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FONKOZE S.A.

Consolidated Financial Statements

September 30, 2016

(With Independent Auditors' Report Thereon)

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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 Fonkoze, S.A. (SFF) which comprise the consolidated statement of financial position as of September 30, 2016 and the related consolidated statements of income, of comprehensive income, of changes in shareholders' 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 International Financial Reporting Standards. 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. Except as described in the restriction paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and 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.

Restriction

Fonkoze S.A. has signed an agreement with its related parties, the Foundation and Fonkoze USA, by which the Foundation will charge Fonkoze S.A. a service monitoring service of G 2.75 million for a period of 16 years, effective December 30, 2015, and a yearly Brand license fee of G 5.3 million for a period of 13 years, starting in October 2018. We were unable to determine the reasonableness of the fees on these two contracts in the absence of competitive market information or adequate evidence for similar arrangements.

Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the reasonableness of these long term service and license agreements, the consolidated financial statements of Fonkoze S.A. present fairly, in all material respects, the consolidated financial position of Fonkoze S.A. and its subsidiary as of September 30, 2016 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 International Standards on Auditing. In our opinion, the information is subject to the same restrictions which apply to the financial taken 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 near foreseeable future. As evidenced in the consolidated financial statements, the Company incurred **net losses of G 192.2 million and reported negative equity of G 161.7 million as of September 30, 2016** and may be affected if management plans discussed in **note 27** do not materialize.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Mérové-Pierre - Cabinet D'Experts - Comptables

Port-au-Prince, January 20, 2017

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

	Notes	2016	2015
CURRENT ASSETS			
Cash and cash equivalents	5	G 449,999,447	267,894,318
Term deposits	6,15	196,895,335	61,812,996
Loans	7	753,235,579	635,500,403
Impairment provision	7	(12,205,920)	(14,623,728)
Net loans		741,029,659	620,876,675
OTHER CURRENT ASSETS			
Interest receivable on loans		28,678,596	21,758,980
Accounts receivable	8	35,812,077	35,666,957
Prepaid expenses and supplies	9	24,326,793	16,995,116
		88,817,466	74,421,053
Total current assets		G 1,476,741,904	1,025,005,042
NON - CURRENT ASSETS			
Equity investments	10	4,174,334	4,174,334
Fixed assets, at cost	11	352,011,132	280,913,307
Accumulated depreciation		(94,921,681)	(112,762,259)
Fixed assets, net		257,089,451	168,151,048
Notes receivable – Related parties	12	21,706,619	161,068,253
Other assets	13	13,082,830	37,669,023
TOTAL ASSETS		G 1,772,795,141	1,396,067,700

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

	Notes	2016	2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Deposits	**14**	**G 1,401,652,348**	1,222,519,351
Bank lines of credit	**15**	**173,849,826**	19,911,464
Subordinated notes- current portion	**16**	**1,992,319**	8,436,527
Other notes payable	**17**	**93,805,309**	86,564,375
Managed loan fund	**18**	**19,661,040**	-
Other current liabilities	**19**	**60,680,505**	58,585,370
Total current liabilities		**1,751,641,307**	1,396,017,087
NON-CURRENT LIABILITIES			
Other notes payable	**17**	**142,820,752**	93,044,263
Managed loan fund		-	15,642,510
Long-term subordinated notes	**16**	**10,407,244**	3,775,059
Other non-current liabilities	**19**	**29,628,259**	10,082,679
Total non-current liabilities		**182,856,255**	122,544,511
TOTAL LIABILITIES		**G 1,934,497,602**	1,518,561,598
SHAREHOLDERS' EQUITY			
Capital stock:			
Common shares	**22**	**211,688,600**	132,577,750
Preferred shares		**-**	44,504,775
Additional paid-in capital		**251,590,716**	182,496,476
		463,279,316	359,579,001
Accumulated deficit		**(677,041,761)**	(484,880,940)
Revaluation reserve- land and buildings	**19**	**49,251,943**	**-**
Accumulated other comprehensive income	**10**	**2,808,041**	2,808,041
		(624,981,777)	(482,072,899)
Total shareholders' equity		**(161,702,461)**	(122,493,898)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**G 1,772,795,141**	1,396,067,700

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Statements of Income
Years ended September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

	Notes	2016	2015
INTEREST INCOME			
Loans	G	**336,314,113**	272,209,778
Other		**3,438,840**	892,234
Total interest income		**339,752,953**	273,102,012
INTEREST EXPENSES			
Deposits		**5,061,160**	3,896,071
Debt (lines of credit, notes payable)		**28,169,402**	9,887,212
Total interest expense		**33,230,562**	13,783,283
NET INTEREST INCOME		**306,522,391**	259,318,729
Provision for loan losses	**7**	**32,968,652**	22,859,040
Net interest income after provision for loan losses		**273,553,739**	236,459,689
OTHER OPERATING INCOME			
Income from foreign exchange - Trading		**58,110,748**	64,613,950
Commissions and penalties on loans		**50,380,604**	41,311,061
Income from remittance services		**19,102,989**	15,883,699
Savings accounts fees		**15,337,180**	15,315,820
Recoveries of loans written off	**7**	**3,919,807**	3,793,294
Other		**6,309,438**	4,339,112
		153,160,766	145,256,936
Net interest and other income		**426,714,505**	381,716,625
OPERATING EXPENSES			
Personnel expenses	**21**	**258,340,559**	222,826,514
Premises and equipment expenses		**31,852,135**	29,735,775
Depreciation		**25,424,090**	17,751,463
Other expenses	**24**	**126,020,861**	92,919,107
Total operating expenses		**441,637,645**	363,232,859
(LOSS) PROFIT NET FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES		**(14,923,140)**	18,483,766
OTHER INCOME (EXPENSES)			
Unrealized loss on foreign exchange		**(71,752,318)**	(57,502,696)
Finance costs on receivable from related party	**12**	**(4,508,101)**	-
Grants	**23**	**35,692,546**	35,770,139
Write-off of deferred tax asset	**13**	**(20,490,000)**	-
Provision for loss on receivable from related party	**12**	**(112,728,753)**	-
Fair value loss on assets	**11,13**	**(11,519,159)**	-
Catastrophe insurance premium		**-**	(9,256,246)
Other non-operating income, net		**8,068,104**	6,091,061
Total other expenses		**(177,237,681)**	(24,897,742)
Net operating loss before income taxes		**(192,160,821)**	(6,413,976)
Tax credit	**20**	**-**	**-**
NET LOSS	**G**	**(192,160,821)**	(6,413,976)
Net loss per share	**G**	**(27.55)**	(1.22)

See accompanying notes to the consolidated financial statements

FONKOZE S.A.

Consolidated Statements of Comprehensive Income

Years ended September 30, 2016 and 2015

(Expressed in Haïtian Gourdes)

		2016	**2015**
Net loss for the year	**G**	**(192,160,821)**	(6,413,976)
Other comprehensive Income:			
Revaluation surplus land and buildings		**70,359,918**	-
Income taxes – deferred		**(21,107,975)**	-
Other comprehensive income, net of tax		**49,251,943**	-
Total Comprehensive loss for the year	**G**	**(142,908,878)**	(6,413,976)
Comprehensive loss per share	**G**	**(20.48)**	(1.22)

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Statements of Changes in Shareholders' Equity
Years ended September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

	Notes	Common stock	Preferred stock	Additional paid-in capital	Accumulated deficit	Revaluation reserve – land and buildings	Accumulated other comprehensive gain	Total equity
Balance as of September 30, 2014	**20**	**G 132,170,450**	**44,504,775**	**181,950,301**	**(477,416,296)**	**-**	**3,821,765**	**(114,969,005)**
Shares issued during the year: 16,292 shares of common 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 comprehensive income consolidated statement of operations	**21**	-	-	-	-	-	(1,013,724)	(1,013,724)
Balance as of September 30, 2015	**20**	**132,577,750**	**44,504,775**	**182,496,476**	**(484,880,940)**	**-**	**2,808,041**	**(122,493,898)**
Shares issued during the year: 1,384,243 share of common shares (par value G 25)		34,606,075	-	69,094,240	-	-	-	103,700,315
Conversion of preferred shares into common shares (par value G 25) 1,780,191 shares	**22**	44,504,775	(44,504,775)	-	-	-	-	-
Net loss for the year		-	-	-	(192,160,821)	-	-	(192,160,821)
Revaluation surplus- land and buildings, net of tax		-	-	-	-	49,251,943	-	49,251,943
Balance as of September 30, 2016	**20**	**G 211,688,600**	**-**	**251,590,716**	**(677,041,761)**	**49,251,943**	**2,808,041**	**(161,702,461)**

See accompanying notes to the consolidated financial statements

FONKOZE S.A.
Consolidated Statements of Cash Flows
Years ended September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

	Notes	2016	2015
CASH FROM OPERATING ACTIVITIES			
Net loss		G **(192,160,821)**	(6,413,976)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	**11**	**25,424,090**	17,751,463
Impairment provision	**7**	**32,968,652**	22,859,040
Loss on equity investments		**332,988**	204,893
Gain on disposal of fixed assets		**-**	(39,250)
Fair value loss on assets	**11,13**	**11,519,159**	-
Finance costs on receivable from related party	**12**	**4,508,101**	-
Provision for loss on receivable from related party	**12**	**112,728,753**	-
Changes in investments and debt due to exchange rates fluctuations		**-**	(1,013,724)
Interest receivable on loans		**(6,919,616)**	(4,899,762)
(Increase) decrease accounts receivable		**(145,120)**	6,270,014
Prepaid expenses and supplies		**(7,331,677)**	(5,701,437)
Decrease in notes receivable – related parties		**22,124,780**	4,676,070
(Increase) decrease in other assets		**(638,066)**	2,151,837
Increase (decrease) of other current liabilities		**21,640,715**	(3,337,371)
Net cash provided by operating activities		**24,051,938**	32,507,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets	**11**	**(51,405,450)**	(33,140,083)
Proceeds from disposal of fixed assets		-	755,269
(Increase) decrease in term deposits and investments		**(135,415,327)**	10,314,153
Increase in loans (including write-offs)		**(153,121,636)**	(156,829,610)
Net cash used in investing activities		**(339,942,413)**	(178,900,271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**215,350,269**	28,950,547
Payments on debt		**(187,977)**	(963,701)
Shares issued		**103,700,315**	953,475
Legal fees for increase of shares		-	(1,050,668)
Increase in deposits		**179,132,997**	88,251,949
Net cash provided by financing activities		**497,995,604**	116,141,602
Net increase (decrease) in cash and cash equivalents		**182,105,129**	(30,250,872)
Cash and cash equivalents at beginning of year Net of foreign exchange effect		**219,441,537**	298,145,190
Foreign exchange effect on cash and cash equivalents at beginning of year		**48,452,781**	-
Cash and cash equivalents at end of year	**5**	**449,999,447**	267,894,318

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 International Financial Reporting Standards (IFRS).

(b) First-time adoption of IFRS

The company prepared financial statements in accordance with IFRS as of September 30, 2016, together with the comparative figures as of September 30, 2015 based on GAAP. No adjustments were made by the Company to restate its US GAAP financial statements for the year ended September 30, 2015 considering that, except for the note receivable discussed in **note 12**, the basis of measurement of the specific items of assets, liabilities, shareholder's equity, income and expenses were not significantly different from US GAAP to IFRS and required no retrospective application.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) <u>BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)</u>

(b) <u>First-time adoption of IFRS (continued)</u>

As of September 30, 2016, the Company opted to present land and buildings under the revaluation model, an alternative to the historical cost basis, both allowed under IFRS. The revaluation model is not allowed under US GAAP. The revaluation model is adopted on a prospective basis and required no adjustments to comparative figures.

(c) <u>Basis of consolidation</u>

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.

(d) <u>Basis of measurement</u>

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings for which the company has adopted as of September 30, 2016 an allowed alternative method under IFRS 16 to measure land and buildings under the revaluation model **(note g)**. At September 30, 2015, land and buildings were valued at cost.

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

(e) <u>Current versus non-current classification</u>

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

(Continued)

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(e) Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(f) Functional and presentation currency

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

(g) Use of estimates and judgment

In preparing these consolidated financial statements in conformity with International Financial Reporting Standards, 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 7	Loans – Provision for impairment
Note 8	Accounts receivable – Impairment
Note 10	Equity Investment - Impairment
Note 11	Fixed assets – Valuation and depreciation
Note 12	Note receivable – Related parties
Note 13	Other assets – valorization and impairment
Note 20	Provision for income taxes
Note 26	Going concern.

(Continued)

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(g) Use of estimates and judgment (continued)

Estimates at September 30, 2016 and at September 30, 2015 under IFRS are consistent with those made previously in 2015 in accordance with US GAAP.

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.

(h) Subsequent events

The Company has evaluated subsequent events through January 20, 2017 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 and have been applied consistently to all periods presented, except for prepayments on loans of G 2,655,438 which were previously presented net of the loan portfolio and are presented in other current liabilities at September 30, 2016. Comparative figures have been reclassified to conform to the current year presentation.

(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 conversion are included in the consolidated statement of incomes.

Transactions in foreign currencies are converted 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 incomes.

The financial statements presented in schedules III and IV were translated in US dollars according to the requirements of International Financial Reporting Standards. Under the requirements of this standard, assets and liabilities are translated at year-end exchange rate. Net assets accounts other than net income for the year are translated at year-end exchange rate. Income and expenses are translated at the average rate of exchange. All exchange differences resulting from such translation are included in shareholders' equity accounts.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Cash and cash equivalents

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

(c) Loans

Loans are stated at amortized - cost, net of provision for impairment. This provision is increased by the charge for impairment loss recorded in the consolidated statement of incomes 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, 2016 and 2015:

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%

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Loans (continued)

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.

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 incomes.

(d) 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.

(e) Equity 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.

Dividends income is recognized in the consolidated statement of income 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.

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.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Equity investments (continued)

Gains of losses realized on sales of long term corporate investments as well as other than temporary declines of their value are included in the determination of consolidated results of the year in which they occur.

(f) Fixed assets

Fixed assets are recorded at cost except for land and building **(note 11)** which have been revalued and stated to fair value in accordance with International Financial Reporting Standard (no. 16) and depreciated using the straight-line method over the estimated useful life of the assets as follows:

Buildings	20 years - 50 years
Vehicles	2-4 years
Equipments	5 years
Computer equipment	5 years
Leasehold improvements	5 years
Software	5 years

Construction in progress will be depreciated over their estimated useful life from the time they are ready to be put in use.

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.

The fair value of land and buildings has been determined based on appraisal undertaken by professional qualified appraisers at the end of 2016. The reevaluation surplus is reflected net of deferred income taxes in the consolidated statement of comprehensive income. Revaluation losses are reflected in the consolidated statements of income.

The buildings life duration was estimated at 20 years and they will be depreciated over that period with a residual value of 15% starting in October 2016.

On an annual basis the difference between depreciation calculated on the revalued amount of buildings and depreciation calculated on the original cost is transferred to retained earnings.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revaluation reserve – land and buildings

On an annual basis, the difference between depreciation calculated on the revalued amount of buildings and depreciation calculated on the original cost is transferred to retained earnings.

Revaluation losses are recorded directly to expenses unless they relate to an existing revaluation surplus for the same property in which case, the revaluation loss will be first applied to the revaluation reserve/building in the consolidated shareholder's equity.

This revaluation reserve is not subject to distribution.

(h) Deposits

Deposits are recorded at cost. The estimated fair value of these liabilities is assumed to be equal to their carrying value since interest rates are in line with the current market rates.

(i) Deferred income taxes

The deferred income tax from the revaluation surplus of building **(3g)** is transferred yearly on a straight line basis to income taxes payable at the tax rate applicable to the depreciation of the revaluation.

(j) Income taxes

Income taxes are calculated on the consolidated income before income taxes for the year and comprise current and deferred income taxes when applicable. Current income taxes are taxes payable on the taxable income for the year using statutory tax rates and other adjustments that may affect income taxes payable. Deferred income taxes, if any, resulting from timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes are reflected in other assets or liabilities as need be.

Income tax expense is recognized in the consolidated statement of income except to the extent that it relates to items of comprehensive income, in which case it is recorded therein. Items of comprehensive income are reflected net of income taxes. The Company has recorded in other liabilities the deferred income taxes resulting from the revaluation of land and buildings. The related amounts will be reversed upon sale of the related assets.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income taxes (continued)

Losses can be carried forward up to 5 years. The Company records a deferred tax asset if it is probable that the asset will be realized.

(j) Capital stock

As at September 30, 2016, capital stock reported in shareholders' equity is composed of common shares. As at September 2015, it is composed of common and preferred shares. Preferred shares had no voting power and had dividend right of 5% over the common shares in the event of distribution of dividends. Preferred shares were converted into common shares in 2016.

(k) Additional paid-in capital

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

(l) 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.

(m) 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, 2016. 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.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

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.

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, (which do not include deferred amounts) based on their initial contractual maturity is as follows:

September 30, 2016

		Current	Less than a year	More than a year	Total
Deposits	G	1,358,990,843	42,661,505	-	**1,401,652,348**
Bank lines of credit		173,849,826	-	-	**173,849,826**
Subordinated notes		-	1,992,319	10,407,244	**12,399,563**
Other notes payable		-	93,805,309	142,820,752	**236,626,061**
Managed loan fund		-	19,661,040	-	**19,661,040**
Others liabilities		41,130,164	19,550,342	655,367	**61,335,873**
Total	**G**	**1,573,970,833**	**177,670,515**	**153,883,363**	**1,905,524,711**

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 lines 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		35,778,960	22,806,410	521,417	**59,106,787**
Total	**G**	**1,244,059,419**	**151,957,668**	**112,983,249**	**1,509,000,336**

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, 2016 and 2015 is as follows:

	Notes		2016	2015
Deposits with banks	**5**	**G**	**362,069,261**	176,765,162
Credit				
Loans, net	**6**		**741,029,659**	620,876,675
Interest receivable on loans			**28,678,596**	21,758,980
			769,708,255	642,635,655
Investment				
Term deposits	**6**		**196,895,335**	61,812,996
Interest receivable on term deposits	**8**		**2,706,692**	271,814
			199,602,027	62,084,810
Accounts receivable	**8**		**33,105,385**	35,395,143
Notes receivable – related parties	**12**		**21,706,619**	161,068,253
Other assets	**13**		**98,305**	20,693,008
Total		**G**	**1,386,289,852**	1,098,642,031

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 considered low risk instruments since they are held at financial institutions that are under the supervision of the BRH. These funds are realizable although there is no deposit insurance for accounts held in Haitian banks. Deposits held with the Self Help Credit Union are insured by the National Credit Union Administration (NCUA) up to USD 250,000.

- To reduce the risks associated with customers or counterparties, SFF's risk management policies provide that appropriate eligibility criteria together with procedures for client selection, initial marketing, and client need assessment shall be followed. These procedures and guidelines include the assessment and analysis of a client's ability and willingness to repay, the appropriateness of the size of the loan, its terms, and repayment schedule. The level of indebtedness and past repayment history are also important factors in lending decisions related to existing customers.

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

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 12,205,920 and G 14,623,728 adequate to cover loan losses inherent in the loan portfolio at September 30, 2016 and 2015.

Note 28 on subsequent events provides the effect of Hurricane Matthew on the impairment provision for the subsequent three months ended December 31, 2016.

The notes receivable – related parties as of September 30, 2016, relate to:

- The note receivable from Fonzoze USA of US$ 400,000 (G 26,214,720) which does not bear interest. It is scheduled to be repaid over a period of 4 years with 4 annual payment of US$ 100,000. As of September 30, 2016 it is discounted at market rate of 8% **(note 12)**.

- A provision for impairment has been recorded for the note receivable from the Foundation and the balance is nil as of September 30, 2016.

(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:

	Notes		2016	2015
Deposits with banks:				
Haiti		G	**348,404,847**	94,414,809
USA			**13,664,414**	82,350,353
			362,069,261	176,765,162
Credit:				
Haiti	**7**		**769,708,255**	642,635,655
Term deposits and interest receivable:				
Haiti			**188,217,756**	53,184,925
USA			**11,384,271**	8,899,885
			199,602,027	62,084,810
Accounts receivable:				
Haiti			**32,765,612**	14,594,255
USA			**339,773**	20,800,888
			33,105,385	35,395,143
Notes receivable - Related parties:	**12**			
Haiti			**-**	161,068,253
USA			**21,706,619**	-
			21,706,619	161,068,253
Other assets:	**13**			
Haiti			**98,305**	20,693,008
		G	**1,386,289,852**	1,098,642,031

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 Haïtian gourde to the US dollar.

As of September 30, 2016, the Company maintained the following positions:

	Gourdes	US Dollars (equivalent in gourdes)	Total
Cash and cash equivalents	63,039,931	386,959,516	**449,999,447**
Term deposits	-	196,895,335	**196,895,335**
Net loans	728,107,542	12,922,117	**741,029,659**
Interest receivable on loans	28,429,926	248,670	**28,678,596**
Accounts receivable	22,993,442	12,818,635	**35,812,077**
Receivable-related parties	-	21,706,619	**21,706,619**
Other assets	-	98,305	**98,305**
Total financial assets	**842,570,841**	**631,649,197**	**1,474,220,038**
Deposits	790,358,621	611,293,727	**1,401,652,348**
Bank lines of credit	173,849,826	-	**173,849,826**
Subordinated notes	-	12,399,563	**12,399,563**
Managed loan fund	-	19,661,040	**19,661,040**
Other notes payable	-	236,626,061	**236,626,061**
Other liabilities	58,715,637	2,620,236	**61,335,873**
Total financial liabilities	**1,022,924,084**	**882,600,627**	**1,905,524,711**
Short position	**(180,353,243)**	**(250,951,430)**	**(431,304,673)**

Based on the foreign exchange position as of September 30, 2016, 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 3,829,168, 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)

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	525,697,856	95,178,819	**620,876,675**
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	**797,581,034**	**392,190,153**	**1,189,771,187**
Deposits	706,528,385	515,990,966	**1,222,519,351**
Bank lines 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	27,716,935	31,389,842	**59,106,777**
Total financial liabilities	**754,156,784**	**754,843,542**	**1,509,000,326**
Long (short) position	**43,424,250**	**(362,653,389)**	**(319,229,139)**

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)

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

i. Foreign exchange risk (continued)

The exchange rates compared to the gourde were as follows:

	2016	2015
As of September 30		
US dollars	**65.5368**	52.1417
Average rate for the year		
US dollars	**60.8670**	48.8716

Exchange rates have increased to G 67.3944 as of December 31, 2016. The short currency position of the Company, as of September 30, 2016 would have resulted in an exchange loss of G 7,113,062 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 margins 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 75% 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 2016 and 2015, Sèvis Finansye Fonkoze, S.A. was not meeting this internal standard.

(5) CASH AND CASH EQUIVALENTS

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

		2016	2015
Cash	G	**87,930,186**	91,129,156
Deposits in foreign banks		**13,664,414**	82,350,353
Deposits in local banks		**348,404,847**	94,414,809
Total	G	**449,999,447**	267,894,318

The deposits are short term and do not bear interest.

(Continued)

(5) CASH AND CASH EQUIVALENTS (CONTINUED)

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

		2016	2015
Cash:			
In Gourdes	G	**53,217,324**	62,673,363
In US dollars		**34,712,862**	28,455,793
		87,930,186	91,129,156
Deposits:			
In Gourdes		**9,822,607**	16,613,901
In US dollars		**352,246,654**	160,151,261
	G	**362,069,261**	176,765,162
Total	G	**449,999,447**	267,894,318

(6) TERM DEPOSITS

Term deposits in US dollars are held in three financial institutions as follows:

		2016	2015
Banque de l'Union Haïtienne (BUH)	G	**98,305,200**	-
Maturity date		**December 29, 2016**	-
Interest rate		**3.00%**	-
Banque Populaire Haïtienne (BPH)	G	**87,205,864**	52,913,111
Maturity date		**June 5, 2017**	May 20, 2016
Interest rate		**1.75%**	1.50%
Self Help Credit Union	G	**11,384,271**	8,899,885
Maturity date		**May 12, 2017**	May 12, 2017
Interest rate		**1.75%**	1.75%
Total	G	**196,895,335**	61,812,996

The term deposits at BUH and BPH are held as collateral against the Banks lines of credit.

(Continued)

(7) LOANS

The composition of loans by segment is as follows:

	2016	2015
Solidarity groups	**G 563,765,839**	470,619,060
Business development	**128,043,216**	73,873,436
SME portfolio	**61,426,524**	91,007,907
Total	**G 753,235,579**	635,500,403

Solidarity groups include the Ti Kredi loans (loans in amounts of G 3,000 for 2 months) for an amount of G 9,069,970 and G 1,959,693 as of September 30, 2016 and 2015, respectively.

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

	2016	2015
Loans in Gourdes	**G 740,313,462**	540,321,584
Loans US dollars	**12,922,117**	95,178,819
	G 753,235,579	635,500,403

Included in the loan portfolio are as described in **note 3 (d)** non-accrual loans as of September 30, 2016 and 2015, as follows:

	2016	2015
Solidarity groups	**G 6,098,911**	14,592,467
SME portfolio	**2,819,386**	4,523,713
Business development	**655,052**	2,103,802
Total	**G 9,573,349**	21,219,982

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, 2016 and 2015. The average return on the portfolio was 60% and 49% for 2016 and 2015, respectively. Unrecorded interests on non-accrual loans were G 623,756 and G 1,340,128 in 2016 and 2015, respectively.

(Continued)

(7) LOANS (CONTINUED)

The impairment provision has evolved as follows:

		Solidarity groups	SME portfolio	Business development	Total
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		(10,631,331)	(5,046,516)	(6,995,120)	**(22,672,967)**
Balance as of September 30, 2015	**G**	**10,521,055**	**2,609,545**	**1,493,128**	**14,623,728**
Provisions		22,800,644	6,713,944	3,454,064	**32,968,652**
Write-offs		(23,840,647)	(7,767,125)	(3,778,688)	**(35,386,460)**
Balance as of September 30, 2016	**G**	**9,481,052**	**1,556,364**	**1,168,504**	**12,205,920**

Recoveries of loans previously written off were G 3,919,807 and G 3,793,294 in 2016 and 2015, respectively. Recoveries are included in other operating income in the consolidated statements of operations.

As of September 30, 2016, 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	443,642,747	51,316,955	102,258,851	**597,218,553**
Cash collateral **(a)**		52,443,094	2,995,398	15,283,798	**70,722,290**
Total current		**496,085,841**	**54,312,353**	**117,542,649**	**667,940,843**
Aging, net of cash collateral:					
1-30 days		45,111,692	3,455,753	7,291,680	**55,859,125**
31-60 days		5,931,835	-	742,397	**6,674,232**
61-90 days		3,039,857	297,506	349,078	**3,686,441**
91-180 days		5,286,871	2,557,239	566,552	**8,410,662**
Cash collateral **(a)**		8,309,743	803,673	1,550,860	**10,664,276**
Total past due		**67,679,998**	7,114,171	10,500,567	**85,294,736**
Total loans	**G**	**563,765,839**	**61,426,524**	**128,043,216**	**753,235,579**

(a) The value of the cash collateral is presented net, in each of the aging categories and is therefore added back as part of the portfolio.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(7) 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**
Total current		**366,445,701**	**55,022,575**	**62,334,081**	**483,802,357**
Aging, net of cash collateral:					
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		21,363,811	6,959,091	2,333,732	**30,656,634**
Total past due		**104,173,359**	35,985,332	11,539,355	**151,698,046**
Total loans	**G**	**470,619,060**	**91,007,907**	**73,873,436**	**635,500,403**

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. SME and Business development loans in the amount of US$ 10,000 not exceeding US$ 100,000 (or the equivalent in gourdes) up to February 2016, were submitted for coverage under the agreement.

In 2016 and 2015, unpaid loans amounting to G 3,523,630 and G 1,923,982, respectively were repaid by IIC.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(8) ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

		2016	2015
Receivable from Unigestion Holding S.A. **(a) (note 25)**	G	**19,238,408**	5,722,882
Transfers receivable		**7,614,702**	6,107,207
Interest receivable on term deposits		**2,706,692**	271,814
Receivable – The Foundation		**1,698,159**	293,700
Receivable – Fonkoze USA		**339,373**	130,458
Returned checks		-	313,742
Other **(b)**		**4,214,743**	22,827,154
Total	G	**35,812,077**	35,666,957

(a) Represents transactions made through mobile phones (Digicel Mon Cash), a related party.

(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. This amount has been received in full in 2016.

(9) PREPAID EXPENSES AND SUPPLIES

Prepaid expenses and supplies are composed of the following:

		2016	2015
Prepaid expenses	G	**21,704,032**	14,639,156
Supplies		**2,088,521**	2,355,960
Advances		**534,240**	-
Total	G	**24,326,793**	16,995,116

(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.

(Continued)

(11) FIXED ASSETS

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

Cost

		Balance 09/30/15	Acquisitions	Revaluation effect (a)	Disposals (b)	Transfers	Balance 09/30/16
Land	G	20,830,775	-	(4,572,364)	-	-	**16,258,411**
Buildings		94,800,462	-	59,582,156	-	-	**154,382,618**
Vehicles		42,680,740	9,883,989	-	-	8,981,743	**61,546,472**
Electrical equipment		32,646,402	5,426,497	-	(6,357,424)	397,171	**32,112,646**
Leasehold improvements		23,062,900	9,103,958	-	(17,354,477)	-	**14,812,381**
Computer equipment		22,704,361	1,250,068	-	(1,867,293)	3,904,292	**25,991,428**
Furniture and equipment		16,160,747	2,118,338	-	(9,738,223)	2,158,531	**10,699,393**
Software and other		14,013,514	1,871,880	-	-	18,676,384	**34,561,778**
Construction in progress		14,013,406	21,750,720	-	-	(34,118,121)	**1,646,005**
	G	280,913,307	51,405,450	55,009,792	(35,317,417)	-	**352,011,132**

During the year, accumulated depreciation has evolved as follows:

Accumulated depreciation

		Balance 09/30/15	Depreciation	Revaluation effect (a)	Disposals (b)	Balance 09/30/16
Buildings	G	5,918,582	2,028,669	(7,947,251)	-	-
Vehicles		33,503,682	6,883,853	-	-	**40,387,535**
Electrical equipment		19,999,412	4,142,198	-	(6,357,424)	**17,784,186**
Leasehold improvements		18,915,563	2,212,688	-	(17,354,477)	**3,773,774**
Computer equipment		16,911,822	3,624,656	-	(1,867,293)	**18,669,185**
Furniture and equipment		12,909,399	1,366,931	-	(9,738,223)	**4,538,107**
Software and other		4,603,799	5,165,095	-	-	**9,768,894**
	G	112,762,259	25,424,090	(7,947,251)	(35,317,417)	**94,921,681**
Fixed assets, net	G	168,151,048		62,957,043	-	**257,089,451**

a) At the end of the year 2016, in conformity with the alternative option allowed under IFRS 16, the company updated the appraisals of its land and buildings. Land and buildings are henceforth stated at appraised value for individual assets resulting in revaluation surplus, recorded net of deferred income tax **(note 19)** in shareholders' equity as revaluation reserve and fair value loss for one piece of land, recognized immediately in the income statement as follows:

Land – revaluation surplus	G	2,830,510
Land – Fair value loss		(7,402,874)
Net revaluation of land		(4,572,364)
Buildings – Revaluation surplus **(a[1])**		67,529,407
	G	**62,957,043**

FONKOZE S.A.
Notes to Consolidated Financial Statements

(11) **FIXED ASSETS (CONTINUED)**

(a[1]) The revaluation surplus from buildings include the following components:

Gross cost adjustment	**G**	59,582,156
Reversal of depreciation at time of valuation		7,947,251
	G	**67,529,407**

The net amount recorded in Revaluation Reserve is explained in **note 19**.

b) The decrease reflected under disposals consist monthly of fully amortized fixed assets in the branches which were abandoned.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

Cost

		2016	**2015**
Land	**G**	**20,830,775**	20,830,775
Buildings		**94,800,462**	94,800,462
Accumulated depreciation		**(7,947,251)**	(5,918,582)
		86,853,211	88,881,880
Net cost	**G**	**107,683,986**	109,712,655

(12) **NOTES RECEIVABLE – RELATED PARTIES**

At September 30, 2015, Sèvis Finansye Fonkoze S.A. (SFF) held a non interest bearing note from the Foundation with a balance of G 161,068,253. This note, dating back from the creation of the branches, had an original term of 10 years maturing in 2022.

Per agreement effective December 30, 2015, the Foundation reimbursed G 11,220,000 equivalent ($US 204,000) at the rate of the contract.

In addition, part of the debt of the Foundation for an amount of $US 674,900 (equivalent to G 37,119,500 at the rate of the contract) was assumed by Fonkoze USA to be repaid over a period of 5 years through an immediate settlement of $US 174,900 (G 9,619,500) and 5 installment payments of $100,000 every year from 2016 through 2020. At September 30, 2016, the remaining receivable of $US 400,000 equivalent to (G 26,214,719) is valued at the present value discounted using a market rate of 8%. Finance cost of **G 4,508,101** is recognized in 2016. Over the life of the loan, interest income will be accrued at the same market rates, until the carrying amount of the receivable will be equal to its face value.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(12) NOTES RECEIVABLE – RELATED PARTIES (CONTINUED)

The note receivable from Fonkoze USA is presented at the discounted present value of projected payments as follows:

	Face amount	Financing discount	Net present value	2015
Fonkoze USA **(note 25)**	26,214,720	4,508,101	**21,706,619**	-

An impairment provision was recorded for the balance of the note receivable from the Foundation in light of the prevailing economic conditions. Subsequent recoveries, if any, will be recorded in the statement of income.

The notes receivable from the Foundation has evolved as follows:

Balance at beginning of year	**G**	161,068,253
Debt assumed by Fonkoze USA		(37,119,500)
The Foundation reimbursement		(11,220,000)
		112,728,753
Impairment provision		(112,728,753)
Balance at year end	**G**	-

(13) OTHER ASSETS

Other assets are composed of the following:

		2016	2015
Deferred income tax asset **(a)**	**G**	-	20,490,000
Land held for sale **(b)**		**12,984,525**	16,976,015
Guarantee deposits		**98,305**	203,008
	G	**13,082,830**	37,669,023

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(13) **OTHER ASSETS (CONTINUED)**

(a) Deferred income tax asset represented the future tax benefits of tax losses incurred from 2011 through 2014 which could be carried forward for five years. The deferred income tax asset was calculated using the tax rates in effect on September 30, 2015. The balance of deferred income tax asset, net of a valuation adjustment at September 30, 2015, was G 20,490,000 calculated as shown in the table below:

		2016	2015
Balance at beginning of year	**G**	**20,490,000**	20,490,000
Adjustment of deferred income tax asset - tax credit (provision):			
Write – off deferred tax asset		**(20,490,000)**	-
Tax benefit for the year **(note 20)**			407,567
Valuation allowance			(407,567)
Expiration of 2008 loss carry forward		-	-
Tax provision for the year		-	-
Balance as of September 30	**G**	-	20,490,000

Based on Management's estimate of profit projections at September 30, 2016, the Company will not have taxable income to offset against carry forward losses. The deferred tax asset was therefore written-off.

The tax authorities can perform a fiscal audit of the entities tax returns for a period of five years after filing.

(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. At September 30, 2016, the land held for sale is valued at the lower of cost or market value. Per appraisal report of an independent appraiser dated September 4, 2016, a valuation loss of G 4,116,285 is recognized in the consolidated statement of income.

(Continued)

(14) DEPOSITS

Deposits consist of the following:

		2016	2015
Savings Accounts:			
In Gourdes	G	**755,645,222**	680,784,940
In US dollars		**603,345,621**	507,584,055
		1,358,990,843	1,188,368,995
Term Deposits:			
In Gourdes		**34,713,399**	25,743,445
In US dollars		**7,948,106**	8,406,911
		42,661,505	34,150,356
Total deposits	G	**1,401,652,348**	1,222,519,351

Average interest rate on deposits is as follows:

	2016	2015
Savings Accounts:		
In Gourdes	**0.50%**	0.50%
In US dollars	**0.10%**	0.10%
Term Deposits:		
In Gourdes	**3.50% – 5.00%**	3.50% – 5.00%
In US dollars	**0.15% – 0.35%**	0.15% – 0.35%

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

Deposits from related parties as of September 30, 2016 and 2015 were G 19,153,708 and G 1,693,137 respectively **(note 25)**.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(15) BANK LINES OF CREDIT

The Company has two approved lines of credit of G 90,000,000 and G 100,000,000 respectively, with two local banks. Drawings on the line bear interest at a rate of 13.25% and 14% respectively in 2016. Term deposits listed in **note 6** are held as collateral against these lines of credit.

In 2015 the company had an approved line of credit of G 50,000,000 with a local bank. Drawing on the line of credit bear interest at a rate of 7%.

(16) LONG TERM SUBORDINATED NOTES

Subordinated notes payable consist of notes due to individuals and organizations for an amount of US$ 189,200 (equivalent to G 12,399,523). 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:

		2016	**2015**
2016	**G**	**-**	8,436,527
2017		**1,992,319**	1,585,108
2018		**7,654,698**	875,981
2019		**1,101,018**	875,980
2020		**1,101,018**	437,990
2021		**550,510**	-
		12,399,563	12,211,586
Less current portion		**(1,992,319)**	(8,436,527)
	G	**10,407,244**	3,775,059

Subordinated notes held by shareholders amount to G 5,845,883 and G 6,997,416 as of September 30, 2016 and 2015, respectively **(notes 25)**.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(17) OTHER NOTES PAYABLE

Other notes payable in US dollars at September 30, 2016 and 2015 consist of the following:

		2016	2015
Notes payable to Fonkoze USA, related party, with interest at fixed annual percentage rates from 1% up to 4% and maturities from October 1, 2015 to April 22, 2020 **(a)**	G	**155,235,380**	131,214,588
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. The maturity date of this facility is extended to February 15, 2017		**16,918,846**	29,844,634
Note payable to Global Partnership Social Investment fund bearing 8.50% fixed quarterly interest and a maturity date of November 1, 2018		**49,152,600**	-
Notes payable to investors living abroad with interest at fixed annual percentage rates from up to 3% and maturities between October 29, 2016 and May 22, 2020 **(b)**		**15,319,235**	12,683,475
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
Total notes payable		**236,626,061**	179,608,638
Less current portion		**(93,805,309)**	(86,564,375)
		142,820,752	93,044,263

a) Fonkoze USA raises those funds from US based organizations and individuals interested in supporting the Company's social mission. Those 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 amounting to G 1,632,919 and G 1,443,490 in 2016 and 2015 respectively recorded in interest expense on debt in the consolidated statement of income.

(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 25)**. SFF pays Fonkoze USA an annual administration fee equal to 1% of the outstanding balance of the note payable.

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

		2016	**2015**
2016	G	**-**	86,564,375
2017		**93,805,309**	21,632,549
2018		**59,806,926**	20,860,337
2019		**37,454,281**	18,875,296
2020		**45,231,861**	31,676,081
2021		**327,684**	-
	G	**236,626,061**	179,608,638

(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 19,661,040) to SFF for a period of two years 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 Inc. have provided a US$50,000 grant to SFF in 2015.

The agreement is for a period of two years ending July 1, 2017. Upon termination of the agreement, the full US$ 300,000 of the loan fund is payable to Partners Worldwide Inc.

(Continued)

(19) OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities consist of the following:

		2016	2015
Salaries payable	G	**13,087,460**	14,064,080
Transfers payable to customers		**13,098,918**	4,031,585
Taxes payable		**6,150,451**	11,149,879
Prepayment on loans		**5,463,835**	2,615,438
Payable to Partners Worldwide Inc.		**4,035,934**	3,211,028
Interests payable		**3,329,500**	2,759,324
Payable to the Foundation **(note 25)**		**3,198,854**	1,622,885
Other		**12,315,553**	19,131,151
	G	**60,680,505**	58,585,370

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:

		2016	2015
Deferred income tax **(a)**	G	**21,107,975**	-
Deferred income **(b)**		**7,864,917**	9,561,262
Deposits of guarantee		**655,367**	521,417
	G	**29,628,259**	10,082,679

(a) Deferred income tax represents 30% withholding tax on land and buildings revalued at September 30, 2016 **(note 11)** and is justified as follows:

		Cost	Deferred income tax	Revaluation reserve (net)
Revaluation surplus land	G	**2,830,510**	**849,153**	**1,981,357**
Revaluation surplus buildings, gross of reversed depreciation		**67,529,408**	**20,258,822**	**47,270,586**
	G	**70,359,918**	**21,107,975**	**49,251,943**

(b) Deferred income is composed of two grants from the following institutions for the system upgrade in 2015:

- HIFIVE, US$ 175,000 (G 8,208,918) received in March 2015
- The Foundation, US$ 25,971 (G 1,352,354) received in September 2015.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(19) OTHER CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

The income is recognized as grant income progressively over the useful life of the asset for which the funds were granted. The amount recognized in income in 2016 amounts to G 1,696,355 **(note 23)**.

(20) TAX CREDIT

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 2016 as follows:

		2016	**2015**
Net loss before income taxes credit	**G**	**(151,011,359)**	(6,413,976)
Tax credit based on statutory rate (30%)		**(45,303,408)**	(1,924,193)
Effect of items not included in deferred income tax asset:			
Employees benefits and foreign consultants		-	1,516,626
Finance costs, not deductible		**22,826,218**	-
Net tax credit		**(22,477,190)**	(407,567)
Valuation allowance		**22,477,190**	407,567
Net tax credit	**G**	-	-

A valuation allowance was established to reduce the deferred tax asset as described in **note 3 (i)** and **note 13 (a)**, because the Company does not have the assurance of being able to recuperate the previous year losses.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(21) SALARIES AND BENEFITS

Salaries and benefits are as follows:

		2016	2015
Salaries	G	**162,363,684**	137,355,542
Bonus and commissions		**60,815,318**	56,905,091
Payroll taxes		**18,909,423**	17,816,098
Employee retirement savings contributions		**4,510,941**	4,031,713
Others		**11,741,193**	6,718,070
	G	**258,340,559**	222,826,514

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, 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:

Employee age	**% of salary withheld**
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:

Number of years of service	**% of matching funds vested**
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 4,510,941 and G 4,031,713 for 2016 and 2015 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.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(22) CAPITAL STOCK

As voted in an Extraordinary General Assembly on March 18, 2016 and effective at this date, the authorized Share Capital of the Company was increased to G 413,701,675 representing 16,548,067 common shares, with a par value of the share is G 25.

Common shares authorized and issued were increased through issuance of 1,384,244 common shares and conversion of 2,500,000 authorized preferred shares of which of 1,780,191 were issued as at September 30, 2015.

As of September 30, the authorized and paid-in capital is as follows:

		2016	2015
AUTHORIZED CAPITAL			
Common shares – per value of G 25:			
16,548,067 in 2016 and 14,048,067 in 2015	G	**413,701,675**	351,201,675
Preferred shares – par value of G25:			
2,500,000 in 2015		**-**	62,500,000
		413,701,675	413,701,675
UNPAID CAPITAL			
8,080,523 common shares in 2016 and 8,744,957 in 2015		**(202,013,075)**	(218,623,925)
719,809 preferred shares in 2015		**-**	(17,995,225)
		(202,013,075)	(236,619,150)
PAID-IN CAPITAL			
8,467,544 common shares in 2016 and 5,303,110 in 2015		**211,688,600**	132,577,750
1,780,191 preferred shares in 2015		**-**	44,504,775
		211,688,600	177,082,525
CAPITAL STOCK, NET	G	**211,688,600**	**177,082,525**

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(23) GRANTS

Grants were received by SFF from the following entities:

		2016	2015
Whole Planet Foundation	G	**28,068,400**	21,429,650
Fonkoze – USA **(note 25)**		**5,927,791**	4,358,597
Amortization of deferred income **(note 19)**		**1,696,355**	-
The Foundation **(note 25)**		-	3,506,245
Partners Worldwide Inc.		-	2,735,035
Other grants		-	3,740,612
		35,692,546	35,770,139

(24) OTHER EXPENSES

Other expenses are as follows:

		2016	2015
Maintenance and repairs	G	**34,121,104**	28,018,764
Professional services		**15,919,350**	11,931,736
Travel and expenses		**15,312,008**	13,688,620
Miscellaneous losses		**13,287,670**	4,949,585
Office supplies		**8,187,236**	5,324,476
Transportation		**7,324,440**	6,133,317
Rent and location		**6,047,968**	6,275,125
Fuel and lubricants		**4,637,214**	4,261,588
Impression		**4,613,523**	3,230,081
Bank fees		**2,807,291**	2,272,126
Administration cost		**2,775,405**	1,241,800
Communication		**2,744,960**	2,657,479
Property taxes		**1,085,959**	445,841
Others		**7,156,733**	2,488,569
	G	**126,020,861**	92,919,107

(25) 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. They are as follows:

- The Foundation
- Fonkoze USA
- Unigestion Holding S.A./Digicel
- Other shareholders

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(25) RELATED PARTIES (CONTINUED)

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

	Notes	2016	2015
Assets			
Notes Receivable – Related Parties	**12**		
The Foundation		G **-**	161,068,253
Fonkoze USA		**21,706,619**	-
		21,706,619	161,068,253
Accounts receivable:			
Unigestion Holding S.A.	**8**	**19,238,408**	5,722,882
The Foundation	**8**	**1,698,159**	293,706
Fonkoze USA	**8**	**339,773**	130,458
Total assets		G **42,982,959**	167,215,299
Liabilities			
Deposits:			
Fonkoze USA		G **290,628**	-
The Foundation		**18,863,080**	1,693,137
		19,153,708	1,693,137
Notes payable - Fonkoze USA	**17**	**155,235,380**	131,214,588
Subordinated notes - Other shareholders	**16**	**5,845,883**	6,997,416
Other current liabilities:			
The Foundation	**19**	**3,198,854**	1,622,885
Fonkoze USA		**885,176**	1,290,314
Total liabilities		G **184,319,001**	141,125,203
Revenues			
Grants:			
Fonkoze USA	**23**	G **5,927,791**	4,358,597
The Foundation	**23**	**-**	3,506,245
		5,927,791	7,864,842
Unigestion Holding S.A. – Other operating income		**2,864,337**	1,566,521
Other non operating revenue:			
Fonkoze USA		**1,069,121**	722,636
The Foundation		**7,331,970**	6,167,188
		8,401,091	6,889,824
Total revenues		G **17,193,219**	16,321,187

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(25) RELATED PARTIES (CONTINUED)

	Note	2016	2015
Expenses			
Finance costs:			
The Foundation	**12**	**G 71,579,291**	-
Fonkoze USA	**12**	**4,508,101**	-
		76,087,392	-
The Foundation – Other expenses		**4,620,950**	1,622,885
Interest expense on debt (line of credit, notes payable):			
Fonkoze USA		**3,091,737**	2,236,757
Other shareholders		**408,417**	461,135
		3,500,154	2,697,892
Total expenses		**G 84,208,496**	4,320,777

(26) 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, 2016 are as follows:

Years		Payable in USD
2017	$	217,892
2018		191,381
2019		137,883
2020		92,200
2021-2025		56,131
Total	**$**	695,487

(Continued)

(27) 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 losses before tax credit of **G 192,160,821** and **G 6,413,976** for the years ended September 30, 2016 and 2015, respectively, and reported a **negative equity of G 161,702,461 and G 122,493,908** as of September 30, 2016 and 2015, respectively. These factors create an uncertainty about the Company's ability to continue as a going concern.

Management has developed a plan to raise additional capital and taken certain steps to become profitable. In 2016, despite the economic and political environment in Haiti, the Company made significant progress in implementing its plan including raising US$ 2 million in additional capital and achieving 19.0% growth in loan portfolio resulting in a 23.3% increase in interest income on loans. In January 2017, amount of US$ 287,000 (equivalent to G 18,211,126) has been received toward the increase in capital. Management of the Company believes that profitability and positive equity will be achieved in the foreseeable future through continued implementation of its plan. This plan includes raising additional capital and sustained growth in loan portfolio and portfolio performance.

The ability of the Company to continue as a going concern is dependent on the plan's success. Factors such as the foreign exchange loss exposure of the Company due to its foreign currency position, as detailed in **note 4C**, effects of Hurricane Matthew on the loan portfolio, as detailed in **note 28**, and the economic and political environment in Haiti may affect the Company's ability to implement its plan. The financial statements included herein do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

(Continued)

(28) SUBSEQUENT EVENTS

On October 4, 2016, Category 4 Hurricane Matthew made landfall with winds up to 145 miles per hour along the Southwestern peninsula of Haiti. Six SFF branches located in the South with over 14,000 borrowers were adversely affected by the storm. By the end of December 2016, SFF observed the following with respect to these borrowers:

- Loans to 6,850 clients had been fully repaid and another 2,192 loans were current
- Loans to 4,150 clients aggregating HTG 44.1 million were rescheduled and an additional HTG 24.9 million was lent to these clients
- Loans to 152 clients aggregating HTG 818,000 were written off.

As a result of these write offs and rescheduled loans, at December 31, 2016, SFF recorded a loan loss provision of HTG 32.6 million which adversely affects SFF financial performance. An inability of clients to meet rescheduled repayments or an inability of clients who are not currently delinquent, to continue to make repayments on a timely basis may lead to additional loan loss provisions and net losses in fiscal 2017.

As of the date of this report, SFF has received two grants to support Hurricane Matthew recovery: (i) €10,000 equivalent to G 9,913,867 from Oikocredit (ii) US$ 147,300 equivalent to G 9,972,180 from Fonkoze USA.

On December 28, 2016, Fonkoze S.A. received US$ 287,000 (equivalent to G 18,211,126) payment in full from Oikcredit for purchase of 229,600 common shares of Fonkoze S.A. at G 7,931 per share.

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

		Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2016 Consolidated	2015 Consolidated
CURRENT ASSETS						
Cash and cash equivalents	G	449,725,343	274,104	-	**449,999,447**	267,894,318
Term deposits		196,895,335	-	-	**196,895,335**	61,812,996
Loans		753,235,579	-	-	**753,235,579**	635,500,403
Impairment provision		(12,205,920)	-	-	**(12,205,920)**	(14,623,728)
Net loans		741,029,659	-	-	**741,029,659**	620,876,675
OTHER CURRENT ASSETS						
Interest receivable on loans		28,678,596	-	-	**28,678,596**	21,758,980
Accounts receivable		60,104,779	1,122,317	(25,415,019)	**35,812,077**	35,666,957
Prepaid expenses and supplies		24,326,793	-	-	**24,326,793**	16,995,116
		113,110,168	1,122,317	(25,415,019)	**88,817,466**	74,421,053
Total current assets	**G**	**1,500,760,505**	**1,396,421**	**(25,415,019)**	**1,476,741,907**	**1,025,005,042**
NON-CURRENT ASSETS						
Equity investments		4,174,334	478,529,928	(478,529,928)	**4,174,334**	4,174,334
Fixed assets, at cost		352,011,132	-	-	**352,011,132**	280,913,307
Accumulated depreciation		(94,921,681)	-	-	**(94,921,681)**	(112,762,259)
Fixed assets, net		257,089,451	-	-	**257,089,451**	168,151,048
Notes receivable – Related parties		21,706,619	-	-	**21,706,619**	161,068,253
Other assets		13,082,830	-	-	**13,082,830**	37,669,023
TOTAL ASSETS	**G**	**1,796,813,739**	**479,926,349**	**(503,944,947)**	**1,772,795,141**	**1,396,067,700**

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

		Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2016 Consolidated	2015 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Deposits	G	1,401,652,348	-	-	**1,401,652,348**	1,222,519,351
Bank lines of credit		173,849,826	-	-	**173,849,826**	19,911,464
Long-term subordinated notes - current portion		-	1,992,319	-	**1,992,319**	8,436,527
Other notes payable		93,805,309	9,830,520	(9,830,520)	**93,805,309**	86,564,375
Managed loan fund		19,661,040	-	-	**19,661,040**	-
Other current liabilities		61,906,857	14,358,147	(15,584,499)	**60,680,505**	58,585,370
Total current liabilities		**1,750,875,380**	**26,180,986**	**(25,415,019)**	**1,751,641,347**	**1,396,017,087**
NON-CURRENT LIABILITIES						
Other notes payable		142,820,752	-	-	**142,820,752**	93,044,263
Managed loan fund		-	-	-	**-**	15,642,510
Long-term subordinated notes		-	10,407,244	-	**10,407,244**	3,775,059
Other non-current liabilities		29,628,259	-	-	**29,628,259**	10,082,679
Total non-current liabilities		**172,449,011**	**10,407,244**	**-**	**182,856,255**	**122,544,511**
TOTAL LIABILITIES	**G**	**1,923,324,391**	**36,588,230**	**(25,415,019)**	**1,934,497,602**	**1,518,561,598**
SHAREHOLDERS' EQUITY						
Capital stock:						
Common shares		87,855,626	211,665,524	(87,832,550)	**211,688,600**	132,577,750
Preferred shares		-	-	-	**-**	44,504,775
Additional paid-in capital		390,767,732	251,520,362	(390,697,378)	**251,590,716**	182,496,476
		478,623,358	463,185,886	(478,529,928)	**463,279,316**	359,579,001
Accumulated deficit		(657,193,994)	(19,847,767)	-	**(677,041,761)**	(484,880,940)
Revaluation reserve-land and buildings		49,251,943	-	-	**49,251,943**	-
Accumulated other comprehensive income		2,808,041	-	-	**2,808,041**	2,808,041
		(605,134,010)	(19,847,767)	-	**(624,981,777)**	(482,072,899)
Total shareholders' equity		**(126,510,652)**	**443,338,119**	**(478,529,928)**	**(161,702,461)**	**(122,493,898)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**G**	**1,796,813,739**	**479,926,349**	**(503,944,947)**	**1,772,795,141**	**1,396,067,700**

FONKOZE S.A. and Subsidiary
Consolidated Statements of Income
For the years ended September 30, 2016 and 2015
(Expressed in Haïtian Gourdes)

	Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2016 Consolidated	2015 Consolidated
INTEREST INCOME					
Loans	G 336,314,113	-	-	**336,314,113**	272,209,778
Other	3,438,840	-	-	**3,438,840**	892,234
Total interest income	**339,752,953**	**-**	**-**	**339,752,953**	**273,102,012**
INTEREST EXPENSES					
Deposits	5,061,160	-	-	**5,061,160**	3,896,071
Debt (lines of credit, notes payable)	27,613,395	556,007	-	**28,169,402**	9,887,212
Total interest expense	**32,674,555**	**556,007**	-	**33,230,562**	**13,783,283**
NET INTEREST INCOME (EXPENSE)	307,078,398	(556,007)	-	**306,522,391**	259,318,729
Provision for loan losses	(32,968,652)	-	-	**(32,968,652)**	(22,859,040)
Net interest income (expense) after provision for loan losses	**274,109,746**	**(556,007)**	**-**	**273,553,739**	**236,459,689**
OTHER OPERATING INCOME					
Income from foreign exchange trading	58,110,748	-	-	**58,110,748**	64,613,950
Commissions and penalties on loans	50,380,604	-	-	**50,380,604**	41,311,061
Income from remittance services	19,102,989	-	-	**19,102,989**	15,883,699
Savings accounts fees	15,337,180	-	-	**15,337,180**	15,315,820
Recoveries of loans written off	3,919,807	-	-	**3,919,807**	3,793,294
Other	6,309,438	-	-	**6,309,438**	4,339,112
	153,160,766	-	-	**153,160,766**	145,256,936
Net interest and other income	**427,270,512**	**(556,007)**	**-**	**426,714,505**	**381,716,625**
OPERATING EXPENSES					
Personnel expenses	258,340,559	-	-	**258,340,559**	222,826,514
Premises and equipment expenses	31,852,135	-	-	**31,852,135**	29,735,775
Depreciation	25,424,090	-	-	**25,424,090**	17,751,463
Other expenses	126,008,508	12,353	-	**126,020,861**	92,919,107
Total operating expenses	441,625,292	12,353	-	**441,637,645**	363,232,859
(LOSS) PROFIT NET FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES	(14,354,780)	(568,360)	-	**(14,923,140)**	18,483,766
OTHER INCOME (EXPENSES)					
Unrealized loss on foreign exchange	(65,768,826)	(5,983,492)	-	**(71,752,318)**	(57,502,696)
Catastrophe insurance premium	-	-	-	**-**	(9,256,246)
Finance costs on receivable from related party	(4,508,101)	-	-	**(4,508,101)**	-
Grants	35,692,546	-	-	**35,692,546**	35,770,139
Write off of deferred tax assets	(15,504,770)	(4,985,230)	-	**(20,490,000)**	-
Provision for loss on receivable from related party	(112,728,753)	-	-	**(112,728,753)**	-
Fair value loss on assets (lands)	(11,519,159)	-	-	**(11,519,159)**	-
Other non-operating income	8,068,104	-	-	**8,068,104**	6,091,061
Total other expenses	**(166,268,959)**	**(10,968,722)**	-	**(177,237,681)**	**(24,897,742)**
Net operating loss before income taxes	(180,623,739)	(11,537,082)	-	**(192,160,821)**	(6,413,976)
Tax credit	-	-	-	**-**	-
NET LOSS	**G (180,623,739)**	**(11,537,082)**	**-**	**(192,160,821)**	**(6,413,976)**

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2016 and 2015
(Expressed in US Dollars)

	Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2016 Consolidated	2015 Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 6,862,180	4,182	-	**6,866,362**	5,137,813
Term deposits	3,004,348	-	-	**3,004,348**	1,185,481
Loans	11,493,322	-	-	**11,493,322**	12,187,949
Impairment provision	(186,245)	-	-	**(186,245)**	(280,461)
Net loans	11,307,077	-	-	**11,307,077**	11,907,488
OTHER CURRENT ASSETS					
Interest receivable on loans	437,595	-	-	**437,595**	417,305
Accounts receivable	917,114	17,125	(387,798)	**546,441**	684,039
Prepaid expenses and supplies	371,193	-	-	**371,193**	325,941
	1,725,902	17,125	(387,798)	**1,355,229**	1,427,285
Total current assets	**$ 22,899,507**	**21,307**	**(387,798)**	**22,533,016**	**19,658,067**
NON-CURRENT ASSETS					
Equity investments	63,694	7,301,698	(7,301,698)	**63,694**	80,058
Fixed assets, at cost	5,371,198	-	-	**5,371,198**	5,387,498
Accumulated depreciation	(1,448,372)	-	-	**(1,448,372)**	(2,162,612)
Fixed assets, net	3,922,826	-	-	**3,922,826**	3,224,886
Notes Receivable – Related parties	331,213	-	-	**331,213**	3,089,049
Other assets	199,626	-	-	**199,626**	722,435
TOTAL ASSETS	**$ 27,416,866**	**7,323,005**	**(7,689,496)**	**27,050,375**	**26,774,495**

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2016 and 2015
(Expressed in US dollars)

	Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2016 Consolidated	2015 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Deposits	$ 21,387,256	-	-	**21,387,256**	23,446,097
Bank lines of credit	2,652,705	-	-	**2,652,705**	381,872
Long-term subordinated Notes-current portion	-	30,400	-	**30,400**	161,800
Other notes payable	1,431,338	150,000	(150,000)	**1,431,338**	1,660,176
Managed loan fund	300,000	-	-	**300,000**	300,000
Other current liabilities	944,612	219,086	(237,798)	**925,900**	1,123,580
Total current liabilities	**26,715,911**	**399,486**	**(387,798)**	**26,727,599**	**26,773,525**
NON-CURRENT LIABILITIES					
Other notes payable	2,179,245	-	-	**2,179,245**	1,784,450
Managed loan fund	-	-	-	**-**	300,000
Long-term subordinated notes	-	158,800	-	**158,800**	72,400
Other non-current liabilities	452,085	-	-	**452,085**	193,371
Total non-current liabilities	2,631,330	158,800	-	**2,790,130**	**2,350,221**
TOTAL LIABILITIES	**$ 29,347,241**	**558,286**	**(387,798)**	**29,517,729**	**29,123,746**
SHAREHOLDERS' EQUITY					
Capital stock:					
Common shares	1,340,554	3,229,719	(1,340,202)	**3,230,071**	2,542,643
Preferred shares	-	-	-	**-**	853,535
Additional paid-in capital	5,962,570	3,837,849	(5,961,496)	**3,838,923**	3,500,010
	7,303,124	**7,067,568**	**(7,301,698)**	**7,068,994**	**6,896,188**
Accumulated deficit	(10,027,862)	(302,849)	-	**(10,330,711)**	(9,299,293)
Revaluation reserve – land and buildings	751,516	-	-	**751,516**	-
Accumulated other comprehensive income	42,847	-	-	**42,847**	53,854
	(9,233,499)	(302,849)	-	**(9,536,348)**	(9,245,439)
Total shareholders' equity	**(1,930,375)**	**6,764,719**	**(7,301,698)**	**(2,467,354)**	**(2,349,251)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 27,416,866**	**7,323,005**	**(7,689,496)**	**27,050,375**	**26,774,495**

FONKOZE S.A.
Consolidated Statements of Income
For the years ended September 30, 2016 and 2015
(Expressed in US dollars)

	Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2016 Consolidated	2015 Consolidated
INTEREST INCOME					
Loans	$ 5,525,393	-	-	**5,525,393**	5,569,897
Other	56,498	-	-	**56,498**	18,257
Total interest income	5,581,891	-	-	**5,581,891**	5,588,154
INTEREST EXPENSES					
Deposits	83,151	-	-	**83,151**	79,721
Debt (lines of credit, notes payable)	453,668	9,135	-	**462,803**	202,310
Total interest expense	536,819	9,135	-	**545,954**	282,031
NET INTEREST INCOME (EXPENSE)	5,045,072	(9,135)	-	**5,035,937**	5,306,123
Provision for loan losses	(541,651)	-	-	**(541,651)**	(467,737)
Net interest income (expense) after provision for loan losses	**4,503,421**	**(9,135)**	**-**	**4,494,286**	**4,838,386**
OTHER OPERATING INCOME					
Income from foreign exchange gain-Trading	954,717	-	-	**954,717**	1,322,117
Commissions and penalties on loans	827,716	-	-	**827,716**	845,298
Income from remittance services	313,848	-	-	**313,848**	325,009
Savings accounts fees	251,979	-	-	**251,979**	313,389
Recoveries of loans written off	64,399	-	-	**64,399**	77,618
Other	103,659	-	-	**103,659**	88,786
	2,516,318	-	-	**2,516,318**	2,972,217
Net interest and other income (expense)	**7,019,739**	**(9,135)**	**-**	**7,010,604**	**7,810,603**
OPERATING EXPENSES					
Personnel expenses	4,244,345	-	-	**4,244,345**	4,559,427
Premises and equipment expenses	523,307	-	-	**523,307**	608,447
Depreciation	417,699	-	-	**417,699**	363,227
Other expenses	2,070,227	203	-	**2,070,430**	1,901,292
Total operating expenses	**7,255,578**	**203**	**-**	**7,255,781**	**7,432,393**
NET (LOSS) PROFIT FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES	**(235,839)**	**(9,338)**	**-**	**(245,177)**	**378,210**
OTHER INCOME (EXPENSES)					
Unrealized loss on foreign exchange	(1,080,533)	(98,304)	-	**(1,178,837)**	(1,176,608)
Finance cost – receivable from related party	(74,065)	-	-	**(74,065)**	202,310
Catastrophe insurance premium	-	-	-	**-**	(189,399)
Write off of deferred tax asset	(254,732)	(81,904)	-	**(336,636)**	-
Provision for loss on receivable from related party	(1,852,050)	-	-	**(1,852,050)**	-
Grants	586,402	-	-	**586,402**	731,921
Fair value loss on assets (lands)	(189,251)	-	-	**(189,251)**	-
Other non-operating income	132,553	-	-	**132,553**	124,634
Total other expenses	(2,731,676)	(180,208)	-	**(2,911,884)**	**(509,452)**
Net operating loss profit before income taxes	(2,967,515)	(189,546)	-	**(3,157,061)**	(131,242)
Tax credit	-	-	-	**-**	-
NET LOSS	**$ (2,967,515)**	**(189,546)**	**-**	**(3,157,061)**	**(131,242)**