

FONKOZE SA AND SUBSIDIARY
PORT AU PRINCE, HAITI

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AUDITED FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2004



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fonkoze SA and Subsidiary
Port Au Prince, Haiti

We have audited the accompanying consolidated balance sheet of Fonkoze SA and Subsidiary (Haitian Corporations) at December 31, 2004, the end of the initial accounting period of the Company. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Fonkoze SA and Subsidiary at of December 31, 2004, in conformity with U.S. generally accepted accounting principles.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
September 13, 2006



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FONKOZE SA AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2004

ASSETS

CASH AND CASH EQUIVALENTS	HTG	69,399,343
INVESTMENTS		34,606,522
ACCOUNTS RECEIVABLE		22,604,236
LOANS		133,696,412
Less allowance for loan losses		(3,926,082)
Net loans		129,770,330
FIXED ASSETS		50,317,178
Accumulated depreciation		(16,792,975)
Fixed assets, net		33,524,203
OTHER ASSETS		13,533,429
TOTAL ASSETS	HTG	303,438,063

LIABILITIES AND SHAREHOLDERS' EQUITY

BANK OVERDRAFTS	HTG	9,622,557
DEPOSITS		190,668,921
NOTES PAYABLE		
Long-term subordinated notes		42,019,465
OTHER LIABILITIES		43,788,352
TOTAL LIABILITIES		286,099,295
SHAREHOLDERS' EQUITY		
Capital stock, par value USD 1.25; 952,716 shares issued and outstanding		36,222,916
Additional paid in capital		3,935
Retained earnings (deficit)		(18,521,642)
Accumulated other comprehensive loss		(366,441)
TOTAL SHAREHOLDERS' EQUITY		17,338,768
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	303,438,063

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Purpose

Fonkoze SA is a holding company incorporated on February 25, 2002, under the laws of the Republic of Haiti as published in Le Moniteur number 49 dated June 24, 2002. It was established to facilitate the creation of Sèvis Finansye Fonkoze SA and owns 99.9972% of that entity.

Sèvis Finansye Fonkoze SA is a financial services company incorporated May 14, 2004, under the laws of the Republic of Haiti as published in Le Moniteur number 56 dated August 26, 2004. It was established to provide capital and a full range of financial and technical services to peasant organizations, womens' collectives, cooperatives, credit unions and street vendors.

Principles of Consolidation

The consolidated balance sheet at December 31, 2004 includes the accounts of Fonkoze SA and its subsidiary Sèvis Finansye Fonkoze SA. All significant intercompany transactions and balances have been eliminated in consolidation.

Accounting Principles

The accompanying balance sheet was prepared using accounting principles generally accepted in the United States and the accrual method of accounting. In accordance with this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All revenue and expenses, which are applicable to future periods, have been presented as deferred or prepaid on the accompanying balance sheet.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are composed of money market funds, corporate debt, certificates of deposit and an investment in SNI Minoterie, SA, an agricultural processing company. Money market funds, corporate debt and certificates of deposit are recorded at market value. Management has classified marketable securities as available for sale for reporting purposes under FASB 115. The investment in SNI Minoterie, SA is valued at book value.

Loans

Loans are stated at book value, net of the allowance for loan losses. Non-performing loans are those for which payments are past due more than 30 days.

The allowance for loan losses presented in the statements of financial position represents an estimate determined by management based on collection history, collateral value and the economic situation of the borrower. Uncollectible loans are written off against the allowance for loan loss after all recovery efforts have been exhausted.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific rates of provisions applied to loans to women market vendors groups are based on the recommendations of ACCION (a network of micro-finance institutions) in its CAMEL rating are as follows:

Current loans	0%
1 – 30 days past due	10%
31 – 90 days past due	30%
91 – 180 days past due	60%
More than 180 days past due	100%

The allowance for loan losses is adjusted to the amount determined by the use of these ratings, or three percent of total loans, whichever is greater.

Fixed Assets

It is the Company's policy to capitalize property and equipment with a cost of more than USD 500. Lesser amounts are expensed. Property and equipment are capitalized at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Vehicles	4 years
Equipment	5 years
Computers	5 years
Leasehold improvements	5 years
Buildings	20 years

Conversion in Foreign Currencies

The functional currency of the Companies is the Haitian gourde (HTG). Consequently, assets and liabilities stated in foreign currencies are converted in Haitian gourdes at the exchange rate prevailing at year-end.

Transactions incurred in U.S. dollars are converted at the average exchange rate in effect at the transaction date. The average exchange rate for the year ended December 31, 2004 was 38.5224 Haitian gourdes to one U.S. dollar.

The official rate of exchange published by the Central Bank as of December 31, 2004 was 37.2318 Haitian gourdes to one U.S. dollar.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Comprehensive Income

During 1998, the Financial Accounting Standards Board issued SFAS No. 130, Reporting Comprehensive Income (Loss), which requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Accumulated other comprehensive loss shown on the balance sheet at December 31, 2004 represents unrealized losses on available-for-sale securities.

FONKOZE SA AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2004 consisted of the following:

Currency held in branch offices	HTG	25,159,663
Deposits held in U.S. banks		32,532,586
Deposits held in Haitian banks		8,747,761
Deposits held in Curacaon bank		2,959,333
 Total	 <u>HTG</u>	 <u>69,399,343</u>
 Currency in U.S. dollars	 HTG	 3,102,582
Currency in Haitian gourdes		22,057,081
Deposits in U.S. dollars		44,215,250
Deposits in Haitian gourdes		24,430
 Total	 <u>HTG</u>	 <u>69,399,343</u>

There is no deposit insurance for accounts held in Haitian banks. Deposits held in U.S. banks exceed the Federal Deposit Insurance Corporations limits by HTG 493,799 for the year ended December 31, 2004.

NOTE C – INVESTMENTS

Investments at December 31, 2004 consisted of the following:

Brokerage account – Morgan Stanley	HTG	29,059,717
SNI Minoterie		1,329,845
Certificate of Deposit – Self Help Credit Union		4,216,960
 Total	 <u>HTG</u>	 <u>34,606,522</u>

The investments held by Morgan Stanley consist of corporate bonds, certificates of deposit and money market funds. Corporate bonds valued at HTG 4,337,103 at December 31, 2004, have less than A rating by Moodys and S & P. The value of corporate bonds in the amount of HTG 25,850,113 reflects unrealized losses in the amount of HTG 366,441. This unrealized loss has been shown in the shareholders' equity section of the balance sheet in accordance with FASB 115.

The investment in SNI Minoterie represents a .62% interest in the company, which operates an agricultural processing business. The company was incorporated in the Cayman Islands and has been valued at its book value.

Board Policy requires the Company to maintain at all times a lien free portfolio of investment grade securities or cash deposits equal to 31% of deposits held. At December 31, 2004, the company was in compliance with this policy.

NOTE D – RELATED PARTY RECEIVABLE

Fonkoze SA advanced Fondasyon Kole Zepòl (Fonkoze) HTG 16,519,117 to facilitate their investment in Fonkoze SA on July 31, 2004. As of December 31, 2004 the advance remains unpaid.

FONKOZE SA AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE E – LOANS

Loans consist of the following at December 31, 2004:

Market vendor solidarity groups	HTG	133,696,412
Less allowance for loan losses		<u>3,926,082</u>
Net Loans	<u>HTG</u>	<u>129,770,330</u>

The term of the loans is six months. The interest rate is 62.912% per annum.

The allowance for loan losses was calculated using a factor of three percent which exceeds the allowance calculation using the CAMEL ratings. (Note A)

NOTE F – FIXED ASSETS

A summary of property and equipment and the related depreciation expenses is as follows at December 31, 2004:

Land	HTG	570,500
Buildings		4,422,000
Vehicles		12,658,951
Furniture and equipment		4,739,839
Computer equipment		26,345,419
Leasehold improvements		<u>1,580,469</u>
Total		50,317,178
Accumulated depreciation		<u>16,792,975</u>
Net Property and Equipment	<u>HTG</u>	<u>33,524,203</u>

NOTE G – DEPOSITS

Deposits consist of the following at December 31, 2004:

Savings deposits in Haitian gourdes	HTG	119,797,457
Savings deposits in U.S. dollars		68,065,005
Time deposits in Haitian gourdes		<u>2,806,459</u>
Total	<u>HTG</u>	<u>190,668,921</u>

Savings deposits bear interest at rates between zero and two percent. Time deposits bear interest rates between five and thirteen percent.

NOTE H – DEFERRED TAXES

Deferred taxes (asset) represent the future tax benefits of tax losses incurred during 2004 which can be carried forward for five years. Deferred taxes were calculated using the tax rates in effect on December 31, 2004. The balance of deferred taxes at December 31, 2004 is HTG 10,065,121.

NOTE I – RELATED PARTY PAYABLE

Sèvis Finansye Fonkoze SA provides Fondasyon Kole Zepòl (Fonkoze) services to facilitate the processing of deposit and loan transactions. They also process payroll and accounts payable transactions. As a result of providing these services the Company owed Fonkoze HTG 37,779,994 at December 31, 2004.

FONKOZE SA AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE J – NOTES PAYABLE

Notes payable consists of eighteen notes due to individuals and organizations who are also shareholders of Fonkoze SA. The notes bare no interest until September 1, 2007, when interest will begin accruing at the rate of 5% per annum. Interest will be paid semi-annually in U.S. Dollars. Principal payments in U.S. Dollars will begin on August 31, 2012. Maturities are as follows:

<u>Year</u>	<u>USD</u>	<u>HTG at December 31, 2004</u>
2012	\$ 225,718	HTG 8,403,887
2013	225,718	8,403,887
2014	225,718	8,403,887
2015	225,718	8,403,887
2016	<u>225,719</u>	<u>8,403,917</u>
Total	<u>\$ 1,128,591</u>	<u>HTG 42,019,465</u>

The notes are subordinate and junior to all other creditors.

NOTE K – COMMITMENTS

The Organization leases office space on a long-term basis. Some leases are payable in U.S. dollars while others are payable in Haitian Gourdes. Future obligations under these leases are:

<u>Year</u>	<u>Payable in USD</u>	<u>Payable in HTG</u>
2005	\$ 20,000	HTG 332,500
2006	31,000	866,042
2007	11,000	785,000
2008	11,000	735,000
2009 and after	<u>16,000</u>	<u>858,750</u>
Total	<u>\$ 89,000</u>	<u>HTG 3,577,292</u>

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors
Sèvis Finansye Fonkoze
Port Au Prince, Haiti

Our report on our audit of the basic consolidated balance sheet of Fonkoze SA and its subsidiary Sèvis Finansye Fonkoze at December 31, 2004 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic balance sheet. The consolidating balance sheet expressed in Haitian Gourdes and the consolidating balance sheet expressed in U.S. dollars are presented for the purpose of additional analysis and are not a required part of the basic balance sheet. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
September 13, 2006



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FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2004

ASSETS								
		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYE FONKOZE SA</u>	<u>FONKOZE SA</u>	
CASH AND CASH EQUIVALENTS	HTG	69,399,343	HTG	-	HTG	47,332,174	HTG	22,067,169
INVESTMENTS		34,606,522		(31,234,761)		34,606,522		31,234,761
ACCOUNTS RECEIVABLE		22,604,236		(11,684,884)		8,423,459		25,865,661
LOANS		133,696,412		-		133,696,412		-
Less allowance for loan losses		<u>(3,926,082)</u>		<u>-</u>		<u>(3,926,082)</u>		<u>-</u>
Net loans		129,770,330		-		129,770,330		-
FIXED ASSETS		50,317,178		-		50,317,178		-
Accumulated depreciation		<u>(16,792,975)</u>		<u>-</u>		<u>(16,792,975)</u>		<u>-</u>
Fixed assets, net		33,524,203		-		33,524,203		-
OTHER ASSETS		<u>13,533,429</u>		<u>-</u>		<u>11,060,821</u>		<u>2,472,608</u>
TOTAL ASSETS	HTG	<u>303,438,063</u>	HTG	<u>(42,919,645)</u>	HTG	<u>264,717,509</u>	HTG	<u>81,640,199</u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
BANK OVERDRAFTS	HTG	9,622,557	HTG	-	HTG	9,622,557	HTG	-
DEPOSITS		190,668,921		-		190,668,921		-
NOTES PAYABLE								
Long-term subordinated notes		42,019,465		-		-		42,019,465
OTHER LIABILITIES		<u>43,788,352</u>		<u>(2,376,932)</u>		<u>42,592,132</u>		<u>3,573,152</u>
TOTAL LIABILITIES		286,099,295		(2,376,932)		242,883,610		45,592,617
SHAREHOLDERS' EQUITY								
Capital stock		36,222,916		(26,204,441)		26,211,675		36,215,682
Additional paid in capital		3,935		(14,254,257)		14,258,192		-
Valuation difference		-		(84,015)		-		84,015
Retained earnings (deficit)		(18,521,642)		-		(18,269,527)		(252,115)
Accumulated other comprehensive loss		<u>(366,441)</u>		<u>-</u>		<u>(366,441)</u>		<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>17,338,768</u>		<u>(40,542,713)</u>		<u>21,833,899</u>		<u>36,047,582</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	<u>303,438,063</u>	HTG	<u>(42,919,645)</u>	HTG	<u>264,717,509</u>	HTG	<u>81,640,199</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2004

ASSETS								
		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYE FONKOZE SA</u>		<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	USD	1,863,981	USD	-	USD	1,271,284	USD	592,697
INVESTMENTS		929,488		(838,927)		929,488		838,927
ACCOUNTS RECEIVABLE		607,122		(313,842)		226,244		694,720
LOANS		3,590,920		-		3,590,920		-
Less allowance for loan losses		(105,450)		-		(105,450)		-
Net loans		<u>3,485,470</u>		-		<u>3,485,470</u>		-
FIXED ASSETS		1,351,457		-		1,351,457		-
Accumulated depreciation		(451,038)		-		(451,038)		-
Fixed assets, net		<u>900,419</u>		-		<u>900,419</u>		-
OTHER ASSETS		<u>363,491</u>		-		<u>297,080</u>		<u>66,411</u>
TOTAL ASSETS	USD	<u><u>8,149,971</u></u>	USD	<u><u>(1,152,769)</u></u>	USD	<u><u>7,109,985</u></u>	USD	<u><u>2,192,755</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
BANK OVERDRAFTS	USD	258,450	USD	-	USD	258,450	USD	-
DEPOSITS		5,121,131		-		5,121,131		-
NOTES PAYABLE								
Long-term subordinated notes		1,128,591		-		-		1,128,591
OTHER LIABILITIES		<u>1,176,102</u>		<u>(63,842)</u>		<u>1,143,973</u>		<u>95,971</u>
TOTAL LIABILITIES		7,684,274		(63,842)		6,523,554		1,224,562
SHAREHOLDERS' EQUITY								
Capital stock		972,902		(703,819)		704,013		972,708
Additional paid in capital		105		(382,852)		382,957		-
Valuation difference		-		(2,256)		-		2,256
Retained earnings (deficit)		(497,468)		-		(490,697)		(6,771)
Accumulated other comprehensive loss		<u>(9,842)</u>		-		<u>(9,842)</u>		-
TOTAL SHAREHOLDERS' EQUITY		<u>465,697</u>		<u>(1,088,927)</u>		<u>586,431</u>		<u>968,193</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	USD	<u><u>8,149,971</u></u>	USD	<u><u>(1,152,769)</u></u>	USD	<u><u>7,109,985</u></u>	USD	<u><u>2,192,755</u></u>