



ANNUAL REPORT
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Mission & Values

Our mission is to provide competitive financial solutions to micro and small businesses and individuals in order to develop entrepreneurship, create new jobs and raise the life standard of citizens while providing satisfactory returns to shareholders.

Our values are:

- We are entrepreneurs supporting entrepreneurs
- We are closer to clients
- We are performance - oriented



Financial highlights

	2010**	2009**	2008*	2007*	2006*	2005*	2004*
Total assets (USD)	27 759 433	35 663 123	41 745 700	24 365 541	6 893 866	3 770 678	1 075 771
Shareholders' equity (USD)	7 029 835	5 771 757	9 042 384	7 020 145	1 432 460	1 025 928	376 173
Outstanding loan portfolio as of end of year (USD)	14 061 646	19 338 182	25 801 787	10 804 863	4 168 183	2 707 303	795 604
PAR >30 (%)	15.59	14.82	2.77	2.1	1.5	1.15	0.85
Number of active contracts at year-end	3 529	4 496	4 607	2 772	1 555	1 288	408
Number of staff at year-end	103	107	99	55	54	39	31

*Based on Management Accounts

** Based on IFRS



General Information

Microinvest S.R.L (“the Company”) was established on 29 April 2003 as a micro-financing limited liability company. The Company does not have an ultimate parent.

The shareholders of the Company are as follows:	2010	2009
BFSE Holding B.V. (B.F.S.E)	50.10%	38.31%
Soros Foundation Moldova	15.25%	19.75%
S.A. “S.I.D.I.” Solidarite Internationale pour le Developpement et l’Investissement	3.28%	3.40%
“Oikocredit” Ecumenical Development Cooperative Society U.A.	12.28%	17.23%
Soros Economic Development Fund	10.38%	10.77%
Driehaus Richard	4.59%	4.75%
Munteanu Artur	2.96%	4.15%
Mîrzac Viorica	0.58%	0.82%
Microinvest S.R.L.	0.58%	0.82%

The Company operates through its head office located in Chisinau and 16 representative offices (15 representative offices as of 31 December 2009) 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.

As of 31 December 2010, the Company also holds 100% of share capital of CSV “Schimb Optim Plus” SRL (as of 31 December 2009: 100%), and 100% of share capital of CSV “MI Schimb Optim” SRL, both of which are providing foreign exchange services via foreign exchange booths. The Company is the ultimate parent of the Group.

The registered office of the Company is located at Puskin Street 16, Chisinau, Republic of Moldova. The registered office of the CSV “Schimb Optim Plus” SRL is located at Stefan cel Mare street 27/1, Balti, Republic of Moldova. The registered office of the CSV “MI Schimb Optim” SRL is located at Puskin Street 16, Chisinau, Republic of Moldova.

Microinvest Shareholders



SFM is a non-governmental, non-for-profit and non-political organization which was established in 1992 by the financier and the philanthropist George Soros to promote the development of an open society in Moldova by developing and implementing a range of programs and activities that address specific areas of needs including cultural policy, education at all levels, microfinance of rural enterprises, legal reform and public administration, media and information, civil society, public health and European integration.



SIDI is a company specialized in the financial and technical support of microfinance institutions. Financial support is realized by equity investments, loans, grants and guarantees. Technical assistance is carried out by reinforcing operational capacities of partners, participating in the governing and decision-making bodies, support and counseling in business planning, training, and designing financial services.



Balkan Financial Sector Equity Fund (BFSE Holding B.V) represented by Development Financial Equity Partners (DFE). BFSE Holding B.V. is a private limited liability company, having its official seat in Amsterdam, the Netherlands, incorporated on April 02, 2007. The objectives of the Company are to participate in, to finance of and to manage other enterprises and companies, to act as general partner and to provide security for the debts of third parties and to do all that is connected therewith.



The Soros Economic Development Fund (SEDF) is a nonprofit private foundation. It is part of the network of charitable foundations created by investor and philanthropist George Soros. Established in 1997, the fund's mission is to alleviate poverty and community deterioration. It does this by making investments – in the form of equity, loans, guarantees and deposits – in selected banks, microfinance institutions, cooperatives and social enterprise projects worldwide.



Oikocredit started as a pioneer in the field of development financing, Oikocredit is today one of the largest financiers of the microfinance sector worldwide. It is one of the few ethical investment funds, which finances development projects benefiting disadvantaged and marginalised people. Privately owned, Oikocredit is a cooperative society, which encourages investors to invest their funds in a socially responsible manner. Oikocredit finances cooperatives or small and medium-sized enterprises (SMEs) involved in agriculture, trade, services and manufacturing.



Richard H. Driehaus is a fund manager, businessman and philanthropist founder, Chief Investment Officer and Chairman of Driehaus Capital Management based in Chicago, a firm which manages U.S. \$3 billion.



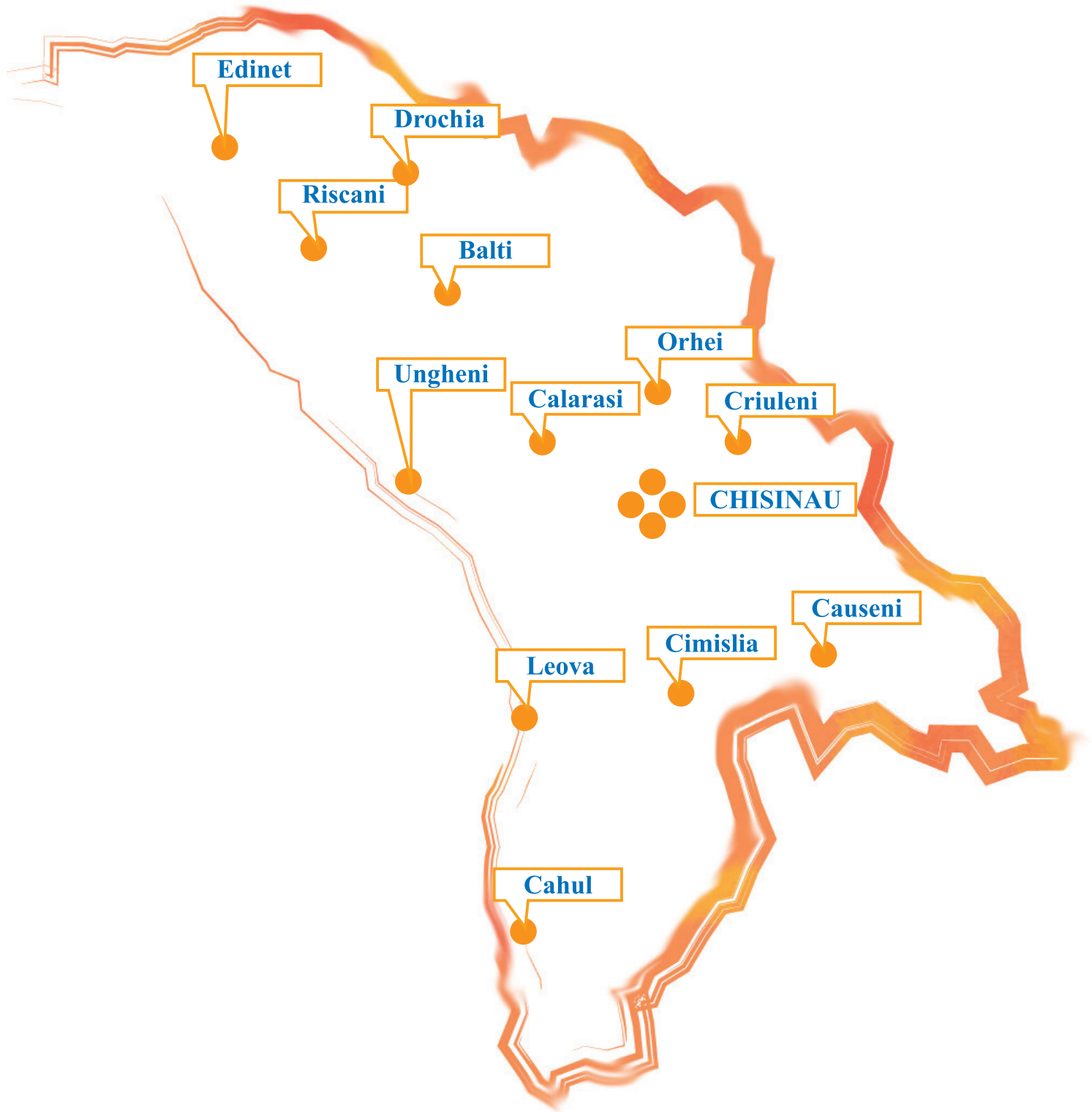
Artur Munteanu
Chief Executive Officer, over 14 years of experience in microfinance
Email: amunteanu@microinvest.md

Veronica Mirzac
Chief Financial Officer, over 10 years of experience in microfinance
Email: vmirzac@microinvest.md

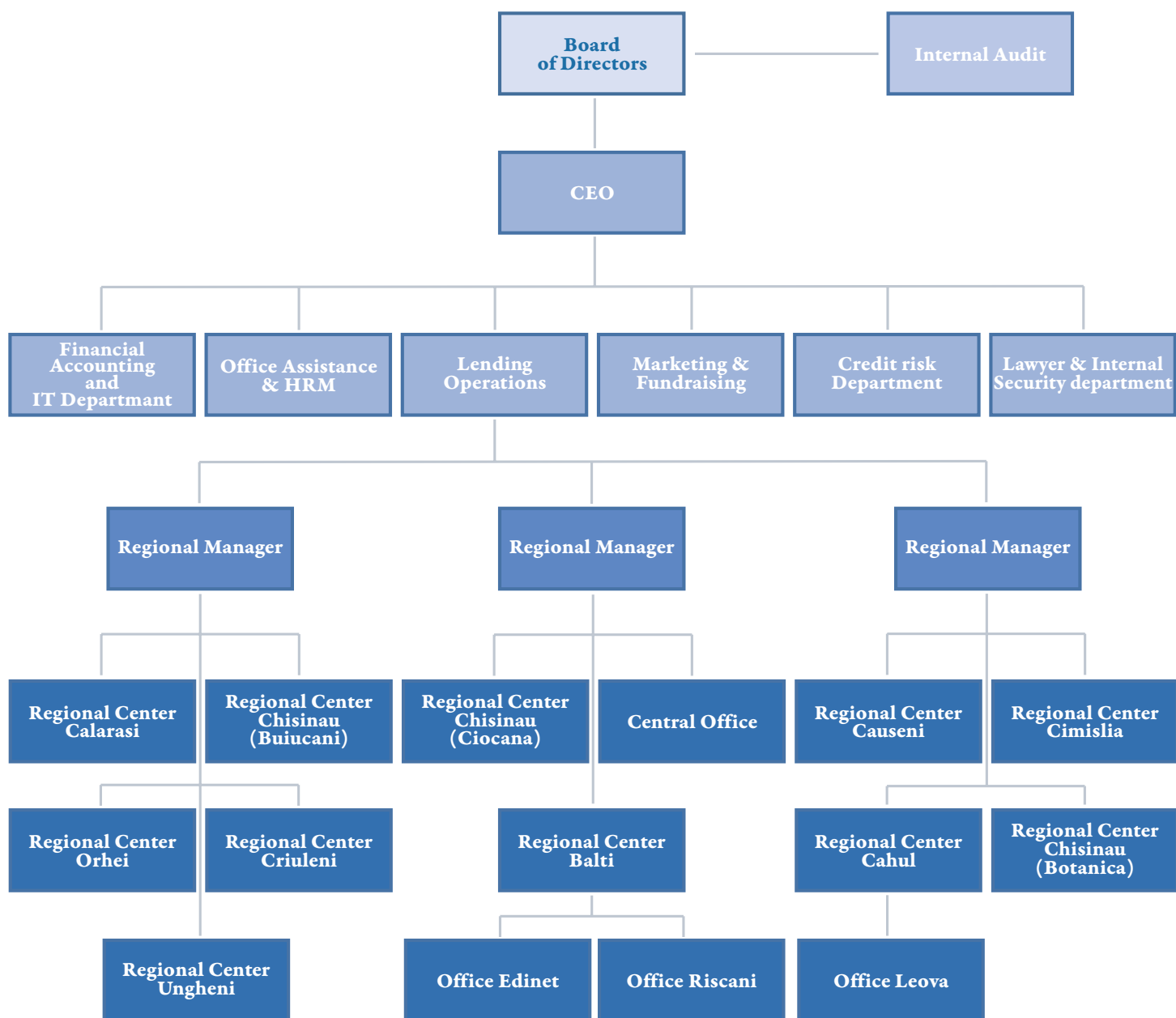
Microinvest Board of Directors

Name	Position on Board	Background	Affiliation	Board member since
 Michael Fiebig	Chairman	Over 11 years of experience in advising and running retail banking, microfinance and SME lending operations, focus SE Europe. Banking and finance professional with 12 years of experience in transition economies.	Development Finance Equity Partners AG, Switzerland	2008
 Clive Moody	Member	Private Equity Professional for over 20 years	Development Finance Equity Partners AG, Switzerland	2008
 Victor Ursu	Member	PhD in Physics. Over 12 years of experience in economic development and microfinance.	Executive Director Soros Foundation Moldova.	2003
 Uwe Konst	Member	MBA, 20 years of experience in the financial industry and with economies in transition.	Independent consultant for international business.	2008
 Gael de Pontbriand	Member	MBA, Wharton over 35 years of operational management and consulting experience in the financial sector.	Independent consultant	2008
 David Meier	Member	BS Finance, St. Thomas University MBA Purdue University and ESCP Europe Business / Economic Development Consultant since 1993 Microfinance and MSME Development specialist since 1997	Soros Economic Development Fund	2006
 Artur Munteanu	Member	MBA, University of Hull, the UK. Over 14 years of experience in microfinance	CEO, Microinvest, Moldova.	2005

Microinvest branch network



Organizational structure



Microinvest loan products

FORTE

Amount: up to 2 400 000 MDL
Term: up to 60 months
Guarantee: 125%
Purpose: business expansion

START

Amount: up to 600 000 MDL
Term: up to 60 months
Guarantee: 125%
Purpose: starting a profitable business

SIMPLUS

Amount: up to 70 000 MDL
Term: up to 48 months
Guarantee: guarantor
Purpose: working capital and fixed assets

CONSUMER LOANS:

Housing loans
Car loans
Student loans
Work & Travel loans

INFORMAL GROUPS

Amount: up to 25 000 MDL
Term: up to 24 months
Guarantee: group peer pressure
Purpose: working capital

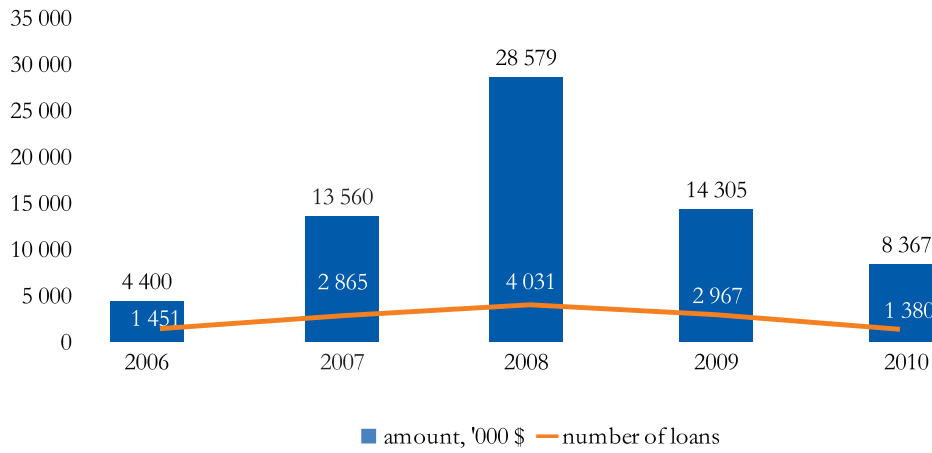
SAVINGS AND CREDIT ASSOCIATIONS (SCAs)

Amount: up to 8 000 000 MDL
Term: up to 24 months
Guarantee: term deposits with commercial banks and assignment of rights on current account payments
Purpose: working capital enhancement

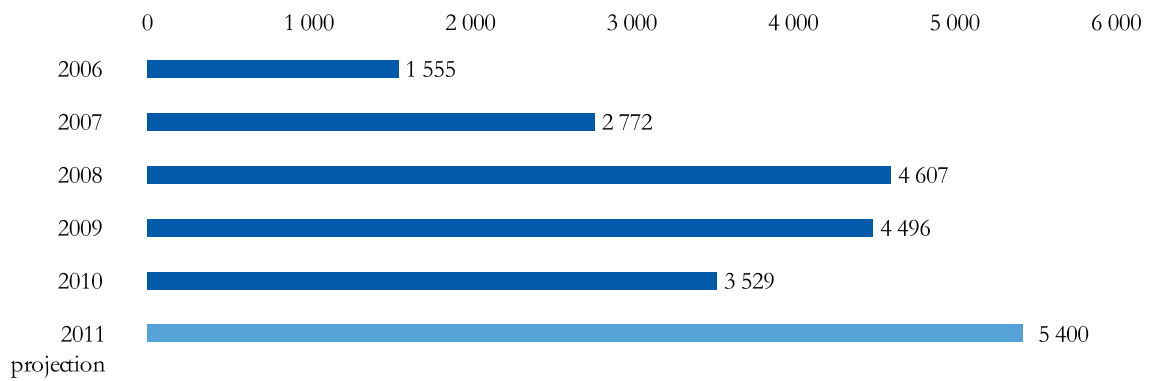


2010 in Figures

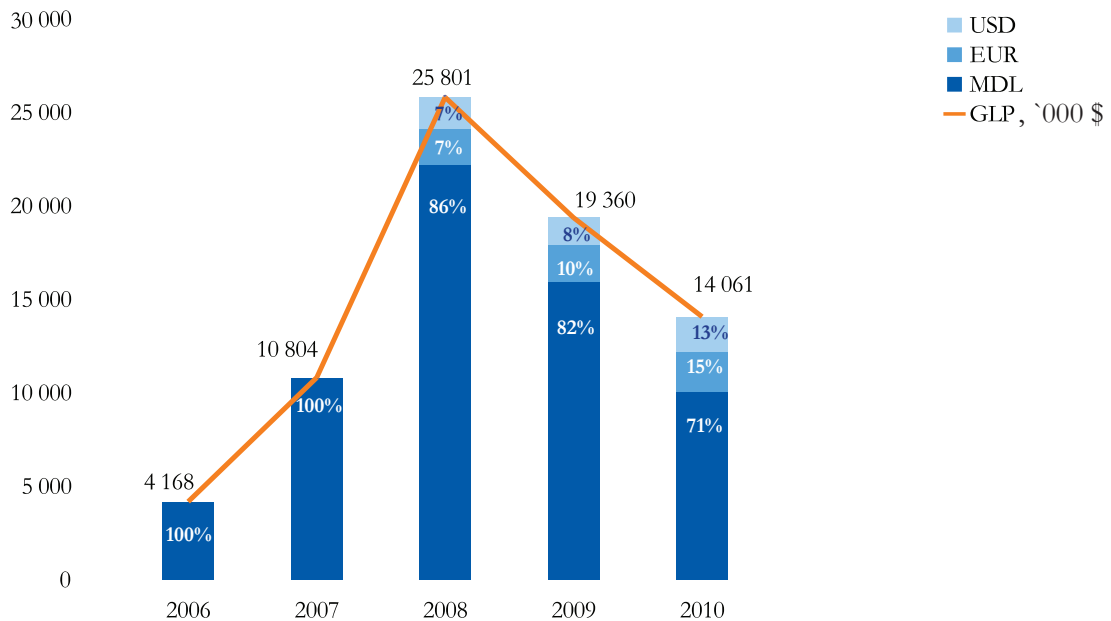
Disbursements



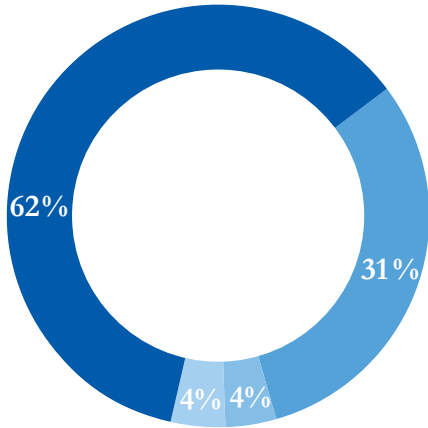
Number of active contracts as of the year-end



Portfolio by currency

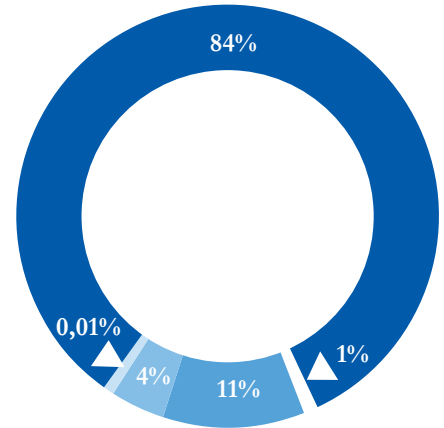


Gross portfolio exposure by terms



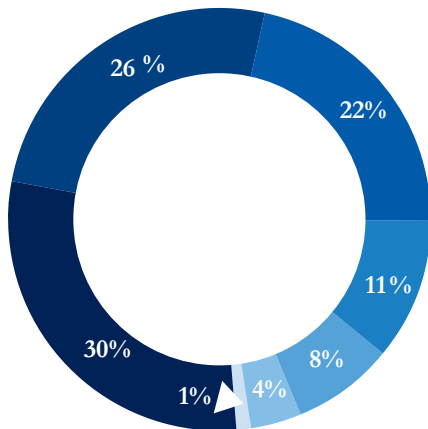
- up to 3 months
- From 3 up to 12 months
- From 1 up to 5 year
- over 5 years

Gross portfolio exposure by type of loans



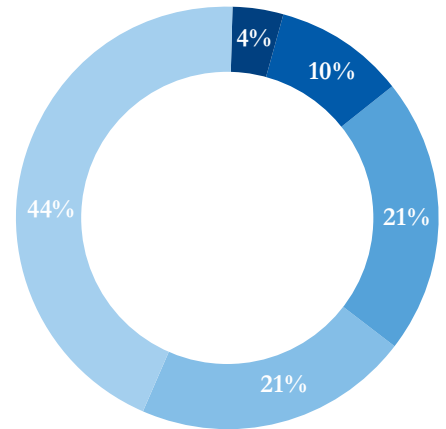
- Direct loans
- Venture Capital
- Group guaranteed loans
- Credit to savings associations
- Employee loans

Gross portfolio exposure by sectors



- Agriculture
- Services
- Trade
- Consumer
- Production
- Employees loans
- other

Gross portfolio exposure by amount category



- < 1 000 USD
- 1 000 - 2 000 USD
- 2 000 - 5 000 MDL
- 5 000 - 10 000 MDL
- > 10 000 MDL

Auditors' Report

We have audited the accompanying consolidated financial statements of JV MFO Microinvest LLC and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement for year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

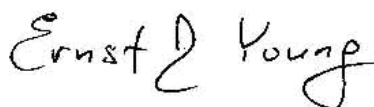
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

30 June 2011



Ernst&Young SRL
Chisinau, Republic of Moldova

Balance sheet

	Notes	2010	2010	2009	2009
		MDL	USD	MDL	USD
ASSETS					
Cash and cash equivalents	4	15,274,968	1,256,796	48,780,346	3,965,334
Due from banks and other institutions	5	145,205,256	11,947,215	159,614,193	12,974,970
Loans and advances to customers, net	6	161,534,163	13,290,727	213,211,086	17,331,839
Other assets	7	738,791	60,786	1,660,168	134,954
Intangible assets	9	810,335	66,673	950,929	77,301
Property and equipment	9	13,821,876	1,137,236	14,500,325	1,178,725
Total assets		337,385,389	27,759,433	438,717,047	35,663,123
LIABILITIES					
Interest-bearing loans and borrowings	10	249,498,245	20,528,246	365,534,090	29,714,112
Grants for projects in process	11	218,918	18,012	310,361	25,228
Due to founders	12	249,523	20,530	290,826	23,641
Other liabilities	13	1,978,772	162,810	1,579,353	128,385
Total liabilities		251,945,458	20,729,598	367,714,630	29,891,366
EQUITY					
Share capital	14	107,485,826	8,843,731	76,632,875	6,229,454
<i>Less:</i> Treasury shares		(644,864)	(53,058)	-	-
Capital Reserve		3,357,781	276,272	3,357,781	272,953
Retained earnings		(24,758,812)	(2,037,110)	(8,988,239)	(730,650)
Total shareholders' equity		85,439,931	7,029,835	71,002,417	5,771,757
Total liabilities and shareholders' equity		337,385,389	27,759,433	438,717,047	35,663,123

The accompanying notes are an integral part of these consolidated financial statements.
The consolidated financial statements were authorized for issue on 30 June 2011:

General manager
Mr. Artur Munteanu

Chief Financial Officer
Mrs. Veronica Mirzac



Income statement

	Notes	2010	2010	2009	2009
		MDL	USD	MDL	USD
Interest and similar income	16	54,352,041	4,395,174	89,366,935	8,041,368
Interest and similar expense	17	(29,429,037)	(2,379,777)	(45,718,622)	(4,113,829)
Net interest and similar income		24,923,004	2,015,397	43,648,313	3,927,539
Other operating income	18	19,869,019	1,606,707	25,244,614	2,271,547
General and administrative expenses	19	(26,383,699)	(2,133,515)	(23,800,108)	(2,141,569)
Foreign exchange (losses)/gains		(373,108)	(30,171)	(53,075)	(4,776)
Profit before credit loss expense		18,035,216	1,458,418	45,039,744	4,052,741
Provision for impairment of loans	20	(33,802,826)	(2,733,463)	(58,649,133)	(5,277,335)
Profit (loss) before income tax		(15,767,610)	(1,275,045)	(13,609,389)	(1,224,594)
Income tax expense	8	(2,965)	(240)	-	-
Net profit (loss) for the year		(15,770,575)	(1,275,285)	(13,609,389)	(1,224,594)
Other comprehensive income		-	-	-	-
Total comprehensive income		(15,770,575)	(1,275,285)	(13,609,389)	(1,224,594)

The accompanying notes are an integral part of these consolidated financial statements.
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General manager
Mr. Artur Munteanu

Chief Financial Officer
Mrs. Veronica Mirzac



Changes in shareholders' equity

	Share capital	Capital reserve	Retained Earnings	Total shareholders' equity
	MDL	MDL	MDL	MDL
Balance at 1 January 2009	73,885,625	6,105,031	4,621,150	84,611,806
Contribution to share capital	2,747,250	(2,747,250)	-	-
Total comprehensive income for the year	-	-	(13,609,389)	(13,609,389)
Balance at 31 December 2009	76,632,875	3,357,781	(8,988,239)	71,002,417

	Share capital	Treasury Shares	Capital reserve	Retained Earnings	Total shareholders' equity
	MDL	MDL	MDL	MDL	MDL
Balance at 1 January 2010	76,632,875	-	3,357,781	(8,988,239)	71,002,417
Movement in share capital (addition/ disposal)	30,852,951	(644,862)	-	-	30,208,089
Total comprehensive income for the year	-	-	-	(15,770,575)	(15,770,575)
Balance at 31 December 2010	107,485,826	(644,862)	3,357,781	(24,758,814)	85,439,931

	Share capital	Capital reserve	Retained Earnings	Total shareholders' equity
	USD	USD	USD	USD
Balance at 1 January 2009	7,104,250	587,001	444,333	8,135,594
Contribution to share capital	247,202	(247,202)	-	-
Total comprehensive income for the year	-	-	(1,224,594)	(1,224,594)
Translation difference	(1,121,998)	(66,856)	49,661	(1,139,243)
Balance at 31 December 2009	6,229,454	272,953	(730,650)	5,771,757

	Share capital	Treasury Shares	Capital reserve	Retained Earnings	Total shareholders' equity
	USD	USD	USD	USD	USD
Balance at 1 January 2010	6,229,454	-	272,953	(730,650)	5,771,757
Movement in share capital (addition/ disposal)	2,494,918	(52,147)	-	-	2,442,771
Total comprehensive income for the year	-	-	-	(1,275,285)	(1,275,285)
Translation difference	119,359	(911)	3,319	(31,175)	90,592
Balance at 31 December 2010	8,843,731	(53,058)	276,272	(2,037,110)	7,029,835

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

Cash flow

	Notes	2010 MDL	2010 USD	2009 MDL	2009 USD
Cash flows from operating activities					
Interest receipts		49,547,106	4,006,623	91,177,390	8,204,275
Interest payments		(26,909,070)	(2,176,000)	(46,329,124)	(4,168,762)
Other income received		19,495,911	1,576,536	25,244,614	2,271,548
Payment to employees and suppliers		(24,719,622)	(1,998,951)	(24,100,584)	(2,168,606)
Taxes (paid)/received		-	-	(158,509)	(14,263)
		17,414,325	1,408,208	45,833,787	4,124,192
<i>(Increase) decrease in assets/liabilities:</i>					
Loans and advances to customers, net		32,629,050	2,638,546	1,731,936	155,842
Other assets		5,380,294	435,007	(31,836,215)	(2,864,669)
Other liabilities		171,495	13,868	4,957	446
Net cash from operating activities		55,595,164	4,495,699	15,734,465	1,415,811
Cash flows from investing activities					
Purchase of intangibles		(134,088)	(10,843)	(368,515)	(33,160)
Purchase of property and equipment		(618,728)	(50,033)	(2,420,728)	(217,820)
Net cash from investing activities		(752,816)	(60,876)	(2,789,243)	(250,980)
Cash flows from financing activities					
Net proceeds from borrowings		(118,555,812)	(9,587,008)	29,723,724	2,674,584
Contributions to share capital		30,852,951	2,494,922	-	-
Purchase of treasury shares		(644,864)	(52,147)		
Net cash from financing activities		(88,347,725)	(7,144,233)	29,723,724	2,674,584
Foreign exchange difference		-	-	(53,075)	(4,776)
Net increase/(decrease) in cash and cash equivalents		(33,505,378)	(2,709,410)	42,615,871	3,834,639
Cash and cash equivalents at 1 January		48,780,346	3,965,334	6,164,475	592,726
Translation difference		-	872	-	(462,031)
Cash and cash equivalents at 31 December	15	15,274,968	1,256,796	48,780,346	3,965,334

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

Outlook for 2011

	2011 plan
Total assets (million USD):	24
Total equity (million USD):	6.7
Gross loan portfolio outstanding (million USD):	14.8
Profit (thousand USD):	23
Number of active loans outstanding:	3 464
Number of employees:	122
Number of loan officers:	45
PAR > 30 days (%):	4.9

Microinvest partners



Deutsche Bank



Global Commercial
Microfinance Consortium



Triodos Bank



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