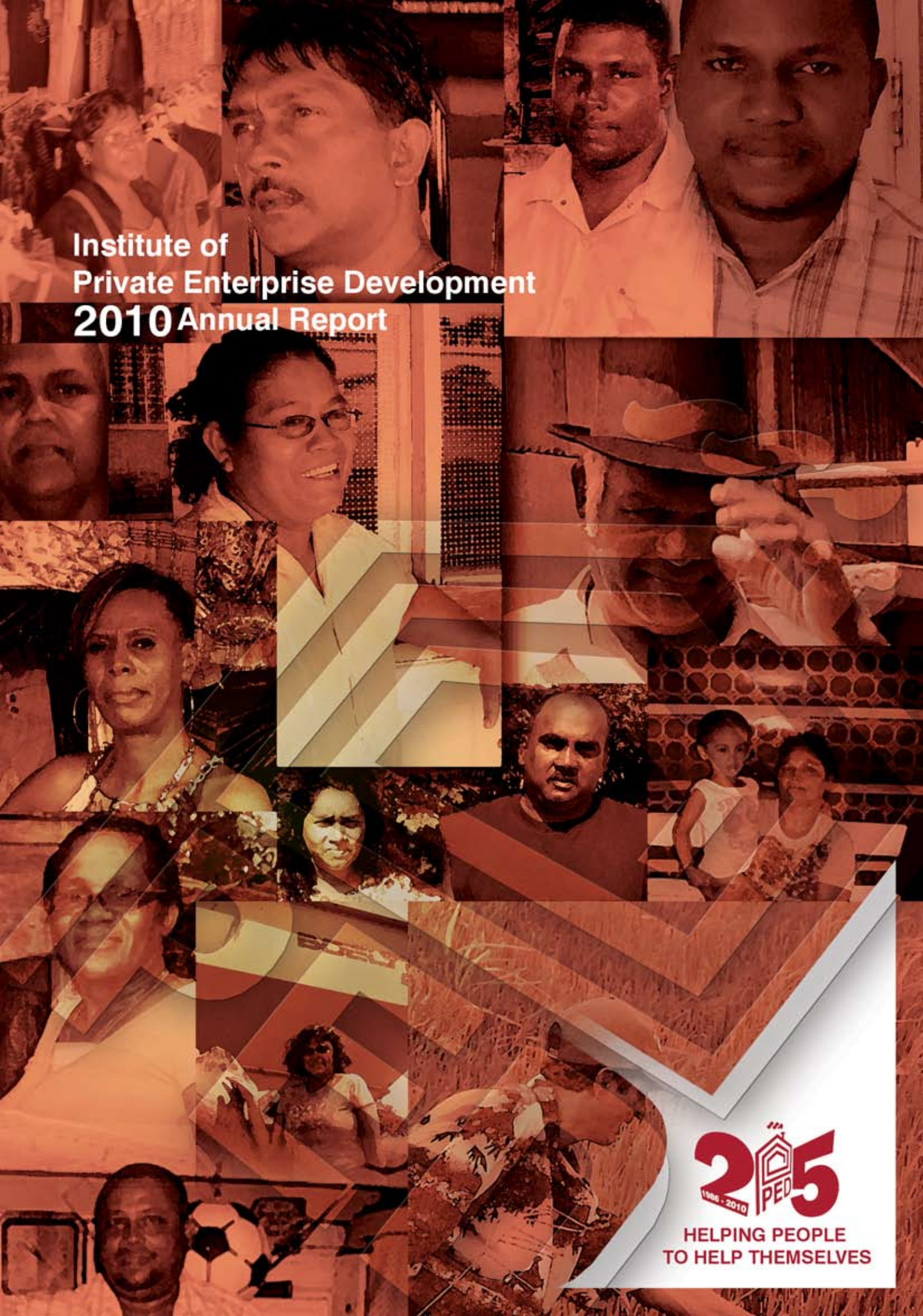
Institute of Private Enterprise Development

2010 Annual Report



25 PED 1985 - 2010

HELPING PEOPLE TO HELP THEMSELVES

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

IPED MISSION STATEMENT

ON THE COVER

Faces of Success.

These are the faces of individuals who represent the success stories of IPED. These are the entrepreneurs who GOT GOING and KEPT GROWING.

These are the faces that prove, if given the opportunity, people will work hard in helping themselves get out of poverty. Any society with entrepreneurs that are given the freedom to be innovative and take risks is sure to be on the right path to development.

CONTENTS

NOTICE OF MEETING

The twenty-fifth Annual General Meeting of the Institute of Private Enterprise Development Limited will be held on Friday, 1st April, 2011 at the Pegasus Hotel, Seawall Road, Kingston, Georgetown at 10:00 a.m.

AGENDA

1. Chairman's review of the Institute for the year 2010.
2. Receive and consider the Institute's Accounts and Reports of the Directors and Auditors for the year 2010.
3. Elect Directors in the place of those retiring by rotation.
4. Appoint Auditors and authorize the Directors to fix their remuneration.
5. Presentation of Client's Awards.
6. Presentation of Staff Awards.
7. Any other business of an Annual General Meeting.

BY ORDER OF THE BOARD

Hemant S Indar Singh
.....

Hemant S. Indar Singh
Admin Manager/Company Secretary

Registered Office
253 South Road
Bourda
Georgetown

1st February, 2011

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".

Ramesh Persaud FCCA - Chief Executive Officer

GOALS

To develop a culture of entrepreneurship amongst our clients and to inspire and empower them to achieve excellence.

To provide timely financing to Micro, Small and Medium Enterprises to enhance their production potential and capacity to supply both local and foreign markets.

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

To promote sustainable environmental practices and technologies and mitigation of any pollution of the environment by our clients.

To network with organizations providing complementary support services to communities in order to effectively develop entrepreneurs.

To provide a work environment where all employees are treated fairly, are adequately compensated, trained and highly motivated.

VISION

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

CULTURE AND VALUES

Dynamic Customer Service
Teamwork
Quality and Excellence
Innovation
Strong Governance

CORPORATE PROFILE

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

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

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

The Pan American Development Foundation (PADF) was approached for funding and they threw out the challenge that they would fund ½ Million Guyana Dollars if the Guyanese could match that sum. At the same time, also, Foundation for International Training (F.I.T) was approached and they offered to finance two Counsellors who were duly installed soon after the institution was established.

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

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

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

it is worthwhile to note that there are no substitutes for sound businesses that are genuine in meeting the needs of their customers ...

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

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

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

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

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

BRANCHES
Region 1
Mabaruma

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

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

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

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

BRANCHES CONT'D
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

...that have adequate internal controls, are ethical in their practices and benefit from sound leadership.

since 1986

CHAIRMAN
Dr. Yesu Persaud CCH, FCCA, FRSA, FBIM

Mr. Komal Samaroo AA, FCCA, ACIS | Mr. James Morgan FLMI, ACS | Dr. Leslie Chin AA, Bsc, Ph.D | Mrs. Amanda Richards AICB
Dr. Gem Fletcher Ph.D | Dr. Ian McDonald AA, MA (Cantab), FRSL | Mr. Laurence Farley FBSC, ACEA | Mr. John Bart AA, Dip. Soc. Sc.

1 **Ramesh Persaud FCCA** Chief Executive Officer **(L)**
6 **Prasanna Kumar Muthu** Internal Auditor

2 **Hemant S. Indar Singh** Admin Manager/Company Secretary **with Elvis Rose** Branch Manager, Berbice **(R)**
3 **Daren Torrington** Entrepreneurial Development Manager **(L)**
4 **Gordon Trim** Assistant Manager, Georgetown Branch **(R)**
5 **Yogieraj Das** Credit Manager **(L) with Jagdesh Haripershad** Finance Manager

MANAGEMENT TEAM

IN THE FIELDS: Members of our Executive Management and Branch Managers during their routine visits to clients.

7 **Henry Smith** - Business Counsellor/Field Officer - Region 1
8 **Hilton Lord** - Business Counsellor/Field Officer, Linden
9 **Garrett Ward** - Manager, Georgetown Branch
10 **Shaun Persaud** - Officer in Charge - Region 9 **(R)**
11 **Robert Williams** - Officer in Charge - De Edward **(L)**

12 **Dhanpal Birbal** - Officer in Charge - Parika **(R)**
13 **Vishnu Harpaul** - Branch Manager, Essequibo **(L)**
14 **Niaiol Paul** - Officer in Charge - Debt Recovery **(L)**

AWARDS

BEST MICRO ENTERPRISE PROJECT
Shizad Ali **DISTRIBUTION**
191 Railway Line, Rosignol,
West Coast Berbice.

BEST SMALL ENTERPRISE PROJECT
Roopchan Saakar **RICE CULTIVATION**
16 Zorg Public Road,
Essequibo Coast.

BEST MEDIUM ENTERPRISE PROJECT
Caleb Ellis **LUMBER YARD**
Queenstown,
Essequibo Coast.

BEST MANAGED PROJECT
Justin Hussain **DISTRIBUTION**
Barr Street, Kitty,
Georgetown.

BEST AGRICULTURAL PROJECT
Mohan Lall Ramsaywack **RICE CULTIVATION**
82 Good Hope, Mahaica,
East Coast Demerara.

BEST MANUFACTURING PROJECT
Imran Salim **JEWELLERY**
Roden Rust,
East Bank Essequibo

WOMAN ENTREPRENEUR OF THE YEAR
Banoomattie Singh **DISTRIBUTION**
Cumberland Village, East Canje
Berbice.

ENTERPRISING MICRO ENTREPRENEURS

VENDING
Sharon Kissoon
215 Non Pariel,
East Coast Demerara.

DISTRIBUTION
Leslyn Small
Angoy's Avenue
New Amsterdam.

VENDING
Milton Gilkes
212 Middle Street
Silvertown, Wismar, Linden.

HOSPITALITY/FOOD BEVERAGE
Shirley Bennett
Hosororo Hill
Region 1

COMMUTER SERVICE
Joseph Gonputh Jnr.
Wanaina,
Region 1

POULTRY
Lorna Douglas
Bydarabo,
Bartica

DISTRIBUTION – FOOD AND HOUSEHOLD
Avril Gibson
Good Hope,
Essequibo Coast.

POULTRY
Claudette Johnson
96 Ithaca,
West Bank Berbice.

TOURISM & HOSPITALITY
Michelle Pedro
Kurupukari,
Region 9

LONG SERVING (STAFF)

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

ALISON DUNCAN	Business Counsellor/Field Officer II	20
ROSSITA CUNJE	Administrative Assistant III	20
GORDON TRIM	Assistant Branch Manager – G/T	20
ELVIS ROSE	Branch Manager – Berbice	15
SHAUN PERSAUD	Officer-in-Charge – Lethem	15
ROSELL PARRIS FORDE	Administrative Assistant II	10
DONNETTE CLEMENTSON	Senior Accounts Clerk	10
KATHY BOATSWAIN	Accounts Clerk II	10
NEVILLE NARINE	Security Officer II	05
BIBI S. MOHAMED	Senior Accounts Clerk	05
PHAGOO LALL	Security Officer I	05
BRINDABAN RAMASAR	Business Counsellor/Field Officer I	05
DERWIN VANDENBURG	Business Counsellor/Field Officer II	05
DHANESHWAR ARJUNE	Security Officer II	05

LOAN STATISTICS FROM 2004 TO 2010

ECONOMIC SECTOR	2010	2009	2008	2007	2006	2005	2004
Rice	1,432	1,279	1,172	1,167	1,071	1,090	1,054
Sugarcane	11	17	11	15	7	9	2
Other Crops	383	339	371	424	384	334	431
Livestock	1,154	1,259	1,075	1,131	1,000	933	970
Fishing	91	82	84	84	82	65	81
Forestry	38	36	38	32	29	21	21
Mining	5	9	6	7	9	8	5
Manufacturing	204	226	202	226	265	252	258
Construction	2	8	11	9	8	8	6
Distribution Services	1889	2,106	1,839	2,202	2,174	2,049	2,179
Transportation Services	96	85	75	107	106	140	170
Rental of Buildings	1	2	1	5	1	3	0
Other Services	143	275	199	359	384	298	341
TOTAL	**5,449**	**5,723**	**5,084**	**5,768**	**5,520**	**5,210**	**5,518**

CLASSIFICATION OF LOAN RECIPIENTS 1986-2010

CUMMULATIVE	2010	2009	2008	2007	2006	2001-2005	1996-2000	1991-1995	1986-1990
Men	1,704	1,545	1,349	1,758	1,653	8,787	3,867	2,270	720
Women	1,399	1,259	1,103	1,592	1,540	8,590	9,893	1,831	85
Joint} Men & Women	2,346	2,919	2,632	2,418	2,327	7,657	4,768	1,870	252
TOTAL	**5,449**	**5,723**	**5,084**	**5,768**	**5,520**	**25,034**	**18,528**	**5,971**	**1,057**

ADMINISTRATIVE ANALYSIS 1986-2010

SUMMARY RESULT OF ACTIVITIES	2010	2009	2008	2007	2006	2001-2005	1996-2000	1991-1995	1986-1990
No. of Loans Granted	5,449	5,723	5,084	5,768	5,520	25,034	18,528	5,971	1,057
Value of Loans approved (G$000)	1,936,890	1,746,899	1,482,602	1,427,687	1,084,924	4,234,848	3,133,550	1,582,754	62,667
No. of Jobs Created/Sustained	10,140	10,127	8,984	9,926	9,636	39,912	37,445	20,021	5,096
Average Loan Size (G$000)	355	305.2	291.6	247.5	196.5	169.2	169.1	265.1	59.3
Administrative Cost Per Loan	48,675	43,960	41,278	35,206	32,523	25,289	15,974	16,424	3,707
Average No. of Jobs Per Loan	1.9	1.8	1.8	1.7	1.7	1.6	2.0	3.4	4.8
Loan Value Per Job (G$000)	191	173	165	144	113	106	84	79.1	12.3

CHAIRMAN'S REPORT

> "IPED started 25 years ago to provide help to those that were willing to help themselves and to date we have disbursed 78,134 loans with a total value of $16.7B helping more than 30,000 enterprises"

INTRODUCTION

We take great pleasure in presenting the 25th Annual Report on the great work IPED has done to make the lives of our clients better. IPED started 25 years ago to provide help to those that were willing to help themselves and to date we have disbursed 78,134 loans with a total value of $16.7B helping more than 30,000 enterprises. Women beneficiaries alone represented 32% of loans disbursed with loans jointly held representing 38% and the remainder taken by men only. The majority of women clients are single parents. IPED provided the opportunity for its clients to be self-employed, generating their own income so they can be self-sustaining members of society.

We got entrepreneurs going and kept their enterprises growing. We have proven that, if given the opportunity, people will work hard in helping themselves get out of poverty. Any society with entrepreneurs that are given the freedom to be innovative and take risks is sure to be on the right path to development. We are satisfied that we were able to achieve our mission to facilitate enterprise development that resulted in wealth creation and poverty reduction. Our more than 4,100 current clients are a real testament to this and we are proud to be of service to so many of them. We thank them for believing in us and their continued support.

IPED was started with the intention to promote entrepreneurship and we are pleased with the progress we have made to date. When we started, our country was on the verge of emerging from the experiment of cooperative socialism, of which the scars are still visible even today. This was a system where 'big government' with high levels of bureaucracy was in control of most of the enterprises that were supposed to add value to the economy.

CHAIRMAN'S REPORT

This was a catastrophic failure since innovation was stifled and we lost competitiveness as a country. This is what happens when entrepreneurship is overlooked. The vision of the founders of IPED was to rejuvenate the culture of entrepreneurship in Guyana and our existence for 25 years proves how important small and micro enterprises are to the success of our economy.

The concept of IPED was visionary but required lots of hard work and was supported by many to get off the ground. In its infancy stage IPED benefited from the support of the Pan American Development Foundation (PADF), Foundation for International Training (FIT), CIDA, USAID, CARICOM, IADB and EIB. In addition we courted support from embassies of the United States, Canada and the United Kingdom along with the Government and Private Sector of Guyana. We still enjoy the support of all these agencies 25 years after and I am sure they are all proud of how successful IPED is today. We extend a great thank you to all of them.

REVIEW OF 2010

The performance of IPED for the last year was outstanding. Our entrepreneurs would have confronted many challenges but were successful in coming up with strategies to overcome those hurdles.
The following is the context under which businesses operated and an outline of our achievements for the year ended December 31, 2010.

PERFORMANCE OF ECONOMY

Global Economy
The global economy grew by by more than 4% in 2010 with China and India leading the way at 10.3% and 9.7%. The advanced economies grew by 2.7%, the Euro area grew by 1.7% whilst the emerging and developing countries grew by 7.1%. Economies within the Caribbean grew by 0.5% and the Guyana Economy grew by 3.6%.

These numbers signal that we are out of the great recession but some fears continue to linger as to whether there would be a double dip recession, which can possibly be triggered by the debt crisis and budget deficits in Europe. The recent protest with regards to the Bangladesh stock markets raises new fears about the Asian economies, whilst the protest in Egypt and the Middle East has sparked new fears about oil prices which is already above US$90 per barrel. Currency management policies in China and the United States will continue to be of concern to the business community

Global Inflation rate averaged 3.7% with Guyana averaging 4.5%. Inflation in the Caribbean was 7.1% according to the IMF. The UN FAO reported that Food prices have increased by more than 25% during 2010. This was triggered mainly by adverse weather conditions in agriculture producing areas. The recent floods in Australia along with the La Nina Phenomenon in the tropics and droughts in China will continue to force prices upwards. Oil, Fertilisers and Gold prices were also on the rise in 2010 with average increases of more than 30%.

Local Economy
The major factor for the growth in the Guyana Economy for 2010 was gold, forestry, construction, wholesale and retail trade whilst rice maintained its stability. Gold declarations for 2010 were 308K ounces compared to 299.8K in 2009.
Total exports of gold valued US$346M in 2010 compared to US$286M in 2009. This is an increase of 21%. Rice production was 360,996 tonnes compared to 359,786 tonnes in 2009.

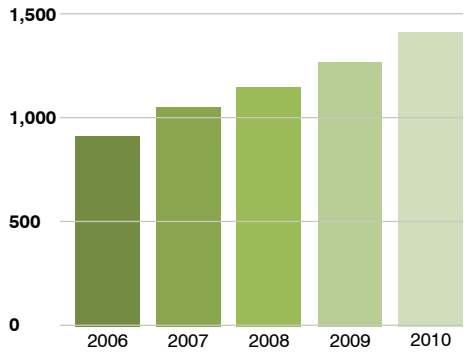
Sugar, another mainstay of the economy continues to struggle with 2010 production only meeting a meager 220K tonnes compared to 233.7K in 2009. This industry continues to be plagued by poor management and unnecessary political interferences. Human resources, in addition to cash flow problems compounded the situation further. The industry is in a dire need for a non political solution.



CHAIRMAN'S REPORT

The overall economic outlook for 2011 seems to be positive since global growth has started to accelerate but local economic performance can be stymied due to the unwelcoming investment climate in the year of election.

PERFORMANCE OF IPED



NET LOANS VALUE(G$M)

Loans

The net Loans portfolio increased from $1.259B in 2009 to $1.397B in 2010 or by 13.8% whilst the gross loans reached $1.446B from $1.292B (adjusted for write off in 2010) in 2009. This is a growth of 11.9%.

The total number of enterprises serviced remained relatively stable at 4,153 with only a small increase of 16 from the previous year 4,137 (after write offs). Of the total enterprises, only 88% of the clients are deemed active. Micro clients were 2,345 or 56% and small clients were 1,808 or 44%. Further analysis revealed that 82% of micro clients were active whilst 95% of the small clients were active. The value of the small loans gross portfolio was $1.146B and the micro loans gross portfolio was $300M. The total number of loans on the portfolio declined to 4,482 from 4,541 or by 1.3%. This was due to efforts of collecting on our non-performing loans, all of which were adequately provided for in the past.

The total number of loans approved for the year was 5,449 compared to 5,723 in the previous year.

The value of the loans approved was $1.937B compared to $1.746B in 2009.

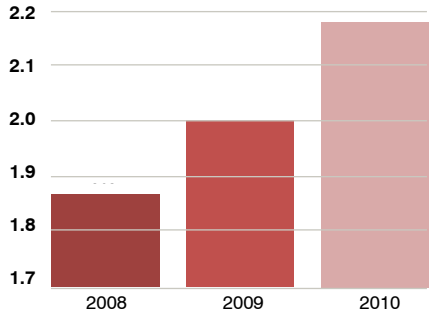
The portfolio at risk more than 30 days was 17.79% compared to 21% in 2009. The portfolio at risk for micro loans was 30.27%, a reduction from 33% and for small loans it was 14.52% a reduction from 18%. Despite these levels of arrears our entrepreneurs have proven their commitment to settle their obligations. We usually consider their business cycles and work with them as necessary.

The total provision for loans was $49M and represented 57% of the total value of non-performing loans of $85.4M. The remaining 43% was fully covered by collateral.

Financial

The operating surplus of revenue over expenditure for the year was $162M compared $113M in 2009 an increase of $49M or 43.3%. The increase was mainly as a result of reversal of past losses of more than $44M previously written off as bad debts, now recovered due to our successes in managing our memorandum loans. Net interest income increased from $325M to $348M by $23M or 7%. Our total non-interest expense increased from $282.7M to $285M or 0.8% a reflection of our prudent management of cost and the improvement in the quality of our loans portfolio. Our investment income for the year was $28.3M compared to $31.1M in 2009. The lower investment income was due to the lower yields on investments as a result of depressed interest rates internationally.

The return on assets was 7.4% compared to 5.6% in the previous year whilst the return on equity was 8.3% compared to 6.8% in 2009. Our gearing (total liabilities) reduced from 12.5% to 11.4% in 2010. Our total equity



ASSETS (G$B)

CHAIRMAN'S REPORT

stood at $1.96B and represented 90% of total assets. It is worthwhile to note that none of our surpluses are distributed to members. All surpluses are used to grow our operations.

Human Resources

IPED has come a far way since 1986 when it started with just one employee who performed the roles of office assistant, business counsellor, field officer and manager all in one. As at the end of the year the total number of persons on the payroll was 82. They are led by a team of highly professional executives who provide sound leadership and vision.

During the year our staff turnover was 5% compared to 3% in the previous year. Our employees' average years of service was 8 years. We had three employees who celebrated 20 years of service with IPED. This is an indication of the high staff morale, motivation and commitment that beams from our employees. Their contributions for the year 2010 were commendable. IPED continues to be a wonderful institution to work for.

Corporate Governance

The activities of the Institute are overlooked by a Board of nine non - executive directors all of whom provide their services on a voluntary basis. This is one of the hallmarks of our successes for 25 years, since we have men and women who work in the interest of our society, selflessly not expecting a reward.

The function of the Chairman and Chief Executive Officer (CEO) are held independently and the CEO is accountable to the Board.

The activities of the Board are carried out through its various committees all of which have chairpersons independent of the Chairman of the Board. The Institute currently has an Audit Committee, Finance and Credit Committee and a Human Resources and Remunerations Committee.

Our financial statements are independently audited and we are proud to say that we have audited statements for all 25 years of our existence, the most recent for the year ended December 31, 2010 completed within 14 days of the year end on January 14, 2011. For this to be possible, it meant that our internal control system had to be strong.

Entrepreneurship Development

We believe that the bedrock of a successful business is to have a good product that has a ready market complemented by a strong entrepreneur.

Our Entrepreneurial Development Centre (EDC) plays an important role in providing business skills training, technology transfer and market facilitation. The Centre provided several training programs for clients with our Diploma in Small Business Management Course, Corporate entities in areas specific to their needs and workers through the provision of academic programs with the Institute of Commercial Management (ICM).

During the year the EDC implemented an agreement with the Institute of Migration (IOM) to provide business development services to involuntary re-migrants. To date more than 50 persons participated in the program.

As part of our goal to do market facilitation IPED's EDC was appointed as the local agents by Inter-American Investment Corporation (IIC) to facilitate their FINPYME Export Plus program. This is a project to provide technical assistance to SME's to ensure they become export ready so that our clients will be able to fulfill the demands of the overseas markets.

In the area of technology transfer we collaborated with the Inter-American Development Bank Multilateral Investment Fund (IDB-MIF) for the Demonstration of an Integrated Farming Model for Poor Farmers project that will contribute to increases in farm productivity and a reduction of poverty amongst small rural farmers in all ten (10) Administrative Regions of Guyana.

Marketing and Public Relations

We continued the airing of the Grow with IPED TV program on a weekly basis and the Spotlight on IPED radio program on a fortnightly basis. These two programs have a wide audience and contribute to raising the image and profile of IPED whilst they disseminate useful guidance and tips that will help in the development of our Entrepreneurs. We also participated in the GUYEXPO, The Berbice Expo and The Essequibo Night.

OTHER STRATEGIC ACCOMPLISHMENTS

IPED was awarded the management contract of the Enterprise Development Fund. The fund is $220M for disbursement of grants and loans to micro and small agricultural enterprises under the Rural Enterprise and Agricultural Development (READ) Program through the Ministry of Agriculture. This is expected to run for three years.

IPED received technical assistance from the IDB Emergency Liquidity Fund to prepare a Disaster Risk Management and Emergency Preparedness Plan. The initial visit was made in December 2010 by the consultants. The report was submitted in Jan 2011 and the training and execution will take place during the next 12 months.

CORPORATE SOCIAL RESPONSIBILITY

IPED as a corporate entity has enshrined in its mission a goal of poverty reduction and wealth creation. Though this alone is a significant contribution by a corporate entity towards social objectives, we do not believe that was sufficient since our clients and potential clients suffer from other social adversities. IPED in 2010 started in a very subtle way through its television and radio programs of raising awareness on the impact and management of Domestic Violence and Chronic Non Communicable Diseases. We also continued to pay attention to HIV /AIDS which formed part of our policies in the past. We will continue to advance policies and raise awareness on these issues in the future so that our clients and the members of society can be kept aware of these issues.

CONCLUSION

The year 2010 can be deemed as one of outstanding performance by IPED.

The contributions that IPED has made in the last 25 years to our country is more than remarkable and we are satisfied with the impact we have had on the small and micro entrepreneurs. We will continue to evolve policies and strategies that will foster enterprise development resulting in wealth creation and poverty reduction.

Our successes were made possible by our Board of Directors, management, staff and clients and to them we are very much thankful.

We do look forward to bringing you more innovative solutions to your challenges in the years to come.

"We will continue to evolve policies and strategies that will foster enterprise development resulting in wealth creation and poverty reduction."

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting this Report and Audited Financial Statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

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

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

The Institute was granted Certificate of Continuance as set out in the Articles of Continuance, under Section 339 of the Companies Act. On the 14th August, 1986, the Institute of Private Enterprise Development was prescribed as an 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 2010, the Institute financed a total of 5,449 loans valued G$1,937 million. The 5,449 loans created/ sustained 10,140 jobs.

Income totaled $447.24 million and expenditure $285.06 million resulting in a surplus of $162.18 million for the year compared with $113.93 million in the year 2009.

APPLICATION OF SURPLUS

Net surplus for the year 2010 was $162.18 million and this was transferred to the accumulated surplus which totaled $ 1.70 billion at the end of 2010.

CREDIT PROGRAMS

In the year 2010, the Institute operated two Credit Windows:-

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

ENTREPRENEURIAL DEVELOPMENT

The Entrepreneurial Development Centre (EDC) 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 number of persons benefited from this level of training in Diploma programs in Human Resources Development, Business Administration and Project Management.

IPED's EDC was appointed as the local agents by IIC to facilitate their FINPYME Export Plus Program. This is a project to provide technical assistance to SME's to ensure they become export ready.

BOARD OF DIRECTORS

During the year 2010 there were nine (9) Directors on the Board.

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

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

1. Dr Yesu Persaud
2. Mr Komal Samaroo
3. Dr Leslie Chin

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, 2010

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 December 31, 2010 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 19 to 54.

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 controls 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 December 31, 2010 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 14, 2011

77 Brickdam,
Stabroek, Georgetown,
Guyana

STATEMENT OF INCOME

for the year ended December 31, 2010

	Notes	2010 G$	2009 G$
Interest income		353,511,212	330,763,203
Interest expense		5,121,711	5,718,951
Net interest income		**348,389,501**	**325,044,252**
Investment income	5	28,333,561	31,127,130
Other income	6	70,515,474	40,544,109
Net interest and other income		**447,238,536**	**396,715,491**
Employment cost		143,496,525	135,657,762
Loan impairment		19,825,751	31,203,259
Premises and equipment		31,169,058	31,740,696
Other operating costs		90,568,426	84,183,823
		285,059,760	282,785,540
Surplus of revenue over expenditure	**7**	**162,178,776**	**113,929,951**

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

STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2010

	Members' Subscriptions G$	Capital Donations G$	Accumulated Surplus G$	Total G$
Balance at 1 January 2009	32,500	256,465,233	1,427,714,988	1,684,212,721
Surplus for the year	-	-	113,929,951	113,929,951
Total recognised income for the year	-	-	113,929,951	113,929,951
Balance at 31 December 2009	32,500	256,465,233	1,541,644,939	1,798,142,672
Surplus for the year	-	-	162,178,776	162,178,776
Total recognised income for the year	-	-	162,178,776	162,178,776
Balance at 31 December 2010	32,500	256,465,233	1,703,823,715	1,960,321,448

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

STATEMENT OF FINANCIAL POSITION

at December 31, 2010

	Notes	2010 G$	2009 G$
ASSETS			
Non Current assets			
Property, plant and equipment	9	116,511,609	126,687,404
Intangible asset	10	8,188,115	15,583,391
Investments	13	559,320,644	504,019,978
Defined benefit asset	8	8,969,000	7,639,000
Loans receivable	11	1,397,348,318	1,259,390,056
		2,090,337,686	1,913,319,829
Current assets			
Inventory		2,048,814	3,163,278
Other receivables and prepayments	12	26,507,746	24,122,956
Cash resources	14	65,985,719	81,759,468
		94,542,279	109,045,702
TOTAL ASSETS		**2,184,879,965**	**2,022,365,531**
EQUITY AND LIABILITIES			
EQUITY			
Members' subscriptions	15	32,500	32,500
Capital donations	16	256,465,233	256,465,233
Accumulated surplus		1,703,823,715	1,541,644,939
		1,960,321,448	1,798,142,672
Non Current liabilities			
Loans payable	17	43,678,837	54,305,610
Current liabilities			
Other payables and accruals	18	172,892,647	146,545,773
Loans payable	17	7,987,033	23,371,476
		180,879,680	169,917,249
TOTAL EQUITY AND LIABILITIES		**2,184,879,965**	**2,022,365,531**

These financial statements were approved by the Board of Directors on January 14, 2011.

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 December 31, 2010

	2010 G$	2009 G$
OPERATING ACTIVITIES		
Surplus of revenue over expenses	162,178,776	113,929,951
Adjustments for:		
Depreciation	14,603,257	13,793,526
Amortisation	7,395,276	7,690,062
Property, plant and equipment written off	178,349	-
Profit on sale property, plant and equipment	-	(1,010,000)
Operating surplus before working capital changes	184,355,658	134,403,539
Movements in:		
Loans receivable	(137,958,262)	(119,158,900)
Other receivables and prepayments	(2,384,790)	11,143,427
Inventory	1,114,464	(2,143,399)
Other payables and accruals	26,346,874	24,736,730
Defined benefit asset	(1,330,000)	(724,000)
Net cash provided by operating activities	70,143,944	48,257,397
INVESTING ACTIVITIES		
(Increase) decrease in investments	(55,300,666)	2,500,194
Purchase of property, plant and equipment net of adjustment	(4,605,811)	(13,632,522)
Proceeds on sale of property, plant and equipment	-	1,010,000
Net cash used in investing activities	(59,906,477)	(10,122,328)
FINANCING ACTIVITIES		
Loan repayments	(26,011,216)	(20,011,312)
Net cash used in financing activities	(26,011,216)	(20,011,312)
Net increase/(decrease) in cash and cash equivalents	(15,773,749)	18,123,757
Cash and cash equivalents at beginning of period	81,759,468	63,635,711
Cash and cash equivalents at end of period	65,985,719	81,759,468
Comprising		
Cash and cash equivalents as per statement of financial position	65,985,719	81,759,468

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

NOTES TO THE FINANCIAL STATEMENTS

1. INCORPORATION AND ACTIVITIES

The Institute of Small Enterprise Development Limited was incorporated in Guyana on October 02, 1985 as a company limited by guarantee. It is a not-for-profit and tax exempt organization formed to promote and encourage the development and growth of industry through the provision of business guidance, technical assistance, non-traditional credit facilities to small entrepreneurs or to groups and generally to promote and encourage the development and growth of all other economic activities designed to improve the social and economic welfare of the people of Guyana.

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

2. NEW AND REVISED STANDARDS AND INTERPRETATIONS

Effective for the current year end	**Effective for annual periods beginning on or after**
Amended and Revised Standards	
IFRS 1 Revision to First-Time Adoption of IFRSs	1 July 2009
IFRS 1 Additional exemptions for First-Time Adopters	1 January 2010
IFRS 2 Group Cash-settled Share-based Payments	1 January 2010
IFRS 3 (2008) Business Combinations	1 July 2009
IAS 27 (2008) Consolidated and Separate Financial Statements	1 July 2009
IAS 39 Eligible Hedged Items	1 July 2009
Various Improvements to IFRSs - first batch	1 July 2009 to 1 January 2010
New Interpretations	
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of Assets from Customers	Transfers received on or after 1 July 2009
Available for early adoption for the current year end	
New Standard	
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2013
Amendments to Standards	
IFRS 1 Short term Disclosure Exemption- IFRS 7	1 July 2010
IFRS 1 Short term Disclosure Exemption- IFRS 9	1 July 2010
IFRS 1 Three amendments to IFRS 1- Changes in accounting policies, Deemed cost exemption for event-driven fair value Measurements and Deemed cost (rate-regulated entities)	January 2011

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

Available for early adoption for the current year end (cont'd)

	Effective for annual periods beginning on or after
IFRS 3 Amendments to IFRS 3 (2008)	1 July 2010
IFRS 7 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IFRS 7 Enhanced Derecognition Disclosure Requirements	1 July 2011
IFRS 9 Additions for Financial Liability Accounting	1 January 2013
IAS 1 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IAS 24 Related Party Disclosures	1 January 2011
IAS 27 (2008) Amendments as part of Improvements to IFRSs 2010	1 July 2010
IAS 32 Classification of Rights Issues	1 February 2010
IAS 34 Amendments as part of improvements to IFRSs 2010	1 January 2011
New interpretations	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Amendments to Interpretations	
IFRIC 13 Amendments as part of improvements to IFRSs 2010	1 January 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011

IFRS 9 was issued in November 2009 and is required to be applied from 1 January 2013.
The Institute has not opted for early adoption. This standard specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
Financial assets are to be initially measured at fair value plus, in the case of a financial asset not being at fair value through profit and loss, particular transaction costs. Subsequently, financial assets are to be measured either at amortised cost or fair value. When adopted, IFRS 9 will be applied retrospectively in accordance with IAS 8.

Apart from the foregoing, none of the above new standards, interpretations and amendments to standards is expected to have a significant impact on the Institute's accounting policies when adopted.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards 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 a cash basis for performing and non-performing loans. Non-Performing loans are those loan accounts where both principal and interest is due and unpaid for three months or more and interest charges 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.

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

(g) Taxation

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

(h) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(k) Provisions

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

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the 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 time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

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

(m) Effective interest method

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

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

(n) Investments

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

The Institute's investments have been classified as "Investments held to maturity"

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

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

(o) Loans receivable

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

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

Classification

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

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

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

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

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

Non- performing loans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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%

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

(o) Loans receivable (cont'd)

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 facilities into one credit facility.
- The refinancing of a loan to facilitate the accessing of additional finance

Renegotiated credit facilities are permitted subject to the following condition:

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

- An account classified as doubtful or loss shall not be renegotiated unless up front 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

(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.

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

(r) Derecognition of Financial assets

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

(s) Financial liabilities

The Institute financial liabilities are classified as other financial liabilities.

(t) Classification as debt or equity

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

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

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

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

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

(u) Cash and cash equivalents

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

(v) Business reporting divisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 estimating 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.

	2010 G$	2009 G$
5. INVESTMENT INCOME		
Cash resources	2,396,011	9,901,941
Held to maturity investments	25,937,550	21,225,189
	28,333,561	31,127,130
6. OTHER INCOME		
Recoveries on loans previously written off	44,482,110	12,934,079
Gain on disposal of property, plant and equipment	-	1,010,000
Fees- ICM courses	20,177,914	22,581,582
Others	5,855,450	4,018,448
	70,515,474	40,544,109

NOTES TO THE FINANCIAL STATEMENTS

	2010 G$	2009 G$
7. SURPLUS OF REVENUE OVER EXPENDITURE	162,178,776	113,929,951
After charging:		
Loan impairment	19,825,751	31,203,259
Depreciation	14,603,257	13,793,526
Employment cost (a)	143,496,525	135,657,762
Auditors' remuneration (b)	600,000	550,000
(a) Employment cost:		
Salaries and wages	127,328,189	121,534,471
Other staff costs	10,491,554	10,786,357
Pension	5,676,782	3,336,934
	143,496,525	135,657,762
(b) Auditors' remuneration		
Audit services	600,000	550,000

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. Fifty eight (2009- thirty one) employees participate in the plan.

During the year, the Institute's contribution to the scheme was G$8,370,000 (2009 -G$5,898,000).

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 2009 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 2010 using the Projected Unit Credit Method.

	2010 G$	2009 G$
Amounts in the statement of financial position:		
Defined benefit obligation	88,116,000	68,318,000
Fair value of plan assets	(99,597,000)	(83,194,000)
	(11,481,000)	(14,876,000)
Unrecognised actuarial gain	2,512,000	7,237,000
Net Defined benefit asset	(8,969,000)	(7,639,000)

NOTES TO THE FINANCIAL STATEMENTS

8. DEFINED BENEFIT ASSET (CONT'D)

Reconciliation of amount recognised in the statement of financial position:

	2010 G$	2009 G$
Opening defined benefit asset	(7,639,000)	(6,915,000)
Net pension cost	7,040,000	5,174,000
Institute contributions paid	(8,370,000)	(5,898,000)
Closing defined benefit asset	(8,969,000)	(7,639,000)
Amounts included in salaries and other staff costs in the statement of income:		
Current service cost	8,955,000	6,618,000
Interest on defined benefit obligation	3,402,000	2,901,000
Expected return on plan assets	(5,317,000)	(4,345,000)
Net pension cost	7,040,000	5,174,000
Actual return on plan assets:		
Expected return on plan assets	5,317,000	4,345,000
Actuarial loss on plan assets	91,000	2,353,000
Actual return on plan assets	5,408,000	6,698,000
Change in the defined benefit obligation		
Defined benefit obligation at start	68,318,000	58,032,000
Service cost	8,955,000	6,618,000
Interest cost	3,402,000	2,901,000
Members' contributions	3,204,000	2,168,000
Actuarial (Gain) Loss	4,816,000	(1,393,000)
Benefits paid	(579,000)	(8,000)
	88,116,000	68,318,000
Change in Plan assets		
Plan assets at start of year	83,194,000	68,438,000
Expected return on Plan assets	5,317,000	4,345,000
Actuarial Loss	91,000	2,353,000
Company contributions	8,370,000	5,898,000
Members' contributions	3,204,000	2,168,000
Benefits paid	(579,000)	(8,000)
	99,597,000	83,194,000

8. DEFINED BENEFIT ASSET (CONT'D)

	2010 G$	2009 G$	2008 G$	2007 G$	2006 G$
Experience History					
Defined benefit obligation	88,116,000	68,318,000	58,032,000	47,087,000	41,255,000
Fair value of plan asset	(99,597,000)	(83,194,000)	(68,438,000)	(64,452,000)	(49,690,000)
Surplus	(11,481,000)	(14,876,000)	(10,406,000)	(17,365,000)	(8,435,000)
Experience adjustment on plan liabilities	4,816,000	(1,393,000)	3,767,000	1,727,000	686,000
Experience adjustment on plan assets	91,000	2,353,000	(4,976,000)	6,040,000	3,006,000

Expected Company contributions in 2011 is G$ 7,418,000.

	2010 %	2009 %
Asset allocation as at 31 December:		
Equity securities	45.1	45.8
Debt securities	32.0	28.7
Other	22.9	25.5
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.

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings G$	Motor vehicles G$	Furniture, fixtures and fittings G$	Office machinery G$	Computer equipment G$	Total G$
Cost						
At 1 January 2010	114,933,668	30,629,500	16,777,328	39,787,617	47,219,208	249,347,321
Additions	2,260,966	490,000	839,761	977,684	37,400	4,605,811
Disposal	-	-	-	-	(296,120)	(296,120)
At 31 December 2010	117,194,634	31,119,500	17,617,089	40,765,301	46,960,488	253,657,012
Depreciation						
At 1 January 2010	21,674,897	16,811,968	11,144,973	32,858,423	40,169,656	122,659,917
Charge for the year	2,077,960	4,925,099	1,243,964	2,549,910	3,806,324	14,603,257
Write back on disposal	-	-	-	-	(117,771)	(117,771)
At 31 December 2010	23,752,857	21,737,067	12,388,937	35,408,333	43,858,209	137,145,403
Net book values:						
At 31 December 2010	93,441,777	9,382,433	5,228,151	5,356,968	3,102,279	116,511,609
At 31 December 2009	93,258,771	13,817,532	5,632,355	6,929,194	7,049,552	126,687,404

10. INTANGIBLE ASSET

	2010 G$	2009 G$
Cost		
At 1 January and 31 December	30,002,298	30,002,298
Amortisation		
At 1 January	14,418,907	6,728,845
Charge for the year	7,395,276	7,690,062
At 31 December	21,814,183	14,418,907
Net book value:		
At 31 December	8,188,115	15,583,391

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

	2010 G$	2009 G$
Gross loans	1,446,438,333	1,435,911,404
Less impairment allowance (a)	(49,090,015)	(176,521,348)
Net Loans	1,397,348,318	1,259,390,056
Non-current loans receivable	331,010,451	462,852,555
Current loans receivable	1,066,337,867	796,537,501
	1,397,348,318	1,259,390,056
Non-performing loans receivable	36,377,996	208,350,996
Performing loans receivable	1,360,970,322	1,051,039,060
	1,397,348,318	1,259,390,056
(a) Impairment allowances		
Individually assessed impairment		
At 1 January	176,521,348	155,331,465
Provision for the year	19,825,751	31,203,259
Bad debts written off	(147,257,084)	(10,013,376)
At 31 December	49,090,015	176,521,348

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, 2010 amounted to $40.1m .(2009: $61.3m). The collateral consists of cash, securities and properties.

Collateral realised

During the year, the Institute realised collateral amounting to $5.3 million (2009: $6.8 million).

12. OTHER RECEIVABLES AND PREPAYMENTS

	2010 G$	2009 G$
Debtors	15,262,178	13,970,103
Prepayments	7,820,608	7,513,268
Others	3,424,960	2,639,585
	26,507,746	24,122,956

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENTS

	2010 G$	2009 G$
(a) Bonds	213,932,651	206,703,131
These are made up as follows:		
Held to maturity investments		
Government bonds	67,603,633	117,830,702
Private entity bonds (unsecured)	146,329,018	88,872,429
	213,932,651	206,703,131
(b) Cash resources	345,387,993	297,316,847
Total investments	559,320,644	504,019,978
(c) Income from investment		
Held to maturity	25,937,550	21,225,189

14. CASH RESOURCES

	2010 G$	2009 G$
Cash	395,000	374,000
At banks	65,590,719	81,385,468
	65,985,719	81,759,468

15. MEMBERS' SUBSCRIPTIONS

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

Members' subscriptions represent contributions by members towards the capital of the company. Only the original subscribers and trustees appointed on their behalf have voting rights. No dividend is paid to any member due to the non profit nature of the Institute.

16. CAPITAL DONATIONS

	2010 G$	2009 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	2010 G$	2009 G$		Amount Committed
(i) IADB	14,709,488	15,550,030	SFR	375,000
(ii) EIB	36,956,382	62,127,056	ECU	698,090
	51,665,870	77,677,086		
Repayments due within one year	7,987,033	23,371,476		
Repayments due within two to five years	32,751,792	34,771,549		
Repayments due after five years	10,927,045	19,534,061		
	43,678,837	54,305,610		
	51,665,870	77,677,086		

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

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

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

This loan is repayable in ten annual installments commencing December 2006.

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

NOTES TO THE FINANCIAL STATEMENTS

18. OTHER PAYABLES AND ACCRUALS

	2010 G$	2009 G$
EIB loan interest	229,406	451,528
Accruals	13,451,467	11,534,897
Collateral Improvement scheme (i)	136,496,437	116,156,343
Internal Indemnity Fund (ii)	15,657,830	16,782,855
Miscellaneous	7,057,507	1,620,150
	172,892,647	146,545,773

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

At 1 January	116,156,343	116,156,343
Increase during the year	20,340,094	-
At 31 December	136,496,437	116,156,343

(ii) This represents provision for contingencies.

19. RELATED PARTY

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

Listed below are transactions and balances with related parties:

(i) Compensation for key management personnel

The company's key management personnel 4 (2009-5) comprises its Directors, Chief Executive Officer, Credit Manager, Finance Manager, Administrative Manager/Company Secretary

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

	2010 G$	2009 G$
Short term employee benefits	22,316,250	28,361,359
Post-employment benefits	2,007,360	715,346
	24,323,610	29,076,705

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	559,320,644	504,019,978
	Investments fees paid	1,135,321	780,702
Demerara Bank Limited	Deposit accounts	51,267,062	15,492,351
Guyana Youth Business Trust.	Receivables	11,378,696	9,468,322

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

2010	Held to Maturity G$	Loans and Receivables G$	Other Financial Assets and Liabilities at Amortised cost G$	Total G$
ASSETS				
Investment	213,932,651	-	345,387,993	559,320,644
Loan receivables	-	1,397,348,318	-	1,397,348,318
Other receivables and prepayments	-	26,507,746	-	26,507,746
Cash resources	-	-	65,985,719	65,985,719
Total Assets	213,932,651	1,423,856,064	411,373,712	2,049,162,427
LIABILITIES				
Loans payables	-	-	51,665,870	51,665,870
Other payables	-	-	159,441,180	159,441,180
Accruals	-	-	13,451,467	13,451,467
Total Liabilities	-	-	224,558,517	224,558,517
2009				
Assets				
Investment	206,703,131	-	297,316,847	504,019,978
Loan receivables	-	1,259,390,056	-	1,259,390,056
Other receivables and prepayments	-	24,122,956	-	24,122,956
Cash resources	-	-	81,759,468	81,759,468
Total Assets	206,703,131	1,283,513,012	379,076,315	1,869,292,458
LIABILITIES				
Loans payables	-	-	77,677,086	77,677,086
Other payables	-	-	135,010,876	135,010,876
Accruals	-	-	11,534,897	11,534,897
Total Liabilities	-	-	224,222,859	224,222,859

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT

Objectives

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

Risk management structure

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

Board credit and investment committee

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

Internal audit

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

Risk measurement and reporting systems

The Institutes risk are measured using methods which reflect the expected loss likely to arise in normal circumstances.
Monitoring and controlling risks is primarily performed based on limits established by the Board. These limits reflect the business strategy and market environment of the Institute as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries and geographies.

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

(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.

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate sensitivity analysis.
The sensitivity analysis below has 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 were 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 2010 would increase/decrease by G$ 7,668,864 (2009: G$599,511). This is mainly attributable to the Institute's exposure to interest rates on its variable rate borrowings and balances at banks.

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

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

(ii) Foreign currency risk
The Institute is exposed to foreign currency risk due to fluctuations in exchange rates on balances that are denominated in foreign currencies.

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

2010	**United States dollars G$**	**Euro G$**
Assets	225,957,923	80,796,651
Liabilities	14,709,488	36,956,382
Net assets	211,248,435	43,840,269
2009		
Assets	217,951,080	74,846,335
Liabilities	15,550,030	62,127,057
Net assets	202,401,050	12,719,278

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk-cont'd (cont'd)

(ii) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis
The following table details the Institute'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.

	2010 G$	2009 G$
Profit/(loss):		
Euro	1,096,007	317,982
United States Dollars	5,281,211	5,060,026

(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 31-12-2010					
	Within 1 year					
	On Demand G$	Due in 3 mths G$	Due 3 - 12 mths G$	2 to 5 years G$	Over 5 years G$	Total G$
Assets						
Investments	250,170,060	-	95,217,934	133,288,492	80,644,158	559,320,644
Loans receivable	87,719,256	196,033,090	782,585,520	331,010,452	-	1,397,348,318
Other receivables and prepayments	-	-	26,507,746	-	-	26,507,746
Cash resources	65,985,719	-	-	-	-	65,985,719
	403,875,035	196,033,090	904,311,200	464,298,944	80,644,158	2,049,162,427
Liabilities						
Loans	7,987,033	-	-	32,751,792	10,927,045	51,665,870
Other payables and accruals	-	-	172,892,647	-	-	172,892,647
	7,987,033	-	172,892,647	32,751,792	10,927,045	224,558,517
Net assets	395,888,002	196,033,090	731,418,553	431,547,152	69,717,113	1,824,603,910

	Maturing 31-12-2009					
	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	211,405,714	-	85,911,133	-	206,703,131	504,019,978
Loans receivable	692,403,727	30,003,507	328,631,826	208,350,996	-	1,259,390,056
Other receivables and prepayments	-	-	24,122,956	-	-	24,122,956
Cash resources	81,759,468	-	-	-	-	81,759,468
	985,568,909	30,003,507	438,665,915	208,350,996	206,703,131	1,869,292,458
Liabilities						
Loans	23,371,476	-	-	34,771,549	19,534,061	77,677,086
Other payables and accruals	-	-	146,545,773	-	-	146,545,773
	23,371,476	-	146,545,773	34,771,549	19,534,061	224,222,859
Net assets	962,197,433	30,003,507	292,120,142	173,579,447	187,169,070	1,645,069,599

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk

Credit risk is the risk that financial loss arises from failure of customers or counter party to meet its obligations under a contract. It arises principally from lending, and to a 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 disadvantaged 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 have 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's application a field visit is made to the site of every project to correlate information provided by the borrowers and other parties. During the visit, business counselors spend time in getting to know the client better and make assessments on the quality and value of the collateral being offered.

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

The functions of disbursement and approval of loans are adequately segregated.
Generally, funds are not disbursed unless mortgages and bills of sale 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 the loan methodology, supervision visits are required monthly for each project. These visits are done to facilitate a process of development of the entrepreneur and to assess the status of the business and the state of the collateral. It is believed that if the institution is in constant contact with the client thier risk of default will reduce and if potential problems arise, these can be dealt with at an early statge.

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

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

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

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

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

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

Maximum exposure to 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:	**2010** **G$**	**2009** **G$**
Investments: Held to maturity	559,320,644	504,019,978
Loans receivable	1,397,348,318	1,259,390,056
Other receivables	26,507,746	24,122,956
Cash resources	65,985,719	81,759,468
Total credit risk exposure	**2,049,162,427**	**1,869,292,458**

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

Collateral and other enhancements

The Institute maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amounts and types of collateral required depend 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's 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 the counterparties:

	2010 G$	2009 G$
Guyana	1,742,407,853	1,576,678,194
Jamaica	61,552,064	92,724,768
Trinidad and Tobago	104,126,790	120,038,256
Other countries	141,075,720	79,851,240
	2,049,162,427	1,869,292,458

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 the counterparties:

	2010 G$	2009 G$
Government and government bodies	401,269,050	117,830,701
Financial sector	250,170,060	467,948,744
Fishing	43,089,975	52,729,322
Rice	453,343,460	372,803,304
Dairy	2,701,492	6,703,947
Pigs	9,870,552	13,619,887
Poultry	98,669,000	92,313,881
Fish dehydration	208,192	6,878,036
Crops	70,682,261	107,065,873
Garment	5,109,571	7,986,489
Food processing	6,922,547	12,802,998
Workshop	19,795,100	19,589,342
Furniture	11,027,536	12,523,449
Craft	5,366,269	5,184,796
Trading	479,602,812	541,658,259
Miscellaneous	240,424,565	208,174,778
	2,098,252,442	2,045,813,806
Less: Allowance for impairment	(49,090,015)	(176,521,348)
	2,049,162,427	1,869,292,458

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

NOTES TO THE FINANCIAL STATEMENTS

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					
2010	250,170,060	309,150,584	-	-	559,320,644
2009	117,830,702	386,059,931	129,345	-	504,019,978

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$
2010	1,081,075,565	191,454,372	137,530,400	49,090,015	1,459,150,352
2009	905,258,813	202,408,813	119,892,782	208,350,996	1,435,911,404

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$
2010	-	-	-	49,090,015	49,090,015
2009	-	-	61,370,808	146,980,188	208,350,996

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

Cash resources

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

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

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

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

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

	Superior G$	Desirable G$	Acceptable G$	Total G$
2010	-	65,985,719	-	65,985,719
2009	-	81,759,468	-	81,759,468

(d) Operational risk

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

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

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

22. PENDING LITIGATION

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

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values have been determined as follows:

	2010		2009	
	Carrying value G$	Market value G$	Carrying value G$	Market value G$
Assets				
Investments	559,320,644	557,920,244	504,019,978	488,647,658
Loans receivables	1,397,348,318	1,397,348,318	1,259,390,056	1,259,390,056
Other receivables (net of prepayments)	18,312,138	18,312,138	16,609,688	16,609,688
Cash resources	65,985,719	65,985,719	81,759,468	81,759,468
	2,040,966,819	2,039,566,419	1,861,779,190	1,846,406,870
Liabilities				
Loans	51,665,870	51,665,870	77,677,086	77,677,086
Other payables and accruals	172,892,647	172,892,647	146,545,773	146,545,773
	224,558,517	224,558,517	224,222,859	224,222,859

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 values 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 values 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.

	2010 G$	2009 G$
Investments- Held to maturity	557,920,244	488,647,658

NOTES

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NUMBER OF ENTERPRISES BY REGION IN GUYANA

	REGION	ENTERPRISES
BARIMA-WAINI	1	183
POMEROON-SUPENAAM	2	815
ESSEQUIBO ISLANDS-WEST DEMERARA	3	393
DEMERARA-MAHAICA	4	1134
MAHAICA-BERBICE	5	389
EAST BERBICE-CORENTYNE	6	778
CUYUNI-MAZARUNI	7	10
POTARO-SIPARUNI	8	9
UPPER TAKUTU-ESSEQUIBO	9	206
UPPER DEMERARA-UPPER BERBICE	10	236

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Mr. Carlos Felipe Martinez
Former UNDP Representative

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