

AMEEN S.A.L.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2010

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BT 32761/DTT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Ameen S.A.L.
Beirut, Lebanon

We have audited the accompanying financial statements of AMEEN S.A.L., which comprise the statement of financial position as at September 30, 2010, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion:

In our opinion, the financial statements present fairly, in all material respects, the financial position of AMEEN S.A.L. as of September 30, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
November 11, 2010

Deloitte & Touche
Deloitte & Touche

AMEEN S.A.L.
STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>Notes</u>	<u>September 30</u>	
		<u>2010</u> USD	<u>2009</u> USD
Current Assets:			
Cash and Banks	5	3,745,683	2,285,585
Loans and advances to customers	6	2,287,842	1,654,744
Regularization accounts and other receivables	7	75,565	79,682
		<u>6,109,090</u>	<u>4,020,011</u>
Non-Current Assets:			
Property and equipment	8	195,699	197,528
Intangible assets		27,795	27,249
		<u>223,494</u>	<u>224,777</u>
Total Assets		<u>6,332,584</u>	<u>4,244,788</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accrued charges and other payables	9	156,321	146,279
Taxes payable	10	152,888	108,341
Loans from not-for-profit organizations	12	1,003,477	654,224
Due to parent company	11	1,260,420	1,004,782
		<u>2,573,106</u>	<u>1,913,626</u>
Non-Current Liabilities:			
Provision for employees' end-of-service indemnity		86,434	53,423
		<u>86,434</u>	<u>53,423</u>
Total Liabilities		<u>2,659,540</u>	<u>1,967,049</u>
<u>EQUITY</u>			
Capital	13	2,323,888	1,577,618
Legal reserve	14	77,392	48,013
Retained earnings		622,729	217,865
Profit for the year		649,035	434,243
Total Equity		<u>3,673,044</u>	<u>2,277,739</u>
Total Liabilities and Equity		<u>6,332,584</u>	<u>4,244,788</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

AMEEN S.A.L.
STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	<u>Year Ended</u> <u>September 30</u>	
		<u>2010</u>	<u>2009</u>
		<u>USD</u>	<u>USD</u>
Interest on loans and advances to customers and revenue sharing on global loans portfolio	6	2,254,153	1,738,578
Interest on bank accounts	5	151,155	115,581
Commission and fee income	6	799,620	773,817
Commission and fee expense		(180,571)	(176,313)
Loan from not-for-profit organization transferred to grant	12	<u>349,853</u>	<u>50,147</u>
		<u>3,374,210</u>	<u>2,501,810</u>
Impairment allowance on non-performing loans (net of write-backs)	6	(224,505)	(3,092)
Net financial revenues		<u>3,149,705</u>	<u>2,498,718</u>
Depreciation and amortization		(41,961)	(33,277)
General and administrative expenses	15	(569,551)	(441,074)
Salaries and related charges	16	(1,794,446)	(1,552,419)
Other income (net)		<u>52,428</u>	<u>53,724</u>
		<u>(2,353,530)</u>	<u>(1,973,046)</u>
Profit before income tax		796,175	525,672
Provision for income tax	10	(147,140)	(91,429)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>649,035</u>	<u>434,243</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

AMEEN S.A.L.
STATEMENT OF CHANGES IN EQUITY

<u>Notes</u>	<u>Capital</u> <u>USD</u>	<u>Legal</u> <u>Reserve</u> <u>USD</u>	<u>Retained</u> <u>Earnings</u> <u>USD</u>	<u>Profit for</u> <u>the Year</u> <u>USD</u>	<u>Total</u> <u>USD</u>
Balance as at September 30, 2008	1,577,618	19,814	154,689	91,375	1,843,496
Allocation of profit for the year ended September 30, 2008	-	28,199	63,176	(91,375)	-
Total comprehensive income for the year ended September 30, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>434,243</u>	<u>434,243</u>
Balance as at September 30, 2009	1,577,618	48,013	217,865	434,243	2,277,739
Allocation of profit for the year ended September 30, 2009	-	29,379	404,864	(434,243)	-
Capital increase	746,270	-	-	-	746,270
Total comprehensive income for the year ended September 30, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,035</u>	<u>649,035</u>
Balance as at September 30, 2010	<u>2,323,888</u>	<u>77,392</u>	<u>622,729</u>	<u>649,035</u>	<u>3,673,044</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

AMEEN S.A.L.
CASH FLOW STATEMENT

	<u>Notes</u>	<u>Year Ended</u> <u>September 30</u>	
		<u>2010</u>	<u>2009</u>
		<u>USD</u>	<u>USD</u>
Cash flows from operating activities:			
Net profit for the year		649,035	434,243
Adjustments for:			
Depreciation and amortization		41,961	33,277
Provision for income tax		147,140	91,429
Interest income		(2,405,308)	(1,854,159)
Impairment allowance on non-performing loans net of write-back	6	224,505	3,092
Provision for employees' end-of-service indemnity (net)	16	35,373	27,228
Loss on disposal of fixed assets		530	-
Increase in loans and advances to customers		(859,635)	(730,991)
Decrease/(increase) in regularization accounts and other receivables		4,117	(3,198)
(Decrease)/increase in accrued charges and other payables		10,042	15,186
(Decrease)/increase in taxes payable		(9,753)	10,607
Income tax paid		(92,840)	(53,591)
Interest received		2,407,220	1,804,928
Settlement of provision for employees' end-of-service indemnity		(2,362)	(4,888)
Net cash (used in)/provided by operating activities		<u>150,025</u>	<u>(226,837)</u>
Cash flows from investing activities:			
Acquisition of property and equipment		(34,908)	(29,082)
Acquisition of intangible assets		(7,775)	(15,680)
Proceeds from disposal of property and equipment		1,475	-
Net cash used in investing activities		<u>(41,208)</u>	<u>(44,762)</u>
Cash flows from financing activities:			
Increase in due to parent company		255,638	53,598
Capital increase		746,270	-
Increase in loans from not-for-profit organizations		349,253	654,224
Net cash provided by financing activities		<u>1,351,161</u>	<u>707,822</u>
Net increase in cash and banks		1,459,978	436,223
Cash and banks -- Beginning of year		<u>2,283,809</u>	<u>1,847,586</u>
Cash and banks -- End of year	5	<u>3,743,787</u>	<u>2,283,809</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

AMEEN S.A.L.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

1. COMPANY FORMATION AND ACTIVITIES OF THE COMPANY

AMEEN S.A.L. is a Lebanese joint-stock company initially registered in the Register of Commerce of Beirut on May 2003 under number 10001173. On September 25, 2007, the Governor of the Bank of Lebanon approved the transfer of the company to a financial institution and the inclusion of the name of AMEEN S.A.L. on the list of the Financial Institutions under number 49. As a result of this change, the company has been given a new registration certificate in the Register of Commerce of Baabda on January 23, 2008 under number 2011825. The Company is owned by Cooperative Housing Foundation (CHF) to the extent of 99.99%.

The Cooperative Housing Foundation (CHF) has established the micro-finance program "The Access to Microfinance and Enhanced Enterprise Niches" (AMEEN) in Lebanon to provide micro-loans and saving services to low-income micro-entrepreneurs in Lebanon. In order to expand the Company's activities in Lebanon, the Company has signed agreements with four Lebanese banks to cooperate for the purpose of providing services in order to jointly manage the micro-finance lending portfolio.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has early adopted new and revised International Financial Reporting Standards and interpretations which are effective for annual reporting periods beginning on or after October 1, 2009. The adoption of these standards and interpretations has not led to any changes in the company's accounting policies.

At the date of authorization of these financial statements, new International Financial Reporting Standards and Interpretations were in issue but not yet effective. The directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis.

The Company has early adopted the IAS 1 (Revised) presentations of financial statements (effective for accounting periods beginning on or after January 1, 2009). This amendment resulted in the adoption of new terms to some of the financial statements components in addition to changes in presentations and disclosure requirement.

B. Foreign Currencies:

The financial statements are presented in US. Dollars which is the Company's functional currency.

Transactions in currencies other than the reporting currency of the entity are initially recorded at the rates of exchange prevailing on the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in such currencies are retranslated to the reporting currency of the entity at the rates prevailing at that date. Exchange differences are recognized in profit or loss in the period.

C. Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any.

Depreciation is charged to the income statement over the estimated useful lives of the related assets using the straight-line method at the following annual depreciation rates:

Furniture and office equipment	8
Vehicles	10
Installations	8
Computer equipment	20

D. Employees' end-of-service indemnities:

The provision for staff end-of-service indemnities is based on the liability that would arise if the employment of all the staff were terminated at the balance sheet date. The provision for end-of-service indemnities is calculated on the basis of employees' number of years of service multiplied by the monthly average salary of the last 12 months earnings, less contributions settled by the Company to National Social Security Fund.

E. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are disclosed at amortized cost net of unearned interest and after provision for credit losses where applicable.

Bad and doubtful debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

F. Financial Assets and Financial Liabilities:

The Company has classified its financial assets into the "Loans and Receivables" categories. It has not classified any of its financial assets as Available-for-sale" or held to maturity. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial liabilities are carried at amortized cost.

G. Revenue recognition

Interest income and revenue sharing is recognized on an accrual basis, taking into account the loans outstanding at each month end aggregating the Company's and Bank's share of these loans and applying the interest rate allocated to the Company as per the agreements with Banks. Interest income on non-performing loans is only recognized upon realization. Fees and commission income are booked as revenue when they are earned.

H. Income tax

Income tax expense is provided for in accordance with the Lebanese income tax law and regulations. The tax payable is based on taxable profit for the year excluding items of income or expense that are taxable or deductible in other years and excluding items that are never taxable or deductible. Provision for income tax is reflected in the balance sheet net of taxes previously settled in the form of withholding tax.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the accounting policies described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, 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 relate to the impairment loss on loans and advances to customers.

The following percentages were applied by the Company's management to provide for the impairment loss on loans and advances to customers:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
	%	%
1 to 30 days	10	10
30 to 60 days	30	30
60 to 90 days	30	30
90 to 120 days	60	60
120 to 180 days	60	60
180+ days	100	100

5. CASH AND BANKS

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
	USD	USD
Cash	562	500
Current accounts with banks	552,413	405,671
Short Term deposits with banks	3,177,562	1,871,138
Blocked accounts against bank guarantees	<u>13,250</u>	<u>6,500</u>
	<u>3,743,787</u>	<u>2,283,809</u>
Accrued interest receivable	<u>1,896</u>	<u>1,776</u>
	<u><u>3,745,683</u></u>	<u><u>2,285,585</u></u>

Cash and banks are distributed between Lebanese Pound and US. Dollar as follows:

	September 30,					
	2010			2009		
	LBP USD	US. Dollars USD	Total USD	LBP USD	US. Dollars USD	Total USD
Cash	-	562	562	-	500	500
Current account with Lebanese local banks.	17,322	535,091	552,413	71,582	334,089	405,671
Term deposits with Lebanese local banks	2,787,169	390,393	3,177,562	1,162,152	708,986	1,871,138
Blocked accounts against bank guarantees	-	13,250	13,250	-	6,500	6,500
	<u>2,804,491</u>	<u>939,296</u>	<u>3,743,787</u>	<u>1,233,734</u>	<u>1,050,075</u>	<u>2,283,809</u>

Term deposits represent five deposits maintained with three Lebanese local banks denominated in US Dollars and Lebanese Pounds in the amounts of USD390,393 and USD2,787,169 respectively, renewable on monthly basis and earning interest at the rates of 4.91% for deposits in US Dollars and 6.85% for deposits in Lebanese Pounds. Interest income on term deposits amounted to approximately USD151,000 during the year ended September 30, 2010 (USD116,000 during the year ended September 30, 2009).

6. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are denominated in US. Dollar reflected at amortized cost and consist of the following:

	September 30,	
	2010	2009
	USD	USD
Loans and advances to customers	2,449,598	1,631,936
Impairment allowance of non-performing loans	(196,802)	(14,270)
Accrued interest receivable	<u>35,046</u>	<u>37,078</u>
	<u>2,287,842</u>	<u>1,654,744</u>

The movement of the allowance for impairment of non-performing loans during the year ended September 30, 2010 and 2009 respectively was as follows:

	<u>2010</u>	<u>2009</u>
	USD	USD
Balance – beginning of year	14,270	19,542
Additions	267,000	10,145
Write-backs	(42,495)	(7,053)
Write-offs	(41,973)	(8,364)
Balance – end of year	<u>196,802</u>	<u>14,270</u>

The outstanding balance of loans and advances to customers is shared between the Company and four Lebanese local banks (see note 1) as follows:

	<u>September 30</u>					
	<u>2010</u>			<u>2009</u>		
	<u>LBP</u>	<u>US. Dollars</u>	<u>Total</u>	<u>LBP</u>	<u>US. Dollars</u>	<u>Total</u>
	USD	USD	USD	USD	USD	USD
Company's share	-	2,449,598	2,449,598	-	1,631,936	1,631,936
Banks' share	<u>8,626</u>	<u>12,493,585</u>	<u>12,502,211</u>	<u>69,446</u>	<u>12,719,258</u>	<u>12,788,704</u>
	<u>8,626</u>	<u>14,943,183</u>	<u>14,951,809</u>	<u>69,446</u>	<u>14,351,194</u>	<u>14,420,640</u>

The Company's share of interest income and revenue sharing is computed based on the basis of the portion of interest rate allocated to the Company as per agreements with banks, reflected below, and applicable on the total portfolio of loans and advances outstanding at each month end aggregating Company's and Banks' shares.

Average interest rates applicable on loans and advances to customers during the year ended September 30, 2010 and 2009 are summarized as follows:

	Average Interest Rate	
	LBP	USD
	%	%
Company's share	13.59	13.51
Banks' share	<u>11.31</u>	<u>9.87</u>
	<u>24.9</u>	<u>23.38</u>

In addition to the interest income the Company is also earning a 3% commission on each loan at initial loan disbursement.

7. REGULARIZATION ACCOUNTS AND OTHER RECEIVABLES

	September 30,	
	2010	2009
	USD	USD
Interest under collection	25,709	57,882
Prepaid expenses	9,125	3,804
Due from personnel	-	5,616
Other receivables	<u>40,731</u>	<u>12,380</u>
	<u>75,565</u>	<u>79,682</u>

Interest under collection in the amount of USD25,709 represents interest on loans and advances to customers claimed by the Company from one of its business partner banks based on detailed computation schedules of its share of interest as prepared by the Company and submitted to the bank. Collection of this amount is awaiting the finalization of the reconciliation process carried by the bank.

8. PROPERTY AND EQUIPMENT

	<u>Vehicles</u> USD	<u>Installations</u> USD	<u>Computer Equipment & Software</u> USD	<u>Furniture and Office Equipment</u> USD	<u>Advance Payment</u> USD	<u>Total</u> USD
Cost:						
Balance October 1, 2008	54,034	60,869	69,017	35,096	-	219,016
Additions	-	-	23,091	5,991	-	29,082
Balance September 30, 2009	54,034	60,869	92,108	41,087	-	248,098
Additions	-	4,922	21,792	8,194	-	34,908
Disposals	-	(1,325)	(551)	(895)	-	(2,771)
Transfers	-	2,500	-	(2,500)	-	-
Balance September 30, 2010	<u>54,034</u>	<u>66,966</u>	<u>113,349</u>	<u>45,886</u>	-	<u>280,235</u>
Accumulated Depreciation:						
Balance October 1, 2008	4,429	5,276	7,409	5,170	-	22,284
Additions	5,404	4,869	15,042	2,971	-	28,286
Balance September 30, 2009	9,833	10,145	22,451	8,141	-	50,570
Additions	5,403	4,969	20,887	3,473	-	34,732
Disposals	-	(309)	(277)	(180)	-	(766)
Balance September 30, 2010	<u>15,236</u>	<u>14,805</u>	<u>43,061</u>	<u>11,434</u>	-	<u>84,536</u>
Carrying Value:						
September 30, 2010	<u>38,798</u>	<u>52,161</u>	<u>70,288</u>	<u>34,452</u>	-	<u>195,699</u>
September 30, 2009	<u>44,201</u>	<u>50,724</u>	<u>69,657</u>	<u>32,946</u>	-	<u>197,528</u>

9. ACCRUED CHARGES AND OTHER PAYABLES

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
	USD	USD
Accrued charges	31,376	31,399
Accruals for high cost of living	-	967
Commissions payable	40,100	56,513
Payments due to National Social Security Fund	22,920	21,003
Due to employees	1,370	84
Accrued bonuses	32,108	-
Sundry debtors	28,447	36,313
	<u>156,321</u>	<u>146,279</u>

10. TAXES PAYABLE

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
	<u>USD</u>	<u>USD</u>
Provision for income tax payable	116,081	74,409
Withheld and other taxes payable	<u>36,807</u>	<u>33,932</u>
	<u>152,888</u>	<u>108,341</u>

The computation of the income tax expense is reconciled with net income as follows:

	<u>September 30</u>			
	<u>2010</u>		<u>2009</u>	
	<u>USD</u>	<u>%</u>	<u>USD</u>	<u>%</u>
Income before tax	<u>796,175</u>		<u>525,672</u>	
Enacted tax rate-15%	119,426	15.00	78,851	15.00
Tax effect of non-deductible charges (non-taxable revenues) for calculating taxable profit	<u>27,714</u>	<u>3.5</u>	<u>12,578</u>	<u>2.4</u>
Income tax expense and effective tax rates	<u>147,140</u>	<u>18.5</u>	<u>91,429</u>	<u>17.4</u>
Income tax paid related to the period from October 1, till December 31	<u>31,059</u>	-	17,020	-
Income tax payable	<u>116,081</u>		<u>74,409</u>	

The tax declarations for the years 2006 through 2010 are still subject to review and final assessment by the tax authorities. Furthermore, the Company's accounting records, the Social Security declarations from September 30, 2010 through 2008 and VAT declarations are still subject to review by the related authorities and any additional taxation depends on the outcome of these reviews.

11. DUE TO PARENT COMPANY

This caption represents an interest-free balance due to the parent company with no fixed maturity.

12. LOANS FROM NOT-FOR-PROFIT INSTITUTION

	<u>Total Loan Value</u> USD	<u>Amount received till September 30, 2010</u> USD	<u>Amount Transferred to Grant</u> USD	<u>Net Loan Value</u> USD	<u>Amount Remaining</u> USD	<u>Loan Due Date</u> USD
Relief International	500,000	500,000	-	500,000	-	November 28, 2010
International Executive Service Corps	400,000	400,000	400,000	-	-	October 5, 2010
KIVA Microfunds	-	-	-	503,477	-	-
	<u>900,000</u>	<u>900,000</u>	<u>400,000</u>	<u>1,003,477</u>	<u>-</u>	

	<u>Total Loan Value</u> USD	<u>Amount received till September 30, 2009</u> USD	<u>Amount Transferred to Grant</u> USD	<u>Net Loan Value</u> USD	<u>Amount Remaining</u> USD	<u>Loan Due Date</u> USD
Relief International	500,000	250,000	-	250,000	250,000	November 28, 2010
International Executive Service Corps	400,000	200,000	50,147	149,853	200,000	October 5, 2010
KIVA Microfunds	-	-	-	254,371	-	-
	<u>900,000</u>	<u>450,000</u>	<u>50,147</u>	<u>654,224</u>	<u>450,000</u>	

On January 15, 2009, the Company signed an agreement with a non-profit organization (Relief International) to obtain a loan for the total amount of USD500,000 divided into two tranches of USD250,000 each. Till September 30, 2009, the Company have received the first and second tranches of this loan. The loan is non-interest bearing and its purpose as specified in the agreement signed by both parties is to encourage the establishment and the development of small IT companies. Based on an evaluation by Relief International at the end of the term of the agreement, the amount received by Ameen may be transitioned into a grant at the termination date provided that the funds were used only for purposes specified in the agreement.

On June 29, 2009, the Company signed an agreement with a non-profit organization (International Executive Service Corps) to obtain a loan for the total amount of USD400,000 divided into two tranches of USD200,000 each. Till September 30, 2010, the Company have received the first and second tranche of the loan. The loan is non-interest bearing, and its purpose as specified in the agreement signed between the parties is to encourage the establishment and the development of the small companies primarily engaged in Agribusiness, Tourism and information Technology. Upon the disbursement of each part of the loan, International Executive Service Corps evaluates whether the disbursed amounts were used only for purposes specified in the agreement. During the period, Ameen S.A.L. disbursed an amount of USD349,853 that was fully approved by International Executive Service Corps, and transitioned into a grant recorded in the Statement of Comprehensive Income.

On July 21, 2008, the Company signed an agreement with a non-profit organization (KIVA Microfunds) to obtain financing for micro-loans. KIVA owns, operates and maintains a web based business and certain related intellectual property that allows website users throughout the world to connect with local lenders that provide small loans to individuals. Loans approved by KIVA Microfunds are disbursed by the Company and included under loans and advances to customers and under loans from not-for-profit organization.

13. CAPITAL

The Company's capital as at September 30, 2009 consists of 2,375,000 shares with a par value of LBP1,000 each, authorized and fully paid equivalent to USD1,577,618. The Shareholders' General Assembly in its meeting held on December 11, 2009 decided to increase the company's capital through issuance of 1,125,000 shares with a par value of LBP1,000 each. The Central Bank of Lebanon approved this capital increase on February 11, 2010. The shares were subscribed and fully paid at March 9, 2010.

The Company' capital as at September 30, 2010 consists of 3,500,000 shares with a par value of LBP1,000 each, authorized and fully paid equivalent to USD2,323,888.

14. LEGAL RESERVE

The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of net profit. This reserve is not available for distribution.

15. GENERAL AND ADMINISTRATIVE EXPENSES

This caption comprises the following:

	Year Ended	
	September 30,	
	2010	2009
	USD	USD
Printing and stationery	20,279	17,693
Publicity and advertising	10,281	10,572
Postage, telephone and telecommunications	38,251	24,530
Maintenance and repairs	14,117	12,385
Rent charges	27,980	25,560
Professional fees	80,221	67,133
Insurance expenses	49,539	14,271
Management fees	182,424	153,614
Taxes	55,495	44,056
Miscellaneous charges	90,964	71,260
	<u>569,551</u>	<u>441,074</u>

Management fees represent the amount charged by the Cooperative Housing Foundation (The Parent Company) against internal management and logistical administrative support.

16. SALARIES AND RELATED CHARGES

This caption comprises the following:

	Year Ended September 30,	
	<u>2010</u>	<u>2009</u>
	USD	USD
Basic salary and high cost of living	985,403	876,304
Incentives	133,857	152,047
Transportation	122,565	106,904
Field and phone allowances	97,200	71,290
Social Security contributions	247,808	220,533
Schooling allowances	7,363	6,633
Provision for employees end-of-service indemnity	35,373	27,228
Other benefits	<u>164,877</u>	<u>91,480</u>
	<u>1,794,446</u>	<u>1,552,419</u>

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

The Company manages its capital to ensure the Company's ability to continue as a going concern, while maximizing the return through the optimization of the debt and equity balance.

The Company manages the capital structure and makes the necessary revisions, in light of changes in the economics of the business and the market conditions, and the risk characteristics of operations and underlying assets.

The capital structure of the Company consists of debt, which includes the borrowings, cash and cash equivalents, and equity. Equity comprises issued capital, reserves and income for the year.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to discharge an obligation. Financial assets that are mainly exposed to credit risk are deposits with banks and loans and advances to customers.

Concentration of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company manages the risk associated with the loans and advances to customers, through differentiating and diversifying its lending activities to make sure of the inexistence of unjustified concentrations with people or a group of people in certain economic sectors or regions, in addition to having assurance of the eligibility requirements through assessing all applications for guarantees.

The Company's maximum exposure to credit risk represents the carrying value of its financial assets, in addition to the Company's share in the credit risk of loans and advances funded by the banks. The Company's maximum share of each outstanding individual loan as at September 30, 2010 and 2009 does not exceed USD2,500.

The aging of the past due loans is as follows:

	Year Ended September 30,	
	2010	2009
	USD	USD
1 to 30 days	22,503	6,124
30 to 60 days	20,049	4,311
60 to 90 days	16,039	2,244
90 to 120 days	10,851	1,587
120 to 180 days	13,800	1,448
180+ days	17,821	1,477
	<u>101,063</u>	<u>17,191</u>

The significant increase in the past due loans is due to the significant increase in loans and advances. The average balances of loans and advances over the last 3 years were as follows:

	Year Ended September 30,	
	Company's Share	Banks' Share
	USD	USD
2010	2,040,767	12,645,458
2009	1,270,623	11,258,368
2008	1,165,864	7,801,752

The maturity of the company's share of loans and advances to customers outstanding as at September 30, 2010 is as follows:

Less than 1 year	1,806,152
Between 1 and 2 years	608,059
Beyond 2 years	<u>35,387</u>
	<u>2,449,598</u>

Market Risk

The market risk includes, among other things, the currency risk and the interest rate risk:

Currency Risk:

The Company carries an exchange risk associated with the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Around 54% of the Company's financial assets and most of the Company's financial liabilities are denominated in U.S. Dollars. The remaining financial assets are denominated in Lebanese Pounds.

Interest Rate Risk:

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk through a monitoring of its assets and interest bearing liabilities within its risk management strategy which is being reviewed systematically by its risk management committee.

The Company's liabilities are non-interest bearing.

Liquidity Risk

Liquidity risk is the risk that a company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity approach, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained.

The average loan term is 12 months for the Company's' share of the outstanding loan balance.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended September 30, 2010 were approved by the General Manager.