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**JV MFO Microinvest LLC**  
**Financial Statements**  
**For the Year Ended 31 December 2007**  
**Prepared in Accordance with International Financial Reporting Standards**

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**JV MFO Microinvest LLC**  
**FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

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**JV MFO Microinvest LLC**  
**BALANCE SHEET**  
**As at 31 December 2007**

	Notes	2007 MDL	2007 USD	2006 MDL	2006 USD
<b>ASSETS</b>					
Cash and cash equivalents	4	59,320,444	5,240,693	1,549,911	120,101
Due from banks and other institutions	5	85,000,541	7,509,412	29,901,424	2,317,042
Loans and advances to customers, net	6	120,988,201	10,688,759	53,790,391	4,168,183
Held for sale investments	7	3,240	286	3,240	251
Deferred tax asset	9	-	-	171,947	13,324
Other assets	8	4,641,895	410,090	789,038	61,141
Intangible assets	10	319,070	28,188	97,565	7,560
Property and equipment	10	3,655,658	322,962	2,661,832	206,264
Total assets		<b>273,929,049</b>	<b>24,200,390</b>	<b>88,965,348</b>	<b>6,893,866</b>
<b>LIABILITIES</b>					
Interest-bearing loans and borrowings	11	195,039,150	17,230,825	66,880,202	5,182,503
Grants for projects in process	12	109,785	9,699	161,261	12,496
Due to founders	13	443,931	39,219	517,628	40,111
Other liabilities	14	1,084,885	95,845	2,762,891	214,094
Deferred revenue		-	-	157,470	12,202
Total liabilities		<b>196,677,751</b>	<b>17,375,588</b>	<b>70,479,452</b>	<b>5,461,406</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	15	47,967,092	4,237,675	7,138,729	553,175
Secondary capital	15	22,280,147	1,968,350	484,240	37,523
Capital reserve		6,123,350	540,970	-	-
Retained earnings		880,709	77,807	10,862,927	841,762
Total shareholders' equity		<b>77,251,298</b>	<b>6,824,802</b>	<b>18,485,896</b>	<b>1,432,460</b>
Total liabilities and shareholders' equity		<b>273,929,049</b>	<b>24,200,390</b>	<b>88,965,348</b>	<b>6,893,866</b>

The accompanying notes are an integral part of these financial statements.

The financial statements were authorized for issue on 6 June 2008:

General Manager  
 Mr. Artur Munteanu .....

Chief Financial Officer  
 Mrs. Veronica Mirzac .....

**JV MFO Microinvest LLC**  
**INCOME STATEMENT**  
**For the Year Ended 31 December 2007**

	Notes	2007 MDL	2007 USD	2006 MDL	2006 USD
Interest and similar income	17	31,776,448	2,618,320	13,078,434	995,928
Interest and similar expense	18	(19,732,137)	(1,625,891)	(4,620,068)	(351,820)
<b>Net interest and similar income</b>		<b>12,044,311</b>	<b>992,429</b>	<b>8,458,366</b>	<b>644,108</b>
Other operating income	19	422,120	34,782	1,569,914	119,550
General and administrative expenses	20	(9,048,254)	(745,560)	(6,863,129)	(522,631)
Foreign exchange (losses)/gains		(257,608)	(21,227)	(1,133,273)	(86,299)
<b>Profit before credit loss expense</b>		<b>3,160,569</b>	<b>260,424</b>	<b>2,031,878</b>	<b>154,728</b>
Provision for impairment	21	(2,709,568)	(223,263)	(353,700)	(26,935)
<b>Profit before income tax</b>		<b>451,001</b>	<b>37,161</b>	<b>1,678,178</b>	<b>127,793</b>
Income tax (expense) / credit	9	554,438	45,685	(1,206,970)	(91,911)
<b>Net profit for the year</b>		<b>1,005,439</b>	<b>82,846</b>	<b>471,208</b>	<b>35,882</b>

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General Manager  
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**JV MFO Microinvest LLC**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the Year Ended 31 December 2007**

	Share capital	Secondary capital	Retained Earnings	Total shareholders' equity
	MDL	MDL	MDL	MDL
<b>Balance at 1 January 2006</b>	<b>2,772,994</b>	-	<b>10,391,719</b>	<b>13,164,713</b>
Contribution to share capital	4,365,735	484,240	-	4,849,975
Net profit for the year	-	-	471,208	471,208
<b>Balance at 31 December 2006</b>	<b>7,138,729</b>	<b>484,240</b>	<b>10,862,927</b>	<b>18,485,896</b>

	Share capital	Secondary capital	Capital reserve	Retained Earnings	Total shareholders' equity
	MDL	MDL	MDL	MDL	MDL
<b>Balance at 1 January 2007</b>	<b>7,138,729</b>	<b>484,240</b>	-	<b>10,862,927</b>	<b>18,485,896</b>
Contribution to share capital	29,356,467	-	-	-	29,356,467
Movement in share capital (addition / disposal)	484,239	21,795,907	6,123,350	-	28,403,496
Distribution of retained earnings	10,987,657	-	-	(10,987,657)	-
Net profit for the year	-	-	-	1,005,439	1,005,439
<b>Balance at 31 December 2007</b>	<b>47,967,092</b>	<b>22,280,147</b>	<b>6,123,350</b>	<b>880,709</b>	<b>77,251,298</b>

	Share capital	Secondary capital	Retained Earnings	Total shareholders' equity
	USD	USD	USD	USD
<b>Balance at 1 January 2006</b>	<b>216,100</b>	-	<b>809,828</b>	<b>1,025,928</b>
Contribution to share capital	332,453	36,875	-	369,328
Net profit for the year	-	-	35,882	35,882
Translation difference	4,622	648	(3,948)	1,322
<b>Balance at 31 December 2006</b>	<b>553,175</b>	<b>37,523</b>	<b>841,762</b>	<b>1,432,460</b>

	Share capital	Secondary capital	Capital reserve	Retained earnings	Total shareholders' equity
	USD	USD	USD	USD	USD
<b>Balance at 1 January 2007</b>	<b>553,175</b>	<b>37,523</b>	-	<b>841,762</b>	<b>1,432,460</b>
Contribution to share capital	2,418,918	-	-	-	2,418,918
Movement in share capital (addition / disposal)	39,900	1,795,942	504,552	-	2,340,394
Distribution of retained earnings	905,362	-	-	(905,362)	-
Net profit for the year	-	-	-	82,846	82,846
Translation difference	320,320	134,885	36,418	58,561	550,184
<b>Balance at 31 December 2007</b>	<b>4,237,675</b>	<b>1,968,350</b>	<b>540,970</b>	<b>77,807</b>	<b>6,824,802</b>

The accompanying notes are an integral part of these financial statements.

**JV MFO Microinvest LLC**  
**CASH FLOW STATEMENT**  
**For the Year Ended 31 December 2007**

Notes	2007 MDL	2007 USD	2006 MDL	2006 USD
<b>Cash flows from operating activities</b>				
Interest receipts	26,305,567	2,167,529	11,323,598	862,297
Interest payments	(18,096,946)	(1,491,154)	(4,167,328)	(317,344)
Other income received	5,572,278	459,145	1,592,225	121,249
Payment to employees and suppliers	(11,120,526)	(916,310)	(13,795,983)	(1,050,570)
Other proceeds from financial institutions	(41,578)	(3,426)	-	-
Taxes paid	(1,904,069)	(156,892)	-	-
	<b>714,726</b>	<b>58,892</b>	<b>(5,047,488)</b>	<b>(384,368)</b>
<i>(Increase) decrease in assets/liabilities:</i>				
Loans and advances to customers, net	(68,874,941)	(5,675,165)	(19,513,993)	(1,485,999)
Other assets	(2,672,548)	(220,213)	(199,786)	(15,214)
Other liabilities	(9,730,102)	(801,742)	1,542,375	117,453
<b>Net cash from operating activities</b>	<b>(80,562,865)</b>	<b>(6,638,228)</b>	<b>(23,218,892)</b>	<b>(1,768,128)</b>
<b>Cash flows from investing activities</b>				
Purchase of intangibles	(267,048)	(22,004)	(72,210)	(5,499)
Purchase of property and equipment	(1,288,610)	(106,179)	(1,627,266)	(123,917)
Collateral deposits with banks	(55,099,117)	(4,540,063)	(21,352,507)	(1,626,003)
Purchase/ (disposal) of investments	-	-	(3,186)	(243)
<b>Net cash from investing activities</b>	<b>(56,654,775)</b>	<b>(4,668,246)</b>	<b>(23,055,169)</b>	<b>(1,755,662)</b>
<b>Cash flows from financing activities</b>				
Proceeds from grants	-	-	5,766,194	439,098
Proceeds from borrowings	125,507,941	10,341,618	35,002,435	2,665,451
Reimbursement of borrowings	-	-	-	-
Contributions in share capital	40,828,363	3,364,180	4,360,335	332,453
Contributions in secondary capital	27,919,258	2,300,494	484,240	36,875
Proceeds from grants to be used for operating expenses	-	-	-	-
Repayment of grants	-	-	-	-
<b>Net cash from financing activities</b>	<b>194,255,562</b>	<b>16,006,292</b>	<b>45,613,204</b>	<b>3,473,877</b>
Foreign exchange difference	667,611	55,010	(1,332,540)	(101,474)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>57,705,533</b>	<b>4,754,828</b>	<b>(1,993,397)</b>	<b>(151,387)</b>
Cash and cash equivalents at 1 January	1,614,911	129,608	3,608,308	281,196
Translation difference	-	356,257	-	(4,671)
<b>Cash and cash equivalents at 31 December</b>	<b>16</b>	<b>59,320,444</b>	<b>5,240,693</b>	<b>1,614,911</b>
			<b>125,138</b>	

The accompanying notes are an integral part of these financial statements.

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

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**1. General information**

Microinvest S.R.L (“the Company”) was established on 29 April 2003 as a micro-financing limited liability company. The shareholders of the Company are as follows:

	<b>2007</b>	<b>2006</b>
BFSE Holding B.V	61.20%	-
Soros Foundation Moldova	31.56%	89.47%
S.A. “S.I.D.I.”	3.72%	10.53%
Munteanu Artur	2.82%	-
Mîrzac Veronica	0.35%	-
Lupascu Tudor	0.35%	-
	<b>100%</b>	<b>100%</b>

Before December 2005 the Company was wholly owned by Soros Foundation Moldova. In December 2005 a new shareholder Solidarite Internationale pour le Developpement et l’Investissement (hereinafter “SIDI”) acquired 10% for the Company’s shares, as a result of which the Company has changed its name into Joint Venture Micro Finance Organisation Microinvest LLC (“JV MFO Microinvest LLC”). In December 2007, new shareholder acquired 61.20% and the top management was given the possibility to contribute to share capital, as a result, the structure of share capital suffered significant changes. The new majority shareholder, BFSE Holding B.V located in Netherlands, has as ultimate parent B.F.S.E. Fund C.V. from Netherlands.

The Company operates through its head office located in Chisinau and 11 representative offices (8 representative offices as of 31 December 2006) located throughout the Republic of Moldova.

The activity of the Company focuses on lending to individuals and micro, small and medium size enterprises. The Company obtains the necessary funds for its activity from donors, equity and debt investors.

The number of employees employed by the Company as of 31 December 2007 was 79 (in 2006: 68), out of which 23 part-time and 56 full-time employees, including 24 loan officers (in 2006: 22 part-time and 46 full-time employees, including 24 loan officers).

The Company has one subsidiary, based on its venture capital pilot program and the main activities of which are production of textile goods. The intention of the Company is to sell this subsidiary in 2008.

The registered office of the Company is located at Puskin Street 16, Chisinau, Republic of Moldova.

**2. Basis of preparation**

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Moldova Lei (MDL), being the functional currency of the Company, and in US Dollars (USD) being the presentation currency, for the convenience of the users of the financial statements.

***Statement of compliance***

These are the separate-parent financial statements of the Company, prepared in accordance with International Financial Reporting Standards (IFRS).

The Company maintains its statutory financial statements in the currency of the Republic of Moldova, being the Moldovan Lei (MDL) and prepares its statutory accounting reports in accordance with National Accounting Standards and regulations set by the Ministry of Finance of the Republic of Moldova.

### **3. Accounting policies**

#### **Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted those new/revised standards mandatory for financial years beginning on or after 1 January 2007.

The changes in accounting policies result from adoption of the following new or revised standards:

#### **IFRS 7 “Financial Instruments: Disclosures”**

IFRS 7 introduces new requirements with regards to the information on financial instruments that is presented in the entity’s financial statements. IFRS 7 is effective for annual periods beginning on or after January 1, 2007. As IFRS 7 includes disclosure requirements only, its adoption does not have an impact on the Company's financial results or position.

#### **Amendment to IAS 1 “Presentation of Financial Statements”**

The amendment introduces requirements for all entities to disclose (i) the entity's objectives, policies and processes for managing capital, (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements and (iv) if it has not complied, the consequences of such non-compliance. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2007. As the amendment to IAS 1 includes disclosure requirements only, its adoption will not have an impact on the Company's financial results or position.

#### **Changes in accounting estimates**

During 2007 the Company has reclassified its investment in subsidiary to held for sale assets, as it is management’s intention to recover the carrying amount of the investment through a sale transaction rather than through continuing use. This change does not have an impact on the financial results or position of the Company. Please refer to notes 3.3 (g) and 7 for more details.

#### **Significant accounting policies**

##### **a. Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and cash on hand. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

##### **b. Financial instruments – initial recognition, subsequent measurement and de-recognition**

###### ***Date of recognition***

The Company recognises a financial asset or a financial liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date that an asset is delivered to or by the Company. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

### 3.3 Significant accounting policies (continued)

#### b. Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

##### *Initial recognition of financial instruments*

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

##### *Due from banks and loans and advances to customers*

“Due from banks” and “Loans and advances to customers” are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral of the effective interest rate. The amortization is included in “Interest and similar income” in the income statement. The losses arising from impairment are recognized in the income statement in “Provision for impairment of loans”.

##### *Loans and borrowings*

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral of the effective interest rate.

##### *De-recognition of financial assets and liabilities*

A financial asset is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

#### c. Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle or realize on a net basis or realize the asset and settle the liability simultaneously. This is not generally the case in master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

#### d. Impairment of financial assets

##### *Due from banks and loans and advances to customers*

If there is objective evidence that the Company will not be able to collect all amounts due (principal and interest) according to original contractual terms of the loan, such loans are considered impaired. The amount of

the impairment loss is the difference between the loan's carrying amount and the present value of expected future cash flows, discounted at the loan's original effective interest rate, including the fair value of collateral.

### **3.3 Significant accounting policies (continued)**

#### **d. Impairment of financial assets (continued)**

Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. 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 risks 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, recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset types, industry, collateral type, past due status and other relevant factors.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

The carrying amount of the asset is reduced to its estimated recoverable amount by a charge to income statement through the use of a provision for loan impairment account. A write off is made when all or part of a loan is deemed uncollectible. Write-offs are charged against previously established provisions and reduce the principal amount of the loan. Recoveries of loans written-off in earlier periods are included in income statement through the provision for loan impairment.

If the amount of the impairment subsequently decreases, due to an event occurring after the write-down, the release of the provision is credited to the provision for impairment of loans in the income statement.

#### **e. Property and equipment**

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

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

<b>Asset type</b>	<b>Years</b>
Buildings	40
Furniture	5 - 6
Computers	3 - 5
Equipment and other	4 - 7

Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is only recognized as an asset when the expenditure improves the condition of the asset beyond the originally assessed standard of performance.

The carrying values of property and equipment are reviewed for impairment either annually, or when events or changes in circumstances indicate that the carrying value may not be recoverable (whichever is earlier). If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future

cash flows are discounted to their present value. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

**3.3 Significant accounting policies (continued)**

**f. Intangible assets**

Intangible assets represent costs incurred for acquisition of software. Intangible assets are amortized using the straight-line method over the estimated useful life of 3 years. The amortization expenses are charged to the general and administrative expenses in the income statement. The carrying amount of intangibles is reviewed annually and adjusted for impairment or when events or changes in circumstances indicate that the carrying amount may not be recoverable.

**g. Held for sale investments**

The Bank classifies financial investments as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Bank classifies as held for sale investments, which are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such investments and when the sale is highly probable (within 12 months period).

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and there is sufficient evidence that the Bank remains committed to its plan to sell the asset.

Held for sale investments are initially recognized at their cost (including transaction costs) and are subsequently carried at the lower of its carrying amount and fair value less costs to sell. In case of subsequent increase in fair value less costs to sell of an investment, this is recognized to the of the cumulative impairment loss that has been recognised previously.

**h. Foreign currency translation**

*Transactions and balances*

Foreign currency transactions are recorded at the exchange rate on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Gain / Loss from exchange rate differences is recognized in the income statement. The year end and average rates for the period were:

	2007		2006	
	USD	EUR	USD	EUR
Average for the period	12.1362	16.5986	13.1319	16.4918
Year end	11.3192	16.6437	12.9050	16.9740

*Reporting in US Dollars*

Besides MDL the Company reports its financial result in USD, presentation currency, for convenience of the users of the financial statements. As at the reporting date, the assets and liabilities of the Company are translated into USD at the rate of exchange ruling at the balance sheet date, and income statement is translated at the weighted average exchange rate for the year. Exchange differences arising on translation are taken directly to equity.

### **3.3 Significant accounting policies (continued)**

#### **i. Income and expense recognition**

Interest income and expense are recognized in the income statement for all interest bearing instruments, including loans that are classified as non-performing until they are written off, on an accrual basis, using the effective yield method.

Fees and direct costs relating to loan origination are deferred and amortized to interest income over the life of the loan, by applying the straight line method, which approximates the effective interest rate method.

#### **j. Grants**

Grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis.

Grants obtained by the Company for re-lending are recognized as income upon their utilization, in case no other conditions for revenue recognition are set in grant agreements. These are included in "Other operating income".

Grants related to income are recognized in the income statement to the limit of incurred expenses and are included in "Other operating income".

Grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income, which is recognised as income on a systematic and rational basis over the useful life of the asset, and are included in "Grants for projects in process".

Grants obtained by the Company from its founders, apart from grants extended to cover operating expenses, are accounted as liabilities to founders, since these are intended to be subsequently converted into share capital. In case the probability of conversion is very remote, such grants provided by the founders for re-lending are recognized as other operating income in the income statement.

#### **k. Contingencies**

Contingent liabilities are not recognized in the financial statements, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

#### **l. Provisions**

The Company recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

### **3.3 Significant accounting policies (continued)**

#### **m. Pension costs and employees' benefits**

The Company contributes to the funds set up by the State of Moldova for pensions, health care and unemployment benefits calculated based on gross salaries of all employees of the Company. The Company does not operate any other retirement benefit plan and has no obligation to provide further benefits to current or former employees.

#### **n. Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transaction represents a transfer of resources or obligations between related parties, regardless of whether a price is charged.

#### **o. Taxation**

Income tax consists of current and deferred income tax.

Current income tax is calculated by applying current income tax rates and laws prevailing during the reporting year to the financial profit before tax adjusted for non-deductible expenses and non-taxable income.

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

#### **p. Events subsequent to the balance sheet date**

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

#### **q. Segment reporting**

The Company operates predominantly in one industry segment, being micro-financing, which is provided to individuals, unregistered entrepreneurs and Moldovan SMEs.

#### **r. Borrowings**

Borrowings are initially recognized at cost, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period to maturity using the effective yield method.

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

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### **3.3 Significant accounting policies (continued)**

#### **s. Significant accounting judgments and estimates**

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts and balances reported in the financial statements and accompanying notes.

##### *Impairment losses on loans and advances to customers*

The Company reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Company also makes a collective impairment allowance against exposures, which although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

#### **t. Fair value measurement**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The Company's short term assets are carried in the financial statements at cost which approximates their fair value, as these instruments have short maturity terms, they are convertible into cash and are settled without significant transaction costs. The Company's loans and advances are reported at nominal value less an estimate for impairment.

#### **Standards and interpretations issued but not yet effective**

Certain new standards and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods and which the Company has not early adopted:

**IFRS 2:** Amendments to IFRS 2 Share Based Payment – Vesting Conditions and Cancellations (effective for financial years beginning on or after 1 January 2009).

The amendment clarifies two issues: the definition of “vesting condition”, introducing the term “non-vesting condition” for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. The Company expects that this Interpretation will have no impact on its financial statements.

**IFRS 3:** Revisions to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009).

### **3.4 Standards and interpretations issued but not yet effective (continued)**

A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements will be issued by IASB on 10 January 2008. IFRS 3R introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests. The Company shall apply IFRS 3 where relevant.

**IFRS 8:** Operating Segments (effective for financial years beginning on or after 1 January 2009).

IFRS 8 replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Company is in the process of assessing the impact this new standard will have on its financial statements.

**IAS 1:** Amendments to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2009).

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Of the main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income"; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e.: a third column on the balance sheet. The Company will make the necessary changes to the presentation of its financial statements in 2009.

**IAS 23:** Amendment to IAS 23 Borrowing Costs (effective for financial years beginning on or after 1 January 2009).

The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

**IAS 32:** Amendments to IAS 32 and IAS 1 Puttable Financial Instruments (effective for financial years beginning on or after 1 January 2009).

### **3.4 Standards and interpretations issued but not yet effective (continued)**

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain

**JV MFO Microinvest LLC**  
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information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact its financial statements.

**IFRIC Interpretations not yet effective:**

**IFRIC Interpretation 12:** Service Concession Arrangements (effective for financial years beginning on or after 1 January 2008).

IFRIC 12 outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and / or an intangible asset. IFRIC 12 is not relevant to the Company's operations.

**IFRIC Interpretation 13:** Customer Loyalty Programmes (effective for financial years beginning on or after 1 July 2008).

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. IFRIC 13 is not relevant to the Company's operations.

**IFRIC Interpretation 14:** IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2008).

IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the “asset ceiling test”, may be influenced by a minimum funding requirement and aims to standardize current practice. The Company expects that this Interpretation will have no impact on its financial position or performance as none of the defined benefit schemes are currently in deficit.

**4. Cash and cash equivalents**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Cash on hand	411,357	36,342	468,751	36,323
Cash at banks in local currency	57,366,230	5,068,046	570,447	44,204
Cash at banks in foreign currency	1,539,157	135,978	486,213	37,676
Cash in transit	3,700	327	24,500	1,898
	<b>59,320,444</b>	<b>5,240,693</b>	<b>1,549,911</b>	<b>120,101</b>

As of 31 December 2007 and 2006, the Company holds all its accounts with Moldovan banks.

The Company pledged the right to collect moneys on current accounts to secure loans attracted, the balances on such accounts as of 31 December 2007 amount to MDL 787,580 (USD 69,579) ( 31 December 2006: MDL 347,743 (USD 26,946)).

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**5. Due from banks and other institutions**

Due from banks and other institutions represent deposits placed with banks and financial organizations as collateral for financing received.

	Currency	Original amount	Maturity	Effective interest rate	Nature of interest	2007	2007	2006	2006
						MDL	USD	MDL	USD
Moldova Agroindbank	MDL	246,000	Nov. 2008	11.00%	Floating	246,000	21,733	246,000	19,062
Banca de Finante si Comert	EUR	325,000	Aug. 2008	6.00%	Fixed	5,409,203	477,879	5,516,550	427,474
Banca de Finante si Comert	EUR	175,000	Nov. 2008	6.00%	Fixed	2,912,648	257,319	2,970,450	230,178
Banca de Finante si Comert	EUR	214,000	Oct. 2007	6.00%	Fixed	-	-	3,632,435	281,475
Banca de Economii	EUR	114,000	Sept. 2008	6.00%	Floating	1,897,382	167,625	-	-
Banca de Economii	USD	500,000	Sept. 2009	6.00%	Floating	5,659,600	500,000	-	-
Banca de Economii	EUR	600,000	Nov. 2009	6.00%	Floating	9,986,220	882,237	-	-
Banca de Economii	USD	500,000	Apr. 2011	6.00%	Floating	5,659,600	500,000	-	-
Banca de Economii	USD	500,000	Apr. 2011	6.50%	Floating	5,659,600	500,000	-	-
Banca de Economii	EUR	600,000	Dec. 2009	6.00%	Floating	9,986,220	882,237	-	-
Banca de Economii	EUR	250,000	Sep. 2009	5.00%	Floating	4,160,925	367,599	4,243,500	328,826
Banca de Economii	EUR	100,000	May.2007	5.00%	Fixed	-	-	1,697,400	131,530
Moldinconbank	EUR	200,000	Oct. 2007	6.50%	Floating	3,328,740	294,079	3,394,800	263,061
Moldinconbank	EUR	500,000	Oct. 2010	7.00%	Floating	8,321,850	735,198	4,243,500	328,826
Moldinconbank	USD	1,900,000	Sep. 2010	7.50%	Floating	21,506,480	1,900,000	3,870,210	299,900
Consorzio Etimos S.C.	EUR	3,612	Nov. 2008	-	-	60,116	5,311	61,310	4,751
						<b>84,794,584</b>	<b>7,491,217</b>	<b>29,876,155</b>	<b>2,315,083</b>
Interest receivable						205,957	18,195	25,269	1,959
						<b>85,000,541</b>	<b>7,509,412</b>	<b>29,901,424</b>	<b>2,317,042</b>

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**5. Due from banks and other institutions (continued)**

*Moldova Agroindbank*

The deposit serves as a guarantee provided by the Company to its clients for loans taken by the latter from Moldova Agroindbank. The Company can withdraw money from this deposit, subject to the condition of maintaining the minimum balance on the account at MDL 181,000 (USD 14,025).

*Deposits with other banks*

As of 31 December 2007 the Company pledged its deposits with banks to secure loans attracted in total amount of MDL 84,488,467 (USD 7,464,173) (31 December 2006: MDL 25,936,410 (USD 2,009,795)) (refer to note 11).

*Consorzio Etimos S.C.*

In 2005 the Company became the member of Etimos Consortium, a consortium that supports microfinance programmes by providing finance to microfinance institutions, banks, savings and credit co-operatives. As a precondition for finance, the potential borrower has to become members of the consortium by subscribing to its share capital in the form of a returnable deposit. The Company had invested in 14 shares of Etimos Consortium for a total value of EUR 3,612, representing 0.19% of total share capital of Etimos, and received a loan of EUR 200,000, repayable on 1 November 2008. The deposit is not interest bearing.

**6. Loans and advances to customers, net**

Analysis by type of loans:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Venture capital	528,600	46,699	528,600	40,961
Direct loans	85,018,735	7,511,020	39,709,856	3,077,091
Group guaranteed loans	1,412,811	124,815	980,897	76,009
Credits to savings associations	31,628,399	2,794,226	10,035,172	777,619
Employees loans	3,713,862	328,103	1,985,779	153,877
	<b>122,302,407</b>	<b>10,804,863</b>	<b>53,240,304</b>	<b>4,125,557</b>
Add: interest receivable	3,156,955	278,901	1,265,182	98,038
Less: commission not amortized	(2,521,954)	(222,802)	(105,709)	(8,191)
Less: provision for impairment	(1,949,207)	(172,203)	(609,386)	(47,221)
	<b>120,988,201</b>	<b>10,688,759</b>	<b>53,790,391</b>	<b>4,168,183</b>

As of 31 December 2007 the Company pledged the right to collect loans to secure loans and borrowings attracted in amount of MDL 67,115,948 (USD 5,929,390) (31 December 2006: MDL 20,190,052 (USD 1,564,514)) (see Note 11).

Venture capital loans represent loans granted to the Company's investees. As of 31 December 2007 these included a loan to S.C. Vinj-Stil S.R.L. bearing an interest of 25% p.a. and maturing in 2009 (31 December 2006: loan to S.C. Vinj-Stil S.R.L.).

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**6. Loans and advances to customers, net (continued)**

Direct loans represent loans granted to borrowers under commercial terms, with an average interest rate in 2007 of 24.33% p.a. (2006: 23.62% p.a.).

Group guaranteed loans represent loans granted to members of informal credit groups created in various regions of the Republic of Moldova and as such their repayment and further extension of other loans are highly depending on the performance of all group members. The average interest rate on such loans in 2007 was 24.27% (2006: 23.80% p.a.).

Loans to savings associations are loans extended to members of formalized savings and credit association throughout the Republic. The average interest rate on such loans in 2007 was 19.49% p.a. (in 2006: 19.10%).

Employee loans represent loans granted by the Company to its employees bearing an interest of 11% - 18% p.a., for a period of 3 - 5 years, repayable in equal instalments on a monthly basis.

As of 31 December 2007 the loan portfolio of the Company consisted of 1 venture capital loan granted to one enterprise (2006: 1), 2,367 direct loans (2006: 1,242), 283 group guaranteed loans (2006: 237), 91 loans to savings associations (2006: 21) and 24 employee loans (2006: 20).

Apart from above mentioned loans, as of 31 December 2007 the Company has outstanding issued guarantees to 6 enterprises in total amount of MDL 321,000 (USD 28,359) (2006: MDL 321,000 (USD 24,874)).

Analysis of loans and advances to customers by type of industry:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Agriculture	35,416,218	3,128,862	21,602,832	1,673,990
Production	9,257,656	817,872	5,825,737	451,433
Trade	25,586,481	2,260,450	12,629,458	978,648
Services	16,340,373	1,443,598	6,766,064	524,298
Food and beverages	31,628,399	2,794,226	2,222,632	172,230
Employees loans	3,713,862	328,103	1,985,779	153,877
Other	359,418	31,752	2,207,802	171,081
	<b>122,302,407</b>	<b>10,804,863</b>	<b>53,240,304</b>	<b>4,125,557</b>
Add: interest receivable	3,156,955	278,901	1,265,182	98,038
Less: commission not amortized	(2,521,954)	(222,802)	(105,709)	(8,191)
Less: provision for impairment	(1,949,207)	(172,203)	(609,386)	(47,221)
	<b>120,988,201</b>	<b>10,688,759</b>	<b>53,790,391</b>	<b>4,168,183</b>

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**6. Loans and advances to customers, net (continued)**

Analysis of loans and advances to customers by original maturity:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Up to 3 months	-	-	3,132,726	242,753
From 3 up to 6 months	32,474	2,869	2,327,711	180,373
From 6 up to 12 months	50,561,468	4,466,876	22,655,541	1,755,563
From 1 up to 5 years	69,412,655	6,132,293	24,525,105	1,900,435
Over 5 years	2,295,810	202,825	599,221	46,433
	<b>122,302,407</b>	<b>10,804,863</b>	<b>53,240,304</b>	<b>4,125,557</b>
Add: interest receivable	3,156,955	278,901	1,265,182	98,038
Less: commission not amortized	(2,521,954)	(222,802)	(105,709)	(8,191)
Less: provision for impairment	(1,949,207)	(172,203)	(609,386)	(47,221)
	<b>120,988,201</b>	<b>10,688,759</b>	<b>53,790,391</b>	<b>4,168,183</b>

As of 31 December 2007 gross loans overdue over 30 days amount to MDL 2,577,195 (USD 227,683) (2006: MDL 799,502 (USD 61,953)).

Borrowers have the right to repay loans in advance without any early settlement option exercise price charged by the Company.

The movement in the provision for impairment is presented below:

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**6. Loans and advances to customers, net (continued)**

<b>31 December 2007</b>	<b>Note</b>	<b>Venture capital 2007 MDL</b>	<b>Direct loans 2007 MDL</b>	<b>Group guaranteed loans 2007 MDL</b>	<b>Savings associations 2007 MDL</b>	<b>Employee loans 2007 MDL</b>	<b>Total MDL</b>
Balance as at 1 January		8,366	395,241	15,525	158,826	31,428	<b>609,386</b>
Charge for the year	<b>21</b>	-	1,869,093	-	41,850	-	1,910,943
Written off loans		-	(571,122)	-	-	-	(571,122)
<b>Balance as at 31 December</b>		<b>8,366</b>	<b>1,693,212</b>	<b>15,525</b>	<b>200,676</b>	<b>31,428</b>	<b>1,949,207</b>

  

<b>31 December 2007</b>		<b>Venture capital 2007 USD</b>	<b>Direct loans 2007 USD</b>	<b>Group guaranteed loans 2007 USD</b>	<b>Savings associations 2007 USD</b>	<b>Employee loans 2007 USD</b>	<b>Total 2007 USD</b>
Balance as at 1 January		648	30,627	1,203	12,308	2,435	<b>47,221</b>
Charge for the year		-	154,010	-	3,448	-	157,458
Written off loans		-	(47,059)	-	-	-	(47,059)
Translation difference		91	12,010	169	1,972	341	14,583
<b>Balance as at 31 December</b>		<b>739</b>	<b>149,588</b>	<b>1,372</b>	<b>17,728</b>	<b>2,776</b>	<b>172,203</b>

  

<b>31 December 2006</b>		<b>Venture capital 2006 MDL</b>	<b>Direct loans 2006 MDL</b>	<b>Group guaranteed loans 2006 MDL</b>	<b>Savings associations 2006 MDL</b>	<b>Employee loans 2006 MDL</b>	<b>Total 2006 MDL</b>
Balance as at 1 January		4,854	364,674	9,008	92,158	18,236	<b>488,930</b>
Charge for the year		3,512	263,811	6,517	66,668	13,192	<b>353,700</b>
Written off loans		-	(251,412)	-	-	-	<b>(251,412)</b>
Recovered loans previously written-off		-	18,168	-	-	-	<b>18,168</b>
<b>Balance as at 31 December</b>		<b>8,366</b>	<b>395,241</b>	<b>15,525</b>	<b>158,826</b>	<b>31,428</b>	<b>609,386</b>

  

<b>31 December 2006</b>		<b>Venture capital 2006 USD</b>	<b>Direct loans 2006 USD</b>	<b>Group guaranteed loans 2006 USD</b>	<b>Savings associations 2006 USD</b>	<b>Employee loans 2006 USD</b>	<b>Total 2006 USD</b>
Balance as at 1 January		378	28,419	702	7,182	1,421	<b>38,102</b>
Charge for the year		267	20,089	496	5,077	1,006	<b>26,935</b>
Written off loans		-	(19,145)	-	-	-	<b>(19,145)</b>
Recovered loans previously written-off		-	1,384	-	-	-	<b>1,384</b>
Translation difference		3	(120)	5	49	8	<b>(55)</b>

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<b>Balance as at 31 December</b>	<b>648</b>	<b>30,627</b>	<b>1,203</b>	<b>12,308</b>	<b>2,435</b>	<b>47,221</b>
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**6. Loans and advances to customers, net (continued)**

The movement of the unamortized commission is presented below:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Balance as at 1 January	105,709	8,191	41,218	3,212
Collections	4,193,037	345,498	198,415	15,109
Income for the year	(1,776,792)	(146,404)	(133,924)	(10,198)
Translation difference	-	15,517	-	68
<b>Balance as at 31 December</b>	<b>2,521,954</b>	<b>222,802</b>	<b>105,709</b>	<b>8,191</b>

**7. Held for sale investments**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Vinj - Stil S.R.L.	3,240	286	3,240	251
	<b>3,240</b>	<b>286</b>	<b>3,240</b>	<b>251</b>

*Vinj - Stil S.R.L.*

Vinj - Stil S.R.L. is a company incorporated in Moldova. As of 31 December 2007 and 2006 the Company holds 60% of the share capital of Vinj - Stil S.R.L.

At the same time, the Company extended a loan to Vinj - Stil S.R.L. of MDL 528,600 (USD 46,699) maturing in 2009 (2006: MDL 528,600 (USD 40,961)). As of 31 December 2007, the gross loan and accrued interest outstanding amount to MDL 972,848 (USD 85,947) (2006: MDL 840,700 (USD 65,145)) (refer to note 23).

The Company is actively looking for an acquirer and intends to sell the investment in 2008.

**8. Other assets**

As at 31 December 2007 the breakdown of other assets is as follows:

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		<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>Note</b>	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Penalty receivables		1,660,921	146,735	497,219	38,529
Deferred salary expenses		1,620,553	143,168	-	-
Due from budget		1,564,151	138,186	-	-
Prepayments		232,402	20,532	58,355	4,521
Inventory		130,419	11,522	76,333	5,915
Prepaid commission		108,606	9,595	-	-
Other receivables		71,206	6,290	148,220	11,485
Receivables from employees		52,262	4,617	8,911	691
		<b>5,440,520</b>	<b>480,645</b>	<b>789,038</b>	<b>61,141</b>
Less Provision for impairment	<b>21</b>	(798,625)	(70,555)	-	-
		<b>4,641,895</b>	<b>410,090</b>	<b>789,038</b>	<b>61,141</b>

**9. Taxation**

		<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
		<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
<i>Current income tax</i>					
Current income tax expenses		323,315	26,641	603,988	45,993
Adjustments in respect of current income tax of previous years		(1,049,700)	(86,494)	2,350,933	179,025
<i>Deferred income tax</i>					
Relating to origination and reversal of temporary differences		171,947	14,168	(1,747,951)	(133,107)
<b>Income tax expense / (credit) for the year</b>		<b>(554,438)</b>	<b>(45,685)</b>	<b>1,206,970</b>	<b>91,911</b>

Current income tax is calculated on the taxable income per statutory financial statements. For tax purposes, the deductibility of certain expenses, for example business trip and marketing costs, is limited to a percentage of profit, specified in the state budget for the year. The standard income tax rate in 2007 was 15% (2006: 15%). Starting from 1 January 2008 the standard income tax rate will be at the level of 0 %.

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the effective tax rate of 15% for 2007 and 2006 respectively is as follows:

		<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
		<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Net profit before tax		451,001	37,161	1,678,178	127,793
Moldovan statutory rate		15%	15%	15%	15%
Income tax at Moldovan statutory rate		<b>67,650</b>	<b>5,574</b>	<b>251,726</b>	<b>19,168</b>
<i>Tax effect of:</i>					
Adjustments in respect of current income tax of previous years		(1,049,700)	(86,494)	544,000	41,426
Non-deductible expenses (at 15%)		67,466	5,560	21,621	1,646
Non-taxable income (at 15%)		(20,212)	(1,665)	(6,581)	(501)

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Effect of IFRS adjustments (at 15%)	208,411	17,172	396,204	30,172
Effect of change in tax rate	171,947	14,168	-	-
<b>Income tax expense / (credit)</b>	<b>(554,438)</b>	<b>(45,685)</b>	<b>1,206,970</b>	<b>91,911</b>

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. Taxation (continued)**

Deferred tax was calculated by applying the 2008 standard tax rate of 0% (2006: 2007 standard tax rate of 15%). Significant components of the Company's gross deferred income tax liabilities are as follows:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Balance as at 1 January	(171,947)	(13,324)	1,576,004	122,818
Income statement debit/(credit)	171,947	14,168	(1,747,951)	(133,107)
Translation difference	-	(844)	-	(3,035)
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>	<b>(171,947)</b>	<b>(13,324)</b>
<i>Deferred tax (asset)/liability in respect of:</i>				
Loans and advances to customers	-	-	(15,859)	(1,229)
Property and equipment and intangibles	-	-	4,079	316
Other assets	-	-	(7,894)	(612)
Interest-bearing loans and borrowings	-	-	(188)	(15)
Grants for projects in process	-	-	(101,833)	(7,890)
Other liabilities	-	-	(50,252)	(3,894)
<b>Deferred tax (assets)/liabilities, net</b>	<b>-</b>	<b>-</b>	<b>(171,947)</b>	<b>(13,324)</b>

JV MFO Microinvest LLC  
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**10. Property and equipment and intangible assets**

	<b>Buildings</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Intangibles</b>	<b>Total</b>
	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>
<b>Cost</b>							
At 1 January 2007	<b>1,050,118</b>	<b>270,986</b>	<b>652,860</b>	<b>166,415</b>	<b>755,667</b>	<b>143,579</b>	<b>3,039,625</b>
Additions/ capitalisation	1,148	217,865	440,201	37,192	592,203	269,232	1,557,841
Disposals	-	-	-	-	-	(4,000)	(4,000)
<b>At 31 December 2007</b>	<b>1,051,266</b>	<b>488,851</b>	<b>1,093,061</b>	<b>203,607</b>	<b>1,347,870</b>	<b>408,811</b>	<b>4,593,466</b>
<b>Accumulated depreciation</b>							
At 1 January 2007	<b>9,808</b>	<b>47,971</b>	<b>158,152</b>	<b>18,283</b>	-	<b>46,014</b>	<b>280,228</b>
Charge for the year	26,044	97,046	161,935	9,758	-	45,403	340,186
Disposals	-	-	-	-	-	(1,676)	(1,676)
<b>At 31 December 2007</b>	<b>35,852</b>	<b>145,017</b>	<b>320,087</b>	<b>28,041</b>	-	<b>89,741</b>	<b>618,738</b>
<b>Carrying value</b>							
<b>At 31 December 2007</b>	<b>1,015,414</b>	<b>343,834</b>	<b>772,974</b>	<b>175,566</b>	<b>1,347,870</b>	<b>319,070</b>	<b>3,974,728</b>
<b>At 31 December 2006</b>	<b>1,040,310</b>	<b>223,015</b>	<b>494,708</b>	<b>148,132</b>	<b>755,667</b>	<b>97,565</b>	<b>2,759,397</b>

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. Property and equipment and intangible assets (continued)**

	<b>Buildings</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Intangibles</b>	<b>Total</b>
	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>	<b>MDL</b>
<b>Cost</b>							
At 1 January 2006	<b>194,961</b>	<b>131,871</b>	<b>344,788</b>	<b>100,189</b>	<b>497,884</b>	<b>71,369</b>	<b>1,341,062</b>
Additions	4,978	-	2,960	10,113	1,630,385	72,210	1,720,646
Internal transfers	850,179	139,115	306,662	67,270	(1,363,226)	-	-
Disposals	-	-	(1,550)	(11,157)	(9,376)	-	(22,083)
At 31 December 2006	<b>1,050,118</b>	<b>270,986</b>	<b>652,860</b>	<b>166,415</b>	<b>755,667</b>	<b>143,579</b>	<b>3,039,625</b>
<b>Accumulated depreciation</b>							
At 1 January 2006	<b>4,864</b>	<b>16,010</b>	<b>79,594</b>	<b>7,547</b>	-	<b>10,345</b>	<b>118,360</b>
Charge for the year	4,944	31,961	79,470	10,736	-	35,669	162,780
Charge for disposal	-	-	(912)	-	-	-	(912)
At 31 December 2006	<b>9,808</b>	<b>47,971</b>	<b>158,152</b>	<b>18,283</b>	-	<b>46,014</b>	<b>280,228</b>
<b>Carrying value</b>							
At 31 December 2006	<b>1,040,310</b>	<b>223,015</b>	<b>494,708</b>	<b>148,132</b>	<b>755,667</b>	<b>97,565</b>	<b>2,759,397</b>
At 31 December 2005	<b>190,097</b>	<b>115,861</b>	<b>265,194</b>	<b>92,642</b>	<b>497,884</b>	<b>61,024</b>	<b>1,222,702</b>

JV MFO Microinvest LLC  
NOTES TO THE FINANCIAL STATEMENTS  
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10. Property and equipment and intangible assets (continued)

	Buildings	Furniture	Equipment	Other	Construction in progress	Intangibles	Total
	USD	USD	USD	USD	USD	USD	USD
<b>Cost</b>							
At 1 January 2007	81,373	20,999	50,590	12,895	58,557	11,125	235,539
Additions/ capitalisation	95	17,952	36,272	3,065	48,796	22,184	128,364
Disposals	-	-	-	-	-	(330)	(330)
Translation difference	11,407	4,237	9,705	2,028	11,725	3,138	42,240
<b>At 31 December 2007</b>	<b>92,875</b>	<b>43,188</b>	<b>96,567</b>	<b>17,988</b>	<b>119,078</b>	<b>36,117</b>	<b>405,813</b>
<b>Accumulated depreciation</b>							
At 1 January 2007	759	3,716	12,258	1,417	-	3,565	21,715
Charge for the year	2,146	7,996	13,343	804	-	3,741	28,030
Disposals	-	-	-	-	-	(138)	(138)
Translation difference	262	1,100	2,677	256	-	761	5,056
<b>At 31 December 2007</b>	<b>3,167</b>	<b>12,812</b>	<b>28,278</b>	<b>2,477</b>	<b>-</b>	<b>7,929</b>	<b>54,663</b>
<b>Carrying value</b>							
At 31 December 2007	89,708	30,376	68,289	15,511	119,078	28,188	351,150
At 31 December 2006	80,614	17,283	38,332	11,478	58,557	7,560	213,824

**JV MFO Microinvest LLC**  
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**10. Property and equipment and intangible assets (continued)**

	<b>Buildings</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Intangibles</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Cost</b>							
At 1 January 2006	<b>15,194</b>	<b>10,277</b>	<b>26,870</b>	<b>7,807</b>	<b>38,801</b>	<b>5,562</b>	<b>104,511</b>
Additions	379	-	225	770	124,154	5,499	131,027
Internal transfers	64,741	10,594	23,352	5,123	(103,810)	-	-
Disposals			(118)	(850)	(714)	-	(1,682)
Translation difference	1,059	128	261	45	126	64	1,683
At 31 December 2006	<b>81,373</b>	<b>20,999</b>	<b>50,590</b>	<b>12,895</b>	<b>58,557</b>	<b>11,125</b>	<b>235,539</b>
<b>Accumulated amortization</b>							
At 1 January 2006	<b>379</b>	<b>1,246</b>	<b>6,205</b>	<b>588</b>	-	<b>807</b>	<b>9,225</b>
Charge for the year	376	2,434	6,053	818	-	2,714	12,395
Charge for disposal	-	-	(70)	-	-	-	(70)
Translation difference	4	36	70	11	-	44	165
At 31 December 2006	<b>759</b>	<b>3,716</b>	<b>12,258</b>	<b>1,417</b>	-	<b>3,565</b>	<b>21,715</b>
<b>Carrying value</b>							
At 31 December 2006	<b>80,614</b>	<b>17,283</b>	<b>38,332</b>	<b>11,478</b>	<b>58,557</b>	<b>7,560</b>	<b>213,824</b>
At 31 December 2005	<b>14,815</b>	<b>9,031</b>	<b>20,665</b>	<b>7,219</b>	<b>38,801</b>	<b>4,755</b>	<b>95,286</b>

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

**11. Interest-bearing loans and borrowings**

	<b>Maturity date</b>	<b>Effective interest rate, %</b>	<b>Original currency</b>	<b>Amount granted in original currency</b>	<b>2007 MDL</b>	<b>2007 USD</b>	<b>2006 MDL</b>	<b>2006 USD</b>
Soros Economic Development Fund	31-Dec-10	2.00%	EUR	175,000	2,912,648	257,319	2,970,450	230,178
Oxfam NOVIB Netherlands	30-Jun-10	6.00%	EUR	325,000	3,245,522	286,727	4,413,240	341,979
Oxfam NOVIB Netherlands	31-Dec-12	CHIBID 6M + 6.80%,	EUR*	400,000	6,705,840	592,431	-	-
Consorzio Etimos S.C.	8-Nov-08	EURIBOR + 5.80%	EUR	200,000	1,208,461	106,762	2,355,900	182,557
National Federation AGROinform	30-Oct-08	5.00%	EUR*	120,000	1,935,339	170,978	1,935,339	149,968
S.A SIDI	1-Mar-08	6.00%	EUR	50,000	832,185	73,520	848,700	65,765
S.A SIDI	13-Apr-08	7.00%	EUR	120,000	1,997,244	176,447	2,036,880	157,836
“CONTACT” National Center for NGO assistance and information	26-Jun-10	11.00%	USD*	100,000	1,197,680	105,810	1,197,680	92,807
Banca de Finante si Comert SA	15-Aug-08	15.50%	MDL	15,000,000	3,500,000	309,209	15,000,000	1,162,340
Banca de Economii SA	11-Sep-09	14.00%	MDL	4,000,000	4,000,000	353,382	4,000,000	309,957
Banca de Economii SA	25-May-07	14.00%	MDL	1,600,000	-	-	1,600,000	123,983
Banca de Economii SA	29-Apr-11	15.00%	MDL	12,000,000	11,952,000	1,055,905	-	-
Banca de Economii SA	2-Nov-09	15.00%	MDL	9,500,000	9,463,583	836,065	-	-
Banca de Economii SA	31-Dec-12	15.00%	MDL	15,000,000	14,973,333	1,322,826	-	-
Banca de Economii SA	28-Dec-09	15.00%	MDL	1,800,000	1,795,950	158,664	-	-
BC Moldindconbank SA	13-Aug-07	14.50%	MDL	3,000,000	-	-	3,000,000	232,468
BC Moldindconbank SA	10-Sep-10	15.50%	MDL	24,519,500	21,566,837	1,905,332	1,246,410	96,583
BC Moldindconbank SA	22-Oct-09	14.50%	MDL	3,242,880	2,244,597	198,300	-	-
BC Moldindconbank SA	15-Oct-10	15.00%	MDL	8,487,000	8,328,607	735,795	-	-
EBRD	29-Jan-11	LIBOR 3M+4.25%	USD	1,000,000	11,221,336	991,354	-	-
Dual Return Fund S.I.C.A.V.	10-Nov-09	9.35%	EUR	600,000	9,986,220	882,236	-	-
EFSE	22-Sep-10	LIBOR 6M+ 4.4%	USD	1,900,000	21,449,909	1,895,002	3,871,500	300,000
Global Commercial Microfinance	26-Oct-10	8.50%	EUR	750,000	12,426,076	1,097,787	8,397,271	650,699
Öikocredit, Ecumenical Development Cooperative Society U.A.	11-Apr-10	NBM + 3%	EUR*	100,000	1,126,020	99,479	1,576,430	122,157

**JV MFO Microinvest LLC**  
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**11. Interest-bearing loans and borrowings (continued)**

	<b>Maturity date</b>	<b>Effective interest rate, %</b>	<b>Origin al curren cy</b>	<b>Amount granted in original currency</b>	<b>2007 MDL</b>	<b>2007 USD</b>	<b>2006 MDL</b>	<b>2006 USD</b>
Oikocredit, Ecumenical Development Cooperative Society U.A.	4-May-12	13.50%	EUR*	733,744	12,251,886	1,082,400	-	-
Stichting Triodos-Doen	1-Oct-08	8.70%	EUR	500,000	8,304,218	733,640	8,427,052	653,007
Credit Suisse Microfinance Fund Management Company	7-Jun-07	9.00%	EUR	200,000	-	-	3,394,800	263,061
Credit Suisse Microfinance Fund Management Company	19-Sep-09	10.35%	USD	500,000	5,659,600	500,000	-	-
Kiva Microfunds	7-Feb-08	0.00%	USD	500,000	253,629	22,407	156,797	12,150
Pettelaar Effectenbewaarbedrijf N.V.	4-May-12	9.00%	EUR	600,000	9,943,234	878,440	-	-
UCITS Nord Sud Development	17-Apr-08	EURIBOR 12M + 2.00%	EUR	150,000	2,496,556	220,560	-	-
					<b>192,978,510</b>	<b>17,048,777</b>	<b>66,428,449</b>	<b>5,147,495</b>
Add: interest payable					2,060,640	182,048	451,753	35,008
					<b>195,039,150</b>	<b>17,230,825</b>	<b>66,880,202</b>	<b>5,182,503</b>

\*The loan was originally granted in EUR or USD and is repayable in MDL at historical rate.

**JV MFO Microinvest LLC**  
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**11. Interest-bearing loans and borrowings (continued)**

*Soros Economic Development Fund*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	2,970,450	230,178	2,659,124	207,226
Received during the year	-	-	-	-
Repaid during the year	-	-	-	-
Translation difference	(57,802)	27,141	311,326	22,952
	<b>2,912,648</b>	<b>257,319</b>	<b>2,970,450</b>	<b>230,178</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>2,912,648</b>	<b>257,319</b>	<b>2,970,450</b>	<b>230,178</b>

The loan of EUR 175,000 was granted on 7 December 2005 as part of the Lending Program designed to promote community self-sustainability and to create employment opportunities for underprivileged members of Moldova's economically depressed communities. The loan was provided under fixed 2% annual interest rate for a period of 5 years, repayable semi-annually on 30 June and 31 December each year. Loan principle is repayable upon maturity. The Company signed a promissory note for the total amount outstanding to secure repayment of the loan.

*Oxfam NOVIB Netherlands*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 1				
As at 1 January	4,413,240	341,979	4,938,375	384,848
Received during the year	-	-	-	-
Repaid during the year	(1,054,741)	(86,909)	(1,083,745)	(82,527)
Translation difference	(112,977)	31,657	558,610	39,658
	<b>3,245,522</b>	<b>286,727</b>	<b>4,413,240</b>	<b>341,979</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>3,245,522</b>	<b>286,727</b>	<b>4,413,240</b>	<b>341,979</b>

The loan agreement was signed on 12 July 2005 for a total amount of EUR 325,000 for a period of 5 years, under a fixed 6% annual interest rate. The loan proceeds are to be used for re-lending activities to micro and small entrepreneurs and enterprises in accordance with the Company's strategy and procedures. The loan is repayable in equal 5 annual capital instalments on 30 June. A deposit of EUR 325,000 held with "Banca de Finante si Comert" SA serves as collateral for the loan (refer to note 5).

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Interest-bearing loans and borrowings (continued)**

*Oxfam NOVIB Netherlands (continued)*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 2				
As at 1 January	-	-	-	-
Received during the year	6,705,840	552,549	-	-
Repaid during the year	-	-	-	-
Translation difference	-	39,882	-	-
	<b>6,705,840</b>	<b>592,431</b>	-	-
Accrued interest	207,330	18,317	-	-
<b>As at 31 December</b>	<b>6,913,170</b>	<b>610,748</b>	-	-

The loan agreement was signed on 21 March 2007 for a total amount of EUR 400,000 equivalent in MDL for a period of 4 years, under an annual interest rate CHIBID 6M + 6.8%, minimum 12% maximum 18.5%. The loan proceeds are to be used for re-lending activities to micro and small entrepreneurs and enterprises in accordance with the Company's strategy and procedures. The loan is repayable in one tranche. The Company's obligation towards the Lender is secured by a promissory note for a total amount of EUR 400,000 in favour of Oxfam NOVIB Netherlands. On 3 July 2007, the loan, upon the request of the Company and accord of the Lender, was converted into a subordinated loan having the maturity date extended until December 2012.

*Consorzio Etimos S.C.*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	2,355,900	182,557	3,039,000	236,830
Received during the year	-	-	-	-
Repaid during the year	(1,101,697)	(90,778)	(1,006,110)	(76,615)
Translation difference	(45,742)	14,983	323,010	22,342
	<b>1,208,461</b>	<b>106,762</b>	<b>2,355,900</b>	<b>182,557</b>
Accrued interest	25,181	2,225	36,399	2,821
<b>As at 31 December</b>	<b>1,233,642</b>	<b>108,987</b>	<b>2,392,299</b>	<b>185,378</b>

In 2005 the Company became the member of Etimos Consortium, a consortium that supports microfinance programmes by providing finance to microfinance institutions, banks, savings and credit co-operatives. The loan of EUR 200,000 was granted on 8 November 2005 for a period of 3 years, under a floating interest of 6 months EURIBOR + 5.80% being repayable in 6 equal quarterly payments. As collateral, the Company has provided a Guarantee issued by Soros Economic Development Fund of 50% of the loan value.

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

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**11. Interest-bearing loans and borrowings (continued)**

*National Federation AGROinform*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	1,935,339	149,968	1,935,339	150,822
Received during the year	-	-	-	-
Repaid during the year	-	-	-	-
Translation difference	-	21,010	-	(854)
	<b>1,935,339</b>	<b>170,978</b>	<b>1,935,339</b>	<b>149,968</b>
Accrued interest	-	-	96,767	7,498
<b>As at 31 December</b>	<b>1,935,339</b>	<b>170,978</b>	<b>2,032,106</b>	<b>157,466</b>

The loan in the amount of EUR 120,000 was granted on 30 October 2003 as part of a mutual co-operation agreement between the Company and the National Federation AGROinform (“the Lender”) for a period of 5 years. The loan bears a fixed interest rate of 5% p.a. and is repayable in full at maturity. The Company calculates and pays the interest and principal in MDL, at the historical rate applicable as at the date of loan disbursement. Interest is payable on the 30 December each year.

In accordance with the loan agreement signed on 30 October 2003, the Company has to use the loan proceeds for micro-financing of AAMS clients (Alliance for Agricultural Market Support), recommended by the Lender, in the form of special purpose loans bearing an interest rate of 16% p.a.

*Banca de Finante si Comert SA*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	15,000,000	1,162,340	15,000,000	1,168,954
Received during the year	-	-	-	-
Repaid during the year	(11,500,000)	(947,578)	-	-
Translation difference	-	94,447	-	(6,614)
	<b>3,500,000</b>	<b>309,209</b>	<b>15,000,000</b>	<b>1,162,340</b>
Accrued interest	49,083	4,336	193,750	15,014
<b>As at 31 December</b>	<b>3,549,083</b>	<b>313,545</b>	<b>15,193,750</b>	<b>1,177,354</b>

The Company received on 16 August 2005 a loan from “Banca de Finante si Comert” SA of MDL 15,000,000, bearing an annual floating interest rate of 15.5% p.a. The loan is granted for a period of 3 years and is repayable in equal semi-annual instalments on 15 February and 15 August each year. Two deposits of EUR 325,000 and EUR 175,000 held with the same bank serves as collateral for the loan (refer to note 5).

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Interest-bearing loans and borrowings (continued)**

*SIDI*

Loan 1	2007 MDL	2007 USD	2006 MDL	2006 USD
As at 1 January	848,700	65,765	759,750	59,207
Received during the year	-	-	-	-
Repaid during the year	-	-	-	-
Translation difference	(16,515)	7,755	88,950	6,558
	<b>832,185</b>	<b>73,520</b>	<b>848,700</b>	<b>65,765</b>
Accrued interest	16,644	1,470	16,974	1,315
<b>As at 31 December</b>	<b>848,829</b>	<b>74,990</b>	<b>865,674</b>	<b>67,080</b>

On 25 February 2005 the Company has signed a loan agreement with Solidarite Internationale pour le Developpement et l'Investissement ("SIDI"), for a loan of EUR 50,000 which was granted on 9 March 2005 for a period of 3 years. It bears a fixed interest of 6% p.a., payable on a semi-annual basis on 1 September and 1 March each year. Loan principal is repayable upon maturity.

Loan 2	2007 MDL	2007 USD	2006 MDL	2006 USD
As at 1 January	2,036,880	157,836	-	-
Received during the year	-	-	1,896,540	147,150
Repaid during the year	-	-	-	-
Translation difference	(39,636)	18,611	140,340	10,686
	<b>1,997,244</b>	<b>176,447</b>	<b>2,036,880</b>	<b>157,836</b>
Accrued interest	34,952	3,088	35,645	2,762
<b>As at 31 December</b>	<b>2,032,196</b>	<b>179,535</b>	<b>2,072,525</b>	<b>160,598</b>

On 24 March 2006 the Company has signed a loan agreement with SIDI for the amount of EUR 120,000. The loan was granted to finance portfolio growth. The loan is short term bearing a fixed interest of 7%, payable semi-annually on 7 June and 7 December. The loan is payable in full at the maturity and is unsecured.

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Interest-bearing loans and borrowings (continued)**

*“CONTACT” National Centre for NGO assistance and information*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	1,197,680	92,807	1,197,680	93,335
Received during the year	-	-	-	-
Repaid during the year	-	-	-	-
Translation difference	-	13,003	-	(528)
	<b>1,197,680</b>	<b>105,810</b>	<b>1,197,680</b>	<b>92,807</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>1,197,680</b>	<b>105,810</b>	<b>1,197,680</b>	<b>92,807</b>

\*The loan was originally granted in USD and is repayable in MDL at historical rate.

The loan agreement was signed on 26 March 2004, whereby the Company obtained a loan in the amount of USD 100,000 for a period of 3 years for the purpose of re-lending to non-agricultural enterprises in the regions selected by the lender (centre Contact), mainly in the north, centre and south of the Republic. The loan bears a 11% fixed interest rate. Interest is payable on 30 December each year, the principal is repayable in full at maturity. The loan is unsecured. On maturity date that is on 26 June 2007, the loan agreement was extended until 26 June 2010 pursuant to an amendment agreement concluded on 26 June 2007.

*BC Banca de Economii SA*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 1				
As at 1 January	4,000,000	309,957	-	-
Received during the year	-	-	4,000,000	309,957
Repaid during the year	-	-	-	-
Translation difference	-	43,425	-	-
	<b>4,000,000</b>	<b>353,382</b>	<b>4,000,000</b>	<b>309,957</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>4,000,000</b>	<b>353,382</b>	<b>4,000,000</b>	<b>309,957</b>

On 11 September 2006 the Company signed a loan agreement with BC Banca de Economii SA for the amount of MDL 4,000,000. The loan was granted for a period of 3 years and bears a floating interest rate. Interest is payable monthly. Loan principal is repayable upon maturity. The Company pledged a cash deposit in amount of EUR 250,000 as well as the right to collect moneys from current accounts with the bank to secure the loan (refer to notes 4 and 5).

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Interest-bearing loans and borrowings (continued)**

*BC Banca de Economii SA (continued)*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 2				
As at 1 January	1,600,000	123,983	-	-
Received during the year	-	-	1,600,000	123,983
Repaid during the year	(1,600,000)	(131,837)	-	-
Translation difference	-	7,854	-	-
	-	-	<b>1,600,000</b>	<b>123,983</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>1,600,000</b>	<b>123,983</b>

On 25 August 2006 the Company signed a loan agreement with BC Banca de Economii SA for the amount of MDL 1,600,000. The loan was granted for the period of 9 months and bears a floating interest rate. Interest is payable quarterly. The Company pledged a cash deposit in amount of EUR 100,000 as well as the right to collect moneys from current accounts with the bank to secure the loan (refer to notes 4 and 5).

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 3				
As at 1 January	-	-	-	-
Received during the year	1,800,000	148,317	-	-
Repaid during the year	-	-	-	-
Amortized commission	(4,050)	(358)	-	-
Translation difference	-	10,705	-	-
	<b>1,795,950</b>	<b>158,664</b>	-	-
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>1,795,950</b>	<b>158,664</b>	<b>-</b>	<b>-</b>

On 27 February 2007 the Company signed a loan agreement with BC Banca de Economii SA for the amount of MDL 1,800,000. The loan was granted for the period of 19 months and bears a floating interest rate. Interest is payable quarterly. Loan principle is repayable upon maturity. The Company pledged a cash deposit in amount of EUR 114,000 as well as the right to collect moneys from current accounts with the bank to secure the loan (refer to notes 4 and 5)

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 4				
As at 1 January	-	-	-	-
Received during the year	12,000,000	988,777	-	-
Repaid during the year	-	-	-	-
Amortized commission	(48,000)	(4,241)	-	-
Translation difference	-	71,369	-	-
	<b>11,952,000</b>	<b>1,055,905</b>	-	-
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>11,952,000</b>	<b>1,055,905</b>	<b>-</b>	<b>-</b>

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Interest-bearing loans and borrowings (continued)**

*BC Banca de Economii SA*

On 22 March 2007 the Company signed a loan agreement with BC Banca de Economii SA for the amount of MDL 12,000,000. The loan was granted for the period of 49 months and bears a floating interest rate. Interest is payable quarterly. The Company pledged two cash deposits in total amount of USD 1,000,000 as well as the right to collect moneys from current accounts with the bank to secure the loan (refer to notes 4 and 5)

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
Loan 5	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	-	-	-	-
Received during the year	9,500,000	782,782	-	-
Repaid during the year	-	-	-	-
Amortized commission	(36,417)	(3,217)	-	-
Translation difference	-	56,500	-	-
	<b>9,463,583</b>	<b>836,065</b>	-	-
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>9,463,583</b>	<b>836,065</b>	-	-

On 24 May 2007 the Company signed a loan agreement with BC Banca de Economii SA for the amount of MDL 9,500,000. The loan was granted for the period of 29 months and bears a floating interest rate. Interest is payable quarterly. The Company pledged a cash deposit in amount of EUR 600,000 as well as the right to collect moneys from current accounts with the bank to secure the loan (refer to notes 4 and 5)

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
Loan 6	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	-	-	-	-
Received during the year	15,000,000	1,235,972	-	-
Repaid during the year	-	-	-	-
Amortised commission	(26,667)	(2,356)	-	-
Translation difference	-	89,210	-	-
	<b>14,973,333</b>	<b>1,322,826</b>	-	-
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>14,973,333</b>	<b>1,322,826</b>	-	-

On 11 July 2007 the Company signed a loan agreement with BC Banca de Economii SA for the amount of MDL 15,000,000. The loan was granted for the period of 65 months and bears a floating interest rate. Interest is payable quarterly. The Company pledged two cash deposits in amount of EUR 600,000 and USD 500,000 as well as the right to collect moneys from current accounts with the bank to secure the loan (refer to notes 4 and 5)

**JV MFO Microinvest LLC**  
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**11. Interest-bearing loans and borrowings (continued)**

*BC Moldindconbank SA*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
<i>Loan 1</i>				
As at 1 January	3,000,000	232,468	-	-
Received during the year	-	-	3,000,000	232,468
Repaid during the year	(3,000,000)	(247,194)	-	-
Translation difference	-	14,726	-	-
	-	-	<b>3,000,000</b>	<b>232,468</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>232,468</b>

On 14 August 2006 the Company signed a loan agreement with BC Moldindconbank SA for the amount of MDL 3,000,000. The loan was granted for the period of 12 months and bears a floating interest rate. The loan is repayable in two equal instalments. The Company pledged a cash deposit in amount of EUR 200,000 to secure the loan (refer to note 5).

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
<i>Loan 2</i>				
As at 1 January	1,246,410	96,583	-	-
Received during the year	20,338,700	1,675,871	1,246,410	96,583
Repaid during the year	-	-	-	-
Amortised commission	(18,273)	(1,614)	-	-
Translation difference	-	134,492	-	-
	<b>21,566,837</b>	<b>1,905,332</b>	<b>1,246,410</b>	<b>96,583</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>21,566,837</b>	<b>1,905,332</b>	<b>1,246,410</b>	<b>96,583</b>

On 29 December 2006 the Company signed a loan agreement with BC Moldindconbank SA for the amount of MDL 24,519,500. The loan was granted for the period of 4 years and bears a floating interest rate. The loan is repayable in three equal instalments. The Company pledged a cash deposit in amount of USD 1,900,000 to secure the loan (refer to note 5).

**JV MFO Microinvest LLC**  
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**11. Interest-bearing loans and borrowings (continued)**

*BC Moldindconbank SA (continued)*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 3				
As at 1 January	-	-	-	-
Received during the year	8,350,000	688,025	-	-
Repaid during the year	-	-	-	-
Amortized commission	(21,393)	(1,890)	-	-
Translation difference	-	49,660	-	-
	<b>8,328,607</b>	<b>735,795</b>	-	-
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>8,328,607</b>	<b>735,795</b>	-	-

On 29 December 2006 the Company signed a loan agreement with BC Moldindconbank SA for the amount of MDL 8,487,000 (EUR 500,000). The loan was granted for the period of 3 years and bears a floating interest rate of 15% per annum. The loan is repayable in two semi-annual instalments. The Company pledged a cash deposit in amount of EUR 500,000 to secure the loan (refer to note 5).

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 4				
As at 1 January	-	-	-	-
Received during the year	2,244,597	184,951	-	-
Repaid during the year	-	-	-	-
Translation difference	-	13,349	-	-
	<b>2,244,597</b>	<b>198,300</b>	-	-
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>2,244,597</b>	<b>198,300</b>	-	-

On 14 August 2007 the Company signed a loan agreement with BC Moldindconbank SA for the amount of MDL 3,242,880. The loan was granted for the period of 26 months and bears a floating interest rate of 14.5% per annum. The loan is repayable in two semi-annual instalments. The Company pledged a cash deposit in amount of EUR 200,000 to secure the loan (refer to note 5).

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Interest-bearing loans and borrowings (continued)**

*The European Fund for Southeast Europe (EFSE)*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	3,871,500	300,000	-	-
Received during the year	19,865,225	1,600,000	3,956,192	300,000
Repaid during the year	-	-	-	-
Amortised commission	(56,570)	(4,998)	-	-
Translation difference	(2,230,246)	-	(84,692)	-
	<b>21,449,909</b>	<b>1,895,002</b>	<b>3,871,500</b>	<b>300,000</b>
Accrued interest	571,985	50,532	14,669	1,137
<b>As at 31 December</b>	<b>22,021,894</b>	<b>1,945,534</b>	<b>3,886,169</b>	<b>301,137</b>

On 19 October 2006 the Company signed a loan agreement with EFSE for the total amount of USD 1,900,000. The loan was granted for a period of 4 years and bears a variable interest rate of 6 months LIBOR + 4.4%. The loan is repayable in three equal instalments once a year starting 2008. The Company provides as collateral all claims and rights related to any sub-loan re-financed under the Framework agreement

*Global Commercial Microfinance Consortium (GCMC)*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	8,397,271	650,699	-	-
Received during the year	4,228,725	348,439	8,622,175	667,945
Repaid during the year	-	-	-	-
Amortised commission	(56,699)	(5,009)	(89,729)	(6,953)
Translation difference	(143,221)	103,658	(135,175)	(10,293)
	<b>12,426,076</b>	<b>1,097,787</b>	<b>8,397,271</b>	<b>650,699</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>12,426,076</b>	<b>1,097,787</b>	<b>8,397,271</b>	<b>650,699</b>

On 26 July 2006 the Company signed a loan agreement with GCMC for the total amount of EUR 750,000. The loan was granted for the period of 3 years and bears a 8.5% fixed interest rate. As of 31 December 2007 the Company pledged the right to collect loans and advances to customers in amount of MDL 12,482,775 (USD 1,102,797) to secure the loan. (refer to note 4)

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Interest-bearing loans and borrowings (continued)**

*Oikocredit, Ecumenical Development Cooperative Society U.A.*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 1				
As at 1 January	1,576,430	122,157	-	-
Received during the year	-	-	1,576,430	122,157
Repaid during the year	(450,410)	(37,113)	-	-
Translation difference	-	14,435	-	-
	<b>1,126,020</b>	<b>99,479</b>	<b>1,576,430</b>	<b>122,157</b>
Accrued interest	33,689	2,976	56,209	4,356
<b>As at 31 December</b>	<b>1,159,709</b>	<b>102,455</b>	<b>1,632,639</b>	<b>126,513</b>

\*The loan was originally granted in EUR and is repayable in MDL at historical rate.

On 2 March 2006 the Company signed a loan agreement with Oikocredit for the total amount of EUR 100,000. The loan was granted for the period of 4 years and bears a floating interest rate approximating the base rate of NBM applicable for short term refinancing on Moldovan commercial banks + 3% per annum. Loan and interest are repayable semi-annually on 4 May and 3 November. As of 31 December 2007 the Company pledged the right to collect loans and advances to customers in amount of MDL 1,126,019 (USD 99,479) to secure the loan. (refer to note 4)

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 2				
As at 1 January	-	-	-	-
Received during the year	12,359,624	1,018,410	-	-
Repaid during the year	-	-	-	-
Amortised commission	(107,738)	(9,518)	-	-
Translation difference	-	73,508	-	-
	<b>12,251,886</b>	<b>1,082,400</b>	-	-
Accrued interest	269,711	23,827	-	-
<b>As at 31 December</b>	<b>12,521,597</b>	<b>1,106,227</b>	-	-

On 4 May 2007 the Company signed a loan agreement with Oikocredit for the total amount of EUR 733,744. The loan was granted for the period of 5 years and bears a floating interest rate first 12 months -13.5%, for the next 48 months - the base rate of NBM + 3% and no less than 9 %. Loan and interest are repayable semi-annually. As of 31 December 2007 the Company pledged the right to collect loans and advances to customers in amount of MDL 12,359,624 (USD 1,091,917) to secure the loan. (refer to note 4)

\*The loan was originally granted in EUR and is repayable in MDL at historical rate.

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

**11. Interest-bearing loans and borrowings (continued)**

*Stichting Triodos-Doen*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	8,427,052	653,007	-	-
Received during the year	-	-	8,431,264	653,408
Repaid during the year	-	-	-	-
Amortised commission	(17,632)	(1,558)	(59,948)	(4,645)
Translation difference	(105,202)	82,191	55,736	4,244
	<b>8,304,218</b>	<b>733,640</b>	<b>8,427,052</b>	<b>653,007</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>8,304,218</b>	<b>733,640</b>	<b>8,427,052</b>	<b>653,007</b>

On 15 May 2006 the Company signed a loan agreement with Stichting Triodos-Doen for the total amount of EUR 500,000. The loan was granted for the period of 2 years and bears a 8.7% fixed interest rate. Loan principal is repayable in two equal instalments during 2008. As of 31 December 2007 the Company pledged the right to collect loans and advances to customers in the amount of MDL 8,321,850 (USD 737,198) to secure the loan. (refer to note 4)

*Credit Suisse Microfinance Fund Management Company*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 1				
As at 1 January	3,394,800	263,061	-	-
Received during the year	-	-	3,390,500	262,734
Repaid during the year	(3,394,800)	(279,725)	-	-
Translation difference	-	16,664	4,300	327
	-	-	<b>3,394,800</b>	<b>263,061</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>3,394,800</b>	<b>263,061</b>

On 7 June 2006 the Company signed a loan agreement with Credit Suisse Microfinance Fund Management Company for the total amount of EUR 200,000. The loan was granted for the period of 12 months and bears a fixed interest rate - 9%. Loan principal is repayable upon maturity. The Company issued a promissory note as a guarantee.

**JV MFO Microinvest LLC**  
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**11. Interest-bearing loans and borrowings (continued)**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Loan 2				
As at 1 January	-	-	-	-
Received during the year	6,308,450	500,000	-	-
Repaid during the year	-	-	-	-
Translation difference	(648,850)	-	-	-
	<b>5,659,600</b>	<b>500,000</b>		
Accrued interest	164,341	14,519	-	-
<b>As at 31 December</b>	<b>5,823,941</b>	<b>514,519</b>	-	-

On 20 March 2007 the Company signed a loan agreement with Credit Suisse Microfinance Fund Management Company for the total amount of USD 500,000. The loan was granted for the period of 30 months and bears a fixed interest rate 10.35%. The loan is repayable in 4 equal instalments twice a year on 19 March and 19 September. The Loan is secured by a promissory note.

*EBRD*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	-	-	-	-
Received during the year	12,316,100	1,014,823	-	-
Repaid during the year	-	-	-	-
Amortised commission	(97,864)	(8,646)	-	-
Translation difference	(996,900)	(14,823)	-	-
	<b>11,221,336</b>	<b>991,354</b>	-	-
Accrued interest	148,613	13,129	-	-
<b>As at 31 December</b>	<b>11,369,949</b>	<b>1,004,483</b>	-	-

On 17 April 2007 the Company signed a loan agreement with the European Bank for Reconstruction and Development for the total amount of USD 1,000,000. The loan was granted for the period of 46 months and bears a variable interest rate 4.25% + Libor 3m. Loan principal is repayable upon maturity. As of 31 December 2007 the Loan was pledged against the right to collect loans and advances to customers in the amount of MDL 11,319,200 (USD 1,000,000). (refer to note 4)

**JV MFO Microinvest LLC**  
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**11. Interest-bearing loans and borrowings (continued)**

*Dual Return Fund S.I.C.A.V.*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	-	-	-	-
Received during the year	10,013,760	825,115	-	-
Repaid during the year	-	-	-	-
Translation difference	(27,540)	57,121	-	-
	<b>9,986,220</b>	<b>882,236</b>	-	-
Accrued interest	132,276	11,687	-	-
<b>As at 31 December</b>	<b>10,118,496</b>	<b>893,923</b>	-	-

On 3 May 2007 the Company signed a loan agreement with the Dual Return Fund S.I.C.A.V. for the total amount of EUR 600,000. The loan was granted for the period of 30 months and bears a fixed interest rate 9.35%. The Company issued a promissory note to Dual Return Fund S.I.C.A.V. for the total amount of EUR 600,000.

*KIVA*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	156,796	12,150	-	-
Received during the year	675,464	55,657	159,911	12,177
Repaid during the year	(550,983)	(45,400)	-	-
Translation difference	(27,648)	-	(3,115)	(27)
	<b>253,629</b>	<b>22,407</b>	<b>156,796</b>	<b>12,150</b>
Accrued interest	-	-	-	-
<b>As at 31 December</b>	<b>253,629</b>	<b>22,407</b>	<b>156,796</b>	<b>12,150</b>

On 6 December 2006, the Company signed a loan agreement with KIVA for the total amount of USD 500,000. The loan was granted for the period of 14 months and is interest-free. The Loan is unsecured.

**JV MFO Microinvest LLC**  
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**11. Interest-bearing loans and borrowings (continued)**

*Pettelaar Effectenbewaarbedrijf N.V.*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	-	-	-	-
Received during the year	9,849,732	811,599	-	-
Repaid during the year	-	-	-	-
Amortized commission	(42,986)	(3,797)	-	-
Translation difference	136,488	70,638	-	-
	<b>9,943,234</b>	<b>878,440</b>	-	-
Accrued interest	297,090	26,247	-	-
<b>As at 31 December</b>	<b>10,240,324</b>	<b>904,687</b>	-	-

On 16 August 2006, the Company signed a loan agreement with Pettelaar Effectenbewaarbedrijf N.V. for the total amount of EUR 600,000. The loan was granted for the period of 29 months and bears a 9% fixed interest rate. The Loan is unsecured.

*UCITS Nord-Sud Development*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	-	-	-	-
Received during the year	2,545,125	209,714	-	-
Repaid during the year	-	-	-	-
Translation difference	(48,569)	10,846	-	-
	<b>2,496,556</b>	<b>220,560</b>	-	-
Accrued interest	109,745	9,695	-	-
<b>As at 31 December</b>	<b>2,606,301</b>	<b>230,255</b>	-	-

On 17 April 2007, the Company signed a promissory note issued to UCITS Nord-Sud Development for a loan in the total amount of EUR 150,000. The loan was granted for the period of 1 year and bears a variable interest rate EURIBOR 12 months + 2 %. The Loan is secured by the promissory note.

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**12. Grants for projects in process**

The Company obtains grants from a number of donors, which are either used for re-lending or for covering operating expenses. All utilized grants are recognized in the period in which the related expenses were incurred or sub-loans were granted by the Company. The grants for project in process are recognized as liabilities to donors. The movement in grants is presented below:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Grants for projects in process at 1 January	161,261	12,496	652,048	50,814
Grants received during the year	5,687	469	105,719	8,050
Grants used to cover operating expenses	(57,163)	(4,710)	(596,506)	(45,424)
Translation difference	-	1,444	-	(944)
<b>Grants for projects in process at 31 December</b>	<b>109,785</b>	<b>9,699</b>	<b>161,261</b>	<b>12,496</b>

Breakdown of grants by the Grantor is provided in the table below:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
<b><i>NOVIB Netherlands</i></b>				
Grants for projects in process at 1 January	161,261	12,496	652,048	50,814
Grants used to cover operating expenses	(51,476)	(4,241)	(490,787)	(37,373)
Translation difference	-	1,444	-	(945)
<b>Grants for projects in process at 31 December</b>	<b>109,785</b>	<b>9,699</b>	<b>161,261</b>	<b>12,496</b>
<b><i>IDB CGAP Rating Fund</i></b>				
Grants for projects in process at 1 January	-	-	-	-
Grants received during the year	-	-	105,719	8,050
Grants used to cover operating expenses	-	-	(105,719)	(8,050)
Translation difference	-	-	-	-
<b>Grants for projects in process at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><i>EFSE</i></b>				
Grants for projects in process at 1 January	-	-	-	-
Grants received during the year	5,687	469	-	-
Grants used to cover operating expenses	(5,687)	(469)	-	-
Translation difference	-	-	-	-
<b>Grants for projects in process at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total grants for projects in process at 31 December</b>	<b>109,785</b>	<b>9,699</b>	<b>161,261</b>	<b>12,496</b>

***NOVIB Netherlands***

As at 31 December 2007 the outstanding balance of grants amount represent the net book value of the assets acquired from the grants.

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**13. Due to founders**

Soros Foundation Moldova was the major shareholder of the Company in 2006, holding 31,56% of its share capital in 2007. Apart from the contribution to share capital, Soros Foundation Moldova also provided grants, which were used by the Company for re-lending or for covering operating expenses.

During 2007 no grants have been extended. The unused balance mainly represents the carrying value of assets acquired from grant proceeds.

The breakdown of grants extended by the shareholder is provided below:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Grants extended by Soros Foundation Moldova	443,931	39,219	517,628	40,111
	<b>443,931</b>	<b>39,219</b>	<b>517,628</b>	<b>40,111</b>

The detailed movement in grants from founders is presented in the table below:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Grants outstanding at 1 January	517,628	40,111	-	-
Grants received	-	-	1,300,140	100,000
Grants used to cover operating expenses	(73,697)	(6,073)	(782,512)	(59,588)
Translation difference	-	5,181	-	(301)
<b>Grants outstanding at 31 December</b>	<b>443,931</b>	<b>39,219</b>	<b>517,628</b>	<b>40,111</b>

**14. Other liabilities**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Audit fees	379,476	33,525	305,532	23,675
Salary and related payments	400,963	35,423	183,426	14,214
Advertising and other services	265,402	23,447	100,476	7,786
Income tax	36,602	3,234	2,038,960	157,998
Income tax penalties	-	-	88,930	6,891
Other taxes	2,442	216	45,567	3,530
	<b>1,084,885</b>	<b>95,845</b>	<b>2,762,891</b>	<b>214,094</b>

**15. Share capital and reserves**

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		<b>2007</b>	<b>2007</b>		<b>2006</b>	<b>2006</b>
		<b>MDL</b>	<b>USD</b>		<b>MDL</b>	<b>USD</b>
	61.20					
BFSE Holding B.V.	%	29,356,467	2,593,511	-	-	-
Soros Foundation	31.56					
Moldova	%	15,136,654	1,337,255	89.47%	6,386,792	494,908
S.A. "S.I.D.I."	3.72%	1,782,079	157,438	10.53%	751,937	58,267
Munteanu Artur	2.82%	1,353,738	119,597	-	-	-
Mîrzac Veronica	0.35%	169,077	14,937	-	-	-
Lupascu Tudor	0.35%	169,077	14,937	-	-	-
	<b>100%</b>	<b>47,967,092</b>	<b>4,237,675</b>	<b>100%</b>	<b>7,138,729</b>	<b>553,175</b>

*Secondary capital*

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
As at 1 January	<b>484,240</b>	<b>37,523</b>	-	-
S.A. S.I.D.I	(484,240)	(37,523)	484,240	37,523
BFSE Holding B.V.	37,264	3,293	-	-
Oikocredit, Ecumenical Development Cooperative Society U.A.	13,276,894	1,172,953	-	-
Richard H. Driehaus	3,663,314	323,637	-	-
Soros Economic Development Fund	5,302,675	468,467	-	-
	<b>22,280,147</b>	<b>1,968,350</b>	<b>484,240</b>	<b>37,523</b>

Secondary capital of MDL 22,280,147 represents the pending amounts, which shall be recorded as contribution to share capital from new founders.

*Capital Reserve*

Capital Reserve amounts to: 6,123,350 MDL (IUSD 540,970). Based on the Investment Agreement, as soon as practicable, the shareholders agree to use their reasonable endeavours to take such steps as are necessary or desirable to authorize the Company to apply, to the extent permitted by the laws of Moldova, 45% of the capital reserves in satisfaction of the subscription price for the Share certificates applied for by the managers in the amounts set out below:

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**15. Share capital and reserves (continued)**

*Capital Reserve (continued)*

<b>Name</b>	<b>Amount of Premium ( MDL )</b>
Artur Munteanu	1,831,500
Viorica Mîrzac	457,875
Fiodor Lupaşcu	457,875
Capital reserve not distributed	3,357,750
<b>Distributable Capital reserves</b>	<b>6,105,000</b>
Capital reserves not subject to distribution	18,350
<b>Total Capital reserves</b>	<b>6,123,350</b>

The Shareholders acknowledge and agree that 5% of the Capital reserves shall be retained in the capital reserves of the Company until selects a fourth member of the management team to receive the Share certificates. Following the selection of such person, the parties undertake to use their reasonable endeavours to take such steps as are necessary or desirable to authorize the Company to apply, to the extent permitted by the laws of Moldova, 5% of the capital reserves in satisfaction of the subscription price for the Share certificates applied for by selected person, being a nominal amount of MDL 305,250.

In the event that no person has been selected to receive the Share certificates within 18 months of the date of Completion, the parties shall use their reasonable endeavours to take such steps as are necessary or desirable to authorize the Company to apply, to the extent permitted by the laws of Moldova, 5% of the capital reserves in satisfaction of the subscription price for the Share certificates applied for by the Managers in equal proportions, being a nominal amount per Managers of MDL 101,750..

**16. Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Cash in banks	59,320,444	5,240,693	1,549,911	120,101
Short term deposits	-	-	65,000	5,037
	<b>59,320,444</b>	<b>5,240,693</b>	<b>1,614,911</b>	<b>125,138</b>

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**17. Interest income**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Interest on loans	23,742,453	1,956,334	9,744,854	742,075
Penalties for late payment	2,211,733	182,244	802,068	61,078
Commission revenue	1,776,792	146,404	1,007,425	76,716
Interest income on deposits	4,031,379	332,178	1,500,444	114,259
Guarantee fee revenue	14,091	1,160	18,377	1,399
Other income	-	-	5,266	401
	<b>31,776,448</b>	<b>2,618,320</b>	<b>13,078,434</b>	<b>995,928</b>

**18. Interest expense**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Banca de Finante de Comert	2,236,541	184,287	2,469,904	188,084
Consorzio Etimos S.C.	205,872	16,963	279,658	21,296
NOVIB Netherlands	1,174,303	96,760	329,054	25,058
Soros Economic Development Fund	64,594	5,322	67,322	5,127
Solidarite Internationale pour le Developpement et l'Investissement	210,446	17,340	172,706	13,152
Deutsche Bank Microcredit Development Fund	21,123	1,740	10,849	826
“CONTACT” National Center for NGO assistance and information	131,745	10,856	131,745	10,032
National Federation AGROinform	96,767	7,973	96,767	7,369
BC Banca de Economii SA	3,918,659	322,890	62,494	4,759
BC Moldindconbank SA	4,057,192	334,305	112,424	8,561
EFSE	1,778,256	146,525	14,953	1,139
Global Commercial Microfinance Consortium	1,168,493	96,282	180,438	13,740
Oikocredit, Ecumenical Development Cooperative Society U.A.	1,391,381	114,647	196,460	14,960
Stichting Triodos Doen	822,843	67,801	322,226	24,538
Credit Suisse Microfinance Fund Management Company	683,314	56,304	173,068	13,179
EBRD	689,532	56,816	-	-
Dual Return Fund S.I.C.A.V.	646,173	53,243	-	-
Kiva Microfunds	-	-	-	-
Pettelaar Effectenbewaarbedrijf N.V.	303,567	25,013	-	-
UCITS Nord Sud Development	109,111	8,992	-	-
MicroVest	18,772	1,547	-	-
Global Microfinance Facility, GMF	3,453	285	-	-
	<b>19,732,137</b>	<b>1,625,891</b>	<b>4,620,068</b>	<b>351,820</b>

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**19. Other operating income**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Recognition of grant revenue	130,860	10,783	1,379,018	105,013
Recovered income	133,744	11,020	-	-
Other income	157,516	12,979	190,896	14,537
	<b>422,120</b>	<b>34,782</b>	<b>1,569,914</b>	<b>119,550</b>

Recognition of grants as revenue during 2007 and 2006 is presented below:

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Soros Foundation Moldova	73,697	6,072	782,512	59,589
Foundation Open Society Institute	-	-	-	-
NOVIB	51,476	4,242	490,787	37,374
IDB CGAP Rating Fund	-	-	105,719	8,050
EFSE	5,687	469	-	-
	<b>130,860</b>	<b>10,783</b>	<b>1,379,018</b>	<b>105,013</b>

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**20. General and administrative expenses**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Salaries	3,169,446	261,156	2,668,073	203,175
Social security contributions	1,022,161	84,225	744,525	56,696
Rent	1,299,173	107,049	728,986	55,513
Bank charges	324,631	26,749	227,126	17,296
Training	400,999	33,042	187,628	14,288
Audit and consulting	328,224	27,045	563,141	42,883
Rating fees	-	-	199,346	15,180
Communication	334,153	27,534	261,890	19,943
Business trip	-	-	133,190	10,142
Fuel	202,295	16,669	161,206	12,276
Marketing	282,257	23,257	147,899	11,263
Public utilities, security	309,100	25,469	153,876	11,718
Office supplies	122,227	10,071	79,060	6,020
Depreciation/ amortization of property, plant and equipment and intangibles	340,186	28,030	162,780	12,395
Depreciation of low value items	139,345	11,482	76,354	5,814
Representation expenses	12,816	1,056	25,533	1,944
IT maintenance	24,470	2,016	33,756	2,571
Fines and penalties	(113,598)	(9,360)	200	15
Insurance	22,899	1,887	10,144	772
Legal fees	482,414	39,750	80,868	6,158
VAT	49,857	4,108	-	-
Postage	21,735	1,792	-	-
Other	273,464	22,533	217,548	16,569
	<b>9,048,254</b>	<b>745,560</b>	<b>6,863,129</b>	<b>522,631</b>

**21. Provision for impairment**

	<b>Note</b>	<b>2007</b>	<b>2007</b>
		<b>MDL</b>	<b>USD</b>
Provision for impairment for loans	<b>6</b>	1,910,943	157,458
Provision for penalty receivables	<b>8</b>	798,625	65,805
<b>Provision for impairment</b>		<b>2,709,568</b>	<b>223,263</b>

**22. Fair value information**

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, loans and advances to clients, financial assets held to maturity, interest-bearing loans, borrowings and grants. The estimated fair value of these instruments approximates to their carrying amounts.

### **23. Commitments and contingencies**

As at 31 December 2007, the Company had no significant capital commitments.

The Company provides guarantees to clients, which obtain credits from commercial banks. The guarantees cover 50% of loans undertaken from commercial banks. As of 31 December 2007 the Company has issued guarantees in the amount of MDL 321,000 (USD 28,359) (2006: MDL 321,000 (USD 24,874)).

As at 31 December 2007, the Company was involved in 55 litigations related to recovery of bad debts. There were no claims against the company as at 31 December 2007.

The Company is renting most of its premises from other third parties for a one-year period, renewable upon request. All rent agreements are cancellable within 1 to 6 months notice. The Company normally spends around MDL 106,000 per month for rent.

The activity of the Company is regulated by the Law on Microfinancing Organizations no 280-XV of 22 July 2004. In accordance with the above-mentioned Law, the activity of the Company is financed either by contributions in share capital, borrowings or grants. In the final paragraph, it is mentioned that all the laws and other regulations of the Republic of Moldova should be modified to comply with the Law. As at the date of signing of these financial statements, other laws and regulations were not modified accordingly. As a result the state authorities can treat differently the treatment of income and expenses of the Company for fiscal purposes. The management of the Company does not believe that this uncertainty can result in additional penalties and tax liabilities to the budget.

### **24. Related parties**

The Company did not enter into transactions with related parties other than those in the normal course of business for trade or finance reasons and on an arm's length basis. During the year ended 31 December 2007, the Company has carried out transactions with the following related parties:

- BFSE Holding B.V.
- Soros Foundation Moldova
- Solidarite Internationale pour le Developpement et l'Investissement ("SIDI")
- Consorzio Etimos S.C.
- Vinj-Stil S.R.L
- Management of the company

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**24. Related parties (continued)**

Below we present the balances and transactions entered with these related parties during the year:

	Loans and interest outstanding		Capital reserve		Contributions in share capital		Amounts owed to		Grants recognized as revenue		Interest income		Interest expenses		Investments		Salaries	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>BFSE Holding</b>																		
2007			3,922,513	346,536	29,356,467	2,593,511												
2006																		
<b>Soros Foundation Moldova</b>																		
2007					15,136,654	1,337,255	443,931	39,219	73,697	6,511								
2006					6,386,792	494,908	517,628	40,111	782,515	60,637								
<b>SIDI</b>																		
2007					1,782,079	157,439	2,829,429	249,967				156,817	13,854					
2006					1,236,177	95,791	2,938,199	227,679				172,706	13,383					
<b>Etimos</b>																		
2007							1,208,461	106,763				153,923	13,598	60,117	5,311			
2006							2,392,299	185,378				279,658	21,670	61,310	4,751			
<b>Vinj-Stil SRL</b>																		
2007	972,848	85,947									359,982	31,803			3,240	286		
2006	840,700	65,145									110,425	8,557			3,240	251		
<b>Management</b>																		
2007	247,687	21,882			1,691,892	149,470					54,076	4,777					1,034,529	91,396
2006	447,457	34,673									12,372	959					665,539	51,572
<b>2007</b>	<b>1,220,535</b>	<b>107,829</b>	<b>3,922,513</b>	<b>346,536</b>	<b>47,967,092</b>	<b>4,237,675</b>	<b>4,481,821</b>	<b>395,949</b>	<b>73,697</b>	<b>6,511</b>	<b>414,058</b>	<b>36,580</b>	<b>310,740</b>	<b>27,452</b>	<b>63,357</b>	<b>5,597</b>	<b>1,034,529</b>	<b>91,396</b>
<b>2006</b>	<b>1,288,157</b>	<b>99,818</b>	<b>-</b>	<b>-</b>	<b>7,622,969</b>	<b>590,699</b>	<b>5,848,126</b>	<b>453,168</b>	<b>782,515</b>	<b>60,637</b>	<b>122,797</b>	<b>9,516</b>	<b>452,364</b>	<b>35,053</b>	<b>64,550</b>	<b>5,002</b>	<b>665,539</b>	<b>51,572</b>

Loans to the management represent loans granted by the Company bearing 17% - 18% annual interest rate, for a period of 3 - 5 years, repayable in equal instalments on a monthly basis. The loans are guaranteed by salaries of employees.

**25. Risk management**

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk in case of interest-bearing loans and borrowings denominated in currencies other than MDL. In order to mitigate currency risk, the Company places deposits in foreign currency and obtains loans in MDL, collateralized by currency deposits.

The Company performed a sensitivity analysis to currency risk at which it is reasonably exposed at 31 December 2007, showing how income statement could have been affected as a result of possible changes in currency rates.

The tables below show the currencies for which the Company has significant exposure to currency risk as at 31 December 2007 and as at 31 December 2006, for the balance sheet items that are sensible to the currency rates' modifications. The analysis demonstrates the effect of reasonably possible changes in currency rates against MDL with all other variables held constant:

<b>As at 31 December 2007</b>	<b>Increase in currency rates, %</b>	<b>Effect on PBT MDL</b>	<b>Decrease in currency rates, %</b>	<b>Effect on PBT MDL</b>
EUR	+5%	-368,957	-5%	368,957
USD	+5%	1,697	-5%	-1,697
		<b>-367,260</b>		<b>367,260</b>
<b>As at 31 December 2006</b>	<b>Increase in currency rates, %</b>	<b>Effect on PBT MDL</b>	<b>Decrease in currency rates, %</b>	<b>Effect on PBT MDL</b>
EUR	+5%	-348,107	-5%	348,107
USD	+5%	3,577	-5%	-3,577
		<b>-344,530</b>		<b>344,530</b>

Assets and liabilities in MDL and other currencies as at 31 December 2007 and 2006, were as follows:

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**25. Risk management (continued)**

*Currency risk (continued)*

	2007							
	Total		In USD		In EUR		In MDL	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>ASSETS</b>								
Cash and cash equivalents	59,320,444	5,240,693	1,035,503	91,482	503,655	44,496	57,781,286	5,104,715
Collateral deposits with banks	85,000,541	7,509,412	38,485,280	3,400,000	46,003,187	4,064,173	512,074	45,239
Loans and advances to customers, net	120,988,201	10,688,759	-	-	132,168	11,676	120,856,033	10,677,083
Investments	3,240	286	-	-	-	-	3,240	286
Deferred tax asset, net	-	-	-	-	-	-	-	-
Other assets	4,641,895	410,090	136,996	12,103	67,424	5,957	4,437,475	392,030
Intangible assets	319,070	28,188	-	-	-	-	319,070	28,188
Property and equipment	3,655,658	322,962	-	-	-	-	3,655,658	322,962
	<b>273,929,049</b>	<b>24,200,390</b>	<b>39,657,779</b>	<b>3,503,585</b>	<b>46,706,434</b>	<b>4,126,302</b>	<b>187,564,836</b>	<b>16,570,503</b>
<b>LIABILITIES</b>								
Interest-bearing loans and borrowings	195,039,150	17,230,825	39,623,844	3,500,587	54,085,567	4,778,215	101,329,739	8,952,023
Grants for projects in process	109,785	9,699	-	-	-	-	109,785	9,699
Due to founders	443,931	39,219	-	-	-	-	443,931	39,219
Other liabilities	1,084,885	95,845	-	-	-	-	1,084,885	95,845
Deferred revenue	-	-	-	-	-	-	-	-
	<b>196,677,751</b>	<b>17,375,588</b>	<b>39,623,844</b>	<b>3,500,587</b>	<b>54,085,567</b>	<b>4,778,215</b>	<b>102,968,340</b>	<b>9,096,786</b>
<b>Net exposure</b>	<b>77,251,298</b>	<b>6,824,802</b>	<b>33,935</b>	<b>2,998</b>	<b>(7,379,133)</b>	<b>(651,913)</b>	<b>84,596,496</b>	<b>7,473,717</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**25. Risk management (continued)**

*Currency risk (continued)*

	2006							
	Total		In USD		In EUR		In MDL	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>ASSETS</b>								
Cash and cash equivalents	1,549,911	120,101	244,043	18,911	242,168	18,765	1,063,700	82,425
Due from banks and other institutions	29,901,424	2,317,042	3,870,210	299,901	25,785,214	1,998,079	246,000	19,062
Loans and advances to customers, net	53,790,391	4,168,183	-	-	-	-	53,790,391	4,168,183
Investments	3,240	251	-	-	-	-	3,240	251
Deferred tax asset, net	171,947	13,324	-	-	-	-	171,947	13,324
Other assets	789,038	61,141	-	-	-	-	789,038	61,141
Intangible assets	97,565	7,560	-	-	-	-	97,565	7,560
Property and equipment	2,661,832	206,264	-	-	-	-	2,661,832	206,264
	<b>88,965,348</b>	<b>6,893,866</b>	<b>4,114,253</b>	<b>318,812</b>	<b>26,027,382</b>	<b>2,016,844</b>	<b>58,823,713</b>	<b>4,558,210</b>
<b>LIABILITIES</b>								
Interest-bearing loans and borrowings	66,880,202	5,182,503	4,042,718	313,268	32,989,520	2,556,336	29,847,964	2,312,899
Grants for projects in process	161,261	12,496	-	-	-	-	161,261	12,496
Due to founders	517,628	40,111	-	-	-	-	517,628	40,111
Other liabilities	2,762,891	214,094	-	-	-	-	2,762,891	214,094
Deferred revenue	157,470	12,202	-	-	-	-	157,470	12,202
	<b>70,479,452</b>	<b>5,461,406</b>	<b>4,042,718</b>	<b>313,268</b>	<b>32,989,520</b>	<b>2,556,336</b>	<b>33,447,214</b>	<b>2,591,802</b>
<b>Net exposure</b>	<b>18,485,896</b>	<b>1,432,460</b>	<b>71,535</b>	<b>5,544</b>	<b>(6,962,138)</b>	<b>(539,492)</b>	<b>25,376,499</b>	<b>1,966,408</b>

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

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**25. Risk management (continued)**

*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments. The following table demonstrates the sensitivity of a reasonable possible change in interest rates, with all other variables held constant, of the Company's income statement.

	<b>Increase in basis points</b>	<b>Sensitivity of Net Interest Income, MDL</b>	<b>Decrease in basis points</b>	<b>Sensitivity of Net Interest Income, MDL</b>
<b>2007</b>	+100	638,737	-100	-638,737
	+50	319,369	-50	-319,369
<b>2006</b>	+100	384,704	-100	-384,704
	+50	192,352	-50	-192,352

The tables below provide information on the extent of the Company's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market interest rate before maturity, the next re-pricing date. It is the policy of the management to manage Company exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet. Those assets and liabilities that do not have a contractual maturity date are assigned to the "non-sensitive" category.

**JV MFO Microinvest LLC**  
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**25. Risk management (continued)**

*Interest rate risk (continued)*

	2007											
	Total		Less than 3 months		From 3 to 6 months		From 6 months to 1 year		From 1 to 5 years		Non-sensitive	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>ASSETS</b>												
Cash and cash equivalents	59,320,444	5,240,693	-	-	-	-	-	-	-	-	59,320,444	5,240,693
Due from banks (fixed rate)	8,321,850	735,198	8,321,850	735,198	-	-	-	-	-	-	-	-
Due from banks (floating rate)	76,678,691	6,774,214	46,584,287	4,115,511	29,828,330	2,635,198	-	-	-	-	266,074	23,505
Loans and advances to customers, net	120,988,201	10,688,759	120,988,201	10,688,759	-	-	-	-	-	-	-	-
Investments	3,240	286	-	-	-	-	-	-	-	-	3,240	286
Deferred tax asset, net	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,641,895	410,090	-	-	-	-	-	-	-	-	4,641,895	410,090
Intangible assets	319,070	28,188	-	-	-	-	-	-	-	-	319,070	28,188
Property and equipment	3,655,658	322,962	-	-	-	-	-	-	-	-	3,655,658	322,962
	<b>273,929,049</b>	<b>24,200,390</b>	<b>175,894,338</b>	<b>15,539,468</b>	<b>29,828,330</b>	<b>2,635,198</b>	-	-	-	-	<b>68,206,381</b>	<b>6,025,724</b>
<b>LIABILITIES</b>												
Loans and borrowings (fixed rate)	58,976,661	5,210,321	2,032,196	179,535	5,722,534	505,560	13,718,390	1,211,958	36,654,713	3,238,278	848,828	74,990
Loans and borrowings (floating rate)	136,062,489	12,020,504	11,478,556	1,014,078	109,094,668	9,638,019	15,235,635	1,345,999	-	-	253,630	22,408
Grants for projects in process	109,785	9,699	-	-	-	-	-	-	-	-	109,785	9,699
Due to founders	443,931	39,219	-	-	-	-	-	-	-	-	443,931	39,219
Other liabilities	1,084,885	95,845	-	-	-	-	-	-	-	-	1,084,885	95,845
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
	<b>196,677,751</b>	<b>17,375,588</b>	<b>13,510,752</b>	<b>1,193,613</b>	<b>114,817,202</b>	<b>10,143,579</b>	<b>28,954,025</b>	<b>2,557,957</b>	<b>36,654,713</b>	<b>3,238,278</b>	<b>2,741,059</b>	<b>242,161</b>
<b>Net exposure</b>	<b>77,251,298</b>	<b>6,824,802</b>	<b>162,383,586</b>	<b>14,345,855</b>	<b>(84,988,872)</b>	<b>(7,508,381)</b>	<b>(28,954,025)</b>	<b>(2,557,957)</b>	<b>(36,654,713)</b>	<b>(3,238,278)</b>	<b>65,465,322</b>	<b>5,783,563</b>

**JV MFO Microinvest LLC**  
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**25. Risk management (continued)**

*Interest rate risk (continued)*

	2006											
	Total		Less than 3 months		From 3 to 6 months		From 6 months to 1 year		From 1 to 5 years		Non-sensitive	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>ASSETS</b>												
Cash and cash equivalents	1,549,911	120,101	-	-	-	-	-	-	-	-	1,549,911	120,101
Due from banks (fixed rate)	12,119,436	939,127	-	-	-	-	3,632,436	281,475	8,487,000	657,652	-	-
Due from banks (floating rate)	17,781,988	1,377,915	6,186,899	479,419	11,508,510	891,787	-	-	-	-	86,579	6,709
Loans and advances to customers, net	53,790,391	4,168,183	3,476,059	269,359	2,323,088	180,015	22,610,545	1,752,076	24,782,667	1,920,392	598,032	46,341
Investments	3,240	251	-	-	-	-	-	-	-	-	3,240	251
Deferred tax asset, net	171,947	13,324	-	-	-	-	-	-	-	-	171,947	13,324
Other assets	789,038	61,141	-	-	-	-	-	-	-	-	789,038	61,141
Intangible assets	97,565	7,560	-	-	-	-	-	-	-	-	97,565	7,560
Property and equipment	2,661,832	206,264	-	-	-	-	-	-	-	-	2,661,832	206,264
	<b>88,965,348</b>	<b>6,893,866</b>	<b>9,662,958</b>	<b>748,778</b>	<b>13,831,598</b>	<b>1,071,802</b>	<b>26,242,981</b>	<b>2,033,551</b>	<b>33,269,667</b>	<b>2,578,044</b>	<b>5,958,144</b>	<b>461,691</b>
<b>LIABILITIES</b>												
Loans and borrowings (fixed rate)	33,778,208	2,617,451	-	-	5,695,790	441,363	-	-	28,082,418	2,176,088	-	-
Loans and borrowings (floating rate)	33,101,994	2,565,052	20,600,000	1,596,281	6,227,399	482,557	4,576,430	354,625	1,246,410	96,583	451,755	35,006
Grants for projects in process	161,261	12,496	-	-	-	-	-	-	-	-	161,261	12,496
Due to founders	517,628	40,111	-	-	-	-	-	-	-	-	517,628	40,111
Other liabilities	2,762,891	214,094	-	-	-	-	-	-	-	-	2,762,891	214,094
Deferred revenue	157,470	12,202	-	-	-	-	-	-	-	-	157,470	12,202
	<b>70,479,452</b>	<b>5,461,406</b>	<b>20,600,000</b>	<b>1,596,281</b>	<b>11,923,189</b>	<b>923,920</b>	<b>4,576,430</b>	<b>354,625</b>	<b>29,328,828</b>	<b>2,272,671</b>	<b>4,051,005</b>	<b>313,909</b>
<b>Net exposure</b>	<b>18,485,896</b>	<b>1,432,460</b>	<b>(10,937,042)</b>	<b>(847,503)</b>	<b>1,908,409</b>	<b>147,882</b>	<b>21,666,551</b>	<b>1,678,926</b>	<b>3,940,839</b>	<b>305,373</b>	<b>1,907,139</b>	<b>147,782</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**25. Risk management (continued)**

*Credit risk*

Credit risk represents the loss, which the Company would suffer if a client or counterparty fails to meet its contractual obligations. Unstable economic environment generates significant risks related to credit default, credit concentration and credit collateral (refer to Note 5).

In order to decrease the credit risk exposure, the Company diversifies the portfolio by sector, region, different amounts and terms, accepts as collateral real estate, equipment, machinery, vehicles, agricultural products and the like. For loans under MDL 70,000 (USD 6,184) no collateral is required, however with guarantee (cosigner), for loans between MDL 25,000 (USD 1,937) and MDL 150,000 (USD 13,252) a collateral covered 100% of the loan is requested and for loans above MDL 150,000 (USD 13,252) a collateral covered 125% of the loan is demanded.

*Liquidity risk*

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or to its inability to sell a financial asset quickly at close to its fair value.

The Company's approach to liquidity management is to assess on a continuous basis the liquidity position and maintain sufficient liquid resources to meet its obligations as they fall due.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2007 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment at the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

**31 December 2007**

	<b>On demand MDL</b>	<b>Less than 3 months MDL</b>	<b>From 3 months to 1 year MDL</b>	<b>From 1 to 5 years MDL</b>	<b>More than 5 years MDL</b>	<b>Total MDL</b>
<b>Financial liabilities</b>						
Borrowings	-	17,309,754	118,834,185	304,034,662	-	440,178,601
Other liabilities	-	940,189	-	144,695	-	1,084,884
<b>Total undiscounted financial liabilities</b>	-	<b>18,249,943</b>	<b>118,834,185</b>	<b>304,179,357</b>	-	<b>441,263,485</b>

**31 December 2006**

	<b>On demand MDL</b>	<b>Less than 3 months MDL</b>	<b>From 3 months to 1 year MDL</b>	<b>From 1 to 5 years MDL</b>	<b>More than 5 years MDL</b>	<b>Total MDL</b>
<b>Financial liabilities</b>						
Borrowings	-	6,019,218	73,227,424	63,439,611	164,467,506	307,153,759
Other liabilities	-	2,356,883	-	406,008	-	2,762,891
<b>Total undiscounted financial liabilities</b>	-	<b>8,376,101</b>	<b>73,227,424</b>	<b>63,845,619</b>	<b>164,467,506</b>	<b>309,916,650</b>

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**25. Risk management (continued)**

*Liquidity risk (continued)*

The maturity structure of the Company's assets and liabilities based on the remaining maturity as of 31 December 2006 and 2007 is as follows:

	2007											
	Total		Less than 3 months		From 3 to 6 months		From 6 months to 1 year		From 1 to 5 years		Undefined maturity	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>ASSETS</b>												
Cash and cash equivalents	59,320,444	5,240,693	59,320,444	5,240,693	-	-	-	-	-	-	-	-
Due from banks and other institutions	85,000,541	7,509,412	-	-	-	-	7,306,584	645,504	77,693,957	6,863,908	-	-
Loans and advances to customers, net	120,988,201	10,688,759	32,150,857	2,840,382	35,450,000	3,131,847	38,524,771	3,403,489	14,862,573	1,313,041	-	-
Investments	3,240	286	-	-	-	-	-	-	-	-	3,240	286
Deferred tax asset, net	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,641,895	410,090	-	-	-	-	-	-	-	-	4,641,895	410,090
Intangible assets	319,070	28,188	-	-	-	-	-	-	-	-	319,070	28,188
Property and equipment	3,655,658	322,962	-	-	-	-	-	-	-	-	3,655,658	322,962
	<b>273,929,049</b>	<b>24,200,390</b>	<b>91,471,301</b>	<b>8,081,075</b>	<b>35,450,000</b>	<b>3,131,847</b>	<b>45,831,355</b>	<b>4,048,993</b>	<b>92,556,530</b>	<b>8,176,949</b>	<b>8,619,863</b>	<b>761,526</b>
<b>LIABILITIES</b>												
Interest-bearing loans and borrowings	195,039,150	17,230,825	12,443,860	1,099,359	12,519,569	1,106,047	30,508,564	2,695,293	139,567,157	12,330,126	-	-
Grants for projects in process	109,785	9,699	-	-	-	-	-	-	-	-	109,785	9,699
Due to founders	443,931	39,219	-	-	-	-	-	-	-	-	443,931	39,219
Other liabilities	1,084,885	95,845	-	-	-	-	-	-	-	-	1,084,885	95,845
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
	<b>196,677,751</b>	<b>17,375,588</b>	<b>12,443,860</b>	<b>1,099,359</b>	<b>12,519,569</b>	<b>1,106,047</b>	<b>30,508,564</b>	<b>2,695,293</b>	<b>139,567,157</b>	<b>12,330,126</b>	<b>1,638,601</b>	<b>144,763</b>
<b>Net exposure</b>	<b>77,251,298</b>	<b>6,824,802</b>	<b>79,027,441</b>	<b>6,981,716</b>	<b>22,930,431</b>	<b>2,025,800</b>	<b>15,322,791</b>	<b>1,353,700</b>	<b>(47,010,627)</b>	<b>(4,153,177)</b>	<b>6,981,262</b>	<b>616,763</b>

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**25. Risk management (continued)**

*Liquidity risk (continued)*

	2006											
	Total		Less than 3 months		From 3 to 6 months		From 6 months to 1 year		From 1 to 5 years		Undefined maturity	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>ASSETS</b>												
Cash and cash equivalents	1,549,911	120,101	1,549,911	120,101	-	-	-	-	-	-	-	-
Due from banks and other institutions	29,901,424	2,317,042	25,268	1,959	1,697,400	131,530	7,027,236	544,536	21,151,520	1,639,017	-	-
Loans and advances to customers, net	53,790,391	4,168,183	3,476,060	269,359	2,323,088	180,015	22,610,545	1,752,076	24,782,667	1,920,392	598,031	46,341
Investments	3,240	251	-	-	-	-	-	-	-	-	3,240	251
Deferred tax asset, net	171,947	13,324	-	-	-	-	171,947	13,324	-	-	-	-
Other assets	789,038	61,141	634,887	49,196	-	-	-	-	-	-	154,151	11,945
Intangible assets	97,565	7,560	-	-	-	-	-	-	-	-	97,565	7,560
Property and equipment	2,661,832	206,264	-	-	-	-	-	-	-	-	2,661,832	206,264
	<b>88,965,348</b>	<b>6,893,866</b>	<b>5,686,126</b>	<b>440,615</b>	<b>4,020,488</b>	<b>311,545</b>	<b>29,809,728</b>	<b>2,309,936</b>	<b>45,934,187</b>	<b>3,559,409</b>	<b>3,514,819</b>	<b>272,361</b>
<b>LIABILITIES</b>												
Interest-bearing loans and borrowings	66,880,202	5,182,503	4,426,960	343,042	7,954,290	616,373	7,541,004	584,347	46,957,948	3,638,741	-	-
Grants for projects in process	161,261	12,496	-	-	-	-	-	-	-	-	161,261	12,496
Due to founders	517,628	40,111	-	-	-	-	-	-	-	-	517,628	40,111
Other liabilities	2,762,891	214,094	2,762,891	214,094	-	-	-	-	-	-	-	-
Deferred revenue	157,470	12,202	-	-	-	-	-	-	-	-	157,470	12,202
	<b>70,479,452</b>	<b>5,461,406</b>	<b>7,189,851</b>	<b>557,136</b>	<b>7,954,290</b>	<b>616,373</b>	<b>7,541,004</b>	<b>584,347</b>	<b>46,957,948</b>	<b>3,638,741</b>	<b>836,359</b>	<b>64,809</b>
<b>Net exposure</b>	<b>18,485,896</b>	<b>1,432,460</b>	<b>(1,503,725)</b>	<b>(116,521)</b>	<b>(3,933,802)</b>	<b>(304,828)</b>	<b>22,268,724</b>	<b>1,725,589</b>	<b>(1,023,761)</b>	<b>(79,332)</b>	<b>2,678,460</b>	<b>207,552</b>

**JV MFO Microinvest LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2007**

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**26. Subsequent events**

Several subsequent events took place after the year-end.

The first one being the disbursement of the first tranche of the loan provided by the GCMC pursuant to the Loan agreement between the Company and the GCMC. On 26 November 2007, the Company signed a loan agreement with GCMC for the total amount of USD 2,000,000. The loan was granted for the period of 3 years and bears a fixed interest rate. As of 31 December 2007 undrawn borrowing facilities amount to USD 2,000,000. The repayment of the Loan is secured by a promissory note.

The second major event is related to the successful development of relationship with a reputable lender from the Netherlands "FMO" in view of accessing a long-term local currency loan.

While the third event, held on 8 February 2008, was the General Assembly of the Company's shareholders where a new shareholders' structure were approved and staff were delegated to register new shareholders with State Registration chamber. On 29 May 2008 Microinvest completed registration of new shareholder and companies' equity structure is as follow:

<b>Name</b>	<b>Equity Amount MDL</b>	<b>Equity %</b>
BSFS Holding B.V.	29,356,467	39.73%
Soros Foundation Moldova	15,136,654	20.49%
Oikocredit Ecumenical Development Cooperative Society U.A.	13,200,000	17.87%
Soros Economic Development Fund	8,250,000	11.16%
Richard H. Driehaus	3,643,533	4.93%
S.A. "S.I.D.I.", Munteanu Artur	2,607,079	3.53%
Lupascu Tudor	1,353,738	1.83%
Mirzac Veronica	169,077	0.23%
	<b>73,885,625</b>	<b>100%</b>