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**Microinvest S.R.L.**

**Financial Statements  
For the Year Ended 31 December 2004**

**Prepared in Accordance with  
International Financial Reporting Standards**

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*CONTENTS*

Auditors' report

Balance sheet	2
Income statement	3
Statement of changes in shareholder's equity	4
Cash flow statement	5
Notes to the financial statements	6 – 37

**Microinvest S.R.L.**  
**BALANCE SHEET**  
**As of 31 December 2004**

	Notes	2004 MDL	2004 USD	2003 MDL	2003 USD
<b>ASSETS</b>					
Cash and cash equivalents	3	2,673,821	214,592	449,960	34,036
Collateral deposits with banks	4	248,987	19,983	183,534	13,883
Loans and advances to customers, net	5	9,913,231	795,604	2,425,217	183,451
Investments	6	6,480	520	-	-
Other assets	7	136,024	10,917	2,458	186
Deferred tax asset, net	8	78,764	6,321	35,005	2,648
Intangible assets	9	6,385	512	-	-
Property and equipment	9	419,196	33,643	3,242	245
<b>Total assets</b>		<b>13,482,888</b>	<b>1,082,092</b>	<b>3,099,416</b>	<b>234,449</b>
<b>LIABILITIES</b>					
Interest-bearing loans and borrowings	10	3,133,019	251,446	790,657	59,808
Unused grants	11	630,930	50,636	341,781	25,853
Due to founders	12	3,788,628	304,063	1,340,806	101,423
Other liabilities	13	1,312,479	105,335	224,828	17,009
Deferred revenue	14	-	-	6,207	469
<b>Total liabilities</b>		<b>8,865,056</b>	<b>711,480</b>	<b>2,704,279</b>	<b>204,562</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	15	1,248,312	100,186	5,400	408
Retained earnings	16	3,369,520	270,426	389,737	29,479
<b>Total shareholders' equity</b>		<b>4,617,832</b>	<b>370,612</b>	<b>395,137</b>	<b>29,887</b>
<b>Total liabilities and shareholders' equity</b>		<b>13,482,888</b>	<b>1,082,092</b>	<b>3,099,416</b>	<b>234,449</b>

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

The financial statements were authorized for issue on 7 February 2005:

General Manager  
 Mr. Artur Munteanu .....

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

**Microinvest S.R.L.**  
**INCOME STATEMENT**  
**For the Year Ended 31 December 2004**

	Notes	2004 MDL	2004 USD	9 months ended 31 December 2003 MDL	9 months ended 31 December 2003 USD
Interest income	17	1,713,478	138,987	120,818	8,714
Interest expense	18	(182,478)	(14,802)	(6,552)	(473)
<b>Net interest income</b>		<b>1,531,000</b>	<b>124,185</b>	<b>114,266</b>	<b>8,241</b>
Other operating income	19	5,701,503	462,473	717,436	51,745
General and administrative expenses	20	(3,363,776)	(272,850)	(209,207)	(15,089)
Foreign exchange gains / (losses)		88,324	7,164	(22,442)	(1,619)
<b>Profit for the period before loan loss</b>		<b>3,957,051</b>	<b>320,972</b>	<b>600,053</b>	<b>43,278</b>
Provision for impairment of loans	5	(186,478)	(15,126)	(80,839)	(5,831)
<b>Profit after impairment of loans</b>		<b>3,770,573</b>	<b>305,846</b>	<b>519,214</b>	<b>37,447</b>
Tax expense	8	(790,790)	(64,144)	(129,477)	(9,339)
<b>Net profit for the period</b>		<b>2,979,783</b>	<b>241,702</b>	<b>389,737</b>	<b>28,108</b>

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

The financial statements were authorized for issue on 7 February 2005:

General Manager  
Mr. Artur Munteanu .....

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

**Microinvest S.R.L****STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY****For the Year Ended 31 December 2004**

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	Notes	2004 MDL	2004 USD	2003 MDL	2003 USD
<b>Share capital</b>					
Balance 1 January		5,400	408	-	-
Contribution to share capital		1,242,912	100,818	5,400	387
Translation difference		-	(1,040)	-	21
Balance 31 December	15	<b>1,248,312</b>	<b>100,186</b>	<b>5,400</b>	<b>408</b>
<b>Retained earnings</b>					
Balance 1 January		389,737	29,479	-	-
Net income for the year		2,979,783	241,702	389,737	28,108
Translation difference		-	(755)	-	1,371
Balance 31 December		<b>3,369,520</b>	<b>270,426</b>	<b>389,737</b>	<b>29,479</b>
<b>Total shareholders' equity</b>		<b>4,617,832</b>	<b>370,612</b>	<b>395,137</b>	<b>29,887</b>

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

**Microinvest S.R.L.**  
**CASH FLOW STATEMENT**  
**For the Year Ended 31 December 2004**

	<b>2004</b>	<b>2004</b>	<b>9 months ended 31 December 2003</b>	<b>9 months ended 31 December 2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
<b>Cash flows from operating activities</b>				
Interest receipts	1,501,567	121,798	80,320	5,793
Interest payments	(182,478)	(14,802)	(6,552)	(473)
Other income received	56,424	4,578	-	-
Payment to employees and suppliers	(3,066,388)	(248,728)	(148,756)	(10,729)
Taxes paid	(4,986)	(404)	(6,646)	(479)
<b>Operating profit before working capital changes</b>	<b>(1,695,861)</b>	<b>(137,558)</b>	<b>(81,634)</b>	<b>(5,888)</b>
<i>(Increase) decrease in operating assets/liabilities:</i>				
Loans and advances to customers, net	(7,463,034)	(605,358)	(2,465,558)	(177,829)
Other assets	(132,119)	(10,717)	(2,458)	(177)
Other liabilities	(10,007)	(812)	6,700	484
<b>Net cash from operating activities before income tax</b>	<b>(9,301,021)</b>	<b>(754,445)</b>	<b>(2,542,950)</b>	<b>(183,410)</b>
<b>Cash flows from investing activities</b>				
Purchase of intangibles	(7,540)	(612)	-	-
Purchase of property and equipment	(444,092)	(36,022)	(3,410)	(246)
Collateral deposits with banks	(65,000)	(5,272)	(183,534)	(13,237)
Purchase of investments	(6,480)	(526)	-	-
<b>Net cash from investing activities</b>	<b>(523,112)</b>	<b>(42,432)</b>	<b>(186,944)</b>	<b>(13,483)</b>
<b>Cash flows from financing activities</b>				
Proceeds from grants	4,654,734	377,564	995,600	71,808
Proceeds from borrowings, net	2,342,362	189,999	790,656	57,026
Contributions in share capital	2,495,192	202,395	5,400	389
Proceeds from grants to be converted in share	2,391,084	193,951	1,340,816	96,706
Proceeds from grants to be used for operating	1,271,840	103,164	69,824	5,036
Repayment of grants	(1,195,542)	(96,975)	-	-
<b>Net cash from financing activities</b>	<b>11,959,670</b>	<b>970,098</b>	<b>3,202,296</b>	<b>230,965</b>
Foreign exchange difference	88,324	7,164	(22,442)	(1,619)
<b>Net increase in cash and cash equivalents</b>	<b>2,223,861</b>	<b>180,385</b>	<b>449,960</b>	<b>32,453</b>
Cash and cash equivalents at 1 January	449,960	34,036	-	-
Translation difference	-	171	-	1,583
<b>Cash and cash equivalents at 31 December</b>	<b>2,673,821</b>	<b>214,592</b>	<b>449,960</b>	<b>34,036</b>

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

**Microinvest S.R.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2004**

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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. As of 31 December 2004 and 2003, the main shareholder of the Company was Soros Foundation Moldova.

The Company operates through its head office located in Chisinau and 7 branches (no branches as of 31 December 2003) located throughout the Republic of Moldova.

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

The number of employees as of 31 December 2004 was 37, of which 6 were part-time and 31 full-time employees, of which 19 loan officers. As at 31 December 2003 the Company had 8 employees, of which 2 loan officers.

The Company has also two subsidiaries, the main activities of which are production of textile goods and pizzeria.

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

**2. Significant accounting policies**

**a. Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations issued by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee (SIC), approved by the IASC that remain in effect, except than IAS 27 (revised 2000) “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” has not been followed.

The Company maintains its accounting records in the currency of the Republic of Moldova, being the Moldovan Leu (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.

The Company adopted the Moldovan Leu (MDL) as the measurement currency. Due to the requirements of grantors the United States Dollar was adopted as the presentation currency. The Company believes that the MDL is used to a significant extent in, and has a significant impact on, the Company’s operations and better reflects the economic substance of the underlying events and circumstances of the Company due to the following:

- Borrowings are denominated in MDL and are repayable (both interest and principal) in MDL;
- Loans granted and interest and commissions receivable are denominated in MDL;
- Grants are received in either USD or EUR, but are subsequently converted into MDL and used for re-lending or for operating expenses. In case the grants are not used, grants are reimbursed in MDL at the historical rate of initial disbursement; and
- A significant portion of direct costs, materials and other costs are denominated and settled in MDL.

The translation from MDL to USD was done as follows:

- Assets and liabilities were translated by applying year-end exchange rate;
- Income and expenses were translated by applying average for the year exchange rate;
- The translation difference was recorded in shareholders’ equity.

All amounts are expressed in both Moldovan Leu (MDL) and US Dollars (USD), unless otherwise mentioned.

The financial statements have been prepared on historic cost basis.

**2. Significant accounting policies (continued)**

**b. Comparative figures**

The financial statements presentation has not changed from 2003. However, due to the fact that the company has started its operations in April 2003, the comparative figures for income statements and cash flows are not representative.

**c. Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts, if any.

**d. Collateral deposits with banks**

Collateral deposits with banks comprise deposits pledged as a guarantee for loans granted by the Company to its clients. The deposit, with the initial maturity of up to 5 years, can be withdrawn by the Company, subject to maintaining an agreed balance with the bank. These are stated at amortized cost, less any amounts written off and provisions for impairment, if any.

**e. Loans and advances to customers**

Loans originated by the Company represent loans, where money is provided directly to the borrower and are recognized when the cash is advanced to borrowers. They are initially recorded at cost, which is the fair value of the cash disbursed, and are subsequently measured at amortized cost, using the effective interest rate method.

**f. Impairment of loans**

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.

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.

The carrying amount of the asset is reduced to its estimated recoverable amount by a charge to income 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 a loan. Recoveries of loans written off in earlier periods are included in income 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.

## **2. Significant accounting policies (continued)**

### **g. Property and equipment**

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

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.

### **h. 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 when events or changes in circumstances indicate that the carrying amount may not be recoverable.

### **i. Investments**

All investments are initially recognized at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. After initial recognition, investments, which are classified as available-for-sale, are measured at fair value if fair value is available (i.e. if the shares are quoted); otherwise they are measured at cost, subject to a test for permanent impairment in value. Gains or losses on available-for-sale investments measured at fair value (if any) are recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

All regular way purchases and sales of financial assets are recognized on the settlement date (the date the financial 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 time frame generally established by regulation or convention in the market place.

## **2. Significant accounting policies (continued)**

### **i. Investments (continued)**

Investments in subsidiaries, in the separate financial statements of the Company, are initially recognized and subsequently measured at cost, being the fair value of the consideration given, including acquisition charges associated with the investments. A provision against the carrying value of investments in subsidiaries is only made where, in the opinion of Directors, there is a permanent decline in value. Where a permanent decline in value of investments has occurred, it is recognized as an expense in the period in which the decline is identified.

### **j. 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.

### **k. Foreign currency translation**

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. The year end and average rates for the period were:

	<b>2004</b>		<b>9 months ended 31 December 2003</b>	
	<b>USD</b>	<b>EUR</b>	<b>USD</b>	<b>EUR</b>
Average for the period	12.3283	15.3286	13.8648	15.9171
Year end	12.4600	16.9542	13.2200	16.5256

### **l. 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, using the effective interest rate method.

### **m. Grants**

Grants obtained by the Company for re-lending are recognized as revenue upon their utilization, in case no other conditions for revenue recognition are set in the grant agreements. Grants obtained to cover operating expenses are recognized in the income statement to the limit of incurred expenses. In case the grants are not utilized for the scope granted, they should be reimbursed to the grantor. Any unused grants are recorded as liabilities of the Company.

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.

## **2. Significant accounting policies (continued)**

### **n. 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.

### **o. 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.

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

The Company makes contributions to the funds set up by the State of Moldova for pensions, health care and unemployment benefits calculated on the basis of 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.

### **q. 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.

### **r. Taxation**

Income tax consists of current and deferred income tax.

Current income tax is calculated by applying current income tax 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 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 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 recognised 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.

**2. Significant accounting policies (continued)**

**s. Use of 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. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from those estimates.

**t. 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.

**u. Other**

*Segment reporting*

The Company operates predominantly in one industry segment, being the financial services, which are provided to Moldovan companies.

*Financial instruments*

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, loans and advances to customers, loans and advances to banks, interest-bearing loans and borrowings and grants. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note. The Company recognizes a financial asset or financial liability on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of a financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset. The Company derecognizes the financial liability in case the liability specified in the contract is discharged, cancelled, or expires.

Management believes that the estimated fair values of these instruments approximate their carrying amounts.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

**Microinvest S.R.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2004**

**3. Cash and cash equivalents**

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Cash on hand	35,085	2,816	13,608	1,029
Cash at banks in local currency	953,441	76,520	106,210	8,034
Cash at banks in foreign currency	1,685,295	135,256	330,142	24,973
	<b>2,673,821</b>	<b>214,592</b>	<b>449,960</b>	<b>34,036</b>

The Company holds all its accounts with Moldovan banks.

**4. Collateral deposits with banks**

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Deposits	246,000	19,743	181,000	13,691
Interest receivable	2,987	240	2,534	192
	<b>248,987</b>	<b>19,983</b>	<b>183,534</b>	<b>13,883</b>

Deposits with an initial maturity of 5 years are amounts placed within Moldova Agroindbank, which serve as guarantees 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.

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

Analysis by type of loan:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Venture capital	1,213,646	97,403	659,046	49,852
Direct loans	8,483,910	680,892	1,342,392	101,543
Credit group loans	85,174	6,836	464,120	35,107
Employees loans	145,862	11,706	-	-
	<b>9,928,592</b>	<b>796,837</b>	<b>2,465,558</b>	<b>186,502</b>
Add: interest receivable	254,859	20,454	64,722	4,896
Less: commission not amortized	(2,903)	(233)	(24,224)	(1,832)
Less: provision for impairment	(267,317)	(21,454)	(80,839)	(6,115)
	<b>9,913,231</b>	<b>795,604</b>	<b>2,425,217</b>	<b>183,451</b>

**Microinvest S.R.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2004**

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

Loans granted to customers as of 31 December 2004 carry an average fixed interest rate of 23.97% (as of 31 December 2003: 23.78%).

Venture capital represents loans granted to Company's investees. As of 31 December 2004 there were two investees which obtained loans from the Company: S.C. Vinj-Stil S.R.L. and Montes-Group S.R.L. in the amount of MDL 528,600 and MDL 685,046 respectively under 25% annual interest, with maturity in 2009 and 2006 respectively. As of 31 December 2003 the outstanding loan balance of Montes-Group S.R.L. was MDL 659,046, the loan to S.C. Vinj-Stil S.R.L. being granted in 2004 only.

Direct loans represent loans granted to borrowers under commercial terms. Credit group loans represent loans granted to members of credit groups created in various regions of the country and as such their repayment and further extension of other loans are highly depending on the performance of all group members.

Employee loans represent loans granted by the Company to its employees under 17% annual interest rate, for a period of 3 years, repayable in equal installments on a monthly basis.

As of 31 December 2004 the loan portfolio of the Company consisted of 8 venture capital loans (to two enterprises), 350 direct loans, 50 credit group loans, and 3 employee loans. As of 31 December 2003 the number of loans was: 7 venture capital loans (to one enterprise), 41 direct loans, 178 credit group loans and no employee loans.

Apart from above mentioned loans, in 2004 the Company has issued guarantees to 6 enterprises in the amount of MDL 456,000, of which MD 261,000 are guarantees in favor of Moldova Agroindbank and MDL 195,000 in favor of Fincombank. Guarantees issued in favor of Moldova Agroindbank are backed by a deposit in the amount of MDL 246,000. In 2003 the Company issued only 3 guarantees in favor of Moldova Agroindbank for a total of MDL 196,000, all of which were backed by a deposit in the same bank. All guarantees issued by the Company bear a guarantee fee of 4% for the first year and 0.33% - 1.3% for subsequent years.

Analysis of principal installments by type of industry:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Agriculture	3,285,857	263,712	595,570	45,051
Production	1,458,951	117,091	303,944	22,991
Trade	1,996,645	160,244	522,052	39,490
Services	1,631,899	130,971	267,831	20,260
Food and beverages	948,149	76,095	659,046	49,851
Real estate	342,023	27,451	48,000	3,631
Employees loans	145,862	11,706	-	-
Consumer	119,206	9,567	69,115	5,228
	<b>9,928,592</b>	<b>796,837</b>	<b>2,465,558</b>	<b>186,502</b>
Add: interest receivable	254,859	20,454	64,722	4,896
Less: commission not amortized	(2,903)	(233)	(24,224)	(1,832)
Less: provision for impairment	(267,317)	(21,454)	(80,839)	(6,115)
	<b>9,913,231</b>	<b>795,604</b>	<b>2,425,217</b>	<b>183,451</b>

**Microinvest S.R.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2004**

**5. Loans and advances to customers (continued)**

Analysis of principal installments by remaining maturity:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Up to 3 months	513,238	41,191	-	-
From 3 up to 6 months	764,569	61,362	-	-
From 6 up to 12 months	3,964,555	318,182	838,804	63,450
From 1 up to 5 years	4,686,230	376,102	1,626,754	123,052
	<b>9,928,592</b>	<b>796,837</b>	<b>2,465,558</b>	<b>186,502</b>
Add: interest receivable	254,859	20,454	64,722	4,896
Less: commission not amortized	(2,903)	(233)	(24,224)	(1,832)
Less: provision for impairment	(267,317)	(21,454)	(80,839)	(6,115)
	<b>9,913,231</b>	<b>795,604</b>	<b>2,425,217</b>	<b>183,451</b>

The movement in the provision for impairment is presented below:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Balance as at 1 January	80,839	6,115	-	-
Charge for the year	186,478	15,126	80,839	5,831
Translation difference	-	213	-	284
	<b>267,317</b>	<b>21,454</b>	<b>80,839</b>	<b>6,115</b>

The movement of the unamortized commission is presented below:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Balance as at 1 January	24,224	1,832	-	-
Collections	16,050	1,302	28,367	2,046
Income for the year	(37,371)	(3,031)	(4,143)	(299)
Translation difference	-	130	-	85
	<b>2,903</b>	<b>233</b>	<b>24,224</b>	<b>1,832</b>

**Microinvest S.R.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2004**

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**6. Investments**

Investments represent investments made by the Company in two enterprises, as follows:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Montes-Grup S.R.L.	3,240	260	-	-
Vinj Stil S.R.L.	3,240	260	-	-
	<b>6,480</b>	<b>520</b>	<b>-</b>	<b>-</b>

As of 31 December 2004, the Company holds 60% of the share capital in each of the enterprises, whereby it has significant control over their operations. At the same time, the Company extended a loan to each company: MDL 528,600 to Vinj Stil S.R.L. (with maturity in 2009) and MDL 685,046 to Montes-Grup S.R.L. (with maturity in 2006). For the year ended 2004 Vinj Stil S.R.L. has incurred losses of MDL 88,846 (USD 7,207) and Montes-Grup S.R.L. has incurred losses of MDL 228,888 (USD 18,566). As of 31 December 2004 the shareholders equity of the invitees is negative and amounts to MDL 97,258 (USD 7,806) and MDL 227,823 (USD 18,284), accordingly.

As of 31 December 2003 the outstanding loan balance was MDL 659,046 for Montes-Grup S.R.L., the loan to Vinj Stil S.R.L. being extended in 2004 only.

**7. Other assets**

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

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Prepaid expenses	114,657	9,202	88	7
Inventory	16,483	1,322	-	-
Receivable from employees	-	-	1,827	138
Receivable from grantors	1,447	116	-	-
Penalty receivable	1,817	146	543	41
Other receivables	1,620	131	-	-
	<b>136,024</b>	<b>10,917</b>	<b>2,458</b>	<b>186</b>

Prepayments mainly include the prepaid rent expenses for the first three months of 2005. Receivables from grantors represent amounts spent by the Company in excess of funds disbursed by Novib, but within the limits of the approved grant.

**Microinvest S.R.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2004**

**8. Taxation**

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Current income tax	834,549	67,693	164,482	11,864
Deferred income tax	(43,759)	(3,549)	(35,005)	(2,525)
<b>Income tax expense for the year</b>	<b>790,790</b>	<b>64,144</b>	<b>129,477</b>	<b>9,339</b>

Current income tax is calculated on the taxable income per statutory financial statements. For tax purposes, the deductibility of certain expenses, for example entertainment costs, is limited to a percentage of profit, specified in the tax law. The standard income tax rate in 2004 was 20% (2003: 22%).

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the standard tax rate of 20% and 22% for 2004 and 2003 respectively is as follows:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Operating profit before tax	3,770,574	305,846	519,214	37,447
Moldovan statutory rate	20%	20%	22%	22%
Income tax at Moldovan statutory rate	754,115	61,169	114,227	8,238
<i>Tax effect of:</i>				
Non-deductible expenses	22,937	1,861	11,749	847
Effect of change in tax rate	8,752	710	3,501	254
Income tax paid in advance	4,986	404	-	-
<b>Income tax expense</b>	<b>790,790</b>	<b>64,144</b>	<b>129,477</b>	<b>9,339</b>

Deferred tax was calculated by applying the enacted tax rate for 2005 of 18% (2003: enacted tax rate for 2004 of 20%). Significant components of the Company's gross deferred income tax assets are as follows:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Balance as at 1 January	35,005	2,648	-	-
Income statement credit	43,759	3,549	35,005	2,510
Translation difference	-	124	-	138
<b>Balance as at 31 December</b>	<b>78,764</b>	<b>6,321</b>	<b>35,005</b>	<b>2,648</b>
<i>Deferred tax assets/(liabilities) in respect</i>				
Loans and advances to customers	48,640	3,903	21,013	1,589
Collateral deposits with banks	(539)	(43)	-	-
Property and equipment and intangibles	(9,956)	(799)	(109)	(8)
Other assets	(14,030)	(1,126)	(507)	(38)
Interest-bearing loans and borrowings	-	-	1,310	99
Deferred income	-	-	1,241	94
Other liabilities	54,649	4,386	12,057	912
<b>Deferred tax assets, net</b>	<b>78,764</b>	<b>6,321</b>	<b>35,005</b>	<b>2,648</b>

## 9. Property and equipment and intangible assets

	<b>Buildings</b> MDL	<b>Furniture</b> MDL	<b>Equipment</b> MDL	<b>Other</b> MDL	<b>Intangibles</b> MDL	<b>Total</b> MDL
<b>Cost</b>						
At 1 January 2004	-	1,820	1,550	40	-	3,410
Additions	190,163	45,368	191,313	17,248	7,540	451,632
Disposals	-	-	-	-	-	-
At 31 December 2004	<b>190,163</b>	<b>47,188</b>	<b>192,863</b>	<b>17,288</b>	<b>7,540</b>	<b>455,042</b>
<b>Accumulated amortization</b>						
At 1 January 2004	-	13	155	-	-	168
Charge for the year	-	2,026	25,622	490	1,155	29,293
Disposals	-	-	-	-	-	-
At 31 December 2004	-	<b>2,039</b>	<b>25,777</b>	<b>490</b>	<b>1,155</b>	<b>29,461</b>
<b>Net carrying amount</b>						
At 31 December 2004	<b>190,163</b>	<b>45,149</b>	<b>167,086</b>	<b>16,798</b>	<b>6,385</b>	<b>425,581</b>
At 31 December 2003	-	<b>1,807</b>	<b>1,395</b>	<b>40</b>	-	<b>3,242</b>

## 9. Property and equipment and intangible assets (continued)

	<b>Buildings</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Other</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>Cost</b>						
At 1 January 2004	-	138	117	3	-	258
Additions	15,425	3,680	15,519	1,398	612	36,634
Translation difference	(163)	(30)	(157)	(14)	(6)	(370)
<b>At 31 December 2004</b>	<b>15,262</b>	<b>3,788</b>	<b>15,479</b>	<b>1,387</b>	<b>606</b>	<b>36,522</b>
<b>Accumulated amortization</b>						
At 1 January 2004	-	1	12	-	-	13
Charge for the year	-	164	2,078	40	95	2,377
Translation difference	-	(2)	(19)	(1)	(1)	(23)
<b>At 31 December 2004</b>	<b>-</b>	<b>163</b>	<b>2,071</b>	<b>39</b>	<b>94</b>	<b>2,367</b>
<b>Net carrying amount</b>						
At 31 December 2004	<b>15,262</b>	<b>3,625</b>	<b>13,408</b>	<b>1,348</b>	<b>512</b>	<b>34,155</b>
At 31 December 2003	<b>-</b>	<b>137</b>	<b>105</b>	<b>3</b>	<b>-</b>	<b>245</b>

There were no fully depreciated assets as of 31 December 2004 and 2003.

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

	<b>CCY</b>	<b>Maturity date</b>	<b>Interest rate</b>	<b>2004 MDL</b>	<b>2004 USD</b>	<b>2003 MDL</b>	<b>2003 USD</b>
National Federation	EUR	30-Oct-2008	5%	1,935,339	155,324	784,105	59,312
Contact	USD	26-Jun-2007	11%	1,197,680	96,122	-	-
				<b>3,133,019</b>	<b>251,446</b>	<b>784,105</b>	<b>59,312</b>
Add: interest payable				-	-	6,552	496
				<b>3,133,019</b>	<b>251,446</b>	<b>790,657</b>	<b>59,808</b>

*National Federation AGROinform*

The loan in the amount of EUR 120,000 was granted on 30 October 2003 as part of a mutual cooperation agreement between the Company and the National Federation AGROinform (“the lender”) for a period of 5 years. The loan bears an interest rate of 5% per annum and is repayable in full at maturity.

The Company has to use the loan proceeds for microfinancing of ASPA clients (Alliance for Agricultural Market Support), selected by the lender, in the form of special purpose loans bearing an interest rate of 18%-19% and bank guarantees issued to clients obtaining credits from commercial banks up to 50% of the credit amount.

Given that the lender has selected just few borrowers to benefit from Agroinform loan, the Company has used the loan proceeds to extend loans to borrowers, other than those recommended by the lender, at market interest rates. The management believes that such departure from loan terms will not result in additional costs.

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

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 36 months for the purpose of sub-lending at an annual interest rate of 24% to non-agricultural enterprises in the regions selected by the lender, mainly in the north, center and south of the Republic.

The Company calculates and pays the interest and principal in MDL, as translated at the historical rate at the date of loan disbursement. Interest is payable on the 30<sup>th</sup> of December each year, the principal is repayable in full at maturity.

**11. Unused grants**

The Company obtains grants from a number of donors, which are either used for re-lending or for operational 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 unused grants are recognized as liabilities to donors. The movement in grants is presented below:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Unused grants at 1 January	341,781	25,853	-	-
Grants received during the year	4,654,734	377,566	989,393	71,360
Grants used for re-lending	(2,995,662)	(242,991)	(576,580)	(41,586)
Grants used to cover operating expenses	(1,369,923)	(111,120)	(71,032)	(5,123)
Translation difference	-	1,328	-	1,202
	<b>630,930</b>	<b>50,636</b>	<b>341,781</b>	<b>25,853</b>

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

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
<b><i>Foundation Open Society Institute</i></b>				
Unused grants at the beginning of the year	38,323	2,899	-	-
Grants received during the year	1,832,299	148,626	657,935	47,454
Grants used for re-lending	-	-	(548,580)	(39,566)
Grants used to cover operating expenses	(1,273,150)	(103,270)	(71,032)	(5,123)
Translation difference	-	(304)	-	134
Unused grants at the end of the year	<b>597,472</b>	<b>47,951</b>	<b>38,323</b>	<b>2,899</b>
<b><i>Moldovan Microfinance Alliance</i></b>				
Unused grants at the beginning of the year	303,458	22,954	-	-
Grants received during the year	-	-	331,458	23,906
Grants used for re-lending	(270,000)	(21,901)	(28,000)	(2,020)
Translation difference	-	1,632	-	1,068
Unused grants at the end of the year	<b>33,458</b>	<b>2,685</b>	<b>303,458</b>	<b>22,954</b>

**11. Unused grants (continued)**

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
<i><b>NOVIB</b></i>				
Unused grants at the beginning of the year	-	-	-	-
Grants received during the year	2,822,435	228,940	-	-
Grants used for re-lending	(2,725,662)	(221,090)	-	-
Grants used to cover operating expenses	(96,773)	(7,850)	-	-
Translation difference		-		
Unused grants at the end of the year	-	-	-	-
<b>Total grants</b>	<b>630,930</b>	<b>50,636</b>	<b>341,781</b>	<b>25,853</b>

*Foundation Open Society Institute (FOSI)*

Three grants were provided by Foundation Open Society Institute in 2003 and 2004.

As part of the Project IDEAS initiative, a joint project of the Foundation Open Society Institute and International Finance Corporation, the Company was awarded in May 2003 a grant in the amount of MDL 657,935 for the period from 1 May 2003 to 30 May 2004. The grant was made to create and manage a small-scale equity fund providing finance opportunities for small start-up companies to implement high risk business concepts in the areas of agro-business, food processing, textiles, IT and construction materials. At the end of the grant period any unexpended funds are to be returned to FOSI. As of 31 December 2003 the Company had used part of the loan for re-lending – MDL 548,580 and for covering operational expenses – MDL 71,032. The remaining MDL 38,323 were used in January-April 2004.

On 15 March 2004 the Company was awarded a grant in the amount of MDL 1,234,827 for the support of “Microfinance & Entrepreneurship Development as Driving Forces Behind Economic Growth” project. The grant was provided for a period from 15 March 2004 to 31 March 2005 to cover operating expenses incurred by the Company in the implementation of the above project, mainly strengthening of branch network, marketing and management and governance activities. As of 31 December 2004 the entire amount of the grant was used by the Company.

On 14 June 2004 the Company obtained another grant from Foundation Open Society Institute in the amount of USD 50,000 (MDL 597,472) for the period 24 May 2004 to 31 May 2005 to support vocational and business training and microfinance programs for women to prevent and reduce traffic in Moldova. Any unexpended funds shall be returned to the Foundation. As at 31 December 2004 the Company has not used the grant, but the management believes that either the grant will be used within assigned time, or the grant period will be extended.

*Moldovan Microfinance Alliance(MMA)*

On 2 December 2003 the Company received a grant in the amount of MDL 331,458 for the purpose of crediting credit groups for a period of 6 months. As of 31 December 2003 the Company has used only MDL 28,000 of granted funds, whereas at 31 December 2004 only MDL 270,000 were re-lended to credit groups. The management believes that the unused funds from the grant can and will be utilized for re-lending in 2005 without the grant being recalled by MMA.

**11. Unused grants (continued)**

*NOVIB*

On 27 October 2004 the Foundation Novib Netherlands Organization for International Development Co-operation has granted a grant to the Company in the amount of EUR 305,428 for the period from 1 October 2004 to 30 June 2006 for the implementation of “Microfinance & Entrepreneurship” project, both for re-lending the grant funds and for operating expenses. As of 31 December 2004 the Company has received MDL 2,822,435 (EUR 175,000), of which MDL 2,726,000 (EUR 169,021) were used for re-lending and MDL 97,882 (EUR 6,069) were used to cover operating expenses. The excess of MDL 1,447 (EUR 90) over disbursed amount are to be covered from the second tranche of Novib.

**12. Due to founders**

Soros Foundation Moldova is the only shareholder of the Company, holding 100% of its share capital. Apart for contribution to share capital, Soros Foundation Moldova also provides grants, which are used by the Company either to provide further loans or to cover operating expenses. As of 31 December 2004, Soros Foundation Moldova has made an additional contribution to share capital of the Company of MDL 1,252,280, which was registered by the State Registration Chamber in February 2005. As such this amount was not included in the share capital of the Company as of 31 December 2004.

The movement in share capital and grants extended by the shareholder is provided below:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Contribution to share capital	1,252,280	100,504	-	-
Grants extended by Soros Foundation Moldova	2,536,348	203,559	1,340,806	101,423
	<b>3,788,628</b>	<b>304,063</b>	<b>1,340,806</b>	<b>101,423</b>

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

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Grants outstanding at beginning of period	1,340,806	101,423	-	-
Grants received from founder for re-lending	3,662,924	297,115	1,410,630	101,742
Grants repaid to founders	(1,195,542)	(96,975)	-	-
Grants from founders used to cover operating expenses	(1,271,840)	(103,164)	(69,824)	(5,036)
Translation difference	-	5,160	-	4,717
	<b>2,536,348</b>	<b>203,559</b>	<b>1,340,806</b>	<b>101,423</b>

**13. Other liabilities**

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Audit fees	236,242	18,960	60,283	4,562
Advertising and other services	67,362	5,406	124	9
Income tax	1,008,707	80,956	157,836	11,939
Other taxes	168	13	6,585	499
	<b>1,312,479</b>	<b>105,335</b>	<b>224,828</b>	<b>17,009</b>

**14. Deferred revenue**

Deferred revenue represents guarantee fee in the amount of MDL 6,207, which was not earned yet in 2003.

The Company issues guarantees to its clients as a pledge for loans obtained from commercial banks (the guarantee being 50% of obtained loans), for which the clients pay a guarantee fee (4% in the first year and 0.33% - 1.3% in subsequent years). In its turn, the Company is obliged to open a bank deposit with Moldova Agroindbank for issued guarantees, which as of 31 December 2003 and 31 December 2004 had a shortfall of MDL 15,000.

Below is the movement in the account for the year:

	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Balance as at 1 January	6,207	470	-	-
Additions	10,400	844	7,840	565
Recognized to income	(16,607)	(1,347)	(1,633)	(118)
Translation difference		33		22
Balance as at 31 December	<b>-</b>	<b>-</b>	<b>6,207</b>	<b>469</b>

**15. Share capital**

The main shareholder of the Company is Soros Foundation Moldova. As of 31 December 2003 total share capital of the company was MDL 5,400 (USD 389), which was increased by MDL 1,242,912 during 2004, to reach the level of MDL 1,248,312 (USD 100,186) as of 31 December 2004.

**16. Reconciliation of statutory retained earnings to IFRS retained earnings**

A reconciliation of net income of the Company under Moldovan and International Financial Reporting Standards is given below:

	2004	2004	9 months ended 31 December 2003	9 months ended 31 December 2003
	MDL	USD	MDL	USD
<b>Net loss per statutory books</b>	<b>(209,254)</b>	<b>(16,973)</b>	<b>(29,407)</b>	<b>(2,122)</b>
Adjustments				
Recognition of bank interest	453	37	2,533	183
Deferral of guarantee fee revenue	6,207	503	(6,207)	(448)
Recognition of interest expense on borrowings	6,551	531	(6,552)	(473)
Provision for doubtful loans	(113,271)	(9,188)	(80,839)	(5,831)
Recognition of grant revenue	4,228,242	342,970	717,436	51,745
Deferral of commission fee revenue	21,320	1,729	(24,224)	(1,747)
Accruals	(243,321)	(19,737)	(60,283)	(4,348)
Tax expenses	(773,783)	(62,765)	(122,720)	(8,851)
Reclassification of expenses to prepayments	77,947	6,323	-	-
Penalty on income tax	(21,308)	(1,728)	-	-
<b>Total adjustments</b>	<b>3,189,037</b>	<b>258,675</b>	<b>419,144</b>	<b>30,230</b>
<b>IFRS net profit for the period</b>	<b>2,979,783</b>	<b>241,702</b>	<b>389,737</b>	<b>28,108</b>

**17. Interest income**

	2004	2004	9 months ended 31 December 2003	9 months ended 31 December 2003
	MDL	USD	MDL	USD
Loan interest revenue	1,619,095	131,332	112,508	8,115
Commission revenue	37,371	3,031	4,143	299
Interest income on deposits	33,021	2,678	2,534	182
Guarantee fee revenue	16,607	1,347	1,633	118
Interest on loans from employees	7,384	599	-	-
	<b>1,713,478</b>	<b>138,987</b>	<b>120,818</b>	<b>8,714</b>

**18. Interest expenses**

	<b>2004</b>	<b>2004</b>	<b>9 months ended 31 December 2003</b>	<b>9 months ended 31 December 2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Agroinform loan	94,648	7,677	6,552	473
Contact loan	87,830	7,125	-	-
	<b>182,478</b>	<b>14,802</b>	<b>6,552</b>	<b>473</b>

**19. Other operating income**

	<b>2004</b>	<b>2004</b>	<b>9 months ended 31 December 2003</b>	<b>9 months ended 31 December 2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Recognition of grant revenue	5,638,872	457,392	717,436	51,745
Penalties for late payment	60,243	4,887	-	-
Other	2,388	194	-	-
	<b>5,701,503</b>	<b>462,473</b>	<b>717,436</b>	<b>51,745</b>

Recognition of grants as revenue during 2003 and 2004 is presented below:

	<b>2004</b>	<b>2004</b>	<b>9 months ended 31 December 2003</b>	<b>9 months ended 31 December 2003</b>
	<b>MDL</b>	<b>USD</b>	<b>MDL</b>	<b>USD</b>
Moldovan Microfinance Alliance	270,000	21,901	28,000	2,020
Soros Foundation Moldova	1,271,840	103,164	69,824	5,036
Foundation Open Society Institute	1,273,150	103,270	619,612	44,689
NOVIB	2,823,882	229,057	-	-
	<b>5,638,872</b>	<b>457,392</b>	<b>717,436</b>	<b>51,745</b>

## 19. Other operating income (continued)

	2004	2004	9 months ended 31 December 2003	9 months ended 31 December 2003
	MDL	USD	MDL	USD
Grant used to cover operating expenses Soros	1,271,840	103,164	69,824	5,036
Grant used to cover operating expenses FOSI	1,273,150	103,270	71,032	5,123
Grant used to cover operating expenses NOVIB	97,882	7,941	-	-
<b>Subtotal</b>	<b>2,642,872</b>	<b>214,375</b>	<b>140,856</b>	<b>10,159</b>
Grant used for relending AMM	270,000	21,901	28,000	2,020
Grant used for relending FOSI	-	-	548,580	39,566
Grant used for relending NOVIB	2,726,000	221,116	-	-
<b>Subtotal</b>	<b>2,996,000</b>	<b>243,017</b>	<b>576,580</b>	<b>41,586</b>
	<b>5,638,872</b>	<b>457,392</b>	<b>717,436</b>	<b>51,745</b>

## 20. General and administrative expenses

	2004	2004	9 months ended 31 December 2003	9 months ended 31 December 2003
	MDL	USD	MDL	USD
Salaries	1,531,450	124,222	115,157	8,306
Social security contributions	413,257	33,521	17,920	1,292
Rent	266,364	21,606	-	-
Audit fees	241,514	19,590	60,283	4,348
Office supplies	116,040	9,412	2,478	179
IT maintenance expenses	95,912	7,780	2,685	194
Business trip expenses	94,921	7,699	152	11
Fuel expenses	89,546	7,263	-	-
Telephone expense	91,330	7,408	-	-
Bank charges	81,121	6,580	4,195	302
Public utilities, security	67,345	5,465	-	-
Depreciation of fixed assets and LVSL items	60,226	4,885	4,396	317
Marketing expenses	57,037	4,626	975	70
Other	157,713	12,793	966	70
	<b>3,363,776</b>	<b>272,850</b>	<b>209,207</b>	<b>15,089</b>

**21. Commitments and contingencies**

As at 31 December 2004, 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 and are converted into Company obligation upon potential default of Company's client on the repayment of bank loans. As of 31 December 2004 the Company has issued guarantees in the amount of MDL 456,000 (MDL 196,000 as of 31 December 2004).

As at 31 December 2004, the Company was not involved in any litigations.

The Company is renting most of its premises from other third parties for a one-year period, renewable upon request. All rent agreements are cancelable within 1 to 6 months notice. The Company normally spends around MDL 22,000 per month for rent. The Company has also received the right from its shareholder, Soros Foundation Moldova, to rent the building in which its head office is located free of charge. The rent agreement was signed for a period of one year, renewable upon request of the Company.

**22. 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. During the years ended 31 December 2004 and 2003, the Company has carried out transactions with the following related parties:

- Soros Foundation Moldova
- Foundation Open Society Institute
- Montes-Group S.R.L.
- Vinj-Stil S.R.L
- Management of the company

22. Related parties (continued)

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

	Loans outstanding		Amounts owed to		Grants recognized as revenue		Interest income		Investment in Share Capital		Salaries	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD
Soros Foundation												
Moldova												
2004	-	-	2,536,348	203,559	1,271,840	103,164	-	-	-	-	-	-
2003	-	-	1,340,806	101,423	69,824	5,012	-	-	-	-	-	-
Foundation Open												
Society Institute												
2004	-	-	597,472	47,951	1,273,150	91,302	-	-	-	-	-	-
2003	-	-	38,323	2,899	619,035	44,435	-	-	-	-	-	-
Montes-Group SRL												
2004	758,876	60,905	-	-	-	-	205,595	16,677	3,240	260	-	-
2003	694,294	52,518	-	-	-	-	36,067	2,601	-	-	-	-
Vinj-Stil SRL												
2004	626,403	50,273	-	-	-	-	97,803	7,933	3,240	260	-	-
2003	-	-	-	-	-	-	-	-	-	-	-	-
Management												
2004	-	-	-	-	-	-	-	-	-	-	355,204	28,812
2003	-	-	-	-	-	-	-	-	-	-	90,401	6,520
2004	<b>1,385,279</b>	<b>111,178</b>	<b>3,133,820</b>	<b>251,510</b>	<b>2,544,990</b>	<b>194,466</b>	<b>303,398</b>	<b>24,610</b>	<b>6,480</b>	<b>520</b>	<b>355,204</b>	<b>28,812</b>
2003	<b>694,294</b>	<b>52,518</b>	<b>1,379,129</b>	<b>104,322</b>	<b>688,859</b>	<b>49,447</b>	<b>36,067</b>	<b>2,601</b>	<b>-</b>	<b>-</b>	<b>90,401</b>	<b>6,520</b>

**23. Risk management**

*Market risk*

The Moldovan economy is at an early stage of development and there is a considerable degree of uncertainty surrounding likely future direction of domestic economic policy and political development. It is not possible to predict what changes in economic conditions will take place in Moldova and what effect these might have on the financial position and the results of operations and cash flow of the Company.

*Currency risk*

Currency risk is the risk of loss resulting from changes in exchange rates. The Moldovan economy is currently undergoing a restructuring and development process that influences directly and indirectly the financial-banking sector. The high rate of inflation for the year and the significant currency devaluation induce the risk of losses in value in respect of net monetary assets held in MDL.

**23. Risk management (continued)***Currency risk (continued)*

Assets and liabilities in MDL and other currencies as at 31 December 2004 and 2003, were as follows:

	2004							
	Total		In USD		In EUR		In MDL	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD
Equivalent currency								
<b>ASSETS</b>								
Cash and cash equivalents	2,673,821	214,592	58,217	4,672	1,627,078	130,584	988,526	79,336
Loans and advances to banks	248,987	19,983	-	-	-	-	248,987	19,983
Loans and advances to customers	9,913,231	795,604	-	-	-	-	9,913,231	795,604
Other assets	136,024	10,917	-	-	79,394	6,373	56,630	4,544
Deferred tax	78,764	6,321	-	-	-	-	78,764	6,321
Financial assets available for sale	6,480	520	-	-	-	-	6,480	520
Intangible assets	6,385	512	-	-	-	-	6,385	512
Property and equipment	419,196	33,643	-	-	-	-	419,196	33,643
	<b>13,482,888</b>	<b>1,082,092</b>	<b>58,217</b>	<b>4,672</b>	<b>1,706,472</b>	<b>136,957</b>	<b>11,718,199</b>	<b>940,463</b>
<b>LIABILITIES</b>								
Borrowings	3,133,019	251,446	-	-	-	-	3,133,019	251,446
Unused grants	630,930	50,636	-	-	-	-	630,930	50,636
Due to founders	3,788,628	304,063	-	-	-	-	3,788,628	304,063
Other liabilities	1,312,479	105,335	241,542	19,385	-	-	1,070,937	85,950
Shareholders' equity	4,617,832	370,612	-	-	-	-	4,617,834	370,613
	<b>13,482,888</b>	<b>1,082,092</b>	<b>241,542</b>	<b>19,385</b>	<b>-</b>	<b>-</b>	<b>13,241,346</b>	<b>1,062,707</b>
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>(183,325)</b>	<b>(14,713)</b>	<b>1,706,472</b>	<b>136,957</b>	<b>(1,523,147)</b>	<b>(122,244)</b>

## 23. Risk management (continued)

Currency risk (continued)

	2003							
	Total		In USD		In EUR		In MDL	
	MDL	USD	MDL	USD	MDL	USD	MDL	USD
Equivalent currency								
<b>ASSETS</b>								
Cash and cash equivalents	449,960	34,036	330,143	24,973	-	-	119,817	9,063
Loans and advances to banks	183,534	13,883	-	-	-	-	183,534	13,883
Loans and advances to customers	2,425,217	183,451	-	-	-	-	2,425,217	183,451
Other assets	2,458	186	-	-	-	-	2,458	186
Deferred tax assets	35,005	2,648	-	-	-	-	35,005	2,648
Financial assets available for sale	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Property and equipment	3,242	245	-	-	-	-	3,242	245
	<b>3,099,416</b>	<b>234,449</b>	<b>330,143</b>	<b>24,973</b>	<b>-</b>	<b>-</b>	<b>2,769,273</b>	<b>209,476</b>
<b>LIABILITIES</b>								
Borrowings	790,657	59,808	-	-	-	-	790,657	59,808
Unused grants	341,781	25,853	-	-	-	-	341,781	25,853
Deferred income	6,207	469	-	-	-	-	6,207	469
Due to founders	1,340,806	101,423	-	-	-	-	1,340,806	101,423
Other liabilities	224,828	17,009	60,283	4,560	-	-	164,545	12,449
Shareholders' equity	395,137	29,887	-	-	-	-	395,137	29,887
	<b>3,099,416</b>	<b>234,449</b>	<b>60,283</b>	<b>4,560</b>	<b>-</b>	<b>-</b>	<b>3,039,133</b>	<b>229,889</b>
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>269,860</b>	<b>20,413</b>	<b>-</b>	<b>-</b>	<b>(269,860)</b>	<b>(20,413)</b>

**23. Risk management (continued)***Interest rate risk*

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 Company's 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.

	2004											
	Total		Less than 3 months		From 3 to 6 months		From 6 months to 1 year		From 1 to 5 years		Non-sensitive	
Equivalent Currency	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD	MDL	USD
<b>ASSETS</b>												
Cash and cash equivalents	2,673,821	214,592	-	-	-	-	-	-	-	-	2,673,821	214,592
Loans and advances to banks	248,987	19,983	2,987	240	-	-	-	-	246,000	19,743	-	-
Loans and advances to customers	9,913,231	795,604	512,444	41,127	763,386	61,267	3,958,421	317,690	4,678,980	375,520	-	-
Other assets	136,024	10,917	-	-	-	-	-	-	-	-	136,024	10,917
Deferred tax	78,764	6,321	-	-	-	-	-	-	-	-	78,764	6,321
Financial assets available for sale	6,480	520	-	-	-	-	-	-	-	-	6,480	520
Intangible assets	6,385	512	-	-	-	-	-	-	-	-	6,385	512
Property and equipment	419,196	33,643	-	-	-	-	-	-	-	-	419,196	33,643
	<b>13,482,888</b>	<b>1,082,092</b>	<b>515,431</b>	<b>41,367</b>	<b>763,386</b>	<b>61,267</b>	<b>3,958,421</b>	<b>317,690</b>	<b>4,924,980</b>	<b>395,263</b>	<b>3,320,670</b>	<b>266,505</b>
<b>LIABILITIES</b>												
Borrowings	3,133,019	251,446	-	-	-	-	-	-	3,133,019	251,446	-	-
Unused grants	630,930	50,636	-	-	-	-	-	-	-	-	630,930	50,636
Due to founders	3,788,628	304,063	-	-	-	-	-	-	-	-	3,788,628	304,063
Other liabilities	1,312,479	105,335	-	-	-	-	-	-	-	-	1,312,479	105,335
Shareholders' equity	4,617,832	370,612	-	-	-	-	-	-	-	-	4,617,832	370,612
	<b>13,482,888</b>	<b>1,082,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,133,019</b>	<b>251,446</b>	<b>10,349,869</b>	<b>830,646</b>
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>515,431</b>	<b>41,367</b>	<b>763,386</b>	<b>61,267</b>	<b>3,958,421</b>	<b>317,690</b>	<b>1,791,961</b>	<b>143,817</b>	<b>(7,029,199)</b>	<b>(564,141)</b>

## 23. Risk management (continued)

*Interest rate risk (continued)*

	2003											
	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
Equivalent Currency												
<b>ASSETS</b>												
Cash and cash equivalents	449,960	34,036	-	-	-	-	-	-	-	-	449,960	34,036
Loans and advances to banks	183,534	13,883	2,534	192	-	-	-	-	181,000	13,691	-	-
Loans and advances to customers	2,425,217	183,451	-	-	-	-	825,080	62,412	1,600,137	121,039	-	-
Other assets	2,458	186	-	-	-	-	-	-	-	-	2,458	186
Deferred tax	35,005	2,648	-	-	-	-	-	-	-	-	35,005	2,648
Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	3,242	245	-	-	-	-	-	-	-	-	3,242	245
	<b>3,099,416</b>	<b>234,449</b>	<b>2,534</b>	<b>192</b>	<b>-</b>	<b>-</b>	<b>825,080</b>	<b>62,412</b>	<b>1,781,137</b>	<b>134,730</b>	<b>490,665</b>	<b>37,115</b>
<b>LIABILITIES</b>												
Borrowings	790,657	59,808	-	-	-	-	-	-	790,657	59,808	-	-
Unused grants	341,781	25,853	-	-	-	-	-	-	-	-	341,781	25,853
Deferred income	6,207	469	-	-	-	-	-	-	-	-	6,207	469
Due to founders	1,340,806	101,423	-	-	-	-	-	-	-	-	1,340,806	101,423
Other liabilities	224,828	17,009	-	-	-	-	-	-	-	-	224,828	17,009
Shareholders' equity	395,137	29,887	-	-	-	-	-	-	-	-	395,137	29,887
	<b>3,099,416</b>	<b>234,449</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>790,657</b>	<b>59,808</b>	<b>2,308,759</b>	<b>174,641</b>
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>2,534</b>	<b>192</b>	<b>-</b>	<b>-</b>	<b>825,080</b>	<b>62,412</b>	<b>990,480</b>	<b>74,922</b>	<b>(1,818,094)</b>	<b>(137,526)</b>

**23. 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).

*Liquidity risk*

The liquidity risk is associated either to 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.

	2004											
	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
Equivalent currency												
<b>ASSETS</b>												
Cash and cash equivalents	2,673,821	214,592	-	-	-	-	-	-	-	-	2,673,821	214,592
Loans and advances to banks	248,987	19,983	2,987	240	-	-	-	-	246,000	19,743	-	-
Loans and advances to customers	9,913,231	795,604	512,444	41,127	763,386	61,267	3,958,421	317,690	4,678,980	375,520	-	-
Other assets	136,024	10,917	62,226	4,994	15,720	1,262	-	-	-	-	58,078	4,661
Deferred tax	78,764	6,321	-	-	-	-	-	-	-	-	78,764	6,321
Financial assets available for sale	6,480	520	-	-	-	-	-	-	-	-	6,480	520
Intangible assets	6,385	512	-	-	-	-	-	-	-	-	6,385	512
Property and equipment	419,196	33,643	-	-	-	-	-	-	-	-	419,196	33,643
	<b>13,482,888</b>	<b>1,082,092</b>	<b>577,657</b>	<b>46,361</b>	<b>779,106</b>	<b>62,529</b>	<b>3,958,421</b>	<b>317,690</b>	<b>4,924,980</b>	<b>395,263</b>	<b>3,242,724</b>	<b>260,249</b>
<b>LIABILITIES</b>												
Borrowings	3,133,019	251,446	-	-	-	-	-	-	3,133,019	251,446	-	-
Unused grants	630,930	50,636	-	-	597,472	47,951	-	-	-	-	33,458	2,685
Due to founders	3,788,628	304,063	-	-	-	-	-	-	-	-	3,788,628	304,063
Other liabilities	1,312,479	105,335	-	-	-	-	-	-	-	-	1,312,479	105,335
Shareholders' equity	4,617,832	370,612	-	-	-	-	-	-	-	-	4,617,832	370,612
	<b>13,482,888</b>	<b>1,082,092</b>	<b>-</b>	<b>-</b>	<b>597,472</b>	<b>47,951</b>	<b>-</b>	<b>-</b>	<b>3,133,019</b>	<b>251,446</b>	<b>9,752,397</b>	<b>782,695</b>
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>577,657</b>	<b>46,361</b>	<b>181,634</b>	<b>14,578</b>	<b>3,958,421</b>	<b>317,690</b>	<b>1,791,961</b>	<b>143,817</b>	<b>(6,509,673)</b>	<b>(522,446)</b>

	Total		Less than 3 months		Less than 6 months		2003 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
Equivalent currency												
<b>ASSETS</b>												
Cash and cash equivalents	449,960	34,036	-	-	-	-	-	-	-	-	449,960	34,036
Loans and advances to banks	183,534	13,883	2,534	192	-	-	-	-	181,000	13,691	-	-
Loans and advances to customers	2,425,217	183,451	-	-	-	-	825,080	62,412	1,600,137	121,039	-	-
Other assets	2,458	186	-	-	-	-	-	-	-	-	2,458	186
Deferred tax	35,005	2,648	-	-	-	-	-	-	-	-	35,005	2,648
Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	3,242	245	-	-	-	-	-	-	-	-	3,242	245
	<b>3,099,416</b>	<b>234,449</b>	<b>2,534</b>	<b>192</b>	-	-	<b>825,080</b>	<b>62,412</b>	<b>1,781,137</b>	<b>134,730</b>	<b>490,665</b>	<b>37,115</b>
<b>LIABILITIES</b>												
Borrowings	790,657	59,808	-	-	-	-	6,552	496	784,105	59,312	-	-
Unused grants	341,781	25,853	-	-	341,781	25,853	-	-	-	-	-	-
Deferred income	6,207	469	-	-	-	-	-	-	-	-	6,207	469
Due to founders	1,340,806	101,423	-	-	-	-	-	-	-	-	1,340,806	101,423
Other liabilities	224,828	17,009	-	-	-	-	-	-	-	-	224,828	17,009
Shareholders' equity	395,137	29,887	-	-	-	-	-	-	-	-	395,137	29,887
	<b>3,099,416</b>	<b>234,449</b>	-	-	<b>341,781</b>	<b>25,853</b>	<b>6,552</b>	<b>496</b>	<b>784,105</b>	<b>59,312</b>	<b>1,966,978</b>	<b>148,788</b>
<b>Net exposure</b>	-	-	<b>2,534</b>	<b>192</b>	<b>(341,781)</b>	<b>(25,853)</b>	<b>818,528</b>	<b>61,916</b>	<b>997,032</b>	<b>75,418</b>	<b>(1,476,313)</b>	<b>(111,673)</b>

**24. Post balance sheet events**

The following events took place after balance sheet date:

- The contribution of the shareholder made on 23 December 2004 was officially registered with the State Registration Chamber on 23 February 2005, whereby the share capital of the Company was increased to MDL 2,495,192.
- In the first quarter of 2005, the Company has purchased a new office in Orhei, to be used as its representative office.