

21st



Get Going

Kept Growing

Annual Report 2006

21st

Table of Contents

Mission Statement

Notice of Meeting

Corporate Profile

Board of Directors

Chairman's Report

CEO's Report

Report of the Directors

Report of the Auditor

Awards





To promote the growth and development of economic activities designed to improve the social and economic welfare of the people of Guyana through the provision of business guidance, technical assistance and non-traditional credit facilities to micro, small and medium sized entrepreneurs.

Goals



To develop a national culture of entrepreneurship.



To provide technical and managerial support services through training and counselling to all loan beneficiaries.



To provide timely financing to micro, small and medium sized businesses in all geographical areas to enhance their production potential to supply both local and foreign markets.



To network with organisations providing complementary support services to communities in order to effectively develop micro entrepreneurs throughout Guyana.



Notice of Meeting

The twenty -first Annual General Meeting of the Institute of Private Enterprise Development Limited will be held on Friday 14th December, 2007 at the Institute's Head Office at 253 South Road, Bourda, Georgetown, at 11:00 am.

Agenda

1. Chairman's review of the Institute for the year 2006.
2. To receive and consider the Institute's Accounts and Reports of the Directors and Auditors for the year 2006.
3. To elect Directors in the place of those retiring by rotation.
4. To appoint Auditors and authorize the Directors to fix their remuneration.
5. Any other business of an Annual General Meeting.

BY ORDER OF THE BOARD

Hemant S Indar Singh

.....
Hemant S. Indar Singh

Admin Manager/Company Secretary

Registered Office

253 South Road

Bourda, Georgetown.

20th November, 2007



The Institute of Private Enterprise Development is a company limited by guarantee and registered as a not-for profit Company under the Companies Act.

In the 1970's and up to 1985 , the State progressively involved itself in business with the intention of owning and controlling the economy. This process tended to exclude those who could not fit into entities or who desired to do their own business. As a result, unemployment and under-employment grew with grave social and economic consequences.

Messrs, Yesu Persaud and W.G. Stoll, two very able and concerned businessmen recognized the absolute necessity for the culture of Free Enterprise which has been under attack for a generation had to be re-created. One of the surest ways of re-creating this culture was by stimulating the emergence of small businesses and self-employment.

The Pan American Development Foundation (PADF) was approached for funding and they threw out the challenge that they would fund 1/2 Million Guyana Dollars if the Guyanese could match that sum. At the same time, also, Foundation for International Training (F.I.T.) was

approached and they offered to finance two Counsellors who were duly installed soon after the Institute was established.

On 1st April, 1986, the Institute of Small Enterprise Development, as it was then called opened its doors for business at 240 Camp Street, Georgetown with a staff of one - Mr. Jeff Adiken, who performed the jobs of Manager, Accountant, Counsellor, Project Officer and Messenger all rolled into one. Soon, however, further help was provided with staff numbering a total of five in its first year.

With the help and support of the Government of Guyana, United States of America, Canada and the United Kingdom, the Institute expanded rapidly to be the principal provider of finance and technical assistance to the small and micro business sector in Guyana today.

To reflect its expanded role, the name of the Institute was changed on 10th September, 1991 to **Institute of Private Enterprise Development**. Since then, the Institute has been moving from strength to strength, increasing the ambit of its loans and providing training in Management, Accounting, Marketing and Technical Services to both staff and clients as attested to by its performance.

Directors

Mr. Yesu Persaud - Chairman
Mr. Komal Samaroo
Dr. Ian Mc Donald
Mrs. Amanda Richards
Mr. Laurence Farley
Mr. James Morgan
Mr. John Bart
Dr. Gem Fletcher

Registered Office

IPED Building
253 South Road,
Bourda, Georgetown, Guyana
Tel: 592-226-4675
Fax: 592-223-7834
Email: iped@solutions2000.net
Website: www.ipedgy.com

International Projects

GYBT, CTCS,
PRCSP, SEBRAE

Bankers

Demerara Bank Limited

National Bank of Industry and
Commerce Limited

Citizens Bank Guyana Limited

Auditors

Deloitte & Touche
Chartered Accountants
77 Brickdam, Stabroek
Georgetown, Guyana.

Attorneys at Law

Mr. Vidyanand Persaud
Georgetown

Mr. Murseline Bacchus
New Amsterdam

Branches

Berbice

I Port Mourant,
Corentyne, Berbice
Tel: 592-336-6171

11 D' Edward Village,
West Bank Berbice.
Tel: 592-327-5367

Essequibo

54 Cotton Field,
Essequibo Coast
Tel: 592-771-4298

312 Parika,
East Bank Essequibo.
Tel: 592-260-4399

Lethem

Rupununi, Region 9
Tel: 592-772-2229

Board of Directors



CHAIRMAN
Yesu Persaud C.C.H., F.C.C.A., F.R.S.A., F.B.I.M.



CHIEF EXECUTIVE OFFICER
Dr. Leslie Chin A.A., B.Sc, Ph D.



DIRECTOR
Ian Mc Donald A.A., M.A. (Cantab), F.R.S.L.



DIRECTOR
Amanda Richards A.I.C.B.



DIRECTOR
Komal Samaroo A.A., F.C.C.A., A.C.I.S.



DIRECTOR
James Morgan F.L.M.I., A.C.S.



DIRECTOR
Laurence Farley F.B.S.C., A.C.E.A.



DIRECTOR
Mr. John Bart A.A., Dip. Soc. Sc.



DIRECTOR
Dr. Gem Fletcher Ph.D

Everywhere in Guyana... For Everyone in Guyana



Pineapple



Craft



Lumber Yard



Sheep farms



Banana crop



Vending



Fish Farming



Poultry



Rice



Workshop

Chairman's Report



CHAIRMAN

Yesu Persaud C.C.H., F.C.C.A., F.R.S.A., F.B.I.M.

ECONOMY

The Global Growth continued in 2006 despite oil prices topping US\$75 a barrel. The world gross domestic was 4% compared with 3.5% in 2005. China and India led the field with growth of 11% and 9% respectively. Most developing economies recorded positive growth rates and the developed countries recorded growth of 3.1%. From all indications the growth prospect for 2007 is expected to continue in 2007 and beyond.

IPED RESULTS FOR 2006

The surplus for 2006 was \$51.8M compared with \$55.8M in 2005, a decline of 8%, due principally to an increase in the provision for Bad Debts.

LOANS

IPED continues to fund the small and micro business sectors helping people to help themselves and thereby helping them to move out of poverty and become self-sustaining members of society.

| | No of Loans | | Value of loans \$M | |
|--------------|-------------|-------------|--------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Small | 1672 | 1540 | 726 | 688 |
| Micro | 3848 | 3670 | 359 | 312 |
| Total | 5520 | 5210 | 1085 | 1000 |

There was an overall increase of 6% on loans in numbers and 8% increase in value.

However in analyzing the loans small business loans increased by 9% in numbers and 5% in value whereas micro loans increased by 5% in numbers and 15% in value.

The Institute continues its loan disbursement throughout the rural communities reaching out to the Hinterland Regions, in many of these areas access to financial services is almost nonexistent. Areas covered include North, Central and South Rupununi, Mahdia, Mabaruma, Port Kaituma and Moruca.

PROJECTIONS FOR 2007

IPED introduced micro-financing in 1993 in Guyana which has proven to be a successful strategy in the fight against poverty. Its prominence has brought several new players into the market space all toying for business. IPED will continue to develop itself to adapt to the market and to offer innovative and good quality service to its small and micro entrepreneurs.

IPED will continue to focus on the rural areas and loans to the Agriculture sector and will work with its entrepreneurs to ensure that they benefit from the most up to date technologies and employ the most efficient processes and will continue to focus on identifying business opportunities that have competitive advantages in Guyana and work with entrepreneurs to bring these projects to fruition.

In addition to its existing programme at the Entrepreneurial Development Centre, IPED is working towards ensuring that our programs are internationally accredited and globally accepted.

IPED will continue to work towards improving systems and internal controls and during 2007 we expect to upgrade to a modern MIS with core banking and customer service features.

However, migration continues to be a problem that affects our workforce but IPED will proactively pursue strategies to recruit the best minds and enhance their abilities by paying more attention to staff training and development.

MANAGEMENT AND STAFF

The success and vision of IPED is kept alive because of the passion and commitment of our staff towards helping those that are less fortunate but yet willing to do something in order to help themselves. I would like personally to express thanks to the staff of IPED for their untiring efforts in the performance of their duties.

BOARD OF DIRECTORS

This vanguard team of Directors represents a shining example of what it means to offer their service above self. The Directors are committed to achieving the goals of IPED and contribute their service selflessly without any form of compensation. For this I am most grateful and would like to show gratitude to them for their important contributions and dedicated service.

Let us continue to help our entrepreneurs to **“GET GOING and KEEP GROWING”**

Mr. Yesu Persaud
Chairman

C.E.O's Report



CHIEF EXECUTIVE OFFICER
 Dr. Leslie Chin A.A., B.Sc, Ph.D.

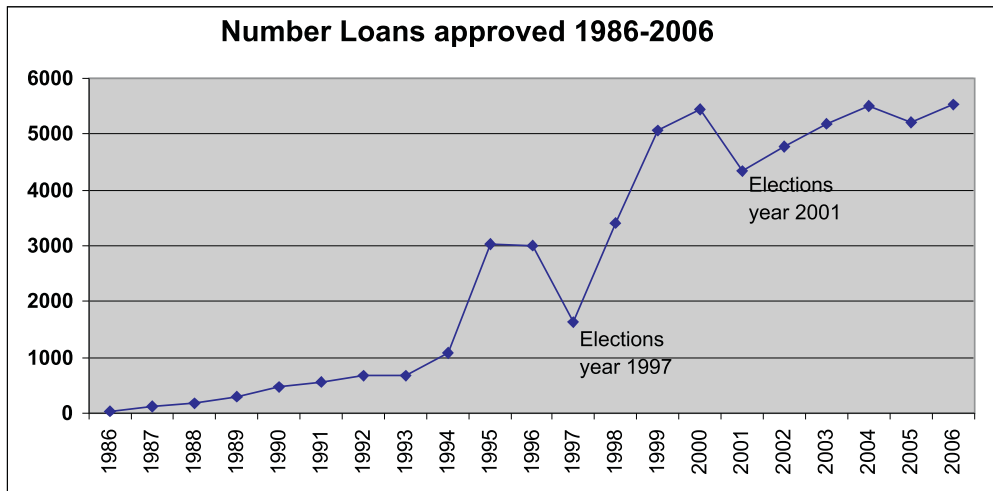
Mission

IPED's Mission Statement has been paraphrased and disaggregated into two elements:

- i. Poverty Reduction through microenterprise development.
- ii. Wealth creation through enterprise development.

IPED has as its core value financial sustainability through planned surpluses.

Poverty Reach An analysis of our performance for 2006 showed the value of loans being 8.5% above last year and the number of loans of 5520 being above 2005 by 6.0%. There was almost zero growth in the first eight months of the year. Number of loans was 0.5% above 2005 but 1.1% less in value. There seems to be some pent up demand, for after the elections in August the number and value of loans were 15.6% and 25.6% respectively above the corresponding period of 2005. This phenomenon is reflective of a similar trend in previous election years



The number of Clients receiving loans in 2006 was 3,514 or 2.1% less than 2005 (3,590 in 2005). The number of new Clients was reduced by 22.4% to 1,052 in 2006. The number of loans per 10,000 of population averaged 74. The number of hinterland clients increased marginally from 211 in 2005 to 240 in 2006, whilst the number of Amerindian Clients increased from 183 to 234.

| | 2005 | 2006 |
|---|------|------|
| Total number of Loan Clients | 3590 | 3514 |
| Number New Clients | 851 | 1042 |
| Number of Hinterland Clients in Kwakwani, Regions 17, 8 & 9 | 211 | 240 |
| Number Amerindian Clients | 183 | 234 |

Geographical Coverage There are 4,867 clients in the loan portfolio.

During 2006 IPED disbursed loans to 684 villages, communities or wards. The number of loans per 10,000 of population averaged 74. Coverage in the hinterland Regions 1, 7, 8 and 9 improved significantly during 2006. The number of loans per 10,000 population in Region 9, the Rupununi increased from 59 to 83 because of the increase in the acreage planted in peanuts. This reflected the increased confidence of farmers in marketing where in the previous year there was a shortage of peanuts in the local market because of the reduced production. The performance for Region 2 was particularly commendable at 254 loans per 10,000 population. In this Region, rice is the predominant economic activity.

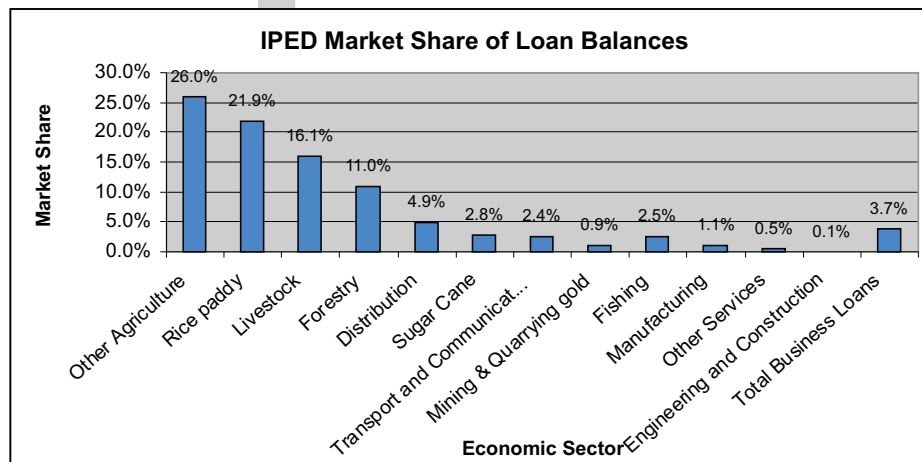
During 2006 IPED continued to operate the credit scheme in Regions 2 and 3 under the agreement with the Government of Guyana for a Poor Rural Communities Services Support Project funded by IFAD and the Caribbean Development Bank. IPED disbursed 1,270 loans valued \$118.1 million compared with 1289 loans valued \$107.2 million in 2005. This represents a reduction of 1.5% by number and an increase of 10.2% by value. Loans are mainly for agriculture and rearing of broiler chickens. Retail vending is also an easy activity to gain entry into. The contract for this credit scheme comes to an end on February 9, 2007.

Wealth Creation The net profits generated and wages paid out by Clients who accessed loans in 2006 totaled \$5,418 million. This is 3.6% GDP, not an inconsiderable figure and an indicator of the important contribution of Micro and Small Enterprises to the economy.

Sector Contribution

At the end of the year 2006 IPED's market share for all loan balances to the private business sector was 3.7%, with 16.1% for livestock, 11.0% for forestry, 4.9% for the distribution sector, 2.4% for transportation and 2.5% for fishing. Loans for fishing have been drastically curtailed because of the frequent occurrences of piracy. It is the perception of many that IPED has an emphasis on Vending loans, but our market share is really small but reasonable for our size. Our impact is in the number of entrepreneurs who have accessed IPED loans to increase their sales and profitability in order to sustain their livelihoods.

IPED has a very significant input in the Other Agriculture sector accounting for 26.0% of loan balances. The commercial banks have seen this sector as very high risk especially in the context of the disastrous floods during 2004 and 2005. The loan balances of IPED Clients indicated that IPED had a 21.9% market share for paddy cultivation. IPED is particularly focused on farmers with less than 10 acres of cultivatable land.

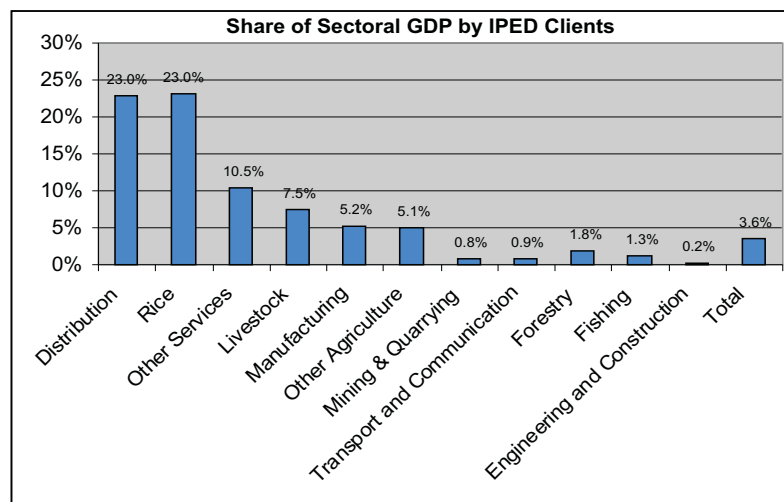


C.E.O's Report

The poultry sub-sector has been especially attractive to poor persons looking for economic opportunities. A typical participant borrows \$36,000 for growing 100 broilers and profits covers the interest eighteen-fold. The opportunity cost of labour is almost zero involving 15 minutes in the morning to check the water and another 15 minutes in the evening to replenish the water and feed. It should be noted that the average interest cover for all loans was 30. The average profit for microloan borrowers was \$59,000 per month which represents the reward for the microentrepreneur's labour and entrepreneurship.

A survey in 2003 revealed 58,000 Micro and Small Enterprises in Guyana. In this context, IPED disbursed loans in 2006 to 3514 clients of which 315 were crop farmers, an increase of 21% on 2005, 524 poultry rearers, an increase of 19%, 646 rice farmers, a reduction of 7.4% and 1431 in retail trading, a reduction of 4.3%. IPED's performance is partly a reflection of the performance of the respective sectors within the total economy, where the services sector grew by 7.3% and the natural resource-based sector by 6.0%.

The share of value added by IPED loan clients in respective economic sectors is of particular interest and is shown in the chart below.



A gender breakdown showed that women were involved in 28% crop farming, 56% poultry rearing, 26% rice production and 61% retail trading.

Financial Performance Net profit for 2006 was \$51.8 million which represents a return of 4.4% on average equity and 2.1% on average assets.

| \$ million | 2005 | 2006 |
|---|----------|----------|
| Net Profits | 55.9 | 51.8 |
| Return on Average Equity | 5.0% | 4.4% |
| Return on Average Assets | 2.3% | 2.1% |
| Inflation Rate | 8.2% | 4.2% |
| Current Ratio | 2.8 | 1.8 |
| Non-performing loans | 110.0 | 113.9 |
| Bad Debts written off | 55.9 | 111.3 |
| Loan Loss Provision | 29.0 | 39.5 |
| Loan loss Reserves | 253.0 | 104.4 |
| Administrative Cost \$ per Loan | \$28,821 | \$33,669 |
| Administrative Efficiency Administrative Cost/ Portfolio | 17.4% | 20.6% |

Entrepreneurial Development Centre (EDC)

IPED's mission is about poverty reduction through microenterprise development and wealth creation through enterprise development. IPED's core business is loans to

entrepreneurs but our analysis and those of the major donors have indicated the need to provide business advisory and development services to complement loans in order to ensure the success of more businesses.

IPED established the Entrepreneurial Development Centre to provide these services. The EDC's purpose is *to equip entrepreneurs with the relevant skills to enhance their chances of business success through training, education and information*. During the year, the EDC ran 72 courses for 816 participants. The courses covered topics such as marketing, customer relations, simple accounting, costs and expenses, inventory management, leadership and principles of general administration. The EDC continued to offer the Certificate Course in Small Business Management and the Certificate Course in Supervisory Management for young persons ambitious enough to improve and broaden their business skills.

The EDC is contributing to the wealth creation mission of IPED by providing in-house training for larger corporate entities. Topics have included customer relations, telephone etiquette, team building, inventory management and improving competitiveness. Guyana has embarked on the process of developing a strategy for "Enhancing Guyana's Competitiveness". A number of industries has been identified with favourable factors of production. The USAID-funded GTIS project and the IDB-funded competitiveness project have proposed the formation of clusters within chosen industries to stimulate the development of these industries. Access to financing at reasonable cost, access to markets, access to skills training and access to technical knowledge have been recognized to be of great importance for progress in these cluster industries. However, all of the cluster committees have also identified business skills as being a critical resource for successful businesses. IPED is poised to make a difference in the National Competitiveness Strategy

Focus on Young Entrepreneurs

1220 loans or 22.1% of all loans were taken up by young persons up to the age of 35 years. These are in addition to loans provided by our sister organization the Guyana Youth Business Trust which focuses on start-up businesses and has its own Board of Trustees. We continued our relationship with the Ministry of Culture Youth and Sports in the year under review. Sixty youths from the Kuru Kuru Training Centre were exposed to Entrepreneurship Training.

Wealth Creation

IPED's CEO is playing an active role in the National Aquaculture Association of Guyana, which has a vision where "Aquaculture is the leading economic sector by 2015 making major contributions to export earnings and to poverty alleviation". There were 5 loans for aquaculture during the year.

Report of The Directors

The Directors have pleasure in submitting this Report and Audited Financial Statements, for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The Institute of Small Enterprise Development Limited was incorporated on 2nd October, 1985, as a Company limited by guarantee. It is a non-profit and tax exempt Organisation formed to promote and to encourage the development and growth of industry through the provision of business guidance, technical assistance, non-traditional credit facilities to small entrepreneurs or to groups and generally to promote and encourage the development and growth of all other economic activities designed to improve the social and economic welfare of the people of Guyana. With effect from 10th September, 1991, the entity's name was changed to Institute of Private Enterprise Development Limited. The Institute was granted Certificate of Continuance as set out in the Articles of Continuance, under Section 339 of the Companies Act. On the 14th August, 1986, the Institute of Private Enterprise Development was prescribed as an Organization of National Character in Guyana under Section 35(1) of the Income Tax Act Chapter 81:01.

PERFORMANCE FOR THE YEAR

In the year 2006, the Institute financed a total of 5,520 loans valued at \$1,084.92 million. Small and medium businesses accounted for 1672 loans valued \$ 726.3 million whilst 3,848 loans valued \$ 358.6 million were for the micro business sector. The 5,520 loans created/sustained 9,636 jobs. Income totaled \$293.65 million and expenditure \$241.84 million resulting in a surplus of \$51.81 million for the year compared with \$55.87 million in the year 2005.

APPLICATION OF SURPLUS

Net surplus for the year 2006 was \$51.81 million and this was transferred to the accumulated surplus which totaled \$931.33 million at the end of 2006.

ADMINISTRATION OF CREDIT FACILITY UNDER PRCSSP

In the year 2006, the Institute continued to administer the Credit component of the PRCSSP (Poor Rural Communities Support Services Project). This component was funded by IFAD (International fund for Agricultural Development) under a loan Agreement signed between the Government of Guyana through the Ministry of Finance and the Institute of Private Enterprise Development Limited on the 9th February 2001. In 2006 a total of 1270 loans at a value of \$118.1 million, were disbursed to Business Entrepreneurs in Regions two and three.

CREDIT PROGRAMMES

1. Main credit window, which is geared to meet the needs of the Small and Medium Sectors.
2. Micro credit window, which is geared to meet the needs of the Micro Business Sector.
3. PRCSSP Credit Facility which provides financing to Entrepreneurs in Regions two and three.

ENTREPRENEURIAL DEVELOPMENT

The Institute's (EDC) Entrepreneurial Development Center's mission is to equip Entrepreneurs with the relevant skills to enhance their chances of business success through training, education and information. In 2006, the EDC offered courses in small business management, supervisory management, marketing, customer relations, simple accounting, cost and expenses, inventory management, leadership and principles of general administration. The Center also provided in-house training for larger corporate entities.

BOARD OF DIRECTORS

During the year 2006, there were eight (8) Directors on the Board:

1. **Mr. Yesu Persaud**
2. **Mr. Komal Samaroo**
3. **Mr. Laurence Farley**
4. **Mr. James Morgan**
5. **Mr. John Bart**
6. **Mrs. Amanda Richards**
7. **Dr. Ian McDonald**
8. **Dr. Gem Fletcher**

Pursuant to the Company's Articles of Association, the following Directors retire by rotation and are eligible for re-election:

1. **Mr. James Morgan**
2. **Mr. Komal Samaroo**
3. **Dr. Ian McDonald**

AUDITORS The retiring Auditors, Messrs Deloitte and Touche have intimated their willingness to be re-appointed.

TABLE 1
LOAN STATISTICS FOR 1986 TO 2006

| Economic Sector | 2006 | 2005 | 2004 | ECONOMIC ACTIVITIES | TOTAL | 2003 | 2002 | 2001 | 1996-2000 | 1991-1995 | 1986-1990 |
|----------------------------|--------------|--------------|--------------|--|---------------|--------------|--------------|--------------|---------------|--------------|--------------|
| Rice | 1,071 | 1,090 | 1,054 | Artisanal Fishing | 934 | 54 | 31 | 45 | 254 | 390 | 160 |
| Sugarcane | 7 | 9 | 2 | Food Processing/ Agro Processing | 238 | 6 | 15 | 7 | 71 | 67 | 72 |
| Other Crops | 384 | 334 | 431 | Soft Toys | 16 | 0 | 0 | 0 | 0 | 3 | 13 |
| Livestock | 1,000 | 933 | 970 | Wooden Toys | 11 | 0 | 0 | 0 | 3 | 0 | 8 |
| Fishing | 82 | 65 | 81 | General Manufacturing Garments, Furniture, Craft, Misc, Etc. | 1,216 | 203 | 77 | 80 | 422 | 190 | 244 |
| Forestry | 29 | 21 | 21 | Mechanical & Other Workshops | 430 | 29 | 24 | 28 | 104 | 126 | 119 |
| Mining | 9 | 8 | 5 | Dairy Farming | 281 | 9 | 4 | 5 | 40 | 80 | 143 |
| Manufacturing | 265 | 263 | 258 | Pigs & Poultry Rearing | 1,423 | 141 | 132 | 140 | 550 | 287 | 173 |
| Construction | 8 | 8 | 6 | Sheep & Goat Rearing | 8 | 0 | 0 | 0 | 2 | 6 | 0 |
| Distribution Services | 2,174 | 2,050 | 2,179 | Bee Keeping | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Transportation Services | 106 | 140 | 170 | Logging, Sawmilling & Charcoal Production | 92 | 15 | 0 | 0 | 12 | 61 | 4 |
| Other Services | 385 | 289 | 341 | Ground Provisions, Mixed Crops & Rice Cultivation | 7,397 | 802 | 694 | 702 | 2,640 | 2,441 | 118 |
| | | | | Micro Enterprise Loan Mixed Activities | 25,419 | 3,401 | 3,367 | 2,941 | 13,390 | 2,320 | 0 |
| | | | | Rural Outreach Programme (Commercial Activities) | 2,394 | 510 | 440 | 404 | 1,040 | 0 | 0 |
| TOTAL | 5,520 | 5,210 | 5,518 | TOTAL | 39,862 | 5,170 | 4,784 | 4,352 | 18,528 | 5,971 | 1,057 |



TABLE 2

| CLASSIFICATION OF LOAN RECIPIENTS | | | | | | | | | | |
|-----------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|
| CUMULATIVE | TOTAL | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 1996-2000 | 1991-1995 | 1986-1990 |
| Men | 17,297 | 1,653 | 1,600 | 2,554 | 1,648 | 1,574 | 1,411 | 3,867 | 2,270 | 720 |
| Women | 21,939 | 1,540 | 1,376 | 2,040 | 1,863 | 1,478 | 1,833 | 9,893 | 1,831 | 85 |
| Joint - Men & Women | 16,874 | 2,327 | 2,234 | 924 | 1,659 | 1,732 | 1,108 | 4,768 | 1,870 | 252 |
| TOTAL | 56,110 | 5,520 | 5,210 | 5,518 | 5,170 | 4,784 | 4,352 | 18,528 | 5,971 | 1,057 |

TABLE 3

| ADMINISTRATIVE ANALYSIS | | | | | | | | | | |
|---------------------------------------|------------|-----------|-----------|---------|---------|---------|---------|-----------|-----------|-----------|
| SUMMARY RESULT OF ACTIVITIES | TOTAL | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 1996-2000 | 1991-1995 | 1986-1990 |
| No. Of Loans Granted | 56,110 | 5,520 | 5,210 | 5,518 | 5,170 | 4,784 | 4,352 | 18,528 | 5,971 | 1,057 |
| Value of Loans (G\$000) | 10,098,743 | 1,084,924 | 1,000,107 | 975,294 | 869,957 | 719,690 | 669,800 | 3,133,550 | 1,582,754 | 62,667 |
| No. Of Jobs Created/Sustained | 112,110 | 9,636 | 8,290 | 8,186 | 8,705 | 7,618 | 7,113 | 37,445 | 20,021 | 5,096 |
| Average Loan (G\$000) | 181.9 | 196.5 | 191.9 | 176.7 | 168.3 | 150.4 | 153.9 | 169.1 | 265.1 | 59.3 |
| Administrative Cost Per Loan (G\$000) | | 29.952 | 28.821 | 26.437 | 22.950 | 20.295 | 20.701 | 15.974 | 16.424 | 3.707 |
| Average No. Of Jobs Per Loan | 2.0 | 1.7 | 1.6 | 1.5 | 1.7 | 1.6 | 1.6 | 2.0 | 3.4 | 4.8 |
| Loan Value Per Job (G\$000) | 91.0 | 112.6 | 120.6 | 119.1 | 99.9 | 94.5 | 94.2 | 83.7 | 79.1 | 12.3 |

INDEPENDENCE AUDITOR'S REPORT

TO THE MEMBERS OF
INSTITUTE OF PRIVATE ENTERPRISE DEVELOPMENT LIMITED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

Report on the Financial Statements

We have audited the accompanying financial statements of Institute of Private Enterprise Development Limited which comprise the balance sheet as at 31 December 2006 and the income statement, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 19 To 40.

Directors' / Management's Responsibility for the Financial Statements

The Directors/ Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Auditor's Responsibility – Cont'd

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

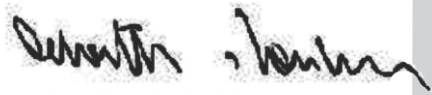
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Institute of Private Enterprise Development Limited as at 31st December 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Companies Act 1991.

A handwritten signature in black ink, appearing to read 'Senthil Kumar', is written over a horizontal line.

DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS

Date: October 17, 2007

77 Brickdam,
Stabroek, Georgetown,
Guyana



INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

| | Notes | 2006 | | 2005 | |
|----------------------------------|-------|------------|--------------------|------------|--------------------|
| | | G\$ | G\$ | G\$ | Restated G\$ |
| Revenue | | | | | |
| Interest income | | | 236,987,071 | | 255,497,612 |
| Investment income | | | 48,518,836 | | 34,194,386 |
| Other income | | | 8,141,170 | | 4,785,901 |
| | | | <u>293,647,077</u> | | <u>294,477,899</u> |
| Expenses | | | | | |
| Interest | | 22,791,478 | | 43,594,908 | |
| Salaries and other staff costs | 3 | 91,242,310 | | 81,864,223 | |
| Bad and doubtful debts | | 39,517,715 | | 28,972,660 | |
| Depreciation | | 14,191,529 | | 15,872,491 | |
| Printing and stationery | | 6,280,509 | | 3,512,351 | |
| Repairs and maintenance | | 7,539,936 | | 5,644,810 | |
| Other administration cost | | 60,271,941 | | 59,140,628 | |
| | | | <u>241,835,418</u> | | <u>238,602,071</u> |
| Surplus of revenue over expenses | 4 | | <u>51,811,659</u> | | <u>55,875,828</u> |



"The accompanying notes form an integral part of these financial statements."

**STATEMENT OF CHANGE IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2006

| | Note | Members' subscriptions G\$ | Capital donations G\$ | Accumulated surplus G\$ | Total G\$ |
|---|------|----------------------------------|-----------------------------|-------------------------------|---------------|
| Balance at 31 December 2004 | | 32,500 | 256,465,233 | 824,144,885 | 1,080,642,618 |
| Surplus for the year as restated | 17 | - | - | 55,875,828 | 55,875,828 |
| Balance at 31 December 2005 as restated | | 32,500 | 256,465,233 | 880,020,713 | 1,136,518,446 |
| Surplus for the year | | - | - | 51,811,659 | 51,811,659 |
| Balance at 31 December 2006 | | 32,500 | 256,465,233 | 931,832,372 | 1,188,330,105 |



"The accompanying notes form an integral part of these financial statements."


BALANCE SHEET

AT 31 DECEMBER 2006

| | Notes | 2006 G\$ | 2005 Restated G\$ |
|-------------------------------------|--------|----------------------|-------------------------|
| ASSETS | | | |
| Non current assets | | | |
| Defined benefit asset | 16 | 3,555,000 | 2,368,000 |
| Property, plant and equipment | 5 | 110,818,020 | 119,998,634 |
| Loans receivable | 6 | 122,348,565 | 171,056,130 |
| | | <u>236,721,585</u> | <u>293,422,764</u> |
| Current assets | | | |
| Inventory | | 1,646,429 | 1,475,017 |
| Loans receivable | 6 | 778,519,082 | 691,158,361 |
| Other receivables | 7 | 22,368,667 | 16,337,717 |
| Prepayments | | 422,512 | 1,164,534 |
| Term deposits | 8 (a) | 290,500,587 | 412,258,234 |
| Short term investment | 8 (b) | 895,710,064 | 668,973,472 |
| Cash on hand and at bank | 9 | 344,480,594 | 386,871,949 |
| | | <u>2,333,647,935</u> | <u>2,178,239,284</u> |
| TOTAL ASSETS | | <u>2,570,369,520</u> | <u>2,471,662,048</u> |
| EQUITY AND LIABILITIES | | | |
| Capital fund | | | |
| Members' subscriptions | 10 (a) | 32,500 | 32,500 |
| Capital donations | 10 (b) | 256,465,233 | 256,465,233 |
| Accumulated surplus | | 931,832,372 | 880,020,713 |
| | | <u>1,188,330,105</u> | <u>1,136,518,446</u> |
| Non-current liabilities | | | |
| Loans payable | 11 | 86,924,973 | 545,456,200 |
| Current liabilities | | | |
| Other payables | 12 | 453,811,231 | 383,736,493 |
| Accruals | | 11,828,316 | 15,162,056 |
| Loans payable | 11 | 829,474,895 | 390,788,853 |
| | | <u>1,295,114,442</u> | <u>789,687,402</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>2,570,369,520</u> | <u>2,471,662,048</u> |

These financial statements were approved by the Board of Directors on 17/10/2007

On behalf of the Board:

 Director

 Director

"The accompanying notes form an integral part of these financial statements".

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

| | 2006 | 2005 |
|---|----------------------|----------------------|
| | G\$ | Restated G\$ |
| Cash flows from operating activities | | |
| Surplus of revenue over expenses | 51,811,659 | 55,875,828 |
| Adjustments for: | | |
| Depreciation | 14,191,529 | 15,872,491 |
| Gain on disposal of property, plant and equipment | - | (580,089) |
| Operating surplus before working capital changes | 66,003,188 | 71,168,230 |
| Decrease in non-current loans receivable | 48,707,565 | 19,393,479 |
| Increase in current loans receivable | (87,360,721) | (40,479,457) |
| (Increase)/decrease in debtors and prepayments | (5,288,928) | 13,052,085 |
| Increase in inventory | (171,412) | (530,211) |
| Increase in creditors and accruals | 66,740,998 | 37,145,855 |
| Increase in defined benefit asset | (1,187,000) | (895,000) |
| Net cash from operating activities | 87,443,690 | 98,854,981 |
| Cash flows from investing activities: | | |
| Proceeds from sale of property, plant and equipment | - | 580,089 |
| Purchase of property, plant and equipment | (5,010,915) | (18,159,830) |
| Net cash used in investing activities | (5,010,915) | (17,579,741) |
| Cash flows from financing activities | | |
| Loan drawdown/adjustment | - | 92,767,167 |
| Loan repayments | (19,845,185) | (8,810,494) |
| Net cash from/(used in) financing activities | (19,845,185) | 83,956,673 |
| Net increase in cash and cash equivalents | 62,587,590 | 165,231,913 |
| Cash and cash equivalents at beginning of period | 1,468,103,655 | 1,302,871,742 |
| Cash and cash equivalents at end of period | 1,530,691,245 | 1,468,103,655 |
| Comprising | | |
| | <u>2006</u> | <u>2005</u> |
| | G\$ | G\$ |
| Cash on hand and at bank | 344,480,594 | 386,871,949 |
| Term deposits | 290,500,587 | 412,258,234 |
| Short term investment | 895,710,064 | 668,973,472 |
| | <u>1,530,691,245</u> | <u>1,468,103,655</u> |

"The accompanying notes form an integral part of these financial statements"

NOTES ON THE ACCOUNTS**1. Incorporation and activities**

The Institute of Small Enterprise Development Limited was incorporated in Guyana on 2nd October 1985 as a company limited by guarantee. It is a non-profit and tax exempt organization formed to promote and to encourage the development and growth of industry through the provision of business guidance, technical assistance, non-traditional credit facilities to small entrepreneurs or to groups and generally to promote and encourage the development and growth of all other economic activities designed to improve the social and economic welfare of the people of Guyana.

With effect from 10 September 1991 the entity's name was changed to Institute of Private Enterprise Development Limited.

2. Summary of significant accounting policies**(a) Accounting convention**

The financial statements have been prepared under the historical cost convention and the accounting policies conform with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana.

Basis of preparation

During the year new and revised standards and interpretations came into effect.

Of relevance to the Company are:

Amendments to the following Standards:

IAS 19 – Employee Benefits

IAS 39 – Financial Instruments – Recognition and Measurement

The effect of adopting IAS 19 and IAS 39 and amendments had no material effect on the Company's accounting policies.

2. Summary of significant accounting policies – Cont'd

(a) Accounting convention – cont'd

Potential impact of changes in standards not yet effective:

IFRS 7 – Financial Instruments

Financial Instruments (effective for annual periods beginning on or after 1 January 2007). This standard will replace IAS 30, Disclosures in the financial statements of Banks and similar Financial Institutions, and the disclosure requirements of IAS 32, Financial Instruments: Disclosure and presentation. The standard will introduce new disclosures to improve information about financial instruments. IFRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

IFRS 8 – Operating Segment

This becomes effective for period beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 Segments Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria.

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by chief operating decision maker in deciding how to allocate resources and in assessing performance.

Amendment was made to IAS 1 Presentation of Financial Statements as relates to Capital Disclosures which became effective 1 January 2007. This standard would require additional disclosures on the Company's share capital.

Other standards and interpretations issued but not yet effective are not expected to have a material impact on the Company's financial statements when adopted.

NOTES ON THE ACCOUNTS

2. Summary of significant accounting policies – Cont'd

(b) Revenue and expenses recognition

Income on fixed return securities is recognized as it is earned. Income on loans is taken up on a cash basis. Expenses are recognized on an accrual basis.

(c) Property, plant and equipment and depreciation

Freehold land and buildings are held for use in the supply of services and for administrative purposes as stated in the balance sheet.

Depreciation of property, plant and equipment is calculated on the straight line method at rates sufficient to write off the cost or valuation of these assets to their residual values over their estimated useful lives as follows:

| | | |
|--------------------------------|---|------|
| Building | - | 2% |
| Office furniture | - | 15% |
| Fixtures and fittings | - | 15% |
| Office machinery and equipment | - | 20% |
| Motor vehicles | - | 25 % |
| Computers and software | - | 25% |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss account.

No depreciation is charged on land.

(d) Translation of foreign currencies

Transactions in currencies other than Guyana dollars are recorded at the official or cambio rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the official or cambio rates prevailing on that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognized directly in equity.

2. Summary of significant accounting policies – cont'd

(e) Loans receivable and interest

Loans are stated net of unearned and uncollected interest and of any provisions established to recognise anticipated losses

Provision for the loan losses which is specific and based on appraisals of the credit portfolio, represents the amount which in management's judgement is necessary to maintain the provision at an appropriate level. This judgement is based on current delinquencies, the nature and characteristics of the portfolio and general economic conditions and trends.

A non-performing loan is any loan where repayments have not been adequate to cover the interest for the year. In addition, other loans which are not yet in arrears may be classified by management as non-performing where in management's opinion there is doubt as to the ultimate collectibility of some portion of principal or interest.

(f) Pension funding

The Company participates in a defined benefit plan (Demerara Distillers Limited Pension Plan) for its employees. The contributions are held in trustee administered funds which are separate from the Company's resources. Thirty seven (2005 – Thirty two) employees participate in this plan.

During the year, the Company's contribution to the Scheme was G\$3,657,994 (2005 - G\$4,177,680).

The last actuarial valuation which was done at 31 December 2003, showed a past service surplus of \$25.5M with a funding level (i.e. ratio of assets to liabilities) of 103%.

The principal actuarial assumptions used were as follows:

| | | |
|--------------------|---|--------------|
| Investment return | - | 5% per annum |
| Salaries increases | - | 5% per annum |
| Pension increases | - | 2% per annum |

NOTES ON THE ACCOUNTS

2. Summary of significant accounting policies – cont'd

(f) Pension Funding – cont'd

In relation to the current status of the Plan, the company estimates that there would be insignificant (if any) net benefit obligations after taking into account the fair value of the plan assets. Also, the current service cost is a fair reflection of the cost to the company.

The next actuarial valuation would be carried out on the 31st December, 2006.

(g) Financial instruments

Financial assets and liabilities are recognized on the company's balance sheet when the company becomes a party to a contractual provision of the instruments.

Loans and other payables

Loans and other payables are measured at amortised cost.

Loans and other receivables

Loans and other receivables are measured at amortised cost.

Appropriate allowances for estimated unrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is based on management's evaluation of the collectibility of the receivables.

Investments

Investments are recognized in the financial statements to comply with International Accounting Standard No. 39 - Financial Instruments – Recognition and measurement. The Company's investments have been classified as "loans and receivables" and "short term investments", representing fixed deposits and are carried at amortised cost.

Any gain or loss on these investments is recognized in the statement of income when the asset is de-recognised or impaired.

2. Summary of significant accounting policies – cont'd

(h) Cash flow information

Cash as used in the cash flow statement is the amount reported in the balance sheet and represents cash on hand and at bank.

(i) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimated

Estimation

i) Receivables and inventory

On a regular basis, management reviews receivables and inventory to assess impairment. Based on information available as to the likely impairment in cash flows, decisions are taken in determining appropriate provisions to be made for bad and doubtful debts and obsolescence.

ii) Useful lives of property and equipment

Management reviews the estimated useful lives of property, plant and equipment at the end of each year to determine whether the useful lives of property, plant and equipment should remain the same.

iii) Retirement benefit asset

The provisions for defined benefit asset are determined by the actuary based on data provided by management. The computation of the provisions by the actuary assumes that the data provided is not materially misstated.

NOTES ON THE ACCOUNTS

3. Salaries and other staff costs

Salaries and wages
Other staff costs
Pension

| | 2006 | 2005 |
|--|-------------------|-------------------|
| | G\$ | Restated G\$ |
| | 84,082,950 | 70,729,918 |
| | 4,775,217 | 7,851,625 |
| | 2,384,143 | 3,282,680 |
| | <u>91,242,310</u> | <u>81,864,223</u> |
| | <u>51,811,659</u> | <u>55,875,828</u> |
| | 14,191,529 | 15,872,491 |
| | <u>484,880</u> | <u>380,000</u> |
| | <u>67,790</u> | <u>-</u> |

4. Surplus of revenue over expenses

After charging:

Depreciation
Auditors' remuneration

After crediting

Recoveries on loans previously written off

No directors' emoluments were paid.

5. Property, plant and equipment

| | Land and buildings G\$ | Motor vehicles G\$ | Furniture, fixtures and fittings G\$ | Office machinery G\$ | Sundry training equipment G\$ | Computer equipment G\$ | Computer software G\$ | Work-in progress G\$ | Total G\$ |
|---------------------|------------------------------|--------------------------|---|----------------------------|--|------------------------------|-----------------------------|----------------------------|--------------------|
| Cost | | | | | | | | | |
| At 1 January 2006 | 107,365,481 | 18,873,520 | 10,475,141 | 17,717,801 | 11,519,337 | 31,879,496 | 10,444,415 | - | 208,275,191 |
| Additions | - | - | 260,740 | 509,448 | 1,031,680 | 110,480 | - | 3,098,567 | 5,010,915 |
| At 31 December 2006 | <u>107,365,481</u> | <u>18,873,520</u> | <u>10,735,881</u> | <u>18,227,249</u> | <u>12,551,017</u> | <u>31,989,976</u> | <u>10,444,415</u> | <u>3,098,567</u> | <u>213,286,106</u> |
| Depreciation | | | | | | | | | |
| At 1 January 2006 | 13,958,387 | 11,545,610 | 6,629,921 | 12,796,615 | 9,061,015 | 24,512,843 | 9,772,166 | - | 88,276,557 |
| Charge for the year | 1,914,284 | 3,229,688 | 1,056,623 | 1,973,495 | 1,357,896 | 3,987,294 | 672,249 | - | 14,191,529 |
| At 31 December 2006 | <u>15,872,671</u> | <u>14,775,298</u> | <u>7,686,544</u> | <u>14,770,110</u> | <u>10,418,911</u> | <u>28,500,137</u> | <u>10,444,415</u> | <u>-</u> | <u>102,468,086</u> |
| Net book values: | | | | | | | | | |
| At 31 December 2006 | <u>91,492,810</u> | <u>4,098,222</u> | <u>3,049,337</u> | <u>3,457,139</u> | <u>2,132,106</u> | <u>3,489,839</u> | <u>-</u> | <u>3,098,567</u> | <u>110,818,020</u> |
| At 31 December 2005 | <u>93,407,094</u> | <u>7,327,910</u> | <u>3,845,220</u> | <u>4,921,186</u> | <u>2,458,322</u> | <u>7,366,653</u> | <u>672,249</u> | <u>-</u> | <u>119,998,634</u> |

Work in progress relates to expenditure incurred for the Institute's Management Information Systems upgrade.

6. Loans receivable

| | 2006 | 2005 |
|---------------------------------|----------------------|----------------------|
| | G\$ | G\$ |
| Gross loans | 1,005,222,334 | 1,115,208,547 |
| Less provision for bad debts | <u>(104,354,687)</u> | <u>(252,994,056)</u> |
| | <u>900,867,647</u> | <u>862,214,491</u> |
| Non-current loans receivable | 122,348,565 | 171,056,130 |
| Current loans receivable | <u>778,519,082</u> | <u>691,158,361</u> |
| | <u>900,867,647</u> | <u>862,214,491</u> |
| Non-performing loans receivable | 113,928,843 | 109,948,158 |
| Performing loans receivable | <u>786,938,804</u> | <u>752,266,333</u> |
| | <u>900,867,647</u> | <u>862,214,491</u> |
| Provision for doubtful accounts | | |
| At 1 January | 252,994,056 | 300,869,286 |
| Provision for the year | 39,517,715 | 28,972,660 |
| Bad debts written off | <u>(188,157,084)</u> | <u>(76,847,890)</u> |
| At 31 December | <u>104,354,687</u> | <u>252,994,056</u> |
| | | |
| 7. Debtors | | |
| Debtors | 20,261,256 | 14,230,306 |
| Others | <u>2,107,411</u> | <u>2,107,411</u> |
| | <u>22,368,667</u> | <u>16,337,717</u> |
| | | |
| 8. (a) Term deposits | <u>290,500,587</u> | <u>412,258,234</u> |
| (b) Short term investment | <u>895,710,064</u> | <u>668,973,472</u> |

These represent surplus funds that are not required to meet working capital needs and are therefore placed in these accounts to maintain their values.

NOTES ON THE ACCOUNTS

9. Cash on hand and at banks

| | 2006 G\$ | 2005 G\$ |
|--|----------------------|----------------------|
| Cash | 229,000 | 244,000 |
| Balances at banks | 344,251,594 | 386,627,949 |
| | <u>344,480,594</u> | <u>386,871,949</u> |
| <p>With respect to notes 8 and 9 the following balances were held with entities which share common chairmanship and directors.</p> | | |
| Trust Company (Guyana) Limited - investment account | <u>1,016,081,246</u> | <u>1,060,738,894</u> |
| Demerara Bank Limited - current account | <u>2,505,797</u> | <u>4,129,102</u> |
| Demerara Bank Limited - savings account | <u>170,129,406</u> | <u>37,952,319</u> |

10. (a) Members subscriptions

At 1 January and 31 December

| 2006 G\$ | 2005 G\$ |
|---------------|---------------|
| <u>32,500</u> | <u>32,500</u> |

Members' subscriptions represent contributions by members towards the capital of the company.

(b) Capital donations

At 1 January and 31 December

| 2006 G\$ | 2005 G\$ |
|--------------------|--------------------|
| <u>256,465,233</u> | <u>256,465,233</u> |

Capital donations received are used to extend credit to micro enterprises for the purpose of providing support to increase the productivity and employment generation of the micro enterprises sector. These donations are not repayable to the donor agencies.

NOTES ON THE ACCOUNTS

11. Loans

| | 2006 | 2005 | Amount Committed |
|-----------------|--------------------|--------------------|------------------|
| | G\$ | Restated G\$ | |
| (i) PL 480 1986 | 2,800,000 | 2,800,000 | G\$ 2,800,000 |
| PL 480 1987 | 5,500,000 | 5,500,000 | G\$ 5,500,000 |
| PL 480 1988/89 | 27,000,000 | 27,000,000 | G\$ 27,000,000 |
| PL 480 1990 | 43,400,000 | 43,400,000 | G\$ 43,400,000 |
| PL 480 1991 | 103,500,000 | 103,500,000 | G\$ 103,500,000 |
| PL 480 1992 | 255,345,000 | 255,345,000 | G\$ 255,345,000 |
| (ii) IADB | 18,071,660 | 18,912,203 | SFR 375,000 |
| (iii) EIB | 38,521,803 | 67,932,950 | ECU 541,000 |
| (iv) IFAD | 422,261,405 | 411,854,900 | SDR 1,350,000 |
| Total | 916,399,868 | 936,245,053 | |

| | 2006 | 2005 |
|---|-------------|--------------|
| | G\$ | Restated G\$ |
| Repayments due after five years | 16,820,950 | 25,299,498 |
| Repayments due within two to five years | 70,104,023 | 520,156,702 |
| Repayments due within one year | 86,924,973 | 545,456,200 |
| | 829,474,895 | 390,788,853 |
| | 916,399,868 | 936,245,053 |

i) PL 480

| Year | Repayment | | Interest Rate |
|---------|-----------|------------|---------------|
| | Period | Moratorium | |
| Year | Years | Years | % |
| 1986 | 10 | 5 | 4 |
| 1987 | 10 | 5 | 4 |
| 1988/89 | 15 | 5 | 4 |
| 1990 | 15 | 5 | 4 |
| 1991 | 15 | 5 | 4 |
| 1992 | 10 | 5 | 6 |

Annual repayments become due at the end of the sixth year.

NOTES ON THE ACCOUNTS

11. Loans - cont'd

ii) IADB

Inter-American Development Bank loan of 375,000 Swiss Francs was fully drawn down as at 31 December 1993. The loan is repayable not later than 16 January 2028 by 60 semi-annual consecutive, and as far as possible equal instalments beginning on 16 July 1998.

Commission of 1% is payable semi annually on 16 January and 16 July each year beginning 6 months after the disbursements of the loan. The terms of the IADB/IPED agreement require that this loan is repayable in Guyana dollars at the rate of exchange agreed by the Bank of Guyana at the date of disbursement.

iii) EIB

European Investment Bank loan of 500,000 ECU was fully drawn down at 31 December 2000. The loan is repayable in 10 equal annual instalments commencing 31 March 2001. A further loan was approved in November 22, 2000 for 500,000 Euros for which only 41,000 Euros was drawn down. This loan is repayable in ten equal annual instalments commencing December 5, 2006.

Interest is payable annually in arrears at the rate of 2% per annum.

iv) IFAD

The International Fund for Agricultural Development loan agreement was signed between the Government of Guyana through the Ministry of Finance and the Institute of Private Enterprise Development Limited on 9 February 2001.

This is an interest free loan which is repayable after six (6) years, after which IPED is entitled to repay the Government all undisbursed sums and within an agreed stipulated period recover the disbursed sums and pay them over to the Government of Guyana. The Government is entitled to 2% interest collected as government commission. The full commitment on this loan has been received as at the 3rd of August, 2005.

Loans (i), (ii), (iii) and (iv) are all unsecured.

12. Other payables

| | 2006 G\$ | 2005 G\$ |
|----------------------|--------------------|--------------------|
| PL 480 loan interest | 331,045,008 | 308,436,308 |
| Others | <u>122,766,223</u> | <u>75,300,185</u> |
| | <u>453,811,231</u> | <u>383,736,493</u> |

13. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Listed below are transactions and balances with related parties:

(i) Compensation of key management personnel

The company's key management personnel 5 (2005 - 6) comprises its Directors, Chief Executive Officer, Finance Controller, Administrative Manager/Company Secretary and two Managers.

The remuneration paid to key management personnel during the year were as follows:

| | 2006 G\$ | 2005 G\$ |
|------------------------------|-------------------|-------------------|
| Short term employee benefits | 24,877,273 | 25,854,695 |
| Post-employment benefits | <u>730,736</u> | <u>690,401</u> |
| | <u>25,608,009</u> | <u>26,545,096</u> |

No directors' emoluments were paid during the year.

(ii) Loans

| | 2006 G\$ | 2005 G\$ |
|------------------------|------------------|------------------|
| Balance at end of year | <u>1,347,174</u> | <u>3,588,340</u> |
| Interest income | <u>314,972</u> | <u>388,345</u> |

No provision was made for loan losses to related parties.

Rates of interest are same as charged to third parties.

(iii) Refer to notes 8 and 9 for investment in companies where there is common chairmanship and directors.

NOTES ON THE ACCOUNTS

14. Pending litigations

There are several litigations pending, the outcome of which is uncertain at this stage.

15. Defined benefit asset

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2003 by Bacon Woodrow & de Souza Limited. The present valuation of the defined benefit obligation and the related current service cost were measured at 31 December 2006 using the Projected Unit Credit Method.

| | 2006 | 2005 |
|---|-----------------------|-----------------------|
| | G\$ 000 | G\$ 000 |
| Amounts in the balance sheet: | | |
| Defined benefit obligation | 41,255 | 34,318 |
| Fair value of plan assets | (49,690) | (39,246) |
| Unrecognised actuarial gain | <u>4,880</u> | <u>2,560</u> |
| Defined benefit asset | <u><u>(3,555)</u></u> | <u><u>(2,368)</u></u> |
| Amounts included in salaries and other staff costs in the statement of income | | |
| Current service cost | 3,258 | 3,184 |
| Interest on defined benefit obligation | 1,714 | 1,507 |
| Expected return on plan assets | <u>(2,501)</u> | <u>(2,011)</u> |
| Net pension cost | <u><u>2,471</u></u> | <u><u>2,680</u></u> |
| Reconciliation of opening and closing defined benefit asset in balance sheet: | | |
| Opening defined benefit asset | (2,368) | (1,473) |
| Plus net premium pension cost | 2,471 | 2,680 |
| Less contributions paid | <u>(3,658)</u> | <u>(3,575)</u> |
| Closing defined benefit asset | <u><u>(3,555)</u></u> | <u><u>(2,368)</u></u> |
| Actual return on plan assets | | |
| Expected return on plan assets | 2,501 | 2,011 |
| Actuarial loss on plan assets | <u>3,006</u> | <u>1,715</u> |
| | <u><u>5,507</u></u> | <u><u>3,726</u></u> |

15. Defined benefit asset - Cont'd

| | 2006 | 2005 |
|---|-----------------|-----------------|
| | G\$ 000 | G\$ 000 |
| Experience History | | |
| Defined benefit obligation | 41,255 | 34,318 |
| Fair value of plan asset | <u>(49,690)</u> | <u>(39,246)</u> |
| Surplus | <u>(8,435)</u> | <u>(4,928)</u> |
| Experience adjustment on plan liabilities | 686 | 1,347 |
| Experience adjustment on plan assets | <u>3,006</u> | <u>1,715</u> |
| Expected Company contributions in 2007 | | <u>3,841</u> |
| | <u>2006</u> | <u>2005</u> |
| | % | % |
| Asset allocation as at 31 December | | |
| Equity securities | 50.3% | 46.2% |
| Debt securities | 24.4% | 16.6% |
| Property | - | - |
| Other | <u>25.3%</u> | <u>37.2%</u> |
| Total | <u>100.0%</u> | <u>100.0%</u> |
| Actuarial assumptions | <u>Per</u> | <u>Per</u> |
| | annum | annum |
| | % | % |
| Discount rate | 5 | 5 |
| Rate of salary increases | 5 | 5 |
| Rate of return on pension plan assets: | | |
| - Deposit administration contract | 2 | 2 |
| - Annuities | <u>6</u> | <u>6</u> |

16. Financial risk management - Cont'd

(a) Market risk - cont'd

(i) Interest rate risk - cont'd

The company's average effective interest rates for monetary financial investments are shown below:

| | 2006 | 2005 |
|------------------------|-------|-------|
| | % | % |
| Assets | | |
| Loans | 27.25 | 28.17 |
| Term deposits | 2.50 | 3.75 |
| Short term investments | 2.50 | 3.75 |
| | <hr/> | <hr/> |
| Liabilities | | |
| Loans | 3 | 3 |
| | <hr/> | <hr/> |

(ii) Foreign currency risk

Assets and liabilities in foreign currencies

The aggregate amounts of assets denominated in currencies other than Guyana dollars are as shown below:

| | <u>US dollars</u> |
|----------------------------|-------------------|
| At 31 December 2006 | |
| Assets | <u>11,132,092</u> |
| Liabilities | <u>-</u> |
| At 31 December 2005 | |
| Assets | <u>9,785,540</u> |
| Liabilities | <u>-</u> |

(b) Credit risk

- (i) The company faces credit risk in respect of its receivables and cash and cash equivalents. However, this risk is controlled by close monitoring of these assets by the company. The maximum credit risk faced by the company is the balance reflected in the financial statements.

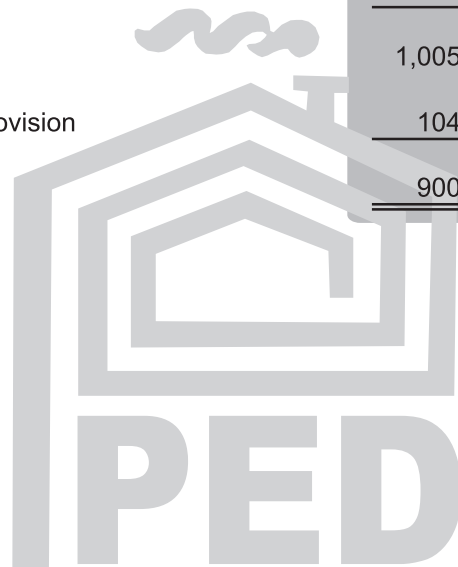
NOTES ON THE ACCOUNTS

16. Financial risk management - Cont'd

(b) Credit risk - Cont'd

(ii) Loans receivable (by Industry)

| | 2006 | 2005 |
|---|---------------|---------------|
| | G\$ | G\$ |
| Fishing | 36,120,066 | 37,835,322 |
| Rice | 232,374,975 | 277,793,248 |
| Dairy | 8,166,813 | 7,133,400 |
| Pigs | 5,802,086 | 5,724,340 |
| Poultry | 74,114,059 | 65,710,266 |
| Fish dehydration | 3,888,760 | 1,929,114 |
| Crops | 57,731,819 | 63,191,450 |
| Garment | 3,167,308 | 6,659,735 |
| Food processing | 3,214,452 | 8,070,775 |
| Workshop | 20,771,686 | 21,972,292 |
| Furniture | 41,643,195 | 50,912,386 |
| Craft | 2,961,548 | 10,759,250 |
| Shop, motor vehicles & vessels, vending and trading, etc. | 461,553,420 | 450,695,930 |
| Miscellaneous | 53,712,147 | 106,821,039 |
| | 1,005,222,334 | 1,115,208,547 |
| Less: Bad debts provision | 104,354,687 | 252,994,056 |
| | 900,867,647 | 862,214,491 |



16. Financial risk management - cont'd

(c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

The following table shows the distribution of assets and liabilities by maturity:

| | 1 to 12 months G\$ | 2 to 5 years G\$ | Over 5 years G\$ | Total G\$ |
|-------------------------------|--------------------------|------------------------|------------------------|------------------------|
| As at 31 December 2006 | | | | |
| Assets | 2,333,647,935 | 122,348,565 | - | 2,455,996,500 |
| Liabilities | <u>(1,295,114,442)</u> | <u>(70,104,023)</u> | <u>(16,820,950)</u> | <u>(1,382,039,415)</u> |
| | <u>1,038,533,493</u> | <u>52,244,542</u> | <u>(16,820,950)</u> | <u>1,073,957,085</u> |
| As at 31 December 2005 | | | | |
| Assets | 2,178,239,284 | 171,056,130 | - | 2,349,295,414 |
| Liabilities | <u>(789,687,402)</u> | <u>(520,156,702)</u> | <u>(25,299,498)</u> | <u>(1,335,143,602)</u> |
| | <u>1,388,551,882</u> | <u>(349,100,572)</u> | <u>(25,299,498)</u> | <u>1,014,151,812</u> |

17. Restatement

In 2006, an adjustment was made to correct the exchange rate used to translate the EIB loan in 2005. As a result, certain prior year balances were restated. The effect of this restatement on the 2005 financial statements is shown below:-

| | G\$ |
|---------------------------------|-------------------|
| EIB loan payable increased by | <u>20,703,197</u> |
| Surplus for the year reduced by | <u>20,703,197</u> |

There is no effect on the 2006 financial statements.

18. Taxation

The financial statements have been prepared on the basis that the company is tax exempt by the Ministry of Finance.

Awards

Staffs Awards 2006

Employees who completed fifteen (15), ten (10), and five (5) years of continuous employment in 2006.

| <u>Names</u> | <u>Designations</u> | <u>Years of Service</u> |
|-----------------------|--|-------------------------|
| Monica Richards | Senior Legal Clerk | 15 |
| Pamela Gomes | Senior Legal Clerk | 15 |
| Bhagmattie | Cleaner | 10 |
| Vishnu Harpaul | Senior Credit Supervisor | 10 |
| Peter Songster | Branch Supervisor | 10 |
| Nankishore Ramsankar | Security Officer | 10 |
| Dhanpall Birbal | Branch Supervisor | 10 |
| Ramsahoy | Security Supervisor | 10 |
| Seeta Gaindalall | Accounts Clerk | 5 |
| Niaiol Paul | Senior Business Counsellor/Field Officer | 5 |
| Barry Singh | Business Counsellor/Field Officer II | 5 |
| Bonnellita Sewprashad | Legal Clerk | 5 |
| Moonsammy Mootoo | Security Officer | 5 |

Clients Awards 2006

| | | |
|---|---|------------------------------|
| <u>1. Best Managed Project</u> | | |
| Dularie Takapersaud | Tain Settlement, Corentyne, Berbice | Commercial |
| <i>Runner - up</i> | | |
| Roy Bennett | 298 Goed Intent, W.B.D | Trucking Service/ Vending |
| <u>2. Best Agri Project</u> | | |
| Shameer Bacchus | Lot 53 Section B, Bush Lot, W.C.B | Rice Cultivation |
| <i>Runner-up</i> | | |
| Wendel Daniels | Grant Unity, Lower Pomeroun | Crop Farming |
| <u>3. Best Woman Entrepreneur</u> | | |
| Georgia Maxwell | Lot 101, 3 rd Street, Meten-Meer-Zorg, W.C.D | Vending |
| <i>Runner-up</i> | | |
| Mary Yaw | 26 Middle Walk, Buxton, E.C.D | Trading |
| <u>4. Best Manufacturer</u> | | |
| Vishwanauth Doodnauth | 43 Sparta, Essequibo Coast | Furniture Manufacturing |
| <i>Runner - up</i> | | |
| Kamroom Resha | 24 Depo Street, Pouderoyen, W.B.D | Food Processing |
| <u>Enterprising Micro Entrepreneurs</u> | | |
| 1. Cecily Forde | 71 Durban Street, Wortmanville | Vending |
| 2. Puran Madho | 73 Public Road, Soesdyke | Vending |
| 3. Beverly Klass | 1020 Parika Outrail, E.B.E | Poultry-Broilers |
| 4. Chandroutie Imamudeen | Charity, Essequibo Coast | Vending |
| 5. Dianne Khan | Coopers Lane, New Amsterdam | Boutique |
| 6. Shirley Usher | Culvert City, Rupununi Bakery | |
| <u>Best Hinterland Entrepreneurs</u> | | |
| 1. Bibi Zulika Samaroo | Lethem, Region 9 | Commercial |
| 2. Samantha Rodrigues | Moruca, Region 1 | Vending |
| 3. Barbara Collymore | Mabaruma, Region1 | Vending |