

FONKOZE S.A.

Consolidated Financial Statements

September 30, 2015

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Fonkoze S.A.:

We have audited the accompanying consolidated financial statements of Fonkoze S.A. and its subsidiary Sèvis Finansye Fonkonze, S.A. (SFF) which comprise the consolidated balance sheet as of September 30, 2015 and the related consolidated statements of operations, of changes in equity and of cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform that audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence justifying the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of Fonkoze S.A. and its subsidiary as of September 30, 2015 and the results of their operations and their cash flows for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America.

The supplementary information presented in **Annexes I through IV** are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the basic consolidated financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Going concern

The consolidated financial statements of Fonkoze S.A. have been prepared on a going concern basis, which assumes that the Company will be able to achieve profitability and positive equity in the foreseeable future. As evidenced in the consolidated financial statements, the Company incurred net losses of G 6,413,976 and G 71,324,998 for the years ended September 30, 2015 and 2014, respectively, and reported a negative equity of G 122,493,908 and G 114,969,015 as of September 30, 2015 and 2014, respectively.

In addition, the consolidated balance sheet of Fonkoze S.A., as of September 30, 2015 reflects a note receivable of G 161,068,253 maturing in 2022 which represents an amount due from Fondasyon Kole Zepòl (the Foundation), a related party, to Sèvis Finansye Fonkoze, S.A. (SFF) as reflected in **note 12**. The recoverability of this note could adversely be impacted by the factors described in **note 26**.

These factors create an uncertainty about the Company's ability to continue as a going concern. Management plans in regard to these matters are described in **note 26**. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.



The Board of Directors
Fonkoze S.A.
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Emphasis of matter

The consolidated financial statements as of September 30, 2014 were audited by other auditors and their report, dated January 1, 2015, expressed an unqualified opinion on the consolidated financial statements of Fonkoze S.A. and subsidiary as of that date and for the year then ended.

Meunier-Berthe - Cabinet d'Experts - Comptables

Port-au-Prince, December 31, 2015

FONKOZE S.A.
 Consolidated Balance Sheets
 September 30, 2015 and 2014
 (Expressed in Haitian Gourdes)

| | Notes | 2015 | 2014 |
|---------------------------------|----------|----------------------|----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 G | 267,894,318 | 298,145,190 |
| Term deposits | 7 | 61,812,996 | 53,198,891 |
| Loans | 6 | 632,884,965 | 498,975,121 |
| Impairment provision | 6 | (14,623,728) | (14,437,655) |
| Net loans | | 618,261,237 | 484,537,466 |
| OTHER CURRENT ASSETS | | | |
| Interest receivable on loans | | 21,758,980 | 16,859,218 |
| Accounts receivable | 8 | 35,666,957 | 41,936,971 |
| Prepaid expenses and supplies | 9 | 16,995,116 | 11,293,679 |
| | | 74,421,053 | 70,089,868 |
| Total current assets | G | 1,022,389,604 | 905,971,415 |
| NON - CURRENT ASSETS | | | |
| Equity investments | 10 | 4,174,334 | 23,307,485 |
| Fixed assets, at cost | 11 | 280,913,307 | 252,700,232 |
| Accumulated depreciation | | (112,762,259) | (99,221,785) |
| Fixed assets, net | | 168,151,048 | 153,478,447 |
| Note receivable – Related party | 12 | 161,068,253 | 165,744,323 |
| Other assets | 13 | 37,669,023 | 39,820,860 |
| TOTAL ASSETS | G | 1,393,452,262 | 1,288,322,530 |

FONKOZE S.A.
 Consolidated Balance Sheets
 September 30, 2015 and 2014
 (Expressed in Haïtian Gourdes)

| | Notes | 2015 | 2014 |
|--|-------|------------------------|----------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Deposits | 14 | G 1,222,519,351 | 1,134,267,402 |
| Bank line of credit | 15 | 19,911,464 | - |
| Subordinated notes- current portion | 16 | 8,436,527 | 3,271,043 |
| Other notes payable | 17 | 86,564,375 | 86,792,940 |
| Other current liabilities | 19 | <u>55,969,932</u> | <u>69,181,214</u> |
| Total current liabilities | | 1,393,401,649 | 1,293,512,599 |
| NON-CURRENT LIABILITIES | | | |
| Other notes payable | 17 | 93,044,263 | 99,419,125 |
| Managed loan fund | 18 | 15,642,510 | - |
| Long-term subordinated notes | 16 | 3,775,059 | 9,904,244 |
| Other non-current liabilities | 19 | <u>10,082,689</u> | <u>455,577</u> |
| Total non-current liabilities | | 122,544,521 | 109,778,946 |
| TOTAL LIABILITIES | | G 1,515,946,170 | 1,403,291,545 |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock – par value G 25: | | | |
| Common shares authorized 14,048,067 in 2015 and 8,048,067 in 2014 ; 5,303,110 shares issued in 2015 and 5,286,818 in 2014 | | | |
| | | 132,577,740 | 132,170,440 |
| Preferred shares – G25 par value: 2,500,000 shares authorized, 1,780,191 shares issued | | | |
| | | 44,504,775 | 44,504,775 |
| Additional paid-in capital | | | |
| | | <u>182,496,476</u> | <u>181,950,301</u> |
| | | 359,578,991 | 358,625,516 |
| Accumulated deficit | | | |
| | | (484,880,940) | (477,416,296) |
| Accumulated other comprehensive income | | | |
| 10 | | <u>2,808,041</u> | <u>3,821,765</u> |
| | | (482,072,899) | (473,594,531) |
| Total shareholders' equity | | (122,493,908) | (114,969,015) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | G 1,393,452,262 | 1,288,322,530 |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
 Consolidated Statements of Operations
 Years ended September 30, 2015 and 2014
 (Expressed in Haitian Gourdes)

| | Notes | 2015 | 2014 |
|--|----------|---------------------|---------------------|
| INTEREST INCOME | | | |
| Loans | G | 313,520,839 | 247,808,935 |
| Other | | <u>892,234</u> | <u>363,189</u> |
| Total interest income | | 314,413,073 | 248,172,124 |
| INTEREST EXPENSES | | | |
| Deposits | | 3,896,071 | 4,522,371 |
| Debt | | <u>9,887,212</u> | <u>7,129,441</u> |
| Total interest expense | | 13,783,283 | 11,651,812 |
| NET INTEREST INCOME | | | |
| Provision for loan losses | 6 | <u>22,859,040</u> | <u>23,239,158</u> |
| Net interest income after provision for loan losses | | 277,770,750 | 213,281,154 |
| OTHER OPERATING INCOME | | | |
| Income from foreign exchange - Trading | | 64,613,950 | 28,454,941 |
| Income from remittance services | | 15,883,699 | 20,750,269 |
| Savings accounts fees | | 15,315,820 | 17,800,920 |
| Recoveries of loans written off | 6 | 3,793,294 | 9,551,724 |
| Membership dues | | - | 3,454,970 |
| Other | | <u>4,339,112</u> | <u>6,848,727</u> |
| | | 103,945,875 | 86,861,551 |
| Net interest and other income | | 381,716,625 | 300,142,705 |
| OPERATING EXPENSES | | | |
| Personnel expenses | 21 | 222,826,514 | 205,436,842 |
| Premises and equipment expenses | | 29,735,775 | 28,708,927 |
| Depreciation and amortization | | 17,751,463 | 17,967,014 |
| Other expenses | | <u>92,919,107</u> | <u>89,907,333</u> |
| Total operating expenses | | 363,232,859 | 342,020,116 |
| NET PROFIT (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES | | | |
| | | 18,483,766 | (41,877,411) |
| OTHER INCOME (EXPENSES) | | | |
| Unrealized loss on foreign exchange | | (57,502,696) | (9,825,916) |
| Catastrophe insurance premium | | (9,256,246) | (17,780,526) |
| Loss on liquidation/revaluation of MICRO Cell A Investment | 23 | (204,893) | (44,559,696) |
| Grants | | 35,770,139 | 45,608,313 |
| Other non-operating income | | 6,295,954 | 4,432,235 |
| Credit life micro insurance | | - | (4,331,077) |
| Kore W catastrophe insurance expense | | <u>-</u> | <u>(80,920)</u> |
| Total other expenses | | (24,897,742) | (26,537,587) |
| Net operating profit (loss) before income taxes | | (6,413,976) | (68,414,998) |
| Provision for income taxes | 20 | - | (2,910,000) |
| NET PROFIT (LOSS) | G | (6,413,976) | (71,324,998) |
| Net profit (loss) per share | G | (1.22) | (13.49) |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Statements of Changes in Equity
Years ended September 30, 2015 and 2014
(Expressed in Haitian Gourdes)

| | Notes | Common stock | Preferred stock | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive gain | Total equity |
|---|-----------|----------------------|-------------------|----------------------------|----------------------|--------------------------------------|----------------------|
| Balance as of September 30, 2013 | G | 127,166,598 | 39,504,775 | 170,041,728 | (406,091,298) | 3,411,709 | (65,966,488) |
| Shares issued during the year: 200,154 shares of common stock (par value G 25) | | 5,003,842 | - | 5,956,573 | - | - | 10,960,415 |
| Shares issued during the year: 200,000 shares of preferred shares (par value G 25) | | - | 5,000,000 | 5,952,000 | - | - | 10,952,000 |
| Net loss for the year | | - | - | - | (71,324,998) | - | (71,324,998) |
| Comprehensive gain on investment in SNI Minoterie | | - | - | - | - | 410,056 | 410,056 |
| Balance as of September 30, 2014 | 20 | 132,170,440 | 44,504,775 | 181,950,301 | (477,416,296) | 3,821,765 | (114,969,015) |
| Shares issued during the year: 16,292 shares of preferred shares (par value G 25) | | 407,300 | - | 546,175 | - | - | 953,475 |
| Net loss for the year | | - | - | - | (6,413,976) | - | (6,413,976) |
| Legal fees for increase of shares | | - | - | - | (1,050,668) | - | (1,050,668) |
| Comprehensive gain on investment in MICRO Cell A – recognized in the consolidated statement of operations | 21 | - | - | - | - | (1,013,724) | (1,013,724) |
| Balance as of September 30, 2015 | 20 | G 132,577,740 | 44,504,775 | 182,496,476 | (484,880,940) | 2,808,041 | (122,493,908) |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
 Consolidated Statements of Cash Flows
 Years ended September 30, 2015 and 2014
 (Expressed in Haïtian Gourdes)

| | Notes | 2015 | 2014 |
|--|-------|----------------------|---------------------|
| CASH FROM OPERATING ACTIVITIES | | | |
| Net profit (loss) | G | (6,413,976) | (71,324,998) |
| Adjustments to reconcile net profit (loss) to net cash provided by operating activities: | | | |
| Depreciation | 11 | 17,751,463 | 17,967,014 |
| Impairment provision | 6 | 22,859,040 | 23,239,158 |
| Loss on equity investments | | 204,893 | - |
| Gain on disposal of fixed assets | | (39,250) | - |
| Changes in investments and debt due to exchange rates fluctuations | | (1,013,724) | 47,195,897 |
| Provision for income taxes | | - | 2,910,000 |
| Interest receivable on loans | | (4,899,762) | (1,949,157) |
| Stock subscriptions receivable | | - | (2,075,106) |
| Accounts receivable | | 6,270,014 | 87,509,509 |
| Prepaid expenses and supplies | | (5,701,437) | 1,409,913 |
| Note receivable – related party | | 4,676,070 | 8,775,900 |
| Other assets | | 2,151,837 | 13,150,231 |
| Other current liabilities | | <u>(3,584,170)</u> | <u>(8,417,739)</u> |
| Net cash provided by operating activities | | 32,260,998 | 118,390,622 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of fixed assets | 11 | (33,140,083) | (43,677,794) |
| Proceeds from disposal of fixed assets | | 755,269 | - |
| Purchases of investments | | 10,314,153 | (45,690,254) |
| Increase in loans | | <u>(156,582,811)</u> | <u>(59,847,153)</u> |
| Net cash used in investing activities | | (178,653,472) | (149,215,201) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 28,950,547 | 37,796,610 |
| Payments on debt | | (963,701) | (12,822,266) |
| Shares issued | | 953,475 | 21,912,415 |
| Legal fees for increase of shares | | (1,050,668) | - |
| Increase (decrease) in deposits | | <u>88,251,949</u> | <u>(55,299,337)</u> |
| Net cash provided by (used in) financing activities | | 116,141,602 | (8,412,578) |
| Net variation in cash and cash equivalents | | (30,250,872) | (39,237,157) |
| Cash and cash equivalents at beginning of year | | <u>298,145,190</u> | <u>337,382,347</u> |
| Cash and cash equivalents at end of year | 5 G | 267,894,318 | 298,145,190 |
| SUPPLEMENTAL DISCLOSURE | | | |
| Interest paid during the year | G | 13,100,406 | 29,742,232 |

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Notes to Consolidated Financial Statements

(1) ORGANIZATION

Fonkoze S.A. is a holding company incorporated on February 25, 2002, under the laws of the Republic of Haiti as published in Le Moniteur no. 49 dated June 24, 2002. It was established to facilitate the creation of Sèvis Finansye Fonkoze, S.A. (SFF) and owns 99.99% of that entity.

Sèvis Finansye Fonkoze, S.A. (SFF) is a financial services company incorporated on May 14, 2004, under the laws of the Republic of Haiti as published in Le Moniteur no. 56 dated August 26, 2004. It was established to provide capital and a full range of financial and banking services (including savings, currency exchange and money transfers) as well as other technical services to peasant organizations, women's collectives, cooperatives, credit unions and street vendors.

The consolidated financial statements include those of Fonkoze S.A. and those of its subsidiary SFF.

The headquarters of Fonkoze S.A. and SFF are located at 119, Ave Christophe, Port-au-Prince, Haiti.

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION

(a) Accounting framework

The accompanying consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

(b) Basis of consolidation

The consolidated financial statements of Fonkoze S.A. include the assets and liabilities as well as the results of operations and cash flows of Fonkoze S.A. and its subsidiary Sèvis Finansye Fonkoze, S.A. All material intercompany balances and transactions have been eliminated upon consolidation.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) **BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)**

(c) **Basis of measurement**

The consolidated financial statements are presented on a historical cost basis except for equity investments in 2014 as described in **note 10**.

The methods used to measure the fair value are described in the corresponding notes.

(d) **Functional and presentation currency**

The consolidated financial statements are presented in Haitian Gourdes which is the Company's functional currency.

(e) **Use of estimates and judgment**

In preparing these consolidated financial statements in conformity with US GAAP, Management must make estimates and assumptions which affect the application of accounting policies and the reported amounts of recorded and contingent assets and liabilities as well as income and expenses of the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

| | |
|----------------|---|
| Note 6 | Loans – Provision for impairment |
| Note 11 | Fixed assets – Valuation and depreciation |
| Note 12 | Note receivable – Related party |
| Note 20 | Provision for income taxes |
| Note 26 | Going concern. |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) **BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)**

(e) **Use of estimates and judgment (continued)**

According to Management, the consolidated financial statements were prepared on an adequate basis using fair judgment in all material respects and in accordance with the accounting policies summarized below.

(f) **Subsequent events**

The Company has evaluated subsequent events through December 31, 2015 which is the last date of the field work of the auditors.

(3) **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied in the consolidated financial statements.

In 2015, reclassifications were applied to the following 2014 balance sheet accounts to conform to the current year presentation:

Cash and cash equivalents
Investments
Term deposits
Other assets.

(a) **Conversion in foreign currency**

Assets and liabilities stated in foreign currencies are converted in Haïtian Gourdes at exchange rates prevailing at year end. Gains and losses resulting from this translation are included in the consolidated statement of operations.

Transactions in foreign currencies are translated at the exchange rate in effect at the transaction date. Gains and losses related to foreign exchange operations are recorded in the consolidated statement of operations.

(b) **Cash and cash equivalents**

Cash and cash equivalents include cash balances and deposits in banks.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Loans

Loans are stated at cost, net of an allowance for impairment. This allowance is increased by the charge for impairment loss recorded in the consolidated statement of operations and decreased by write-offs. In general, impaired loans are those for which payments are past due more than 90 days, except for Ti Kredi loans which are considered impaired after 30 days. The Company establishes an impairment provision on loans based on specific rates of provision policy taking into consideration industry standards for microfinance. The provision rates applied to the outstanding balances of the loans net of any cash collateral for installment loans and shorter period (i.e. Ti Kredi loans) or balloon payment loans, are as follows as of September 30, 2015 and 2014:

Installment loans

| | |
|-----------------------------|------|
| Current loans | 0% |
| 1 – 30 days past due | 5% |
| 31 – 60 days past due | 25% |
| 61 – 90 days past due | 50% |
| 91 – 180 days past due | 75% |
| More than 180 days past due | 100% |

Shorter period or balloon payment loans

| | |
|----------------------------|------|
| Current loans | 0% |
| 1 – 15 days past due | 5% |
| 16 – 30 days past due | 25% |
| 31 – 45 days past due | 50% |
| 46 – 90 days past due | 75% |
| More than 90 days past due | 100% |

The provision for impairment is evaluated on a regular basis by Management and is based upon Management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. The evaluation is subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Loans (continued)

Loans are written-off against the impairment provision when all restructuring and collection efforts are completed and that it is unlikely that other amounts will be recovered. Installment loans are written off when they are more than 180 days past due; shorter period or balloon payment loans are written off when they are more than 90 days past due. Subsequent recoveries, if any, are recorded in the consolidated statement of operations.

(d) Investments

In 2014, the Company valued its 0.62% equity investment in SNI Minoterie, an investment company, at market value through a pricing model using significant unobservable data, and recorded the cumulated variation of fair value of G 2,808,041 in comprehensive income.

In 2015, the Company discontinued the use of this pricing model on the basis that the Company does not have the ability to exert significant influence over the investee's operating and financing activities. The investment is carried at deemed cost which is the cost at which the investment was valued up to September 30, 2014.

(e) Fixed assets

Fixed assets are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets as follows:

| | |
|------------------------|-----------------|
| Buildings | 20 and 50 years |
| Vehicles | 4 years |
| Equipments | 5 years |
| Computer equipment | 5 years |
| Leasehold improvements | 5 years |

Depreciation method, useful lives and residual values are reassessed periodically.

Gain or losses realized on disposal of fixed assets are recognized in the consolidated statement of operations.

Major expenses for improvement and reconditioning are capitalized and disbursements for regular maintenance and repairs are charged to expenses.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Interest

Interest income and expenses are accounted for using the accrual method of accounting. However, when a loan is classified as non-accrual (past due 90 days or more) - except Ti Kredi loans which are classified when they are past due 30 days or more, interest ceases to be recognized and accrued, and uncollected interest is reversed against income of the current period. Interest payments received thereafter are recognized as revenue only if there is no doubt as to the ultimate recovery of the principal.

(g) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax based and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In evaluating the Company's ability to recover its deferred tax asset, Management considers all available evidence including scheduled reversals of deferred tax assets, projected future taxable income and results of recent operations. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates used to manage the Company.

Losses can be carried forward up to 5 years. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized, as explained further in **note 20**. The company did not file a tax return for the previous years. Tax losses are normally confirmed when recognized by the fiscal authorities. The ultimate resolution of the deferred tax asset may result in an outcome that is materially different from current estimates.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Paid-in capital

Paid-in capital reported in shareholders' equity is composed of common and preferred shares. Preferred shares have no voting power and have a dividend right of 5% over the common shares in the event of distribution of dividends.

(i) Additional paid-in capital

The excess over par value received in capital stock transactions is recorded in additional paid-in capital.

(j) Net loss per equivalent share of paid-in capital

Net loss per equivalent share of paid-in capital is calculated by dividing net loss by the weighted number of shares outstanding.

(k) New standards, amendments and interpretations not yet adopted

As of the date of these consolidated financial statements, some standards, amendments to standards, and interpretations have been issued but not yet adopted as of September 30, 2015. They have not been applied in the preparation of these consolidated financial statements and should not have a significant impact on the Company's consolidated financial position nor results of operations.

(4) RISK MANAGEMENT

By the nature of its activities, the Company is primarily exposed to a variety of financial risks, including liquidity risk, credit risk and market risks including foreign exchange risk and interest rate risk.

A) LIQUIDITY RISK

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's growth is financed through a combination of the cash flows from operations as well as shareholders' and other financing. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure the Company has financing sources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

Management of the Company through its executive Management, Management Asset Liability Committee (ALCO) and Board Capital Committee (BCC) ensures appropriate monitoring of its liquidity and a dynamic management of its liquidity needs based on scheduled maturity of its obligations. The ALCO and BCC each meet monthly and, as needed, to analyze the liquidity position and to take the appropriate decisions.

The maturity profile of Fonkoze S.A. financial liabilities based on their initial contractual maturity is as follows:

September 30, 2015

| | | Current | Less than a year | More than a year | Total |
|---------------------|----------|----------------------|---------------------|---------------------|----------------------|
| Deposits | G | 1,188,368,995 | 34,150,356 | - | 1,222,519,351 |
| Bank line of credit | | 19,911,464 | - | - | 19,911,464 |
| Subordinated notes | | - | 8,436,527 | 3,775,059 | 12,211,586 |
| Other notes payable | | - | 86,564,375 | 93,044,263 | 179,608,638 |
| Managed loan fund | | - | - | 15,642,510 | 15,642,510 |
| Others liabilities | | <u>33,163,522</u> | <u>19,595,382</u> | <u>3,732,445</u> | <u>56,491,349</u> |
| Total | G | 1,241,443,981 | 148,746,640 | 116,194,277 | 1,506,384,898 |

September 30, 2014

| | | Current | Less than a year | More than a year | Total |
|---------------------|----------|----------------------|---------------------|---------------------|----------------------|
| Deposits | G | 1,102,415,254 | 31,852,144 | - | 1,134,267,398 |
| Subordinated notes | | - | 3,271,043 | 9,904,244 | 13,175,287 |
| Other notes payable | | - | 86,792,940 | 99,419,125 | 186,212,065 |
| Others liabilities | | <u>21,274,822</u> | <u>45,032,609</u> | <u>3,329,360</u> | <u>69,636,791</u> |
| Total | G | 1,123,690,076 | 166,948,736 | 112,652,729 | 1,403,291,541 |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk as of September 30, 2015 and 2014 is as follows:

| | Notes | 2015 | 2014 |
|--------------------------------------|----------|----------------------|--------------------|
| Deposits with banks | 5 G | <u>176,765,162</u> | <u>195,770,637</u> |
| <u>Credit</u> | | | |
| Loans, net | 6 | 618,261,237 | 484,537,466 |
| Interest receivable on loans | | <u>21,758,980</u> | <u>16,859,218</u> |
| | | <u>640,020,217</u> | <u>501,396,684</u> |
| <u>Investment</u> | | | |
| Term deposits | 7 | 61,812,996 | 53,198,891 |
| Interest receivable on term deposits | 8 | <u>271,814</u> | <u>226,540</u> |
| | | <u>62,084,810</u> | <u>53,425,431</u> |
| Accounts receivable | 8 | 35,395,143 | 41,710,431 |
| Note receivable – related party | 12 | 161,068,253 | 165,744,323 |
| Other assets | 13 | <u>20,693,008</u> | <u>22,844,845</u> |
| Total | G | 1,096,026,593 | 980,892,351 |

Management regularly reviews the Company's exposure to these risks in view of the Company's risk management policies.

- Bank accounts and term deposits are held at financial institutions that Management considers as being sound.
- The intent of the credit application and review process is to manage the credit risk of the Company and to ensure that clients are credit-worthy and do not become over-indebted. The credit application provides information about the client, its business and other information necessary for the lending decision. The credit agents, the clients' groups and the branch managers also assess contextual information about the client and the business to make the final lending decision. Past repayment history is an important factor in lending decision as clients who have unpaid loans may not take a new loan.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) **RISK MANAGEMENT (CONTINUED)**

B) CREDIT RISK (CONTINUED)

The note receivable relates to a debt owed to Sèvis Finansye Fonkoze, S.A. (SFF) by Fondasyon Kole Zepòl (the Foundation). Over a period of ten years, the Foundation became indebted to SFF for expenditures related to setting up and maintaining the Fonkoze family branch network. As a result, the Foundation owed SFF G 161,068,253 and G 165,744,323 at September 30, 2015 and 2014, respectively. In October 2012, the final six branches were transferred from the Foundation to SFF following that change, the Foundation was granted ten years to repay the debt, as evidenced by a signed promissory note. The note bears a zero percent interest rate. An agreement has been reached between the related parties after September 30, 2015 to the effect of restructuring this debt as described in (note 27).

Other assets

Debt restructuring (rescheduling) is pursued as the final solution to settling existing or anticipated delinquency resulting from factors including, but not limited to, the following:

- Clients with severe health conditions
- Clients whose business becomes subject to extreme, unforeseen damages.

In rescheduling cases, the rescheduled amount will equal the total accumulated loan obligations consisting of penalties, overdue interest, and the overdue principal amounts. Loans are considered for rescheduling on a case-by-case basis. Loan rescheduling requests are processed by the respective branch and are approved by the credit committee and the CEO.

The balance of the impairment provision at year end reflects Management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. Management considers the impairment provision of G 14,623,728 and G 14,437,655 adequate to cover loan losses inherent in the loan portfolio at September 30, 2015 and 2014.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)B) CREDIT RISK (CONTINUED)

The geographic location of financial risk is as follows:

| | | 2015 | 2014 |
|-----------------------------|---|----------------------|--------------------|
| Deposits with banks: | | | |
| Haiti | G | 94,414,809 | 140,007,830 |
| USA | | <u>82,350,353</u> | <u>55,762,807</u> |
| | | <u>176,765,162</u> | <u>195,770,637</u> |
| Credit : | | | |
| Haiti | | <u>640,020,217</u> | 501,396,684 |
| Term deposits: | | | |
| Haiti | | 53,184,925 | 45,784,240 |
| USA | | <u>8,899,885</u> | <u>7,641,191</u> |
| | | <u>62,084,810</u> | <u>53,425,431</u> |
| Accounts receivable: | | | |
| Haiti | | 14,594,255 | 41,710,431 |
| USA | | <u>20,800,888</u> | - |
| | | <u>35,395,143</u> | <u>41,710,431</u> |
| Note receivable: | | | |
| Haiti | | <u>161,068,253</u> | <u>165,744,323</u> |
| Other assets: | | | |
| Haiti | | <u>20,693,008</u> | <u>22,844,845</u> |
| | G | <u>1,096,026,593</u> | <u>980,892,351</u> |

C) MARKET RISKS

The Company's activities expose it to a variety of market risks including foreign exchange risk, interest rate risk and concentration risk.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

i. Foreign exchange risk

Foreign exchange risk results from mismatch between assets and liabilities denominated in foreign currency which could lead to a long or short position impacted by fluctuations in exchange rates of the Haitian gourde to the US dollar.

As of September 30, 2015, the Company maintained the following positions:

| | Gourdes | US Dollars (equivalent in gourdes) | Total |
|------------------------------------|--------------------|--|----------------------|
| Cash and cash equivalents | 79,287,264 | 188,607,054 | 267,894,318 |
| Net loans | 523,970,250 | 94,290,987 | 618,261,237 |
| Term deposits | - | 61,812,996 | 61,812,996 |
| Interest receivable on loans | 2,175,252 | 19,583,728 | 21,758,980 |
| Accounts receivable | 8,737,614 | 26,929,343 | 35,666,957 |
| Note receivable | 161,068,253 | - | 161,068,253 |
| Other assets | 20,614,795 | 78,213 | 20,693,008 |
| Total financial assets | 795,853,428 | 391,302,321 | 1,187,155,749 |
| Deposits | 706,528,385 | 515,990,966 | 1,222,519,351 |
| Bank line of credit | 19,911,464 | - | 19,911,464 |
| Subordinated notes | - | 12,211,586 | 12,211,586 |
| Managed loan fund | - | 15,642,510 | 15,642,510 |
| Other notes payable | - | 179,608,638 | 179,608,638 |
| Other liabilities | 25,989,339 | 30,502,010 | 56,491,349 |
| Total financial liabilities | 752,429,188 | 753,955,710 | 1,506,384,898 |
| Long (short) position | 43,424,240 | (362,653,389) | (319,229,149) |

Based on the foreign exchange position as of September 30, 2015, for each variation of one gourde versus the US dollar, the currency position in US dollars converted results in an exchange gain or loss of G 6,955,150, as the case maybe. The gain or loss is based on the mismatch between assets and liabilities denominated in foreign currency.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

i. Foreign exchange risk (continued)

The exchange rates published by the Central Bank as of September 30, 2015 and 2014 were G 52.1417 and G 45.5577 for one US dollar, respectively.

The average exchange rate for the year ended September 30, 2015 is G 48.8716.

Exchange rates have increased to G 56.6970 as of December 31, 2015. The short currency position of the Company, as of September 30, 2015 would have resulted in an exchange loss of G 31,682,800 at that date.

ii. Interest rate risk

This risk is related to the impact of interest rates fluctuations on the net income and consequently shareholders' equity. It results from the inability to adjust interest rates as market evolves to the extent that net interest margin are impacted significantly. This risk varies based on the magnitude of the uncompensated change in interest rates and the size and maturity of the financial instruments.

Interest rates on term deposits and on the outstanding loan portfolio are fixed, as are the interest rates on the outstanding obligations (deposits, notes payable and subordinated debt). Due to the short-term nature of its loan portfolio, Fonkoze S.A. bears only limited interest rate risk as it is able to re-price its loans in response to any changes in market interest rates.

iii. Concentration risk

Loans to Solidarity groups account for 74% of the loan portfolio which is SFF's basic method of extending credit and high concentration is observed in the commercial sector based on the economic profile of the clients group. However, the risk is spread out among different geographic regions.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

D) CAPITAL RISK MANAGEMENT

Capital risk is related to the management of the share capital. Management's objectives on capital are to safeguard the Company's ability to continue as a going concern and to provide acceptable returns for the shareholders. The objectives are normally achieved by prudently managing capital generated through internal growth and optimizing the use of lower cost capital to fund growth initiatives, thus maintaining creditors and shareholders' confidence.

Fonkoze S.A. and Sèvis Finansye Fonkoze, S.A. are currently not subject to capital regulation and therefore there are no external legal constraints on capital. However, for its own risk management purposes and in preparation for expected future regulation, Sèvis Finansye Fonkoze, S.A. targets maintaining a Capital Adequacy Ratio (as defined in the draft Bank of Haiti microfinance Regulations) of at least 15%. As of 30 September 2015, Sèvis Finansye Fonkoze, S.A. was not meeting this internal standard and was in discussions with existing and external investors regarding raising additional capital (**note 26**).

(5) CASH AND CASH EQUIVALENTS

As of September 30, cash and cash equivalents are as follows:

| | 2015 | 2014 |
|---------------------------|----------------------|--------------------|
| Cash | G 91,129,156 | 102,374,553 |
| Deposits in foreign banks | 82,350,353 | 55,762,807 |
| Deposits in local banks | <u>94,414,809</u> | <u>140,007,830</u> |
| Total | G 267,894,318 | 298,145,190 |

The deposits do not bear interest.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(5) CASH AND CASH EQUIVALENTS (CONTINUED)

As of September 30, cash and cash equivalents in gourdes and in US dollars are as follows:

| | 2015 | 2014 |
|------------------|--------------------|--------------------|
| Cash: | | |
| In Gourdes | G 62,673,363 | 74,456,990 |
| In US dollars | <u>28,455,793</u> | <u>27,917,563</u> |
| | <u>91,129,156</u> | <u>102,374,553</u> |
| Deposits: | | |
| In Gourdes | 16,613,901 | 53,687,788 |
| In US dollars | <u>160,151,261</u> | <u>142,082,849</u> |
| | G 176,765,162 | 195,770,637 |
| Total | G 267,894,318 | 298,145,190 |

(6) LOANS

The composition of loans by segment is as follows:

| | 2015 | 2014 |
|----------------------|-------------------|-------------------|
| Solidarity groups | G 469,311,963 | 400,374,010 |
| SME portfolio | 90,119,943 | 57,801,289 |
| Business development | <u>73,453,059</u> | <u>40,799,822</u> |
| Total | G 632,884,965 | 498,975,121 |

As of September 30, loans in gourdes and in foreign currency are as follows:

| | 2015 | 2014 |
|------------------|-------------------|-------------------|
| Loans in Gourdes | G 538,593,978 | 427,333,583 |
| Loans US dollars | <u>94,290,987</u> | <u>71,641,538</u> |
| | G 632,884,965 | 498,975,121 |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(6) LOANS (CONTINUED)

Included in the loan portfolio are non-accrual loans as of September 30, 2015 and 2014, as follows:

| | 2015 | 2014 |
|----------------------|---------------------|-------------------|
| Solidarity groups | G 14,592,467 | 11,951,955 |
| SME portfolio | 4,523,713 | 3,667,698 |
| Business development | <u>2,103,802</u> | <u>3,023,020</u> |
| Total | G 21,219,982 | 18,642,673 |

Loans are contracted for a period up to 12 months. The average term of the portfolio is 8 months.

There are no restructured loans at September 30, 2015. As of September 30, 2014, the portfolio includes restructured loans in the amount of G 48,550. The average return on the portfolio was 49% for 2015 and 2014. Unrecorded interests on non-accrual loans were G 1,340,128 and G 1,546,145 in 2015 and 2014 respectively.

The impairment provision has evolved as follows:

| | Solidarity groups | SME portfolio | Business development | Total |
|---|------------------------------|--------------------------|---------------------------------|----------------------------|
| Balance as of September 30, 2013 | G 21,540,218 | 4,943,920 | 2,242,608 | 28,726,746 |
| Provisions | 5,783,854 | 11,915,711 | 5,539,593 | 23,239,158 |
| Write-offs | <u>(18,880,214)</u> | <u>(13,871,992)</u> | <u>(4,776,043)</u> | <u>(37,528,249)</u> |
| Balance as of September 30, 2014 | G 8,443,858 | 2,987,639 | 3,006,158 | 14,437,655 |
| Provisions | 12,708,528 | 4,668,422 | 5,482,090 | 22,859,040 |
| Write-offs | <u>(10,631,331)</u> | <u>(5,046,516)</u> | <u>(6,995,120)</u> | <u>(22,672,967)</u> |
| Balance as of September 30, 2015 | G 10,521,055 | 2,609,545 | 1,493,128 | 14,623,728 |

Recoveries of loans previously written off were G 3,793,294 and G 9,551,724 in 2015 and 2014, respectively. Recoveries are included in "other operating income" in the consolidated statements of operations.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(6) LOANS (CONTINUED)

As of September 30, 2015, aging analysis of the current and past due loans, net of cash collateral and prepayments by category is as follows:

| | Solidarity groups | SME portfolio | Business development | Total |
|---------------------------------|----------------------|-------------------|-------------------------|--------------------|
| Current, net of cash collateral | G 317,480,220 | 44,993,796 | 51,083,881 | 413,557,897 |
| Cash collateral | 48,965,481 | 10,028,779 | 11,250,200 | 70,244,460 |
| Less prepayments | <u>(1,307,097)</u> | <u>(887,964)</u> | <u>(420,377)</u> | <u>(2,615,438)</u> |
| Total current | 365,138,604 | 54,134,611 | 61,913,704 | 481,186,919 |
| 1-30 days | 68,617,027 | 23,072,205 | 6,502,348 | 98,191,580 |
| 31-60 days | 6,502,705 | 1,430,323 | 507,531 | 8,440,559 |
| 61-90 days | 2,305,044 | 2,623,262 | 1,480,882 | 6,409,188 |
| 91-180 days | 5,384,772 | 1,900,451 | 714,862 | 8,000,085 |
| Cash collateral | <u>21,363,811</u> | <u>6,959,091</u> | <u>2,333,732</u> | <u>30,656,634</u> |
| Total past due | 104,173,359 | 35,985,332 | 11,539,355 | 151,698,046 |
| Total loans | G 469,311,963 | 90,119,943 | 73,453,059 | 632,884,965 |

As of September 30, 2014 aging analysis of the past due loans, net of cash collateral by category is as follows:

| | Solidarity groups | SME portfolio | Business development | Total |
|---------------------------------|----------------------|--------------------|-------------------------|--------------------|
| Current, net of cash collateral | G 276,258,094 | 37,021,497 | 18,666,639 | 331,946,230 |
| Cash collateral | 60,932,958 | 11,040,951 | 7,971,414 | 79,945,323 |
| Less prepayments | <u>(1,121,891)</u> | <u>(1,246,558)</u> | <u>-</u> | <u>(2,368,449)</u> |
| Total current | G 336,069,161 | 46,815,890 | 26,638,053 | 409,523,104 |
| 1-30 days | 52,352,894 | 6,499,834 | 6,915,381 | 65,768,109 |
| 31-60 days | 5,476,415 | 817,867 | 2,599,126 | 8,893,408 |
| 61-90 days | 2,192,522 | - | 1,624,242 | 3,816,764 |
| 91-180 days | 4,277,782 | 3,667,698 | 3,023,020 | 10,968,500 |
| Greater than 180 days | <u>5,236</u> | <u>-</u> | <u>-</u> | <u>5,236</u> |
| Total past due | G 64,304,849 | 10,985,399 | 14,161,769 | 89,452,017 |
| Total loans | G 400,374,010 | 57,801,289 | 40,799,822 | 498,975,121 |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(6) LOANS (CONTINUED)

Under the Master Agreement for a Revolving Credit Facility and Proportional Risk Allocation for Financing of Small and Medium Enterprises in Haiti dated February 24, 2012 between Sèvis Finansye Fonkoze, S.A. and the Inter-American Investment Corporation (IIC) 40% of the outstanding balances of eligible subloans are funded and guaranteed by the IIC. All SME and Business development loans in the amount of US\$ 10,000 not exceeding US\$ 100,000 (or the equivalent in gourdes) are submitted for coverage under the agreement.

In 2015 and 2014, unpaid loans amounting to G 1,923,982 and G 1,797,216 were repaid by IIC.

(7) TERM DEPOSITS

Term deposits are held in two financial institutions as follows:

| | 2015 | 2014 |
|----------------------------------|---------------------|-------------------|
| Banque Populaire Haïtienne (BPH) | G 52,913,111 | 45,557,700 |
| Self Help Credit Union | <u>8,899,885</u> | <u>7,641,191</u> |
| Total | G 61,812,996 | 53,198,891 |

The term deposit at Banque Populaire Haïtienne matures on May 20, 2016 and carries interest at the rate of 1.5%.

The term deposit held at Self Help Credit Union matures on May 12, 2017 and carries interest at the rate of 1.75%.

(8) ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

| | 2015 | 2014 |
|---|---------------------|-------------------|
| Transfers receivable | G 6,107,207 | 7,308,732 |
| Receivable from Unigestion Holding S.A. (a) (note 23) | 5,722,882 | 5,138,574 |
| Returned checks | 313,742 | 992,443 |
| Interest receivable on term deposits | 271,814 | 226,540 |
| Other (b) | <u>23,251,312</u> | <u>28,270,682</u> |
| Total | G 35,666,957 | 41,936,971 |

(a) Represents transactions made through mobile phones (Tcho-Tcho).

(b) Includes the share redemption cash payout liquidation of MICRO Cell A amounting to G 20,670,430 (US\$ 396,428) as of September 30, 2015.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(9) PREPAID EXPENSES AND SUPPLIES

Prepaid expenses and supplies are composed of the following:

| | 2015 | 2014 |
|------------------|---------------------|-------------------|
| Prepaid expenses | G 14,639,156 | 8,270,035 |
| Supplies | <u>2,355,960</u> | <u>3,023,644</u> |
| Total | G 16,995,116 | 11,293,679 |

(10) EQUITY INVESTMENTS

As of September 30, 2015, equity investments represent a minority share ownership in a non-marketable security of SNI Minoterie valued at deemed cost. Dividend income is recognized in the consolidated statement of operations when dividends are declared. Gains or losses will be recognized as the difference between the cost of the investment and its market value when the investment is disposed of.

As of September 30, 2014, this equity investment was recognized at estimated market value including G 2,808,041 of unrealized gain reflected in other comprehensive income. The book value as of September 30, 2014 is carried over as of September 30, 2015 and the Company discontinued recognizing market value adjustments to the cost of the investment.

At September 30, 2014, equity investments also included a 76.69% interest in the preferred shares of Cell A of MICRO, which operated a licensed reinsurance company and offered reinsurance protection for catastrophic events (**note 22**). The Company recognized impairment of G 44,559,696 on revaluation of the investment in 2014. The book value of the investment at September 30, 2014 was equal to the Company's prorata share of the MICRO Cell A equity.

In September 2015, MICRO voted to liquidate the cell A. The investment was written off and the consolidated statements of operations reflect a net loss of G 204,893 which resulted from the write off. The loss recognized in 2015 is net of G 1,013,724 gain recognized previously in comprehensive income and reversed in the consolidated statements of operations in 2015.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(11) FIXED ASSETS

During the year, fixed assets at cost have evolved as follows:

| <u>Cost</u> | | Balance | Acquisitions | Disposals | Transfers | Balance |
|--------------------------|----------|--------------------|-------------------|--------------------|-----------|--------------------|
| | | 09/30/14 | | | | 09/30/15 |
| Land | G | 20,830,775 | - | - | - | 20,830,775 |
| Buildings | | 93,502,816 | 1,297,646 | - | - | 94,800,462 |
| Vehicles | | 38,373,473 | 5,652,650 | (1,345,383) | - | 42,680,740 |
| Electrical equipment | | 31,387,306 | 4,512,090 | (3,252,994) | - | 32,646,402 |
| Leasehold improvements | | 21,464,459 | 948,368 | - | 650,073 | 23,062,900 |
| Computer equipment | | 18,372,375 | 4,331,986 | - | - | 22,704,361 |
| Furniture and equipment | | 13,776,811 | 2,383,936 | - | - | 16,160,747 |
| Software and other | | 14,013,514 | - | - | - | 14,013,514 |
| Construction in progress | | 978,703 | 14,013,407 | (328,631) | (650,073) | 14,013,406 |
| | G | 252,700,232 | 33,140,083 | (4,927,008) | - | 280,913,307 |

During the year, accumulated depreciation has evolved as follows:

Accumulated depreciation

| | | Balance | Depreciation | Disposals | Balance |
|-------------------------|----------|--------------------|-------------------|--------------------|--------------------|
| | | 09/30/14 | | | 09/30/15 |
| Buildings | G | 3,905,052 | 2,013,530 | - | 5,918,582 |
| Vehicles | | 31,062,875 | 3,553,570 | (1,112,763) | 33,503,682 |
| Electrical equipment | | 18,772,959 | 4,324,679 | (3,098,226) | 19,999,412 |
| Leasehold improvements | | 17,046,776 | 1,868,787 | - | 18,915,563 |
| Computer equipment | | 13,884,276 | 3,027,546 | - | 16,911,822 |
| Furniture and equipment | | 11,825,998 | 1,083,401 | - | 12,909,399 |
| Software and other | | 2,723,849 | 1,879,950 | - | 4,603,799 |
| | G | 99,221,785 | 17,751,463 | (4,210,989) | 112,762,259 |
| Fixed assets, net | G | 153,478,447 | | (716,019) | 168,151,048 |

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(12) NOTE RECEIVABLE – RELATED PARTY

The note receivable from Fondasyon Kole Zepòl (the Foundation) represents the balance of an indebtedness of the Foundation to Sèvis Finansye Fonkoze, S.A. (SFF) which dates back to the creation of the branches. The Foundation was granted ten years to repay the debt. This note receivable matures in September 2022. It does not bear interest and is not subject to specific payment terms although payments totaling G 32,508,500 were made from September 2012 to 2015.

As of September 30, 2015, the balance of the receivable is recognized at G 161,068,253 representing the initial amount of G 193,576,753 less reimbursements to date.

No interest has been imputed on this note based on the fact that it originated between related parties and no additional benefits other than the receivable will result from the transaction.

(13) OTHER ASSETS

Other assets are composed of the following:

| | 2015 | 2014 |
|-------------------------------|---------------------|-------------------|
| Deferred income tax asset (a) | G 20,490,000 | 20,490,000 |
| Land held for sale (b) | 16,976,015 | 16,976,015 |
| Guarantee deposits | <u>203,008</u> | <u>2,354,845</u> |
| | G 37,669,023 | 39,820,860 |

(a) Deferred income tax asset represents the future tax benefits of tax losses incurred during 2011 through 2015 which can be carried forward for five years. The deferred income tax asset was calculated using the tax rates in effect on September 30, 2015 and 2014. The balance of deferred income tax asset, net of a valuation adjustment at September 30, 2015 and 2014, was G20,490,000 calculated as shown in the table below:

| | 2015 | 2014 |
|--|---------------------|-------------------|
| Balance at beginning of year | G 20,490,000 | 23,400,000 |
| <i>Adjustment of deferred income tax asset</i> | | |
| <i>- Tax credit (provision):</i> | | |
| Tax benefit for the year (note 20) | 407,567 | 20,524,499 |
| Valuation allowance | (407,567) | (19,078,849) |
| Expiration of 2008 loss carry forward | - | (4,355,650) |
| Tax provision for the year | - | (2,910,000) |
| Balance as of September 30, 2015 | G 20,490,000 | 20,490,000 |

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(13) OTHER ASSETS (CONTINUED)

A valuation adjustment was established for the possibility that the Company may not be able to use all the carry-forward losses against future taxable income. Financial projections have been prepared by Management to support Management's opinion that the entity will achieve positive results to realize the losses carry forward expiring in 2016 and 2017, as follows:

| | | |
|--------------------|---|-------------------|
| September 30, 2016 | G | 2,241,051 |
| September 30, 2017 | | <u>18,248,949</u> |
| | G | <u>20,490,000</u> |

Differences between the provision for final taxes recorded in 2015 and 2014 and the tax amount using the statutory tax rates, are explained in **note 20**.

The tax authorities can perform a fiscal audit of the entities tax returns for a period of five years after filing. Carried-forward losses must be accepted by the tax authorities.

- (b) The land held for sale represents a repossessed parcel of land for which a debtor of Fonkoze S.A. has transferred title to the Company in settlement of the debt. However, the debtor was granted the right to use the land for 5 years expiring in 2016 with an option to repurchase the property within that period. The Company has valued the piece of land at the amount that the debtor will be required to pay to repurchase the land which includes principal, interest and lawyers fees. An appraisal dated November 12, 2010, by Pierre Gousse Jr. of CF Construction assessed the fair market value of the property at that date at G 17,409,390.

14) DEPOSITS

Deposits consist of the following:

| | 2015 | 2014 |
|--------------------------|------------------------|----------------------|
| Savings Accounts: | | |
| In Gourdes | G 680,784,940 | 639,998,985 |
| In US dollars | <u>507,584,055</u> | <u>462,416,274</u> |
| | <u>1,188,368,995</u> | <u>1,102,415,259</u> |
| Term Deposits: | | |
| In Gourdes | 25,743,445 | 23,104,837 |
| In US dollars | <u>8,406,911</u> | <u>8,747,306</u> |
| | <u>34,150,356</u> | 31,852,143 |
| Total deposits | G 1,222,519,351 | 1,134,267,402 |

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(14) DEPOSITS (CONTINUED)

Average interest rate on deposits is as follows:

| | 2015 | 2014 |
|-------------------|---------------|---------------|
| Savings Accounts: | | |
| In Gourdes | 0.50% | 0.50% |
| In US dollars | 0.10% | 0.10% |
| Term Deposits: | | |
| In Gourdes | 3.50% – 5.00% | 0.40% – 0.65% |
| In US dollars | 0.15% – 0.35% | 0.15% – 0.40% |

Accounts with average quarterly balances below G 100 and US\$ 20 are not paid interest.

Deposits from related parties as of September 30, 2015 and 2014 were G 1,693,137 and G 20,216,551 respectively.

(15) BANK LINE OF CREDIT

The Company has an approved line of credit of G 50,000,000 with a local bank. Drawings on the line bear interest at a rate of 7% in 2015.

(16) LONG TERM SUBORDINATED NOTES

Subordinated notes payable consist of 9 notes due to individuals and organizations. These notes bear interest at the rate of 5% per annum. Interest is paid semi-annually in US dollars. These notes are subordinated and junior to all creditors. Maturities are as follows:

| | 2015 | 2014 |
|----------------------|-------------|-------------|
| 2015 | G - | 3,271,043 |
| 2016 | 8,436,527 | 7,371,236 |
| 2017 | 1,585,108 | 1,384,954 |
| 2018 | 875,981 | 765,369 |
| 2019 | 875,980 | 382,685 |
| 2020 | 437,990 | - |
| | 12,211,586 | 13,175,287 |
| Less current portion | (8,436,527) | (3,271,043) |
| | G 3,775,059 | 9,904,244 |

Subordinated notes held by shareholders amount to G 6,997,416 as of September 30, 2015 (notes 24).

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(17) OTHER NOTES PAYABLE

Other notes payable in US dollars at September 30, 2015 and 2014 consist of the following:

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Notes payable to Fonkoze USA, related party, with interest at fixed annual percentage rates from 0% up to 4% and maturities from October 1, 2015 to April 22, 2020 (a) | G 131,214,588 | 110,090,184 |
| Note payable to Inter-American Investment Corporation bearing 9.75% fixed interest. This is a revolving credit facility with a maturity date of February 24, 2016. | 29,844,634 | 20,669,099 |
| Note payable to Global Partnership Social Investment fund bearing 8.50% fixed interest per annum and a maturity date of October 9, 2015 | 5,865,941 | 20,500,965 |
| Note payable to Whole Planet Foundation bearing payable in April 30, 2018. The debt was converted into a grant in 2015 | - | 21,429,650 |
| Notes payable to investors living abroad with interest at fixed annual percentage rates from up to 3% and maturities between October 1, 2014 and May 22, 2020 (b) | 12,683,475 | 9,519,285 |
| Note payable to Oikocredit bearing 13.5% fixed interest per annum for the first 6 months and a variable interest rate thereafter; due and payable August 2, 2015 (c) | - | 3,750,000 |
| Note payable to Grameen Foundation bearing 9% fixed interest due and payable October 4, 2014 | - | 252,882 |
| Total notes payable | 179,608,638 | 186,212,065 |
| Less current portion | <u>(86,564,375)</u> | <u>(86,792,940)</u> |
| | 93,044,263 | 99,419,125 |

- a) Fonkoze USA raises those funds from US based organizations and individuals interested in supporting the Company's social mission. These funds are provided to SFF by Fonkoze USA. SFF pays Fonkoze USA an annual administration fee equal to 1% of the outstanding balance of the note payable.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(17) OTHER NOTES PAYABLE (CONTINUED)

- b) The direct loans from investors living abroad are from individuals interested in supporting the Company's social mission. Some of these investors are related parties to the Company as disclosed (**note 24**). SFF pays Fonkoze USA an annual administration fee equal to 1% of the outstanding balance of the note payable.
- c) The note payable to Oikocredit in 2014 was payable in Haïtian gourdes at the exchange rate prevailing when the loan was originated.

At September 30, 2015, \$US 1,427,624 (G 74,438,742) remained available to the Company on the line of credit with Inter-American Investment Corporation (IIC).

The maturity of the notes payable as of September 30, 2015 are as follows:

| | <u>2015</u> |
|------|----------------------|
| 2016 | G 86,564,375 |
| 2017 | 21,632,549 |
| 2018 | 20,860,337 |
| 2019 | 18,875,296 |
| 2020 | <u>31,676,081</u> |
| | G <u>179,608,638</u> |

(18) MANAGED LOAN FUND

Under the terms of an agreement dated June 23, 2015, Partners Worldwide, Inc, a US based non profit Corporation authorized to operate under the laws of the State of Michigan, provided US\$ 300,000 (equivalent G 15,642,510) to SFF for the purpose of on-lending to local businesses as part of Partners Worldwide's effort to stimulate job creation in Haiti for the next five years. Sèvis Finansye Fonkoze, S.A. assumes the credit risk associated with the loans extended.

These funds received from Partners Worldwide are used to provide loans to the organization's business affiliates located in the same region as SFF branches. SFF manages the loan fund established as part of their 100,000 jobs initiative and makes the loans in Haïtian gourdes to qualified members according to SFF's policies and procedures. All interest collected remain the property of SFF. In addition, Partners Worldwide have provided a US\$50,000 grant to SFF.

The agreement is for a period of two years. Upon termination of the agreement, the full US\$ 300,000 of the loan fund is payable to Partners Worldwide.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(19) OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities consist of the following:

| | | 2015 | 2014 |
|-------------------------------------|---|-------------------|-------------------|
| Salaries payable | G | 14,064,080 | 8,331,628 |
| Taxes payable | | 11,149,879 | 3,697,929 |
| Transfers payable to customers | | 4,031,585 | 6,753,002 |
| Payable to Partners Worldwide Inc. | | 3,211,028 | 2,873,783 |
| Interests payable | | 2,759,324 | 2,076,447 |
| Payable to the Foundation (note 24) | | 1,622,885 | - |
| Other | | <u>19,131,151</u> | <u>45,448,425</u> |
| | G | <u>55,969,932</u> | <u>69,181,214</u> |

Payable to Partners Worldwide Inc. represents funds not yet used by Sèvis Finansye Fonkoze, S.A. to cover loan write offs.

Other non-current liabilities are as follows:

| | | 2015 | 2014 |
|-----------------------|---|-------------------|----------------|
| Deferred income (a) | G | 9,561,272 | - |
| Deposits of guarantee | | <u>521,417</u> | <u>455,577</u> |
| | G | <u>10,082,689</u> | <u>455,577</u> |

(a) Deferred income is composed of two grants from the following institutions for the system upgrade:

- HIFIVE, US\$ 175,000 (G 8,208,918) received in March 2015
- Foundation Kole Zepòl, US\$ 25,971 received in September 2015.

The upgrade was not finalized at year end. The income will be recognized progressively over the useful life of the asset for which the funds were granted.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(20) PROVISION FOR INCOME TAXES

Income tax expense (tax credit) including current and deferred income taxes, is calculated based on the consolidated loss before income taxes and differs from the amounts computed using the statutory rates in 2015 as follows:

| | 2015 | 2014 |
|--|---------------|--------------|
| Net loss before income taxes | G (6,413,976) | (68,424,998) |
| Tax credit based on statutory rate (30%) | (1,924,193) | (20,524,495) |
| Effect of items not included in deferred income tax asset: | | |
| Employees benefits | 918,794 | - |
| 10% withholding on rentals | 383,084 | - |
| Temporary foreign consultants | 214,748 | - |
| | 407,567 | - |
| Valuation allowance for the period | (407,567) | (23,434,495) |
| Net tax credit | G - | 2,910,000 |

A valuation allowance was established to reduce the deferred assets, as described in note 3(g), because the Company does not have the assurance of being able to recuperate the previous year losses.

(21) SALARIES AND BENEFITS

Salaries and benefits are as follows:

| | 2015 | 2014 |
|---|---------------|-------------|
| Salaries | G 137,355,542 | 128,281,110 |
| Bonus and commissions | 56,905,091 | 52,786,227 |
| Contributions to Office National d'Assurance Vieillesse (ONA) | 17,816,098 | 14,244,411 |
| Employee retirement savings contributions | 4,031,713 | 4,007,151 |
| Others | 6,718,070 | 6,117,943 |
| | G 222,826,514 | 205,436,842 |

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(21) SALARIES AND BENEFITS (CONTINUED)

The employees retirement savings program was funded initially by a grant of \$240,000 and covers employees of the Company and those of its related foundation, Fondasyon Kole Zepòl (the Foundation). The program is open to all employees having successfully completed their three months probationary period with the Company or the Foundation. Employees contribute to the Program based on their age at the following rate:

| <u>Employee age</u> | <u>% of salary withheld</u> |
|---------------------|-----------------------------|
| Less than 45 | 5% |
| 45-50 | 6% |
| Greater than 50 | 10% |

The Company and The Foundation will match their respective employees' contributions subject to the following vesting scheme:

| <u>Number of years of service</u> | <u>% of matching funds vested</u> |
|-----------------------------------|-----------------------------------|
| Less than 1 year | 0% |
| 1-3 years | 30% |
| 3-5 years | 50% |
| Greater than 5 years | 100% |

The Company's retirement expenses for matching funds under this program were G 4,031,713 and G 4,007,147 for 2015 and 2014 respectively. These funds are invested with the Association of Specialists in Microfinance (ASMF) who manages the program. Employees have the option of borrowing against the funds they have accumulated in their savings and loan account.

(22) CAPITAL STRUCTURE

The capital structure of the Company consists of common stock with voting rights and non-cumulative, participating preferred stock with no voting rights. On November 19, 2014, the Board of Directors approved a resolution which increased the authorized shares (from 10,548,067 to 16,548,664). Par value of the stock is G 25. At September 30, 2015 and 2014, total shares authorized consisted respectively of 14,048,067 and 8,048,067 common shares and 2,500,000 preferred shares. At September 30, 2015 and 2014, total shares outstanding consisted of 5,303,110 common shares and 1,780,191 preferred shares. The preferred nonvoting shares have a 5% premium on the dividends if and when the dividends are declared.

The Company issues new common stock through sale and conversion of debt to equity. During 2015 and 2014, the Company issued respectively 16,292 and 200,154 shares of common stock. The Company issued 200,000 shares of preferred stock at \$US 1.25 per share in 2014; no preferred shares were issued in 2015.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(23) DISASTER RISK MITIGATION FACILITY

In 2011, the Company introduced a catastrophe insurance product in partnership with Micro Insurance Catastrophe Risk Organization SCC (MiCRO), a specialized reinsurance company founded by the Company with other investors. The product combined a commercially reinsured parametric insurance policy and a retail insurance product for the Company's borrowers, Kore W. Following two devastating weather events in August and October of 2012, the retail portion of the catastrophe insurance product, Kore W, was suspended indefinitely. The Company entered into a new parametric only insurance policy through MiCRO on April 15, 2013 for a period of one year and again on April 23, 2014 for an additional period of one year. In September 2015, MiCRO voted to liquidate Cell A (the Haiti Cell) of MiCRO. Losses were recorded by Fonkoze S.A. in 2015 and 2014 of G 204,893 and G 44,539,696, respectively.

(24) RELATED PARTIES

The Companies disclosed below are related parties to Fonkoze, S.A. and its subsidiary Sèvis Finansye Fonkoze, S.A because they are shareholders of SFF or Fonkoze S.A. or share common Management.

Transactions and balances with these related parties as of and for the year ended September 30, 2015 are as follows:

| | | |
|--|----------|---------------------------|
| <u>Assets</u> | | |
| Note receivable – The Foundation (note 12) | G | 161,068,253 |
| Receivable from Unigestion Holding S.A. (note 8) | | 5,722,882 |
| Account receivable – Fondasyon Kole Zepòl | | 293,706 |
| Account receivable - Fonkoze USA | | <u>130,458</u> |
| | G | <u>167,215,299</u> |
| <u>Liabilities</u> | | |
| Notes payable to Fonkoze USA (note 17) | G | 131,214,588 |
| Subordinated notes – others shareholders (note 16) | | 6,997,416 |
| Fondasyon Kole Zepòl (note 19) | | 1,622,885 |
| Fonkoze USA – Interest payable | | <u>1,290,314</u> |
| | | <u>141,125,203</u> |
| <u>Revenues</u> | | |
| Grants and others revenues | G | 4,358,597 |
| Other revenue - Fonkoze USA | | <u>722,636</u> |
| | G | <u>5,081,233</u> |
| <u>Expenses</u> | | |
| Fondasyon Kole Zepòl | G | <u>1,622,885</u> |
| Fonkoze USA – Interest | G | 2,236,757 |
| Other shareholders – Interest | | <u>461,135</u> |
| | G | <u>2,697,892</u> |

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(25) COMMITMENTS

The Company leases office space on a long-term basis. Some leases are payable in US dollars while others are payable in Gourdes. Future obligations under these leases as of September 30, 2015 are as follows:

| <u>Years</u> | <u>Payable in USD</u> |
|--------------|--------------------------|
| 2016 | \$ 168,604 |
| 2017 | 141,873 |
| 2018 | 128,579 |
| 2019 | 64,609 |
| 2020-2024 | <u>33,056</u> |
| Total | \$ <u>536,721</u> |

(26) GOING CONCERN

The consolidated financial statements of Fonkoze S.A. have been prepared on a going concern basis, which assumes that the Company will be able to achieve profitability and positive equity in the foreseeable future. As evidenced in the consolidated financial statements, the Company incurred net operating loss before income taxes of G 6,413,976 and G 68,414,998 for the years ended September 30, 2015 and 2014, respectively, and reported a negative equity of G 122,493,908 and G 114,969,015 as of September 30, 2015 and 2014, respectively.

These factors create an uncertainty about the Company's ability to continue as a going concern. Management of the Company believes that profitability and positive equity will be achieved in 2016 based on a plan outlined below. Management has established a five year plan with significant profit projections in 2016 and onward, based on the following assumptions:

- Ability to raise \$US 3 million in additional capital in 2016
- A significant growth in loan portfolio and portfolio performance
- Committed donations materializing for the amounts projected.

In line with their plan, and during the month and as of December 31, 2015, some current shareholders have invested additional capital in the amount of US\$ 865,000 (29% of projected additional capital).

In addition, on November 2015, SFF received a grant of US\$ 500,000 from Whole Planet Foundation, one of the regular donors of SFF. The grant agreement was signed on November 13, 2015 and the funds were received on November 19, 2015.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(26) GOING CONCERN (CONTINUED)

However, the economic and political environment in Haiti has significantly deteriorated since the date of the financial statements. The foreign exchange risk has also increased substantially between September 30, 2015 and December 31st, 2015 with the fluctuation of the rate exchange rate from G 52.1417 to G 56.6970, respectively, creating a potential foreign exchange loss exposure for the Company due to its foreign currency position, as detailed in **note 4 (c)**. The devaluation of the Haïtian gourdes is expected to worsen during the year 2016 with the economic uncertainty created by the political crisis in Haiti. This situation is very likely to have a significant impact on the economic environment, hence potentially impacting the Company's ability to meet Management profit projections.

Moreover, the consolidated balance sheet of Fonkoze S.A. as of September 30, 2015, reflects a note receivable from a related party amounting to G 161 million. Subsequent to September 30, 2015, the note receivables due from the Foundation of G 161 million (approximately, US\$ 3 million) maturing in 2022 is scheduled to be reduced through repayments by the Foundation and Fonkoze USA as follows for a total amount of US\$ 378,900 (equiv. G 19.7 million):

- Repayment of US\$ 204,000 by the Foundation from proceeds of a Certificate of Deposit held by the Foundation. Management expects to receive this amount during the month of February.
- Repayment of US\$ 174,900 by Fonkoze USA, as described in **note 27**. However, this amount was received subsequent to December 31, 2015.

In addition, Fonkoze USA has signed an agreement to repay part of the debt of the Foundation for an amount of US\$ 500,000, (equiv. G 26.1 million) as described in **note 27**.

The Board of Fonkoze USA has issued a Statement of Intention that since Fonkoze USA has historically raised sufficient funds for Haiti in the normal course of business, they expect to be able to meet the repayment requirements of this note due to SFF, in the event the agreement reached by the parties, described in details in **note 27**, cannot materialize as scheduled. In support to this Statement of Intention, Management of the Foundation has provided audited financial statements of the Foundation as of December 31, 2014 and preliminary results as of September 30, 2015, which confirms that the Foundation currently has sufficient liquid assets to meet its obligations, including eventual repayment of indebtedness due SFF.

If for any reason the Company is unable to continue as a going concern, this situation could have an impact on the Company's ability to realize assets at their recognized value, as reflected in the financial statements in particular relates to deferred tax and other assets, loans and other receivable.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(27) SUBSEQUENT EVENT – RELATED PARTY AGREEMENT

Subsequent to September 30, 2015, an agreement has been reached between Fonkoze S.A. (including the two consolidated entities), Fondasyon Kole Zepòl (The Foundation) and Fonkoze USA Inc. (Fonkoze USA) to restructure the note due from the Foundation to Sèvis Finansye Fonkoze, S.A. (SFF). Based on the terms of this agreement, the receivable of G 161,068,253 on the balance sheet of SFF described in **note 12** will be paid off by October 2031, as follows:

- Reimbursement of \$US 204,000 (G 11,220,000 at the rate of the contract) by the Foundation from the proceeds of a Certificate of Deposit held by the Foundation at Self Help Federal Credit Union, maturing in May 2017.
- Part of the debt of the Foundation being assumed by Fonkoze USA for an amount of \$US 674,900 (G 37,119,550 at the rate of the contract). This amount will be repaid over a period of 5 years by Fonkoze USA through an immediate settlement of \$US 174,900, and 5 installment payments of \$100,000 for a total of \$US 500,000 every year from 2016 through 2020.
- The balance of G 112,728,753 will be repaid from the proceeds of services to be paid by SFF to the Foundation for:
 - Branding license rights due to the Foundation by SFF as per Branding License Agreement for G 5,286,827 annually from October 1st 2018 through October 2031.
 - Fees due to the Foundation under Service Agreement for G 2,750,000 annually from October 1, 2015 to September 30, 2031.

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheet
September 30, 2015
(Expressed in Haitian Gourdes)

| | | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | Consolidated |
|---------------------------------|----------|---------------------------------|--------------------|------------------------------------|----------------------|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | G | 267,675,717 | 218,601 | - | 267,894,318 |
| Term deposits | | 61,812,996 | - | - | 61,812,996 |
| Loans | | 632,884,965 | - | - | 632,884,965 |
| Impairment provision | | <u>(14,623,728)</u> | <u>-</u> | <u>-</u> | <u>(14,623,728)</u> |
| Net loans | | 618,261,237 | - | - | 618,261,237 |
| OTHER CURRENT ASSETS | | | | | |
| Interest receivable on loans | | 21,758,980 | - | - | 21,758,980 |
| Accounts receivable | | 53,117,807 | 877,272 | (18,328,122) | 35,666,957 |
| Prepaid expenses and supplies | | <u>16,995,116</u> | <u>-</u> | <u>-</u> | <u>16,995,116</u> |
| | | 91,871,903 | 877,272 | (18,328,122) | 74,421,053 |
| Total current assets | G | 1,039,621,853 | 1,095,873 | (18,328,122) | 1,022,389,604 |
| NON-CURRENT ASSETS | | | | | |
| Equity investments | | 4,174,334 | 374,803,038 | (374,803,038) | 4,174,334 |
| Fixed assets, at cost | | 280,913,307 | - | - | 280,913,307 |
| Accumulated depreciation | | <u>(112,762,259)</u> | <u>-</u> | <u>-</u> | <u>(112,762,259)</u> |
| Fixed assets, net | | 168,151,048 | - | - | 168,151,048 |
| Note receivable – Related party | | 161,068,253 | - | - | 161,068,253 |
| Other assets | | 32,683,793 | 4,985,230 | - | 37,669,023 |
| TOTAL ASSETS | G | 1,405,699,281 | 380,884,141 | (393,131,160) | 1,393,452,262 |

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheet
September 30, 2015
(Expressed in Haïtian Gourdes)

| | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | Consolidated |
|---|---------------------------------|--------------------|------------------------------------|----------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Deposits | G 1,222,519,351 | - | - | 1,222,519,351 |
| Bank line of credit | 19,911,464 | - | - | 19,911,464 |
| Long-term subordinated note - current portion | - | 8,436,527 | - | 8,436,527 |
| Other notes payable | 86,564,375 | - | - | 86,564,375 |
| Other current liabilities | <u>56,847,204</u> | <u>9,629,595</u> | <u>(10,506,867)</u> | <u>55,969,932</u> |
| Total current liabilities | 1,385,842,394 | 18,066,122 | (10,506,867) | 1,393,401,649 |
| NON-CURRENT LIABILITIES | | | | |
| Other notes payable | 93,044,263 | - | - | 93,044,263 |
| Managed loan fund | 15,642,510 | - | - | 15,642,510 |
| Long-term subordinated note | - | 3,775,059 | - | 3,775,059 |
| Other non-current liabilities | <u>10,082,689</u> | <u>7,821,255</u> | <u>(7,821,255)</u> | <u>10,082,689</u> |
| Total non-current liabilities | 118,769,462 | 11,596,314 | (7,821,255) | 122,544,521 |
| TOTAL LIABILITIES | G 1,504,611,856 | 29,662,436 | (18,328,122) | 1,515,946,170 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital stock – par value G 25: | | | | |
| Common shares authorized 14,048,067 in 2015 and 8,048,067 in 2014 ; | | | | |
| 5,303,110 shares issued in 2015 and 5,286,818 in 2014 | | | | |
| | 87,855,526 | 132,554,689 | (87,832,475) | 132,577,740 |
| Preferred shares – G 25 par value: | | | | |
| 2,500,000 shares authorized; | | | | |
| 1,780,191 shares issued | | | | |
| | - | 44,504,775 | - | 44,504,775 |
| Additional paid-in capital | <u>286,994,113</u> | <u>182,472,926</u> | <u>(286,970,563)</u> | <u>182,496,476</u> |
| | 374,849,639 | 359,532,390 | (374,803,038) | 359,578,991 |
| Accumulated deficit | (476,570,255) | (8,310,685) | - | (484,880,940) |
| Accumulated other comprehensive income | <u>2,808,041</u> | <u>-</u> | <u>-</u> | <u>2,808,041</u> |
| | (473,762,214) | (8,310,685) | - | (482,072,899) |
| Total shareholders' equity | (98,912,575) | 351,221,705 | (374,803,038) | (122,493,908) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | G 1,405,699,281 | 380,884,141 | (393,131,160) | 1,393,452,262 |

FONKOZE S.A.
Consolidated Statement of Operations
For the year ended September 30, 2015
(Expressed in Haïtian Gourdes)

| | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | Consolidated |
|--|---------------------------------|--------------------|------------------------------------|---------------------|
| INTEREST INCOME | | | | |
| Loans | G 313,520,839 | - | - | 313,520,839 |
| Other | 892,234 | - | - | 892,234 |
| Total interest income | 314,413,073 | - | - | 314,413,073 |
| INTEREST EXPENSES | | | | |
| Deposits | 3,896,071 | - | - | 3,896,071 |
| Debt | 9,168,753 | 718,459 | - | 9,887,212 |
| Total interest expense | 13,064,824 | 718,459 | - | 13,783,283 |
| NET INTEREST INCOME (EXPENSE) | 301,348,249 | (718,459) | - | 300,629,790 |
| Provision for loan losses | (22,859,040) | - | - | (22,859,040) |
| Net interest income (expense) after provision for loan losses | 278,489,209 | (718,459) | - | 277,770,750 |
| OTHER OPERATING INCOME | | | | |
| Income from foreign exchange gain-Trading | 64,613,950 | - | - | 64,613,950 |
| Income from remittance services | 15,883,699 | - | - | 15,883,699 |
| Savings accounts fees | 15,315,820 | - | - | 15,315,820 |
| Recoveries of loans written off | 3,793,294 | - | - | 3,793,294 |
| Other | 4,339,112 | - | - | 4,339,112 |
| | 103,945,875 | - | - | 103,945,875 |
| Net interest and other income (expense) | 382,435,084 | (718,459) | - | 381,716,625 |
| OPERATING EXPENSES | | | | |
| Personnel expenses | 222,826,514 | - | - | 222,826,514 |
| Premises and equipment expenses | 29,735,775 | - | - | 29,735,775 |
| Depreciation and amortization | 17,751,463 | - | - | 17,751,463 |
| Other expenses | 92,853,475 | 65,632 | - | 92,919,107 |
| Total operating expenses | 363,167,227 | 65,632 | - | 363,232,859 |
| NET PROFIT (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES | 19,267,857 | (784,091) | - | 18,483,766 |
| OTHER INCOME (EXPENSES) | | | | |
| Unrealized loss on foreign exchange | (53,708,178) | (3,794,518) | - | (57,502,696) |
| Catastrophe insurance premium | (9,256,246) | - | - | (9,256,246) |
| Loss on liquidation/revaluation of MICRO Cell A Investment | (204,893) | - | - | (204,893) |
| Grants | 35,770,139 | - | - | 35,770,139 |
| Other non-operating income | 6,295,954 | - | - | 6,295,954 |
| Total other expenses | (21,103,224) | (3,794,518) | - | (24,897,742) |
| Net operating profit (loss) before income taxes | (1,835,367) | (4,578,609) | - | (6,413,976) |
| Provision for income taxes | - | - | - | - |
| NET LOSS | G (1,835,367) | (4,578,609) | - | (6,413,976) |

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheet
September 30, 2015
(Expressed in US Dollars)

| | | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications/ eliminations | Consolidated |
|----------------------------------|-----------|---------------------------------|------------------|------------------------------------|--------------------|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ | 5,133,621 | 4,192 | - | 5,137,813 |
| Term deposits | | 1,185,481 | - | - | 1,185,481 |
| Loans | | 12,137,789 | - | - | 12,137,789 |
| Impairment provision | | <u>(280,461)</u> | <u>-</u> | <u>-</u> | <u>(280,461)</u> |
| Net loans | | 11,857,328 | - | - | 11,857,328 |
| OTHER CURRENT ASSETS | | | | | |
| Interest receivable on loans | | 417,305 | - | - | 417,305 |
| Accounts receivable | | 1,018,720 | 16,825 | (351,506) | 684,039 |
| Prepaid expenses and supplies | | <u>325,941</u> | <u>-</u> | <u>-</u> | <u>325,941</u> |
| | | 1,761,966 | 16,825 | (351,506) | 1,427,285 |
| Total current assets | \$ | 19,938,396 | 21,017 | (351,506) | 19,607,907 |
| NON-CURRENT ASSETS | | | | | |
| Equity investments | | 80,058 | 7,188,163 | (7,188,163) | 80,058 |
| Fixed assets, at cost | | 5,387,498 | - | - | 5,387,498 |
| Accumulated depreciation | | <u>(2,162,612)</u> | <u>-</u> | <u>-</u> | <u>(2,162,612)</u> |
| Fixed assets, net | | 3,224,886 | - | - | 3,224,886 |
| Notes receivable – Related party | | 3,089,049 | - | - | 3,089,049 |
| Other assets | | 626,826 | 95,609 | - | 722,435 |
| TOTAL ASSETS | \$ | 26,959,215 | 7,304,789 | (7,539,669) | 26,724,335 |

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheet
September 30, 2015
(Expressed in US dollars)

| | Sévis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassifications eliminations | Consolidated |
|--|---------------------------------|------------------|-----------------------------------|--------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Deposits | \$ 23,446,097 | - | - | 23,446,097 |
| Bank line of credit | 381,872 | - | - | 381,872 |
| Long-term subordinated Notes-current portion | - | 161,800 | - | 161,800 |
| Other notes payable | 1,660,176 | - | - | 1,660,176 |
| Other current liabilities | <u>1,090,245</u> | <u>184,682</u> | <u>(201,506)</u> | <u>1,073,421</u> |
| Total current liabilities | 26,578,390 | 346,482 | (201,506) | 26,723,366 |
| NON-CURRENT LIABILITIES | | | | |
| Other notes payable | 1,784,450 | - | - | 1,784,450 |
| Managed loan fund | 300,000 | - | - | 300,000 |
| Long-term subordinated notes | - | 72,400 | - | 72,400 |
| Other non-current liabilities | <u>193,370</u> | <u>150,000</u> | <u>(150,000)</u> | <u>193,370</u> |
| Total non-current liabilities | 2,277,820 | 222,400 | (150,000) | 2,350,220 |
| TOTAL LIABILITIES | \$ 28,856,210 | 568,882 | (351,506) | 29,073,586 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital stock – par value G 25: | | | | |
| Common shares authorized 14,048,067 in 2015 and 8,048,067 in 2014; 5,303,110 shares issued in 2015 and 5,286,81 in 2014 | | | | |
| | 1,684,938 | 2,542,201 | (1,684,496) | 2,542,643 |
| Preferred shares – G 25 par value: 2,500,000 shares authorized; 1,780,191 shares issued | | | | |
| | - | 853,535 | - | 853,535 |
| Additional paid-in capital | <u>5,504,119</u> | <u>3,499,558</u> | <u>(5,503,667)</u> | <u>3,500,010</u> |
| | 7,189,057 | 6,895,294 | (7,188,163) | 6,896,188 |
| Accumulated deficit | (9,139,906) | (159,387) | - | (9,299,293) |
| Accumulated other comprehensive income | <u>53,854</u> | <u>-</u> | <u>-</u> | <u>53,854</u> |
| | (9,086,052) | (159,387) | - | (9,245,439) |
| Total shareholders' equity | (1,896,995) | 6,735,907 | (7,188,163) | (2,349,251) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 26,959,215 | 7,304,789 | (7,539,669) | 26,724,335 |

FONKOZE S.A.
Consolidated Statement of Operations
For the year ended September 30, 2015
(Expressed in US dollars)

| | Sèvis Finansye Fonkoze, S.A. | Fonkoze S.A. | Reclassification eliminations | Consolidated |
|--|---------------------------------|-----------------|----------------------------------|------------------|
| INTEREST INCOME | | | | |
| Loans | \$ 6,415,195 | - | - | 6,415,195 |
| Other | <u>18,257</u> | <u>-</u> | <u>-</u> | <u>18,257</u> |
| Total interest income | 6,433,452 | - | - | 6,433,452 |
| INTEREST EXPENSES | | | | |
| Deposits | 79,721 | - | - | 79,721 |
| Debt | <u>187,609</u> | <u>14,701</u> | <u>-</u> | <u>202,310</u> |
| Total interest expense | 267,330 | 14,701 | - | 282,031 |
| NET INTEREST INCOME (EXPENSE) | 6,166,122 | (14,701) | - | 6,151,421 |
| Provision for loan losses | <u>(467,737)</u> | <u>-</u> | <u>-</u> | <u>(467,737)</u> |
| Net interest income (expense) after provision for loan losses | 5,698,385 | (14,701) | - | 5,683,684 |
| OTHER OPERATING INCOME | | | | |
| Income from foreign exchange gain-Trading | 1,322,117 | - | - | 1,322,117 |
| Income from remittance services | 325,009 | - | - | 325,009 |
| Savings accounts fees | 313,389 | - | - | 313,389 |
| Recoveries of loans written off | 77,618 | - | - | 77,618 |
| Other | <u>88,786</u> | <u>-</u> | <u>-</u> | <u>88,786</u> |
| | 2,126,919 | - | - | 2,126,919 |
| Net interest and other income (expense) | 7,825,304 | (14,701) | - | 7,810,603 |
| OPERATING EXPENSES | | | | |
| Personnel expenses | 4,559,427 | - | - | 4,559,427 |
| Premises and equipment expenses | 608,447 | - | - | 608,447 |
| Depreciation and amortization | 363,227 | - | - | 363,227 |
| Other expenses | <u>1,899,948</u> | <u>1,343</u> | <u>-</u> | <u>1,901,291</u> |
| Total operating expenses | 7,431,049 | 1,343 | - | 7,432,392 |
| NET PROFIT (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES | 394,254 | (16,044) | - | 378,210 |
| OTHER INCOME (EXPENSES) | | | | |
| Unrealized loss on foreign exchange | (1,098,965) | (77,643) | - | (1,176,608) |
| Catastrophe insurance premium | (189,399) | - | - | (189,399) |
| Loss on liquidation/revaluation of MICRO Cell A Investment | (4,192) | - | - | (4,192) |
| Grants | 731,921 | - | - | 731,921 |
| Other non-operating income | <u>128,826</u> | <u>-</u> | <u>-</u> | <u>128,826</u> |
| Total other expenses | (431,809) | (77,643) | - | (509,452) |
| Net operating profit (loss) before income taxes | (37,555) | (93,687) | - | (131,242) |
| Provision for income tax | - | - | - | - |
| NET LOSS | \$ (37,555) | (93,687) | - | (131,242) |