

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

Financial Statements

30 September 2010

Prepared in accordance with
International Financial Reporting Standards

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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

INCOME STATEMENT

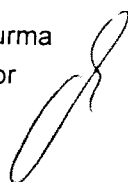
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

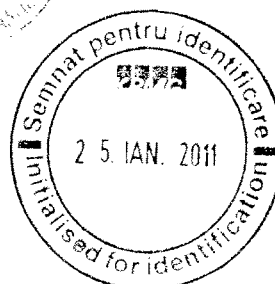
	Note	Year ended 30 September 2010	Year ended 30 September 2009
Interest and similar income		2,271,137	3,338,911
Interest expenses and similar charges		(500,451)	(882,221)
Net interest income	7	1,770,686	2,456,690
Net fee and commission expense	8	(8,074)	(22,964)
Net trading income		21,555	49,973
Other operating income	9	151,654	69,548
		173,209	119,521
Operating income		1,935,821	2,553,247
Net impairment losses on loans	10	(665,398)	(1,112,508)
Personnel expenses	11	(809,242)	(807,659)
Other expenses	12	(664,687)	(733,357)
Loss before income tax		(203,506)	(100,277)
Income tax expense	13	(3,533)	(601)
Loss for the year		(207,039)	(100,878)

The financial statements on pages 1 to 69 were approved by the Board of Directors on 25 January 2011 and signed on its behalf by:

Cristian Ioan Jurma
General Director




Radu Ionel Toma
Deputy General Director

The accompanying notes set out on pages 6 to 69 are an integral part of these financial statements.

EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

STATEMENT OF COMPREHENSIVE INCOME

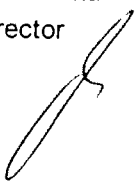
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

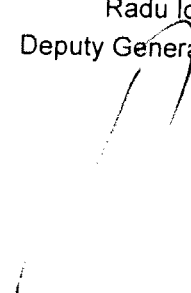
	Note	Year ended 30 September 2010	Year ended 30 September 2009
Loss for the year		(207,039)	(100,878)
Other comprehensive income			
Translations adjustment	2(c)	(122,355)	(194,737)
Other comprehensive income		-	92
Total comprehensive expense for the year		(329,394)	(295,523)

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General Director




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Deputy General Director




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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

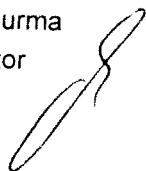
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

	Note	30 September 2010	30 September 2009
Assets			
Cash and cash equivalents	14	2,041,721	3,498,879
Loans to customers	15	5,177,816	10,270,586
Property and equipment	16	19,918	22,640
Intangible assets	17	11,263	421
Other assets	18	145,122	115,218
Total assets		7,395,840	13,907,744
Liabilities			
Borrowed funds	19	6,070,745	12,095,839
Deferred income	20	51,662	296,278
Other liabilities	21	152,525	65,325
Total liabilities		6,274,932	12,457,442
Equity			
Share capital	22	2,154,432	2,154,432
Reserves		(298,937)	(176,582)
Accumulated deficit		(734,587)	(527,548)
Total shareholders' equity		1,120,908	1,450,302
Total liabilities and equity		7,395,840	13,907,744

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General Director




Rădu Ionel Toma
Deputy General Director



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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

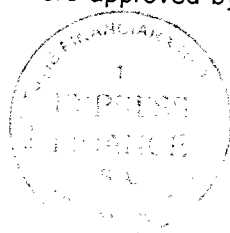
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

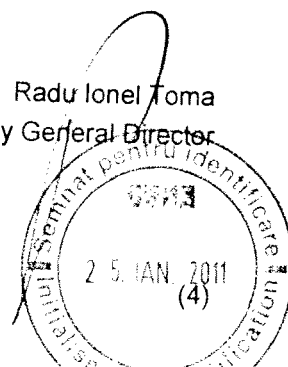
	Note	Year ended 30 September 2010	Year ended 30 September 2009
Cash flows from operating activities			
Net loss before taxation		(203,506)	(100,277)
Adjustments for:			
Depreciation and amortization	16,17	12,695	22,629
Provision for impairment losses	10	665,398	1,112,508
Other provisions		134,900	(13,615)
Interest and similar income	7	(2,271,137)	(3,338,911)
Interest expense	7	500,451	882,221
Other non-cash adjustments		325,554	(313,659)
		(835,645)	(1,749,104)
Change in loans to customers		4,634,921	5,351,193
Change in other assets		(39,771)	(51,914)
Change in other payables		(237,503)	(10,519)
		3,522,002	3,539,656
Interest received		1,717,589	2,711,087
Interest paid		(511,377)	(865,132)
Net cash from operating activities		4,728,214	5,385,611
Cash flows from investing activities			
Acquisition of intangible assets	17	(13,984)	(78)
Net payments for acquisition of property and equipment	16	(8,814)	(2,551)
Net cash used in investing activities		(22,798)	(2,629)
Cash flows from financing activities			
Proceeds from borrowed funds		465,760	3,399,634
Repayment of borrowed funds		(6,662,761)	(7,466,740)
Net cash from financing activities		(6,197,001)	(4,067,106)
Net increase in cash and cash equivalents		(1,491,585)	1,315,876
Cash and cash equivalents at 1 October		3,498,879	2,144,081
Translation effect		34,427	38,922
Cash and cash equivalents at 30 September	14	2,041,721	3,498,879

The financial statements on pages 1 to 69 were approved by the Board of Directors 25 January 2011 and signed on its behalf by:

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Deputy General Director



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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

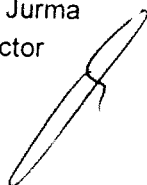
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

	Share capital	Translation reserve	Other reserves	Retained earnings	Total
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
Balance as at 1 October 2009	2,154,432	(176,674)	92	(527,548)	1,450,302
Net loss for the year 2010	-	-	-	(207,039)	(207,039)
Other reserves	-	-	-	-	-
Translation adjustment	-	(122,347)	(8)	-	(122,355)
Balance as at 30 September 2010	2,154,432	(299,021)	84	(734,587)	1,120,908

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EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
(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 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 13 site-offices (working points) (30 September 2009: 14) 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 2010 was of 52 (30 September 2009: 51).

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 2010.

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 2010
(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.

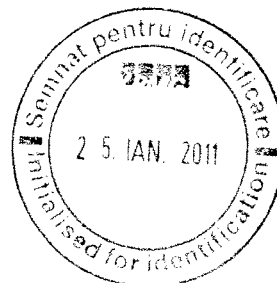
Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revaluated amount or historical cost.

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 2010
(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 2010: 3.1254 RON/USD; 30 September 2009: 2.8619 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 2010: 3.1133 RON/USD; average exchange rate for the year ended 30 September 2009: 3.0481 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.

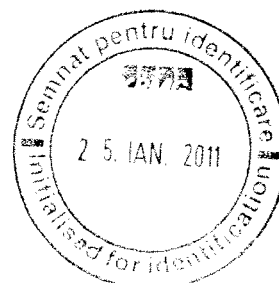
The reason for using a presentation currency different from the functional currency is to meet the requirements of Company's shareholder CHF International and the expectations of providers of external financing.

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 2010
(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) 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:

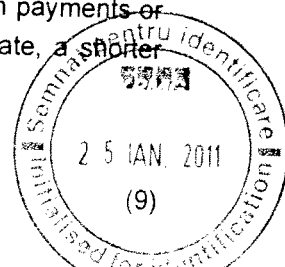
Currencies	30 September 2010	30 September 2009	Increase / (Decrease)
Euro (EUR)	1: RON 4.2674	1: RON 4.1981	1.7%
US Dollar (USD)	1: RON 3.1254	1: RON 2.8619	9.2%

b) 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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Interest income and expense (continued)

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.

c) 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.

d) 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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 held any HTM securities in its portfolio during the 2010 or 2009 financial years.



EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
(All amounts presented in USD unless otherwise stated)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 2010 and 30 September 2009 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.

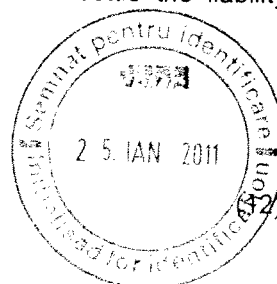
III. Derecognition

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 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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

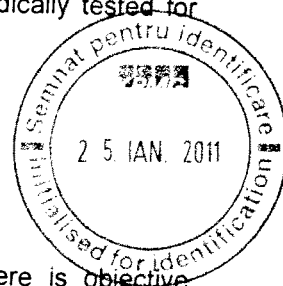
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques 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 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 collect ability. 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 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial assets and liabilities (continued)

VII. Identification and measurement of impairment (continued)

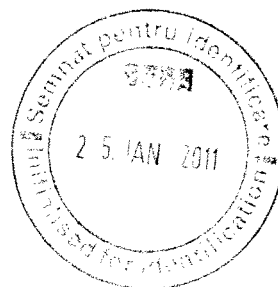
Assets carried at amortized cost (continued)

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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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

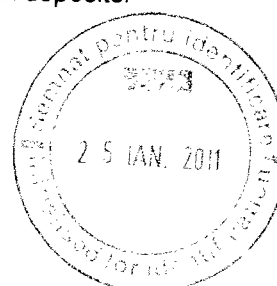
The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost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

f) 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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

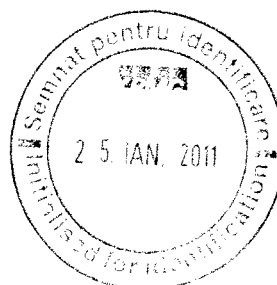
II. Subsequent costs

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



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

h) Intangible assets

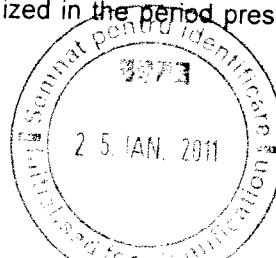
Software products acquired by the Company are stated at cost less accumulated amortization and impairment losses (refer to accounting policy 3.j).

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
FOR THE YEAR ENDED 30 SEPTEMBER 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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.

i) 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.

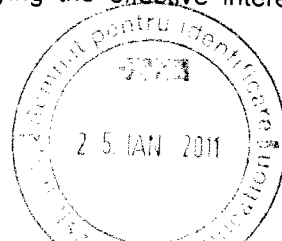
An impairment loss is recognized if the carrying amounts of an asset or its cash-generating unit exceed its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized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

j) 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)

k) 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.

l) Employees benefits

I. Short-term benefits

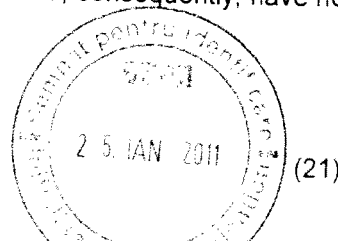
Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short term employee benefits are recognized as expense when services are rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is 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
FOR THE YEAR ENDED 30 SEPTEMBER 2010
(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

I) 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

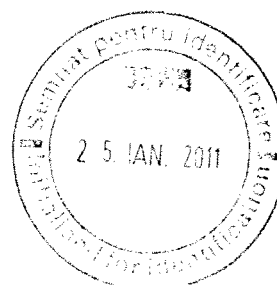
The Company is not committed, without realistic possibility of withdrawal, to any formal detailed plan to terminate employment before the normal retirement date.

m) 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.

n) 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
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) 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.

o) 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.

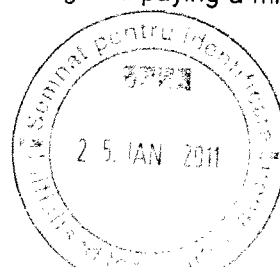
p) Taxation

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 2010 are 16% (30 September 2009: 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
FOR THE YEAR ENDED 30 SEPTEMBER 2010
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 September 2010, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the Company's financial statements, with the exception of:

- *IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013, early adoption is permitted)*

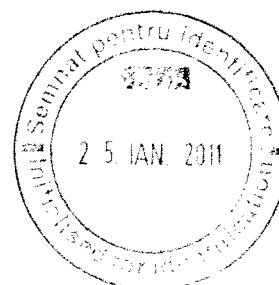
This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on re-measurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.



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

q) New standards and interpretations not yet adopted (continued)

- *Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)*

The Amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.

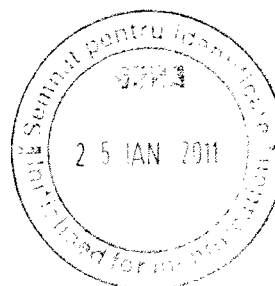
- *Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011)*

The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption.

The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)*

The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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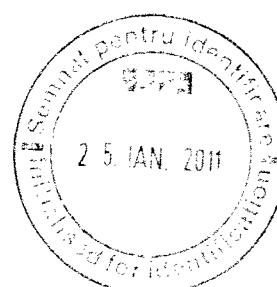
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New standards and interpretations not yet adopted (continued)

The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

- *Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)*

The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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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

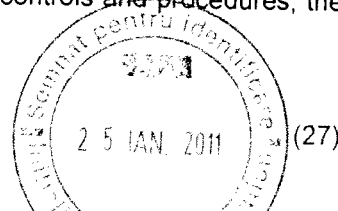
The Company's approach to risk management, including the internal control system and internal audit, is in line with the Company's risk profile. The Company's risk profile is determined by the business conducted and Company's operating environment.

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 Risk 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.

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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

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.

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.

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



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
(All amounts presented in USD unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Management of credit risk (continued)

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 USD 30,000 and the maximum allowed exposure to group of related borrowers is USD 45,000 (30 September 2009: the maximum allowed exposure to a borrower was EUR 35,000).

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

- 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 two 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 ("RCC") where Regional Managers review the loans applications in order to assure that eligibility criteria are met and send the loan applications to the Senior Credit Committee for a final approval;



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

(All amounts presented in USD unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

- Senior Credit Committee ("SCC") where two Senior Managers have to approve all the loan applications received from the Regional Credit Committees.

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 which have a grace period of maximum five months.

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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
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4. FINANCIAL RISK MANAGEMENT (continued)

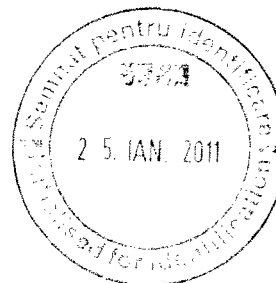
b) Credit risk (continued)

Exposure to credit risk

	Loans and advances to customers	
	30 September 2010	30 September 2009
Carrying amount	5,177,817	10,270,586
Individually impaired		
Standard	2,015,589	-
Watch	534,946	-
Substandard	158,947	-
Doubtful	179,585	-
Loss	2,143,996	878,217
Gross amount	5,033,063	878,217
Deferred commission	(79,468)	(856)
Allowance for impairment	(1,924,134)	(670,110)
Carrying amount	3,029,461	207,251
Collectively impaired		
Standard	1,761,624	8,098,973
Watch	450,851	1,864,103
Substandard	79,012	481,159
Doubtful	79,522	187,128
Loss	-	495,746
Gross amount	2,371,009	11,127,109
Deferred commission	(30,249)	(109,211)
Allowance for impairment	(192,404)	(954,563)
Carrying amount	2,148,356	10,063,335
Total carrying amount	5,177,817	10,270,586

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).



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

b) Credit risk (continued)

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

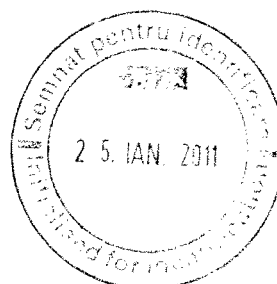
The Company writes off a loan (and any related allowances for impairment losses) when Company's Risk Committee determines that the loans and advances to customers are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's 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.



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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:

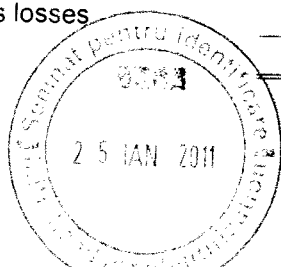
	Loans and advances to customers	
	30 September 2010	30 September 2009
Against individually impaired		
Property	11,784,625	1,101,662
Other	1,718,912	286,953
Against collectively impaired		
Property	11,330,454	36,272,830
Other	1,567,999	5,109,609
Total	26,401,990	42,771,054

Details of the non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances to customers are shown below:

	2010	2009
Property	58,298	23,985
Other	30,969	-

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	
	30 September 2010	30 September 2009
Agriculture	168,354	308,141
Construction	320,466	596,114
Industry	636,138	1,138,754
Services	2,141,943	3,587,341
Commerce	3,321,578	5,468,601
Individuals	277,941	614,095
Gross portfolio	6,866,420	11,713,046
Accrued interest & penalties	537,651	292,280
Deferred commission	(109,717)	(110,067)
Less allowance for loans losses	(2,116,538)	(1,624,673)
Total carrying amount	5,177,816	10,270,586



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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

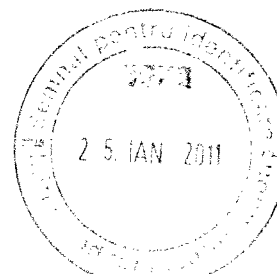
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

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 2010 and 2009 were as follows:

Currencies	Interest rate	30 September 2010	30 September 2009
Euro (EUR)	EURIBOR 6 months	1.146%	1.016%
US Dollar (USD)	LIBOR 6 months	0.463%	0.629%

All Company's loans receivables and most of Company's borrowings are at fixed interest rates (100% as of September 2010 and 76% as of September 2009). 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)

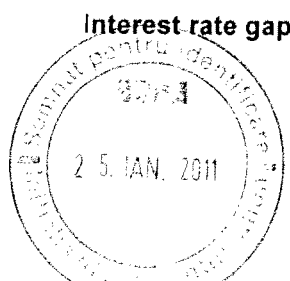
c1) Interest rate risk (continued)

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

	30 September 2010			30 September 2009		
	EUR (%)	USD (%)	RON (%)	EUR (%)	USD (%)	RON (%)
Assets						
Cash	1.82	1.19	3.68	2.47	1.23	2.38
Loans to customers	22.74	23.20	32.24	22.00	21.35	30.12
Liabilities						
Borrowed funds	8.16	6.41	n/a	9.13	5.61	n/a

The table below summarizes the Company's exposure to interest rate risk as at 30 September 2010. Included in the table are the Company's financial 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 gross nominal inflow/ (outflow)
Financial assets							
Cash and cash equivalents	2,041,721	-	-	-	-	-	2,041,721
Loans to customers (i)	1,811,030	791,692	2,918,593	1,882,757	-	-	7,404,072
Other assets	-	-	-	-	-	80,789	80,789
Total financial assets	3,852,751	791,692	2,918,593	1,882,757	-	80,789	9,526,582
Financial liabilities							
Borrowed funds (i)	103,881	245,435	633,751	4,228,642	1,000,000	-	6,211,709
Other liabilities	-	-	-	-	-	70,699	70,699
Total financial liabilities	103,881	245,435	633,751	4,228,642	1,000,000	70,699	6,282,408
Interest rate gap	3,748,870	546,257	2,284,842	(2,345,885)	(1,000,000)	10,090	3,244,174



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c1) Interest rate risk (continued)

(i) The amounts do not contain the adjustments for amortized cost (deferred commissions income in amount of USD 109,717 (refer to Note 14) and deferred commission expense in amount of USD 89,303).

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 financial 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 gross nominal inflow/ outflow)
Financial assets							
Cash and cash equivalents	3,498,879	-	-	-	-	-	3,498,879
Loans to customers (i)	1,994,887	1,219,252	4,603,916	4,187,271	-	-	12,005,326
Other assets	-	-	-	-	-	62,816	62,816
Total financial assets	5,493,766	1,219,252	4,603,916	4,187,271	-	62,816	15,567,021
Financial liabilities							
Borrowed funds (i)	2,889,587	-	2,022,378	6,201,916	1,400,000	-	12,513,881
Other liabilities	-	-	-	-	-	46,814	46,814
Total financial liabilities	2,889,587	-	2,022,378	6,201,916	1,400,000	46,814	12,560,695
Interest rate gap	2,604,179	1,219,252	2,581,538	(2,014,645)	(1,400,000)	16,002	3,006,326

(i) The amounts do not contain the adjustments for amortized cost (deferred commissions income in amount of USD 110,067 (refer to Note 14) and deferred commission expense in amount of USD 121,713).



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c1) Interest rate risk (continued)

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.

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.

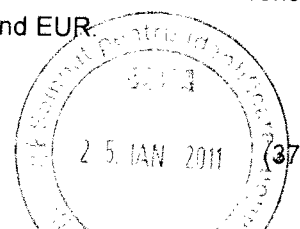
The positions are monitored on a monthly basis and the company ensures that these positions are maintained within the established limits.

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 2010		30 September 2009	
	200 basis points increase	200 basis points decrease	200 basis points increase	200 basis points decrease
0 to 1 month	50,579	(50,579)	19,220	(19,220)
1 to 3 months	6,865	(6,865)	18,119	(18,119)
3 to 12 months	13,187	(13,187)	22,149	(22,149)
Total	70,631	(70,631)	59,488	(59,488)

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)

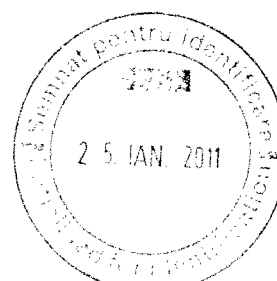
On the Romanian market, exchange rates have high volatility therefore open foreign exchange positions represent a source of currency risk. The Company carries out operations in both the local currency and hard currencies (USD and EUR), monitors its foreign currency exposure on a daily basis and closes 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 2010. Included in the table are the Company's monetary assets and liabilities at carrying amounts, categorised by currency.

	EUR	USD	RON	Total
Monetary assets				
Cash and cash equivalents	144,641	1,133,449	763,632	2,041,722
Loans to customers (i)	1,599,152	5,327,491	477,428	7,404,071
Other assets	2,239	10,277	68,273	80,789
Total monetary assets	1,746,032	6,471,217	1,309,333	9,526,582
Monetary liabilities				
Borrowed funds (i)	1,045,273	5,166,437	-	6,211,710
Other liabilities	20,266	6,411	44,023	70,700
Total monetary liabilities	1,065,539	5,172,848	44,023	6,282,410
Net currency position	680,493	1,298,369	1,265,310	3,244,172



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c2) Currency risk (continued)

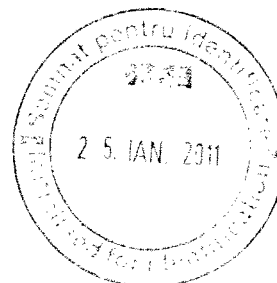
(i) The amounts do not contain the adjustments for amortized cost (deferred commissions income in amount of USD 109,717 (refer to Note 14) and deferred commission expense in amount of USD 89,303).

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
Monetary assets				
Cash and cash equivalents	1,634,624	974,594	889,660	3,498,878
Loans to customers (i)	4,356,250	6,850,138	798,938	12,005,326
Other assets	2,289	30	60,498	62,817
Total monetary assets	5,993,163	7,824,762	1,749,096	15,567,021
Monetary liabilities				
Borrowed funds (i)	4,048,090	8,252,933	212,858	12,513,881
Other liabilities	528	37,225	9,061	46,814
Total monetary liabilities	4,048,618	8,290,158	221,919	12,560,695
Net currency position	1,944,545	(465,396)	1,527,177	3,006,326

(i) The amounts do not contain the adjustments for amortized cost (deferred commissions income in amount of USD 110,067 (refer to Note 14) and deferred commission expense in amount of USD 121,713).

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.



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c2) Currency risk (continued)

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 2010		30 September 2009	
	Exchange Rate change %	Effect	Exchange Rate change %	Effect
Euro (EUR)	1.7	(1,916)	12.4	170,628
US Dollar (USD)	9.2	9,061	10.3	(129,713)

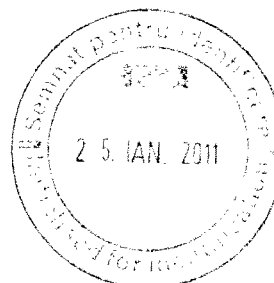
c3) Operational environment risk

Within the last year, the European banking sector faced a sovereign debt crisis, triggered by significant fiscal disequilibria and large public debt positions in several European countries. 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 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 volatility of the foreign exchange rates and an increase in the country's credit default swap.

The debtors of the Company may also be affected by the lower liquidity and solvency situations 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.



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

c3) Operational environment risk (continued)

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.

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 2011 and perhaps later, other effects may be felt beyond the dates of these financial statements.



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4. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

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.

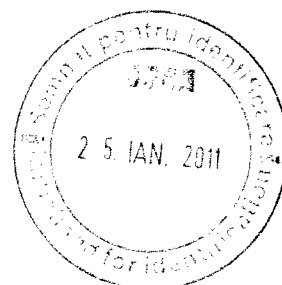
Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal 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).



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4. FINANCIAL RISK MANAGEMENT (continued)

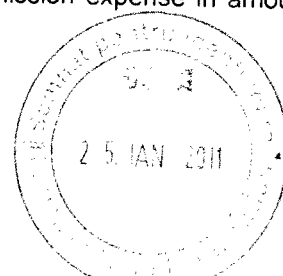
d) Liquidity risk (continued)

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.

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

As of September 2010	Carrying amount	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets							
Cash and cash equivalents	2,041,721	2,041,721	-	-	-	-	2,041,721
Loans to customers (i)	7,404,071	2,409,678	956,686	3,366,770	2,125,980	-	8,859,114
Other assets	80,789	-	-	-	-	-	-
Total financial assets	9,526,581	4,451,399	956,686	3,366,770	2,125,980	-	10,900,835
Financial liabilities							
Borrowed funds (i)	6,211,710	1,193,247	74,761	720,815	4,227,005	1,099,100	7,314,928
Other liabilities	70,699	-	-	-	-	-	-
Total financial liabilities	6,282,409	1,193,247	74,761	720,815	4,227,005	1,099,100	7,314,928
Maturity surplus / (shortfall)	3,244,172	3,258,152	881,925	2,645,955	(2,101,025)	(1,099,100)	3,585,907

(i) The amounts do not contain the adjustments for amortized cost (deferred commissions income in amount of USD 109,717 (refer to Note 14) and deferred commission expense in amount of USD 89,303).



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4. FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

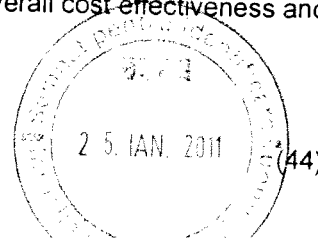
As of September 2009	Carrying amount	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets							
Cash and cash equivalents	3,498,879	3,498,879	-	-	-	-	3,498,879
Loans to customers (i)	12,005,326	1,924,413	1,515,097	5,582,947	5,186,918	-	14,209,375
Other assets	62,816	-	-	-	-	-	-
Total financial assets	15,567,021	5,423,292	1,515,097	5,582,947	5,186,918	-	17,708,254
Financial liabilities							
Borrowed funds (i)	12,513,881	3,111,059	-	2,476,869	7,124,811	1,584,660	14,297,399
Other liabilities	46,814	-	-	-	-	-	-
Total financial liabilities	12,560,695	3,111,059	-	2,476,869	7,124,811	1,584,660	14,297,399
Maturity surplus / (shortfall)	3,006,326	2,312,233	1,515,097	3,106,078	(1,937,893)	(1,584,660)	3,410,855

(i) The amounts do not contain the adjustments for amortized cost (deferred commissions income in amount of USD 110,067 (refer to Note 14) and deferred commission expense in amount of USD 121,713).

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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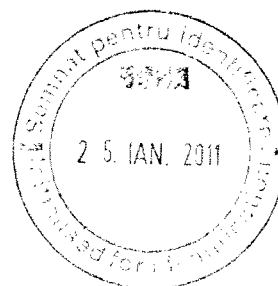
4. FINANCIAL RISK MANAGEMENT (continued)

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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(All amounts presented in USD unless otherwise stated)

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

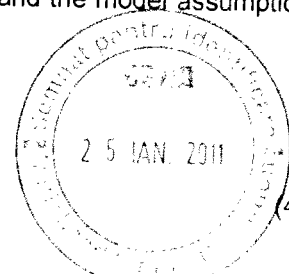
In 2010 financial year, the Company continued to refine its methodology for assessment of loan loss allowances in accordance with the provision of IAS 39, "Financial Instruments: Recognition and Measurement".

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 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.



NOTES TO THE FINANCIAL STATEMENTS
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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.

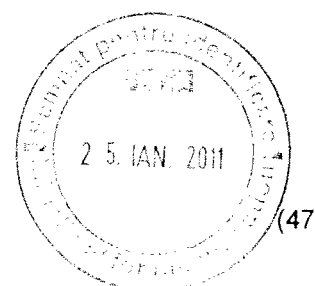
The loan impairment assessment considers the visible effects on current market conditions on the individual / collective assessment of loans and advances to customers' impairment especially because of the significant uncertainties on the international and local financial markets.

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 105,827 (30 September 2009: +/- USD 81,234).

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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**NOTES TO THE FINANCIAL STATEMENTS
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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 2010	30 September 2009
"Express Standard"	22.04%	23.57%
"Express Short Term"	25.45%	32.13%
"Express Global"	35.10%	35.10%
"Express Casa Mea"	31.32%	23.70%
"Express Avantaj (RON)"	43.29%	n/a
"Express Avantaj (USD)"	28.29%	n/a
"Express Short Term (RON)"	43.41%	n/a

Fair value of borrowings

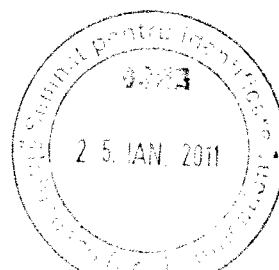
Management estimated the market annual interest rates used for discounting the estimated future cash flows for borrowed funds with fixed interest or borrowed funds at nil or low interest rates based on the variable effective interest rates of similar borrowings available to the Company.

The estimates used were as follows:

	30 September 2010	30 September 2009
Long term loans from related parties	5.35%	5.22%
Short term loans from other financial institutions	n/a	5.22%
Long term loans from other financial institutions	5.35%	4.75%
Loans from governmental programs	n/a	1.77%

For the year ended 30 September 2010 and year ended 30 September 2009 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).



NOTES TO THE FINANCIAL STATEMENTS
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5. USE OF ESTIMATES AND JUDGEMENTS (continued)

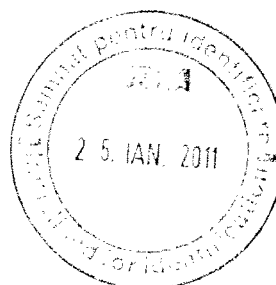
Determining fair values (continued)

Fair value of borrowings (continued)

For the year ended 30 September 2010 and year ended 30 September 2009 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.



EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

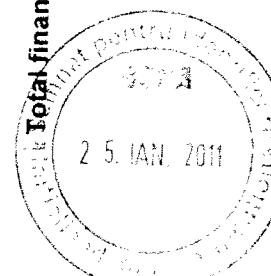
(All amounts presented in USD unless otherwise stated)

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 2010									
Financial Assets									
Cash and cash equivalents	14	-	-	-	-	-	2,041,721	2,041,721	2,041,721
Loans to customers	15	-	-	-	5,177,816	-	-	5,177,816	5,196,912
Total financial assets					5,177,816		2,041,721	7,219,537	7,238,633
Financial Liabilities									
Interest bearing loans and borrowings	19	-	-	-	-	-	6,122,407	6,122,407	6,399,838
Total financial liabilities							6,122,407	6,122,407	6,399,838
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	13,769,465	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



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010
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7. NET INTEREST INCOME

	Year ended 30 September 2010	Year ended 30 September 2009
Interest and similar income		
Interest income for loans to customers	2,200,013	3,304,379
Interest income for current accounts and deposits to banks	71,124	34,532
Total interest and similar income	2,271,137	3,338,911
Interest expense for borrowings	(606,415)	(1,029,400)
Income from government grant amortization	105,964	147,179
Total interest expenses and similar charges	(500,451)	(882,221)
Net interest income	1,770,686	2,456,690

8. NET FEE AND COMMISSION EXPENSE

	Year ended 30 September 2010	Year ended 30 September 2009
Fee and commission income	15,423	949
Fee and commission expense	(23,497)	(23,913)
Net fee and commission expense	(8,074)	(22,964)

9. OTHER OPERATING INCOME

	Year ended 30 September 2010	Year ended 30 September 2009
Revenues obtained from enforcing collaterals	83,273	23,985
Fixed assets and inventory sold	36,547	33,493
Other operating income from Related parties (Note 23.(c))	9,730	-
Other operating income	22,104	12,070
Total operating income	151,654	69,548



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NOTES TO THE FINANCIAL STATEMENTS
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10. NET IMPAIRMENT LOSSES ON LOANS

	Year ended 30 September 2010	Year ended 30 September 2009
Expense with allowance for impairment	1,270,912	1,459,303
Income from reversal of impairment allowance	(592,346)	(346,391)
Recoveries from loans previously written-off	(13,168)	(404)
Net impairment losses on loans	665,398	1,112,508

11. PERSONNEL EXPENSES

	Year ended 30 September 2010	Year ended 30 September 2009
Wages and salaries	630,065	628,208
Compulsory social security obligations	173,218	169,587
Other personnel expenses	5,959	9,864
Total personnel expenses	809,242	807,659

12. OTHER EXPENSES

	Year ended 30 September 2010	Year ended 30 September 2009
Losses from unrecoverable amounts fully provisioned - (collaterals took over)	83,273	22,810
Provisions for taxes	71,638	(13,615)
Rent expense	71,175	87,995
Provisions for litigation	63,261	-
Consultancy and audit fees	57,746	52,363
Telecommunication and postal charges	51,988	64,902
Management fee	43,146	219,501
Consumables	43,104	43,842
Fees and similar charges	28,810	19,783
IT and maintenance	25,211	16,693
Utilities	22,331	23,446
Services provided by third parties	16,079	16,334
Per Diem	15,858	24,302
Repair & Maintenance	14,450	24,168
Travel	13,560	25,512
Depreciation	12,695	22,630
Advertising & Representation	11,871	19,605
Taxes and similar duties	9,510	30,421
Insurance	8,133	18,254
Other	848	14,411
Total other expenses	664,687	733,357



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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12. OTHER EXPENSES (continued)

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

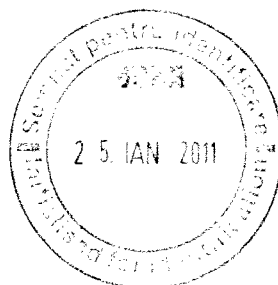
13. INCOME TAX EXPENSE

The Company did not record any current or deferred tax expense in the years ended 30 September 2010 or 30 September 2009, except minimum current income tax required by Romanian law.

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

	<u>Year ended 30 September 2010</u>	<u>Year ended 30 September 2009</u>
Loss before tax	(203,508)	(100,277)
Theoretical credit charge at 16%	(32,561)	(16,044)
Tax effect of		
- non-deductible expenses	59,653	61,898
- non-taxable income	(32,528)	(49,379)
Change in unrecognized deferred tax asset	5,436	3,525
Minimum amount of tax expense by law	3,533	601
Income tax expense for the year	<u>3,533</u>	<u>601</u>

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
FOR THE YEAR ENDED 30 SEPTEMBER 2010
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13. INCOME TAX EXPENSE (continued)

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

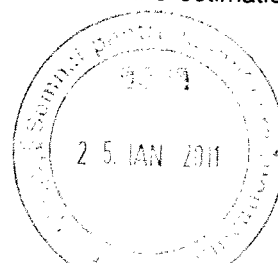
	30 September 2009	Amortized during the year	Translation differences	30 September 2010
Tax effects of deductible temporary differences				
From fiscal loss	45,012	5,436	(942)	49,507
Net tax effect of temporary differences	45,012	5,436	(942)	49,507
Less: not recognized income from deferred tax asset	(45,012)	(5,436)	942	(49,507)
Total net deferred income tax asset	-	-	-	-

	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	(11,426)	45,012
Net tax effect of temporary differences	52,913	3,525	(11,426)	45,012
Less: not recognized income from deferred tax asset	(52,913)	(3,525)	11,426	(45,012)
Total net deferred income tax asset	-	-	-	-

As at 30 September 2010 the Company has unrecognized potential deferred tax asset in respect of unused tax loss carry forward of USD 49,507 (30 September 2009: USD 45,012). The tax loss carry forwards expires as follows:

	Tax base	Potential deferred tax asset
Year 2011	101,788	16,286
Year 2012	74,063	11,850
Year 2013	154,856	24,777
Year 2014	(49,378)	(7,900)
Year 2015	28,088	4,494
Total tax loss carry forward	309,416	49,507

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:

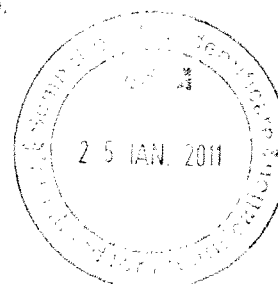
	<u>30 September 2010</u>	<u>30 September 2009</u>
Deposits at banks	1,961,508	2,891,980
Cash in hand and in banks	80,213	606,899
Total cash and cash equivalents	<u>2,041,721</u>	<u>3,498,879</u>

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 2010</u>	<u>% of total</u>	<u>30 September 2009</u>	<u>% of total</u>
"Express Standard"	6,467,380	88.66	10,817,708	90.94
"Express Avantaj RON"	47,767	0.65	n/a	n/a
"Express Avantaj USD"	94,264	1.29	n/a	n/a
"Express Short Term"	189,512	2.60	115,684	0.97
"Express Short Term RON"	19,289	0.26	n/a	n/a
"Express Global"	143,128	1.96	240,160	2.02
"Express Casa Mea"	333,014	4.57	717,256	6.03
Other loans	n/a	n/a	4,451	0.04
Gross portfolio, out of which	<u>7,294,354</u>	<u>100.00</u>	<u>11,895,259</u>	<u>100.00</u>
<i>Accrued interest & penalties</i>	537,651		292,280	
<i>Deferred commission</i>	(109,717)		(110,067)	
Less allowance for loans losses	<u>(2,116,538)</u>		<u>(1,624,673)</u>	
Net portfolio	<u>5,177,816</u>		<u>10,270,586</u>	

"Express Standard" loans are disbursed to entrepreneurs as well as to micro and small businesses for a term of 1 to 36 months, bearing an interest of 17 – 19% (16 – 18% before November 2009) (declining balance) and with an up-front commission of 2 – 5%. This product is disbursed in USD (before November 2009: USD or EURO).



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15. LOANS TO CUSTOMERS (continued)

“Express Short Term” loans was 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 was disbursed in USD or EURO. This product was completely redesigned on November 2009. The new “Express Short Term” product is disbursed for a period not exceeding 6 months, having up to 3 months grace period, with an up-front commission of 3 - 5%. This product is disbursed in USD or RON and bearing an interest of 19% (for USD indexed loans) or 24% (for loans disbursed in RON).

“Express Global” loans was 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 an interest of 18 – 23% (declining balance) and with an up-front commission of 3%. This product was in RON, USD and EURO. Starting November 2009 this product is not anymore offered.

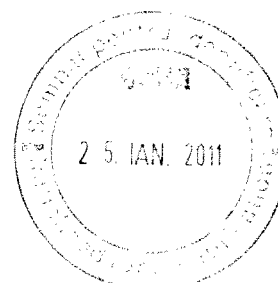
“Express Avantaj” loan product is offered starting February 2010 to entrepreneurs as well as to micro and small businesses. This product is disbursed for a period not exceeding 12 months, with an up-front commission of 2.5%. This product is disbursed in USD or RON and bearing an interest of 14.9% (for USD indexed loans) or 19.9% (for loans disbursed in RON).

“Express Casa Mea” loans are disbursed to Individual/Families for a period not exceeding 36 months, bearing an interest of 11 - 12% (flat) (14 – 16% before July 2010) and with an up-front commission of 3.5 – 4.5% and a monthly risk commission of 0.3 – 0.4% applied to the disbursed amount (before July 2010, the up-front commissions were 2 – 4% an no monthly risk commission). 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

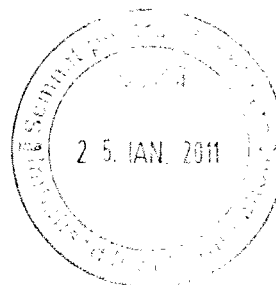
	<u>30 September 2010</u>	<u>30 September 2009</u>
At the beginning of the year	1,624,673	486,367
Net charge for the year (Nota 10)	665,398	1,112,508
Write-offs	(105,974)	-
Translation effect	(67,559)	25,798
At the end of the year	<u>2,116,538</u>	<u>1,624,673</u>



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16. PROPERTY AND EQUIPMENT

	Equipments	Vehicles	Furniture and fixtures	Total
Cost				
Balance at 1 October 2008	44,529	111,083	18,159	173,771
Acquisitions	2,310	-	871	3,181
Disposals	(1,225)	(12,561)	(425)	(14,211)
Effect of exchange rate	(4,071)	(11,150)	(1,660)	(16,881)
Balance at 30 September 2009	41,543	87,372	16,945	162,741
Balance at 1 October 2009	41,543	87,372	16,945	145,860
Acquisitions	1,665	-	9,143	10,808
Disposals	(1,715)	(14,757)	(1,885)	(18,357)
Effect of exchange rate	(3,503)	(7,309)	(1,457)	(12,269)
Balance at 30 September 2010	37,990	65,306	22,746	138,311
Depreciation and impairment losses				
Balance at 1 October 2008	16,063	102,848	12,807	131,718
Depreciation for the period	7,938	7,013	2,155	17,106
Impairment losses	-	-	-	-
Disposals	(705)	(12,561)	(314)	(13,580)
Effect of exchange rate	(1,024)	(9,928)	(1,072)	(12,024)
Balance at 30 September 2009	22,272	87,372	13,576	135,244
Balance at 1 October 2009	22,272	87,372	13,576	135,244
Depreciation for the period	7,243	-	4,139	11,382
Impairment losses	-	-	-	-
Disposals	(1,474)	(14,757)	(1,885)	(18,116)
Effect of exchange rate	(1,900)	(7,309)	(1,153)	(10,362)
Balance at 30 September 2010	26,141	65,306	14,677	128,510
Carrying amounts				
Balance at 1 October 2008	28,466	8,235	5,352	42,053
Balance at 30 September 2009	19,271	-	3,369	22,640
Balance at 30 September 2010	11,849	-	8,069	19,918



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

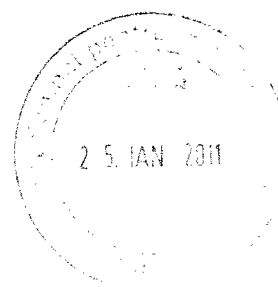
(All amounts presented in USD unless otherwise stated)

17. INTANGIBLE ASSETS

	Intangible assets
At 1 October 2009	
Cost	19.700
Accumulated depreciation	(19.279)
Net book amount	<u>421</u>
Year ended 30 September 2010	
Opening net book amount	421
Additions	13.984
Depreciation charge	(3.065)
Effect of exchange rate	(77)
Closing net book amount	<u>11.263</u>
At 30 September 2010	
Cost	33.684
Accumulated depreciation	(22.344)
Effect of exchange rate	(77)
Net book amount	<u>11,263</u>

18. OTHER ASSETS

	<u>30 September 2010</u>	<u>30 September 2009</u>
Other various goods (Collaterals took over)	103,711	22,674
Prepaid expenses - others	12,193	20,780
Related party receivables (Note 23.(a))	10,099	-
Company's contribution to health insurance credit	8,154	5,872
Guarantees to suppliers	3,519	4,215
Income tax credit	3,056	5,259
Prepaid expenses - legal fees	1,132	51,102
Other	3,258	5,316
Total other assets	<u>145,122</u>	<u>115,218</u>



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19. BORROWED FUNDS

	<u>30 September 2010</u>	<u>30 September 2009</u>
CHF International USA OPIC – 1 (i)	-	(384)
CHF International USA OPIC – 2 (ii)	2,517,940	2,468,521
CHF International USA OIKOCREDIT (iii)	-	170,850
<i>Borrowings received from related parties</i>	<u>2,517,940</u>	<u>2,638,987</u>
Rural Central (iv)	-	156,862
Rural West (v)	-	341,246
NAD 1 (vi)	329,399	1,113,115
NAD 2 (vi)	242,999	1,109,134
<i>Borrowings received for governmental programs</i>	<u>572,398</u>	<u>2,720,357</u>
EBRD (vii)	-	2,542,081
OIKOCREDIT (viii)	1,038,842	1,487,409
OPIC (ix)	1,941,565	1,926,380
SYMBIOTICS (x)	-	780,625
<i>Borrowings received from other financial institutions</i>	<u>2,980,407</u>	<u>6,736,495</u>
Total borrowed funds	<u>6,070,745</u>	<u>12,095,839</u>

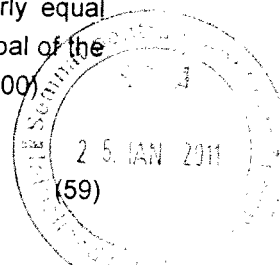
The Company has no principal or interest overdue as of 30 September 2010 or 30 September 2009.

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.

(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.

(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 2010 was USD 2,500,000 (30 September 2009: USD 2,500,000)



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19. BORROWED FUNDS (continued)

Borrowed funds from related parties (continued)

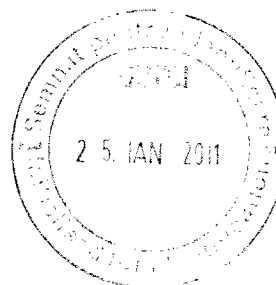
(iii) **OIKOCREDIT** - In December 2004 CHF International USA obtained from the Oikocredit, Ecumenical Development Cooperative Society U.A ("Oikocredit") a loan of USD 1,000,000. The funds were initially sub-lent to CHF International Romania. On August 1, 2006 CHF International Romania, the initial user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

Borrowed funds for government programs

(iv) **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 was 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 loan was fully repaid at the last due date in August 2010. The outstanding principal of the loan as of 30 September 2009 was USD 158,332.

(v) **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.

The borrowing was 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 loan was fully repaid at the last due date in August 2010. The outstanding principal of the loan as of 30 September 2009 was USD 344,445.



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19. BORROWED FUNDS (continued)

Borrowed funds for government programs (continued)

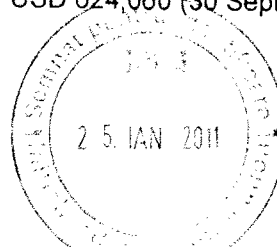
(vi) **NAD 1** and **NAD 2** – In November 2002 CHF International Romania signed two agreements with the Government of Romania, Ministry of Industry and Resources, National Agency for Development of Mining Regions ("MOIR/NAD") in order to become the Credit Agency for Mine Closure and Social Mitigation 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.

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 (RADDIA).

In March 2010 the Company concluded with RADDIA an Addendum to the initial agreements and agreed to repay the loans in monthly instalments starting on March 2010 until January 2010. As of 30 September 2010, the outstanding principal of the NAD 1 loan was USD 355,230 (30 September 2009: USD 1,150,000) and the outstanding principal of the NAD 2 loan was USD 268,830 (30 September 2009: USD 1,150,000) for a total of USD 624,060 (30 September 2009: USD 2,300,000).



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(All amounts presented in USD unless otherwise stated)

19. BORROWED FUNDS (continued)

Borrowed funds for government programs (continued)

Raiffeisen Bank has issued, on behalf of the Company, two letters of guarantee for Romanian Agency for Durable Development of Industrial Areas. As of September 2010, the letters amounting to USD 49,100 in respect of NAD 1 and USD 32,400 in respect of NAD 2 projects and are valid until 15 October 2010 (30 September 2009: the amount of each letters of guarantee was USD 115,000).

On 15 October 2010, both letters of guarantee issued by Raiffeisen Bank have been extended, until 15 January 2011.

Borrowed funds from other financial institutions

(vii) **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 October 2009, the Company paid to EBRD the due instalment plus one instalment in advance, in total EUR 1,125,000. On April 2010 the loan was fully repaid. On 30 September 2009 the outstanding principal of the loan was EUR 1,687,500.

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;

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19. BORROWED FUNDS (continued)

Borrowed funds from other financial institutions (continued)

- f) Not make any loans to persons connected with the Borrower which in the aggregate exceed 10% of Borrower's Capital;
- 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.

As of 30 September 2009, the following financial covenants were breached:

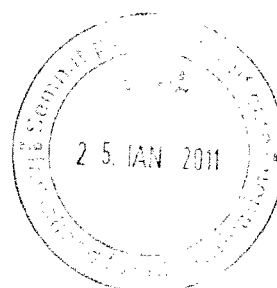
- Maintain ratio of Borrower's Capital to total assets of not less than 10% until the end of October 2007, 15% until the end of March 2009 and 20% thereafter, or any such capital adequacy ratio agreed upon with EBRD after review of the Romanian financial market and of the financial standing of the Borrower. 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.

(viii) 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 2010 was EUR 750,000 (30 September 2009: 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.



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19. BORROWED FUNDS (continued)

Borrowed funds from other financial institutions (continued)

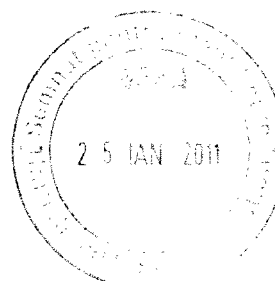
As of 30 September 2010 the following financial covenant was breached (as of 30 September 2009, the following financial covenant was breached but the Company obtained a waiver from Oikocredit):

- 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%.

(ix) 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;



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19. BORROWED FUNDS (continued)

Borrowed funds from other financial institutions (continued)

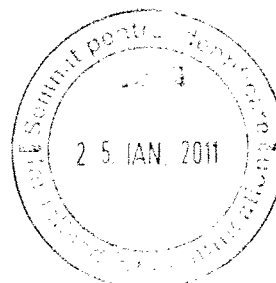
- i) Maintain at all times an open foreign currency exposure of not more than 25% of the Borrower's Capital. The Company received from OPIC a waiver of this requirement of the Loan Agreement until the earlier of (i) entering one or more Hedge Agreements, in form and substance acceptable to OPIC, or (ii) 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.

As of 30 September 2010 the following financial covenant was breached (as of 30 September 2009, the following financial covenant was breached but the Company obtained a waiver from OPIC):

- 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

(x) 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. In October 2009 the fund was fully repaid at the due date. The outstanding principal of the loan as of 30 September 2009 was USD 750,000.

(xi) 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. As of September 2010 the Company was in the negotiation process with Raiffeisen Bank in order to extend the term of the multi-purpose credit facility. There was no outstanding amount under the facility as of 30 September 2010 (30 September 2009: 0).



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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.

21. OTHER LIABILITIES

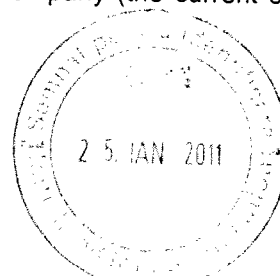
	<u>30 September 2010</u>	<u>30 September 2009</u>
Provisions for taxes	71,362	-
Related party payables (Note 23.(b))	6,410	28,719
Other	74,753	36,606
Total other liabilities	<u>152,525</u>	<u>65,325</u>

22. CAPITAL AND RESERVES

Shareholder structure	<u>30 September 2010</u>	<u>30 September 2009</u>
CHF Development Finance International LLC	99.80%	n/a
CHF International USA	0.20%	99.80%
Ameen S.A.L.	n/a	0.05%
Middle East Micro Credit L.L.C.	n/a	0.05%
MCO Lider	n/a	0.05%
CHF International Romania	n/a	0.05%
Total	<u>100%</u>	<u>100%</u>

At 30 September 2010, the share capital of the Company consists of 559,226 allotted and fully paid ordinary shares (30 September 2009: 559,226 shares) of RON 10 each (30 September 2009: RON 10 each). Each share carries one vote.

On June 2010 a share transfer took place and as a result CHF Development Finance International LLC became the majority shareholder of the Company (the current shareholder structure is presented in the table above).



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22. CAPITAL AND RESERVES (continued)

Reserves	30 September 2010	30 September 2009
Legal Reserves (i)	84	92
Total	84	92

(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 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.

a) *Receivables from related parties*

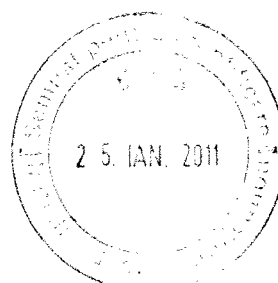
		30 September 2010	30 September 2009
CHF International USA	Expenses Reimbursements	10,099	-
		10,099	-

b) *Payables to related parties*

		30 September 2010	30 September 2009
CHF International USA	Borrowed funds	2,517,940	2,638,987
CHF International USA	Other liabilities	6,410	28,719
		2,524,350	2,667,706

c) *Transactions with related parties*

		30 September 2010	30 September 2009
CHF International USA	Interest expense	(232,063)	(441,857)
CHF International USA	Management fee	(43,146)	(219,501)
CHF International USA	Other incomes	9,730	-
		(265,479)	(661,358)



EXPRESS FINANCE – INSTITUȚIE FINANCIARĂ NEBANCARĂ SA

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23. RELATED PARTIES (continued)

d) *Key management compensation*

	<u>30 September 2010</u>	<u>30 September 2009</u>
Board of directors	-	-
Key management personnel	187,207	110,827
	<u>187,207</u>	<u>110,827</u>

24. COMMITMENTS AND CONTINGENCIES

Legal proceedings

As at 30 September 2010 there was litigation outstanding against the Company. The management of the Company, following the information received from the legal advisers estimates the possible loss of USD 8,425 and therefore a provision for the corresponding amount has been constituted.

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

Assets pledged/restricted

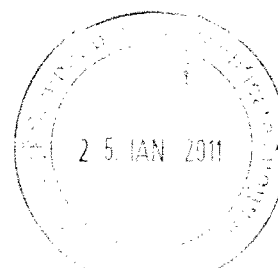
The Company has no pledged assets in respect of funds borrowed from financial institutions. The Company does not have to maintain any mandatory reserve deposits with the Central Bank.

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.

Outstanding amounts are:

	<u>30 September 2010</u>	<u>30 September 2009</u>
Undrawn loan commitments	7,500	6,048
	<u>7,500</u>	<u>6,048</u>



NOTES TO THE FINANCIAL STATEMENTS
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24. COMMITMENTS AND CONTINGENCIES (continued)

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 2010</u>	<u>30 September 2009</u>
Undrawn borrowings commitments	8,000,000	8,500,000
	<u>8,000,000</u>	<u>8,500,000</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 2010 and 30 September 2009 the Company did not have any contractual capital expenditure commitments in respect of property, plant and equipment or intangible assets.

25. SUBSEQUENT EVENTS

On 15 October 2010 the two Raiffeisen Bank letters of guarantee in respect of NAD Project have been extended until 15 January 2011. The amount of the two letters of guarantee is as follow: USD 36,000 in respect of NAD 1 and USD 27,000 in respect of NAD 2.

On 12 November 2010 a court decision related to the litigation with a former employee of the Company was received (please refer to Note 24, Legal proceedings); according to this court decision the Company has will have a total expense of USD 9,466. The Company initiated an appeal against this court decision, which is not finalized yet.

