



GET GOING. KEEP GROWING.

Contents

<i>Mission Statement</i>	2
<i>Notice of Meeting</i>	3
<i>Corporate Profile</i>	4
<i>Board of Directors</i>	5
<i>Chairman's Report</i>	7
<i>Report of the Directors</i>	10
<i>Report of the Auditor</i>	13
<i>Awards</i>	50

Mission Statement

We exist to facilitate enterprise development for wealth creation and poverty reduction whilst being financially viable.

GOALS

1. To develop a culture of entrepreneurship amongst our clients and to inspire and empower them to achieve excellence.
2. To provide timely financing to Micro, Small and Medium Enterprises to enhance their production potential and capacity to supply both local and foreign markets.
3. To provide technical and managerial support services through training and counseling to all loan beneficiaries.
4. To promote sustainable environmental practices and technologies and mitigation of any pollution of the environment by our clients.
5. To network with organizations providing complementary support services to communities in order to effectively develop entrepreneurs.
6. To provide a work environment where all employees are treated fairly, are adequately compensated, trained and highly motivated.

VISION

To be of service to 7,500 active enterprises by 2015 and more than 15,000 active enterprises by 2020 using world class management systems and methodologies focused on full customer and employee satisfaction whilst being financially sustainable.

CULTURE AND VALUES

1. Dynamic Customer Service
2. Teamwork
3. Quality and excellence
4. Innovation
5. Strong Governance

GUIDING PRINCIPLE

WE BELIEVE THAT A GOOD LOAN TAKES A FAMILY OUT OF POVERTY AND CREATES WEALTH BUT A BAD LOAN SINKS THEM DEEPER INTO HOPELESSNESS. THEREFORE, WE WILL DO ONLY GOOD LOANS SINCE WE CARE ABOUT OUR CLIENTS.

Notice of Meeting

The twenty-fourth Annual General Meeting of the Institute of Private Enterprise Development Limited will be held on Friday 16th April, 2010 at the Institute's Head Office 253 South Road, Bourda, Georgetown at 10:00 a.m.

AGENDA

1. Chairman's review of the Institute for the year 2009.
2. To receive and consider the Institute's Accounts and Reports of the Directors and Auditors for the year 2009.
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. Presentation of Client's Awards.
6. Presentation of Staff Awards.
7. Any Other Business of an Annual General Meeting.

BY ORDER OF THE BOARD



Hemant S. Indar Singh
Admin Manager/Company Secretary

Registered Office
253 South Road
Bourda,
Georgetown.

Dated: 15th March, 2010.



Corporate Profile

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

Dr. 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, SEBRAE

Bankers

Demerara Bank Limited
Republic Bank Ltd.
Guyana Bank for Trade
and Industry Ltd.
Citizens Bank Guyana Limited

Auditors

TSD LAL & CO
Chartered Accountants
77 Brickdam, Stabroek
Georgetown, Guyana.

Attorneys at Law

Mr. Vidyanand Persaud & Associates
Georgetown

Mr. Murseline Bacchus
New Amsterdam

Mr. Lachmi N. Dindyal
Essequibo Coast.

Branches

Berbice

1 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

Mabaruma Region 1

Lethem

Rupununi, Region 9
Tel: 592-772-2229

Linden

Region 10
Tel: 592-444-3001

Board of Directors



1



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



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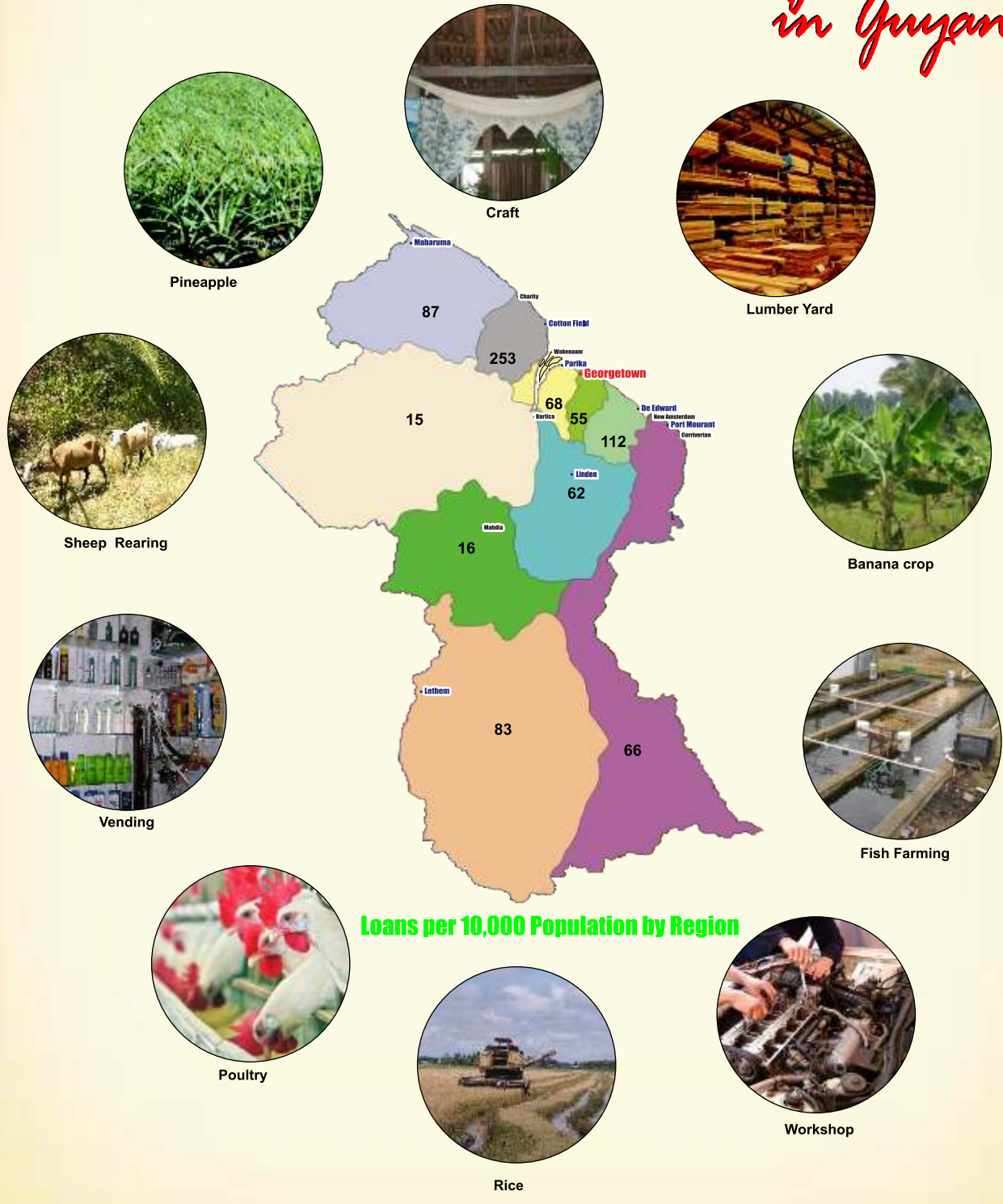
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8

- 1- **CHAIRMAN**
Dr. Yesu Persaud C.C.H., F.C.C.A., F.R.S.A., F.B.I.M.
- 2- **DIRECTOR**
Dr. Ian Mc Donald AA, MA, (Cantab.), F.R.S.L
- 3- **DIRECTOR**
Mrs. Amanda Richards A.I.C.B.
- 4- **DIRECTOR**
Mr. James Morgan F.L.M.I., A.C.S.
- 5- **DIRECTOR**
Mr. Komal Samaroo AA, F.C.C.A., A.C.I.S.
- 6- **DIRECTOR**
Mr. Laurence Farley F.B.S.C., A.C.E.A.
- 7- **DIRECTOR**
Mr. John Bart A.A., Dip. Soc. Sc.
- 8- **DIRECTOR**
Dr. Gem Fletcher Ph. D

Everywhere in Guyana... For Everyone in Guyana





Chairman's Report

Dr. Yesu Persaud

the business community since any instability or decline will be catastrophic to the economy and the trickle down effects to micro, small and medium businesses will be unbearable. It is with this concern that we challenge the stakeholders to harness the necessary resources and implement a sound business model for the sugar industry free from political bias.

Micro, Small and Medium Businesses (MSME)

MSME's are important to the success and growth of the local economy. They usually constitute the bulk of the businesses that operate within a country. These enterprises face lots of difficulties in areas such as financing, marketing and entrepreneurship. The local enabling environment is inadequate to meet the needs of this sector. It is our view that a national policy on MSME needs to be established since the work done by the National Competitive Council is much more focused on larger businesses. We are disappointed by the pace at which the Small Business Act is being implemented and the lack of attention and focus by the Small Business Council in adequately handling the issues of this sector.

Global Economy

It is now safe to conclude that the world economy has emerged quite impressively from the worst recession since the Great Depression. Much of this rebound is attributed to fiscal stimuli introduced by proactive Governments and the opportunity taken by many businesses to replenish their inventory.

History is riddled with cycles of boom and bust, but this crisis highlighted the detrimental effects of corporate greed, lack of good leadership, poor ethical and corporate governance practices, business systems that are too cumbersome, the engineering of financial products that are too complex for the market to comprehend and the carrying out of business practices of which the interest of the public and society is ignored.

It is worthwhile to note that there are no substitutes for sound business that are genuine in meeting the needs of their customers that have adequate internal controls, are ethical in their practices and benefit from sound leadership.

Guyana's Economy

The local economy recorded a growth in GDP of 2.3% compared to 3.1% in 2008. Inflation was 3.6% below the target of 5.2% and 6.4% recorded in 2008. The per capita GNP improved marginally to US\$1,276 from US\$1,214 in 2008. These macro-economic indicators signaled a level of stability in the economy but leaves much more to be desired for micro, small and medium businesses to prosper.

The local economy continues to be highly dependent on the traditional areas of Sugar, Rice and Gold. The challenges faced in the sugar industry are very much of concern to us in

IPED'S Performance in 2009

Outreach

IPED's mandate is to develop enterprises and during 2009 we approved 5,723 loans with a total value of 1,746M. This is a fairly good improvement from the 5,084 loans valued 1,483M approved in 2008. This represents a 12.5% increase in numbers and 17.7% increase in value. The total number of borrowers on the portfolio grew by 5.1% from 4,730 in 2008 to 4,972 at the end of 2009.

Micro loan clients represent 2,878 clients or 58% of our borrowers. These borrowers access loans up to a ceiling of \$350,000. More than 1,000 of these borrowers access loans of less than \$100,000. This segment of borrowers consists of more than 60% women, some of whom are single parents and their sole source of income is the economic activity funded by IPED.

The agriculture sector represents 41% of our gross loan balances with rice alone representing 26% of the gross balance outstanding at the end of the year. Loans to the service sector such as retail trading represented 38% of the gross portfolio.

Chairman's Report

Dr. Yesu Persaud

IPED loans represents 4.2% of all business loans within the banking sector. Below is a table of our loan balances as a % of the banking sector:

Economic Sector	Loan Balances At Commercial Banks	Loan Balances At IPED	Total Loan Balances	IPED Market Share
Other Agriculture	55	107	162	66.1%
Rice paddy	943	374	1,317	28.4%
Livestock	638	112	750	15.0%
Forestry	50	-	50	0.0%
Distribution	10,991	540	11,531	4.7%
Sugar Cane	130		130	0.0%
Transport and Communication	1,637		1,637	0.0%
Mining & Quarrying gold	823	-	823	0.0%
Fishing	1,170	53	1,222	4.3%
Manufacturing	7,288	45	7,333	0.6%
Other Services	5,914	204	6,118	3.3%
Engineering and Construction	3,347	-	3,347	0.0%
Total Business Loans	32,957	1,436	34,392	4.2%

IPED has eight branches across the country and is able to serve clients in all ten administrative regions of Guyana. The only two regions without a permanent presence are 7 and 8. Below is a breakdown of the number of loans per 10,000 population approved by region compared to the corresponding period.

Regions	2009	2008
Reg 1	87	93
Reg 2	253	228
Reg 3	68	69
Reg 4	55	47
Reg 5	112	86
Reg 6	66	59
Reg 7	15	9
Reg 8	16	14
Reg 9	83	84
Reg 10	62	48
Total	76	68

Financial Performance

Total interest income for the year was 330M compared to 245M for 2008. This represents an increase of 34%. This is attributable mainly to the growth in the portfolio and the value of loans disbursed. Investment income declined to 31M from 41M in the previous year. The 24% decline resulted in less funds available for investment due to the growth of investment in the loan portfolio and the repayment of the USAID loans to the Government of Guyana of \$450M in July of 2008. We also suffered lower yields on investment due to lower interest rates that prevailed internationally.

Total cost excluding interest cost of \$5.7M reached \$282M from \$226M in 2008. This is an increase of more than 24%. This increase can be accounted for by a 15% increase in employment cost, 98% increase in loan impairment and a 31% increase in operating cost.

The net surplus revenue over expenditure was 113.9M compared to 95M in 2008. This is an increase of 18.9%. Net surplus represents a return on average equity of 6.4% and a return on average assets of 5.7%.

Whilst this performance seems remarkable, it is worthwhile to note that none of these surpluses are distributed to any of the

Chairman's Report

Dr. Yesu Persaud

principals or subscribers of the company but all are retained for the purpose of lending to and developing our clients. In our 24 years of operation we have grown from almost zero to have a total equity of \$1.798B. This represents 89% of our total assets. Of this amount capital donations of \$256.4M represent 14.2% of total equity.

Our financial position is very strong with our liquid resources representing 29% of our total assets at the end of the year. This might seem conservative but is necessary to protect the shocks in the highly volatile microfinance sector. Our liabilities represent 38% of our cash resources.

Our loan impairment allowances increased from \$155M in 2008 to \$176M in 2009. This represents 12.2% of the gross portfolio of \$1,435M and 45.8% of the non performing portfolio of \$384M. The remainder of the non performing portfolio of \$208M is adequately secured with real estate collateral of sufficient value.

Whilst we are grateful for the assistance offered to us in the early days by donors such as the Pan American Development Foundation and the US PL480 loan funds provided at concessionary rates and terms, and the many other local and overseas contributors, we are pleased to announce that we are fully financially self sustainable.

Human Resource

Our total number of employees stood at 82 at the end of 2009. This consists of professional staff of 64 and ancillary staff of 18. Total expenditure on employees and their welfare amounted to \$135M in 2009 and \$117M in 2008. This is an increase of 15%. Our employees are important to us in that they are critical in providing the service we offer. We believe that our management strategies contribute to them having a high morale. This is evident in the work place atmosphere and their overall performance. Staff turnover for the year was less than 3%.

Our policy is to train every employee for at least 40 hours per annum and we are pleased to announce that we have achieved this target for more than 90% of our staff. Major areas of focus for the year was customer service (all staff), financial management and accounting (professional staff) and the role and importance of security (guards).

The contribution and commitment of our employees to the goals and vision of IPED are well noted and to them we are grateful.

Entrepreneurial Development Centre

The Entrepreneurial Development Centre continued to pursue its mission of enhancing the chances of business success through training, education and development. Over the last year the Centre focused on expanding the market in relation to its Business Development Programmes and forging lasting partnerships with the Public and Private Sectors to develop their human resources.

Fifteen hundred and seventy five (1575) students benefitted from the partnership with Institute of Commercial Management, UK while one hundred and forty one (141) employees from various organizations participated in Workshops to build capacity in the area of Customer Service, Inventory Management and Leadership and Management.

Corporate Social Responsibility

IPED continues to play its role in the community as a corporate member even though it is difficult to distinguish this role from our mission. During the year IPED supported the Rupununi Rodeo Committee and the Amerindian Heritage Celebration. We held a workshop for a group of thirty young people from ACDA on entrepreneurship and business leadership. We also made presentations to over 184 students from the Bishops' High School and Dartmouth Secondary School on the topic of entrepreneurship. Our facilities were also made available for voluntary counseling and testing during the HIV/AIDS awareness week. We continue our programme of providing loans to people living with HIV/AIDS and during 2009 disbursed 15 such loans.

Closing Remarks

We are cautiously optimistic about the outlook for 2010 since the El-Nino phenomenon has not been very kind to our clients within the Agriculture sector. We will continue to monitor this situation very closely. We intend to continue supporting our clients and will work with them to overcome the hardships usually accompanying these disasters.

IPED's performance for 2009 was achieved by the hard work of the clients, staff, management and directors and to them we say thanks for their excellent contribution.

IPED is committed to enterprise development and will continue actively in pursuit of a better society.

Report of the Directors

The Directors have pleasure in submitting this Report and Audited Financial Statements for the year ended 31st December, 2009.

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 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 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 Organisation of National Character in Guyana under Section 35(1) of the Income Tax Act Chapter 81:01.

PERFORMANCE FOR THE YEAR

In the year 2009, the Institute financed a total of 5,723 loans valued G\$ 1,747 million. Small and medium businesses accounted for 2,202 loans valued \$1,252 million whilst 3,521 loans valued \$495 million were for the micro business sector. The 5,723 loans created/sustained 10,127 jobs.

Income totaled \$396.71 million and expenditure \$282.78 million resulting in a surplus of \$113.93 million for the year compared with \$95.11 million in the year 2008.

APPLICATION OF SURPLUS

Net surplus for the year 2009 was \$113.93 million and this was transferred to the accumulated surplus which totaled \$1.54 billion at the end of 2009.

CREDIT PROGRAMMES

In the year 2009, the Institute operated two Credit Windows:-

1. Main Credit Window, which is geared to meet the needs of the small and medium business sectors.
2. Micro Credit Window, which is geared to meet the needs of the micro business sector.

ENTREPRENEURIAL DEVELOPMENT

The Entrepreneurial Development Centre continued to pursue its mission of enhancing the chances of business success through training, education and development. Its partnership with the Institute of Commercial Management in the United Kingdom proved to be very critical to career and professional development. A total of One thousand five hundred and seventy five students benefitted from this level of training in Diploma programmes in Human Resources Development, Business Administration and Project Management. In addition one hundred and forty one employees from various organisations benefitted from other training programmes.

BOARD OF DIRECTORS

During the year 2009, there were eight (8) Directors on the Board.

1. Dr. Yesu Persaud
2. Mr. Komal Samaroo
3. Mr. John Bart
4. Dr. Ian Mc Donald
5. Mr. Laurence Farley
6. Mr. James Morgan
7. Mrs. Amanda Richards
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. Dr. Ian Mc Donald
2. Mr. James Morgan
3. Mrs. Amanda Richards

AUDITORS

The retiring Auditors, Messrs TSD LAL & CO. have intimated their willingness to be re-appointed.

TABLE 1

**LOAN STATISTICS
FOR 2004 TO 2009**

Economic Sector	2009	2008	2007	2006	2005	2004
Rice	1,279	1,172	1,167	1,071	1,090	1,054
Sugarcane	17	11	15	7	9	2
Other Crops	339	371	424	384	334	431
Livestock	1,259	1,075	1,131	1,000	933	970
Fishing	82	84	84	82	65	81
Forestry	36	38	32	29	21	21
Mining	9	6	7	9	8	5
Manufacturing	226	202	226	265	252	258
Construction	8	11	9	8	8	6
Distribution Services	2,106	1,839	2,202	2,174	2,049	2,179
Transportation Services	85	75	107	106	140	170
Rental of Buildings	2	1	5	1	3	0
Other Services	275	199	359	384	298	341
TOTAL	5,723	5,084	5,768	5,520	5,210	5,518

TABLE 2

CLASSIFICATION OF LOAN RECIPIENTS									
CUMMULATIVE	2009	2008	2007	2006	2001-2005	1996-2000	1991-1995	1986-1990	
Men	1545	1,349	1758	1,653	8,787	3,867	2,270	720	
Women	1259	1,103	1,592	1,540	8,590	9,893	1,831	85	
Joint - Men & Women	2919	2,632	2,418	2,327	7,657	4,768	1,870	252	
TOTAL	5723	5,084	5,768	5,520	25,034	18,528	5,971	1057	

TABLE 3

ADMINISTRATIVE ANALYSIS									
SUMMARY RESULT OF ACTIVITIES	2009	2008	2007	2006	2001-2005	1996-2000	1991-1995	1986-1990	
No. Of Loans Granted	5,723	5,084	5,768	5,520	25,034	18,528	5,971	1,057	
Value Of Loans (G\$000)	1,746,899	1,482,602	1,427,687	1,084,924	4,234,848	3,133,550	1,582,754	62,667	
No. Of Jobs Created/ Sustained	10,127	8,984	9,926	9,636	39,912	37,445	20,021	5,096	
Average Loan (G\$000)	305.2	291.6	247.5	196.5	169.2	169.1	265.1	59.3	
Administrative Cost Per Loan (G\$000)	43,960	41,278	35,206	32,523	25,289	15,974	16,424	3,707	
Average No. Of Jobs Per Loan	1.8	1.8	1.7	1.7	1.6	2.0	3.4	4.8	
Loan Value Per Job (G\$000)	172.5	165.0	143.8	112.6	106.1	83.7	79.1	12.3	

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
INSTITUTE OF PRIVATE ENTERPRISE DEVELOPMENT LIMITED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Report on the Financial Statements

We have audited the accompanying financial statements of Institute of Private Enterprise Development Limited which comprise the statement of financial position as at 31 December 2009 and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 15 to 49.

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.

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.

Auditor's Responsibility – Cont'd

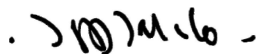
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 31 December 2009 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.



TSD LAL & CO
CHARTERED ACCOUNTANTS

(An Independent Correspondent firm of Deloitte Touche Tohmatsu)

Date: January 29, 2010

77 Brickdam,
Stabroek, Georgetown,
Guyana

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	<u>2009</u> G\$	<u>2008</u> G\$
Interest income		330,763,203	245,046,778
Interest expense		<u>5,718,951</u>	<u>5,005,153</u>
Net interest income		<u>325,044,252</u>	<u>240,041,625</u>
Investment income	5	31,127,130	41,733,819
Other income	6	<u>40,544,109</u>	<u>40,304,741</u>
Net interest and other income		<u>396,715,491</u>	<u>322,080,185</u>
Employment cost		135,657,762	117,455,255
Loan impairment		31,203,259	17,111,243
Premises and equipment		31,740,696	28,068,434
Other operating costs		<u>84,183,823</u>	<u>64,334,479</u>
		<u>282,785,540</u>	<u>226,969,411</u>
Surplus of revenue over expenditure	7	<u><u>113,929,951</u></u>	<u><u>95,110,774</u></u>

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

STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Members'</u> <u>subscriptions</u> G\$	<u>Capital</u> <u>donations</u> G\$	<u>Accumulated</u> <u>surplus</u> G\$	<u>Total</u> G\$
Balance at 1 January 2008	32,500	256,465,233	1,332,604,214	1,589,101,947
Surplus for the year	-	-	95,110,774	95,110,774
Total Recognised income for the year	-	-	95,110,774	95,110,774
Balance at 31 December 2008	32,500	256,465,233	1,427,714,988	1,684,212,721
Surplus for the year	-	-	113,929,951	113,929,951
Total Recognised income for the year	-	-	113,929,951	113,929,951
Balance at 31 December 2009	32,500	256,465,233	1,541,644,939	1,798,142,672

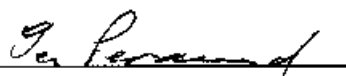
"The accompanying notes form an integral part of these financial statements."

STATEMENT OF FINANCIAL POSITION

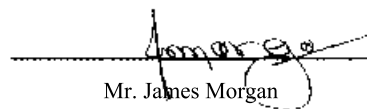
AT 31 DECEMBER 2009

ASSETS	Notes	<u>2009</u> G\$	<u>2008</u> G\$
Non Current assets			
Property, plant and equipment	9	126,687,404	126,848,408
Intangible asset	10	15,583,391	23,273,453
Investments	13	504,019,978	506,520,172
Defined benefit asset	8	7,639,000	6,915,000
Loans receivable	11	<u>1,259,390,056</u>	<u>1,140,231,156</u>
		1,913,319,829	1,803,788,189
Current assets			
Inventory		3,163,278	1,019,879
Other receivables and prepayments	12	24,122,956	35,266,383
Cash resources	14	<u>81,759,468</u>	<u>63,635,711</u>
		<u>109,045,702</u>	<u>99,921,973</u>
TOTAL ASSETS		<u><u>2,022,365,531</u></u>	<u><u>1,903,710,162</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Members' subscriptions	15	32,500	32,500
Capital donations	16	256,465,233	256,465,233
Accumulated surplus		<u>1,541,644,939</u>	<u>1,427,714,988</u>
		<u>1,798,142,672</u>	<u>1,684,212,721</u>
Non Current liabilities			
Loans payable	17	<u>54,305,610</u>	<u>75,185,922</u>
Current liabilities			
Other payables and accruals	18	146,545,773	121,809,043
Loans payable	17	<u>23,371,476</u>	<u>22,502,476</u>
		<u>169,917,249</u>	<u>144,311,519</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,022,365,531</u></u>	<u><u>1,903,710,162</u></u>

These financial statements were approved by the Board of Directors on January 29, 2010
On behalf of the Board:



Dr. Yesu Persaud
Chairman



Mr. James Morgan
Director

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>2009</u> G\$	<u>2008</u> G\$
OPERATING ACTIVITIES		
Surplus of revenue over expenses	113,929,951	95,110,774
Adjustments for:		
Depreciation	13,793,526	11,824,915
Amortisation	7,690,062	6,728,845
Profit on sale property, plant and equipment	<u>(1,010,000)</u>	<u>(5,460,000)</u>
Operating surplus before working capital changes	134,403,539	108,204,534
Movements in:		
Loans receivable	(119,158,900)	(98,862,648)
Other receivables and prepayments	11,143,427	(9,182,892)
Inventory	(2,143,399)	(241,820)
Other payables and accruals	24,736,730	(569,354)
Defined benefit asset	<u>(724,000)</u>	<u>(2,197,000)</u>
Net cash provided by/(used in) operating activities	<u>48,257,397</u>	<u>(2,849,180)</u>
INVESTING ACTIVITIES		
Decrease in investments	2,500,194	462,067,440
Purchase of intangible asset	-	(3,259,876)
Purchase of property, plant and equipment net of adjustment	(13,632,522)	(21,465,563)
Proceeds on sale of property, plant and equipment	<u>1,010,000</u>	<u>5,460,000</u>
Net cash provided by/(used in) investing activities	<u>(10,122,328)</u>	<u>442,802,001</u>
FINANCING ACTIVITIES		
Loan drawn down	-	41,329,709
Loan repayments	<u>(20,011,312)</u>	<u>(465,996,025)</u>
Net cash used in financing activities	<u>(20,011,312)</u>	<u>(424,666,316)</u>
Net increase in cash and cash equivalents	18,123,757	15,286,505
Cash and cash equivalents at beginning of period	<u>63,635,711</u>	<u>48,349,206</u>
Cash and cash equivalents at end of period	<u><u>81,759,468</u></u>	<u><u>63,635,711</u></u>
Comprising		
Cash and cash equivalents as per statement of financial position	<u><u>81,759,468</u></u>	<u><u>63,635,711</u></u>

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

Notes to the *Financial Statements*

1. INCORPORATION AND ACTIVITIES

The Institute of Small Enterprise Development Limited was incorporated in Guyana on October 02, 1985 as a company limited by guarantee. It is a not-for-profit and tax exempt organization formed to promote and 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 September 10, 1991 the entity's name was changed to the Institute of Private Enterprise Development Limited.

2. New and revised standards and interpretations

Effective for the current year end

New Standards	Effective for annual periods beginning after or on
IFRS 8 Operating Segments	1 January 2009
Amendments to Standards	
IFRS 1 & IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 2 Vesting Conditions and Cancellations	1 January 2009
IFRS 7 Enhancing Disclosures about Fair Value and Liquidity Risk	1 January 2009
IAS 1 Presentation of Financial Statements	1 January 2009
IAS 23 Borrowing Costs	1 January 2009
IAS 32 & IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39 Clarification regarding Assessment of Embedded Derivatives	30 June 2009
Various Improvements to IFRSs - first batch	Varies (mostly 1 January 2009)

Notes to the *Financial Statements*

2. New and revised standards and interpretations-Cont'd

Effective for the current year end

New Interpretations

	Effective for annual periods beginning on or after
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 18 Transfers of Assets from Customers	1 July 2009

Available for early adoption for the current year end

New Standards

IFRS 9 Financial Instruments: Classification and Measurement	1 January 2013
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Amendments to Standards

IFRS 1 Revisions to IFRS 1 on First-time Adoption of IFRS's	1 July 2009
IFRS 1 Additional Exemptions for First-time Adopters	1 January 2010
IFRS 2 Group Cash-settled Share-based Payments	1 January 2010
IFRS 3 & IAS 27 Business Combinations	1 July 2009
IAS 24 Related Party Disclosures	1 January 2011
IAS 32 Classification of Rights Issues	1 February 2010
IAS 39 Eligible Hedged Items	1 July 2009
Various Improvements to IFRSs - second batch	Varies (mostly 1 2010) January

New interpretations

IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
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IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
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Amendments to Interpretations

IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011
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None of the above new standards, interpretations and amendments to standards is expected to have a significant impact to the Institute's accounting policies, except for amendments to IAS 1- Presentation of Financial Statements and IFRS 7 Financial Instruments- Disclosures.

Notes to the *Financial Statements*

3. Summary of significant accounting policies.

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana and the requirements of the Company's Act.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

(c) Revenue and expense recognition

Interest income on fixed return securities is recognized as it is earned. Income on loans is taken up on an accrual basis except for non-performing loans. Non-Performing loans are those loan accounts where both principal and interest is due and unpaid for three months or more and interest charge have been capitalized, refinanced or rolled over.

(d) Foreign currencies

Transactions in currencies other than Guyana Dollars are recorded at the official cambio rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, 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 recognised directly in equity.

(e) Borrowing costs

The Institute borrowings are for working capital purposes. For this purpose all borrowing costs are recognised in profit and loss in the period in which they are incurred.

(f) Retirement benefits

The Institute participates in a multi employer defined benefit plan (Demerara Distillers Limited Pension Plan) for its employees. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Institute's defined benefit obligation and the fair value of the plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(f) Retirement benefits-cont'd

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(g) Taxation

The Institute being recognised as an organisation of national character in Guyana has been granted tax exempt status under the Income Tax Act. This was passed via regulation no 7 of 1986 of the Income Tax Act on August 14, 1986 by the Minister of Finance. As such taxation and deferred tax are not considered in the preparation of these financial statements.

(h) Property and equipment

Freehold land and buildings are held for use in the supply of services and for administrative purposes as stated in the statement of financial position.

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.

(i) Intangible asset

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised over a straight line basis over their useful lives. The estimated useful lives and amortization method are reviewed at the end of each annual reporting period.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(k) Provisions

Provisions are recognised when the Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that the Institute will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Financial assets

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets held by the Institute are classified into the following specified categories 'held to maturity investments; 'cash resources'; and 'loans and receivables' and are stated at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(m) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for 'held to maturity' investment only.

(n) Investments

Investments are recognised in the financial statements to comply with International Accounting Standards.

The company investments have been classified as "Investments held to maturity"

"Investments held to maturity" are carried at amortised cost. Any gain or loss on these investments is recognised in the profit and loss when the asset is de-recognised or impaired.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(o) Loans receivable

Loans to customers that have fixed or determinable payments and which are not quoted in active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised when installments are paid.

Loans receivable are recognized when cash is advanced to borrowers and are derecognized when borrowers repay their obligations or when written off.

Classification

The Institute does not fall under the prescriptions of the Financial Institutions Act of 1995 but follows closely the principles as set out therein and as such has classified its loans into the following categories

Grade 1 – Loans demonstrating financial condition, risk factors and capacity to repay that are good to excellent. This generally reflect accounts which are not impaired and are up to date in repayments or operating within approved limits as per the Institute's policy guidelines.

Grade 2 – Represents satisfactory risk and includes credit facilities which require closer monitoring or which operate outside product guidelines, or which require various degrees of special attention, where the collateral is not fully in place; where current market conditions are affecting a sector or industry; and that are progressively between 30 and 90 days past due.

Grade 3 – represents loans for which principal and interest is due and unpaid between 90 and 179 days or, where interest charges for three to five months have been capitalized for reasons such as primary source of repayment has become insufficient, and where appropriate, mortgages in arrears by greater than 90 days where the value of the collateral is sufficient to repay both principal and interest in the event the account is identified for recovery action.

Grade 4– represents loans accounts which are considered uncollectible or for which the collection of the full debt is improbable; accounts which have shown little or no improvement over the twelve months period prior to its present classification; principal or interest is due and unpaid for twelve months or more; or an account which may have some recovery value but is not considered practical nor desirable to defer write-off, for example: where litigation becomes protracted.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(o) Loans receivable-cont'd

Non- performing loans

For individually assessed accounts, loans are required to be designated as non-performing as soon as there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment includes observable data such as when contractual payments of principal or interest are 90 days overdue.

Loan amounts are reported as past due are reclassified and reported as non performing when:

- (i) Loans Principal or interest is due an unpaid for three months or more, or
- (ii) Interest charges for three months or more have been capitalized, refinanced or over. rolled

Loan losses

A loan is classified as loss where one or more of the following conditions apply.

- (i) An account is considered uncollectible
- (ii) An account classified as doubtful with little or no improvement over the twelve month period.
- (iii) The unsecured portion of a loan with fixed repayment dates when:-
 - 1) Principal or interest is due and unpaid for twelve months or more, or
 - 2) Interest charges for twelve months or more have been capitalized, refinanced or rolled over.

Loans and advances under this category include accounts which are considered uncollectible or for which the collection of the debt is highly improbable; accounts which have shown little or no improvement over the twelve months period prior to its present classification; principal or interest is due and unpaid for twelve months or more; or an account which may have some recovery value but is not considered practical nor desirable to defer write off, for example, where litigation becomes protracted.

The Institute writes off such loans twelve months after being so classified unless it shows a definite and significant improvement which indicates recovery within the next six months.

Collateral

It is the Institute's policy that all facilities are fully and tangibly secured. However, under the Micro Loan scheme, loans are issued against Bills of Sale over moveable assets, which are not considered as tangible collateral; hence these facilities can be considered as unsecured.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(o) Loans receivable-cont'd

Loan Provisioning

It is the institute's policy to provide for impaired loans in accordance with Institute's past experience with delinquent loans.

Appropriate allowances for estimated unrecoverable amounts are recognised in the profit and loss when there is objective evidence that the loan is impaired. The allowance is recognised based on management's evaluation of the collectability of each individual or collectively assessed loan.

Upon classification of a loan to a non-accrual status, interest is not taken up in income on an accrual basis. In Subsequent periods, interest is only recognised to the extent payments are received.

Provisioning for each classification category is made based on the following minimum level:

Classification	Level of Provision
Grade 1	0%
Grade 2	0%
Grade 3	0-20%
Past Due	20%
Non Performing	100%

Renegotiated loans

A renegotiated facility may be a facility which has been refinanced, rescheduled, hived off, rolled over, or otherwise modified because of weaknesses in the borrower's financial position or the non servicing of the debt as arranged, where it has been determined by the institute that the terms of the renegotiated loan are such as to remedy the specific difficulties faced by the borrower.

A credit facility may also be renegotiated upon the request by the client, followed by a subsequent analysis and approval by the Institute's approving committee; which may be due to the occurrence of one or both of the following conditions:

- The merging of total credit liabilities into once credit facility.
- The refinancing of a loan to facilitate the accessing of additional finance

Renegotiated credit facilities are permitted subject to the following condition:

- The existing financial position of the borrower can service the debt under the new conditions.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(o) Loans receivable-cont'd

Renegotiated loans-cont'd

- An account classified as doubtful or loss shall not be renegotiated unless upfront cash payment is made to cover, at-least, unpaid interest or there is an improvement in the collateral taken which will make the renegotiated account, including unpaid interest, a well secured account.
- A commercial facility shall not be renegotiated more than twice over the life of the original facility and mortgage or personal loans not more than twice in a five year period.
- A renegotiated facility shall not be classified upward for a minimum of one year following the new arrangements.

(p) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.
- Cash flow difficulties experienced by the borrower.
- Breach of loan covenants or condition
- Deterioration of the borrower's competitive position
- Deterioration in the value of the collateral
- Downgrading of the asset

For certain categories of financial asset, such as loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Institute's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(p) Impairment of financial instruments-cont'd

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans receivables, where the carrying amount is reduced through the use of an allowance account. When a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in statement of income.

In a subsequent period, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(q) Impairment of tangible assets

At the end of each reporting period, the Institute reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Institute estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(r) Derecognition of Financial assets

The Institute derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Institute neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Institute recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Institute retains substantially all the risks and rewards of ownership of a transferred financial asset, the Institute continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(s) Financial liabilities

The Institute financial liabilities are classified as other financial liabilities.

Notes to the *Financial Statements*

3. Summary of significant accounting policies-cont'd

(t) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

The Institute derecognizes financial liabilities when the Institute obligations are discharged cancelled or they expire.

(u) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investments or other purposes. These are readily convertible to known amounts of cash, with maturity dates less than three (3) months.

(v) Business reporting divisions

A business segment is a component of an entity that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Institute's operations are considered a single business unit with certain activities segmented.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Institute's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the *Financial Statements*

4. Critical accounting judgements and key sources of estimation uncertainty-cont'd

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements:

i) Impairment losses on Loan receivables

On a regular basis, management reviews receivables to assess impairment. Based on information available certain judgments are made that reflects the Institute's assessment of several critical factors that can influence future cash flows.

ii) Useful lives of property and equipment and intangible assets

Management reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each year to determine whether the useful lives of property, plant and equipment and intangible assets 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 to the *Financial Statements*

	<u>2009</u> G\$	<u>2008</u> G\$
5 INVESTMENT INCOME		
Cash resources	9,901,941	22,860,231
Held to maturity investments	21,225,189	18,873,588
	31,127,130	41,733,819
6 OTHER INCOME		
Recoveries on loans previously written off	12,934,079	12,213,750
Gain on disposal of property, plant and equipment	1,010,000	5,460,000
Fees- ICM courses	22,581,582	17,908,108
Others	4,018,448	4,722,883
	40,544,109	40,304,741
7 SURPLUS OF REVENUE OVER EXPENDITURE	113,929,951	95,110,774
After charging:		
Loan impairment	31,203,259	17,111,243
Depreciation	13,793,526	11,824,915
Employment cost (a)	135,657,762	117,455,255
Auditors' remuneration (b)	550,000	484,885
(a) Employment cost:		
Salaries and wages	121,534,471	103,492,491
Other staff costs	10,786,357	10,061,487
Pension	3,336,934	3,901,277
	135,657,762	117,455,255
(b) Auditors' remuneration		
Audit services	550,000	484,885
No directors' emoluments were paid		

Notes to the *Financial Statements*

8 DEFINED BENEFIT ASSET

The Institute 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 Institute's resources. Fifty eight (2008- thirty one) employees participate in the plan.

During the year, the Institute's contribution to the scheme was G\$5,898,000 (2008 -G\$3,901,277)

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 2008 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 2009 using the Projected Unit Credit Method.

	<u>2009</u> G\$	<u>2008</u> G\$
Amounts in the statement of financial position:		
Defined benefit obligation	68,318,000	58,032,000
Fair value of plan assets	<u>(83,194,000)</u>	<u>(68,438,000)</u>
	(14,876,000)	(10,406,000)
Unrecognised actuarial gain	<u>7,237,000</u>	<u>3,491,000</u>
Net Defined benefit asset	<u><u>(7,639,000)</u></u>	<u><u>(6,915,000)</u></u>
Reconciliation of amount recognised in the statement of financial position:		
Opening defined benefit asset	(6,915,000)	(4,718,000)
Net pension cost	5,174,000	1,684,000
Institute contributions paid	<u>(5,898,000)</u>	<u>(3,881,000)</u>
Closing defined benefit asset	<u><u>(7,639,000)</u></u>	<u><u>(6,915,000)</u></u>
Amounts included in salaries and other staff costs in the statement of income:		
Current service cost	6,618,000	3,765,000
Interest on defined benefit obligation	2,901,000	2,345,000
Expected return on plan assets	(4,345,000)	(4,013,000)
Amortised Net (Gain)/Loss	<u>-</u>	<u>(413,000)</u>
Net pension cost	<u><u>5,174,000</u></u>	<u><u>1,684,000</u></u>
Actual return on plan assets:		
Expected return on plan assets	4,345,000	4,013,000
Actuarial loss on plan assets	<u>2,353,000</u>	<u>(4,976,000)</u>
Actual return on plan assets	<u><u>6,698,000</u></u>	<u><u>(963,000)</u></u>

Notes to the *Financial Statements*

8 DEFINED BENEFIT ASSET (cont'd)

	<u>2009</u> G\$	<u>2008</u> G\$
Change in the defined benefit obligation		
Defined benefit obligation at start	58,032,000	47,087,000
Service cost	6,618,000	3,765,000
Interest cost	2,901,000	2,345,000
Members' contributions	2,168,000	1,427,000
Benefit Improvements	-	-
Actuarial (Gain) Loss	(1,393,000)	3,767,000
Benefits paid	(8,000)	(359,000)
Expense allowance	-	-
	<u>68,318,000</u>	<u>58,032,000</u>
Change in Plan assets		
Plan assets at start of year	68,438,000	64,452,000
Expected return on Plan assets	4,345,000	4,013,000
Actuarial (Gain) Loss	2,353,000	(4,976,000)
Company contributions	5,898,000	3,881,000
Members' contributions	2,168,000	1,427,000
Benefits paid	(8,000)	(359,000)
Expense allowance	-	-
	<u>83,194,000</u>	<u>68,438,000</u>

	<u>2009</u> G\$	<u>2008</u> G\$	<u>2007</u> G\$	<u>2006</u> G\$
Experience History				
Defined benefit obligation	68,318,000	58,032,000	47,087,000	41,255,000
Fair value of plan asset	(83,194,000)	(68,438,000)	(64,452,000)	(49,690,000)
Surplus	<u>(14,876,000)</u>	<u>(10,406,000)</u>	<u>(17,365,000)</u>	<u>(8,435,000)</u>
Experience adjustment on plan liabilities	<u>(1,393,000)</u>	<u>3,767,000</u>	<u>1,727,000</u>	<u>686,000</u>
Experience adjustment on plan assets	<u>2,353,000</u>	<u>(4,976,000)</u>	<u>6,040,000</u>	<u>3,006,000</u>

Expected Company contributions in 2010 is G\$ 6,449,000.

	<u>2009</u> %	<u>2008</u> %
Asset allocation as at 31 December:		
Equity securities	45.8	50.4
Debt securities	28.7	29.0
Property	-	-
Other	25.5	20.6
Total	<u>100.0</u>	<u>100.0</u>

	Per <u>annum</u>	Per <u>annum</u>
Summary of main actuarial assumptions:		
Discount rate	5	5
Rate of salary increases	5	5
Rate of return on pension plan assets:		
- Deposit administration contract	2	2
- Annuities	6	6

The pension scheme does not directly hold any of the assets of the company.

Notes to the *Financial Statements*

9 PROPERTY, PLANT AND EQUIPMENT

	<u>Land and buildings</u> G\$	<u>Motor vehicles</u> G\$	<u>Furniture, fixtures and fittings</u> G\$	<u>Office machinery</u> G\$	<u>Computer equipment</u> G\$	<u>Total</u> G\$
Cost						
At 1 January 2009	113,293,133	27,890,450	13,613,199	38,215,092	45,963,875	238,975,749
Additions	1,640,535	6,000,000	3,329,459	1,572,525	1,255,333	13,797,852
Adjustment	-	-	(165,330)	-	-	(165,330)
Disposal	-	(3,260,950)	-	-	-	(3,260,950)
At 31 December 2009	<u>114,933,668</u>	<u>30,629,500</u>	<u>16,777,328</u>	<u>39,787,617</u>	<u>47,219,208</u>	<u>249,347,321</u>
Depreciation						
At 1 January 2009	19,774,618	15,715,848	10,131,256	30,189,034	36,316,585	112,127,341
Charge for the year	1,900,279	4,357,070	1,013,717	2,669,389	3,853,071	13,793,526
Write back on disposal	-	(3,260,950)	-	-	-	(3,260,950)
At 31 December 2009	<u>21,674,897</u>	<u>16,811,968</u>	<u>11,144,973</u>	<u>32,858,423</u>	<u>40,169,656</u>	<u>122,659,917</u>
Net book values:						
At 31 December 2009	<u>93,258,771</u>	<u>13,817,532</u>	<u>5,632,355</u>	<u>6,929,194</u>	<u>7,049,552</u>	<u>126,687,404</u>
At 31 December 2008	<u>93,518,515</u>	<u>12,174,602</u>	<u>3,481,943</u>	<u>8,026,058</u>	<u>9,647,290</u>	<u>126,848,408</u>

10 INTANGIBLE ASSET

	<u>2009</u> G\$	<u>2008</u> G\$
Cost		
At 1 January	30,002,298	26,742,422
Additions	-	3,259,876
At 31 December	<u>30,002,298</u>	<u>30,002,298</u>
Amortisation		
At 1 January	6,728,845	-
Charge for the year	7,690,062	6,728,845
At 31 December	<u>14,418,907</u>	<u>6,728,845</u>
Net book values:		
At 31 December	<u>15,583,391</u>	<u>23,273,453</u>

The intangible asset represents a payment for the development and implementation of the Institute's MIS system and is being amortised over a period of four years.

Notes to the *Financial Statements*

11	LOANS RECEIVABLE	2009	2008
		G\$	G\$
	Gross loans	1,435,911,404	1,295,562,621
	Less impairment allowance (a)	<u>(176,521,348)</u>	<u>(155,331,465)</u>
		<u>1,259,390,056</u>	<u>1,140,231,156</u>
	Non- current loans receivable	208,350,996	210,186,982
	Current loans receivable	<u>1,051,039,060</u>	<u>930,044,174</u>
		<u>1,259,390,056</u>	<u>1,140,231,156</u>
	Non-performing loans receivable	208,350,996	210,186,982
	Performing loans receivable	<u>1,051,039,060</u>	<u>930,044,174</u>
		<u>1,259,390,056</u>	<u>1,140,231,156</u>
(a)	Impairment allowances		
	Individually assessed impairment		
	At 1 January	155,331,465	139,579,396
	Provision for the year	31,203,259	17,111,243
	Bad debts written off	<u>(10,013,376)</u>	<u>(1,359,174)</u>
	Net loans	<u>176,521,348</u>	<u>155,331,465</u>
	Loans are carried at amortised cost subject to a test for impairment.		
	Interest rates ranged from 5% to 41.6% and terms of repayments from 3 months to 5 years.		
	The undiscounted fair value of collateral that the Institute holds relating to loans individually determined to be impaired at December 31, 2009 amounted to \$61.3m(2008: \$63.8m). The collateral consists of cash, securities and properties.		
	Collateral realised		
	During the year, the Institute realised collateral amounting to \$6.8 million (2008: \$2.2 million)		
12	OTHER RECEIVABLES AND PREPAYMENTS	2009	2008
		G\$	G\$
	Debtors	13,970,103	23,907,698
	Prepayments	7,513,268	3,028,700
	Others	<u>2,639,585</u>	<u>8,329,985</u>
		<u>24,122,956</u>	<u>35,266,383</u>
13	INVESTMENTS		
(a)	Bonds	<u>206,703,131</u>	<u>250,005,142</u>
	These are made up as follows:		
	Held to maturity investments		
	Government bonds	117,830,702	178,268,713
	Private entity bonds (unsecured)	<u>88,872,429</u>	<u>71,736,429</u>
		<u>206,703,131</u>	<u>250,005,142</u>
(b)	Cash resources	<u>297,316,847</u>	<u>256,515,030</u>
	Total investments	<u>504,019,978</u>	<u>506,520,172</u>
(c)	Income from investment		
	Held to maturity	<u>21,225,189</u>	<u>18,873,588</u>

Notes to the *Financial Statements*

14 CASH RESOURCES

	<u>2009</u> G\$	<u>2008</u> G\$
Cash	374,000	274,000
At banks	81,385,468	63,361,711
	<u>81,759,468</u>	<u>63,635,711</u>

15 MEMBERS' SUBSCRIPTIONS

At 1 January and 31 December	<u>32,500</u>	<u>32,500</u>
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Members' subscriptions represent contributions by members towards the capital of the company. Only the original subscribers and trustees appointed on their behalf have voting rights. No dividend is paid to any member due to the non profit nature of the Institute.

16 CAPITAL DONATIONS

At 1 January and 31 December	<u>256,465,233</u>	<u>256,465,233</u>
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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 enterprise sector. These donations are not repayable to the donor agencies.

17 LOANS PAYABLE

	<u>2009</u> G\$	<u>2008</u> G\$		Amount Committed
(i) IADB	15,550,030	15,971,772	SFR	375,000
(ii) EIB	62,127,056	81,716,626	ECU	698,090
	<u>77,677,086</u>	<u>97,688,398</u>		
Repayments due within one year	<u>23,371,476</u>	<u>22,502,476</u>		
Repayments due within two to five years	34,771,549	47,722,484		
Repayments due after five years	19,534,061	27,463,438		
	<u>54,305,610</u>	<u>75,185,922</u>		
	<u>77,677,086</u>	<u>97,688,398</u>		

(i) 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 installments 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 term 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.

(ii) European Investment Bank loan of 500,000 ECU was fully drawn down at 31 December 2000. The loan is repayable in 10 equal annual installments commencing 31 March 2001. A further loan was approved in November 22, 2000 for 500,000 Euro for which only 174,771 Euro was drawn down. This loan is repayable in ten annual installments commencing December 2006.

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

Notes to the *Financial Statements*

18 OTHER PAYABLES AND ACCRUALS

	<u>2009</u>	<u>2008</u>
	G\$	G\$
EIB loan interest	451,528	-
Accruals	11,534,897	13,571,848
Collateral Improvement scheme (i)	116,156,343	84,650,535
Internal Indemnity Fund (ii)	16,782,855	21,542,350
Miscellaneous	1,620,150	2,044,310
	<u>146,545,773</u>	<u>121,809,043</u>

(i) This represents cash collateral held for loans issued and will be refunded when customers repay their loan.
Interest rate of 3%.

At 1 January	84,650,535	74,865,870
Increase during the year	31,505,808	9,784,665
	<u>116,156,343</u>	<u>84,650,535</u>

(ii) This represents provision for contingencies.

19 RELATED PARTY

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.

	<u>2009</u>	<u>2008</u>
	G\$	G\$

Listed below are transactions and balances with related parties:

(i) Compensation for key management personnel

The company's key management personnel 4 (2008-5) comprises its Directors, Chief Executive Officer, Finance Controller, Administrative Manager/Company Secretary and one Manager.

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

Short term employee benefits	28,361,359	27,682,171
Post-employment benefits	715,346	836,044
	<u>29,076,705</u>	<u>28,518,215</u>

No directors' emoluments were paid during the year.

(ii) The following balances were held with entities which share common chairmanship and directors.

Trust Company Guyana Limited	Investment account	<u>504,019,978</u>	<u>506,520,173</u>
	Investments fees paid	<u>780,702</u>	<u>1,265,371</u>
Demerara Bank Limited	Deposit accounts	<u>15,492,351</u>	<u>53,351,306</u>
Guyana Youth Business Trust.	Receivables	<u>9,468,322</u>	<u>13,908,721</u>

Notes to the *Financial Statements*

20 (a) ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

	<u>Held to Maturity</u>	<u>Loans and</u> <u>Receivables</u>	<u>Other Financial</u> <u>Assets and</u> <u>Liabilities at</u> <u>Amortised cost</u>	<u>Total</u>
	G\$	G\$	G\$	G\$
2009				
ASSETS				
Investment	206,703,131	-	297,316,847	504,019,978
Loan receivables	-	1,259,390,056	-	1,259,390,056
Other receivables and prepayments	-	24,122,956	-	24,122,956
Cash resources	-	-	81,759,468	81,759,468
Total Assets	<u>206,703,131</u>	<u>1,283,513,012</u>	<u>379,076,315</u>	<u>1,869,292,458</u>
LIABILITIES				
Loans payables	-	-	77,677,086	77,677,086
Other payables	-	-	135,010,876	135,010,876
Accruals	-	-	11,534,897	11,534,897
Total Liabilities	<u>-</u>	<u>-</u>	<u>224,222,859</u>	<u>224,222,859</u>
2008				
Investment	250,105,142	-	256,415,030	506,520,172
Loan receivables	-	1,140,231,156	-	1,140,231,156
Other receivables and prepayments	-	35,266,383	-	35,266,383
Cash resources	-	-	63,635,711	63,635,711
Total Assets	<u>250,105,142</u>	<u>1,175,497,539</u>	<u>320,050,741</u>	<u>1,745,653,422</u>
LIABILITIES				
Loans payables	-	-	97,688,398	97,688,398
Other payables	-	-	108,237,195	108,237,195
Accruals	-	-	13,571,848	13,571,848
Total Liabilities	<u>-</u>	<u>-</u>	<u>219,497,441</u>	<u>219,497,441</u>

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT

Objectives

Risk is inherent in the Institute's activities but is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The process of risk management is critical to the Institute's continued growth and performance. The Institute is exposed to liquidity risk, credit risk, operating risk and market risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risk.

Board credit and investment committee

This committee is comprised of five (5) Non Executive Directors. The committee is responsible for the approval of all credits and investments over limits delegated to management. The committee also reviews the amount, nature, risk characteristics and concentration of the Institute's credit and investment portfolio and ensures appropriate responses to changing conditions.

Internal audit

Risk management processes throughout the Institute are audited by the internal audit function that examines both the adequacy of the procedures and the Institute's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

Risk measurement and reporting systems

The Institutes risk are measured using methods which reflect the expected loss likely to arise in normal circumstances.

Monitoring and controlling risks is primarily performed based on limits established by the Board. These limits reflect the business strategy and market environment of the Institute as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries and geographies.

Information compiled from all the business units is examined and processed in order to analyze, control and identify risks early. This information which consists of several reports is presented and explained to the Board of Directors and Board Committees on a monthly basis.

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(a) Market risk

The Institute's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The institute uses interest rate sensitivity and exposure limits to financial instruments to manage its exposure to interest rate and foreign currency risk. There has been no change in the institute's exposure to market risks or the manner in which it manages these risks.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The institute is exposed to various risks that are associated with the effects in interest rates. This impacts directly on its cash flows.

The institute's management continually monitors and manages these risks through the use of appropriate tools and implements relevant strategies to hedge against any adverse effects.

Interest rate sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to interest rates for all financial instruments at the end of the reporting period. The analysis is prepared assuming the amounts of the financial instruments at the end of the reporting period was in existence throughout the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Institute's:

Profit for the year ended 31 December 2009 would increase/decrease by G\$ 599,511 (2008: G\$133,259). This is mainly attributable to the Institute's exposure to interest rates on its variable rate borrowings and balances at banks.

The Institute's sensitivity to interest rates has increase during the current period mainly due to the increase in cash at bank and reduction in variable debts instruments.

The institute's investments are not subject to interest rate sensitivity since they are held to maturity at a fixed rate of interest.

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(a) Market risk-cont'd

(ii) Foreign currency risk

The institute is exposed to foreign currency risk due to fluctuations in exchange rates on balances that are denominated in foreign currencies.

The financial statements at 31 December include the following assets and liabilities denominated in foreign currencies stated in the Guyana Dollar equivalent

Assets	<u>2009</u>	<u>2008</u>
	G\$	G\$
United States dollars	217,951,080	248,210,719
Euro	<u>74,846,335</u>	<u>75,992,487</u>
	<u>292,797,415</u>	<u>324,203,206</u>
Liabilities		
Euro	<u>62,127,057</u>	<u>81,716,626</u>
Net assets	<u>230,670,358</u>	<u>242,486,580</u>

Foreign currency sensitivity analysis

The following table details the company's and group's sensitivity to a 2.5% increase and decrease in the Guyana dollar against balances denominated in foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2.5% change in foreign currency rates. A positive number indicates an increase in profit where foreign currencies strengthens 2.5% against the G\$ for a 2.5% weakening of the foreign currencies against G\$ there would be an equal and opposite impact on the profit, and the balances below would be negative.

	<u>2009</u>	<u>2008</u>
	G\$	G\$
Profit/(loss):		
Euro	317,982	143,103
United States Dollars	5,448,777	6,205,268

(iii) Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market. Management continually identifies the risk and diversifies the portfolio in order to minimize the risk.

Other price risks

The Institute is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than for trading purposes. The Institute does not actively trade these investments.

Equity price sensitivity analysis

The Institute is not exposed to price sensitivity analysis arising from its investments, since they are held to maturity investments at fixed rates of interest.

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(b)Liquidity risk

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

	Maturing					Total
	31.12.2009					
	On Demand	Within 1 year Due in 3 mths	Due 3 - 12 mths	2 to 5 years	Over 5 years	
G\$	G\$	G\$	G\$	G\$	G\$	
Assets						
Investments	211,405,714	-	85,911,133	-	206,703,131	504,019,978
Loans receivable	692,403,727	30,003,507	328,631,826	208,350,996	-	1,259,390,056
Other receivables and prepayments	-	-	24,122,956	-	-	24,122,956
Cash resources	81,759,468	-	-	-	-	81,759,468
	<u>985,568,909</u>	<u>30,003,507</u>	<u>438,665,915</u>	<u>208,350,996</u>	<u>206,703,131</u>	<u>1,869,292,458</u>
Liabilities						
Loans	23,371,476	-	-	34,771,549	19,534,061	77,677,086
Other payables and accruals	-	-	146,545,773	-	-	146,545,773
	<u>23,371,476</u>	<u>-</u>	<u>146,545,773</u>	<u>34,771,549</u>	<u>19,534,061</u>	<u>224,222,859</u>
	<u>962,197,433</u>	<u>30,003,507</u>	<u>292,120,142</u>	<u>173,579,447</u>	<u>187,169,070</u>	<u>1,645,069,599</u>

	Maturing					Total
	31.12.2008					
	On Demand	Within 1 year Due in 3 mths	Due 3 - 12 mths	2 to 5 years	Over 5 years	
G\$	G\$	G\$	G\$	G\$	G\$	
Assets						
Investments	205,041,306	-	111,911,737	30,649,089	158,918,040	506,520,172
Loans receivable	941,727,078	-	-	198,504,078	-	1,140,231,156
Other receivables and prepayments	-	-	35,266,383	-	-	35,266,383
Cash resources	63,635,711	-	-	-	-	63,635,711
	<u>1,210,404,095</u>	<u>-</u>	<u>147,178,120</u>	<u>229,153,167</u>	<u>158,918,040</u>	<u>1,745,653,422</u>
Liabilities						
Loans	22,502,476	-	-	47,722,484	27,463,438	97,688,398
Other payables and accruals	-	-	121,809,043	-	-	121,809,043
	<u>22,502,476</u>	<u>-</u>	<u>121,809,043</u>	<u>47,722,484</u>	<u>27,463,438</u>	<u>219,497,441</u>
	<u>1,187,901,619</u>	<u>-</u>	<u>25,369,077</u>	<u>181,430,683</u>	<u>131,454,602</u>	<u>1,526,155,981</u>

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(c) Credit risk

Credit risk is the risk that financial loss arises from failure of customers or counter party to meet its obligations under a contract. It arises principally from lending, and lesser extent from investment and cash resources. Risk associated with investments are managed by a sub committee of the Board as mentioned above.

IPED is a financial institution that offers non traditional credit facilities such as Micro and Small loans to entrepreneurs. Its focus is mainly on the poor and disadvantage groups. These types of loans, have a greater risk of default than those offered in the formal banking sector, since the factors that contribute to defaults are much more.

The Board is responsible for identifying, measuring and managing credit risk. The Board and its Credit Sub Committee has approved standard policies and procedures necessary for adequate credit risk management. Since the core activity of the business is loans, credit risk management is always a top priority of Management and Staff. Compliance with credit policies and exposure limits is reviewed by the internal auditors on a continuous basis. These policies include but are not limited to:

Interviews are conducted for each client to obtain an overall impression of the applicant's ability to manage its finances and service the credit facility.

An appraisal or credit analysis is carried out for each client to assess the quality of the following characteristics:

- Character- Willingness and determination to meet obligations, integrity, stability, honesty, quality of past dealings, background and community standing.
- Capacity- Project cash generating capabilities, applicants education, experience and ability to manage cash /project.
- Capital- Equity commitment by the borrower, leverage and use of total capital, emergency reserves of the owners.
- Conditions- State of the economy, type of industry, political climate and prospects and social stability of the environment.
- Collateral- Pledge by the borrower to complement the other characteristics. This is the secondary source of paying of the loan. Collateral accepted are mortgages, bill of sales, guarantees, assignment of insurance policies, assignment of proceeds, cash and promissory notes.

Further, every project is appraised for its viability and success by examining factors such as Product, Price, Place and Promotion. It is believed that once a project meets sound business standards, the risk of default will be low.

Prior to the processing of the client application a field visit is made to the site of every project to correlate information provided by the borrowers and other parties. During the visit, business counselors spend time in getting to know the client better and make assessments on the quality and value of the collateral being offered.

Once officers are satisfied that the business or project is viable the loan application will be prepared. All loans are approved at two levels of management, whilst those above certain levels are approved by the Credit Committee or the Board.

The functions of disbursement and approval of loans are adequately segregated. Generally, funds are not disbursed unless mortgages and bill of sales are duly executed in the High Court.

Prior to the disbursement of the loan a training session is held for each client on the full policies of the Institute and to help them appreciate the full content of their loan agreements.

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(c) Credit risk -cont'd

Business counsellors are required to continually track loans recommended or approved by themselves to ensure projects are implemented as conceptualised, approved and scheduled; repayments are made in accordance with the loan agreements; potential problems are identified and appropriate actions are taken to avoid the performance of the loans being adversely affected; and generally to maintain and improve the healthiness of the institute's credit portfolio.

As part of our loan methodology, supervision visits are required monthly for each project. These visits are done to facilitate a process of development of the entrepreneur and to assess the status of the business and the state of the collateral. It is believed that if the institution is in constant contact with the client their risk of default will reduce and if potential problems arise, these can be dealt with at an early stage.

To facilitate prompt settlement of loans and to remove as much barrier as possible, IPED has appointed the Guyana Post Office Corporation and Bill Express as agents to receive installments countrywide at all their locations. Further, loan officers on their visits to the clients home or business is also prepared to collect installments if the client wishes to settle. Making it easier to pay installments will help in the reduction of defaults.

Monthly credit meetings are conducted to review loans at varying degrees of default so that actions are taken in a timely manner.

Daily and monthly management reports are produced on the state of the portfolio and the loans that are delinquent.

Delinquent loans are followed up from the first day of arrears until they get back on stream.

For past due debts, a debt recovery unit has been set up to provide specialist assistance to recover these outstanding balances. Their work consist mainly of negotiating with clients, restructuring facilities and as a last resort follow the legal process to realise the collateral.

Credit exposure is controlled by lending limits that are reviewed and approved by the Credit Committee and the Board of Directors.

Maximum exposure credit risk without taking account of any collateral and other credit enhancements.

The table below shows the institute's maximum exposure to credit risk.

	<u>2009</u>	<u>2008</u>
	G\$	G\$
Gross maximum exposure:		
Investments: Held to maturity	504,019,978	506,520,172
Loans receivable	1,259,390,056	1,140,231,156
Other receivables	24,122,956	35,266,383
Cash resources	81,759,468	63,635,711
Total credit risk exposure	<u>1,869,292,458</u>	<u>1,745,653,422</u>

Where financial instruments are recorded at fair value the amounts shown above represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(c) Credit risk -cont'd

Collateral and other enhancements

The institute maintains credit risk exposure within acceptable parameters through the use of collateral as a risk- mitigation tool. The amounts and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash or securities, charges over real estate properties, inventory and trade receivables and mortgages over residential properties.

Management monitors the market value of collateral, request additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the institute's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the institute does not occupy repossessed properties for business use.

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector as detailed in the following:

(a) Geographical sectors

The institute's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held and other credit enhancements, can be analysed by the following geographical sectors based on the country of domicile of our counterparties:

	<u>2009</u> G\$	<u>2008</u> G\$
Guyana	1,576,678,194	1,444,174,555
Jamaica	92,724,768	153,275,038
Trinidad and Tobago	120,038,256	93,523,793
Other countries	79,851,240	54,680,036
	<u>1,869,292,458</u>	<u>1,745,653,422</u>

(b) Industry sectors'

The following table breaks down the institute's maximum credit exposure as categorised by the industry sectors of our counterparties:

	<u>2009</u> G\$	<u>2008</u> G\$
Government and government bodies	117,830,701	178,368,714
Financial sector	467,948,744	391,787,170
Fishing	52,729,322	41,877,027
Rice	372,803,304	328,462,393
Dairy	6,703,947	3,878,353
Pigs	13,619,887	13,159,047
Poultry	92,313,881	91,624,233
Fish dehydration	6,878,036	8,787,066
Crops	107,065,873	112,748,104
Garment	7,986,489	5,688,826
Food processing	12,802,998	11,721,517
Workshop	19,589,342	23,284,070
Furniture	12,523,449	11,712,451
Craft	5,184,796	5,596,907
Trading	541,658,259	504,588,341
Miscellaneous	208,174,778	167,700,668
	<u>2,045,813,806</u>	<u>1,900,984,887</u>
Less: Allowance for impairment	(176,521,348)	(155,331,465)
	<u>1,869,292,458</u>	<u>1,745,653,422</u>

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(c) Credit risk -cont'd

Credit quality per category of financial assets

The Institute has determined that credit risk exposure arises from the following statement of financial position lines:

Investments- Held to maturity
 Loans receivable
 Other receivables
 Cash resources

Investments- Held to maturity

The debt securities within the Institute's investments security portfolio are exposed to credit risk. The credit quality of each individual security is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt. The level of credit risk thus assessed and associated with the security is assigned to a risk premium. These premiums are defined as follows:

- Superior: Government and Government Guaranteed securities and securities secured by a letter of comfort from the Government. These securities are considered risk free.
- Desirable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has good financial strength and reputation.
- Acceptable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.
- Sub-standard: These securities are either more than 90 days in arrears but are not considered impaired, or have been restructured in the past financial year.

The table below illustrates the credit quality of debt security investments as at December 31:

	<u>Superior</u> G\$	<u>Desirable</u> G\$	<u>Acceptable</u> G\$	<u>Sub-standard</u> G\$	<u>Total</u> G\$
Financial Investments:					
Held to maturity					
2009	<u>117,830,702</u>	<u>386,059,931</u>	<u>129,345</u>	<u>-</u>	<u>504,019,978</u>
2008	<u>178,368,714</u>	<u>328,022,113</u>	<u>129,345</u>	<u>-</u>	<u>506,520,172</u>

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(c) Credit risk -cont'd

Loans receivable

The credit quality of loans receivable and advances is internally determined from an assessment of the counterparty based on a combination of factors. These include the level and strength of experience of management, the track record and level of supervision required for the existing facilities of the company, the financial and leverage position of the borrowing company, the estimated continued profitability of the company and the ability of that company to service its debts, the stability of the industry within which the company operates and the competitive advantage held by the company in the market. The overall level of risk thus assessed is assigned a credit score which indicates the overall quality of the Commercial/ Corporate borrowings account. The related scores for commercial and corporate advances that are neither past due nor impaired are defined as follows:

Superior:	These counterparties have strong financial position. Facilities are well secured, and business has proven track record.
Desirable:	These counterparties have good financial position. Facilities are reasonably secured, and underlying business is performing well.
Acceptable:	These counterparties are of average risk with a fair financial position. Business may be new or industry may be subject to more volatility, and facilities typically have lower levels of security.
Sub-standard:	Past due or individually impaired.

The table below illustrates the credit quality of debt security investments as at December 31:

	Neither past due nor impaired			Sub-standard	Total
	Superior	Desirable	Acceptable		
	G\$	G\$	G\$	G\$	G\$
2009	905,258,813	202,408,813	119,893,563	208,350,996	1,435,912,185
2008	812,179,065	177,625,500	158,136,773	210,186,982	1,358,128,320

The following is an aging of facilities classified as sub-standard:

	31 to 60 days	61 to 90 days	More than 90 days	Impaired	Total
	G\$	G\$	G\$	G\$	G\$
2009	-	-	61,370,808	146,980,188	208,350,996
2008	-	-	63,811,882	146,375,100	210,186,982

Notes to the *Financial Statements*

21 FINANCIAL RISK MANAGEMENT-Cont'd

(c) Credit risk -cont'd

Cash resources

The credit quality of balances due from other banks is assessed by the bank according to the level of creditworthiness of the institution in relation to the other institutions in the region. The credit quality of these balances has been analysed into the following categories:

Superior:	These institutions have been accorded the highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is extremely strong.
Desirable:	These institutions have been accorded the second-highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is very strong.
Acceptable:	These institutions have been accorded the third-highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is adequate.

The table below illustrates the credit quality of cash resources due from banks as at December 31:

	<u>Superior</u> G\$	<u>Desirable</u> G\$	<u>Acceptable</u> G\$	<u>Total</u> G\$
2009	-	81,759,468	-	81,759,468
2008	-	63,635,711	-	63,635,711

(d) Operational risk

The growing sophistication of the financial sector and the impact of the Global Financial Crisis has made the institute's operational risk profile more complex. Operational risk is inherent to all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omission, disasters and deliberate acts such as fraud.

The Institute recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The institute's operational risk committee oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The institute has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit departments and the audit committee.

22 PENDING LITIGATION

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

23 Reclassification

Balance with respect to loans payable were reclassified to conform with 2009 presentation.

	<u>2009</u> G\$	<u>2008</u> G\$
Non Current liabilities		
Loans payable	54,305,610	75,185,922
Current liabilities		
Loans payable	23,371,476	22,502,476

Notes to the *Financial Statements*

24 Fair value of financial instruments

Fair values have been determined as follows:

	2009		2008	
	Carrying value G\$	Market value G\$	Carrying value G\$	Market value G\$
<u>Assets</u>				
Investments	504,019,978	488,647,658	506,520,172	476,607,485
Loans receivables	1,259,390,056	1,203,581,693	1,140,231,156	1,116,313,984
Other receivables (net of prepayments)	16,609,688	16,609,688	32,237,683	32,237,683
Cash resources	81,759,468	81,759,468	63,635,711	63,635,711
	1,861,779,190	1,790,598,507	1,742,624,722	1,688,794,863
<u>Liabilities</u>				
Loans	77,677,086	77,677,086	97,688,398	97,688,398
Other payables and accruals	146,545,773	146,545,773	121,809,043	121,809,043
	224,222,859	224,222,859	219,497,441	219,497,441

Valuation techniques and assumptions applied for the purposes of measuring fair value:

The fair value of financial assets and financial liabilities were determined as follows:

- (a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets were determined with reference to quoted market prices. Quoted market prices were obtained from independent market valuers.
- (b) The fair value of other financial assets and financial liabilities were determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions and the institute's past experience.
- (c) The fair value of loans receivables were determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions and the institute's past experience with delinquent loans and have taken into account probability of defaults.

Fair value measurements recognised in the statement of financial position

The following is an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

	2009	2008
	G\$	G\$
Investments- Held to maturity	488,647,658	476,607,485

Staff Awards

Employees who completed fifteen (15), ten (10) and five (5) years of continuous and dedicated service.

Names	Designation	Years of Service
Yogieraj Das	Credit Manager	Fifteen
Gloria Peters	Cleaner	Ten
Prasanna Kumar Muthu	Internal Auditor	Ten
Sarojanie Griffith	Accounts Clerk II	Ten
Lenore Boston	It Technician	Five
Amanda Atkinson	Accounts Clerk I	Five
Omawattie Gopaul	Accounts Clerk II	Five
Robert Williams	Officer-in-Charge	Five
Rodwell Spellen	Business Counsellor/Field Officer I	Five



Clients *Awards 2009*

1.	Best Managed Project		
	Ijaz Mohamed	147 Section D Bush Lot, West Coast Berbice	Rice Cultivation
	Runner Up		
	Roland De Freitas	13 Land of Caanan East Bank Demerara.	Sheep Rearing
2.	Best Agri Project		
	Kawal Singh	Cape Clair Mahaicony River.	Rice Cultivation
	Runner Up		
	Harrinam Harrichan	137 Pomona Housing Scheme	Mixed Crop Farming
3.	Best Woman Entrepreneur		
	Nicola Jones	127 Cummings Street Buxton, East Coast Demerara.	Vending
	Runner Up		
	Cheryl Sandy	137 Mibicuri, Black Bush Polder Corentyne.	Rice Cultivation
4.	Best Manufacturer		
	Mohan Jaigobin	243 Good Hope East Coast Demerara.	Furniture Manufacturing
	Runner Up		
	Kamroon Nesha	24 Depo Street Pouderoyen West Bank Demerara	Food Processing
5.	Enterprising Micro Entrepreneurs		
	Jaiwantie Lall	45 Zorg, Essequibo Coast	Vending - Grocery
	Premchand Budhu	75 Village, Corentyne Berbice.	Poultry
	Abdool Nazim	124 Parika East Bank Essequibo.	Vending - Grocery
	Chandradatt Singh	116 Section C Bush Lot West Coast Berbice.	Rice Cultivation
	Claire Smith	11 Section C Christianburg Wismar Linden.	Vending - Beverages
	Safina Narine	200 Barr Street, Kitty.	Advertising
6.	Best Hinterland Entrepreneurs		
	Waveney Blair	Yakarinta Village Rupununi, Region 9.	Vending - Grocery
	Christina James	Hosororo Region I.	Poultry
	Sybil Coleen Riddle	Port Kaituma Compound Region I.	Vending - Grocery



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