INSTITUTE OF PRIVATE ENTERPRISE DEVELOPMENT
ANNUAL REPORT 2012

HELPING PEOPLE TO HELP THEMSELVES

CONTENTS

NOTICE OF MEETING

The twenty-seventh Annual General Meeting of the Institute of Private Enterprise Development Limited will be held on Tuesday 30th April 2013 at the Pegasus Hotel, Seawall Road, Kingston, Georgetown, commencing 10.00am.

AGENDA

1. Chairman's review of the Institute for the year 2012.
2. Receive and consider the Institute's Accounts and Reports of the Directors and Auditors for the year 2012.
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. I. Singh

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Hemant S. Indar Singh
Admin Manager/Company Secretary

Registered Office
253 South Road
Bourda
Georgetown

8th February, 2013

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. Ramsay Ali
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
Port Kaituma

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

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

Lot RF 1 Vreed-en-Hoop
West Coast Demerara
Tel: 592-264-3592

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

CULTURE & VALUES:

Dynamic Customer Service

Teamwork

Quality and Excellence

Innovation

Strong Governance

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.

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.

CORPORATE PROFILE

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

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

Dr. Yesu Persaud a very able and concerned businessman recognized the absolute necessity for the culture of Free Enterprise to be re-created after being under attack for a generation. One of the surest way of re-creating this culture was by stimulating the emergence of small businesses and self employment. The idea of the Institute then emerged.

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.

BOARD OF DIRECTORS

FIRST ROW, LEFT TO RIGHT

Dr. Yesu Persaud CCH, FCCA, FRSA, FBIM
Mr. Komal Samaroo AA, FCCA, ACIS
Mr. James Morgan FLMI, ACS

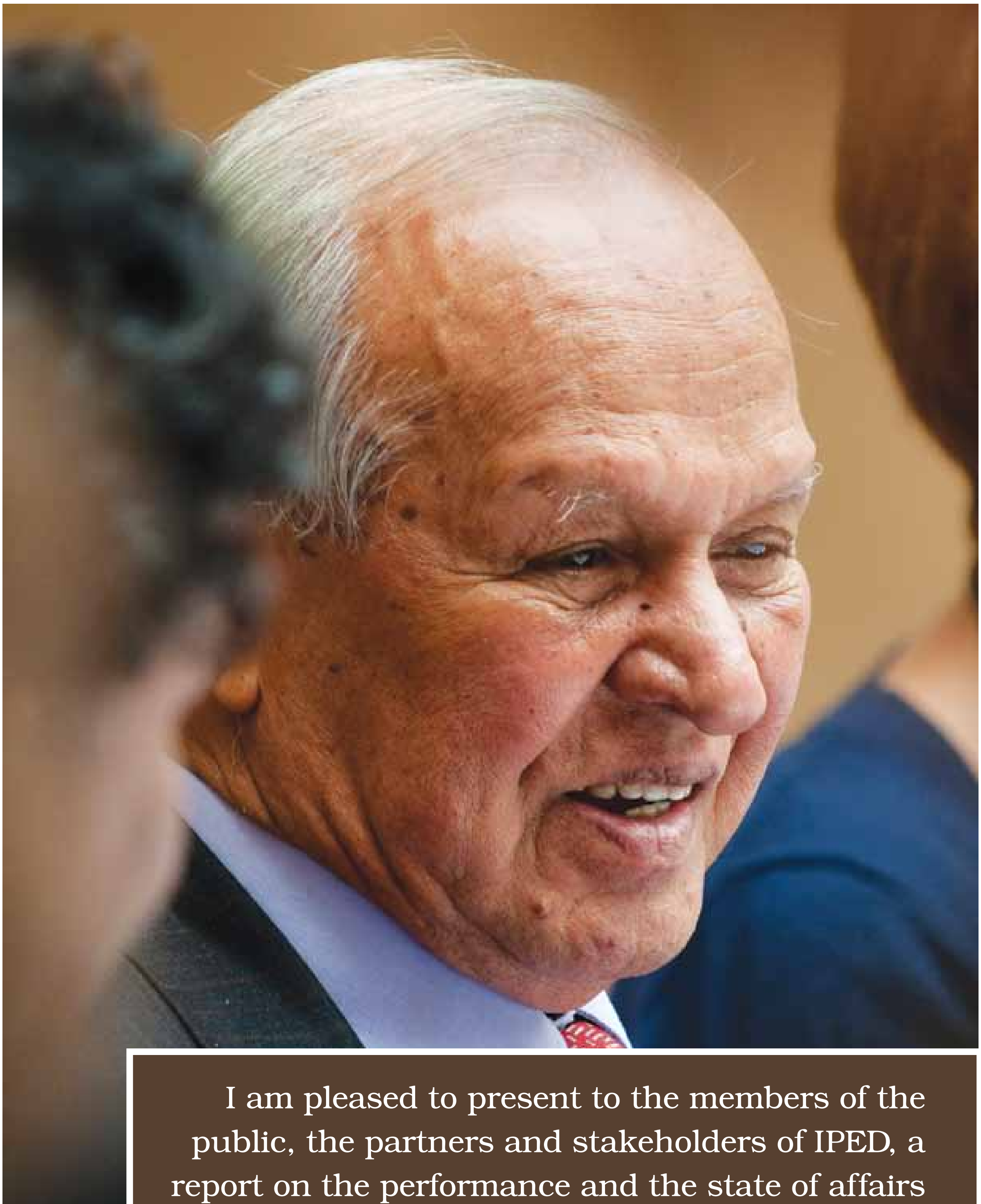
SECOND ROW, LEFT TO RIGHT

Dr. Leslie Chin AA, Bsc, Ph.D
Mrs. Amanda Richards AICB
Dr. Gem Fletcher Ph.D

THIRD ROW, LEFT TO RIGHT

Dr. Ian McDonald AA, MA (Cantab), FRSL
Mr. Laurence Farley FBSC, ACEA
Mr. Ramsay Ali BBA

CHAIRMAN'S REPORT



I am pleased to present to the members of the public, the partners and stakeholders of IPED, a report on the performance and the state of affairs of the Institute of Private Enterprise Development Limited for the year ended December 31, 2012.

CHAIRMAN'S REPORT

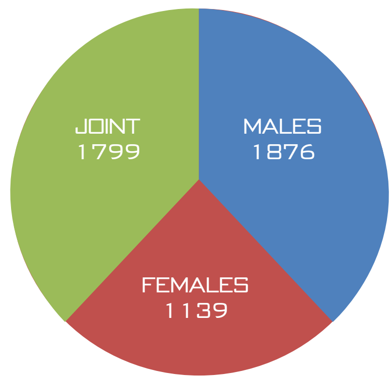
Twenty seven years ago the Institute started out with the intent of "helping people to help themselves", by providing loans and technical assistance to entrepreneurs to help them establish and grow their small and micro enterprises. Back then, it was important, not only to provide finance, but it was necessary to rejuvenate the spirit of entrepreneurship amongst our people as they were emerging out of an era of State Controlled Enterprises and the failed experimentation with Co-operative Socialism. IPED is proud today to be a part of the history of supporting the development of private enterprises in our Country. We are excited about the prospects for the future as our services evolve and continue to be relevant even in these modern times.

In the year 2012, the Institute processed and approved 4,814 applications for loans with a total value of $2.7B for micro, small and medium enterprises. The average size of loans processed was G$564K. Approximately 1,000 of these loans were $100K and less.

This is compared to 5,002 applications processed with a value of $2.4B in 2011 with an average loan size of $479K.
Of the applications processed in 2012, 677 were for first time borrowers.

The lower amount of applications processed compared to 2011, is as a result of a change in policy to facilitate the repayment of micro loans for periods above six months to twenty four months as compared to a maximum term of six months in the past.

Below is a breakdown of the applications processed by gender:



APPLICATIONS
PROCESSED BY GENDER

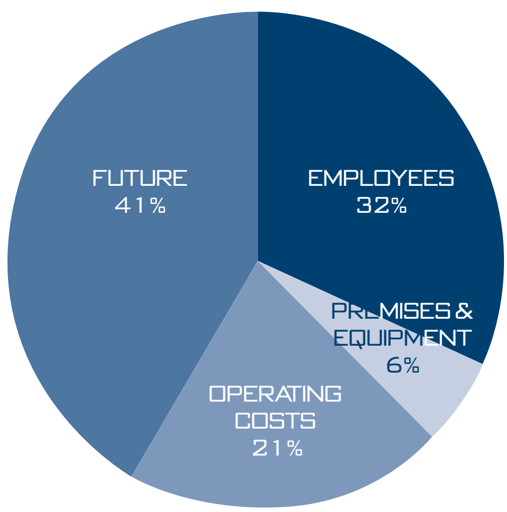
The number of enterprises that had outstanding credit facilities at the end of 2012 was approximately 3,888 compared to 3,931 in 2011.

It is estimated that the enterprises benefiting from our services provided employment for approximately 9,628 persons including the owners based on data supplied by our clients

The gross loans portfolio increased from $1.794B in 2011 to $2.238B in 2012 by $444M or 24.7%. This lags slightly behind the growth in credit to Private Enterprises by the Commercial Banks of 27.6%.

The Commercial Banks have $82.3B of loans outstanding by Private Enterprises at the end of 2012, an increase of $17.8B from the amount of $64.5B at the end of 2011.
For every 100 dollar in loans outstanding by the commercial banks, IPED has 2.7 dollars outstanding. This is small but a significant contribution to the development of small enterprises in Guyana.

The quality of our loan portfolio keeps improving as the exposure to non-performing loans declined from $48.8M to $45.9M. Due to the improvements in the quality of the portfolio, there was no need to increase our provision for loan losses during the year.
The sustained demand for our services and the growth in the loans portfolio of 24.7% in 2012 and 24% in 2011, contributed to another excellent financial performance for the year ended December 31, 2012. A strong financial performance is necessary for the sustainability of the Institute and for its growth. It is very important that our partners, stakeholders and members of the public, be reminded or become aware that the surplus generated by the Institute is not for distribution to any of its members or directors, but that all of it is reinvested to further the mission of Enterprise Development and "helping people to help themselves". The following is how the revenue of the company has been utilized in 2012:



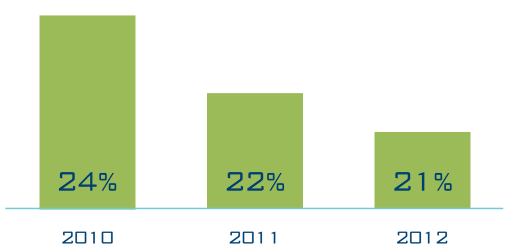
REVENUE

The surplus of revenue over expenditure for the year 2012 was $217.2M compared to $177M in 2011 an increase of $40.2M or 22.7%. This is a return on average assets of 8.2% (2011- 7.7%) and a return on average equity of 9.67% (2011-8.6%).

CHAIRMAN'S REPORT

This is an indication that the resources of the Institute were managed prudently and with great care to ensure our continued survival and investment into the future. As a development institution, IPED's philosophy is to price its services at market rates so as not to distort the value of benefits received by its clients. This is to help in ensuring that the Institute is financially viable and sustainable and to ensure that our clients operate at a level that is realistic rather than subsidized. Our strategy is to ensure that our return on equity is sufficient to cover inflation and to contribute to the future investment in the growth of the loans portfolio.

As we improve efficiencies and benefit from economies of scale, these benefits are passed on to our clients. Below is our interest yield on gross loans portfolio for the last 3 years:



INTEREST YIELD

This excellent performance contributes to the strengthening of our financial position. At the end of 2012, the total assets held by the Institute was $2.846B an increase of $421M from the prior period of $2.425B. The assets were funded mainly by accumulated surplus which accounted for 82.7% of total assets held in 2012 compared to 88% of assets held in 2011.

The increase in liabilities was done to facilitate growth in the loan portfolio that was beyond the surplus generated for the year. The Institute negotiated a term loan of $410M from Demerara Bank Limited, of which $210M was drawn down at the end of 2012. This loan is to be repaid in 180 monthly installments of $3.46M and commenced on October 30th, 2012. This has resulted from total liabilities as proportion of total assets increasing from 12% in 2011 to 18% in 2012. This is an increase in our risk profile but is quite normal and necessary to facilitate the growth of the Institute.

In addition to providing credit facilities, IPED through its Entrepreneurial Development Centre continued to assist the Micro and Small Business Sector by providing technical assistance and training.

FINPYME Export Plus program was launched at the Guyana Pegasus on Tuesday November 30th, 2010. The implementation began in June 2011 and ten (10) workshops were facilitated. One hundred and seventy five (175) Small business owners benefited from the partnership. Thirty eight percent were males while sixty two percent were females. The Guyana Arts and Craft Association and Ruimveldt Life Improvement Media Group are the two groups that benefitted from targeted training.

Workshops in the following areas were facilitated:

•Corporate Governance
•Constitutional Reform
•Business Management
•Cluster Management
•Financial Management
•Business Strategy
•Advanced 4D animation and After Effects

The Caribbean Development Bank offered training to twenty (20) small business owners in Financial Management Techniques. Eleven of the twenty participants were female. The workshop focused on assisting the participants to identify and use source documents to prepare their income statement and balance sheet and then use the information to make critical decisions in the development of their business. The participants were able to identify and in some cases make some changes to the process and identify areas of application of the knowledge they received.

The USAID/SKYE Project started the implementation phase in December 2012 with a Training of Trainers workshop facilitated by the Entrepreneurial Development Centre on behalf of the Guyana Youth Business Trust.

The Centre continued to partner with The Institute of Commercial Management of the UK, providing training in Project Management and Business Management. Ninety-eight students benefited from Project Management of which 58% were females. Business Management attracted forty five participants and 84% were women.

At the foundation of these successes is our professional team of managers and their hardworking and dedicated employees of whom much credit is due. To them I wish to express my gratitude for their service to society.

I would also like to thank my fellow colleagues on the Board of Directors for their support towards achieving the mission of IPED.

MANAGEMENT TEAM

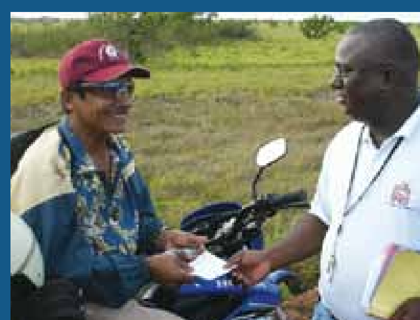










FIRST COLUMN, TOP TO BOTTOM

Ramesh Persaud
Chief Executive Officer (Middle)

Prasanna Kumar Muthu (L)
Internal Auditor

Elvis Rose (R)
Branch Manager, Berbice

Hemant S. Indar Singh
Admin Manager/Company Secretary


SECOND COLUMN, TOP TO BOTTOM

Jagdesh Haripershad - Finance Manager
Vishnu Harpaul (R) Branch Manager, Essequibo
Niaiol Paul, Officer in Charge - Debt Recovery
Henry Smith (L) Snr. Business Counsellor/Field Officer, Region 1
also in photo Gordon Trim, Branch Manager E.B.D.
Robert Williams (R) Officer in Charge - De Edward

THIRD COLUMN, TOP TO BOTTOM

Yogieraj Das (R) Credit Manager

Garrett Ward (Middle)
Branch Manager, E.C.D.

Dhanpal Birbal (R)
Branch Manager, - Parika

Shaun Persaud (R)
Officer in Charge - Region 9

Hilton Lord, Snr. Business Counsellor/Field Officer, Linden Branch

LONG SERVING STAFF

HILTON LORD
SENIOR BUSINESS COUNSELLOR/
FIELD OFFICER

MARIO ADOLPHUS SUKHRA
SENIOR BUSINESS COUNSELLOR/
FIELD OFFICER

JAGDESH HARIPERSHAD
FINANCE MANAGER

HENRY SMITH
SENIOR BUSINESS COUNSELLOR/
FIELD OFFICER

MARCELLE DURGANA
SECURITY OFFICER

KAIMLALL CHATTERGOON
SENIOR BUSINESS COUNSELLOR/
FIELD OFFICER

DIANNE WONG
TRAINING CO-ORDINATOR

HEMANT S. INDAR SINGH
ADMIN. MANAGER/COMPANY SECRETARY

05

20 YEARS OF SERVICE

10

15

JUANITA CRITCHLOW
SENIOR LEGAL CLERK

SHEENA CRANDON
ACCOUNTS SUPERVISOR

DEBORAH AUSTIN
SENIOR BUSINESS COUNSELLOR/
FIELD OFFICER

ASHRAF ALI
SECURITY SUPERVISOR

VICKRAM PERSAUD
SENIOR BUSINESS COUNSELLOR/
FIELD OFFICER

GERALD WILLIAMS
OFFICE ASSISTANT

AWARDS 2012

- BEST MICRO ENTERPRISE PROJECT

Hope Nester - **VENDING**
Lot 43 William Street, Kitty, Georgetown

- BEST SMALL ENTERPRISE PROJECT

Vasil Wood - **PIG REARING**
Lot 3 Goed Intent, Mahaica, East Coast Demerara

- BEST MEDIUM ENTERPRISE PROJECT

Beeram Balram - **RICE CULTIVATION**
Lot 7 Johanna South, Black Bush Polder, Corentyne, Berbice

- BEST MANAGED PROJECT

Chate Narine - **RICE CULTIVATION**
Lot 6 Paradise, Essequibo Coast

- BEST AGRICULTURAL PROJECT

John Ramkisto - **CROP FARMING**
Lot 69 Kuru Kuru, Linden Soesdyke Highway.

- BEST MANUFACTURING PROJECT

Suresh Budhoo - **JEWELLERY**
Lot 18 Rampoor, Springlands, Corriverton, Berbice

- BEST WOMAN ENTREPRENEUR

Bibi Ramlachman - **DISTRIBUTION**
Goed Fortuin Squatting Area, West Bank Demerara

- ENTERPRISING MICRO ENTREPRENEURS

Lloyd Cameron - **POULTRY REARING**
Kumaka, Mabaruma, Region One

Fitz Duke - **SNACKETTE**
Fitzburg, Port Kaituma, Region One

Florence Smith - **SNACKETTE**
Lot 78 Good Hope, Essequibo Coast

Jainarine Mahadeo - **VENDING**
Parika Highway, East Bank Essequibo

Condell Benjamin - **POULTRY REARING**
Lot 201 No. 22 Village, West Coast Berbice

Alfred Petty - **ELECTRICAL SERVICES**
Lot 18 Kent Street, New Amsterdam, Berbice.

Emelda Sandy - **DISTRIBUTION**
Annai Village, North Rupununi, Region Nine

Merle Fyffe - **POULTRY REARING**
Lot 143 North Amelia's Ward, Linden

LOAN STATISTICS 2006-2012

ECONOMIC SECTOR	2012	2011	2010	2009	2008	2007	2006
Rice	1482	1,481	1,432	1,279	1,172	1,167	1,071
Sugarcane	5	8	11	17	11	15	7
Other Crops	361	381	383	339	371	424	384
Livestock	785	903	1,154	1,259	1,075	1,131	1,000
Fishing	70	76	91	82	84	84	82
Forestry	30	34	38	36	38	32	29
Mining	9	6	5	9	6	7	9
Manufacturing	164	212	204	226	202	226	265
Construction	26	29	2	8	11	9	8
Distribution Services	1490	1,516	1889	2,106	1,839	2,202	2,174
Transportation Services	104	114	96	85	75	107	106
Rental of Buildings	3	6	1	2	1	5	1
Other Services	285	236	143	275	199	359	384
TOTAL	4,814	5,002	5,449	5,723	5,084	5,768	5,520

CLASSIFICATION OF LOAN RECIPIENTS 1996-2012

CUMMULATIVE	2012	2011	2010	2009	2008	2007	2006	2001-2005	1996-2000
Men	1876	1,807	1,704	1,545	1,349	1,758	1,653	8,787	3,867
Women	1139	1,217	1,399	1,259	1,103	1,592	1,540	8,590	9,893
Joint} Men & Women	1799	1,978	2,346	2,919	2,632	2,418	5,327	7,657	4,768
TOTAL	4,814	5,002	5,449	5,723	5,084	5,768	5,520	25,034	18,528

ADMINISTRATIVE ANALYSIS 1996-2012

SUMMARY RESULT OF ACTIVITIES	2012	2011	2010	2009	2008	2007	2006	2001-2005	1996-2000
No. of Loans Granted	4,814	5,002	5,449	5,723	5,084	5,768	5,520	25,034	18,528
Value of Loans approved (G$000)	2,716,448	2,399,068	1,936,890	1,746,899	1,482,602	1,427,687	1,084,924	4,234,848	3,133,550
No. of Jobs Created/Sustained	9,628	9,974	10,140	10,127	8,984	9,926	9,636	39,912	37,445
Average Loan Size (G$000)	564.3	479.6	355	305.2	291.6	247.5	196.5	169.2	169.1
Administrative Cost Per Loan	63,725	58,051	48,675	43,960	41,278	35,206	32,523	25,289	15,974
Average No. of Jobs Per Loan	2.0	2.0	1.9	1.8	1.8	1.7	1.7	1.6	2.0
Loan Value Per Job (G$000)	282	240	191	173	165	144	113	106	84

DIRECTORS REPORT

The Directors have pleasure in submitting this Report and Audited Financial Statements for the year ended 31st December, 2012.

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 2012, the Institute financed a total of 4,814 loans valued G$2,716.million. The 4,814 loans created/sustained 9,628 jobs.
Income totaled $524.million and expenditure $307 million resulting in a surplus of $217. million for the year compared with $177 million in the year 2011.

APPLICATION OF SURPLUS

Net surplus for the year 2012 was $217.million and this was transferred to the accumulated surplus which totaled $2.1 billion at the end of 2012.

CREDIT PROGRAMMES

In the year 2012, 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 three hundred and forty-nine 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 (IIC) , FINPYME Export Plus Programme to provide training in areas of Corporate Governance, Business Management, Financial Management and Business Strategy. In addition, the centre partnered with the Caribbean Development Bank and the USAID/SKYE Project to provide training to Small Business Entrepreneurs.

BOARD OF DIRECTORS

During the year 2012, there were nine (9) Directors on the Board.

1. Dr. Yesu Persaud
2. Mr Komal Samaroo
3. Dr Ian Mc Donald
4. Mr Laurence Farley
5. Mr James Morgan
6. Mrs Amanda Richards
7. Dr. Gem Fletcher
8. Dr. Leslie Chin
9. Mr Ramsay Ali

Director Mr John Bart tendered his resignation from the Board on the 18th September, 2012.
Mr Ramsay Ali was appointed a Member of the Board of Directors on the 16th October, 2012.

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

1. Mr.Ramsay Ali
2. Mrs Amanda Richards
3. Mr James Morgan
4. Dr Ian McDonald

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, 2012

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 2012 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 18 to 50.

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 2012 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 21, 2013

77 Brickdam
Stabroek, Georgetown
Guyana

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 G$	2011 G$
Interest income		474,393,463	394,995,416
Interest expense		7,461,771	4,866,550
Net interest income		466,931,692	390,128,866
Investment income	5	18,798,935	25,581,862
Other income	6	38,274,545	59,364,703
Net interest and other income		524,005,172	475,075,431
Employment cost		167,009,306	153,395,167
Loan impairment		-	7,638,977
Premises and equipment		29,830,589	36,549,291
Other operating costs		109,933,076	100,426,630
		306,772,971	298,010,065
Surplus of revenue over expenditure	7	217,232,201	177,065,367

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Members' subscriptions G$	Capital donations G$	Accumulated surplus G$	Total G$
Balance at 1 January 2011	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
Surplus for the year	-	-	217,232,201	217,232,201
Total recognised income for the year	-	-	217,232,201	217,232,201
Balance at 31 December 2012	32,500	256,465,233	2,098,121,283	2,354,619,016

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 G$	2011 G$
ASSETS			
Non Current assets			
Property, plant and equipment	9	126,366,379	126,838,688
Intangible asset	10	357,840	913,340
Investments	13	341,105,810	497,445,397
Defined benefit asset	8	12,590,000	10,118,000
Loans receivable	11	2,192,870,091	1,745,852,886
		2,673,290,120	2,381,168,311
Current assets			
Inventory		1,230,532	1,859,878
Other receivables and prepayments	12	23,808,603	18,730,726
Cash resources	14	147,975,566	23,879,117
		173,014,701	44,469,721
TOTAL ASSETS		2,846,304,821	2,425,638,032
EQUITY AND LIABILITIES			
EQUITY			
Members' subscriptions	15	32,500	32,500
Capital donations	16	256,465,233	256,465,233
Accumulated surplus		2,098,121,283	1,880,889,082
		2,354,619,016	2,137,386,815
Non Current liabilities			
Loans payable	17	203,715,726	35,570,530
Current liabilities			
Other payables and accruals	18	252,143,486	177,937,442
Loans payable	17	35,826,593	8,107,002
Bank Overdraft(Unsecured)		-	66,636,243
		287,970,079	252,680,687
TOTAL EQUITY AND LIABILITIES		2,846,304,821	2,425,638,032

These financial statements were approved by the Board of Directors on 21 January 2013.

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 2012

	2012 G$	2011 G$
OPERATING ACTIVITIES		
Surplus of revenue over expenses	217,232,201	177,065,367
Adjustments for:		
Depreciation	16,331,031	14,834,086
Amortisation	555,500	7,274,775
Profit on sale of motor vehicles and office machinery	(2,550,000)	(43,000)
Operating surplus before working capital changes	231,568,732	199,131,228
Movements in:		
Loans receivable	(447,017,205)	(348,504,568)
Other receivables and prepayments	(5,077,877)	7,777,020
Inventory	629,346	188,936
Other payables and accruals	74,206,044	5,044,795
Defined benefit asset	(2,472,000)	(1,149,000)
Net cash used in operating activities	(148,162,960)	(137,511,589)
INVESTING ACTIVITIES		
Decrease in investments	156,339,587	61,875,247
Purchase of property, plant and equipment	(15,858,722)	(25,161,165)
Proceeds on sale of motor vehicles and office machinery	2,550,000	43,000
Net cash provided by investing activities	143,030,865	36,757,082
FINANCING ACTIVITIES		
Loan drawn down	210,000,000	-
Loan repayments	(14,135,213)	(7,988,338)
Net cash provided by/(used in) financing activities	195,864,787	(7,988,338)
Net increase/(decrease) in cash and cash equivalents	190,732,692	(108,742,845)
Cash and cash equivalents at beginning of period	(42,757,126)	65,985,719
Cash and cash equivalents at end of period	147,975,566	(42,757,126)
Comprising		
Bank overdraft	-	(66,636,243)
Cash resources	147,975,566	23,879,117
	147,975,566	(42,757,126)

"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
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 De-recognition Disclosure Requirements	1 July 2011
IAS 12 Amendments to IAS 12 – Income Taxes	1 January 2012

Available for early adoption for the current year end

New and Amended Standards	
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 Other Comprehensive Income	1 July 2012
IAS 19 Amendments to IAS 19 – Employee Benefits	1 January 2013
IFRS 7 Financial Instruments - Offsetting Financial Assets and Financial Liabilities	1 January 2013
IAS 32 Financial Instruments - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 First-time Adoption of International Financial Reporting Standards (Government loans)	1 January 2013
IFRS 1 Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 1 Amendments as part of improvements to IFRSs 2011	1 January 2013

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	
IAS 16 Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 32 Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 34 Amendments as part of improvements to IFRSs 2011	1 January 2013
IFRS 10 Consolidated Financial Statements (Transitional arrangements)	1 January 2013
IFRS 11 Joint Arrangements (Transitional arrangements)	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities (Transitional arrangements)	1 January 2013
IFRS 10 Consolidated Financial Statements (Exemptions)	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities (Exemptions)	1 January 2014
IAS 27 Separate Financial Statements (Exemptions)	1 January 2014
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 have a material impact on the Company's accounting policies when adopted are explained below.

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.
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

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.
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 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories
The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

New interpretation (cont'd)

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'. 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 consolidated 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 plans. 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 32
Amends the disclosure requirements in IFRS 7 Financial Instruments, to require information about all recognised financial instruments that are set off.
The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements.
The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments as part of Annual improvements to IFRSs
IFRS 1 — Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets
IAS 1 — Clarification of the requirements for comparative information
IAS 16 — Classification of servicing equipment
IAS 32 — Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
IAS 34 — Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.
The directors do not anticipate that the amendments will have a significant effect on the Company's financial statements.

IFRIC 20
The directors anticipate that IFRIC 20 will have no effect on the Company's financial statements as the Company does not engage in such activities.

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 profit or loss 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 profit and loss in the period in which they are incurred.

(f) Retirement benefits

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

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 are held for use in the supply of services and for administrative purposes as 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 are held for the use in the supply of services and for administrative purposes as 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, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Financial assets

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

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

(m) Effective interest method

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Loans Principal or interest is due 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 collectability of each individual or collectively assessed loan.

Upon classification of a loan to a non-accrual status, interest is not taken up in income on an accrual basis. In subsequent periods, interest is only recognised to the extent payments are received.
Provisioning for each classification category is made based on the following minimum level:

Classification	Level of Provision
Grade 1	0%
Grade 2	0%
Grade 3	0-20%
Past Due	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 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 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 reflects the Institute's assessment of several critical factors that can influence future cash flows.

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

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

	2012 G$	2011 G$
5. INVESTMENT INCOME		
Cash resources	4,768,712	9,679,733
Held to maturity investments	14,030,223	15,902,129
	18,798,935	25,581,862
6. OTHER INCOME		
Recoveries on loans previously written off	14,597,580	33,141,795
Fees- ICM courses	17,534,310	23,171,077
Others	6,142,655	3,051,832
	38,274,545	59,364,703

	2012 G$	2011 G$
7. SURPLUS OF REVENUE OVER EXPENDITURE	217,232,201	177,065,367
After charging:		
Loan impairment	-	7,638,977
Depreciation and amortisation	16,886,531	22,108,861
Employment cost (a)	167,009,306	153,395,167
Auditors' remuneration (b)	710,000	660,000
(a) Employment cost:		
Salaries and wages	144,300,903	134,843,696
Other staff costs	13,126,835	10,065,007
Pension	9,581,568	8,486,464
	167,009,306	153,395,167
(b) Auditors' remuneration		
Audit services	710,000	660,000

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 seven (2011- sixty three) employees participate in the plan.

During the year, the Institute's contribution to the scheme was G$9,825,000 (2011 -G$8,667,000)

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 2011 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 2012 using the Projected Unit Credit Method.

	2012 G$	2011 G$
Amounts in the statement of financial position:		
Defined benefit obligation	118,335,000	102,763,000
Fair value of plan assets	(190,305,000)	(119,636,000)
	(71,970,000)	(16,873,000)
Unrecognised actuarial gain	59,380,000	6,755,000
Net Defined benefit asset	(12,590,000)	(10,118,000)
Reconciliation of amount recognised in the statement of financial position:		
Opening defined benefit asset	(10,118,000)	(8,969,000)
Net pension cost	7,353,000	7,518,000
Institute contributions paid	(9,825,000)	(8,667,000)
Closing defined benefit asset	(12,590,000)	(10,118,000)

8. DEFINED BENEFIT ASSET (CONT'D)

	2012 G$	2011 G$
Amounts included in salaries and other staff costs in the statement of income:		
Current service cost	9,786,000	9,435,000
Interest on defined benefit obligation	51,117,000	4,389,000
Expected return on plan assets	7,550,000	(6,306,000)
Net pension cost	68,453,000	7,518,000
Actual return on plan assets:		
Expected return on plan assets	7,550,000	6,306,000
Actuarial loss on plan assets	50,551,000	2,569,000
Actual return on plan assets	58,101,000	8,875,000
Change in the defined benefit obligation		
Defined benefit obligation at start	102,763,000	14,647,000
Service cost	9,786,000	9,435,000
Interest cost	5,117,000	4,389,000
Members' contributions	3,612,000	3,186,000
Actuarial (Gain) Loss	(2,074,000)	(1,674,000)
Benefits paid	(869,000)	(689,000)
	118,335,000	29,294,000
Change in Plan assets		
Plan assets at start of year	119,636,000	99,597,000
Expected return on Plan assets	7,550,000	6,306,000
Actuarial (Gain) Loss	50,551,000	2,569,000
Company contributions	9,825,000	8,667,000
Members' contributions	3,612,000	3,186,000
Benefits paid	(869,000)	(689,000)
	190,305,000	119,636,000

	2012 G$	2011 G$	2010 G$	2009 G$	2008 G$
Experience History					
Defined benefit obligation	118,335,000	102,763,000	88,116,000	68,318,000	58,032,000
Fair value of plan asset	(190,305,000)	(119,636,000)	(99,597,000)	(83,194,000)	(68,438,000)
Surplus	(71,970,000)	(16,873,000)	(11,481,000)	(14,876,000)	(10,406,000)
Experience adjustment on plan liabilities	(2,074,000)	(1,674,000)	4,816,000	(1,393,000)	3,767,000
Experience adjustment on plan assets	50,551,000	2,569,000	91,000	2,353,000	(4,976,000)

Expected Company contributions in 2013 is G$9,601,000.

8. DEFINED BENEFIT ASSET (CONT'D)

	2012 %	2011 %
Asset allocation as at 31 December:		
Equity securities	51.0	47.8
Debt securities	35.6	35.1
Other	13.4	17.1
Total	100.0	100.0

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

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

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 2012	117,772,844	43,552,500	18,904,988	46,178,069	51,329,856	514,920	278,253,177
Additions	969,460	11,333,041	1,579,460	933,861	1,042,900	-	15,858,722
Transfer	514,920	-	(2,194,979)	1,617,467	577,512	(514,920)	-
Disposal	-	(3,979,820)	-	(31,515)	-	-	(4,011,335)
At 31 December 2012	119,257,224	50,905,721	18,289,469	48,697,882	52,950,268	-	290,100,564
Depreciation							
At 1 January 2012	25,866,776	27,017,132	13,703,981	38,022,011	46,804,589	-	151,414,489
Charge for the year	2,141,406	8,079,439	976,918	3,216,955	1,916,313	-	16,331,031
Transfer	-	-	(660,649)	549,974	110,675	-	-
Write back on disposal	-	(3,979,820)	-	(31,515)	-	-	(4,011,335)
At 31 December 2012	28,008,182	31,116,751	14,020,250	41,757,425	48,831,577	-	163,734,185
Net book values:							
At 31 December 2012	91,249,042	19,788,970	4,269,219	6,940,457	4,118,691	-	126,366,379
At 31 December 2011	91,906,068	16,535,368	5,201,006	8,156,058	4,525,268	514,920	126,838,688

Certain land and buildings are held as security for loan from Demerara Bank Limited.

10. INTANGIBLE ASSET

	2012 G$	2011 G$
Cost		
At 1 January and 31 December	30,002,298	30,002,298
Amortisation		
At 1 January	29,088,958	21,814,183
Charge for the year	555,500	7,274,775
At 31 December	29,644,458	29,088,958
Net book value:		
At 31 December	357,840	913,340

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

	2012 G$	2011 G$
Gross loans	2,238,847,997	1,794,727,737
Less impairment allowance (a)	(45,977,907)	(48,874,851)
	2,192,870,091	1,745,852,886
Non- current loans receivable	548,826,897	322,501,382
Current loans receivable	1,644,043,193	1,423,351,504
	2,192,870,091	1,745,852,886
Non-performing loans receivable	45,977,907	48,874,851
Performing loans receivable	2,146,892,184	1,696,978,035
	2,192,870,091	1,745,852,886
(a) Impairment allowances		
Individually assessed impairment		
At 1 January	48,874,851	49,090,015
Provision for the year	-	7,638,977
Bad debts written off	(2,896,945)	(7,854,141)
	45,977,907	48,874,851

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, 2012 amounted to $46m (2011: $47.2m). The collateral consists of cash, securities and properties.

Collateral realised
During the year, the Institute realised collateral amounting to $903,000 (2011: $5,300,000)

12. OTHER RECEIVABLES AND PREPAYMENTS

	2012 G$	2011 G$
Debtors	5,035,104	-
Prepayments	11,757,658	11,663,628
Others	7,015,841	7,067,098
	23,808,603	18,730,726

13. INVESTMENTS

	2012 G$	2011 G$
(a) Bonds	251,166,502	252,421,891
These are made up as follows:		
Held to maturity investments		
Government bonds	86,893,373	86,893,373
Private entity bonds (unsecured)	164,273,129	165,528,518
	251,166,502	252,421,891
(b) Cash resources	89,939,308	245,023,506
Total investments	341,105,810	497,445,397

The bonds are held as security for Demerara Bank Limited loan.

14. CASH RESOURCES

	2012 G$	2011 G$
Cash	557,000	520,000
At banks	83,868,146	23,359,117
Government of Guyana IFAD project (i)	63,550,420	-
	147,975,566	23,879,117

(i) This represents money received from the Government of Guyana to be disbursed to poor rural households especially small- scale producers and vulnerable groups to improve their living conditions and their human, social and financial assets.

15. MEMBERS' SUBSCRIPTIONS

	2012	2011
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

	2012 G$	2011 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

	2012 G$	2011 G$		Amount Committed
(i) IADB	13,027,098	13,867,640	SFR	375,000
(ii) EIB	23,348,555	29,809,892	ECU	698,090
(iii) DBL	203,166,666	-	GYD	210,000,000
	239,542,319	43,677,532		
Repayments due within one year	35,826,593	8,107,002		
Repayments due within two to five years	128,391,356	24,644,790		
Repayments due after five years	75,324,370	10,925,740		
	203,715,726	35,570,530		
	239,542,319	43,677,532		

(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.

(iii) Demerara Bank Limited Term Loan of G$410,000,000 and to be disbursed in three phases, two in 2012 (September and December) for a total of GYD 210,000,000 and the balance of GYD 200,000,000 to be disbursed in the year 2013. This loan is repayable over fifteen (15) years in equal monthly installments of GYD 3,460,000.00, commencing 30th October, 2012 and 30th monthly thereafter, in full by 30th September, 2027.

This loan is secured by bonds, money market account and certain properties in the name of the Institute of Private Enterprise Development Limited.

18. OTHER PAYABLES AND ACCRUALS

	2012 G$	2011 G$
EIB loan interest	57,200	-
Accruals	19,489,402	13,625,338
Collateral Improvement scheme (i)	150,647,568	144,479,919
Internal Indemnity Fund (ii)	15,243,146	15,999,327
Miscellaneous	3,147,570	3,832,858
Government of Guyana IFAD project (iii)	63,558,600	-
	252,143,486	177,937,442

(i) This represents cash collateral held for loans issued and will be refunded when customers repay their loan. Interest rate of 2%.

At 1 January	144,479,919	136,496,437
Increase during the year	6,167,649	7,983,482
At 31 December	150,647,568	144,479,919

(ii) This represents provision for contingencies.

(iii) This represents monies received from the Government of Guyana for consultancy services for the management of the Enterprise Development Fund for the Rural Enterprise and Agricultural Development Project.

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.

Listed below are transactions and balances with related parties:

(i) **Compensation for key management personnel**

The company's key management personnel 6 (2011 - 5) comprises its Chief Executive Officer, Credit Manager, Finance Manager, Administrative Manager/Company Secretary, EDC Manager and Chief Internal Auditor.

	2012 G$	2011 G$
The remuneration paid to key management personnel during the year were as follows:		
Short term employee benefits	38,822,649	36,476,816
Post-employment benefits	2,838,856	2,530,176
	41,661,505	39,006,992

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	341,105,855	497,445,397
	Investments fees paid	15,400	672
Demerara Bank Limited	Deposit accounts	64,967,306	(46,073,149)
	Loan	203,166,666	-
Guyana Youth Business Trust.	Receivables	5,035,104	(668,091)

20. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

2012	Held to Maturity G$	Loans and Receivables G$	Other Financial Assets and Liabilities at Amortised cost G$	Total G$
ASSETS				
Investment	251,166,502	-	89,939,308	341,105,810
Loan receivables	-	2,192,870,091	-	2,192,870,091
Other receivables and prepayments	-	23,808,603	-	23,808,603
Cash resources	-	-	147,975,566	147,975,566
Total Assets	251,166,502	2,216,678,694	237,914,874	2,705,760,070
LIABILITIES				
Loans payables	-	-	239,542,319	239,542,319
Other payables	-	-	232,654,084	232,654,084
Accruals	-	-	19,489,402	19,489,402
Total Liabilities	-	-	491,685,805	491,685,805
2011				
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	-	-	164,312,104	164,312,104
Accruals	-	-	13,625,338	13,625,338
Bank overdraft	-	-	66,636,243	66,636,243
Total Liabilities	-	-	288,251,217	288,251,217

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 six (6) 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.

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

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

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

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Institute's profit for the year ended 31 December 2012 would increase/decrease by G$ 6,824,613 (2011: G$7,603,690). This is mainly attributable to the Institute's exposure to interest rates on its variable rate borrowings and balances at banks.

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

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

	United States dollars G$	Euro G$
2012		
Assets	211,432,473	61,552,064
Liabilities	-	23,348,555
Net assets	211,432,473	38,203,509
2011		
Assets	240,171,723	67,849,801
Liabilities	13,867,640	29,809,892
Net assets	226,304,083	38,039,909

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.

	2012 G$	2011 G$
Profit/(loss):		
Euro	955,088	950,998
United States Dollars	5,285,812	5,657,602

(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 31-12-2012					
	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	84,353,034	-	-	112,839,404	143,913,372	341,105,810
Loans receivable	74,265,239	392,749,699	1,177,028,256	511,874,512	36,952,385	2,192,870,091
Other receivables and prepayments	-	-	23,808,603	-	-	23,808,603
Cash resources	147,975,566	-	-	-	-	147,975,566
	306,593,840	392,749,699	1,200,836,859	624,713,916	180,865,757	2,705,760,070
Liabilities						
Loans	35,826,593	-	-	128,391,356	75,324,370	239,542,319
Other payables and accruals	-	-	252,143,486	-		252,143,486
	35,826,593	-	252,143,486	128,391,356	75,324,370	491,685,805
Net assets	270,767,247	392,749,699	948,693,373	496,322,560	105,541,387	2,214,074,265

	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	-	-	177,937,442	-	-	177,937,442
Bank overdraft	-	-	66,636,243	-	-	66,636,243
	8,107,002	-	244,573,685	24,644,790	10,925,740	288,251,217
Net assets	395,596,529	253,709,774	828,618,791	405,859,267	113,872,548	1,997,656,909

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk

Credit risk is the risk that financial loss arises from failure of customers or counter party to meet its obligations under a contract. It arises principally from lending, and lesser extent from investment and cash resources.

Risk associated with investments are managed by a sub committee of the Board as mentioned above.

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

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

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

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

Character - Willingness and determination to meet obligations, integrity, stability, honesty, quality of past dealings, background and community standing.

Capacity - Project cash generating capabilities, applicants education, experience and ability to manage cash /project.

Capital - Equity commitment by the borrower, leverage and use of total capital, emergency reserves of the owners.

Conditions - State of the economy, type of industry, political climate and prospects and social stability of the environment.

Collateral - Pledge by the borrower to complement the other characteristics. This is the secondary source of paying of the loan. Collateral accepted are mortgages, 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 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 their risk of default will reduce and if potential problems arise, these can be dealt with at an early stage.

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

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

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

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

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

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

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

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

Gross maximum exposure:	**2012 G$**	**2011 G$**
Investments: Held to maturity	341,105,810	497,445,397
Loans receivable	2,192,870,091	1,745,852,886
Other receivables	23,808,603	18,730,726
Cash resources	147,975,566	23,879,117
Total credit risk exposure	2,705,760,070	2,285,908,126

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:

	2012 G$	**2011 G$**
Guyana	2,383,943,955	1,977,886,602
Jamaica	66,563,452	61,552,064
Barbados	61,552,064	19,289,740
Trinidad and Tobago	53,207,156	68,297,121
Other countries	140,493,443	158,882,599
	2,705,760,070	2,285,908,126

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:

	2012 G$	2011 G$
Government and government bodies	299,061,327	350,631,366
Financial sector	208,242,333	189,423,873
Fishing	48,812,312	52,529,614
Rice	759,812,900	615,357,433
Dairy	3,285,953	753,124
Pigs	15,259,836	7,638,674
Poultry	96,782,898	89,866,333
Fish dehydration	6,435,965	979,625
Crops	107,824,777	72,443,236
Garment	3,412,589	4,243,943
Food processing	16,695,195	7,882,204
Workshop	25,503,996	23,209,062
Furniture	31,076,988	9,926,592
Craft	5,097,282	4,113,866
Trading	719,127,701	519,030,406
Miscellaneous	405,305,924	386,753,626
	2,751,737,976	2,334,782,977
Less: Allowance for impairment	(45,977,907)	(48,874,851)
	2,705,760,070	2,285,908,126

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					
2012	66,563,452	274,542,358	-	-	341,105,810
2011	189,423,873	308,021,524	-	-	497,445,397

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$**	**Total G$**
2012	1,837,885,955	274,391,153	34,615,076	45,977,907	2,192,870,091
2011	1,447,025,806	218,593,689	31,358,540	48,874,851	1,745,852,886

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$**	**Total G$**
2012	-	-	-	45,977,907	45,977,907
2011	-	-	-	48,874,851	48,874,851

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$
2012	-	147,975,566	-	147,975,566
2011	-	23,879,117	-	23,879,117

(d) Operational risk

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

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

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

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values have been determined as follows:

	2012		2011	
	Carrying value G$	Market value G$	Carrying value G$	Market value G$
Assets				
Investments	341,105,810	361,245,242	497,445,397	477,319,599
Loans receivables	2,192,870,091	2,192,870,091	1,745,852,886	1,745,852,886
Other receivables (net of prepayments)	12,050,945	12,050,945	7,067,098	7,067,098
Cash resources	147,975,566	147,975,566	23,879,117	23,879,117
	2,694,002,412	2,714,141,844	2,274,244,498	2,254,118,700
Liabilities				
Loans	239,542,319	239,542,319	43,677,532	43,677,532
Other payables and accruals	252,143,486	252,143,486	177,937,442	177,937,442
Bank overdraft	-	-	66,636,243	66,636,243
	491,685,805	491,685,805	288,251,217	288,251,217

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.

	2012 G$	2011 G$
Investments - Held to maturity	251,166,502	252,421,891

23. PENDING LITIGATION

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

NOTES

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NUMBER OF ENTERPRISES BY REGIONS

	REGION	ENTERPRISES
BARIMA - WAINI	1	163
POMEROON - SUPENAAM	2	721
ESSEQUIBO ISLANDS - WEST DEMERARA	3	374
DEMERARA - MAHAICA	4	1186
MAHAICA - BERBICE	5	368
EAST BERBICE - CORENTYNE	6	641
CUYUNI - MAZARUNI	7	4
POTARO - SIPARUNI	8	8
UPPER TAKUTU - ESSEQUIBO	9	202
UPPER DEMERARA - UPPER BERBICE	10	221
TOTAL		3888

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