

FONKOZE S.A.

Consolidated Financial Statements

September 30, 2021

(With Independent Auditors' Report Thereon)

FONKOZE S.A.
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SEPTEMBER 30, 2021

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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 balance sheet as of September 30, 2021, and the related consolidated statements of 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, 2021, 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.



The Board of Directors
Fonkoze S.A.
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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 the 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, Haïï
February 4, 2022

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2021 and 2020
(Expressed in Haïtian Gourdes)

	Notes		2021	2020
CURRENT ASSETS				
Cash and cash equivalents	5	G	1,349,896,016	875,969,788
Term deposits	6		704,534,025	528,873,439
Loans and interest receivable	7		2,124,797,368	1,556,081,764
Expected credit loss provision	7		(80,145,145)	(59,349,234)
Net loans			2,044,652,223	1,496,732,530
OTHER CURRENT ASSETS				
Accounts receivable, net	8		177,235,440	63,195,019
Prepaid expenses and supplies	9		58,424,411	64,595,167
Notes receivable –related parties current portion	12		-	6,591,930
			235,659,851	134,382,116
Total current assets		G	4,334,742,115	3,035,957,873
NON - CURRENT ASSETS				
Equity investments	10		10,756,371	7,324,920
Fixed assets, at cost	11		662,444,548	562,514,049
Accumulated depreciation			(233,108,501)	(186,593,056)
Fixed assets, net			429,336,047	375,920,993
Right-of-use assets, net	19		91,414,778	90,707,210
Investment property	13		19,440,665	19,440,665
Forward contract, intangible and other assets	14		798,015,586	465,217,836
TOTAL ASSETS		G	5,683,705,562	3,994,569,497

The notes in pages 9 to 54 are an integral part of the consolidated financial statements. See the accompanying notes and annexes I to V for supplementary information

FONKOZE S.A.
Consolidated Balance Sheets
September 30, 2021 and 2020
(Expressed in Haitian Gourdes)

	Notes		2021	2020
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Deposits	15	G	3,247,307,856	2,467,753,082
Subordinated notes	17		4,090,455	2,768,610
Other notes payable – current portion	18		143,853,029	86,720,775
Lease liabilities – current portion	19		15,705,591	9,482,661
Other current liabilities	20		<u>494,187,395</u>	<u>96,545,984</u>
Total current liabilities			3,905,144,326	2,663,271,112
NON-CURRENT LIABILITIES				
Other notes payable – long term portion	18		141,583,329	82,240,919
Subordinated notes	17		-	-
Lease liabilities	19		66,880,199	49,745,915
Other non-current liabilities	20		<u>835,977,453</u>	<u>779,848,444</u>
Total non-current liabilities			1,044,440,981	911,835,278
TOTAL LIABILITIES		G	4,949,585,307	3,575,106,390
SHAREHOLDERS' EQUITY				
Capital stock:				
Common shares	23		239,723,025	239,723,025
Additional paid-in capital			333,435,120	333,435,120
Retained earnings (accumulated deficit)			24,972,073	(292,057,736)
Legal reserve			43,955,400	43,910,641
Revaluation reserve - land and buildings	20		89,226,596	91,644,016
Accumulated comprehensive income			2,808,041	2,808,041
Total shareholders' equity			734,120,255	419,463,107
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		G	5,683,705,562	3,994,569,497

The notes in pages 9 to 54 are an integral part of the consolidated financial statements. See the accompanying notes and annexes I to V for supplementary information

FONKOZE S.A.
Consolidated Statements of Income
Years ended September 30, 2021 and 2020
(Expressed in Haitian Gourdes)

	Notes	2021	2020
INTEREST AND OTHER FINANCIAL INCOME			
Loans	G	907,609,131	653,548,033
Other		<u>9,440,999</u>	<u>24,807,469</u>
Total interest income		917,050,130	678,355,502
INTEREST EXPENSES			
Deposits		22,023,860	19,163,502
Debt (lines of credit, notes payable)		<u>28,136,837</u>	<u>37,119,669</u>
Total interest expense		50,160,697	56,283,171
NET INTEREST INCOME			
		866,889,433	622,072,331
Provision for credit losses	28	57,206,049	62,919,970
Net interest income after provision for credit losses		809,683,384	559,152,361
OTHER OPERATING INCOME			
Income from foreign exchange - Trading		123,408,302	133,626,413
Commissions and penalties on loans		136,191,684	104,193,790
Income from remittance services		32,153,096	38,849,383
Savings accounts fees		18,718,593	20,292,117
Recoveries of loans and receivable written off	7, 14	29,297,761	9,140,583
Revaluation surplus – investment property	13	-	6,580,935
Other		<u>77,231,995</u>	<u>15,828,712</u>
		417,001,431	328,511,933
Net interest and other income		1,226,684,815	887,664,294
OPERATING EXPENSES			
Personnel expenses	22	555,580,991	490,032,764
Premises and equipment expenses		50,983,649	55,413,486
Depreciation	11	53,585,151	50,213,762
Lease charges	19	18,651,537	15,717,165
Other expenses	25	<u>238,132,301</u>	<u>224,367,972</u>
Total operating expenses		916,933,629	835,745,149
PROFIT NET FROM OPERATIONS BEFORE OTHER INCOME AND INCOME TAXES			
		309,751,186	51,919,145
OTHER INCOME (EXPENSES)			
Unrealized gain (loss) on foreign exchange		47,889,518	(116,611,242)
Grants	24	13,258,951	4,973,106
Interest income on receivable from related parties	12	-	-
Other non-operating income	26	<u>42,425,087</u>	<u>47,137,037</u>
Total other income (expenses)		103,573,556	(64,501,099)
Net operating profit (loss) before income taxes (tax credit)			
		413,324,742	(12,581,954)
INCOME TAX (TAX CREDIT)			
Current income tax (tax credit)	21	98,412,834	(4,080,129)
Deferred income taxes		254,760	314,688
		98,667,594	(3,765,441)
NET PROFIT (LOSS)	G	314,657,148	(8,816,513)
Net profit (loss) per share	G	32.81	(0.92)

The notes are an integral part of the consolidated financial statements. See the accompanying notes and annexes I to V for supplementary information

FONKOZE S.A.
Consolidated Statements of Changes in Shareholders' Equity
Years ended September 30, 2021 and 2020
(Expressed in Haitian Gourdes)

		Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Legal reserve	Revaluation reserve -land and buildings (note 20)	Accumulated other comprehensive income	Total equity
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
Shares issued during the year: 10 common shares (par value G 25)		250	749	-	-	-	-	999
Transfer of revaluation reserve to accumulated deficit		-	-	1,079,442	-	(1,079,442)	-	-
Revaluation surplus-land and buildings, net of tax		-	-	-	-	46,709,841	-	46,709,841
Net loss for the year		-	-	(8,816,513)	-	-	-	(8,816,513)
Balance as of September 30, 2020	G	239,723,025	333,435,120	(292,057,736)	43,910,641	91,644,016	2,808,041	419,463,107
Transfer of revaluation reserve to retained earnings		-	-	2,417,420	-	(2,417,420)	-	-
Transfer to legal reserve		-	-	(44,759)	44,759	-	-	-
Net profit for the year		-	-	314,657,148	-	-	-	314,657,148
Balance as of September 30, 2021	G	239,723,025	333,435,120	24,972,073	43,955,400	89,226,596	2,808,041	734,120,255

The notes in pages 9 to 54 are an integral part of the consolidated financial statements. See the accompanying notes and annexes I to V for supplementary information

FONKOZE S.A.
Consolidated Statements of Cash Flows
Years ended September 30, 2021 and 2020
(Expressed in Haitian Gourdes)

	Notes	2021	2020
CASH FROM OPERATING ACTIVITIES			
Net profit (loss)	G	314,657,148	(8,816,513)
<i>Adjustments to reconcile net profit (loss) to net cash provided by operating activities:</i>			
Depreciation	11	53,585,151	50,213,762
Provision for credit losses	28	57,206,049	62,919,970
Foreign exchange effect on provision for credit losses		1,193,324	(1,294,208)
Amortization of right-of-use assets	19	16,223,289	14,798,409
Fixed assets revaluation surplus	11	-	(61,214,610)
Increase in lease liabilities	19	23,357,214	59,228,576
Gain on disposals of fixed assets		(341,185)	(2,027,649)
Investments property revaluation surplus	13	-	(6,580,935)
(Increase) decrease of accounts, receivable net		(115,437,135)	40,236,608
Decrease of prepaid expenses and supplies		6,170,756	14,612,031
Decrease in notes receivable – related parties		6,591,930	11,379,998
Decrease in other assets		364,869,450	917,830,200
Income tax paid		(15,569,827)	(64,483,994)
Decrease in other liabilities		<u>(228,326,953)</u>	<u>(447,471,445)</u>
Net cash provided by operating activities		484,179,211	579,330,200
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets	11	(111,569,962)	(99,379,222)
Proceeds from disposal of fixed assets		4,910,942	2,180,263
Increase in right-of-use assets	19	(16,930,857)	(105,505,619)
(Increase) decrease in term deposits and investments		(177,947,055)	249,720,835
Increase in loans (net of write-offs)		<u>(606,067,334)</u>	<u>(352,338,475)</u>
Net cash used in investing activities		(907,604,266)	(305,322,218)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) of borrowings		117,796,509	(125,368,242)
Shares issued		-	999
Increase in deposits		<u>779,554,774</u>	<u>76,223,576</u>
Net cash provided (used) by financing activities		897,351,283	(49,143,667)
Net increase in cash and cash equivalents		473,926,228	224,864,315
Cash and cash equivalents at beginning of year net of foreign exchange effect		778,808,007	806,043,566
Foreign exchange effect on cash and cash equivalents at beginning of year		<u>97,161,781</u>	<u>(154,938,093)</u>
Cash and cash equivalents at end of year	5	G 1,349,896,016	875,969,788

The notes in pages 9 to 54 are an integral part of the consolidated financial statements. See the accompanying notes and annexes I to V for supplementary information

FONKOZE S.A.
Notes to Consolidated Financial Statements

(1) ORGANIZATION

Fonkoze S.A. (the Company) 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.

On August 25, 2020, a Presidential Decree was Published in the official journal of Haiti Le Moniteur bearing on the Organization and functioning of Microfinance institutions. This decree places all microfinance institutions under the supervision and regulation of the Central Bank of Haiti. Operational implications of the decree have not yet been published.

On September 17, 2021, the Central Bank of Haiti officially granted to SFF recognition as a microfinance institution.

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 IFRS as issued by the International Accounting Standard Board (IASB).

The consolidated financial statements were approved by Management on February 21, 2022.

Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(a) Accounting framework (continued)

Comparative figures

The main accounting policies described below have been applied consistently to all periods presented in the accompanying consolidated financial statements.

(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.

The consolidated financial statements have been prepared on the historical cost basis except for:

- equity investment at fair value through profit and loss (**note 3g**)
- land and buildings which are measured under the revaluation model (**note 3h**) which is an allowed alternate method under IAS 16 and
- investment property measured at fair value through profit and loss are in accordance with IAS 40 (**note 3j**).

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

(c) 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.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

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

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.

(d) Functional and presentation currency

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

(e) Use of estimates and judgment

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

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

Note 7	Loans – 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	Investment property - valuation
Note 14	Forward contract, intangible and other assets – valuation and impairment
Note 19	Right-of-use assets and lease liabilities
Note 21	Income tax

Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(e) Use of estimates and judgment (continued)

Estimates at September 30, 2021 under IFRS are consistent with those made in 2020.

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

(f) Covid-19

On March 11, 2020, COVID-19 had spread worldwide and was declared a global pandemic by the World Health Organization. The COVID-19 pandemic has since significantly disrupted global health, economic and market conditions, businesses of all sizes and nature, and has caused an indeterminate period of uncertainty and slowdown in the global economy. Governments and other regulatory entities have since introduced unprecedented measures to provide economic assistance to businesses in order to stabilize the financial markets and support some degree of economic growth. These measures have helped some businesses to mitigate some of the adverse effects of the pandemic in the short-term. Significant advances in medical science were made during 2021 with the introduction of COVID-19 vaccines. Despite the availability of the vaccines and the lifting of certain restrictive measures, the adverse effects of the pandemic are likely to continue, and its impact on global economies' condition will depend on a number of factors and uncertainties, including, the emergence of new waves or variants, the efficacy of vaccines in the long-term, achieving mass immunizations, future government controls and restrictions, and their respective effects on the global economies, the effects on businesses once economic assistance has ceased.

Due to the unprecedented and ongoing nature of the COVID-19 pandemic, estimates of the economic recovery underway remain inherently highly uncertain and speculative. While the Company has taken measures to preserve its financial strength and stability, and continues to manage capital and liquidity prudently, such efforts may not sufficiently mitigate the negative impacts of COVID-19 on the business and the effectiveness of these efforts and the extent to which the COVID-19 pandemic affects the Company's business will depend on factors beyond its control, particularly how quickly and to what extent normal economic activity across all sectors can resume, and the prolonged effects on its customers.

Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION (CONTINUED)

(f) Covid-19 (continued)

The assessment of expected credit losses at each reporting period reflects reasonable and supportable information about past events, current circumstances and forecasts of events and economic conditions.

(g) Subsequent events

The Group has assessed subsequent events through February 4, 2022 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.

(a) Financial instruments

Classification and measurement of financial instruments

All financial assets are classified at initial recognition as financial instruments measured at fair value. After initial recognition, the Group's financial assets are measured: at amortized cost or at fair value through comprehensive income or at fair value through the consolidated statement of income. The determination of classification of financial instruments is based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed.

As of September 30, 2021, the Group has not designated any instrument at fair value through the comprehensive income.

(b) 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.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Conversion in foreign currency (continued)

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 to V are translated in US dollars according to the requirements of IAS 21. 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.

(c) Cash and cash equivalents

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

(d) Loans

As at September 30, loans are classified as measured at **amortized - cost**, net of expected credit loss provision. The expected credit loss provision is measured using the operational simplification model of IFRS 9 for trades receivables since the loan portfolio is essentially short term with an average term of 8 months and a maximum duration of 24 months for 0.2% of the loan portfolio. 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 expected credit loss.

Loans are categorized as: Solidarity Groups, Business Development and SME Portfolio. Solidarity Groups 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)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Loans (continued)

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, for BD and SME, 60 days for Solidarity Group and 30 days for Ti Kredi loans. The Group establishes an impairment provision on loans based on a provision matrix 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, 2021 and 2020:

Installment loans

Current loans	3%
1 – 30 days past due	5%
31 – 60 days past due	25%
61 – 90 days past due	50%
91 – 180 days past due	75%
More than 180 days past due	100%

Shorter period payment loans

Current loans	3%
1 – 15 days past due	5%
16 – 30 days past due	25%
31 – 45 days past due	50%
46 – 90 days past due	75%
More than 90 days past due	100%

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Loans (continued)

Restructured loans

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

The expected credit loss provision 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 expected credit loss 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.

(e) Interest

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

(f) Commissions

Commissions on loan portfolio are earned as disbursements are made.

(g) Equity investments

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

Fair value fluctuations 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)

(h) 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 and allowed alternative method under 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 2020. The reevaluation surplus is 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 are depreciated over that period with a residual value of 15% starting in October 2020.

(i) 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)

(i) 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.

(j) Investment property

The Group presents in investment property the value of a repossessed property. The asset represents a land and building held by the Company for an unspecified period and use, with the objective that this property will have an increase in value compared to their original book value.

This building is kept at fair value and is not depreciated, in conformity with IAS 40. Fair value is estimated based on appraisals carried out by independent real estate appraisers.

All increase or decrease in value resulting from a change in fair value of this investment properties is recorded in the consolidated statement of income.

Rental income and expenses if any, related to the management of these buildings are recorded in the consolidate statement of income.

(k) Brand

The brand name associated with "FONKOZE" was acquired by SFF per contract signed in 2021 and recognized in other assets (**note 14**). The useful life of this intangible asset was assessed to be indefinite since there is no foreseeable limit to the period over which this asset is expected to generate net cash in flows for the entity. An intangible with an indefinite useful life is not amortized. The Group is required to test an intangible asset with indefinite useful life for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible is impaired. In the event of impairment, any excess of carrying amount over the recoverable amount is recognized in the consolidated statement of income as an impairment loss.

(l) 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.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Deferred income taxes

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

(n) Leases

Leases are accounted for in conformity with the requirements of IFRS 16 starting as at October 1, 2019.

On the lease commencement date, a right-of-use asset and a lease liability are recognized.

The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The lease term is the irrevocable period of the contract plus the periods covered by extension options that the lessee is reasonably entitled to exercise.

Management assesses at least annually if indicators of impairment exist for its right-of-use assets that generate cash inflows that are largely independent of those from other assets or groups of assets of the Company. When impairment indicators exist for such right-of-use assets, Management compares their carrying value to their recoverable amount, which is determined using a value in use approach.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate of 4%. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentive receivables. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Short-term leases are leases with a lease term of 12 months or less. For short-term leases and leases of low-value (contracts individually equal to or less than US\$ 5,000 or the equivalent in Haitian gourdes), the Company records the lease payments as an operating expense on a straight-line basis over the lease term.

The Company presents the interest expense and the depreciation under the lease charges line item on the consolidated statement of income.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

The Company recognizes in other assets or liabilities, where applicable, the deferred tax resulting from the difference between the rental expense recognized for tax purposes on a straight-line basis over the life of the lease and the result from the application of IFRS 16.

(p) Capital stock

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

(q) Additional paid-in capital

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

(r) 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.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) 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. These standards have not been taken into consideration in the preparation of SFF consolidated financial statements. These are:

Amendments to IFRS 10 and IAS 28

Consolidated financial statements and investments in associates and joint ventures

ISAB has yet to determine the effective date of the amendments concerning the sale or contribution of assets between an investors and associates or joint ventures.

Amendment to IAS 1

Presentation of financial statements

Effective for years beginning on or after January 1st, 2023 that concerns the classification of liabilities as current and non-current.

Amendment to IFRS – 3

Business combination

Effective for the years beginning on or after January 1st, 2022 in replacement of the prior conceptual framework (2018).

Amendment to IAS 16

Property plant and equipment

Effective for the year beginning on or after January 1st, 2022, that prohibits deducting from the cost of an item the proceeds from selling items produced before that asset is available for use.

Amendment to IAS 37

Provision, contingent liabilities and contingent assets

Effective for the year beginning on or after January 1st, 2022 that concerns the onerous contracts – cost of fulfilling contracts.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(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.

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, 2021

		Current (on demand)	Less than a year	More than a year	Total
Deposits	G	2,996,433,813	250,874,043	-	3,247,307,856
Lease liabilities		-	15,705,591	66,880,199	82,585,790
Subordinated notes		-	4,090,455	-	4,090,455
Other notes payable		-	143,853,029	141,583,329	285,436,358
Other liabilities		382,419,411	813,312,033	973,918	1,196,705,362
Total	G	3,378,853,224	1,227,835,151	209,437,446	4,816,125,821

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

A) LIQUIDITY RISK (CONTINUED)

September 30, 2020

	Current (on demand)	Less than a year	More than a year	Total
Deposits	G 2,240,623,465	227,129,617	-	2,467,753,082
Lease liabilities	-	9,482,661	49,745,915	59,228,576
Subordinated notes	-	2,768,610	-	2,768,610
Other notes payable	-	86,720,775	82,240,919	168,961,694
Other liabilities	67,701,440	752,435,506	659,193	820,796,139
Total	G 2,308,324,905	1,078,537,169	132,646,027	3,519,508,101

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, 2021 and 2020 is as follows:

	Notes	2021	2020
<u>Cash and cash equivalents</u>			
Deposits with banks	5	<u>1,124,597,037</u>	<u>646,435,709</u>
<u>Investments</u>			
Term deposits, net	6	<u>704,534,025</u>	<u>528,873,439</u>
<u>Credit</u>			
Loans, net	7	<u>2,044,652,223</u>	<u>1,496,732,530</u>
<u>Other assets</u>			
Accounts receivable	8	177,235,440	63,195,019
Equity investments	10	10,756,371	7,324,920
Notes receivable – related parties	12	-	6,591,930
Forward contract and other assets		<u>780,193,120</u>	<u>461,559,895</u>
TOTAL	G	<u>4,841,968,216</u>	<u>3,210,713,442</u>

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

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.
- 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. 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 expected credit loss provision at year end reflects Management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. Management considers the expected credit loss provision of G 80,145,145 and of G 59,349,234 adequate to cover loan losses inherent in the loan portfolio at September 30, 2021 and 2020.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

B) CREDIT RISK (CONTINUED)

- 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.

The geographic location of credit risk is as follows:

		2021	2020
<u>Cash and cash equivalents :</u>			
Haiti	G	1,124,594,457	646,433,965
USA		<u>2,580</u>	<u>1,744</u>
		<u>1,124,597,037</u>	<u>646,435,709</u>
<u>Credit :</u>			
Haiti		<u>2,044,652,223</u>	<u>1,496,732,530</u>
<u>Investments:</u>			
Haiti		664,535,352	502,260,217
USA		<u>39,998,673</u>	<u>26,613,222</u>
		<u>704,534,025</u>	<u>528,873,439</u>
<u>Accounts receivable :</u>			
Haiti		176,565,791	63,003,465
USA		<u>669,649</u>	<u>191,554</u>
		<u>177,235,440</u>	<u>63,195,019</u>
<u>Notes receivable – related parties :</u>			
USA		<u>-</u>	<u>6,591,930</u>
<u>Equity investments :</u>			
Haiti		<u>10,756,371</u>	<u>7,324,920</u>
<u>Forward contract and other assets :</u>			
Haiti		<u>780,193,120</u>	<u>461,559,895</u>
	G	<u>4,841,968,216</u>	<u>3,210,713,442</u>

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

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.

i. Foreign exchange risk

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

As of September 30, 2021, The Group maintained the following positions:

		Gourdes	US Dollars (equivalent in gourdes)	Total
Cash and cash equivalents	G	1,052,685,449	297,210,567	1,349,896,016
Term deposits		151,559,589	552,974,436	704,534,025
Net loans		2,044,652,223	-	2,044,652,223
Accounts receivable		162,463,673	14,771,767	177,235,440
Equity investment		10,756,371	-	10,756,371
Forward contract and other assets		<u>124,795</u>	<u>780,068,325</u>	<u>780,193,120</u>
Total financial assets	G	3,422,242,100	1,645,025,095	5,067,267,195
Deposits	G	2,116,889,309	1,130,418,547	3,247,307,856
Lease liabilities		-	82,585,790	82,585,790
Subordinated notes		-	4,090,455	4,090,455
Other notes payable		-	285,436,358	285,436,358
Other liabilities		<u>1,131,282,816</u>	<u>65,422,546</u>	<u>1,196,705,362</u>
Total financial liabilities	G	3,248,172,125	1,567,953,696	4,816,125,821
Long position	G	174,069,975	77,071,399	251,141,374

Based on the foreign exchange position as of September 30, 2021, 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 791,354 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, 2020, the Group maintained the following positions:

		Gourdes	US Dollars (equivalent in gourdes)	Total
Cash and cash equivalents	G	672,463,979	203,505,809	875,969,788
Term deposits		-	528,873,439	528,873,439
Net loans		1,496,732,530	-	1,496,732,530
Accounts receivable		47,546,853	15,648,166	63,195,019
Note receivable-related parties		-	6,591,930	6,591,930
Equity investment		7,324,920	-	7,324,920
Forward contract and other assets		<u>124,795</u>	<u>461,435,100</u>	<u>461,559,895</u>
Total financial assets	G	<u>2,224,193,077</u>	<u>1,216,054,444</u>	<u>3,440,247,521</u>
Deposits	G	1,713,618,778	754,134,304	2,467,753,082
Lease liabilities		-	59,228,576	59,228,576
Subordinated notes		-	2,768,610	2,768,610
Other notes payable		-	168,961,694	168,961,694
Other liabilities		<u>782,481,548</u>	<u>38,314,591</u>	<u>820,796,139</u>
Total financial liabilities	G	<u>2,496,100,326</u>	<u>1,023,407,775</u>	<u>3,519,508,101</u>
(Short) long position	G	<u>(271,907,249)</u>	<u>192,646,669</u>	<u>(79,260,580)</u>

Based on the foreign exchange position as of September 30, 2020, 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 2,922,462 as the case maybe.

The exchange rates of the US dollars versus the gourde were as follows:

	2021	2020
<u>As of September 30</u>		
US dollar	97.3918	65.9193
<u>Average rate for the year</u>		
US dollar	80.7970	98.5675

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(4) RISK MANAGEMENT (CONTINUED)

C) MARKET RISKS (CONTINUED)

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 45% 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.

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 of at least 15%.

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(5) CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash	G 225,298,979	229,534,079
Deposits in local banks	1,124,594,457	646,433,965
Deposits in foreign banks	<u>2,580</u>	<u>1,744</u>
Total	G 1,349,896,016	875,969,788

The deposits are short-term and do not bear interest except for two overnight deposits in local banks which bear interest at the rate of 0.25% as of September 30, 2021 and 2020.

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

	2021	2020
Cash:		
In Gourdes	G 155,986,800	194,539,987
In US dollars	<u>69,312,179</u>	<u>34,994,092</u>
	<u>225,298,979</u>	<u>229,534,079</u>
Deposits:		
In Gourdes	896,698,649	477,923,992
In US dollars	<u>227,898,388</u>	<u>168,511,717</u>
	G 1,124,597,037	646,435,709
Total	G 1,349,896,016	875,969,788

(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, 2021	Balance	Interest receivable	Total	Interest rate	Maturity date
Banque de l'Union Haïtienne (BUH)	280,686,946	4,863,959	285,550,905	2.50%	January 21, 2022
SOGEBANK	247,476,517	1,592,305	249,068,822	5.75% and 0.25%	November 10, 2021 and January 24, 2022
Banque Nationale de Crédit (BNC)	130,698,567	70,899	130,769,466	0.10%	March 11, 2022
Self Help Credit Union	<u>39,998,673</u>	<u>-</u>	<u>39,998,673</u>	1.82% and 0.55%	May 12, 2022 and November 16, 2024
	698,860,703	6,527,163	705,387,866		
Expected credit loss provision (a)			(853,841)		
TOTAL			704,534,025		

As of September 30, 2020	Balance	Interest receivable	Total	Interest rate	Maturity date
Banque de l'Union Haïtienne (BUH)	312,209,834	4,308,121	316,517,955	1.30% and 2.50%	November 19 and 24, 2020, Dec. 15, 2020 and October 21, 2021
Banque Nationale de Crédit (BNC)	186,752,086	855,264	187,607,350	1.25% and 2.00%	November 9, 2020 and March 16, 2021
Self Help Credit Union	<u>26,746,957</u>	<u>-</u>	<u>26,746,957</u>	1.82%	May 12, 2022 and Nov. 16, 2024
	525,708,877	5,163,385	530,872,262		
Expected credit loss provision (a)			(1,998,823)		
TOTAL			528,873,439		

As of September 30, 2021 and 2020, the term deposits at BUH and BNC are held as collateral on the bank lines of credit (**note 16**).

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(6) TERM DEPOSITS, NET (CONTINUED)

- (a) Expected credit loss provision is calculated at an estimated loss rate of 0.05%. It has evolved as follows:

		2021	2020
Balance at beginning of the year	G	1,998,823	3,888,545
Reversal of the year (note 28)		(2,099,300)	(656,766)
Foreign exchange effect		954,318	<u>(1,232,956)</u>
	G	853,841	1,998,823

(7) LOANS

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

		2021	2020
Solidarity groups (a)	G	876,086,000	681,002,587
Business development		707,594,514	520,386,743
SME portfolio (b)		485,367,756	<u>313,981,232</u>
	G	2,069,048,270	1,515,370,562
Prepayment on loans		(16,850,176)	<u>(10,262,129)</u>
		2,052,198,094	<u>1,505,108,433</u>
Interest receivable		72,599,274	<u>50,973,331</u>
		2,124,797,368	1,556,081,764
Expected credit loss provision		(80,145,145)	<u>(59,349,234)</u>
Total	G	2,044,652,223	1,496,732,530

- (a) Solidarity groups include Ti Kredi loans (loans in amounts of G 3,000 for 3 months in 2021 and in 2020) for an amount of G 479,379 and G 2,181,240 as of September 30, 2021 and 2020, respectively.

Included in the loan portfolio are defaulted loans as follows:

		2021	2020
Solidarity groups	G	13,136,443	8,759,519
Business development		9,804,345	7,611,845
SME portfolio		3,639,480	<u>2,627,443</u>
Total	G	26,580,268	18,998,807

- (b) Qualified SME portfolio loans superior to \$US 10,000 are risk-secured up to 60% under the terms of a risk sharing facility agreement between SFF and the Inter American Investment Corporation (note 20 a).

(Continued)

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Notes to Consolidated Financial Statements

(7) LOANS (CONTINUED)

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. The profile of the portfolio based on this analysis as of September 30, 2021, and corresponding expected credit loss provision on loans and interest receivable, net of cash collateral, and prepayment is as follows:

September 30, 2021		Solidarity groups	Business development	SME portfolio	Total
Current, net of cash collateral	G	712,151,277	557,106,582	448,628,281	1,717,886,140
Cash collateral (a)		92,143,348	97,654,567	1,290,000	191,087,915
Interest receivable		31,258,185	19,918,418	12,729,533	63,906,136
Prepayment		<u>(5,334,719)</u>	<u>(8,388,768)</u>	<u>(3,126,689)</u>	<u>(16,850,176)</u>
Total current	G	830,218,091	666,290,799	459,521,125	1,956,030,015

Loans in arrears, net of cash collateral, interest receivable and prepayment and IDB invest guarantee:

1-30 days	G	44,566,588	29,178,745	28,885,616	102,630,949
31-60 days		9,458,575	5,837,769	3,477,530	18,773,874
61-90 days		2,880,591	2,229,881	253,941	5,364,413
91-180 days		6,585,422	8,003,167	1,875,184	16,463,773
More than 180 days		2,135,665	794,714	1,825,109	4,755,488
Cash collateral (a)		<u>10,607,228</u>	<u>10,171,628</u>	<u>-</u>	<u>20,778,856</u>
Total loans in arrears		76,234,069	56,215,904	36,317,380	168,767,353
Total loans	G	906,452,160	722,506,703	495,838,505	2,124,797,368

- (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, 2020		Solidarity groups	Business development	SME portfolio	Total
Current, net of cash collateral	G	575,964,516	419,898,874	298,578,441	1,294,441,831
Cash collateral (a)		71,488,156	67,368,026	-	138,856,182
Interest receivable		25,636,049	13,668,033	7,653,864	46,957,946
Prepayment		<u>(3,969,680)</u>	<u>(4,049,955)</u>	<u>(2,242,494)</u>	<u>(10,262,129)</u>
Total current	G	669,119,041	496,884,978	303,989,811	1,469,993,830

Loans in arrears, net of cash collateral, interest receivable and prepayment and IDB Invest guarantee:

1-30 days	G	18,501,083	17,859,503	9,372,097	45,732,683
31-60 days		2,328,763	2,055,795	3,216,938	7,601,496
61-90 days		1,540,928	1,420,542	454,323	3,415,793
91-180 days		6,875,101	5,655,467	2,012,957	14,543,525
More than 180 days		692,248	1,050,494	669,405	2,412,147
Cash collateral (a)		<u>5,329,136</u>	<u>7,051,394</u>	<u>1,760</u>	<u>12,382,290</u>
Total loans in arrears		35,267,259	35,093,195	15,727,480	86,087,934
Total loans	G	704,386,300	531,978,173	319,717,291	1,556,081,764

(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.

The balance of restructured loans amount to G 407,958 and G 22,733,608 at September 30, 2021 and 2020.

The average return on the portfolio was 58% and 55% for 2021 and 2020, respectively.

(Continued)

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Notes to Consolidated Financial Statements

(7) LOANS (CONTINUED)

The **expected credit loss provision** on the total portfolio has evolved as follows:

	Solidarity groups	SME portfolio	Business development	Total
Balance as of September 30, 2019	G 26,615,777	4,499,493	14,672,505	45,787,775
Provision for credit losses (note 28)	18,450,356	13,936,770	29,271,031	61,658,157
IDB Invest share of write-offs (a) (note 20)	-	8,188,034	-	8,188,034
Write-offs	<u>(18,935,622)</u>	<u>(15,935,336)</u>	<u>(21,413,774)</u>	(56,284,732)
Balance as of September 30, 2020	G 26,130,511	10,688,961	22,529,762	59,349,234
Provision for credit losses (note 28)	23,830,395	9,534,206	24,783,040	58,147,641
IDB Invest share of write-offs (a) (note 20)	-	3,211,281	-	3,211,281
Write-offs	<u>(14,530,795)</u>	<u>(6,681,796)</u>	<u>(19,350,420)</u>	(40,563,011)
Balance as of September 30, 2021	G 35,430,111	16,752,652	27,962,382	80,145,145

Recoveries of loans previously written off were G 11,945,761 and G 9,140,583 in 2021 and 2020, respectively. Recoveries are included in other operating income in the consolidated statement of income.

- (a) According to the "Facility Agreement" signed between SFF and IDB Invest, in the event of default of eligible sub-loans, 60% of the credit loss is assumed by IDB Invest. As of September 30, 2021 and 2020 the balance receivable on write-off pending confirmation of coverage by IDB Invest is reflected in accounts receivable, net (note 8).

(8) ACCOUNTS RECEIVABLE, NET

Accounts receivable are composed of the following:

	2021	2020
Receivable from Unigestion Holding S.A. (a) (note 27)	G 103,302,856	30,327,263
Commission on payroll services	34,360,069	-
Transfers receivable from agents	25,613,205	7,655,910
Receivable – The Foundation (note 27)	2,276,168	6,626,333
Receivable from IDB Invest (notes 7 and 20)	1,014,032	8,188,034
Dividends receivable – SNI Minoterie S.A.	634,021	367,830
Receivable – Fonkoze USA (note 27)	676,413	193,489
Others	<u>13,226,625</u>	<u>12,307,395</u>
Total	G 181,103,389	65,666,254
Expected credit loss provision (b)	<u>(3,867,949)</u>	<u>(2,471,235)</u>
	G 177,235,440	63,195,019

- (a) Represents transfers paid through the branches on behalf of a related party (Digicel Mon Cash).

(Continued)

FONKOZE S.A.
Notes to Consolidated Financial Statements

(8) ACCOUNTS RECEIVABLE, NET (CONTINUED)

- (b) Expected credit loss provision is calculated on accounts receivable at an estimated loss rate of 1%. It has evolved as follows:

		2021	2020
Balance at beginning of the year	G	2,471,235	434,549
Provision for credit losses (note 28)		1,157,708	2,045,534
Foreign exchange effect		<u>239,006</u>	<u>(8,848)</u>
	G	<u>3,867,949</u>	2,471,235

(9) PREPAID EXPENSES AND SUPPLIES

Prepaid expenses and supplies are composed of the following:

		2021	2020
Prepaid employee benefits (a)	G	23,830,132	19,757,458
Prepaid expenses		13,962,743	18,731,174
Supplies		13,283,664	20,688,295
Advances to suppliers		<u>7,347,872</u>	<u>5,418,240</u>
Total	G	<u>58,424,411</u>	64,595,167

- (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 sales transactions in 2018 and 2019 of the same instruments and is established as follows:

		2021	2020
Cost	G	4,174,334	4,174,334
Fair value adjustments (a)		3,694,643	3,760,400
Foreign exchange revaluation		<u>2,887,394</u>	<u>(609,814)</u>
	G	<u>10,756,371</u>	7,324,920

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:

2021	G	(65,757)
2020		112,980
2019		663,067
2018		<u>2,984,353</u>
	G	<u>3,694,643</u>

(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			Disposals and	Balance
		09/30/20	Acquisitions	Transfer	adjustments	09/30/21
Land	G	21,085,604	-	-	-	21,085,604
Buildings		201,211,612	-	-	-	201,211,612
Vehicles		44,316,591	3,684,526	(189,833)	(3,737,544)	44,073,740
Electrical equipment		62,494,203	14,323,726	189,833	(2,067,039)	74,940,723
Leasehold improvements		51,520,371	9,931,064	-	(2,668,502)	58,782,933
Computer equipment		56,714,976	10,834,885	11,221,762	(579,928)	78,191,695
Furniture and equipment		27,575,926	8,573,741	-	(204,994)	35,944,673
Software and others		35,504,268	24,760,473	5,655,585	-	65,920,326
Investments in progress		<u>62,090,498</u>	<u>39,461,547</u>	<u>(16,877,347)</u>	<u>(2,381,456)</u>	<u>82,293,242</u>
	G	562,514,049	111,569,962	-	(11,639,463)	662,444,548

During the year, accumulated depreciation has evolved as follows:

Accumulated depreciation

		Balance				Balance
		09/30/20	Depreciation	Transfer	Disposals	09/30/21
Buildings	G	-	4,446,089	-	-	4,446,089
Vehicles		33,602,409	5,653,215	(21,042)	(2,684,060)	36,550,522
Electrical equipment		37,163,911	12,351,727	41,042	(2,013,463)	47,543,217
Leasehold improvements		29,815,849	9,411,681	-	(2,103,313)	37,124,217
Computer equipment		36,545,505	12,018,561	-	(214,205)	48,349,861
Furniture and equipment		15,890,067	4,533,421	-	(54,665)	20,368,823
Software and others		<u>33,575,315</u>	<u>5,170,457</u>	<u>(20,000)</u>	<u>-</u>	<u>38,725,772</u>
	G	186,593,056	53,585,151	-	(7,069,706)	233,108,501
Fixed assets, net	G	375,920,993				429,336,047

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FONKOZE S.A.
Notes to Consolidated Financial Statements

(11) FIXED ASSETS (CONTINUED)

At the end of the year 2020 and 2016 respectively, in conformity with the alternative option allowed under IAS 16, The Group updated the appraisals of its land and buildings. Land and buildings are forth 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:

		2020	2019	Cumulative
Land – revaluation surplus	G	5,978,546	2,830,510	8,809,056
Land – revaluation impairment		(119,785)	(7,402,874)	(7,522,659)
Transfer from land to buildings		<u>-</u>	<u>(1,031,561)</u>	<u>(1,031,561)</u>
Net revaluation of land		5,858,761	(5,603,925)	254,836
Buildings – revaluation surplus		<u>55,355,849</u>	<u>68,560,968</u>	<u>123,916,817</u>
	G	61,214,610	62,957,043	124,171,653

The revaluation surplus from buildings include the following components:

Gross cost adjustment	G	42,769,969
Reversal of depreciation at time of valuation		<u>12,585,880</u>
	G	<u>55,355,849</u>

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 have been as follows:

Cost

		2021	2020
Land	G	<u>20,830,775</u>	<u>20,830,775</u>
Buildings		94,800,462	94,800,462
Accumulated depreciation		<u>(18,090,596)</u>	<u>(16,061,927)</u>
		76,709,866	78,738,535
Net cost	G	97,540,641	99,569,310

(12) NOTES RECEIVABLE – RELATED PARTIES

At September 30, 2016, SFF had a note receivable from Fonkoze USA which is fully repaid in 2021.

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FONKOZE S.A.
Notes to Consolidated Financial Statements

(12) NOTES RECEIVABLE – RELATED PARTIES (CONTINUED)

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

	Face amount	Financing discount	Net present value	
			2020	2021
Fonkoze USA (note 27)	26,214,720	4,508,101	6,591,930	-
Less current portion			<u>6,591,930</u>	<u>-</u>
Non-current portion			-	-

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

No impairment was deemed necessary as of September 30, 2020 since the balance was reimbursed subsequently.

Expected credit loss has evolved as follows:

		2021	2020
Balance at beginning of the year	G	-	179,719
Reversal of provision for credit losses (note 28)		-	(126,955)
Foreign exchange effect		<u>-</u>	<u>(52,764)</u>
	G	-	-

(13) INVESTMENT PROPERTY

In accordance with IAS 40, and during the fiscal year ended September 30, 2020, the Company transferred a property held for sale formerly presented in other assets to investment property at fair value. Based on appraisals reports, its fair value is estimated as of September 30, 2020 at G 19,440,665. In September 2021 a buyer made a down payment to acquire the property. The sale has been finalized subsequently.

		Cost	Fair value adjustment	Total
Land	G	3,152,779	1,613,427	4,766,206
Building		<u>9,706,951</u>	<u>4,967,508</u>	<u>14,674,459</u>
Total		12,859,730	6,580,935	19,440,665

(Continued)

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(14) FORWARD CONTRACT, INTANGIBLE AND OTHER ASSETS

Other assets

Other assets are composed of the following:

		2021	2020
Account receivable on a foreign			
currency forward contract (a)	G	780,068,325	461,435,100
Intangible asset - Brand (b)		17,352,000	-
Deferred tax – IFRS 16 (note 19)		470,466	-
Guarantee deposits		124,795	124,795
Tax benefit		-	3,441,608
Other		-	216,333
	G	<u>798,015,586</u>	<u>465,217,836</u>

(a) As of September 30, 2021 and 2020, this amount is the equivalent of US\$ 8,009,583 and US\$ 7,000,000 respectively provided by SFF based on the terms of two currency swap contracts with BRH as follows:

- US\$ 5,000,000 at the rate of G 64 for US\$ 1 from June 22, 2017, as last amended. The amount was increased to US\$ 6,009,589 through June 22, 2022 at the rate of G 92.3524 for US\$ 1.
- US\$ 2,000,000 at the rate of G 64 for US\$ 1 with effective date as December 21, 2017 and maturity of December 21, 2021 and rate of 71.3336 as last amended in December 2020. At maturity on December 2021 the contract was extended to December 21st 2022 at the rate of G 100.89 for US\$.

The foreign currency forward contracts are subject to a rate of interest of 1%, payable to BRH on a yearly basis during the period of the agreement.

The US dollar receivable from BRH and SFF's liabilities are reflected as follows:

	<u>US\$ dollar provided by SFF</u>		<u>Gourdes liability to BRH (note 20)</u>	
	2021	2020	2021	2020
US\$	6,009,589	5,000,000	555,000,000	555,000,000
	<u>2,000,000</u>	<u>2,000,000</u>	<u>142,667,200</u>	<u>128,000,000</u>
US\$	8,009,589	7,000,000	697,667,200	683,000,000

As of September 30, the amounts receivable are translated at the exchange rate in effect at year end.

The foreign currency forward contracts are subject to a rate of interest of 1%, payable to BRH on a yearly basis during the period of the agreement.

(Continued)

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(14) FORWARD CONTRACT, INTANGIBLE AND OTHER ASSETS (CONTINUED)

- (b) In 2021 and, based on an agreement signed between the Company and the Foundation, SFF acquired the right to the exclusive use of the FONKOZE brand which originally was developed by the Foundation. This transaction was concluded based on an assessment of Brand Value conducted by an independent appraiser whose report issued on November 30, 2021 estimated the brand value at ranges from G 17,352,000 to G 23,150,000. Management has opted to use the most conservative valuation of G 17,352,000 based on the most relevant income-based approach asset. SFF acquired this brand in full settlement of a debt of the Foundation toward the Company of G 112,728,753 which was fully provisioned in 2015.

The counterpart of the brand asset is recorded in the income statement as recovery of previously written-off loans and receivable. The balance of G 95.3 million has been written-off.

(15) DEPOSITS

Deposits consist of the following:

	2021	2020
Savings accounts:		
In Gourdes	G 1,880,618,290	1,536,335,426
In US dollars	<u>1,115,815,523</u>	<u>704,288,039</u>
	<u>2,996,433,813</u>	<u>2,240,623,465</u>
Term deposits:		
In Gourdes	236,271,019	177,283,352
In US dollars	<u>14,603,024</u>	<u>49,846,265</u>
	<u>250,874,043</u>	<u>227,129,617</u>
Total deposits	G 3,247,307,856	2,467,753,082

Average interest rates on deposits are as follows:

	2021	2020
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%

(Continued)

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(15) DEPOSITS (CONTINUED)

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

Deposits from related parties as of September 30, 2021 and 2020 were G 102,426,687 and G 63,949,806 respectively (**note 27**).

(16) BANK LINES OF CREDIT

The entity maintains lines of credit with two banks: BUH for G 300M and BNC for G 120M. there were no drawings as of September 30, 2021 and 2020. The bank lines of credit are guaranteed by term deposits pledged as collateral (**note 6**).

	2021	2020
Banque de l'Union Haïtienne (BUH) line of credit of G 300,000,000	G -	-
Interest rate on drawings	14%	15%
Banque Nationale de Crédit (BNC) line of credit of G 120,000,000	-	-
Interest rate on drawings	15%	15%

(17) SUBORDINATED NOTES

Subordinated notes payable consist of notes due to an organization with balance of US\$ 42,000, (as of September 30, 2021 and 2020, 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:

	2021	2020
Subordinated notes	G 4,090,455	2,768,610
Less current portion	<u>(4,090,455)</u>	<u>(2,768,610)</u>
Non-current portion	G -	-

These subordinated notes were held by a shareholder of SFF (**note 27**).

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(18) OTHER NOTES PAYABLE

Other notes payable in US dollars consist of the following:

	2021	2020
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 15, 2021 to February 27, 2028 (a)	G 266,615,380	156,222,781
Notes payable to investors living abroad with interest at fixed annual percentage rates from up to 3% and maturities between October 2, 2021 and July 16, 2024 (b)	<u>18,820,978</u>	<u>12,738,913</u>
Total notes payable	285,436,358	168,961,694
Less current portion	<u>(143,853,029)</u>	<u>(86,720,775)</u>
	G 141,583,329	82,240,919

- 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 equivalent to G 2,203,706 and G 2,484,784 in 2021 and 2020, 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, equivalent to G 157,095 and G 191,248 in 2021 and 2020, respectively.
- c) Loan-administrative fees in relation to the notes payable mentioned above total G 2,360,801 and G 2,676,032 in 2021 and 2020 respectively (**note 27**).

The maturity of the notes payable as of September 30, 2021 are as follows:

2022	G	143,853,029
2023		73,603,853
2024		18,309,658
2025		34,087,130
2026		<u>15,582,688</u>
	G	<u>285,436,358</u>

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(19) RIGHT-OF-USE ASSETS, NET /LEASE LIABILITIES

Right-of-use assets, net

The assets mainly include the Company's leased space for its branch network.

The right-of-use assets have evolved as follows:

Balance at October 1, 2019	G	105,505,619
Additions		-
Balance as of September 30, 2020	G	105,505,619
Addition of 2021		19,285,415
Contract termination of 2021		<u>(3,339,906)</u>
Net effect of the year		15,945,509
Balance as of September 30, 2021	G	121,451,128
<u>Accumulated amortization</u>		
Balance at October 1, 2019	G	-
Amortization		14,798,409
Balance as of September 30, 2020	G	14,798,409
Amortization of 2021		16,223,289
Contract termination of 2021		<u>(985,348)</u>
Balance as of September 30, 2021		30,036,350
Right-of-use assets, net, as of September 30, 2020	G	90,707,210
Right-of-use assets, net, as of September 30, 2021		91,414,778

Pursuant to the adoption of IFRS 16 of October 1, 2019, the Company recognized a right-of-use asset, which is depreciated, and a corresponding lease liability for all leases with a maturity greater than one year (except leases with a value less than US\$ 5,000).

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FONKOZE S.A.
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(19) RIGHT-OF-USE ASSETS, NET /LEASE LIABILITIES (CONTINUED)

Lease liabilities

Lease liabilities are in US dollars and have evolved as follows:

		US dollars equivalent in gourdes
Balance at Octobe1, 2019	G	96,854,302
Interest on lease liabilities		918,756
Lease payments		(9,190,066)
Foreign exchange effect		(29,354,416)
Balance as of September 30, 2020	G	59,228,576
Additions of 2021	G	10,613,005
Interest on lease liabilities		2,428,248
Lease payments		(16,307,792)
Contract termination		(2,285,519)
Foreign exchange effect		<u>28,909,272</u>
Net effect of the year		23,357,214
Balance as of September 30, 2021	G	82,585,790
Less current portion		(15,705,591)
	G	66,880,199

Undiscounted payments due under lease liabilities are as follows:

		US dollars equivalent in gourdes
Less than a year	G	17,227,538
Between 1 and 2 years		18,269,630
Between 2 and 5 years		66,871,547
More than 5 years		12,157,808
Total	G	114,526,523

Lease charges in conformity to application of IFRS 16 are reflected in the consolidated statement of income as follows:

		2021	2020
Interest on lease liabilities	G	2,428,248	918,756
Amortization of right-of-use as		<u>16,223,289</u>	<u>14,798,409</u>
Total	G	18,651,537	15,717,165

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(19) RIGHT-OF-USE ASSETS, NET /LEASE LIABILITIES (CONTINUED)

Fiscal charges differ from lease charges as follows:

		2021	2020
Lease charges	G	18,651,537	15,717,165
Fiscal charges		<u>17,083,317</u>	<u>15,686,683</u>
Amount to add back		<u>1,568,220</u>	<u>30,482</u>
Fiscal impact (notes 14 and 21)	G	470,466	9,145

(20) OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities consist of the following:

		2021	2020
Branch services payable	G	279,423,084	82,500
Income tax payable		80,851,851	-
Transfers payable to customers		25,086,996	12,451,958
Salaries payable		19,569,148	15,007,605
Taxes payable		18,000,357	19,803,143
Payable to Fonkoze USA (note 27)		12,915,776	8,500,271
Interests payable		9,646,286	12,735,787
Prepayment on sale of property investment		8,765,262	-
Prepayment on loans (i)		-	2,122,025
Deferred income		-	462,642
Payable to the Foundation (note 27)		-	78,488
Others		<u>39,928,635</u>	<u>25,301,565</u>
	G	494,187,395	96,545,984

(i) Represent surplus of prepayment on paid-off loans from SFF's customers which are not currently in the loan portfolio. These amounts remain in liability until a new loan is granted to the customer.

Other non-current liabilities are as follows:

		2021	2020
Foreign currency forward contracts-BRH (note 14)	G	697,667,200	683,000,000
IDB invest "Facility Agreement" (a)		102,729,057	60,856,747
Deferred income tax (b)		34,607,278	35,332,504
Deposits of guarantee		<u>973,918</u>	<u>659,193</u>
	G	835,977,453	779,848,444

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

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

- (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 equivalent to US\$ 1,054,802 and US\$ 923,201 as of September 30, 2021 and 2020 respectively is equivalent to the total balance of eligible sub-loans disbursed in this category (outstanding utilization). The principal is repaid over the term of the agreement in installments upon repayment of the sub-loans in the currency in which the specific sub-loans were disbursed. As of September 30, 2021, and 2020 respectively, 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. As of September 30, 2021, and 2020 sub-loans as of September 30, 2021 and 2020 are classified as follows:

		2021	2020
Current	G	39,394,800	156,590,591
1-30 days		3,323,729	5,452,227
31-60 days		-	1,885,928
91-180 days		1,847,768	1,174,823
More than 181 days		<u>1,791,712</u>	<u>350,399</u>
	G	46,358,009	165,453,968

Disbursements under the facility agreement in US dollars bear interest at 6.5% and disbursements in Haitian gourdes bear interest at 10%.

As of September 30, 2021 and 2020, all loans were disbursed in gourdes.

The liability has evolved as follows:

		2021	2020
Balance at beginning of year	G	60,856,747	50,770,096
Disbursements of IDB Invest for qualified loans the year		116,974,075	82,296,306
Capital repayment of the year		<u>(75,101,765)</u>	<u>(72,209,655)</u>
Balance at end of the year	G	102,729,057	60,856,747

The amount of write-off in 2021 and 2020 amount to G 3,211,281 and G 8,188,034 respectively (**note 8**).

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

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

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

i) 30% withholding tax on land and buildings revalued (**note 11**) and is justified as follows:

		Cost	Deferred Income tax	Revaluation reserve (net)
At September 30, 2019				
Revaluation surplus land	G	2,830,510	849,153	1,981,357
Revaluation surplus buildings, gross depreciation of reserve		<u>67,529,408</u>	<u>20,258,822</u>	<u>47,270,586</u>
		<u>70,359,918</u>	<u>21,107,975</u>	<u>49,251,943</u>
Addition - September 30, 2020				
Revaluation surplus land		5,978,546	1,793,563	4,184,983
Revaluation surplus buildings, gross depreciation of reserve		<u>55,355,849</u>	<u>12,830,991</u>	<u>42,524,858</u>
		<u>61,334,395</u>	<u>14,624,554</u>	<u>46,709,841</u>
Accumulated balance at September 30, 2020				
Revaluation surplus land		8,809,056	2,642,716	6,166,340
Revaluation surplus buildings, gross depreciation of reserve		<u>122,885,257</u>	<u>33,089,813</u>	<u>89,795,444</u>
		<u>131,694,313</u>	<u>35,732,529</u>	<u>95,961,784</u>
Depreciation		-	<u>(2,020,557)</u>	<u>(6,735,188)</u>
		<u>131,694,313</u>	<u>33,711,972</u>	<u>89,226,596</u>
Deferred income tax – equity investment (ii)		-	<u>895,306</u>	-
Total	G	<u>131,694,313</u>	<u>34,607,278</u>	<u>89,226,596</u>

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**).

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(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:

	2021	2020
Net profit (loss) before income tax (tax credit)	G 413,324,742	(12,581,954)
Current income tax (tax credit) based on enacted tax rate 30%	123,997,423	(3,774,586)
<i>Effect of elements not considered in the tax basis:</i>		
Notes receivable write-off – Foundation (a)	(28,613,027)	-
Transfer to legal reserve	(13,428)	-
	95,370,968	(3,774,586)
Other (CFGDCT and value added taxes)	3,296,626	9,145
Total income taxes (tax credit)	G 98,667,594	(3,765,441)

(a) The Company has taken benefit in its tax return of the net amount written-off in connection of a receivable fully provisioned in 2016 but not claimed as charged for fiscal purposes at the time.

Income tax expense is comprised of the following:

	2021	2020
Current income tax (tax credit)	G 98,412,834	(4,080,129)
Deferred income taxes	254,760	314,688
	G 98,667,594	(3,765,441)

Deferred income taxes are established as follows:

	2021	2020
Deferred income tax on revaluation surplus buildings	G 725,226	323,833
Deferred income tax on application of IFRS 16 (note 19)	(470,466)	(9,145)
	G 254,760	314,688

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(22) PERSONNEL EXPENSES

Personnel expenses are as follows:

	2021	2020
Salaries	G 323,574,999	296,146,981
Bonus and commissions	173,716,721	139,626,871
Employer payroll taxes	34,797,452	35,836,910
Employee retirement savings contributions	6,355,213	6,155,977
Others	<u>17,136,606</u>	<u>12,266,025</u>
Total	G 555,580,991	490,032,764

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:

<u>Employee age</u>	<u>% of salary withheld</u>
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:

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

The Group's retirement expenses for matching funds under this program were G 6,355,213 and G 6,155,977 for 2021 and 2020, respectively. These funds are invested with the Association of Specialists in Microfinance (ASMF) who manages the program.

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(23) CAPITAL STOCK

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

	2021	2020
AUTHORIZED CAPITAL		
Common shares – par value of G 25: 16,548,067 in 2021 and 2020	G 413,701,675	<u>413,701,675</u>
UNPAID CAPITAL		
6,959,146 common shares in 2021 and 2020	(173,978,650)	<u>(173,978,650)</u>
PAID-IN CAPITAL		
9,588,921 common shares at par value of G 25 in 2021 and 2020	239,723,025	239,723,025
CAPITAL STOCK, NET	G 239,723,025	239,723,025

(24) GRANTS

Grants were received by SFF from the following entities:

	2021	2020
Fonkoze – USA (note 27)	G 12,796,308	-
HIFIVE and the Foundation - amortization of deferred income	462,643	1,850,569
Spurlino Foundation	-	2,318,543
OIKOCREDIT	-	408,478
Andrew Grene Foundation	-	<u>395,516</u>
	G 13,258,951	4,973,106

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(25) OTHER EXPENSES

Other expenses are as follows:

	2021	2020
Maintenance and repairs	G 55,713,182	60,933,570
Professional services	37,427,713	36,664,173
Travel and expenses	33,295,943	27,362,857
Transportation	24,346,893	26,724,421
Fuel and lubricants	16,993,019	16,405,433
Office supplies	13,652,025	13,016,781
Rental	8,556,382	2,847,320
Printing	8,023,297	7,311,063
Communications	6,473,100	7,327,937
Earthquake related charges	5,976,004	-
Administration costs	5,633,282	2,874,989
Miscellaneous losses	3,209,800	3,704,686
Bank fees	1,641,127	2,556,810
Property taxes	429,780	429,780
Others	<u>16,760,754</u>	<u>16,208,152</u>
	G 238,132,301	224,367,972

(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:

	2021	2020
Professional assistance and rental services to The Foundation	G 25,716,755	15,913,148
AKSYON project with The Foundation (a)	11,949,885	23,797,554
Use of space in SFF branches by the Foundation	<u>4,758,447</u>	<u>5,426,744</u>
Total (note 27)	42,425,087	45,137,446
Others	<u>-</u>	<u>1,999,591</u>
	G 42,425,087	47,137,037

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(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 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. 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. The program came to terms in 2021. SFF recognized US\$ 136,600 and US\$ 241,472 for the years ended September 30, 2021 and 2020 respectively.

Revenue is recognized as earned upon submission of deliverables.

(27) RELATED PARTIES

The parties disclosed below are related parties to Fonkoze, S.A. and its subsidiary Sèvis Finansye Fonkoze, S.A. because they share common Management or are shareholders of SFF or Fonkoze S.A. with whom significant transactions are made. They are as follows:

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

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(27) RELATED PARTIES (CONTINUED)

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

	Notes		2021	2020
Assets				
Notes Receivable – Related Parties				
Fonkoze USA	12	G	-	<u>6,591,930</u>
Accounts receivable				
The Foundation	8		2,276,168	6,626,333
Unigestion Holding S.A.		G	103,302,856	30,327,263
Fonkoze USA			<u>676,413</u>	<u>193,489</u>
Total assets		G	<u>106,255,437</u>	<u>43,739,015</u>
Liabilities				
<i>Deposits:</i>				
The Foundation	15	G	101,875,301	63,576,777
Fonkoze USA			<u>551,386</u>	<u>373,029</u>
			<u>102,426,687</u>	<u>63,949,806</u>
Notes payable - Fonkoze USA	18		<u>266,615,380</u>	<u>156,222,781</u>
Subordinated notes - Other shareholders	17		<u>4,090,455</u>	<u>2,768,610</u>
Other current liabilities				
Fonkoze USA	20		12,915,776	8,500,271
The Foundation			-	<u>78,488</u>
Total liabilities		G	<u>386,048,298</u>	<u>231,519,956</u>
Revenue				
<i>Grants:</i>				
Fonkoze USA	24	G	<u>12,796,308</u>	-
Unigestion Holding S.A. – Other operating income			<u>13,272,546</u>	<u>12,034,948</u>
Other non-operating revenue:				
The Foundation	26		<u>42,425,087</u>	<u>45,137,446</u>
Total revenues		G	<u>68,493,941</u>	<u>57,172,394</u>

(Continued)

FONKOZE S.A.
Notes Consolidated to Financial Statements

(27) RELATED PARTIES (CONTINUED)

Note	2021	2020
Expenses		
The Foundation – other expenses	G <u>1,330,765</u>	<u>2,270,249</u>
Interest expense on debt (notes payable):		
Fonkoze – USA :		
Interest expense	4,098,523	4,829,052
Loan-administrative fees	(18 c) <u>2,360,801</u>	<u>2,676,032</u>
	<u>6,459,324</u>	7,505,084
Total expenses	G <u>7,790,089</u>	<u>9,775,333</u>

(28) PROVISION FOR CREDIT LOSSES

The provision for credit losses by financial asset category is as follows:

	2021	2020
Term deposits, net (note 6)	G (2,099,300)	(656,766)
Loans (note 7)	58,147,641	61,658,157
Accounts receivable (note 8)	1,157,708	2,045,534
Notes receivable – related parties (note 12)	<u>-</u>	<u>(126,955)</u>
	G <u>57,206,049</u>	<u>62,919,970</u>

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2021 and 2020
(Expressed in Haitian Gourdes)

	Sevis finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassification/ elimination	2021 Consolidated	2020 Consolidated
CURRENT ASSETS					
Cash and cash equivalent	G 1,349,896,016	-	-	1,349,896,016	875,969,788
Term deposits	704,534,025	-	-	704,534,025	528,873,439
Loans and interest receivable	2,124,797,368	-	-	2,124,797,368	1,556,081,764
Expected credit loss provisions	<u>(80,145,145)</u>	<u>-</u>	<u>-</u>	<u>(80,145,145)</u>	<u>(59,349,234)</u>
Net loans	2,044,652,223	-	-	2,044,652,223	1,496,732,530
OTHER CURRENT ASSETS					
Account receivable, net	231,989,356	16,820,699	(71,574,615)	177,235,440	63,195,019
Prepaid expenses and supplies	58,424,411	-	-	58,424,411	64,595,167
Notes receivable – related parties current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,591,930</u>
	290,413,767	16,820,699	(71,574,615)	235,659,851	134,382,116
Total current assets	4,389,496,031	16,820,699	(71,574,615)	4,334,742,115	3,035,957,873
NON-CURRENT ASSETS					
Equity investments	10,756,371	586,516,122	(586,516,122)	10,756,371	7,324,920
Fixed assets, at cost	662,444,548	-	-	662,444,548	562,514,049
Accumulated depreciation	<u>(233,108,501)</u>	<u>-</u>	<u>-</u>	<u>(233,108,501)</u>	<u>(186,593,056)</u>
Fixed assets, net	429,336,047	-	-	429,336,047	375,920,993
Right-of-use assets, net	91,414,778	-	-	91,414,778	90,707,210
Investment property	19,440,665	-	-	19,440,665	19,440,665
Forward contract, intangible and other assets	798,015,586	-	-	798,015,586	465,217,836
TOTAL ASSETS	5,738,459,478	603,336,821	(658,090,737)	5,683,705,562	3,994,569,497

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2021 and 2020
(Expressed in Haïtian Gourdes)

	Sevis finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassification/ elimination	2021 Consolidated	2020 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT-liabilities					
Deposits	G 3,247,307,856	-	-	3,247,307,856	2,467,753,082
Bank lines of credit	-	-	-	-	-
Subordinated notes	-	4,090,455	-	4,090,455	2,768,610
Other notes payable	143,853,029	-	-	143,853,029	86,720,775
Lease liabilities-current portion	15,705,591	-	-	15,705,591	9,482,661
Other current liabilities	510,065,705	54,060,124	(69,938,434)	494,187,395	96,545,984
Total current liabilities	3,916,932,181	58,150,579	(69,938,434)	3,905,144,326	2,663,271,112
NON-CURRENT LIABILITIES					
Other notes payable	141,583,329	-	-	141,583,329	82,240,919
Lease liabilities	66,880,199	-	-	66,880,199	49,745,915
Other non-current liabilities	835,977,453	1,636,181	(1,636,181)	835,977,453	779,848,444
Total non-current liabilities	1,044,440,981	1,636,181	(1,636,181)	1,044,440,981	911,835,278
TOTAL LIABILITIES	G 4,961,373,162	59,786,760	(71,574,615)	4,949,585,307	3,575,106,390
SHAREHOLDERS' EQUITY					
Capital stock:					
Common shares	87,910,800	239,644,875	(87,832,650)	239,723,025	239,723,025
Additional paid-in capital	498,873,862	333,244,730	(498,683,472)	333,435,120	333,435,120
Retained earnings (accumulated deficit)	54,311,617	(29,339,544)	-	24,972,073	(292,057,736)
Legal reserve	43,955,400	-	-	43,955,400	43,910,641
Revaluation reserve land and buildings	89,226,556	-	-	89,226,556	91,644,016
Accumulated other comprehensive income	2,808,041	-	-	2,808,041	2,808,041
Total shareholders' equity	777,086,316	543,550,061	(586,516,122)	734,120,255	419,463,107
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	G 5,738,459,478	603,336,821	(658,090,737)	5,683,705,562	3,994,569,497

FONKOZE S.A. and Subsidiary
Consolidated Statements of Income
For the years ended September 30, 2021 and 2020
(Expressed in Haïtian Gourdes)

	Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2021 Consolidated	2020 Consolidated
INTEREST AND OTHER FINANCIAL INCOME					
Loans	G 907,609,131	-	-	907,609,131	653,548,033
Other	9,440,999	-	-	9,440,999	24,807,469
Total interest income	917,050,130	-	-	917,050,130	678,355,502
INTEREST EXPENSES					
Deposits	22,023,860	-	-	22,023,860	19,163,502
Debt (line of credit, notes payable)	27,932,314	204,523	-	28,136,837	37,119,669
Total interest expense	49,956,174	204,523	-	50,160,697	56,283,171
NET INTEREST INCOME (EXPENSE)	867,093,956	(204,523)	-	866,889,433	622,072,331
Provision for credit losses	57,226,814	(20,765)	-	57,206,049	62,919,970
Net interest income (expense) after provision for credit losses	809,867,142	(183,758)	-	809,683,384	559,152,361
OTHER OPERATING INCOME					
Income from foreign exchange-Trading	123,408,302	-	-	123,408,302	133,626,413
Commissions and penalties on loans	136,191,684	-	-	136,191,684	104,193,790
Income from remittance services	32,153,096	-	-	32,153,096	38,849,383
Savings accounts fees	18,718,593	-	-	18,718,593	20,292,117
Recoveries of loans written off	29,297,761	-	-	29,297,761	9,140,583
Fair value-investment property	-	-	-	-	6,580,935
Other	77,231,995	-	-	77,231,995	15,828,712
	417,001,431	-	-	417,001,431	328,511,933
Net interest and other Income (expense)	1,226,868,573	(183,758)	-	1,226,684,815	887,664,294
OPERATING EXPENSES					
Personnel expenses	555,580,991	-	-	555,580,991	490,032,764
Premises and equipment expenses	50,983,649	-	-	50,983,649	55,413,486
Lease charges	18,651,537	-	-	18,651,537	15,717,165
Depreciation	53,585,151	-	-	53,585,151	50,213,762
Other expenses	238,132,301	-	-	238,132,301	224,367,972
Total operating expenses	916,933,629	-	-	916,933,629	835,745,149
PROFIT (LOSS) NET FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES					
	309,934,944	(183,758)	-	309,751,186	51,919,145
OTHER INCOME (EXPENSES)					
Unrealized gain (loss) on foreign exchange	65,447,407	(17,557,889)	-	47,889,518	(116,611,242)
Grants	13,258,951	-	-	13,258,951	4,973,106
Other non-operating income	42,425,087	-	-	42,425,087	47,137,037
Total other income (expenses)	121,131,445	(17,557,889)	-	103,573,556	(64,501,099)
Net operating profit (loss) before income taxes (tax credit)	431,066,389	(17,741,647)	-	413,324,742	(12,581,954)
INCOME TAX (TAX CREDIT)	103,990,088	(5,322,494)	-	98,667,594	(3,765,441)
NET (LOSS) PROFIT	G 327,076,301	(12,419,153)	-	314,657,148	(8,816,513)

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2021 and 2020
(Expressed in US Dollars)

	Sèvis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2021 Consolidated	2020 Consolidated
CURRENT ASSETS					
Cash and cash equivalents	\$ 13,860,469	-	-	13,860,469	13,288,518
Term deposits	7,234,018	-	-	7,234,018	8,023,044
Loans and interest receivable	21,817,005	-	-	21,817,005	23,605,860
Expected credit loss provision	<u>(822,915)</u>	<u>-</u>	<u>-</u>	<u>(822,915)</u>	<u>(900,332)</u>
Net loans	20,994,090	-	-	20,994,090	22,705,528
OTHER CURRENT ASSETS					
Accounts receivable, net	2,382,021	172,712	(734,914)	1,819,819	958,673
Prepaid expenses and supplies	599,890	-	-	599,890	979,913
Notes receivable - related parties current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
	2,981,911	172,712	(734,914)	2,419,709	2,038,586
Total current assets	\$ 45,070,488	172,712	(734,914)	44,508,286	46,055,676
NON-CURRENT ASSETS					
Equity investments	110,444	6,022,233	(6,022,233)	110,444	111,120
Fixed assets, at cost	6,801,851	-	-	6,801,851	8,533,374
Accumulated depreciation	<u>(2,393,513)</u>	<u>-</u>	<u>-</u>	<u>(2,393,513)</u>	<u>(2,830,629)</u>
Fixed assets, net	4,408,338	-	-	4,408,338	5,702,745
Right of use assets, net	938,629	-	-	938,629	1,376,034
Investment property	199,613	-	-	199,613	294,916
Forward contract intangible and other assets	8,193,868	-	-	8,193,868	7,057,385
TOTAL ASSETS	\$ 58,921,380	6,194,945	(6,757,147)	58,359,178	60,597,876

FONKOZE S.A. and Subsidiary
Consolidated Balance Sheets
September 30, 2021 and 2020
(Expressed in US dollars)

	Sèvis Finansye Fonkoze, S.A	Fonkoze S.A.	Reclassifications/ eliminations	2021 Consolidated	2020 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Deposits	\$ 33,342,723	-	-	33,342,723	37,435,972
Bank lines of credit	-	-	-	-	-
Subordinated notes	-	42,000	-	42,000	42,000
Other notes payable	1,477,055	-	-	1,477,055	1,315,560
Lease liabilities- current portion	161,262	-	-	161,262	143,853
Other current liabilities	<u>5,237,255</u>	<u>555,079</u>	<u>(718,114)</u>	<u>5,074,220</u>	<u>1,464,609</u>
TOTAL CURRENT LIABILITIES	40,218,295	597,079	(718,114)	40,097,260	40,401,994
NON-CURRENT LIABILITIES					
Other notes payable	1,453,750	-	-	1,453,750	1,247,600
Lease liabilities	686,713	-	-	686,713	754,649
Other non-current liabilities	<u>8,583,653</u>	<u>16,800</u>	<u>(16,800)</u>	<u>8,583,653</u>	<u>11,830,351</u>
TOTAL NON-CURRENT LIABILITIES	10,724,116	16,800	(16,800)	10,724,116	13,832,600
TOTAL LIABILITIES	\$ 50,942,411	613,879	734,914	50,821,376	54,234,594
SHAREHOLDERS' EQUITY					
Capital stock:					
Common shares	902,651	2,460,627	(901,849)	2,461,429	3,636,613
Additional paid-in capital	5,122,339	3,421,692	(5,120,384)	3,423,647	5,058,232
Retained earnings (accumulated deficit)	557,661	(301,253)	-	256,408	(4,430,534)
Legal reserve	451,325	-	-	451,325	666,127
Revaluation reserve – land and buildings	916,161	-	-	916,161	1,390,246
Accumulated other comprehensive income	28,832	-	-	28,832	42,598
TOTAL SHAREHOLDERS' EQUITY	7,978,969	5,581,066	(6,022,233)	7,537,802	6,363,282
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 59,921,380	6,194,945	(6,757,147)	58,359,178	60,597,876

FONKOZE S.A.
Consolidated Statements of Income
For the years ended September 30, 2021 and 2020
(Expressed in US dollars)

	Sévis Finansye Fonkoze, S.A.	Fonkoze S.A.	Reclassifications/ eliminations	2021 Consolidated	2020 Consolidated
INTEREST AND OTHER FINANCIAL INCOME					
Loans	\$ 11,233,203	-	-	11,233,203	6,630,462
Other	<u>116,848</u>	<u>-</u>	<u>-</u>	<u>116,848</u>	<u>251,680</u>
Total interest income	11,350,051	-	-	11,350,051	6,882,142
INTEREST EXPENSES					
Deposits	272,583	-	-	272,583	194,420
Debt (line of credit, notes payable)	<u>345,710</u>	<u>2,531</u>	<u>-</u>	<u>348,241</u>	<u>376,591</u>
Total interest expense	618,293	2,531	-	620,824	571,011
NET INTEREST INCOME (EXPENSE)	10,731,758	(2,531)	-	10,729,227	6,311,131
Provision for credit losses	708,279	(257)	-	708,022	638,344
Net interest income after provision for credit losses	10,023,479	(2,274)	-	10,021,205	5,672,787
OTHER OPERATING INCOME					
Income from foreign exchange-Trading	1,527,387	-	-	1,527,387	1,355,684
Commissions and penalties on loan	1,685,603	-	-	1,685,603	1,057,081
Income from remittance services	397,949	-	-	397,949	394,140
Savings accounts fees	231,674	-	-	231,674	205,870
Recoveries of loans written off	362,610	-	-	362,610	92,734
Fair value investment property	-	-	-	-	66,766
Other	<u>955,877</u>	<u>-</u>	<u>-</u>	<u>955,877</u>	<u>160,588</u>
	5,161,100	-	-	5,161,100	3,332,863
Net interest and other income (expense)	15,184,579	(2,274)	-	15,182,305	9,005,650
OPERATING EXPENSES					
Personnel expenses	6,876,258	-	-	6,876,258	4,971,545
Premises and equipment expenses	631,009	-	-	631,009	562,188
Lease charges	230,844	-	-	230,844	59,456
Depreciation	663,207	-	-	663,207	509,435
Other expenses	<u>2,947,291</u>	<u>-</u>	<u>-</u>	<u>2,947,291</u>	<u>2,276,288</u>
Total operating expenses	11,348,609	-	-	11,348,609	8,478,912
PROFIT (LOSS) NET FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES					
	3,835,970	(2,274)	-	3,833,696	526,738
OTHER INCOME (EXPENSES)					
Unrealized gain (loss) on foreign exchange	810,023	(217,309)	-	592,714	(1,183,059)
Interest income on receivable from related party	164,102	-	-	164,102	-
Grants	525,082	-	-	525,082	50,454
Other non-operating income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,221</u>
Total other income (expense)	1,499,207	(217,309)	-	1,281,898	(654,384)
Net operating gain (loss) before income taxes (tax credit)	5,335,177	(219,583)	-	5,115,594	(127,646)
INCOME TAX (TAX CREDIT)	1,287,054	(65,875)	-	1,221,179	(38,202)
NET PROFIT (LOSS)	\$ 4,048,123	(153,708)	-	3,894,415	(89,444)

FONKOZE S.A.
Consolidated Statements of Changes in Shareholders' Equity
Years ended September 30, 2021 and 2020
(Expressed in US dollars)

	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Legal reserve	Revaluation reserve -land and buildings	Accumulated other comprehensive income	Total equity
Balance as of September 30, 2019	\$ 2,568,930	3,573,167	(3,046,852)	470,558	493,094	30,092	4,088,989
Shares issued during the year: 10 common shares (par value G 25)	2	11	-	-	-	-	13
Transfer of revaluation reserve to accumulated deficit	-	-	10,951	-	(10,951)	-	-
Revaluation surplus-land and buildings, net of tax	-	-	-	-	708,591	-	708,591
Net loss for the year	-	-	(89,444)	-	-	-	(89,444)
Transfer adjustment	1,067,681	1,485,054	(1,305,189)	195,569	199,512	12,506	1,655,133
Balance as of September 30, 2020	\$ 3,636,613	5,058,232	(4,430,534)	666,127	1,390,246	42,598	6,363,282
Transfer of revaluation reserve to retained earnings	-	-	29,920	-	(29,920)	-	-
Transfer to legal reserve	-	-	(554)	554	-	-	-
Net profit for the year	-	-	3,894,415	-	-	-	3,894,415
Translation adjustment	(1,175,184)	(1,634,585)	763,161	(215,356)	(444,165)	(13,766)	(2,719,895)
Balance as of September 30, 2021	\$ 2,461,429	3,423,647	256,408	451,325	916,161	28,832	7,537,802