy and audit fees	52,363	121,380
Rent expense	87,995	105,373
Taxes and similar duties	30,421	76,956
Consumables	43,842	74,897
Telecommunication and postal charges	64,902	67,062
Per diem	24,302	53,892
Services provided by third parties	16,334	41,526
Utilities	23,446	29,941
Advertising & representation	19,605	26,486
Insurance	18,254	26,115
Repair & maintenance	24,168	25,724
Travel	25,512	23,717
IT maintenance	16,693	21,585
Fees and similar charges	19,783	14,773
Other	14,411	3,397
Losses from unrecoverable amounts fully provided	22,810	-
Increase / (decrease) of provisions for taxes	(13,615)	(33,274)
Total other expenses	<u>733,357</u>	<u>988,154</u>

- (i) Management fee relates to the services provided by CHF International USA that refer mainly to the contract for management services (Note 23. (b)).



NOTES TO THE FINANCIAL STATEMENTS
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(All amounts presented in USD unless otherwise stated)

13. INCOME TAX EXPENSE

The Company did not record any current or deferred tax expense in the years ended 30 September 2009 or 30 September 2008, except minimum current income tax required by Romanian law.

The reconciliation of the tax expense and the loss for the year is as follows:

Loss before tax	(100,277)	(158,182)
Theoretical credit charge at 16%	(16,044)	(25,309)
Tax effect of		
- non-deductible expenses	61,898	43,424
- non-taxable income	(49,379)	(41,397)
Change in unrecognized deferred tax asset	3,525	23,283
Minimum amount of tax expense by law	601	-
Income tax expense for the year	601	-

The differences between regulations issued by the Romanian Ministry of Finance and the accounting rules applied in preparing these financial statements give rise to temporary differences between the carrying value of certain assets and liabilities for financial reporting and tax purposes.



NOTES TO THE FINANCIAL STATEMENTS
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13. INCOME TAX EXPENSE (continued)

Deferred income tax assets and liabilities are attributable to the following items:

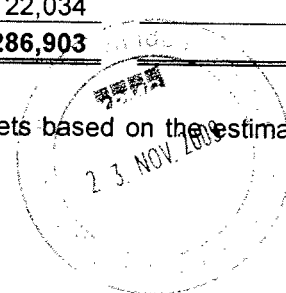
	30 September 2008	Amortized during the year	Translation differences	30 September 2009
Tax effects of deductible temporary differences				
From fiscal loss	52,913	3,525	(4,921)	51,517
Net tax effect of temporary differences	52,913	3,525	(4,921)	51,517
Less: not recognized income from deferred tax asset	(52,913)	(3,525)	11,426	(51,517)
Total net deferred income tax asset	-	-	-	-

	30 September 2007	Amortized during the year	Translation differences	30 September 2008
Tax effects of deductible temporary differences				
From commission deferral				
From fiscal loss	28,136	23,283	1,494	52,913
Net tax effect of temporary differences	28,136	23,283	1,494	52,913
Less: not recognized income from deferred tax asset	(28,136)	(23,283)	(1,494)	(52,913)
Total net deferred income tax asset	-	-	-	-

As at 30 September 2009 the Company has unrecognized potential deferred tax asset in respect of unused tax loss carry forward of USD 51,517 (30 September 2008: USD 52,913). The tax loss carry forwards expires as follows:

	Tax base	Potential deferred tax asset
Year 2011	79,866	12,779
Year 2012	79,630	12,740
Year 2013	140,454	22,472
Year 2014	22,034	3,525
	286,903	51,517

Management decided not to recognise the deferred tax assets based on the estimation of its recoverability.



NOTES TO THE FINANCIAL STATEMENTS
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14. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 90 days initial maturity:

	<u>30 September 2009</u>	<u>30 September 2008</u>
Deposits at banks	2,891,980	1,370,710
Cash in hand and in banks	606,899	773,371
	<u>3,498,879</u>	<u>2,144,081</u>

Deposits comprise of overnight deposits in RON, USD and EURO. There are no restriction in respect of both deposits and cash in hand and in bank. An interest rate sensitivity analysis, a currency analysis and residual maturity profile of cash balances is presented in Note 4.

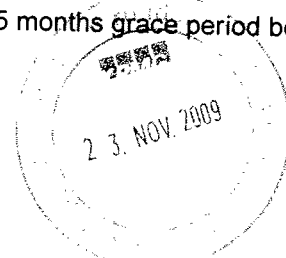
15. LOANS TO CUSTOMERS

	<u>30 September 2009</u>	% of total	<u>30 September 2008</u>	% of total
"Express Standard"	10,817,708	90.94	14,201,167	85.15
"Express Short Term"	115,684	0.97	421,174	2.53
"Express Global"	240,160	2.02	1,007,406	6.04
"Express Casa Mea"	717,256	6.03	1,009,825	6.05
Other loans	4,451	0.04	38,558	0.23
Gross portfolio, out of which	<u>11,895,259</u>	100.00	<u>16,678,130</u>	100.00
<i>Accrued interest & penalties</i>	292,280		141,293	
<i>Deferred commission</i>	(110,067)		(326,177)	
Less allowance for loans losses	(1,624,673)		(486,367)	
Net portfolio	<u>10,270,586</u>		<u>16,191,763</u>	

"Express Standard" loans are disbursed to entrepreneurs as well as to micro and small businesses for a term of 3 to 36 months, bearing an interest of 16 – 18% (14 – 16% before February 2008) (declining balance) and with an up-front commission of 2 – 5%. This product is disbursed in USD or EURO.

"Express Short Term" loans are disbursed to entrepreneurs as well as to micro and small businesses for a period not exceeding 3 months, having up to 2 months grace period, free of interest and with an up-front commission of 6%. This product is disbursed in USD or EURO.

"Express Global" loans are disbursed to entrepreneurs as well as to micro and small businesses for a period not exceeding 6 months, having up to 5 months grace period bearing



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15. LOANS TO CUSTOMERS (continued)

an interest of 18 – 23% (16 – 19% before March 2008) (declining balance) and with an up-front commission of 3%. This product is in RON, USD and EURO (only RON before March 2008).

“Express Casa Mea” loans are disbursed to Individual/Families for a period not exceeding 36 months, bearing an interest of 12 – 14% (flat) and with an up-front commission of 2 – 4%. This product is in RON.

Other loans represent remaining balance of the EDS program - credit component, transferred from CHF International Romania to the Company, as of September 1, 2007. This category includes: Home improvement loans disbursed to individuals and floods victims. Those products were disbursed in USD.

Allowance for loan losses

	<u>30 September 2009</u>	<u>30 September 2008</u>
At the beginning of the year	486,367	176,231
Net charge for the year	1,184,890	328,576
Translation effect	(46,584)	(18,440)
At the end of the year	1,624,673	486,367

16. PROPERTY AND EQUIPMENT

	Equipments	Vehicles	Furniture and fixtures	Total
At 1 October 2008				
Cost	44,529	111,083	18,159	173,771
Accumulated depreciation	(16,063)	(102,848)	(12,807)	(131,718)
Net book amount	<u>28,466</u>	<u>8,235</u>	<u>5,352</u>	<u>42,053</u>
Year ended 30 September 2009				
Opening net book amount	28,466	8,235	5,352	42,053
Additions	2,310	-	871	3,181
Disposals	(520)	-	(110)	(630)
Depreciation charge	(7,938)	(7,013)	(2,155)	(17,106)
Effect of translation	(3,047)	(1,222)	(589)	(4,858)
Closing net book amount	<u>19,271</u>	<u>-</u>	<u>3,369</u>	<u>22,640</u>
At 30 September 2009				
Cost	46,319	111,083	18,920	176,322
Accumulated depreciation	(24,001)	(109,861)	(14,962)	(148,824)
Effect of translation	(3,047)	(1,222)	(589)	(4,858)
Net book amount	<u>19,271</u>	<u>-</u>	<u>3,369</u>	<u>22,640</u>

23. NOV. 2009

EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

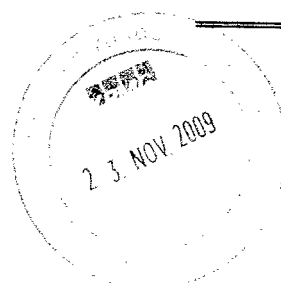
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
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16. PROPERTY AND EQUIPMENT (continued)

	Equipments	Vehicles	Furniture and fixtures	Total
At 1 October 2007				
Cost	44,945	121,820	19,914	186,679
Accumulated depreciation	(2,736)	(18,729)	(3,545)	(25,010)
Net book amount	42,209	103,091	16,369	161,669
Year ended 30 September 2008				
Opening net book amount	42,209	103,091	16,369	161,669
Additions	5,098	-	-	5,098
Disposals	(746)	-	-	(746)
Depreciation charge	(15,237)	(93,155)	(10,398)	(118,790)
Effect of translation	(2,858)	(1,701)	(619)	(5,178)
Closing net book amount	28,466	8,235	5,352	42,053
At 30 September 2008				
Cost	49,297	121,820	19,914	191,031
Accumulated depreciation	(17,973)	(111,884)	(13,943)	(143,800)
Effect of translation	(2,858)	(1,701)	(619)	(5,178)
Net book amount	28,466	8,235	5,352	42,053

17. INTANGIBLE ASSETS

	Intangible assets
At 1 October 2008	
Cost	21,628
Accumulated depreciation	(14,769)
Net book amount	6,859
Year ended 30 September 2009	
Opening net book amount	6,859
Additions	78
Depreciation charge	(5,524)
Effect of exchange rate	(992)
Closing net book amount	421
At 30 September 2009	
Cost	21,706
Accumulated depreciation	(20,293)
Effect of exchange rate	(992)
Net book amount	421



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
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17. INTANGIBLE ASSETS (continued)

	Intangible assets
At 1 October 2007	
Cost	23,317
Accumulated depreciation	(6,902)
Net book amount	<u>16,415</u>
Year ended 30 September 2008	
Opening net book amount	16,415
Additions	398
Depreciation charge	(9,205)
Effect of exchange rate	(749)
Closing net book amount	<u>6,859</u>
At 30 September 2008	
Cost	23,715
Accumulated depreciation	(16,107)
Effect of exchange rate	(749)
Net book amount	<u><u>6,859</u></u>

18. OTHER ASSETS

	30 September 2009	30 September 2008
Prepaid expenses - legal fees	51,102	6,532
Other various goods (Collaterals took over)	22,674	-
Prepaid expenses - others	20,780	19,632
Company's contribution to health insurance credit	5,872	8,872
Income tax credit	5,259	5,799
Guarantees to suppliers	4,215	1,879
Other	5,316	23,359
	<u>115,218</u>	<u>66,073</u>



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19. BORROWED FUNDS

	<u>30 September 2009</u>	<u>30 September 2008</u>
CHF International USA OPIC – 1 (i)	(384)	790,860
CHF International USA OPIC – 2 (ii)	2,468,521	2,507,472
CHF International USA OIKOCREDIT (iii)	170,850	511,570
CHF International USA BLUE ORCHARD (iv)	-	2,935,098
CHF International USA CALVERT (v)	-	748,071
CHF International USA own funds (vi)	-	889,046
<i>Borrowings received from related parties</i>	<u>2,638,987</u>	<u>8,382,117</u>
Rural Central (vii)	156,862	317,572
Rural West (viii)	341,246	681,703
NAD 1 (ix)	1,113,115	1,053,853
NAD 2 (ix)	1,109,134	1,076,629
<i>Borrowings received for governmental programs</i>	<u>2,720,357</u>	<u>3,129,757</u>
EBRD (x)	2,542,081	3,209,156
OIKOCREDIT (xi)	1,487,409	1,454,206
OPIC (xii)	1,926,380	-
SYMBIOTICS (xiii)	780,625	-
<i>Borrowings received from other financial institutions</i>	<u>6,736,495</u>	<u>4,663,362</u>
Total borrowed funds	<u>12,095,839</u>	<u>16,175,236</u>

The Company has no principal or interest overdue as of 30 September 2009 or 30 September 2008.

Borrowed funds from related parties

CHF International USA borrows funds from different financial institutions and sub-lends them to the Company in order to disburse loans on the Romanian market.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009

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19. BORROWED FUNDS (continued)

Borrowed funds from related parties (continued)

(i) **OPIC 1** – In November 2002 CHF International USA, obtained from Overseas Private Investments Corporation (“OPIC”) a loan of USD 2,500,000. The funds were initially sub-lent to CHF International Romania. On August 1, 2006 CHF International Romania, the initial user of funds, transferred to the Company the outstanding balance of the borrowing in amount of USD 2,031,250. The loan was repayable in 16 quarterly equal instalments starting in January 2006. The loan bears a fixed interest rate. The loan was fully repaid at the last due date in September 2009. The outstanding principal of the loan as of 30 September 2008 was USD 781,250.

(ii) **OPIC 2** – In August 2006 CHF International USA, obtained from Overseas Private Investments Corporation a loan of USD 2,500,000 which was sub-lent as follows: USD 1,200,000 to the Company and USD 1,300,000 to CHF International Romania. On November 1, 2006 CHF International Romania, transferred to the Company the outstanding balance of the borrowing in amount of USD 1,300,000. This borrowing is repayable in 12 quarterly equal instalments starting on July 2011 and has a fixed interest rate. The outstanding principal of the loan as of 30 September 2009 was USD 2,500,000 (30 September 2008: USD 2,500,000).

(iii) **OIKOCREDIT** - In December 2004 CHF International USA obtained from the Oikocredit, Ecumenical Development Cooperative Society U.A (“Oikocredit”) a loan of USD 1,000,000. The funds were initially sub-lent to CHF International Romania. On August 1, 2006 CHF International Romania, the initial user of funds, transferred to the Company the outstanding balance of the borrowing in amount of USD 1,000,000. The loan is repayable in 6 semi-annual equal instalments starting in June 2007. The loan bears a fixed interest rate. The outstanding principal of the loan as of 30 September 2009 was USD 166,666 (30 September 2008: USD 499,999).

(iv) **Blue Orchard** – In March 2006 CHF International USA, obtained a loan of EUR 1,000,000 from Saint Honore Micro-Credit fund, a Swiss fund managed by BlueOrchard SA. The funds were initially sub-lent to CHF International Romania. On 1 August 2006, CHF International Romania, the initial user of funds, transferred to the Company the outstanding balance of the borrowing in amount of EUR 1,000,000 (equivalent of USD 1,275,790). In April 2007, CHF International USA agreed to a new borrowing of EUR 2,000,000 from Saint Honore Micro-Credit fund and sub-lent it to the Company as follow: EUR 1,000,000 was disbursed to the Company and difference of EUR 1,000,000 was constituted by the balance of the initial loan, which was considered repaid in full. The new loan of EUR 2,000,000 was repayable in one instalment in April 2008.



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19. BORROWED FUNDS (continued)

Borrowed funds from related parties (continued)

In April 2008, the loan was extended until July 2008. In June 2008, the loan term was extended until April 2009, when the entire principal outstanding falls due. The loan bears an interest rate of 3 months EURIBOR plus a margin. The loan was fully repaid at the due date. The outstanding principal of the loan as of 30 September 2008 was EUR 2,000,000.

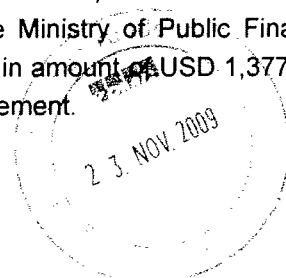
(v) **Calvert** - In June 2007 CHF International USA obtained from Calvert Foundation a loan of USD 1,000,000. The funds were sub-lent to the Company. The loan was repayable in 4 semi-annual equal instalments starting in December 2007. In June 2008, the contract was amended with principal repayments on the loan set for December 2008 and June 2009. The loan has a fixed interest rate. The loan was fully repaid at the due dates. The outstanding principal of the loan as of 30 September 2008 was USD 750,000.

(vi) **CHF International** - In March 2007 the Company obtained from CHF International a loan of USD 1,500,000 with initial due date of November 2007. In November 2007, the loan's repayment schedule was amended and the term was extended to June 2008. In June 2008, the contract was amended again with principal repayments on the loan set for October 2008. The loan bears a fixed interest rate. The loan was fully repaid at the due date. The outstanding principal of the loan as of 30 September 2008 was USD 875,000.

Borrowed funds for government programs

(vii) **RURAL CENTRAL** – In April 2004 CHF International Romania contracted a loan from the Ministry of Public Finance of USD 600,000 for performing microcredit services in the Rural Area – Central Plain and SAI Agro-Region. In January 2006, the credit limit was extended by USD 300,000 up to a total capital of USD 900,000. In November 2006, based on the contract between the Company, CHF International Romania and the Ministry of Public Finance, the Company took over the outstanding balance of the borrowing in amount of USD 633,333 and the contractual rights and obligations from the initial loan agreement. The borrowing is repayable in 9 semi-annual equal instalments starting on August 2006 and bears a variable interest rate of 6 months LIBOR plus a margin. The outstanding principal of the loan as of 30 September 2009 was USD 158,332 (30 September 2008: USD 316,666).

(viii) **RURAL WEST** – In April 2004 CHF International Romania contracted a loan from the Ministry of Public Finance amounting to USD 2,000,000 for performing microcredit services in the Rural Area – Western Plain Agro-Region. In November 2006, based on the contract between the Company, CHF International Romania and the Ministry of Public Finance, the Company took over the outstanding balance of the borrowing in amount of USD 1,377,778 and the contractual rights and obligations from the initial loan agreement.



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19. BORROWED FUNDS (continued)

Borrowed funds for government programs (continued)

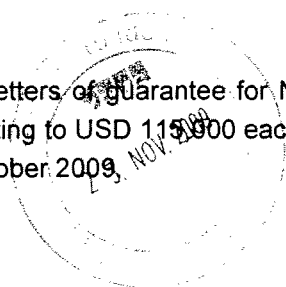
The borrowing is repayable in 9 semi-annual equal instalments starting on August 2006 and bears a variable interest rate of 6 months LIBOR plus a margin. The outstanding principal of the loan as of 30 September 2009 was USD 344,445 (30 September 2008: USD 688,889).

(ix) **NAD 1** and **NAD 2** – In November 2002 CHF International Romania signed two agreements with the Government of Romania, Ministry of Industry and Resources, National Agency for Development of Mining Regions (“MOIR/NAD”) in order to become the Credit Agency for Mine Closure and Social Mitigation Project in Area 1 (“NAD 1”) and Area 2 (“NAD 2”). The project is financed from funds received by the Government of Romania from the World Bank. The main purpose of the project is to stimulate economic development within the mining area, through a market-oriented credit process. The Government of Romania provided USD 1,150,000 for each of the two areas for providing micro-credits to MSMEs. Instead of paying interest, the Credit Agency under the contracts owes MOIR/NAD all interests and commissions earned from micro-credit activity. According to the agreement the Credit Agency is entitled to services charges and the reimbursement of operational expenses incurred under this project. The services charges and the reimbursement of the operational expenses are deducted from the liabilities of the accrued interest and commissions mentioned above.

From October 2006 until April 2007, the Company undertook the management of the NAD Project, including activities related to loan origination, loan disbursement, loan repayment, monitoring and collection, provision of promotion, outreach, technical assistance, management oversight and advisory services. The Company charged CHF International Romania for the services provided during this period.

In May 2007, based on contracts among the Company, CHF International Romania and MOIR/NAD, the Company took over the outstanding balance of the borrowing in amount of USD 1,150,000 for each area, the liabilities of the accrued interest and commissions in amount of USD 160,601 for NAD 1 and USD 166,114 for NAD 2, and the contractual rights and obligations under the initial loan agreements. In September 2007 the Company agreed with MOIR/NAD, to extend of lending phase and to repay the loans in 36 monthly equal instalments starting on February 2010. As of 30 September 2009, the outstanding principal of the NAD 1 loan was USD 1,150,000 (30 September 2008: USD 1,150,000) and the outstanding principal of the NAD 2 loan was USD 1,150,000 (30 September 2008: USD 1,150,000) for a total of USD 2,300,000 (30 September 2008: USD 2,300,000).

Raiffeisen Bank has issued, on behalf of the Company, two letters of guarantee for National Agency for Development of Mining Regions. The letters amounting to USD 115,000 each are in respect of NAD 1 and NAD 2 projects and are valid until 15 October 2009.



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19. BORROWED FUNDS (continued)

Borrowed funds for government programs (continued)

On 15 October 2009, both letters of guarantee issued by Raiffeisen Bank have been extended, until 15 January 2010.

On February 25, 2009 was issued the Government Emergency Ordinance no. 14/2009, which stipulates that National Agency for Development of Mining Regions (NAD) was closed and all the obligations and rights will be taken over by the Romanian Agency for Durable Development of Industrial Areas.

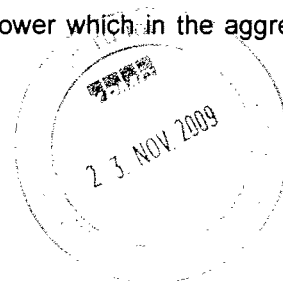
Borrowed funds from other financial institutions

(x) **EBRD** – In September 2007 the Company signed a loan agreement with the European Bank for Reconstruction and Development ("EBRD") for a senior loan of EUR 2,250,000, split in three tranches of EUR 750,000 each.

The loan was funded by EUR 1,150,000 of EBRD's own resources and EUR 1,100,000 of resources from Romania Micro Credit Facility Special Fund which was sponsored by the European Commission and the Romanian Ministry of European Integration. The loan term is three years, with an eighteen months grace period with respect to the repayment of capital. The loan will be repayable in 4 semi-annual equal instalments starting in April 2009. The borrowing bears an interest rate of 6 months EURIBOR plus a margin. On 30 September 2009 the outstanding amount of the loan was EUR 1,687,500 (30 September 2008: EUR 2,250,000).

The loan agreement concluded with EBRD stipulates the following financial covenants:

- a) Maintain ratio of Borrower's Capital to total assets of not less than 10% until the end of October 2007, 15% until the end of March 2009 and 20% thereafter, or any such capital adequacy ratio agreed upon with EBRD after review of the Romanian financial market and of the financial standing of the Borrower;
- b) Maintain a ratio of not greater than 4% for all loans in arrears for more than 30 days, including written-off and re-scheduled loans to the gross loan portfolio;
- c) Maintain an Overhead Ratio of not more than 95% as of the last day of the year 2008 and not more than 85% as of the last day of the year 2009 and at all times thereafter;
- d) Not make loans to any single obligor (or group of related obligors in one household) which in the aggregate exceed 10% of Borrower's Capital;
- e) Not hold shares in any single entity which exceed 10% of capital of that entity, other than in a commercial entity which will carry on all the previous lending activities of the Borrower;
- f) Not make any loans to persons connected with the Borrower which in the aggregate exceed 10% of Borrower's Capital;



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19. BORROWED FUNDS (continued)

Borrowed funds from other financial institutions (continued)

- g) Maintain an open foreign currency exposure of not more than 25% of the Borrower's Capital;
- h) Maintain risk reserves at all times not less than the greatest of: (i) those required by the National Bank of Romania, or any other relevant regulatory authority, or (ii) those agreed with the Borrower's auditors.

The Company was in compliance with all the financial covenants, as of 30 September 2008. As of 30 September 2009, the following financial covenants were breached:

- Maintain ratio of Borrower's Capital to total assets of not less than 10% until the end of October 2007, 15% until the end of March 2009 and 20% thereafter, or any such capital adequacy ratio agreed upon with EBRD after review of the Romanian financial market and of the financial standing of the Borrower. As of 30 September 2009, the above ratio was less than 20%.
- Maintain a ratio of not greater than 4% for all loans in arrears for more than 30 days, including written-off and re-scheduled loans to the gross loan portfolio. As of 30 September 2009, the above ratio was higher than 4%.

On 15 September 2009, the Company informed EBRD that in October 2009 intends to prepay one instalment amounting to EUR 562,500 and obtained a waiver of the prepayment fee; also, it agreed to pay its outstanding debt with EBRD on certain dates within the next financial year.

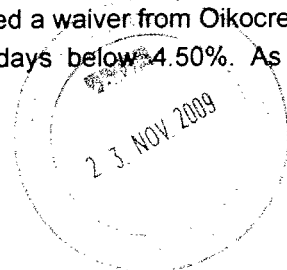
(xi) OIKOCREDIT 2 – In June 2008, the Company obtained a loan of EUR 1,000,000 from Oikocredit, Ecumenical Development Cooperative Society U.A ("Oikocredit"). The loan has a five year term and is repayable in 8 semi-annual equal instalments starting in January 2010. The loan bears a fixed interest rate. The outstanding principal of the loan as of 30 September 2009 was EUR 1,000,000 (30 September 2008: EUR 1,000,000).

The loan agreement concluded with Oikocredit stipulates the following financial covenants:

- a) To maintain the value of the risk portfolio over 30 days below 4.50%;
- b) To maintain the Debt to Equity ratio below 9:1 until 2009 and below 6:1 starting with 2010. For a limited period of time, respectively from 1 September 2008 until 31 December 2008, the Company received from Oikocredit a temporary waiver for Debt to Equity ratio which had to be maintained below 10:1.

Taking in consideration the above mentioned waiver, the Company was in compliance with all the financial covenants, as of 30 September 2008. As of 30 September 2009, the following financial covenant was breached, for which the Company obtained a waiver from Oikocredit:

- To maintain the value of the risk portfolio over 30 days below 4.50%. As of 30 September 2009, the above ratio was higher than 4.5%.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

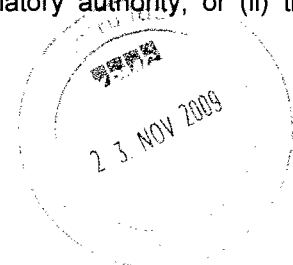
19. BORROWED FUNDS (continued)

Borrowed funds from other financial institutions (continued)

(xii) **OPIC 3** – In April 2009, the Company signed a loan agreement with Overseas Private Investments Corporation (“OPIC”), USA for a senior loan of USD 10,000,000 having a Commitment period of three years. During the Commitment Period, the Company may request Disbursements in up to ten tranches, of no less than USD 1,000,000. On June, 2009, the Company received the first tranche of USD 2,000,000. This borrowing is repayable in ten semi-annual equal instalments starting on September 2013 and has a fixed interest rate. The outstanding principal of the loan as of 30 September 2009 was USD 2,000,000.

The loan agreement concluded with OPIC stipulates the following financial covenants:

- a) Maintain ratio of Borrower’s Capital to total assets of not less than 15% until the end of March 2009, and 20% thereafter, or any such capital adequacy ratio agreed upon with OPIC after review of the Romanian financial market and of the financial standing of the Borrower; The Company received from OPIC a waiver of this requirement of the Loan Agreement until the earlier of (i) December 31, 2009 or (ii) one hundred eighty days from the Closing Date of the Disbursement under the Loan Agreement;
- b) Maintain a ratio of Current Assets to Current Liabilities of not less than 1.25 to 1;
- c) Ensure that outstanding amounts under the Loan shall at no time equal more than fifty percent (50%) of the Borrower’s assets;
- d) Maintain a ratio of not greater than 5% for all loans in arrears for more than 30 days, including written-off and re-scheduled loans for the reporting period to the gross loan portfolio; provided that compliance with such ratio shall commence on the earlier of (i) the first date such ratio is less than 5% or (ii) December 31, 2009;
- e) Maintain an Overhead Ratio of not more than 95% as of the last day of the year 2008 and not more than 85% as of the last day of the year 2009 and at all times thereafter;
- f) Not make loans to any single obligor (or group of related obligors in one household) which in the aggregate exceed 10% of Borrower’s Capital;
- g) Not hold shares in any single entity which exceed 10% of capital of that entity, other than in a commercial entity which will carry on all the previous lending activities of the Borrower;
- h) Not make any loans to persons connected with the Borrower which in the aggregate exceed 10% of Borrower’s Capital;
- i) Maintain at all times an open foreign currency exposure of not more than 25% of the Borrower’s Capital. The Company received from OPIC a waiver of this requirement of the Loan Agreement until the earlier of (i) entering one or more Hedge Agreements, in form and substance acceptable to OPIC, or (ii) June 30, 2009;
- j) Maintain risk reserves at all times not less than the greatest of: (i) those required by the National Bank of Romania, or any other relevant regulatory authority, or (ii) those agreed with the Borrower’s auditors.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009

(All amounts presented in USD unless otherwise stated)

19. BORROWED FUNDS (continued)

Borrowed funds from other financial institutions (continued)

Taking in consideration the above mentioned waivers, the Company was in compliance with all the financial covenants, as of 30 September 2009.

(xiii) **SYMBIOTICS** – In October 2008, the Company signed a promissory note for USD 750,000 with Finethics Microfinance S.C.A, a Risk Capital Investment Company (SICAR), registered in Luxembourg. The transaction was intermediated by Symbiotics SA Information, Consulting & Services, a Swiss microfinance intermediary company. The promissory note bears a fixed interest rate, has a one-year term and has bullet principal repayment. The outstanding principal of the loan as of 30 September 2009 was USD 750,000.

(xiv) **Raiffeisen Bank** – In September 2008, the Company obtained a multi-purpose credit facility of up the RON equivalent of EUR 750,000 from Raiffeisen Bank. The facility is to serve as both a bridge credit before receiving funds from other lenders as well as to issue letters of guarantee in EUR, RON and USD to entities indicated by the Company. The facility matures in July 2009 and bears an interest rate of 1-month ROBOR plus a margin. On September 2009 the Company signed a Contract with Raiffeisen Bank in order to extend the term of the multi-purpose credit facility until July 2010. All other clauses remained unchanged. There was no outstanding amount under the facility as of 30 September 2009 (30 September 2008: 0).

20. DEFERRED INCOME

Deferred income consists of deferred government grants, specifically government assistance that the Company received in the form of borrowings at nil interest rates from NAD 1, NAD 2, Rural Central and Rural West (please see Note 19 for more details) from the government agencies conditional on granting loans in the regions that have mining and agriculture, respectively, as their main economic activity. The Company initially recognized these borrowings at their fair value, being the present value of the expected future cash flows, discounted using a market related rate. The difference between the amounts received from the government and the fair value of the liability represents a government grant related to income that is being recognized on a systematic basis, using the effective interest method over the periods of the loans, presented as a credit in the statement of comprehensive income which is being deducted in reporting the interest expenses related to the borrowings from the respective government agencies.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

21. OTHER LIABILITIES

	<u>30 September 2009</u>	<u>30 September 2008</u>
Related party payables (Note 23.(a))	28,719	13,670
Provisions for taxes	-	15,989
Other	36,606	47,076
	<u>65,325</u>	<u>76,735</u>

22. CAPITAL AND RESERVES

Shareholder structure	<u>30 September 2009</u>	<u>30 September 2008</u>
CHF International USA	99.80%	99.80%
Ameen S.A.L.	0.05%	0.05%
Middle East Micro Credit L.L.C.	0.05%	0.05%
MCO Lider	0.05%	0.05%
CHF International Romania	0.05%	0.05%
Total	<u>100%</u>	<u>100%</u>

At 30 September 2009, the share capital of the Company consists of 559,226 allotted and fully paid ordinary shares (30 September 2008: 559,226 shares) of RON 10 each (30 September 2008: RON 10 each). Each share carries one vote.

Reserves	<u>30 September 2009</u>	<u>30 September 2008</u>
Legal Reserves (i)	92	-
Total	<u>92</u>	<u>-</u>

(i) Legal reserves represent accumulated transfers from retained earnings in accordance with local regulations that require 5% of the Company's profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Company's share capital. The legal reserves are not distributable to the shareholders.

23. RELATED PARTIES

The Company's immediate parent is CHF International USA which is also the ultimate controlling entity.

The related parties considered for reporting purposes comprise CHF International USA - the parent of the Company.



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FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

23. RELATED PARTIES (continued)

a) *Payables to related parties*

		<u>30 September 2009</u>	<u>30 September 2008</u>
CHF International USA	Borrowed funds	2,638,987	8,382,116
CHF International USA	Other liabilities	28,719	13,670
		<u>2,667,706</u>	<u>8,395,786</u>

b) *Transactions with related parties*

		<u>30 September 2009</u>	<u>30 September 2008</u>
CHF International USA	Interest expense	441,857	693,132
CHF International USA	Management fee	219,501	180,609
		<u>661,358</u>	<u>873,741</u>

c) *Key management compensation*

		<u>30 September 2009</u>	<u>30 September 2008</u>
Board of directors		-	-
Key management personnel		110,827	135,437
		<u>110,827</u>	<u>135,437</u>

24. COMMITMENTS AND CONTINGENCIES

Legal proceedings

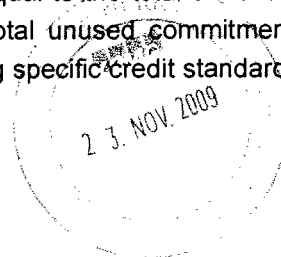
As at 30 September 2009 and 30 September 2008 there were no significant legal proceedings outstanding against the Company.

Assets pledged/restricted

The Company has no pledged assets in respect of funds borrowed from financial institutions. The Company does not have to maintain any mandatory reserve deposits with the Central Bank.

Credit related commitments

Commitments on loan disbursement represent the portion of authorizations not actually disbursed at year end. With respect to credit risk on commitments on loan disbursement, the Company is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments are contingent upon customers maintaining specific credit standards.



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FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)

24. COMMITMENTS AND CONTINGENCIES (continued)

Credit related commitments (continued)

Outstanding amounts are:

	<u>30 September 2009</u>	<u>30 September 2008</u>
Undrawn loan commitments	6,048	85,271
	<u>6,048</u>	<u>85,271</u>

Borrowings related commitments received

Commitments on borrowings represent the outstanding amounts not disbursed as at the end of the year from the loan agreements signed by the Company with fund providers.

Outstanding amounts are:

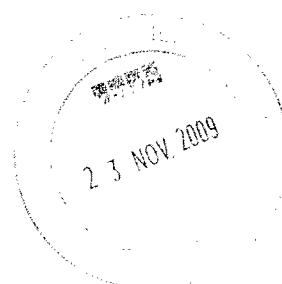
	<u>30 September 2009</u>	<u>30 September 2008</u>
Undrawn borrowings commitments	8,500,000	-
	<u>8,500,000</u>	<u>-</u>

The Company has a commitment from OPIC related to undrawn amount of USD 8,000,000 from OPIC3 loan.

On 30 September 2009, the Company concluded with CHF International, USA a Subordinated Loan Agreement for USD 500,000 and the fund was received in October 2009.

Capital expenditure commitments

At 30 September 2009 and 30 September 2008 the Company did not have any contractual capital expenditure commitments in respect of property, plant and equipment or intangible assets.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)**

25. OPERATING ENVIRONMENT

The process of risk reprising during 2008 and 2009 in the international financial markets severely affected the performance of those markets and fostered heightened uncertainty with regard to economic developments in 2009. The ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and Central Banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping restoring normal market functioning.

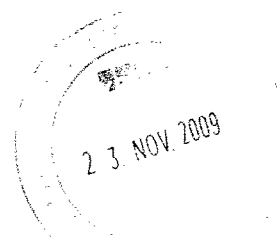
The identification and valuation of investments influenced by the illiquid credit market conditions, the determination of compliance with debt agreement and other contract covenants, and the evaluation of significant uncertainties, including uncertainties associated with an entity's ability to continue as a going concern for a reasonable period of time, bring their own challenges.

The effects of these on the Romania financial market have been seen in the form of falls in prices and liquidity in the capital markets and an increase in the medium term financing interest rates due to the worldwide liquidity conditions.

The customers of the Company may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for customers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Such ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping minimizing the effects of the financial crisis and finally restoring normal market functioning.

Management is unable to predict all developments which could have an impact on the Romanian financial institutions sector and consequently what effect, if any, they could have on these financial statements.



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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009
(All amounts presented in USD unless otherwise stated)**

25. OPERATING ENVIRONMENT (continued)

Management is unable to reliably estimate the effects on the Company's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances by:

- constantly monitoring its liquidity position and over-dependence on specific funds;
- forecasting on short-term basis its net liquidity position;
- obtaining commitment from the shareholders regarding the latter's continuous support of the Company's operations in Romania;
- examining terms and conditions of financing agreements and considering the implications of obligations imposed and risks identified such as approaching maturity dates or the implications of any terms or covenants that may have been breached or which may be breached in the foreseeable future.

Given the fact that the market conditions and uncertainties are likely to continue to exist in 2010 and perhaps later, other effects may be felt beyond the dates of these financial statements.

26. SUBSEQUENT EVENTS

On 30 September 2009, the Company concluded with CHF International, USA a Subordinated Loan Agreement for USD 500,000. The amount of USD 500,000 was received by the Company in October 2009.

The fund of USD 750,000 received under the promissory note from Finethics Microfinance was repaid in full in October 2009, at the due date.

In October 2009, the Company paid to EBRD the due instalment plus one instalment in advance, in total EUR 1,125,000.

In October 2009, the Company paid in advance the last instalment of OIKO 1 fund of USD 166,666.

In October 2009, the Company paid in advance one instalment of OIKO 2 fund of EUR 125,000.

On 15 October, 2009 the two Raiffeisen Bank letters of guarantee in respect of NAD Project have been extended until 15 January, 2010.

