PED

HELPING PEOPLE TO HELP THEMSELVES

INSTITUTE OF PRIVATE ENTERPRISE DEVELOPEMENT
ANNUAL REPORT 2011

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

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.

Goals: To develop a culture of entrepreneurship amongst our clients and to inspire and empower them to achieve excellence.
To provide timely financing to Micro, Small and Medium Enterprises to enhance their production potential and capacity to supply both local and foreign markets.
To provide technical and managerial support services through training and counseling to all loan beneficiaries.
To promote sustainable environmental practices and technologies and mitigation of any pollution of the environment by our clients.
To network with organizations providing complementary support services to communities in order to effectively develop entrepreneurs.
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.

HELPING PEOPLE TO HELP THEMSELVES

CULTURE AND VALUES:

Dynamic Customer Service
Teamwork
Quality and Excellence
Innovation
Strong Governance

CONTENTS

HELPING PEOPLE TO HELP THEMSELVES

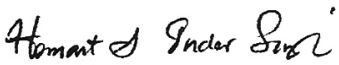
NOTICE OF MEETING

The twenty-sixth Annual General Meeting of the Institute of Private Enterprise Development Limited will be held on Friday, 23rd November 2012 in the Institute's Boardroom at 253 South Road, Bourda, Georgetown, commencing 10.00am.

AGENDA

1. Chairman's review of the Institute for the year 2011.
2. Receive and consider the Institute's Accounts and Reports of the Directors and Auditors for the year 2011.
3. Elect Directors in the place of those retiring by rotation.
4. 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

31st October, 2012

BOARD OF DIRECTORS









From Top Row:

Dr. Yesu Persaud

Mr. Komal Samaroo

Mr. James Morgan

Dr. Leslie Chin

Mrs. Amanda Richards

Dr. Gem Fletcher

Dr. Ian McDonald

Mr. Laurence Farley

Mr. John Bart

CORPORATE INFORMATION

DIRECTORS
Dr. Yesu Persaud – Chairman
Mr. Komal Samaroo
Mr. James Morgan
Mr. Laurence Farley
Dr. Ian McDonald
Mrs. Amanda Richards
Dr. Gem Fletcher
Mr. John Bart
Dr. Leslie Chin

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

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

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

ATTORNEYS AT LAW
Mr. Vidyanand Persaud & Associates
Demerara
Mr. Murseline Bacchus
Berbice
Mr. Lachmi N. Dindyal
Essequibo

BRANCHES

Region 1
Mabaruma

Region 2
54 Cotton Field
Essequibo Coast
Tel: 592-771-4298

Region 3
312 Parika
East Bank Essequibo
Tel: 592-260-4399

Region 4
IPED Building
253 South Road
Bourda,
Georgetown
Tel: 592-226-4675

Region 5
11 D'Edward Village
West Bank Berbice
Tel: 592-327-5367

Region 6
1 Port Mourant
Corentyne
Tel: 592-336-6171

Region 9
Lethem
Rupununi
Tel: 592-772-2229

Region 10
Hand-in-Hand Building
Republic Avenue
Linden
Tel: 592-444-3001

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 way 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 ½ 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 institution 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 enterprise 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 Limited. 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.

IPED's performance is excellent and its financial position strong, none of the surpluses are distributed to any member or directors and all amounts earned are reinvested to grow the portfolio for the benefit of the clients.

CHAIRMAN'S REPORT

The year 2011 marks another successful year for the Institute of Private Enterprise Development Limited. We continued to focus on our mission to facilitate enterprise development for wealth creation and poverty reduction whilst being financially viable.

During the year our services were accessed by 3,931 clients for whom we disbursed 5,002 loans amounting to $2.339B. Of the loans disbursed 64% were to women and women jointly borrowing with their spouses and 93% of loans were accessed by clients

not residing in Georgetown and can be deemed rural. Approximately 70% of our clients accessed our services through our eight rural offices, that is, offices that were not Georgetown. It is estimated that these clients provided and sustained jobs for approximately 9,974 persons or 2.5 jobs per enterprise assisted. The total turnover for 2011 of all our clients combined was estimated to be between the ranges of $40B to $50B (based on estimates provided during loan application process).

The gross loan portfolio of IPED grew to $1.794B in 2011 from $1.446B in 2010. This represents a growth of $348M or 24%. The impairment allowance was provided at $48.8M compared to $49M in the previous year. The non performing portfolio net of impairment allowance is $33.8M or 2% of the net loan portfolio for 2011 as compared to $36.3M or 2.6% in 2010.

IPED's gross loan portfolio of $1.794B at December 2011 represents 2.78% of loans outstanding totalling $64.5B by private enterprises to commercial banks. This was 2.84% of $50.9B in 2010. Even though IPED represents less than 3% of loans to the private enterprises in value, its impact to over 4,000 enterprises is by no way insignificant to the economy of Guyana.

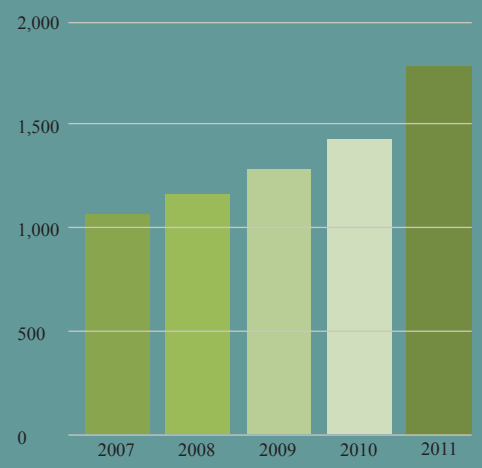
IPED's financial position continues to be very strong. Our total assets increased to $2.425B at the end of 2011 from $2.184B at the beginning of the year. This is a growth of $241M or 11%. This growth is funded mainly from surplus for the year of $177M and $64M from short term borrowing.

Of our total assets, cash and cash equivalent of $521M represent 21% at the end of 2011 compared to 28.6% or $625M at the end of 2010. This reduction is in line with our strategy to reduce cash and cash equivalent to 15% of total assets by increasing our loans portfolio.
For every $100 held by IPED as an asset, $72 is loaned to our clients. For the commercial banks in Guyana, $28 of every $100 they hold as assets are loaned to their customers.

Further, for every $100 held as assets by IPED, $88 is funded from capital and reserves, whilst in the commercial banking sector it is $12 per $100.

This strong financial position has translated itself into an impressive performance for the year ended December 31, 2011. The Institute achieved a surplus of $177M compared to $162M and increase of 9%. The surplus represents a return on average assets of 7.7% and a return on average equity of 8.6%. This is a replication of the exact performance in 2010.

The total interest income increased to $394.9M from $353.5M by $41.4M or 11.7%. This represents an interest yield on gross loan portfolio for 2011 of 22% compared to 24% in 2010. This is consistent with our strategy of reducing interest rates based on improvement in efficiency and reduction of risks exposed to by our clients. IPED's interest yield on gross loans portfolio compares favourably to the average of 37% reported by 500 companies on the mixmarket.org for the Latin American and Caribbean regions for institutions lending to the Micro, Small and Medium Enterprise Sector.



NET LOANS VALUE(G$M)

When compared to the commercial banking sector in Guyana, the average prime rates in 2011 was 14.33%. IPED's average lending rates are above this, but it must be noted that IPED is not a Commercial Bank and its risk and cost of operation is different as can be explained by its cost structure below.

IPED's total administrative and operating expenses for 2011 was $298M compared to $285M in 2010 an increase of $13M or 4.5%. Of the total expenses, employment cost of $153M represents 51%.

The admin and operating expenses represent 16.6% of the gross loans portfolio in 2011 compared to 19.7% of the gross loan portfolio in 2010.
It is important to note that whilst

IPED's performance is excellent and its financial position strong, none of the surpluses are distributed to any member or directors and all amounts earned are reinvested to grow the portfolio for the benefit of the clients. As the Chairman, I take great pride in being part of this successful model of development for the greater good of our society.

I am proud to be working with a wonderful team of directors and our human resources are truly above average and they go beyond the call of duty. I am thankful to them for their commitment and loyalty. This is exemplified in the fact that the average years of service by an employee at IPED is 7.5 years with a few employees surpassing 20 years, bearing in mind that the company is in existence for 26 years now.

During the year we had 9 employees that left IPED and 8 were replaced resulting in a staff turnover rate of 9% compared to a rate of 5% in 2010. The total amount of persons on roll at the end of the year was 85.

In addition to our lending activities IPED also focuses on providing training and technical assistance to the owners of enterprises. During the year 2011 IPED partnered with the Inter American Investment Corporation through its FINPYME Export-Plus Programme and was able to train an average of 20 persons in the areas of Strategies for Exporting, Shipping and Logistics and International Marketing. In our Institute of Commercial Management (ICM) programs we also trained in excess of 200 persons during 2011 preparing mainly for their exams in Project Management and Business Administration. Training and information sharing is a regular feature of our television show and radio program. It is also part of our methodology of where our officers are expected to provide business counselling to our clients on their regular supervision visits.

These are just a few of the many good things that have happened over the year at IPED. We hope that this brief insight, gives you a greater appreciation for the Impact and work that IPED is doing all across Guyana. As we look towards the Future IPED will continue in its quest of "helping people, to help themselves".

For this successful year in our journey of development, I wish to thank the management, staff and members of the Board of Directors for their selfless and committed service towards the vision and mission of IPED which is to create wealth and reduce poverty for the clients we serve through the development of their enterprises.

MANAGEMENT TEAM


Ramesh Persaud FCCA(L)
Chief Executive Officer


Yogieraj Das- Credit Manager (L)
with Jagdesh Haripershad - Finance Manager


Elvis Rose (R)
Branch Manager, Berbice


Robert Williams (L)
Officer in Charge - De Edward


Vishnu Harpaul (R)
Branch Manager, Essequibo


Hilton Lord (R)
Business Counsellor/Field Officer, Linden


Hemant S. Indar Singh
Admin Manager/Company Secretary


Dhanpal Birbal (L)
Officer in Charge - Parika


Prasanna Kumar Muthu (R)
Internal Auditor


Garrett Ward
Manager, Georgetown Branch


Shaun Persaud (R)
Officer in Charge - Region 9


Niaiol Paul (L)
Officer in Charge - Debt Recovery


Henry Smith
Business Counsellor/Field Officer - Region 1


Gordon Trim
Assistant Manager, Georgetown Branch

AWARDS

BEST MICRO ENTERPRISE PROJECT
Denise Greenidge **VENDING**
404 East Ruimveldt
Georgetown

BEST SMALL ENTERPRISE PROJECT
Munilall Etwaroo **RICE CULTIVATION**
Wash Clothes, Mahaicony
East Coast Demerara

BEST MEDIUM ENTERPRISE PROJECT
Colin Freeman **LUMBER YARD**
Lot 31 Railway Line, LBI
East Coast Demerara

BEST MANAGED PROJECT
Chatterpaul Ganesh **RICE CULTIVATION**
Lot 105 Johanna North, Black Bush Polder,
Corentyne, Berbice

BEST AGRICULTURAL PROJECT
Ramtohal **RICE CULTIVATION**
Plantation Evergreen
Essequibo Coast

BEST MANUFACTURING PROJECT
Zarina Deen & Mohamed Ally **HOLLOW BLOCK MAKING**
1219 Section C, Block X, Diamond, EBD

BEST WOMAN ENTREPRENEUR
Dhankumarie Paramdial **GROCERY**
736 Tuschen New Housing Scheme,
East Bank Essequibo

BEST MICRO ENTERPRISE PROJECT

CROP FARMING
Agreyam Adams
West Watooka, Farm Area, Linden

VENDING
Bernadette Roberts
St. Ignatius, Rupununi, Region nine

POULTRY REARING
Charles Obermuller
Barabina/Black Banana, Region One

GROCERY
Joyce Roberts
St. Denny's Mission
Essequibo Coast

DISTRIBUTION
Dianne Khan
Lot 21-25 St. Magdalene Street, New Amsterdam, Berbice

DUCK REARING
Indira Ganesh
Lot 94 Cornelia Ida, West Coast Demerara

VENDING
Lallbachan Narine
Lot 158 BB Eccles, East Bank Demerara

RICE CULTIVATION
Clifford Fordyce
Lot 6 Weldaad Village, West Coast Berbice

LONG SERVING (STAFF)

NAMES	DESIGNATIONS	YRS
1. PAMELA GOMES	SENIOR LEGAL CLERK	20
2. VISHNU HARPAUL	BRANCH MANAGER – ESSEQUIBO	15
3. DHANPALL BIRBAL	OFFICER-IN-CHARGE – PARIKA	15
4. RAMSAHOY	SECURITY SUPERVISOR	15
5. BARRY SINGH	SENIOR BUSINESS COUNSELLOR/ FIELD OFFICER	10
6. M. MOOTOO	SECURITY SUPERVISOR	10
7. SEETA GAINDALALL	SENIOR ACCOUNTS CLERK	10
8. RAMESH PERSAUD	CHIEF EXECUTIVE OFFICER	5
9. MAUREEN SUKHRAM	ACCOUNTS CLERK II	5
10. CURTIS BUCKLEY	BUSINESS COUNSELLOR/ FIELD OFFICER II	5

LOAN STATISTICS 2005-2011

ECONOMIC SECTOR	2011	2010	2009	2008	2007	2006	2005
Rice	1,481	1,432	1,279	1,172	1,167	1,071	1,090
Sugarcane	8	11	17	11	15	7	9
Other Crops	381	383	339	371	424	384	334
Livestock	903	1,154	1,259	1,075	1,131	1,000	933
Fishing	76	91	82	84	84	82	65
Forestry	34	38	36	38	32	29	21
Mining	6	5	9	6	7	9	8
Manufacturing	212	204	226	202	226	265	252
Construction	29	2	8	11	9	8	8
Distribution Services	1,516	1889	2,106	1,839	2,202	2,174	2,049
Transportation Services	114	96	85	75	107	106	140
Rental of Buildings	6	1	2	1	5	1	3
Other Services	236	143	275	199	359	384	298
TOTAL	5,002	5,449	5,723	5,084	5,768	5,520	5,210

CLASSIFICATION OF LOAN RECIPIENTS 1991-2011

CUMMULATIVE	2011	2010	2009	2008	2007	2006	2001-2005	1996-2000	1991-1995
Men	1,807	1,704	1,545	1,349	1,758	1,653	8,787	3,867	2,270
Women	1,217	1,399	1,259	1,103	1,592	1,540	8,590	9,893	1,831
Joint} Men & Women	1,978	2,346	2,919	2,632	2,418	5,327	7,657	4,768	1,870
TOTAL	5,002	5,449	5,723	5,084	5,768	5,520	25,034	18,528	5,971

ADMINISTRATIVE ANALYSIS 1991-2011

SUMMARY RESULT OF ACTIVITIES	2011	2010	2009	2008	2007	2006	2001-2005	1996-2000	1991-1995
No. of Loans Granted	5,002	5,449	5,723	5,084	5,768	5,520	25,034	18,528	5,971
Value of Loans approved (G$000)	2,399,068	1,936,890	1,746,899	1,482,602	1,427,687	1,084,924	4,234,848	3,133,550	1,582,754
No. of Jobs Created/Sustained	9,974	10,140	10,127	8,984	9,926	9,636	39,912	37,445	20,021
Average Loan Size (G$000)	479.6	355	305.2	291.6	247.5	196.5	169.2	169.1	265.1
Administrative Cost Per Loan	58,051	48,675	43,960	41,278	35,206	32,523	25,289	15,974	16,424
Average No. of Jobs Per Loan	2.0	1.9	1.8	1.8	1.7	1.7	1.6	2.0	3.4
Loan Value Per Job (G$000)	240	191	173	165	144	113	106	84	79.1

The Directors have pleasure in submitting this Report and Audited Financial Statements for the year ended 31st December, 2011.

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 2011, the Institute financed a total of 5,002 loans valued G$2,399 million. The 5,002 loans created/ sustained 9,974 jobs.
Income totaled $475.07 million and expenditure $298.01 million resulting in a surplus of $177.06 million for the year compared with $162.18 million in the year 2010.

APPLICATION OF SURPLUS

Net surplus for the year 2011 was $177.06 million and this was transferred to the accumulated surplus which totaled $1.88 billion at the end of 2011.

CREDIT PROGRAMMES

In the year 2011, 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 four hundred and thirty five students benefited from this level of training in Diploma programmes in Human Resources Development, Business Administration and Project Management.
In addition, IPED partnered with the Inter American Investment Corporation to train twenty entrepreneurs in the areas of Strategies for Exporting, Shipping and Logistics and International Marketing.

BOARD OF DIRECTORS

During the year 2011, there were nine (9) 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
9. Dr. Leslie Chin

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

1. Dr. Gem Fletcher
2. Mr. Laurence Farley
3. Mr. John Bart

AUDITORS

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
INSTITUTE OF PRIVATE ENTERPRISE DEVELOPMENT LIMITED
ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011 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 14 to 46.

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.

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

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

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Institute of Private Enterprise Development Limited as at 31 December 2011 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

TSD LAL & CO.
CHARTERED ACCOUNTANTS
(An Independent Correspondent firm of Deloitte Touche Tohmatsu)

January 20, 2012

77 Brickdam,
Stabroek, Georgetown,
Guyana

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 G$	2010 G$
Interest income		394,995,416	353,511,212
Interest expense		4,866,550	5,121,711
Net interest income		**390,128,866**	**348,389,501**
Investment income	5	25,581,862	28,333,561
Other income	6	59,364,703	70,515,474
Net interest and other income		**475,075,431**	**447,238,536**
Employment cost		153,395,167	143,496,525
Loan impairment		7,638,977	19,825,751
Premises and equipment		36,549,291	31,169,058
Other operating costs		100,426,630	90,568,426
		298,010,065	285,059,760
Surplus of revenue over expenditure	7	**177,065,367**	**162,178,776**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Members' subscriptions G$	Capital donations G$	Accumulated surplus G$	Total G$
Balance at 1 January 2010	32,500	256,465,233	1,541,644,939	1,798,142,672
Surplus for the year	-	-	162,178,776	162,178,776
Total recognised income for the year	-	-	162,178,776	162,178,776
Balance at 31 December 2010	32,500	256,465,233	1,703,823,715	1,960,321,448
Surplus for the year	-	-	177,065,367	177,065,367
Total recognised income for the year	-	-	177,065,367	177,065,367
Balance at 31 December 2011	32,500	256,465,233	1,880,889,082	2,137,386,815

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 G$	2010 G$
ASSETS			
Non Current assets			
Property, plant and equipment	9	126,838,688	116,511,609
Intangible asset	10	913,340	8,188,115
Investments	13	497,445,397	559,320,644
Defined benefit asset	8	10,118,000	8,969,000
Loans receivable	11	1,745,852,886	1,397,348,318
		2,381,168,311	2,090,337,686
Current assets			
Inventory		1,859,878	2,048,814
Other receivables and prepayments	12	18,730,726	26,507,746
Cash resources	14	23,879,117	65,985,719
		44,469,721	94,542,279
TOTAL ASSETS		2,425,638,032	2,184,879,965
EQUITY AND LIABILITIES			
EQUITY			
Members' subscriptions	15	32,500	32,500
Capital donations	16	256,465,233	256,465,233
Accumulated surplus		1,880,889,082	1,703,823,715
		2,137,386,815	1,960,321,448
Non Current liabilities			
Loans payable	17	35,570,530	43,678,837
Current liabilities			
Other payables and accruals	18	177,937,442	172,892,647
Loans payable	17	8,107,002	7,987,033
Bank Overdraft(Unsecured)		66,636,243	-
		252,680,687	180,879,680
TOTAL EQUITY AND LIABILITIES		2,425,638,032	2,184,879,965

These financial statements were approved by the Board of Directors on 20 January 2012.

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 2011

	2011 G$	2010 G$
OPERATING ACTIVITIES		
Surplus of revenue over expenses	177,065,367	162,178,776
Adjustments for:		
Depreciation	14,834,086	14,603,257
Amortisation	7,274,775	7,395,276
Fixed assets written off	-	178,349
Profit on sale property, plant and equipment	(43,000)	-
Operating surplus before working capital changes	199,131,228	184,355,658
Movements in:		
Loans receivable	(348,504,568)	(137,958,262)
Other receivables and prepayments	7,777,020	(2,384,790)
Inventory	188,936	1,114,464
Other payables and accruals	5,044,795	26,346,874
Defined benefit asset	(1,149,000)	(1,330,000)
Net cash provided by operating activities	(137,511,589)	70,143,944
INVESTING ACTIVITIES		
Increase/(decrease) in investments	61,875,247	(55,300,666)
Purchase of property, plant and equipment net of adjustment	(25,161,165)	(4,605,811)
Proceeds on sale of property, plant and equipment	43,000	-
Net cash provided by/(used in) investing activities	36,757,082	(59,906,477)
FINANCING ACTIVITIES		
Loan repayments	(7,988,338)	(26,011,216)
Net cash used in financing activities	(7,988,338)	(26,011,216)
Net decrease in cash and cash equivalents	(108,742,846)	(15,773,749)
Cash and cash equivalents at beginning of period	65,985,719	81,759,468
Cash and cash equivalents at end of period	(42,757,126)	65,985,719
Comprising		
Bank overdraft	(66,636,243)	-
Cash resources	23,879,117	65,985,719
	(42,757,126)	65,985,719

"The accompanying notes form an integral part of these 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

	Effective for annual periods beginning on or after
Amendments to Standards	
IFRS 1 Short term Disclosure Exemption - IFRS 7	1 July 2010
IFRS 1 Short term Exemption – IFRS 9	On adoption of IFRS 9
IFRS 1 Three amendments to IFRS 1 – Changes in accounting policies, deemed cost exemption for event-driven fair value measurements and deemed cost (rate-regulated entities)	1 January 2011
IFRS 3 Amendments to IFRS3 (2008)	1 July 2010
IFRS 7 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IAS 1 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IAS 24 Related Party Disclosures	1 January 2011
IAS 27(2008) Amendments as part of Improvements to IFRSs 2010	1 July 2010
IAS 32 Classification of Rights Issues	1 February 2010
IAS 34 Amendments as part of Improvements to IFRSs 2010	1 January 2011
New Interpretations	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Amendments to Interpretations	
IFRIC 13 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011

2. NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

Available for early adoption for the current year end

	Effective for annual periods beginning on or after
New and Amended Standards	
IFRS 1 Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 1 Severe Hyperinflation	1 July 2011
IFRS 7 Enhanced Derecognition Disclosure Requirements	1 July 2011
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 9 Additions for Financial Liability Accounting	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IAS 27(2011) Separate Financial Statements	1 January 2013
IAS 28(2011) Investments in Associates and Joint Ventures	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 1(2011) Amendments to IAS 1 – Presentation of Comprehensive Income	1 July 2012
IAS 12 Amendments to IAS 12 – Income Taxes	1 January 2012
IAS 19 Amendments to IAS 19 – Employee Benefits	1 January 2013
New interpretation	
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Company has not opted for early adoption.

The standards and amendments that are expected to impact the Company's accounting policies, when adopted, are explained below.

IFRS 7
The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets and are intended to provide greater transparency around risk exposures when a financial asset is transferred. The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures.

IFRS 9
IFRS 9 was issued in November 2009 and was initially required to be applied from 1 January 2013. However, new requirements were added in November 2010 and the revised date for adoption is now 1 January 2015. This standard specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs. Subsequently, financial assets are to be measured either at amortised cost or fair value.
The application of IFRS 9 may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.
When adopted, the standard will be applied retrospectively in accordance with IAS 8.

2. NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

IFRS 13
IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.
When adopted, the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IAS 1
The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.
The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

IAS 12
The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

IAS 19
The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.
The application of the amendments to IAS 19 may have impact on amounts reported in respect of the Company's defined benefit plan. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 1991.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies 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 are 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 rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated to Guyana dollars at the Cambio rates prevailing on that date or at rates agreed by the Bank of Guyana. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at rates prevailing on the date when the fair value was determined. Gains or losses arising on retranslation are included in the statement of income for the period, except for exchange differences arising on non-monetary assets and liabilities where changes in fair value are recognized in the statement of comprehensive income.

(e) Borrowing costs

The Institute borrowings are for working capital purposes. For this purpose all borrowing costs are recognised in the statement of income 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.

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, plant and equipment

Freehold land and buildings held for use in the supply of services and for administrative purposes are stated in the statement of financial position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Office furniture, fixtures and fittings, office machinery and equipment, motor vehicles and computer software held for the use in supply of services and for administrative purposes are stated in the statement of financial position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, plant and equipment (cont'd)

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%

Assets are reviewed for impairment whenever there is objective evidence to indicate that the carrying amount of an asset is greater than its estimated recoverable amount. The excess of the carrying amount above the recoverable amount is written off to the profit or loss.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or 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 valued at the lower of cost and net realizable value based on the first-in-first-out method.

(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 reporting 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, a 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' investments only.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Investments

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

The Institute's 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.

(o) Loans receivable

Loans to customers that have fixed or determinable payments and which are not quoted in an 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 loan 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.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Loans receivable (cont'd)

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.

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 collectibility 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	50%
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 one credit facility.

- The refinancing of a loan to facilitate the accessing of additional finance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Loans receivable (cont'd)

Renegotiated loans (cont'd)

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.
- 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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's 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 of three (3) months or less.

(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.

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 reporting 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 reflect 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.

	2011 G$	2010 G$
5. INVESTMENT INCOME		
Cash resources	9,679,733	2,396,011
Held to maturity investments	15,902,129	25,937,550
	25,581,862	28,333,561
6. OTHER INCOME		
Recoveries on loans previously written off	33,141,795	44,482,110
Fees- ICM courses	23,171,077	20,177,914
Others	3,051,832	5,855,450
	59,364,703	70,515,474

	2011 G$	2010 G$
7. SURPLUS OF REVENUE OVER EXPENDITURE	177,065,367	162,178,776
After charging:		
Loan impairment	7,638,977	19,825,751
Depreciation	22,108,861	14,603,257
Employment cost (a)	153,395,167	144,826,525
Auditors' remuneration (b)	660,000	600,000
(a) Employment cost:		
Salaries and wages	134,843,696	127,328,189
Other staff costs	10,065,007	10,491,554
Pension	8,486,464	5,676,782
	153,395,167	143,496,525
(b) Auditors' remuneration		
Audit services	660,000	600,000

No directors' emoluments were paid

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. Sixty three (2010- fifty eight) employees participate in the plan.

During the year, the Institute's contribution to the scheme was G$ 8,667,000(2010 -G$8,370,000)

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 2010 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 2011 using the Projected Unit Credit Method.

	2011 G$	2010 G$
Amounts in the statement of financial position:		
Defined benefit obligation	102,763,000	88,116,000
Fair value of plan assets	(119,636,000)	(99,597,000)
	(16,873,000)	(11,481,000)
Unrecognised actuarial gain	6,755,000	2,512,000
Net Defined benefit asset	(10,118,000)	(8,969,000)
Reconciliation of amount recognised in the statement of financial position:		
Opening defined benefit asset	(8,969,000)	(7,639,000)
Net pension cost	7,518,000	7,040,000
Institute contributions paid	(8,667,000)	(8,370,000)
Closing defined benefit asset	(10,118,000)	(8,969,000)

8. DEFINED BENEFIT ASSET (CONT'D)

	2011 G$	2010 G$
Amounts included in salaries and other staff costs in the statement of income:		
Current service cost	9,435,000	8,955,000
Interest on defined benefit obligation	4,389,000	3,402,000
Expected return on plan assets	(6,306,000)	(5,317,000)
Net pension cost	7,518,000	7,040,000
Actual return on plan assets:		
Expected return on plan assets	6,306,000	5,317,000
Actuarial loss on plan assets	2,569,000	91,000
Actual return on plan assets	8,875,000	5,408,000
Change in the defined benefit obligation		
Defined benefit obligation at start	88,116,000	68,318,000
Service cost	9,435,000	8,955,000
Interest cost	4,389,000	3,402,000
Members' contributions	3,186,000	3,204,000
Actuarial (Gain) Loss	(1,674,000)	4,816,000
Benefits paid	(689,000)	(579,000)
	102,763,000	88,116,000
Change in Plan assets		
Plan assets at start of year	99,597,000	83,194,000
Expected return on Plan assets	6,306,000	5,317,000
Actuarial (Gain) Loss	2,569,000	91,000
Company contributions	8,667,000	8,370,000
Members' contributions	3,186,000	3,204,000
Benefits paid	(689,000)	(579,000)
	119,636,000	99,597,000

	2011 G$	2010 G$	2009 G$	2008 G$	2007 G$
Experience History					
Defined benefit obligation	102,763,000	88,116,000	68,318,000	58,032,000	47,087,000
Fair value of plan asset	(119,636,000)	(99,597,000)	(83,194,000)	(68,438,000)	(64,452,000)
Surplus	(16,873,000)	(11,481,000)	(14,876,000)	(10,406,000)	(17,365,000)
Experience adjustment on plan liabilities	(1,674,000)	4,816,000	(1,393,000)	3,767,000	1,727,000
Experience adjustment on plan assets	2,569,000	91,000	2,353,000	(4,976,000)	6,040,000

Expected Company contributions in 2012 is G$ 8,046,000.

8. DEFINED BENEFIT ASSET (CONT'D)

	2011 %	2010 %
Asset allocation as at 31 December:		
Equity securities	47.8	45.1'
Debt securities	35.1	32.0
Other	17.1	22.9
Total	100.0	100.0

Summary of main actuarial assumptions:	Per annum %	Per annum %
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.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings G$	Motor vehicles G$	Furniture, fixtures and fittings G$	Office machinery G$	Computer equipment G$	Work in Progress G$	Total G$
Cost							
At 1 January 2011	117,194,634	31,119,500	17,617,089	40,765,301	46,960,488	-	253,657,012
Additions	578,210	12,998,000	1,287,899	5,412,768	4,369,368	514,920	25,161,165
Disposal	-	(565,000)	-	-	-	-	(565,000)
At 30 December 2011	117,772,844	43,552,500	18,904,988	46,178,069	51,329,856	514,920	278,253,177
Depreciation							
At 1 January 2011	23,752,857	21,737,067	12,388,938	35,408,333	43,858,209	-	137,145,403
Charge for the year	2,113,919	5,845,065	1,315,044	2,613,678	2,946,380	-	14,834,086
Write back on disposal	-	(565,000)	-	-	-	-	(565,000)
At 30 December 2011	25,866,776	27,017,132	13,703,982	38,022,011	46,804,589	-	151,414,489
Net book values:							
At 30 December 2011	91,906,068	16,535,368	5,201,006	8,156,058	4,525,268	514,920	126,838,688
At 31 December 2010	93,441,777	9,382,433	5,228,151	5,356,968	3,102,279		116,511,609

10. INTANGIBLE ASSET

	2011 G$	2010 G$
Cost		
At 1 January and 31 December	30,002,298	30,002,298
Amortisation		
At 1 January	21,814,183	14,418,907
Charge for the year	7,274,775	7,395,276
At 31 December	29,088,958	21,814,183
Net book value:		
At 31 December	913,340	8,188,115

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.

11. LOANS RECEIVABLE

	2011 G$	2010 G$
Gross loans	1,794,727,738	1,446,438,333
Less impairment allowance (a)	(48,874,851)	(49,090,015)
	1,745,852,886	1,397,348,318
Non- current loans receivable	322,501,382	331,010,451
Current loans receivable	1,423,351,504	1,066,337,867
	1,745,852,886	1,397,348,318
Non-performing loans receivable	33,892,177	36,377,996
Performing loans receivable	1,711,960,710	1,360,970,322
	1,745,852,886	1,397,348,318
(a) Impairment allowances		
Individually assessed impairment		
At 1 January	49,090,015	176,521,348
Provision for the year	7,638,977	19,825,751
Bad debts written off	(7,854,141)	(147,257,084)
Net loans	48,874,851	49,090,015

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, 2011 amounted to $47.2m .(2010: $40.1m). The collateral consists of cash, securities and properties.

Collateral realised
During the year, the Institute realised collateral amounting to $5.3 million (2010: $5.3 million).

12. OTHER RECEIVABLES AND PREPAYMENTS

	2011 G$	2010 G$
Debtors	-	15,262,178
Prepayments	11,663,628	7,820,608
Others	7,067,098	3,424,960
	18,730,726	26,507,746

13. INVESTMENTS

(a) Bonds	252,421,891	213,932,651
These are made up as follows:		
Held to maturity investments		
Government bonds	86,893,373	67,603,633
Private entity bonds (unsecured)	165,528,518	146,329,018
	252,421,891	213,932,651
(b) Cash resources	245,023,506	345,387,993
Total investments	497,445,397	559,320,644
(c) Income from investment		
Held to maturity	25,581,862	25,937,550

14. CASH RESOURCES

	2011 G$	2010 G$
Cash	520,000	395,000
At banks	23,359,117	65,590,719
	23,879,117	65,985,719

15. MEMBERS' SUBSCRIPTIONS

At 1 January and 31 December	32,500	32,500

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

	2011 G$	2010 G$
At 1 January and 31 December	256,465,233	256,465,233

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

	2011 G$	2010 G$		Amount Committed
(i) IADB	13,867,640	14,709,488	SFR	375,000
(ii) EIB	29,809,892	36,956,382	ECU	698,090
	43,677,532	51,665,870		
Repayments due within one year	8,107,002	7,987,033		
Repayments due within two to five years	24,644,790	32,751,792		
Repayments due after five years	10,925,740	10,927,045		
	35,570,530	43,678,837		
	43,677,532	51,665,870		

(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.

18. OTHER PAYABLES AND ACCRUALS

	2011 G$	2010 G$
EIB loan interest	-	229,406
Accruals	13,625,338	13,451,467
Collateral Improvement Scheme (i)	144,479,919	136,496,437
Internal Indemnity Fund (ii)	15,999,327	15,657,830
Miscellaneous	3,832,858	7,057,507
	177,937,442	172,892,647

(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	136,496,437	116,156,343
Increase during the year	7,983,482	20,340,094
At 31 December	144,479,919	136,496,437

(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.

	2011 G$	2010 G$
Listed below are transactions and balances with related parties:		

(i) Compensation for key management personnel

The company's key management personnel 5 (2010-4) comprises its Chief Executive Officer, Credit Manager, Finance Manager, Administrative Manager/Company Secretary, EDC Manager

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

Short term employee benefits	36,476,816	22,316,250
Post-employment benefits	2,530,176	2,007,360
	39,006,992	24,323,610

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	497,445,397	559,320,644
	Investments fees paid	672	1,135,321
Demerara Bank Limited	Deposit accounts	(46,073,149)	51,267,062
Guyana Youth Business Trust.	Receivables	(668,091)	11,378,696

20. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

2011	Held to Maturity G$	Loans and Receivables G$	Other Financial Assets and Liabilities at Amortised cost G$	Total G$
ASSETS				
Investment	252,421,891	-	245,023,506	497,445,397
Loan receivables	-	1,745,852,886	-	1,745,852,886
Other receivables and prepayments	-	18,730,726	-	18,730,726
Cash resources	-	-	23,879,117	23,879,117
Total Assets	252,421,891	1,764,583,612	268,902,623	2,285,908,126
LIABILITIES				
Loans payables	-	-	43,677,532	43,677,532
Other payables	-	-	164,312,105	164,312,105
Accruals	-	-	13,625,338	13,625,338
Bank overdraft	-	-	66,236,243	66,236,243
Total Liabilities	-	-	287,851,218	287,851,218

20. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONT'D)

2010	Held to Maturity G$	Loans and Receivables G$	Other Financial Assets and Liabilities at Amortised cost G$	Total G$
ASSETS				
Investment	213,932,651	-	345,387,993	559,320,644
Loan receivables	-	1,397,348,318	-	1,397,348,318
Other receivables and prepayments	-	26,507,746	-	26,507,746
Cash resources	-	-	65,985,719	65,985,719
Total Assets	213,932,651	1,423,856,064	411,373,712	2,049,162,427
LIABILITIES				
Loans payables	-	-	51,665,870	51,665,870
Other payables	-	-	159,441,180	159,441,180
Accruals	-	-	13,451,467	13,451,467
Total Liabilities	-	-	224,558,517	224,558,517

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 Institute's risks 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.

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 analysis 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 2011 would increase/decrease by G$ 7,603,690 (2010: G$7,668,864). 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 increased 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.

(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

2011	**United States dollars G$**	**Euro G$**
Assets	240,171,723	67,849,801
Liabilities	13,867,640	29,809,892
Net assets	226,304,083	38,039,909
2010		
Assets	225,957,923	80,796,651
Liabilities	14,709,488	36,956,382
Net assets	211,248,435	43,840,269

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

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.

	2011 G$	2010 G$
Profit/(loss):		
Euro	950,998	1,096,007
United States Dollars	5,657,602	5,281,211

(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 anlaysis arising from its investments, since they are held to maturity investments at fixed rates of interest.

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 31-12-2011					
	Within 1 year					
	On Demand G$	Due in 3 mths G$	Due 3 - 12 mths G$	2 to 5 years G$	Over 5 years G$	Total G$
Assets						
Investments	208,249,921	36,773,585	20,449,089	112,839,404	119,133,398	497,445,397
Loans receivable	171,574,494	216,936,189	1,034,012,661	317,664,652	5,664,889	1,745,852,886
Other receivables and prepayments	-	-	18,730,726	-	-	18,730,726
Cash resources	23,879,117	-	-	-	-	23,879,117
	403,703,532	253,709,774	1,073,192,476	430,504,056	124,798,288	2,285,908,126
Liabilities						
Loans	8,107,002	-	-	24,644,790	10,925,740	43,677,532
Other payables and accruals	-	-	177,937,443	-	-	177,937,443
Bank overdraft	-	-	66,236,243	-	-	66,236,243
	8,107,002	-	244,173,686	24,644,790	10,925,740	287,851,218
Net assets	395,596,530	253,709,774	829,018,790	405,859,267	113,872,548	1,998,056,908

	Maturing 31-12-2010					
	Within 1 year					
	On Demand G$	**Due in 3 mths G$**	**Due 3 - 12 mths G$**	**2 to 5 years G$**	**Over 5 years G$**	**Total G$**
Assets						
Investments	250,170,060	-	95,217,934	133,288,492	80,644,158	559,320,644
Loans receivable	87,719,256	196,033,090	782,585,520	331,010,452	-	1,397,348,318
Other receivables and prepayments	-	-	26,507,746	-	-	26,507,746
Cash resources	65,985,719	-	-	-	-	65,985,719
	403,875,035	196,033,090	904,311,200	464,298,944	80,644,158	2,049,162,427
Liabilities						
Loans	7,987,034	-	-	35,721,792	10,927,044	54,635,870
Other payables and accruals	-	-	172,892,647	-	-	172,892,647
	7,987,034	-	172,892,647	35,721,792	10,927,044	227,528,517
Net assets	395,888,001	196,033,090	731,418,553	428,577,152	69,717,114	1,821,633,910

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 charactertics:

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, bills of sale, 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's 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.

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 thier risk of default will reduce and if potential problems arise, these can be dealt with at an early statge.

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 thier 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.

Gross maximum exposure:	**2011 G$**	**2010 G$**
Investments: Held to maturity	497,445,397	559,320,644
Loans receivable	1,745,852,886	1,397,348,318
Other receivables	18,730,726	26,507,746
Cash resources	23,879,117	65,985,719
Total credit risk exposure	2,285,908,126	2,049,162,427

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.

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:

	2011 G$	2010 G$
Guyana	1,977,886,602	1,742,407,853
Jamaica	61,552,064	61,552,064
Barbados	19,289,740	
Trinidad and Tobago	68,297,121	104,126,790
Other countries	158,882,599	141,075,720
	2,285,908,126	2,049,162,427

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

(b) Industry sectors

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

	2011 G$	2010 G$
Government and government bodies	350,631,366	401,269,050
Financial sector	189,423,873	250,170,060
Fishing	52,529,614	43,089,975
Rice	615,357,433	453,343,460
Dairy	753,124	2,701,492
Pigs	7,638,674	9,870,552
Poultry	89,866,333	98,669,000
Fish dehydration	979,625	208,192
Crops	72,443,236	70,682,261
Garment	4,243,943	5,109,571
Food processing	7,882,204	6,922,547
Workshop	23,209,062	19,795,100
Furniture	9,926,592	11,027,536
Craft	4,113,866	5,366,269
Trading	519,030,406	479,602,813
Miscellaneous	386,753,626	240,424,565
	2,334,782,977	2,098,252,442
Less: Allowance for impairment	(48,874,851)	(49,090,015)
	2,285,908,126	2,049,162,427

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

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

(b) Industry sectors

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:

	Superior G$	Desirable G$	Acceptable G$	Sub-standard G$	Total G$
Financial Investments: Held to maturity					
2011	189,423,873	308,021,524	-	-	497,445,397
2010	250,170,060	309,150,585	-	-	559,320,644

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

(b) Industry sectors (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				
	Superior G$	**Desirable G$**	**Acceptable G$**	**Sub-standard G$**	**Total G$**
2011	1,447,025,806	218,593,689	31,358,540	48,874,851	1,745,852,886
2010	1,081,075,565	191,454,372	137,530,400	49,090,015	1,459,150,352

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

	31 to 60 days G$	**61 to 90 days G$**	**More than 90 days G$**	**Impaired G$**	**Total G$**
2011	-	-	-	48,874,851	48,874,851
2010	-	-	-	49,090,015	49,090,015

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:

	Superior G$	Desirable G$	Acceptable G$	Total G$
2011	-	23,879,117	-	23,879,117
2010	-	65,985,719	-	65,985,719

(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.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values have been determined as follows:

	2011		2010	
	Carrying value G$	**Market value G$**	**Carrying value G$**	**Market value G$**
Assets				
Investments	497,445,397	477,319,599	559,320,644	559,320,644
Loans receivables	1,745,852,886	1,745,852,886	1,397,348,318	1,397,348,318
Other receivables (net of prepayments)	7,067,098	7,067,098	18,312,138	18,312,138
Cash resources	23,879,117	23,879,117	65,985,719	65,985,719
	2,274,244,499	2,254,118,701	2,040,966,819	2,040,966,819
Liabilities				
Loans	43,677,532	43,677,532	51,665,870	51,665,870
Other payables and accruals	-	-	172,892,647	172,892,647
Bank overdraft	66,236,243	66,236,243	-	-
	109,913,775	109,913,775	224,558,517	224,558,517

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 valuators.

(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.

	2011 G$	**2010 G$**
Investments - Held to maturity	477,319,599	557,920,244

23. PENDING LITIGATION

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

NOTES

NUMBER OF CLIENTS BY REGIONS

	REGION	LOANS
BARIMA - WAINI	1	183
POMEROON - SUPERNAAM	2	815
ESSEQUIBO ISLANDS - WEST DEMERARA	3	393
DEMERARA - MAHAICA	4	1134
EAST BERBICE - CORENTYNE	6	778
CUYUNI - MAZARUNI	7	10
POTARO - SIPARUNI	8	9
UPPER TAKUTU - ESSEQUIBO	9	206
UPPER DEMERARA - UPPER BERBICE	10	236

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