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FONKOZE S.A.

Consolidated Financial Statements

September 30, 2019

(With Independent Auditors' Report Thereon)

7, rue Lechaud, Bourdon, Port-au-Prince, Haïti • P.O. Box 13270, Delmas, Port-au-Prince, Haïti

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Independent Auditors' Report

The Board of Directors
Fonkoze S.A.:

Opinion

We have audited the consolidated financial statements of Fonkoze S.A. and its subsidiary Sèvis Finansye Fonkoze, S.A. (SFF) (The Group) which comprise the consolidated statement of financial position as of September 30, 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fonkoze S.A. as of September 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), as well as ethical norms applicable to audit of financial statements in Haiti and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary consolidated information included in **annexes I to V** is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause The Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mérové-Pierre - Cabinet d'Experts-Comptables

MÉROVÉ-PIERRE - CABINET D'EXPERTS-COMPTABLES
7, Rue Lechaud – Bourdon
Port-au-Prince, Haïti
January 7, 2020

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

	Notes		2019	2018
CURRENT ASSETS				
Cash and cash equivalents	5	G	651,105,473	516,648,207
Term deposits, net	6		773,820,518	482,350,992
Loans and interest receivable	7		1,251,839,987	1,335,026,968
Impairment provision	7		(45,787,775)	(44,028,465)
Net loans			1,206,052,212	1,290,998,503
OTHER CURRENT ASSETS				
Accounts receivable	8		105,468,313	40,390,040
Prepaid expenses and supplies	9		79,207,198	36,517,826
Notes receivable –related parties current portion	12		17,792,209	6,479,389
			202,467,720	83,387,255
Total current assets		G	2,833,445,923	2,373,384,957
NON - CURRENT ASSETS				
Equity investments	10		10,209,314	7,158,687
Fixed assets, at cost	11		423,387,961	395,048,935
Accumulated depreciation			(157,694,424)	(130,348,257)
Fixed assets, net			265,693,537	264,700,678
Notes receivable – related parties	12		-	12,997,114
Other assets	13		666,197,925	502,826,325
TOTAL ASSETS		G	3,775,546,699	3,161,067,761

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

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

	Notes		2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Deposits	14	G	2,391,529,506	1,842,345,424
Bank lines of credit	15		16,423,319	106,705,789
Subordinated notes- current portion	16		1,567,712	-
Other notes payable	17		184,357,033	81,816,176
Managed loan fund	18		-	20,993,220
Bank term loan-current portion	19		-	18,571,428
Other current liabilities	20		184,152,184	100,432,166
Total current liabilities			2,778,029,754	2,170,864,203
NON-CURRENT LIABILITIES				
Other notes payable	17		90,831,202	165,110,835
Subordinated notes	16		3,919,280	4,114,671
Bank term loan	19		-	108,296,042
Other non-current liabilities	20		521,197,683	472,368,601
Total non-current liabilities			615,948,165	749,890,149
TOTAL LIABILITIES		G	3,393,977,919	2,920,754,352
SHAREHOLDERS' EQUITY				
Capital stock:				
Common shares	23		239,722,775	238,056,100
Additional paid-in capital			333,434,371	327,255,866
Accumulated deficit			(284,320,665)	(394,261,828)
Legal reserve			43,910,641	19,362,171
Revaluation reserve- land and buildings	20		46,013,617	47,093,059
Accumulated other comprehensive income			2,808,041	2,808,041
Total shareholders' equity			381,568,780	240,313,409
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		G	3,775,546,699	3,161,067,761

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

FONKOZE S.A.
Consolidated Statements of Income
Years ended September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

	Notes		2019	2018
INTEREST AND OTHER FINANCIAL INCOME				
Loans		G	**615,112,204**	637,445,326
Other			**16,616,853**	9,077,121
Total interest income			**631,729,057**	646,522,447
INTEREST EXPENSES				
Deposits			**14,817,779**	12,065,583
Debt (lines of credit, notes payable)			**44,426,838**	45,931,887
Total interest expense			**59,244,617**	57,997,470
NET INTEREST INCOME			**572,484,440**	588,524,977
Provision for loan impairment	**7**		**54,806,012**	76,708,930
Net interest income after provision for loan impairment			**517,678,428**	511,816,047
OTHER OPERATING INCOME				
Income from foreign exchange - Trading			**85,157,901**	69,579,061
Commissions and penalties on loans			**103,461,998**	111,537,481
Income from remittance services			**30,721,554**	22,935,284
Savings accounts fees			**20,143,531**	15,138,922
Recoveries of loans written off	**7**		**11,534,828**	6,433,824
Other			**10,320,635**	9,022,558
			261,340,447	234,647,130
Net interest and other income			**779,018,875**	746,463,177
OPERATING EXPENSES				
Personnel expenses	**22**		**427,539,093**	357,008,602
Premises and equipment expenses			**57,655,191**	46,162,744
Depreciation	**11**		**48,665,473**	43,326,551
Other expenses	**25**		**209,654,507**	154,068,942
Total operating expenses			**743,514,264**	600,566,839
PROFIT NET FROM OPERATIONS BEFORE OTHER INCOME AND INCOME TAXES			**35,504,611**	145,896,338
OTHER INCOME (EXPENSES)				
Unrealized gain on foreign exchange			**154,997,206**	20,400,170
Grants	**24**		**2,142,075**	2,930,554
Interest income on receivable from related party	**12**		**1,200,517**	1,353,068
Other non-operating income, net	**26**		**38,454,907**	17,720,482
Total other expenses			**196,794,705**	42,404,274
Net operating profit before income taxes			**232,299,316**	188,300,612
INCOME TAX	**21**		**64,160,161**	1,655,101
NET PROFIT		G	**168,139,155**	186,645,511
Net profit per share		G	**17.57**	20.91

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

FONKOZE S.A.
Consolidated Statements of Changes in Shareholders' Equity
Years ended September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

	Notes		Common stock	Additional paid-in capital	Accumulated deficit	Legal reserve	Revaluation reserve -land and buildings (note 20)	Accumulated other comprehensive income	Total equity
Balance as of September 30, 2017		**G**	**217,432,650**	**264,128,249**	**(562,624,610)**	**-**	**48,172,501**	**2,808,041**	**(30,083,169)**
Shares issued during the year: 824,938 common shares (par value G 25)			20,623,450	63,127,617	-	-	-	-	**83,751,067**
Transfer of revaluation reserve to accumulated deficit			-	-	1,079,442	-	(1,079,442)	-	-
Transfer to legal reserve			-	-	(19,362,171)	19,362,171	-	-	-
Net profit for the year			-	-	186,645,511	-	-	-	**186,645,511**
Balance as of September 30, 2018	**20**	**G**	**238,056,100**	**327,255,866**	**(394,261,828)**	**19,362,171**	**47,093,059**	**2,808,041**	**240,313,409**
Impact of adopting IFRS 9	**29**		-	-	(34,728,964)	-	-	-	**(34,728,964)**
Balance as of September 30, 2018, adjusted		**G**	**238,056,100**	**327,255,866**	**(428,990,792)**	**19,362,171**	**47,093,059**	**2,808,041**	**205,584,445**
Shares issued during the year: 66,667 common shares (par value G 25)			1,666,675	6,178,505	-	-	-	-	**7,845,180**
Transfer of revaluation reserve to accumulated deficit			-	-	1,079,442	-	(1,079,442)	-	-
Transfer to legal reserve			-	-	(24,548,470)	24,548,470	-	-	-
Net profit for the year			-	-	168,139,155	-	-	-	**168,139,155**
Balance as of September 30, 2019		**G**	**239,722,775**	**333,434,371**	**(284,320,665)**	**43,910,641**	**46,013,617**	**2,808,041**	**381,568,780**

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

FONKOZE S.A.
Consolidated Statements of Cash Flows
Years ended September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

	Notes		2019	2018
CASH FROM OPERATING ACTIVITIES				
Net profit		G	**168,139,155**	186,645,511
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation	**11**		**48,665,473**	43,326,551
Impairment provision	**7**		**54,806,012**	76,708,930
Gain on disposals of fixed assets			**(69,348)**	(1,009,613)
Fair value on equity investments net			**-**	2,089,047
Interest income on receivables from related parties			**(1,200,517)**	(1,353,068)
Increase of accounts receivable net			**(69,581,086)**	(4,162,189)
Increase of prepaid expenses and supplies			**(42,689,372)**	(1,397,110)
Decrease in notes receivable – related parties			**2,884,811**	4,301,347
Decrease in other assets			**284,628,400**	271,608,200
Income tax paid			**(2,302,765)**	-
Decrease in other liabilities			**(313,148,135)**	(279,207,655)
Net cash provided by operating activities			**130,132,628**	297,549,951
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of fixed assets	**11**		**(50,351,881)**	(48,053,409)
Proceeds from disposal of fixed assets			**762,897**	2,051,724
Increase in term deposits and investments			**(294,520,153)**	(275,988,066)
Increase in loans (net of write-offs)			**(85,872)**	(180,793,879)
Net cash used in investing activities			**(344,195,009)**	(502,783,630)
CASH FLOWS FROM FINANCING ACTIVITIES				
(Decrease) increase of borrowings			**(208,509,615)**	129,071,985
Shares issued			**7,845,180**	83,751,067
Increase in deposits			**549,184,082**	236,464,569
Net cash provided by financing activities			**348,519,647**	449,287,621
Net increase in cash and cash equivalents			**134,457,266**	244,053,942
Cash and cash equivalents at beginning of year net of foreign exchange effect			**382,844,399**	248,735,643
Foreign exchange effect on cash and cash equivalents at beginning of year			**133,803,808**	23,858,622
Cash and cash equivalents at end of year	**5**	G	**651,105,473**	516,648,207

The accompanying notes are integral part of these 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) and interpretation issued by the IFRS interpretation committee (IFRIC) applicable to companies reporting under IFRS. The financial statements comply with IFRIC as issued by the International Accounting Standard Board (IASB).

The consolidated financial statements were approved by management on February 5, 2020.

Standards, interpretation, and amendments to published standards effective in the current year

IFRS 9, ''Financial instruments'' (effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

(Continued)

2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(a) Accounting framework (continued)

IFRS 9 introduces a new model for the recognition of allowance for expected credit losses – the expected credit losses (ECL) model. There is a ''three stage'' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables which is applied for the company since the client loan portfolio is essentially short-term.

Management uses a provisions matrix for the loans reflecting past experience of losses incurred due to default as well as the estimated impact of forward looking information in arriving at an assessment of impairment. Changes in accounting policies resulting from adoption has been applied retrospectively as of September 30, 2018, but with no restatement of comparative information for prior years. The opening accumulated deficit was adjusted for the amount calculated **(note 29)**.

Policy applied up to September 30, 2018

The Group assessed at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial asset is impaired. A financial asset or group of financial assets is impaired and allowance for expected credit loss is incurred if there is objective evidence of impairment as a result of one or more event that occurred after the initial recognition of the asset and that the loss event has an impact on the estimated cash flow of the financial asset or group of assets that can be reliably estimated – for short asset impacted impairment was measured by applying a provision matrix to loans which were in arrears **(IAS 39)**.

IFRS 15, ''Revenue from contracts with customers'' (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers are required to be capitalized and amortised over the period when the benefits of the contract are consumed.

(Continued)

2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(a) Accounting framework (continued)

Policy applied up to September 30, 2018 (continued)

The Group reviewed the main types of commercial arrangements used with customers under the model and have determined that the application of IFRS 15 does not have a material impact on the consolidated results or financial position based on the nature of services offered by the Company. Commissions on the short-term loans which comprise the loan portfolio are earned as the services are rendered.

Standards, interpretation, and amendments to published standards that are not yet effective and have not been early adopted by the Company

As the date of authorization of these financial statements certain new accounting standards, amendments and interpretation to existing standards have been issued which are not yet effective, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

IFRS 16, **"Leases"**, (effective for annual periods beginning on or after 1 January 2019). In January 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets.

(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.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for equity investment at fair value through profit and loss **(note e)** and land and buildings which are measured under the revaluation model **(note f)** which is an allowed alternate method under IFRS 16.

The method used to measure the fair value is described in the corresponding note.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(d) Current versus non-current classification

The Group 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 be 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 equivalents 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.

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 Group classifies all other liabilities as non-current.

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

(e) Functional and presentation currency

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

(f) 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.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(f) Use of estimates and judgment (continued)

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 – Impairment provision
Note 8	Accounts receivable – Impairment
Note 10	Equity investments - Impairment
Note 11	Fixed assets – Valuation and depreciation
Note 12	Notes receivable – Related parties
Note 13	Other assets – valuation and impairment
Note 21	Income tax

Estimates at September 30, 2019 under IFRS are consistent with those made in 2018.

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.

(g) Subsequent events

The Group has assessed subsequent events through January 7, 2020 which is the last date of the field work of the auditors.

(3) SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Reclassifications were made to the consolidated balance sheet for presentation purposes in the following categories:

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Loans:
- Interests receivable of G 45,837,503 from accounts receivable
- Prepayments on loans of G 7,283,208 from other current liabilities

b) Term deposits:
- Interest receivable of G 3,761,379 from accounts receivable

c) Prepaid expenses and supplies:
- Prepaid employees benefits of G 7,342,826 from accounts receivable.

(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 income.

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 income.

The consolidated financial statements presented in Annex 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 the year-end exchange rate. Net assets accounts other than net income for the year are translated at the 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.

(b) Cash and cash equivalents

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

(c) Loans

As at September 30, loans are classified as measured at **amortized - cost**, net of provision for impairment.

Loans are categorized as: Solidarity Groups, Business Development and SME Portfolio. Solidarity Groups consist of the core segment of the Group's customers and represent credit granted to solidarity groups. Business Development and SME Portfolio are loans granted to individual customers which are differentiated based on the amounts and other credit conditions.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Loans (continued)

Loans are contracted for a period up to 24 months. The average term of the portfolio is 8 months.

The provision for impairment is increased by the charge for allowance for expected credit loss recorded in the consolidated statement of income and decreased by write-offs. In general, loans in default 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 Group establishes an impairment provision on loans based on a matrix provision taking into consideration industry standards for microfinance. The provision rates apply to the outstanding balances of the loans and interest receivable, net of any cash collateral and prepayment for installment loans, and shorter period payments loans and are as follows as of September 30, 2019 and 2018:

Installment loans	***2019***	***2018***
Current loans	3%	0%
1 – 30 days past due	5%	5%
31 – 60 days past due	25%	25%
61 – 90 days past due	50%	50%
91 – 180 days past due	75%	75%
More than 180 days past due	100%	100%
Shorter period payment loans		
Current loans	3%	0%
1 – 15 days past due	5%	5%
16 – 30 days past due	25%	25%
31 – 45 days past due	50%	50%
46 – 90 days past due	75%	75%
More than 90 days past due	100%	100%

As of September 30, 2018, current loans were not subject to impairment provision and prepayments were not netted for the purpose of calculating the amount exposed to default.

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Loans (continued)

Restructured loans

An impairment provision of 50% is applied on current restructured loans and 100% when payment is past due.

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 loans are written off when they are more than 90 days past due. Subsequent recoveries, if any, are recorded in the consolidated statement of income.

(d) Interest

Interest income and expense are accounted for using the accrual method of accounting.

(e) Equity investments

The Company values its 0.62% equity investment in SNI Minoterie at fair value. Through profit and loss.

Fair value fluctuation and gains or losses realized on sales of long-term corporate investments are included in the determination of the consolidated results of the year in which they occur.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fixed assets

Fixed assets are recorded at cost except for land and buildings **(note 11)** which have been revalued and stated at 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 and others	5 years

Construction in progress, if any, 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.

Gains or losses realized on disposals of fixed assets are recognized in the consolidated statement of income.

Major expenses for improvements 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 an appraisal undertaken by professional qualified appraisers at the end of 2016. The reevaluation surplus was reflected net of deferred income taxes in the consolidated statement of comprehensive income. Revaluation losses are reflected in the consolidated statement of income.

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

(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.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revaluation reserve – land and buildings (continued)

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 amortized 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 buildings **(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 Group 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.

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

(Continued)

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Capital stock

Capital stock reported in shareholders' equity is composed of common shares.

(l) Additional paid-in capital

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

(m) Legal reserve

In agreement with the law of corporations, an amount of 10% of income before income taxes, reduced by prior year's losses, if any, is transferred every year in a reserve account in order to constitute the legal reserve, until such reserve reaches a maximum of 50% of the paid-in capital.

(n) Net profit per equivalent share of paid-in capital

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

(4) RISK MANAGEMENT

By the nature of its activities, The Group 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 Group is not able to meet its financial obligations as they become due, or can only do so at excessive cost. The Group'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 Group has financing sources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to The Group's reputation.

Management of The Group through its executive Management, its Management Asset Liability Committee (ALCO) and its 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.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

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, 2019

		Current (on demand)	Less than a year	More than a year	Total
Deposits	G	2,202,546,021	188,983,485	-	**2,391,529,506**
Bank lines of credit		16,423,319	-	-	**16,423,319**
Subordinated notes		-	1,567,712	3,919,280	**5,486,992**
Other notes payable		-	184,357,033	90,831,202	**275,188,235**
Other liabilities		105,085,241	255,986,470	320,933,162	**682,004,873**
Total	**G**	**2,324,054,581**	**630,894,700**	**415,683,644**	**3,370,632,925**

September 30, 2018

		Current (on demand)	Less than a year	More than a year	Total
Deposits	G	1,704,253,324	138,092,100	-	**1,842,345,424**
Bank lines of credit		106,705,789	-	-	**106,705,789**
Subordinated notes		-	-	4,114,671	**4,114,671**
Other notes payable		-	81,816,176	165,110,835	**246,927,011**
Bank term loan		-	18,571,428	108,296,042	**126,867,470**
Managed loan fund		-	20,993,220	-	**20,993,220**
Other liabilities		70,378,868	26,565,542	448,699,774	**545,644,184**
Total	**G**	**1,881,337,981**	**286,038,466**	**726,221,322**	**2,893,597,769**

(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 Group 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, 2019 and 2018 is as follows:

	Notes		2019	2018
Cash and cash equivalents				
Deposits with banks	5	G	486,498,065	386,386,380
Investments				
Term deposits, net	6		773,820,518	482,350,992
Credit				
Loans, net	7		1,206,052,212	1,290,998,503
Other assets				
Accounts receivable	8		105,468,313	40,390,040
Equity investments	10		10,209,314	7,158,687
Notes receivable – related parties	12		17,792,209	19,476,503
Other assets	13		653,338,195	489,966,595
TOTAL		G	3,253,178,826	2,716,727,700

Management regularly reviews The Group's exposure to these risks in view of The Group'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 not assessed as risky although there is no deposit insurance for accounts held in Haitian banks. However, deposits held with Self Help Credit Union **(note 6)** are insured by the National Credit Union Administration (NCUA) up to USD 250,000.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

- 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 customer'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.

  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:

  - Customers with severe health conditions
  - Customers whose business becomes subject to extreme, unforeseen damages due to natural disasters.

  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 COO or the CEO.

  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 respective impairment provision of G 45,787,775 and of G 44,028,465 adequate to cover loan losses inherent in the loan portfolio at September 30, 2019 and 2018.

- The notes receivable – related parties as of September 30, 2019, 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 payments of US$ 100,000. As of September 30, 2019, it is discounted at market rate of 8% **(note 12)**.

- Other assets include mainly a receivable from the Central Bank of Haiti on which the associated risk is nil.

- Accounts receivable are generally short term and do not present a significant risk of recoverability.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

The geographic location of credit risk is as follows:

		2019	2018
Cash and cash equivalents :			
Haïti	G	**486,495,608**	328,371,306
USA		**2,457**	58,015,074
		486,498,065	386,386,380
Credit :			
Haïti		**1,206,052,212**	1,290,998,503
Investments:			
Haiti		**736,820,376**	454,962,762
USA		**37,000,142**	27,388,230
		773,820,518	482,350,992
Accounts receivable :			
Haiti		**104,506,463**	39,982,949
USA		**961,850**	407,091
		105,468,313	40,390,040
Notes receivable – related parties :			
USA		**17,792,209**	19,476,503
Equity investments :			
Haiti		**10,209,314**	7,158,687
Other assets :			
Haïti		**653,338,195**	489,966,595
	G	**3,253,178,826**	2,716,727,700

C) MARKET RISKS

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

(Continued)

(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, 2019, The Group maintained the following positions:

		Gourdes	US Dollars (equivalent in gourdes)	Total
Cash and cash equivalents	G	123,372,989	527,732,484	**651,105,473**
Term deposits		-	773,820,518	**773,820,518**
Net loans		1,206,052,212	-	**1,206,052,212**
Accounts receivable		16,354,950	89,113,363	**105,468,313**
Note receivable-related parties		-	17,792,209	**17,792,209**
Equity investment		-	10,209,314	**10,209,314**
Other assets		124,795	653,213,400	**653,338,195**
Total financial assets	**G**	**1,345,904,946**	**2,071,881,288**	**3,417,786,234**
Deposits	G	1,355,259,607	1,036,269,899	**2,391,529,506**
Bank lines of credit		16,423,319	-	**16,423,319**
Subordinated notes		-	5,486,993	**5,486,993**
Other notes payable		-	275,188,235	**275,188,235**
Other liabilities		622,823,359	59,181,514	**682,004,873**
Total financial liabilities	**G**	**1,994,506,285**	**1,376,126,641**	**3,370,632,926**
Short long position	**G**	**(648,601,339)**	**695,754,647**	**47,153,308**

Based on the foreign exchange position as of September 30, 2019, 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 7,455,883 as the case maybe.

(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, 2018, the Group maintained the following positions:

		Gourdes	US Dollars (equivalent in gourdes)	Total
Cash and cash equivalents	G	115,460,375	401,187,832	**516,648,207**
Term deposits		-	478,589,613	**478,589,613**
Net loans		1,290,998,503	-	**1,290,998,503**
Accounts receivable		18,423,033	21,967,007	**40,390,040**
Note receivable-related parties		-	19,476,503	**19,476,503**
Equity investment		-	7,158,687	**7,158,687**
Other assets		124,795	489,841,800	**489,966,595**
Total financial assets	**G**	**1,425,006,706**	**1,418,221,442**	**2,843,228,148**
Deposits	G	1,132,539,409	709,806,015	**1,842,345,424**
Bank lines of credit		106,705,789	-	**106,705,789**
Subordinated notes		-	4,114,671	**4,114,671**
Managed loan fund		-	20,993,220	**20,993,220**
Bank term loan		126,867,470	-	**126,867,470**
Other notes payable		-	246,927,011	**246,927,011**
Other liabilities		492,110,180	53,534,004	**545,644,184**
Total financial liabilities	**G**	**1,858,222,848**	**1,035,374,921**	**2,893,597,769**
Short long position	**G**	**(433,216,142)**	**382,847,021**	**(50,369,621)**

Based on the foreign exchange position as of September 30, 2018, 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 5,471,010 as the case maybe.

(Continued)

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

i. Foreign exchange risk (continued)

The exchange rates versus the gourde were as follows:

	2019	2018
As of September 30		
US dollar	**93.3162**	69.9774
Average rate for the year		
US dollar	**85.1130**	65.4822

ii. Interest rate risk

This risk is related to the impact of interest rates fluctuations on the net profit 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 related financial instruments.

Interest rates on term deposits notes receivable and on the outstanding loan portfolio are fixed, as are the interest rates on the outstanding debts (deposits, notes payable and subordinated debt). Interest rates on bank lines of credit and term loan are variable. Due to the short-term nature of its loan portfolio, the Group 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 55% 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 groups. 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 Group'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 of the Central Bank of Haiti's microfinance Regulations) of at least 15%.

(5) CASH AND CASH EQUIVALENTS

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

		2019	2018
Cash	G	**164,607,408**	130,261,827
Deposits in foreign banks		**2,457**	58,015,074
Deposits in local banks		**486,495,608**	328,371,306
Total	G	**651,105,473**	516,648,207

The deposits are short-term and do not bear interest except for one deposit in local banks which is an overnight deposit account bearing interest rate of 0.25% as of September 30, 2019.

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

		2019	2018
Cash:			
In Gourdes	G	**105,107,878**	88,785,197
In US dollars		**59,499,530**	41,476,630
		164,607,408	130,261,827
Deposits:			
In Gourdes		**18,265,111**	26,675,178
In US dollars		**468,232,954**	359,711,202
	G	**486,498,065**	386,386,380
Total	G	**651,105,473**	516,648,207

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(6) TERM DEPOSITS, NET

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

As of September 30, 2019	Balance	Interest receivable	Total	Interest rate	Maturity date
Banque de l'Union Haïtienne (BUH)	467,252,110	364,669	**467,616,779**	1.30% and 2.50%	October 1, 2019, Nov.19, 2019 and January 21, 2020
Sogebank	144,678,191	1,243,024	**145,921,215**	2.00%	Nov. 14, 2019
Banque Nationale de Crédit (BNC)	121,311,060	5,673,937	**126,984,997**	2.00%	March 21, 2020
Self Help Credit Union	37,186,072	-	**37,186,072**	1.82%	
	770,427,433	7,281,630	**777,709,063**		
Expected credit loss provision **(a)** **(note 29)**			**(3,888,545)**		
TOTAL			**773,820,518**		

As of September 30, 2018	Balance	Interest receivable	Total	Interest rate	Maturity date
Sogebank	280,711,945	541,268	**281,253,213**	2.25% and 3.10%	October 14, 2018, February 2, 2019
Banque de l'Union Haïtienne (BUH)	170,489,438	3,220,111	**173,709,549**	3.00% and 1.50%	October 8, 2018 December 5, 2018
Self Help Credit Union	27,388,230	-	**27,388,230**	1.82%	November 16, 2020 and May 12, 2022
TOTAL	478,589,613	3,761,379	**482,350,992**		

As of September 30, 2019 and 2018, the term deposits at BUH and BNC are held as collateral on the Bank lines of credit **(note 15)** and the term deposits at Sogebank as at September 30 2018, are held as collateral on the bank term loan **(note 19)**.

(a) Expected credit loss provision is calculated at an estimated loss rate of 0.05%.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(7) LOANS

Loans are denominated in gourdes. The composition of net loans by segment is as follows:

		2019	2018
Solidarity groups	G	**664,243,954**	728,709,782
Business development		**392,741,246**	449,682,341
SME portfolio		**158,633,548**	118,080,550
	G	**1,215,618,748**	1,296,472,673
Prepayment on loans		**(7,310,681)**	(7,283,208)
		1,208,308,067	1,289,189,465
Interest receivable		**43,531,920**	45,837,503
		1,251,839,987	1,335,026,968
Expected credit loss provision		**(45,787,775)**	(44,028,465)
Total	G	**1,206,052,212**	1,290,998,503

Solidarity groups include the Ti Kredi loans (loans in amounts of G 3,000 for 3 months in 2019 and in 2018) for an amount of G 4,445,601and G 4,472,439 as of September 30, 2019 and 2018, respectively.

Included in the loan portfolio are defaulted loans as follows:

		2019	2018
Solidarity groups	G	**7,233,510**	20,323,923
Business development		**3,942,098**	21,150,232
SME portfolio		**1,065,034**	4,114,924
Total	G	**12,240,642**	45,589,079

There are no restructured loans at September 30, 2019. The balance of restructured loans amounts to G 50,962 at September 30, 2018.

The average return on the portfolio was 57% and 61% for 2019 and 2018, respectively.

The expected credit loss provision has evolved as follows:

		Solidarity groups	SME portfolio	Business development	Total
Balance as of September 30, 2017	**G**	**24,737,838**	**4,004,115**	**10,272,365**	**39,014,318**
Provisions		32,072,632	9,114,762	35,521,536	**76,708,930**
Write-offs		(38,758,415)	(8,142,124)	(24,794,244)	**(71,694,783)**
Balance as of September 30, 2018	**G**	**18,052,055**	**4,976,753**	**20,999,657**	**44,028,465**
Adjustment to beginning balance **(note 29)**		17,172,417	3,263,265	9,790,469	**30,226,151**
Provisions		22,784,747	5,420,556	26,600,709	**54,806,012**
Write-offs		(31,393,442)	(9,161,081)	(42,718,330)	**(83,272,853)**
Balance as of September 30, 2019	**G**	**26,615,777**	**4,499,493**	**14,672,505**	**45,787,775**

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(7) LOANS (CONTINUED)

Recoveries of loans previously written off were G 11,534,828 and G 6,433,824 in 2019 and 2018, respectively. Recoveries are included in other operating income in the consolidated statement of income.

To assess the expected credit loss, loans are grouped by category in arrears to which a matrix is applied. This matrix takes into consideration the loss rate history adjusted for future economic projections. Based on this analysis as of September 30, 2019, the assessment of expected credit loss on loans and interest receivable, net of cash collateral, and prepayment is as follows:

September 30, 2019		Solidarity groups	Business development	SME portfolio	Total
Current, net of cash collateral	G	526,842,586	294,998,221	139,743,548	**961,584,355**
Cash collateral **(a)**		79,736,290	53,459,994	-	**133,196,284**
Interest receivable		23,786,094	10,315,330	3,799,499	**37,900,923**
Prepayment		(3,734,161)	(3,056,402)	(520,190)	**(7,310,753)**
Total current		626,630,809	355,717,143	143,022,857	**1,125,370,809**
Aging, net of cash collateral, interest receivable and prepayment:					
1-30 days		36,419,914	31,973,414	17,976,667	**86,369,995**
31-60 days		5,681,635	1,727,795	316,450	**7,725,880**
61-90 days		3,162,868	905,863	193,556	**4,262,287**
91-180 days		5,753,473	2,991,764	1,065,034	**9,810,271**
More than 180 days		260,637	154,184	-	**414,821**
Cash collateral **(a)**		9,190,016	8,696,186	-	**17,886,202**
Prepayment		(103)	(175)	-	**(278)**
Total past due		60,468,440	46,449,031	19,551,707	**126,469,178**
Total loans	**G**	**687,099,249**	**402,166,174**	**162,574,564**	**1,251,839,987**

(a) The value of collateralized loans in arrears is presented net in each of the aging categories and is therefore added back to arrive at the total portfolio.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(7) LOANS (CONTINUED)

September 30, 2018		Solidarity groups	Business development	SME portfolio	Total
Current, net of cash collateral	G	550,306,724	316,855,453	104,072,965	**971,235,142**
Cash collateral **(a)**		66,800,747	55,053,287	-	**121,854,034**
Interest receivable		24,234,575	9,961,902	2,744,768	**36,941,245**
Prepayment		(3,662,411)	(2,912,441)	(707,386)	**(7,282,238)**
Total current		637,679,635	378,958,201	106,110,347	**1,122,748,183**
Aging, net of cash collateral, interest receivable and prepayment:					
1-30 days		72,766,296	38,968,904	7,040,242	**118,775,442**
31-60 days		11,800,852	5,449,850	2,393,581	**19,644,283**
61-90 days		6,717,417	4,534,148	977,270	**12,228,835**
91-180 days		10,188,858	10,927,694	1,989,041	**23,105,593**
More than 180 days		488,772	7,255,505	2,125,882	**9,870,159**
Cash collateral **(a)**		14,949,754	13,705,689	-	**28,655,443**
Prepayment		(970)	-	-	**(970)**
Total past due		116,910,979	80,841,790	14,526,016	**212,278,785**
Total loans	**G**	**754,590,614**	**459,799,991**	**120,636,363**	**1,335,026,968**

(8) ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

		2019	2018
Transfers receivable	**G**	**61,107,292**	14,719,374
Receivable from Unigestion Holding S.A. **(a) (note 27)**		**7,842,459**	11,464,892
Dividends receivable – SNI Minoterie S.A.		**781,057**	2,238,717
Receivable – The Foundation **(note 27)**		**20,074,798**	2,738,264
Receivable – Fonkoze USA **(note 27)**		**971,566**	407,091
Others		**15,125,690**	8,821,702
Total	**G**	**105,902,862**	40,390,040
Expected credit loss provision **(b) (note 29)**		**(434,549)**	-
		105,468,313	40,390,040

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

(b) Expected credit loss provision is calculated on accounts receivable at an estimated loss rate of 1%.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(9) PREPAID EXPENSES AND SUPPLIES

Prepaid expenses and supplies are composed of the following:

		2019	2018
Prepaid employee benefits **(a)**	G	**27,178,089**	7,342,826
Prepaid expenses		**20,983,322**	17,527,032
Supplies		**14,854,160**	7,112,932
Advances to suppliers		**16,191,627**	4,535,036
Total	G	**79,207,198**	36,517,826

(a) As part of its operations, the Company initiated a program in 2017, whereby it finances the purchase of motorcycles over which employees earn title over a period of 30 months. The company provides an allocation to support fuel and maintenance cost.

(10) EQUITY INVESTMENTS

Equity investments represent a minority share ownership in a local entity presented at fair value through profit or loss. The fair value of these equity instruments has been determined based on recent sales transactions of the same instruments and is established as follows:

		2019	2018
Cost	G	**4,174,334**	4,174,334
Fair value adjustments **(a)**		**3,647,420**	2,984,353
Foreign exchange revaluation		**2,387,560**	-
	G	**10,209,314**	7,158,687

Fair value adjustments are recorded in the consolidated statement of income.

(a) The fair value adjustment recorded in the consolidated statement of income is as follows:

2019	G	663,067
2018		2,984,353
	G	3,647,420

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(11) FIXED ASSETS

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

Cost

		Balance 09/30/18	Acquisitions	Disposals	Balance 09/30/19
Land	G	15,226,843	-	-	**15,226,843**
Buildings		158,441,643	-	-	**158,441,643**
Vehicles		46,317,648	16,280,399	(12,280,597)	**50,317,450**
Electrical equipment		49,067,213	10,974,892	(5,121,454)	**54,920,651**
Leasehold improvements		36,405,663	10,743,646	-	**47,149,309**
Computer equipment		37,286,424	6,475,859	(4,610,804)	**39,151,479**
Furniture and equipment		16,879,323	5,877,085	-	**22,756,408**
Software and others		35,424,178	-	-	**35,424,178**
	G	395,048,935	50,351,881	(22,012,855)	**423,387,961**

During the year, accumulated depreciation has evolved as follows:

Accumulated depreciation

		Balance 09/30/18	Depreciation	Disposals	Balance 09/30/19
Buildings	G	6,264,445	3,160,718	-	**9,425,163**
Vehicles		28,657,806	12,822,885	(11,706,352)	**29,774,339**
Electrical equipment		23,901,969	9,966,647	(5,033,004)	**28,835,612**
Leasehold improvements		12,934,251	7,884,277	-	**20,818,528**
Computer equipment		28,368,009	5,593,048	(4,579,950)	**29,381,107**
Furniture and equipment		8,625,673	3,288,147	-	**11,913,820**
Software and others		21,596,104	5,949,751	-	**27,545,855**
	G	130,348,257	48,665,473	(21,319,306)	**157,694,424**
Fixed assets, net	G	264,700,678		**(693,549)**	**265,693,537**

At the end of the year 2016, in conformity with the alternative option allowed under IFRS 16, The Group 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 20)** in shareholders' equity as revaluation reserve 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		67,529,407
	G	**62,957,043**

(Continued)

(11) FIXED ASSETS (CONTINUED)

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 20**.

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

Cost

		2019	2018
Land	G	**20,830,775**	20,830,775
Buildings		**94,800,462**	94,800,462
Accumulated depreciation		**(14,033,258)**	(12,004,589)
		80,767,204	82,795,873
Net cost	G	**101,597,979**	103,626,648

(12) NOTES RECEIVABLE – RELATED PARTIES

At September 30, 2016, SFF had a note receivable from Fonkoze USA for an amount of US$ 400,000 (G 26,214,719) repayable through annual installment payments of US$ 100,000 from 2017 through 2020. Installment payment is due in December of each year and is regularly meet.

The note receivable from Fonkoze USA is presented at the discounted present value of projected payments using a discount rate of 8%:

	Face	Financing	Net present value	
.	amount	discount	2018	2019
Fonkoze USA **(note 27)**	26,214,720	4,508,101	19,476,503	**17,792,209**
Less current portion			(6,479,389)	**(17,792,209)**
Non-current portion			12,997,114	-

The finance cost of G 4.5 million was recognized in 2016. Interest income is accrued annually at the same rate subsequently.

Balance as at September 30, 2019 is net of impairment provision of G 179,719 **(note 29)**.

(Continued)

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(13) OTHER ASSETS

Other assets are composed of the following:

		2019	2018
Account receivable on a foreign			
currency forward contract **(a)**	G	**653,213,400**	489,841,800
Land held for sale **(b)**		**12,859,730**	12,859,730
Guarantee deposits		**124,795**	124,795
	G	**666,197,925**	502,826,325

(a) On June 26, 2017, Sèvis Finansye Fonkoze, S.A. and the Central Bank of Haiti (Banque de la République d'Haiti – BRH) (referred collectively as the parties) entered into a foreign currency forward agreement for a period of three years ending June 22, 2020. In accordance with the terms of the agreement, BRH agreed to make available to SFF an amount of G 320,000,000 **(note 20)** in exchange for an equivalent amount of US$ 5,000,000 (G 313,450,000) by SFF.

On February 10, 2018, the parties contracted an additional foreign currency forward agreement with effective date December 21, 2017, for a period of three years ending December 21, 2020. In accordance with the terms of the contract BRH agreed to make available to SFF an amount of G 128,000,000 **(note 20)** in exchange for an equivalent amount of US$ 2,000,000 by SFF.

The exchange transactions were both calculated at the rate of exchange of G 64 to US$ 1.

The foreign currency forward contracts are subject to a rate of interest of 1%, payable to BRH on a yearly basis during the three-year period. The equivalent of US dollars receivable (US$ 7,000,000) respectively at September 30, 2019 and 2018 is reflected in non-current assets at the rate of exchange prevailing at year end and SFF's obligation in gourdes (G 448,000,000) is reflected in other non-current liabilities **(note 20)**.

(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 Group in settlement of the debt. The land is valued at cost, less valuation loss of G 4,116,285, as per appraisal report of an independent appraiser dated September 4, 2016.

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(14) DEPOSITS

Deposits consist of the following:

		2019	2018
Savings accounts:			
In Gourdes	G	**1,214,383,516**	1,012,646,471
In US dollars		**988,162,505**	691,606,853
		2,202,546,021	1,704,253,324
Term deposits:			
In Gourdes		**140,876,091**	119,892,938
In US dollars		**48,107,394**	18,199,162
		188,983,485	138,092,100
Total deposits	**G**	**2,391,529,506**	1,842,345,424

Average interest rates on deposits are as follows:

		2019	2018
Savings accounts:			
In Gourdes	G	**0.50%**	0.50%
In US dollars		**0.10%**	0.10%
Term deposits:			
In Gourdes		**5.75% – 7.50%**	5.75% – 7.50%
In US dollars		**0.15% – 0.40%**	0.15% – 0.40%

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

Deposits from related parties as of September 30, 2019 and 2018 were G 29,570,537 and G 24,449,530 respectively **(note 27)**.

(Continued)

FONKOZE S.A.
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(15) BANK LINES OF CREDIT

Bank lines of credit in gourdes with local banks are as follows:

		2019	2018
Banque de l'Union Haïtienne (BUH) line of credit of G 300,000,000 and G 200,000,000 in 2019 and 2018	G	**16,423,319**	106,705,789
Interest rate on drawings		**17.50%**	13.25%
Banque Nationale de Crédit (BNC) line of credit of G 120,000,000 in 2019 **(a)**		**-**	-
Interest rate on drawings		**14%**	-

The bank lines of credit are covered by term deposits pledged as collateral **(not 6)**.

(a) This facility is in place as at September 30, 2019 but not utilized.

(16) LONG-TERM SUBORDINATED NOTES

Subordinated notes payable consist of notes due to individuals and organizations with balances of US$ 58,800(G 5,486,993) and US$ 58,800 (G 4,114,671) as of September 30, 2019 and 2018, respectively. 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:

2020	G	**1,567,712**
2021		**3,919,280**
		5,486,992
Less current portion		**(1,567,712)**
	G	**3,919,280**

These subordinated notes are held by shareholders of SFF **(note 27)**.

(Continued)

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(17) OTHER NOTES PAYABLE

Other notes payable in US dollars consist of the following:

		2019	2018
Notes payable to Fonkoze USA, related party, with interest at fixed annual percentage rates from 1.00% up to 3.00%, and maturities from October 4, 2019 to July 24, 2024 **(a)**	G	**251,182,630**	206,882,445
Note payable to Global Partnership Social Investment fund bearing 8.50% fixed quarterly interest and maturity dates of November 1, 2018 and November 1, 2019		**5,832,263**	26,241,524
Notes payable to investors living abroad with interest at fixed annual percentage rates from up to 3% and maturities between October 14, 2019 and July 16, 2024 **(b)**		**18,173,342**	13,803,042
Total notes payable		**275,188,235**	246,927,011
Less current portion		**(184,357,033)**	(176,538,844)
	G	**90,831,202**	70,388,167

a) Fonkoze USA raises those funds from US based organizations and individuals interested in supporting The Group'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 notes payable amounting to G 2,450,555 and G 1,953,478 in 2019 and 2018, respectively. This fee is recorded as interest expense on debt in the consolidated statement of income.

b) The direct loans from investors living abroad are from individuals interested in supporting The Group's social mission. Some of these investors are related parties to the Group. SFF pays Fonkoze USA an annual administration fee equal to 1% of the outstanding balance of the notes payable, amounting to G 168,557 and G 147,766 in 2019 and 2018, respectively.

c) Loan-administrative fees in relation to the notes payable mentioned above total G 2,619,112 and G 2,101,244 in 2019 and 2018 respectively **(note 27)**.

(Continued)

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(17) OTHER NOTES PAYABLE (CONTINUED)

The maturity of the notes payable as of September 30, 2018 are as follows:

2020	G	184,357,033
2021		16,570,170
2022		44,493,164
2023		24,635,477
2024		5,132,391
	G	275,188,235

(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 to G 20,993,220) to SFF for an initial period of two years later extended contract May 1st , 2019 for the purpose of on-lending to local businesses as part of Partners Worldwide's effort to stimulate job creation in Haiti. Sèvis Finansye Fonkoze, S.A. assumes the credit risk associated with the loans extended.

These funds received from Partners Worldwide were used to provide loans to Partners Worldwide'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 provides the loans in Haïtian gourdes to qualified members according to SFF's policies and procedures. All interest collected remain the property of SFF.

Upon termination of the agreement in 2019, the amount of US$ 300,000 was reimbursed in full to Partners Worldwide Inc.

(19) BANK TERM LOAN

On May 24, 2018 a term loan agreement was signed between SFF and a local bank for an amount of G 130,000,000 for a period of seven years subject to a variable interest rate. As of September 30, 2018, the interest rate was 13%.

The loan was reimbursed prior to maturity in 2019.

(Continued)

(20) OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities consist of the following:

		2019	2018
Income tax payable	G	**64,483,994**	2,302,765
Transfers payable to customers		**33,351,765**	21,833,125
Taxes payable		**14,278,308**	8,125,441
Salaries payable		**12,574,421**	10,183,144
Payable to Fonkoze USA **(note 27)**		**11,513,930**	7,246,288
Interests payable		**10,790,354**	5,835,317
Prepayment on loans **(i)**		**2,122,025**	1,836,025
Differed income-current portion **(c)**		**1,850,569**	1,850,569
Payable to the Foundation **(note 27)**		**1,218,450**	221,912
Bonus payable		**-**	16,794,576
Others		**31,968,368**	24,203,004
	G	**184,152,184**	100,432,166

(i) Represent surplus of prepayment on paid-off loans from former SFF's customers.

Other non-current liabilities are as follows:

		2019	2018
Foreign currency forward contracts-BRH **(note 13)**	**G**	**448,000,000**	448,000,000
IDB invest "Facility Agreement" **(a)**		**50,770,096**	-
Deferred income tax **(b)**		**21,031,783**	21,355,616
Deferred income **(c)**		**462,642**	2,313,211
Deposits of guarantee		**933,162**	699,774
	G	**521,197,683**	472,368,601

(a) On December 12, 2017, a risk sharing "Facility Agreement" was signed between SFF and the Inter-American Investment Corporation (referred to as IIC or IDB Invest). Based on the terms of the facility agreement, IDB invest will make available US$ 2,000,000 for a maximum period of 3 years for utilization by SFF towards eligible sub-loans (Business development loans superior or equal to US$ 10,000). IDB invest bears 60% of the credit risk associated with these loans over the period of availability. The amount in liability as of September 30, 2019 is equivalent to the total balance of eligible sub-loans disbursed in this category (outstanding utilization). The principal shall be repaid in installments upon repayment of the sub-loans in the currency in which the specific sub-loans were disbursed. As of September 30, 2019, all sub-loans were disbursed in gourdes. In the event of default, IDB assumes 60% of the credit loss on the eligible sub-loans, which will result in a decrease of the credit loss. Sub-loans as of September 30, 2019 are classified as follows:

(Continued)

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

The amounts disbursed under the facility agreement bear interest at the rate of 6.5% in dollar and 10% in gourde.

As of September 30, 2019, all loans were disbursed in gourdes.

(b) Deferred income tax at a rate of 30% includes:

i) 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
		70,359,918	21,107,975	49,251,943
Depreciation		-	(971,498)	(3,238,326)
		70,359,918	20,136,477	46,013,617
Deferred income tax – equity investment **(ii)**		-	895,306	-
Net deferred income tax		**70,359,918**	**21,031,783**	**46,013,617**

Deferred income tax on buildings and equity investment is transferred to income taxes payable over the useful life of the assets starting October 2016.

ii) Deferred income tax on fair value adjustment of equity investments **(note 10).**

c) 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.

The income is recognized as grant income progressively over the useful life of the asset for which the funds were granted. The amounts recognized in income in 2019 and 2018 amount to G 1,850,569 **(note 24)**.

As of September 30, 2019 and 2018, the non-current portion is presented as follows:

		2019	2018
Balance at beginning of year	G	**2,313,211**	4,163,780
Current portion		**(1,850,569)**	(1,850,569)
Balance at end of year, non-current portion	G	**462,642**	2,313,211

(Continued)

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(21) INCOME TAX

Income tax expense including current and deferred income taxes, is calculated based on the consolidated profit before income taxes and differs from the amounts computed using the statutory rates as follows:

		2019	2018
Net profit before income tax	G	**232,299,316**	188,300,611
Current income tax based on enacted tax rate 30%		**69,689,795**	56,490,183
Effect of elements not considered in the tax basis:			
Transfer to legal reserve		**(7,364,540)**	(5,808,651)
Provision on accounts receivable at 1% of receivable		**(369,782)**	(350,424)
Current income tax		**61,955,473**	50,331,108
Effect of loss carried forward not yet realized **(a)**		**-**	48,754,738
Income tax		**61,955,473**	1,576,370
Other (CFGDCT and value added taxes)		**2,204,688**	78,730
Total income taxes	G	**64,160,161**	1,655,100

(a) In 2018, SFF realized the effect of losses carry over from previous years which were not initially recognized.

(22) SALARIES AND BENEFITS

Salaries and benefits are as follows:

		2019	2018
Salaries	G	**269,182,895**	217,959,612
Bonus and commissions		**106,068,954**	93,930,929
Payroll taxes		**28,912,180**	23,139,651
Employee retirement savings contributions		**6,477,169**	5,602,437
Others		**16,897,895**	16,375,973
Total	G	**427,539,093**	357,008,602

(Continued)

(22) SALARIES AND BENEFITS (CONTINUED)

The employees retirement savings program was funded initially by a grant of $240,000 and covers employees of The Group 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 Group 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 Group 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 Group's retirement expenses for matching funds under this program were G 6,477,169 and G 5,602,437 for 2019 and 2018, respectively. These funds are invested with the Association of Specialists in Microfinance (ASMF) who manages the program.

(23) CAPITAL STOCK

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

During 2016, common shares authorized and issued were increased through issuance of 1,384,244 common shares and conversion of 2,500,000 authorized preferred shares into 1,780,191 common shares.

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(23) CAPITAL STOCK (CONTINUED)

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

		2019	2018
AUTHORIZED CAPITAL			
Common shares – per value of G 25:			
16,548,067 in 2019 and 2018	G	**413,701,675**	413,701,675
UNPAID CAPITAL			
6,959,156 common shares in 2019			
and 7,025,823 in 2018		**(173,978,900)**	(175,645,575)
PAID-IN CAPITAL			
9,588,911 common shares in 2019			
and 9,522,244 in 2018		**239,722,775**	238,056,100
CAPITAL STOCK, NET	G	**239,722,775**	238,056,100

(24) GRANTS

Grants were received by SFF from the following entities:

		2019	2018
HIFIVE and the Foundation - amortization of			
deferred income **(note 20)**	G	**1,850,569**	1,850,569
Fonkoze – USA **(note 27)**		**291,506**	914,207
Others grants		**-**	165,778
	G	**2,142,075**	2,930,554

(Continued)

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(25) OTHER EXPENSES

Other expenses are as follows:

		2019	2018
Maintenance and repairs	G	**53,024,991**	43,060,119
Professional services		**39,245,625**	22,430,191
Travel and expenses		**30,225,318**	22,100,276
Transportation		**18,293,419**	6,193,515
Fuel and lubricants		**16,295,237**	13,834,940
Office supplies		**10,598,608**	8,975,873
Printing		**7,523,256**	7,336,720
Administration costs		**7,502,211**	4,789,055
Communications		**4,306,849**	3,656,568
Rental		**3,421,797**	3,773,966
Miscellaneous losses - fraud		**3,411,730**	6,226,381
Bank fees		**1,545,511**	129,087
Property taxes		**429,780**	429,780
Others		**13,830,175**	11,132,471
	G	**209,654,507**	154,068,942

(26) OTHER NON-OPERATING INCOME, NET

Other non-operating income, net consists mainly of sub-contracts with the Foundation, professional services and rental services provided to the Foundation. They are as follows:

		2019	2018
The Foundation **(note 27)**:			
AKSYON project with The Foundation **(a)**	G	**18,762,277**	4,858,589
Professional assistance and rental services to The Foundation		**16,932,572**	7,605,053
Use of space in SFF branches by the Foundation		**2,678,237**	3,544,754
W.K. Kellogg Foundation project P3033325 – The Foundation (**b**)		**-**	1,487,035
		38,373,086	17,495,431
Others		**81,821**	225,051
	G	**38,454,907**	17,720,482

(Continued)

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(26) OTHER NON-OPERATING INCOME, NET (CONTINUED)

a) In the context of an agreement signed between The Foundation and USAID to provide support for a community health program to provide nutrition (AKSYON). SFF was retained as a subcontractor of The Foundation from September 1st 2016 to July 31st 2018 under the terms of a fixed fee contract. SFF provides the uptake of micro finance services by poor women in rural areas where AKSYON is operating as a way to reduce food insecurity and prevent malnutrition. SFF received a fixed fee of US$ 350,000 for services performed since inception of the program. In October 2018, the contract was renewed for an amount of US$ 600,000 covering the period starting October 1, 2018 to September 30, 2020. SFF recognized US$ 217,008 for the year ended September 30, 2019.

b) In 2016, a service contract was signed between The Foundation and W.K. Kellogg Foundation (WKKF) to implement a project from July 1, 2016 to June 30, 2018 to increase family economic security, create permanent jobs and quality self-employment in the Haitian handicraft sector in the Central area of Haiti providing craftsmen with financial services, business skills training, technical assistance and connections to domestic and international markets. SFF was subcontracted by the Foundation to provide financial services to the artisans and to actively contribute to the overall success of the project and report to WKFF.

In both of these contracts, revenue is recognized as earned upon submission of deliverables.

(27) 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)

(27) RELATED PARTIES (CONTINUED)

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

	Notes		2019	2018
Assets				
Notes Receivable – Related Parties				
Fonkoze USA	12	G	17,971,928	19,476,503
Accounts receivable	8			
The Foundation			20,074,798	2,738,264
Unigestion Holding S.A.		G	7,842,459	11,464,892
Fonkoze USA			971,566	407,091
Total assets		G	46,860,751	34,086,750
Liabilities				
Deposits:	14			
The Foundation			28,464,792	23,620,337
Fonkoze USA		G	1,105,745	829,193
			29,570,537	24,449,530
Notes payable - Fonkoze USA	17		251,182,631	206,882,445
Subordinated notes - Other shareholders	16		5,486,993	4,114,671
Other current liabilities	20			
Fonkoze USA			11,513,930	7,246,288
The Foundation			1,218,450	221,912
Total liabilities		G	298,972,541	242,914,846
Revenue				
Grants:				
Fonkoze USA	24	G	291,506	914,207
Unigestion Holding S.A. – Other operating income			9,199,585	5,910,412
Other non operating revenue:				
The Foundation	26		38,373,086	17,495,431
Total revenues		G	47,864,177	23,405,843

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(27) RELATED PARTIES (CONTINUED)

	Note		2019	2018
Expenses				
Finance income:				
Fonkoze – USA		G	**(1,200,517)**	(1,353,068)
The Foundation – other expenses			**3,424,411**	1,194,060
Interest expense on debt (notes payable):				
Fonkoze – USA :				
Interest expense			**4,668,486**	3,663,335
Loan-administrative fees	**17 c)**		**2,619,112**	2,101,244
			7,287,598	5,764,579
Other shareholders			**-**	207,002
			7,287,598	5,971,581
Total expenses		G	**9,511,492**	5,812,573

(28) COMMITMENTS

The Group 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, 2019 are as follows:

Years		**Payable in USD**		**Gourdes equivalent**	**Gourdes**	**Total**
2020	$	180,645	G	16,857,105	1,600,417	**18,457,522**
2021		147,829		13,794,841	1,218,121	**15,012,962**
2021		96,152		8,972,539	816,000	**9,788,539**
2022		67,809		6,327,678	414,167	**6,741,845**
2023-2029		21,467		2,003,219	1,096,666	**3,099,885**
Total	**$**	**513,902**	**G**	**47,955,382**	**5,145,371**	**53,100,753**

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(29) IMPACT OF ADOPTING IFRS 9

The impact of the impairment of financial assets component relating to the adoption of IFRS 9 recorded in the accumulated deficit of the Company in 2019 is as follows:

	Initial impairment under IAS 39 as previously reflected to the consolidated financial statements at September 30, 2018	Adjustments to accumulated deficit	Impairment for expected credit losses under IFRS 9 as reflected consolidated financial statements at September 30, 2018
BALANCE SHEET:			
Term deposits **(note 6)**	-	3,888,545	3,888,545
Loans **(note 7)**	-	30,226,151	30,226,151
Accounts receivable **(note 8)**	-	434,549	434,549
Notes receivable – related parties **(note 12)**	-	179,719	179,719
Total impact on impairment for expected credit losses	**-**	**34,728,964**	**34,728,964**

Note: The effect of income taxes on adjustments to accumulated deficit was not considered.

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

		Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2019 Consolidated	2018 Consolidated
CURRENT ASSETS						
Cash and cash equivalents	G	651,105,473	-	-	**651,105,473**	516,648,207
Term deposits		773,820,518	-	-	**773,820,518**	482,350,992
Loans and interest receivable		1,251,839,987	-	-	**1,251,839,987**	1,335,026,968
Impairment provision		(45,787,775)	-	-	**(45,787,775)**	(44,028,465)
Net loans		1,206,052,212	-	-	**1,206,052,212**	1,290,998,503
OTHER CURRENT ASSETS						
Accounts receivable		150,842,353	13,208,817	(58,582,857)	**105,468,313**	40,390,040
Prepaid expenses and supplies		79,207,198	-	-	**79,207,198**	36,517,826
Notes receivable – related parties current portion		17,792,209	-	-	**17,792,209**	6,479,389
		247,841,760	13,208,817	(58,582,857)	**202,467,720**	83,387,255
Total current assets	**G**	**2,878,819,963**	**13,208,817**	**(58,582,857)**	**2,833,445,923**	2,373,384,957
NON-CURRENT ASSETS						
Equity investments		10,209,314	586,516,122	(586,516,122)	**10,209,314**	7,158,687
Fixed assets, at cost		423,387,961	-	-	**423,387,961**	395,048,935
Accumulated depreciation		(157,694,424)	-	-	**(157,694,424)**	(130,348,257)
Fixed assets, net		265,693,537	-	-	**265,693,537**	264,700,678
Notes receivable – related party		-	-	-	-	12,997,114
Other assets		666,197,925	-	-	**666,197,925**	502,826,325
TOTAL ASSETS	**G**	**3,820,920,739**	**599,724,939**	**(645,098,979)**	**3,775,546,699**	**3,161,067,761**

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

		Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2019 Consolidated	2018 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT-LIABILITIES						
Deposits	G	2,391,529,506	-	-	**2,391,529,506**	1,842,345,424
Bank lines of credit		16,423,319	-	-	**16,423,319**	106,705,789
Long-term subordinated notes - current portion		-	1,567,712	-	**1,567,712**	-
Other notes payable		184,357,033	-	-	**184,357,033**	81,816,176
Managed loan fund		-	-	-	**-**	20,993,220
Bank term loan-current portion		-	-	-	-	18,571,428
Other current liabilities		195,122,194	47,612,847	(58,582,857)	**184,152,184**	100,432,166
Total current liabilities		**2,787,432,052**	**49,180,559**	**(58,582,857)**	**2,778,029,754**	**2,170,864,203**
NON-CURRENT LIABILITIES						
Other notes payable		90,831,202	-	-	**90,831,202**	165,110,835
Long-term subordinated notes		-	3,919,280	-	**3,919,280**	4,114,671
Bank term loan		-	-	-	-	108,296,042
Other non-current liabilities		521,197,683	-	-	**521,197,683**	472,368,601
Total non-current liabilities		**612,028,885**	**3,919,280**	-	**615,948,165**	749,890,149
TOTAL LIABILITIES	**G**	**3,399,460,937**	**53,099,839**	**(58,582,857)**	**3,393,977,919**	**2,920,754,352**
SHAREHOLDERS' EQUITY						
Capital stock:						
Common shares		87,910,550	239,644,875	(87,832,650)	**239,722,775**	238,056,100
Additional paid-in capital		498,873,113	333,244,730	(498,683,472)	**333,434,371**	327,255,866
Accumulated deficit		(258,056,160)	(26,264,505)	-	**(284,320,665)**	(394,261,828)
Legal reserve		43,910,641	-	-	**43,910,641**	19,362,171
Revaluation reserve- land and buildings		46,013,617	-	-	**46,013,617**	47,093,059
Accumulated other comprehensive income		2,808,041	-	-	**2,808,041**	2,808,041
Total shareholders' equity		**421,459,802**	**546,625,100**	**(586,516,122)**	**381,568,780**	**240,313,409**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**G**	**3,820,920,739**	**599,724,939**	**(645,098,979)**	**3,775,546,699**	**3,161,067,761**

Annex II

FONKOZE S.A. and Subsidiary
Consolidated Statements of Income
For the years ended September 30, 2019 and 2018
(Expressed in Haïtian Gourdes)

		Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2019 Consolidated	2018 Consolidated
INTEREST AND OTHER FINANCIAL NCOME						
Loans	G	615,112,204	-	-	**615,112,204**	637,445,326
Other		16,616,853	-	-	**16,616,853**	9,077,121
Total interest income		**631,729,057**	-	-	**631,729,057**	646,522,447
INTEREST EXPENSES						
Deposits		14,817,779	-	-	**14,817,779**	12,065,583
Debt (line of credit, notes payable)		44,151,606	275,232	-	**44,426,838**	45,931,887
Total interest expense		58,969,385	275,232	-	**59,244,617**	57,997,470
NET INTEREST INCOME (EXPENSE)		572,759,672	(275,232)	-	**572,484,440**	588,524,977
Provision for loan impairment		54,806,012	-	-	**54,806,012**	76,708,930
Net interest income (expense) after provision for loan impairment		**517,953,660**	(275,232)	-	**517,678,428**	511,816,047
OTHER OPERATING INCOME						
Income from foreign exchange-Trading		85,157,901	-	-	**85,157,901**	69,579,061
Commissions and penalties on loans		103,461,998	-	-	**103,461,998**	111,537,481
Income from remittance services		30,721,554	-	-	**30,721,554**	22,935,284
Savings accounts fees		20,143,531	-	-	**20,143,531**	15,138,922
Recoveries of loans written off		11,534,828	-	-	**11,534,828**	6,433,824
Other		10,320,635	-	-	**10,320,635**	9,022,558
		261,340,447	-	-	**261,340,447**	**234,647,130**
Net interest and other Income (expense)		**779,294,107**	**(275,232)**	-	**779,018,875**	**746,463,177**
OPERATING EXPENSES						
Personnel expenses		427,539,093	-	-	**427,539,093**	357,008,602
Premises and equipment expenses		57,655,191	-	-	**57,655,191**	46,162,744
Depreciation		48,665,473	-	-	**48,665,473**	43,326,551
Other expenses		209,648,908	5,599	-	**209,654,507**	154,068,942
Total operating expenses		**743,508,665**	**5,599**	-	**743,514,264**	600,566,839
PROFIT (LOSS) NET FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES		35,785,442	(280,831)	-	**35,504,611**	145,896,338
OTHER INCOME (EXPENSES)						
Unrealized gain (loss) on foreign exchange		167,901,741	(12,904,535)	-	**154,997,206**	20,400,170
Grants		2,142,075	-	-	**2,142,075**	2,930,554
Interest income on receivable from related party		1,200,517	-	-	**1,200,517**	1,353,068
Other non-operating income		38,454,907	-	-	**38,454,907**	17,720,482
Total other income (expenses)		**209,699,240**	(12,904,535)	-	**196,794,705**	**42,404,274**
Net operating profit (loss) before income taxes		245,484,682	(13,185,366)	-	**232,299,316**	188,300,612
INCOME TAX (TAX CREDIT)		**68,121,664**	**(3,961,503)**	-	**64,160,161**	**1,655,101**
NET PROFIT (LOSS)	**G**	**177,363,018**	**(9,223,863)**	-	**168,139,155**	**186,645,511**

Annex III

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2019 and 2018
(Expressed in US Dollars)

	Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2019 Consolidated	2018 Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 6,977,411	-	-	**6,977,411**	7,383,072
Term deposits	8,292,456	-	-	**8,292,456**	6,892,954
Loans and interest receivable	13,415,034	-	-	**13,415,034**	19,077,974
Impairment provision	(490,673)	-	-	**(490,673)**	(629,181)
Net loans	12,924,361	-	-	**12,924,361**	18,448,793
OTHER CURRENT ASSETS					
Accounts receivable	1,616,465	141,549	(627,788)	**1,130,226**	577,187
Prepaid expenses and supplies	848,802	-	-	**848,802**	521,852
Notes receivable - related parties current portion	190,666	-	-	**190,666**	92,593
	2,655,933	141,549	(627,788)	**2,169,694**	1,191,632
Total current assets	$ 30,850,161	141,549	(627,788)	**30,363,922**	33,916,451
NON-CURRENT ASSETS					
Equity investments	109,406	6,285,255	**(6,285,255)**	**109,406**	102,300
Fixed assets, at cost	4,537,132	-	-	**4,537,132**	5,645,379
Accumulated depreciation	(1,689,893)	-	-	**(1,689,893)**	(1,862,719)
Fixed assets, net	2,847,239	-	-	**2,847,239**	3,782,660
Notes Receivable – related parties	-	-	-	-	185,733
Other assets	7,139,145	-	-	**7,139,145**	7,185,553
TOTAL ASSETS	$ 40,945,951	6,426,804	(6,913,043)	**40,459,712**	45,172,697

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2019 and 2018
(Expressed in US dollars)

		Sèvis Finansye Fonkoze, S.A	Fonkoze S.A.	Reclassifications/ eliminations	2019 Consolidated	2018 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Deposits	$	25,628,235	-	-	**25,628,235**	26,327,720
Bank lines of credit		175,996	-	-	**175,996**	1,524,861
Long-term subordinated notes-current portion		-	16,800	-	**16,800**	-
Other notes payable		1,975,617	-	-	**1,975,617**	1,169,180
Managed loan fund		-	-	-	**-**	300,000
Bank term loan - current portion		-	-	-	**-**	265,392
Other current liabilities		2,090,979	510,231	(627,788)	**1,973,422**	1,435,210
TOTAL CURRENT LIABILITIES		29,870,827	527,031	(627,788)	**29,770,070**	31,022,363
NON-CURRENT LIABILITIES						
Other notes payable		973,370	-	-	**973,370**	2,359,488
Long-term subordinated notes		-	42,000	-	**42,000**	58,800
Bank term loan		-	-	-	**-**	1,547,586
Other non-current liabilities		5,585,283	-	-	**5,585,283**	6,750,302
TOTAL NON-CURRENT LIABILITIES		6,558,653	42,000	-	**6,600,653**	10,716,176
TOTAL LIABILITIES	$	36,429,480	569,031	(627,788)	**36,370,723**	41,738,539
SHAREHOLDERS' EQUITY						
Capital stock:						
Common shares		942,072	2,568,095	(941,237)	**2,568,930**	3,401,900
Additional paid-in capital		5,346,050	3,571,135	(5,344,018)	**3,573,167**	4,676,594
Accumulated deficit		(2,765,395)	(281,457)	-	**(3,046,852)**	(5,634,131)
Legal reserve		470,558	-	-	**470,558**	276,692
Revaluation reserve – land and buildings		493,094	-	-	**493,094**	672,975
Accumulated other comprehensive income		30,092	-	-	**30,092**	40,128
TOTAL SHAREHOLDERS' EQUITY		4,516,471	5,857,773	(6,285,255)	**4,088,989**	3,434,158
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**40,945,951**	**6,426,804**	**(6,913,043)**	**40,459,712**	45,172,697

FONKOZE S.A.
Consolidated Statements of Income
For the years ended September 30, 2019 and 2018
(Expressed in US dollars)

		Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2019 Consolidated	2018 Consolidated
INTEREST AND OTHER FINANCIAL INCOME						
Loans	$	7,227,006	-	-	**7,227,006**	9,700,164
Other		195,233	-	-	**195,233**	138,129
Total interest income		7,422,239	-	-	**7,422,239**	9,838,293
INTEREST EXPENSES						
Deposits		174,095	-	-	**174,095**	183,605
Debt (line of credit, notes payable)		518,741	3,234	-	**521,975**	698,957
Total interest expense		692,836	3,234	-	**696,070**	882,562
NET INTEREST INCOME (EXPENSE)		6,729,403	(3,234)	-	**6,726,169**	**8,955,731**
Provision for loan impairment		643,921	-	-	**643,921**	1,167,299
Net interest income (expense) after provision for loan impairment		6,085,482	(3,234)	-	**6,082,248**	**7,788,432**
OTHER OPERATING INCOME						
Income from foreign exchange-Trading		1,000,528	-	-	**1,000,528**	1,058,802
Commissions and penalties on loans		1,215,584	-	-	**1,215,584**	1,697,294
Income from remittance services		360,950	-	-	**360,950**	349,012
Savings accounts fees		236,668	-	-	**236,668**	230,373
Recoveries of loans written off		135,524	-	-	**135,524**	97,905
Other		121,258	-	-	**121,258**	137,299
		3,070,512	-	-	**3,070,512**	3,570,685
Net interest and other income (expense)		**9,155,994**	**(3,234)**	**-**	**9,152,760**	**11,359,117**
OPERATING EXPENSES						
Personnel expenses		5,023,194	-	-	**5,023,194**	5,432,689
Premises and equipment expenses		677,396	-	-	**677,396**	702,470
Depreciation		571,775	-	-	**571,775**	659,311
Other expenses		2,463,183	66	-	**2,463,249**	2,344,505
Total operating expenses		8,735,548	66	-	**8,735,614**	9,138,975
NET PROFIT (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES		420,446	(3,300)	-	**417,146**	2,220,142
OTHER INCOME (EXPENSES)						
Unrealized gain (loss) on foreign exchange		1,972,692	(151,616)	-	**1,821,076**	310,434
Interest income on receivable from related party		14,105	-	-	**14,105**	20,590
Grants		25,167	-	-	**25,167**	44,595
Other non-operating income		451,810	-	-	**451,810**	269,657
Total other income (expense)		2,463,774	(151,616)	-	**2,312,158**	645,276
Net operating profit (loss) before income taxes		2,884,220	(154,916)	-	**2,729,304**	2,865,418
INCOME TAX (TAX CREDIT)		800,367	(46,544)	-	**753,823**	25,186
NET PROFIT (LOSS)	$	2,083,853	(108,372)	-	**1,975,481**	2,840,232

FONKOZE S.A.
Consolidated Statements of Changes in Shareholders' Equity
Years ended September 30, 2019 and 2018
(Expressed in US dollars)

		Common stock	Additional paid-in capital	Accumulated deficit	Legal reserve	Revaluation reserve -land and buildings	Accumulated other comprehensive income	Total equity
Balance as of September 30, 2017	**$**	**3,468,379**	**4,213,244**	**(8,974,711)**	**-**	**768,424**	**44,792**	**(479,872)**
Shares issued during the year: 824,938 common shares (par value G 25)		314,947	964,042	-	-	-	-	**1,278,989**
Transfer of revaluation reserve to accumulated deficit		-	-	16,485	-	(16,485)	-	-
Transfer to legal reserve		-	-	(295,686)	295,686	-	-	-
Net profit for the year		-	-	2,850,324	-	-	-	**2,850,324**
Translation adjustment		(381,426)	(500,692)	769,457	(18,994)	(78,964)	(4,664)	**(215,283)**
Balance as of September 30, 2018	**$**	**3,401,900**	**4,676,594**	**(5,634,131)**	**276,692**	**672,975**	**40,128**	**3,434,158**
Impact of adopting IFRS 9		**-**	**-**	**(496,288)**	**-**	**-**	**-**	**(496,288)**
Balance as of September 30, 2018, adjusted	**$**	**3,401,900**	**4,676,594**	**(6,130,419)**	**276,692**	**672,975**	**40,128**	**2,937,870**
66,667 shares issued during the year 1 share of common stock (par value G 25)		21,245	78,755	-	-	-	-	**100,000**
Transfer to legal reserve		-	-	(288,422)	288,422	-	-	-
Revaluation reserve-fixe assets		-	-	12,682	-	(12,682)	-	-
Net profit (loss) for the year		-	-	1,975,481	-	-	-	**1,975,481**
Transfer adjustment		(854,215)	(1,182,182)	1,383,826	(94,556)	(167,199)	(10,036)	**(924,362)**
Balance as of September 30, 2019	**$**	**2,568,930**	**3,573,167**	**(3,046,852)**	**470,558**	**493,094**	**30,092**	**4,088,989**