



NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2020



**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

National Entrepreneurship Development Company Limited

Management is responsible for the following:

- Preparing and fairly presenting the financial statements of National Entrepreneurship Development Company Limited (“the Entity”), which comprise the statement of financial position as at September 30, 2020, the statements of comprehensive income, changes in equity, cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Entity keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Entity’s assets, detection/prevention of fraud, and achievement of operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the financial reporting provisions of the Income Tax Act of Trinidad and Tobago and International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Entity will not remain a going concern for the next twelve months from the reporting date, or from the date the financial statements have been authorised for issue, if later. Management affirms that it has carried out its responsibilities as outlined above.

Calvin Maurice
Chief Executive Officer
January 25, 2023

Delisa Emmanuel
Chief Financial Officer
January 25, 2023



Independent Auditors' Report

The Shareholder of National Entrepreneurship Development Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Entrepreneurship Development Company Limited ("the Entity"), which comprise the statement of financial position as at September 30, 2020, and the statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Entity in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 27 in the financial statements which indicates that the Entity incurred a total comprehensive loss for the year of \$3,693,863 during the year ended September 30, 2020 and, as of that date, the Entity's current liabilities exceeded its current assets by \$8,229,386. As stated in Note 27, these conditions indicate that a material uncertainty exists that may cast doubt on the Entity's ability to continue as a going concern. Our opinion was not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance. These matters were addressed in the context of the audit of the financial statements, and in forming our opinion thereon, and the auditor does not provide a separate opinion on these matters.

Independent Auditors' Report (continued)
Key Audit Matters (continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matter
<p>Implementation of IFRS 16 'Leases'</p> <p>The Entity adopted IFRS 16 Leases with effect from January 1, 2019 which resulted in changes in accounting policies. The Entity has elected not to restate comparative information as permitted by the transitional provisions contained within IFRS 16.</p> <p>The impact of IFRS 16 is a change in the accounting policy for operating leases. This change in accounting policy results in right of use asset of \$6,693,360 and lease liabilities of \$6,693,360 recognised in the statement of financial position. The incremental borrowing rate method has been applied where the implicit rate in a lease is not readily determinable.</p> <p>As a result of these judgements which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered a key audit matter.</p> <p>Refer to notes 2 (c) (ii), 2 (n) and 8</p>	<p>Our audit procedures included among others:</p> <p>Obtained an understanding of the Entity's adoption of IFRS 16 and identified the internal controls including Entity level controls adopted by the Entity for the accounting, processes and systems under the new accounting standard.</p> <p>Assess the discount rates applied in determining the lease liabilities.</p> <p>Verified the accuracy of the underlining lease data by agreeing information to original contracts and assessed the integrity and accuracy of the IFRS 16 calculations for all leases through recalculation of the IFRS 16 adjustment.</p> <p>Determined if the disclosures made in the financial statements pertaining to leases including disclosures relating to transition to IFRS 16, were in compliance with IFRSs.</p>

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report (continued)**Auditor's Responsibilities for the Audit of the financial statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entity or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Entity's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical matters regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Giles Leung.



Grant Thornton
ORBIT Solutions
Port of Spain
Trinidad & Tobago
January 25, 2023

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	Notes	2020 \$	2019 \$
ASSETS			
Non-current asset			
Loans	6	23,453,518	24,784,813
Property, plant and equipment	7	<u>6,610,338</u>	<u>1,660,828</u>
Total non-current asset		<u>30,063,856</u>	<u>26,445,641</u>
Current assets			
Cash and cash equivalents	9	6,957,695	7,526,532
Accounts receivable and prepayments	10	<u>1,568,590</u>	<u>1,784,551</u>
		<u>8,526,285</u>	<u>9,311,083</u>
TOTAL ASSETS		<u>38,590,141</u>	<u>35,756,724</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	11	3	3
Accumulated deficit	12	<u>(6,575,084)</u>	<u>(2,881,221)</u>
		<u>(6,575,081)</u>	<u>(2,881,218)</u>
Non-current liabilities			
Lease liabilities	8	3,535,404	-
Government grants	5	<u>24,874,147</u>	<u>26,445,641</u>
Total non-current liabilities		<u>28,409,551</u>	<u>26,445,641</u>
Current liabilities			
Lease liabilities	8	1,816,942	-
Accounts payable and accruals	13	<u>14,938,729</u>	<u>12,192,301</u>
Total current liabilities		<u>16,755,671</u>	<u>12,192,301</u>
TOTAL EQUITY AND LIABILITIES		<u>38,590,141</u>	<u>35,756,724</u>

The accompanying notes are an integral part of these financial statements.

On January 25, 2023, Board of Directors of National Entrepreneurship Development Company Limited authorised these financial statements for issue.


 _____ Director


 _____ Director

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Notes	2020 \$	2019 \$
Income			
Revenue grants from the Government of Trinidad and Tobago		13,571,494	13,920,055
Loan interest		2,954,151	3,759,789
Investment income		107,563	51,088
Other income	14	<u>2,256,899</u>	<u>474,911</u>
		<u>18,890,107</u>	<u>18,205,843</u>
Expenditure:			
Operating expenses	15	21,922,488	19,892,749
Development support services	16	261,268	456,224
Interest expense	17	400,214	11,117
Loan loss	18	<u>-</u>	<u>-</u>
Total expenditure		<u>22,583,970</u>	<u>20,360,090</u>
Net deficit for the year		<u>(3,693,863)</u>	<u>(2,154,247)</u>

The accompanying notes form part of these financial statements

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Stated capital \$	Accumulated deficit \$	Total equity \$
Balance as at October 1, 2019	3	(2,881,221)	(2,881,218)
Net deficit for the year	<u>-</u>	<u>(3,693,863)</u>	<u>(3,693,863)</u>
Balance as at September 30, 2020	<u>3</u>	<u>(6,575,084)</u>	<u>(6,575,081)</u>
Balance as at October 1, 2018	3	(726,974)	(726,971)
Net deficit for the year	<u>-</u>	<u>(2,154,247)</u>	<u>(2,154,247)</u>
Balance as at September 30, 2019	<u>3</u>	<u>(2,881,221)</u>	<u>(2,881,218)</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Notes	2020 \$	2019 \$
Net deficit for the year		(3,693,863)	(2,154,247)
Adjustments for:			
Loan loss expense		-	395,786
Year-end write-offs		591,931	-
Lease expense		(233,992)	-
Gain on disposal of property, plant and equipment		(12,821)	(8,125)
Depreciation		<u>399,646</u>	<u>319,868</u>
Changes in operating assets and liabilities		(2,949,099)	(1,446,718)
Net change in accounts receivable and prepayments		215,961	(535,168)
Net change in accounts payable and accruals		2,746,428	3,646,015
Net change in loans receivable		<u>1,331,295</u>	<u>2,370,124</u>
Funds provided by operating activities		1,344,585	4,034,253
Investing activities:			
Purchase of property, plant and equipment		(368,422)	(1,173,339)
Proceeds from disposal of property, plant and equipment		<u>26,495</u>	<u>15,742</u>
Funds used in investing activities		<u>(341,927)</u>	<u>(1,157,597)</u>
Financing activities:			
Net change in deferred capital grants		(240,199)	845,411
Net change in deferred lending grants		<u>(1,331,296)</u>	<u>(2,765,466)</u>
Funds used in financing activities		<u>(1,571,495)</u>	<u>(1,920,055)</u>
Net change in cash and cash equivalents		(568,837)	956,601
Cash resources – at beginning of year		<u>7,526,532</u>	<u>6,569,931</u>
Cash resources – at end of year		<u>6,957,695</u>	<u>7,526,532</u>
Represented by:			
Cash and cash equivalents		<u>6,957,695</u>	<u>7,526,532</u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

1. Incorporation and Principal Business Activity:

The Entity was incorporated on July 17, 2002 in the Republic of Trinidad and Tobago. Its principal activity is to provide finance and support services to assist small and micro businesses in Trinidad and Tobago. The sole shareholder is the Government of the Republic of Trinidad and Tobago.

2. Summary of Significant Accounting Policies:

(a) Basis of financial statement preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and are stated in Trinidad and Tobago dollars. These financial statements have been prepared on the historical cost basis, except for the measurement at fair value of available-for-sale investments.

(b) Use of estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Entity's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(c) New Accounting Standards and Interpretations

(i) Standards not yet implemented

The Entity has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Entity or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 17 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021).

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. Summary of the Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

(ii) New, revised and amended standards effective January 1, 2019

IFRS 16 Leases

The Entity has initially applied IFRS 16 Leases (IFRS 16) from January 1, 2019. The Entity applied IFRS 16 using the modified approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated and presented as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

IFRS 16, 'Leases', supersedes IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement has a lease' and was effective from January 1, 2019 and eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. Previously, the Entity determined at contract inception whether an arrangement was or contained a lease under IAS 17 and IFRIC 4. The Entity now assesses whether a contract is or contains a lease based on the definition of a lease, as detailed in IFRS16. As a lessee, the Entity leases property. The Entity previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Entity. Under IFRS 16, the Entity recognises right-of-use assets and lease liabilities for these leases and are contained on the Statement of Financial Position.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Entity's incremental borrowing rate as at 1 January 2019 of 7.5%. All leases that have a lease terms of twelve months or less are deemed to be low value and are expensed in the period in which incurred. Aligned to the practical expedient allowed within IFRS 16, Management has opted to not capitalize any leases with right of use assets embedded with a value less than \$30,000.

On transition to IFRS 16, the Entity recognised additional right-of-use assets and additional lease liabilities of the same value. The impact on transition is summarised below.

In October 1, 2019, Right-of-use assets – property, plant and equipment \$6,693,360 Lease liabilities (\$6,693,360)

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Summary of the Significant Accounting Policies (continued)

(d) Property, plant and equipment

Fixed assets are stated at historical cost or valuation less accumulated depreciation and impairment in value. Depreciation is provided for on a straight-line basis.

The following rates considered appropriate to write-off the assets over their estimated useful lives are applied:

Leasehold improvements	-	15%
Furniture and fixtures	-	15%
Office equipment	-	20%
Computer software and equipment	-	33%
Motor vehicles	-	25%

Depreciation is charged on a pro rata basis in the year of acquisition as well as in the year of disposal.

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amounts and are taken into account in determining the net (deficit)/surplus for the year.

Repairs and maintenance costs are charged to the Statement of Comprehensive Income when expenditure is incurred.

Leasehold improvements are amortised over the unexpired period of the lease.

(e) Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the National Entrepreneurship Development Company Limited becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. Summary of the significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and initial measurement of financial assets (continued)

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Entity does not have any financial assets categorized as FVOCI or FVTPL.

The classification is determined by both:

- the Entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loan receivables which is presented within other expenses.

(iii) Subsequent measurement of financial assets

(a) Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method.

(iv) Impairment of financial assets

IFRS 9's impairment requires more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. Summary of the significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

Recognition of credit losses is no longer dependent on the National Entrepreneurship Development Company Limited first identifying a credit loss event. Instead, the Entity considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the Stage 1 while 'lifetime expected credit losses' are recognised for the Stage 2.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(f) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less and are carried at cost, which approximates market value.

(g) Loans receivable

Loans receivable are stated at principal amounts outstanding net of allowances for loan losses and valued consistent with IFRS 9. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.

Loans are secured by various forms of collateral, including charges over tangible assets, certificates of deposit, and assignment of funds held with other financial institutions.

(h) Accounts payable and accruals

Accounts payable are initially measured at fair value.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. Summary of the significant accounting policies (continued)

(i) Revenue recognition

Loan Interest

Interest on loans is not accrued or taken into income on an ongoing basis because there is doubt as to the recoverability of the loans. Income from loans is taken into income on a cash basis. For non-performing loans, specific provisions are made for the unsecured portion of the loan. The amount of the provision is dependent upon the extent of the delinquency.

Investment Income

Income from investments is accounted for on the accruals basis, consistent with IAS 18.

(j) Government grant

Grants from the Government of the Republic of Trinidad and Tobago are recognised at their fair values, where there is a reasonable assurance that the grant will be received, and the Entity will comply with all conditions attached.

Grants relating to operating expenses are deferred and included in non-current liabilities. They are recognised in the Statement of Comprehensive Income over the period necessary to match them with net expenses they are intended to compensate.

Grants relating to the purchase of property and plant and equipment (PPE) are included in non-current liabilities. They are credited to the Statement of Comprehensive Income in an amount equal to the period's depreciation of acquired assets, over the expected useful lives of these assets.

Grants relating to the lending are included in non-current liabilities. They are credited to the Statement of Comprehensive Income in an amount equal to the period necessary to match them with net related costs they are intended to compensate.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. Summary of the Significant Accounting Policies (continued)

(k) Foreign currency

Foreign currency transactions during the year are recorded in Trinidad and Tobago Dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the reporting date are translated into Trinidad and Tobago dollars at the exchange rate ruling at that date. Gains or losses thus arising are dealt with in the current year's Statement of Comprehensive Income.

(l) Taxation

Taxation expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

(m) Provisions

Provisions are recognised when the Entity has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a 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 flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Comparative information

Where necessary, comparative amounts have been adjusted to conform with changes in presentation in the current year.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Summary of the Significant Accounting Policies (continued)

(o) Leased assets

As described in Note 3, the Entity has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from January 1, 2019 The Entity as a lessee for any new contracts entered into on or after January 1, 2019, the Entity considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Entity assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Entity
- the Entity has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Entity has the right to direct the use of the identified asset throughout the period of use. The Entity assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Entity recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Entity, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Entity depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Entity also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Entity measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Entity's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. Summary of the Significant Accounting Policies (continued)

(o) Leased assets (continued)

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Entity has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Financial risk management

Financial risk factors

The following table summarizes the carrying amounts and fair values of the Entity's financial assets and liabilities:

	<u>2020</u>	
	Carrying Value (\$)	Fair Value (\$)
Financial Assets		
Cash and cash equivalents	6,957,695	6,957,695
Accounts receivable and prepayments	1,568,590	1,568,590
Loans	23,453,518	23,453,518
Financial Liabilities		
Lease liabilities	5,352,346	5,352,346
Accounts payable and accruals	14,938,729	14,938,729
Deferred income grants	-	-
Deferred capital grants	1,420,628	1,420,628
Deferred lending grants	23,453,519	23,453,519
	<u>2019</u>	
	Carrying Value (\$)	Fair Value (\$)
Financial Assets		
Cash and cash equivalents	7,526,532	7,526,532
Accounts receivable and prepayments	1,784,551	1,784,551
Loans	24,784,813	24,784,813
Financial Liabilities		
Accounts payable and accruals	12,192,301	12,192,301
Deferred capital grants	1,660,827	1,660,827
Deferred lending grants	24,784,814	24,784,814

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Financial risk management (continued)

The Entity is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Entity to manage these risks are discussed below:

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Entity's exposure to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities is minimal and is monitored closely by management. Interest rate risk is not considered a material risk.

Interest rate sensitivity analysis

The Entity's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

		2020			
	Effective Rate	Up to 5 years	Over 5 years	Non – Interest Bearing	Total
	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	0.5%- 1.5%	6,945,695	-	12,000	6,957,695
Accounts receivable and prepayments	0%	-	-	1,568,590	1,568,590
Loans	14%-15%	<u>23,453,518</u>	-	-	<u>23,453,518</u>
		<u>30,399,213</u>	<u>-</u>	<u>1,580,590</u>	<u>31,979,803</u>
Financial Liabilities					
Lease liabilities	0%	5,352,346	-	-	5,352,346
Accounts payable and accruals	0%	-	-	14,938,729	14,938,729
Deferred capital grants	0%	-	-	1,420,629	1,420,629
Deferred lending grants	0%	-	-	<u>23,453,518</u>	<u>23,453,518</u>
		<u>5,352,346</u>	<u>-</u>	<u>39,812,876</u>	<u>45,165,222</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Financial risk management (continued)

(a) Interest rate risk (continued)

	Effective Rate	2019		Non - Interest Bearing	Total
		Up to 5 years	Over 5 years		
	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	0.5% – 1.5%	7,514,532	-	12,000	7,526,532
Accounts receivable and prepayments	0%	-	-	1,784,551	1,784,551
Loans		<u>24,784,813</u>	<u>-</u>	<u>-</u>	<u>24,784,813</u>
		<u>32,299,345</u>	<u>-</u>	<u>1,796,551</u>	<u>34,095,896</u>
Financial Liabilities					
Accounts payable and accruals	0%	-	-	12,192,301	12,192,301
Deferred capital grants	0%	-	-	1,660,828	1,660,828
Deferred lending grants	0%	<u>-</u>	<u>-</u>	<u>24,784,813</u>	<u>24,784,813</u>
		<u>-</u>	<u>-</u>	<u>38,637,942</u>	<u>38,637,942</u>

(b) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Entity relies heavily on written Financial Processes and Internal Controls.

The Entity's debtors' portfolio is managed and consistently monitored by the Entity's management and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

Cash balances are held with First Citizens Bank.

The Entity also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Entity has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets. The Entity's is able to make daily calls on its available cash resources to settle financial and other liabilities. Liquidity risk is not considered a material risk.

Liquidity gap

The Entity's exposure to liquidity risk is summarized in the table below which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date.

	September 30, 2020		
	Up to 5 years	Over 5 years	Total
	\$	\$	\$
Financial Assets			
Cash and cash equivalents	6,957,695	-	6,957,695
Accounts receivable and prepayments	1,568,590	-	1,568,590
Loans	<u>23,453,518</u>	-	<u>23,453,518</u>
	<u>31,979,803</u>	-	<u>31,979,803</u>
Financial Liabilities			
Lease liabilities	5,352,346	-	5,352,346
Accounts payable and accruals	14,938,729	-	14,938,729
Deferred capital grants	1,420,629	-	1,420,629
Deferred lending grants	<u>23,453,518</u>	-	<u>23,453,518</u>
	<u>45,165,222</u>	-	<u>45,165,222</u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

3. Financial risk management (continued)

(c) Liquidity risk (continued)

	Up to 5 years	September 30, 2019 Over 5 years	Total
	\$	\$	\$
Financial Assets			
Cash and cash equivalents	7,526,532	-	7,526,532
Accounts receivable and prepayments	1,784,551	-	1,784,551
Loans	<u>24,784,813</u>	<u>-</u>	<u>24,784,813</u>
	<u>34,095,896</u>	<u>-</u>	<u>34,095,896</u>
Financial Liabilities			
Accounts payable and accruals	12,192,301	-	12,192,301
Deferred capital grants	1,660,828	-	1,660,828
Deferred lending grants	<u>24,784,813</u>	<u>-</u>	<u>24,784,813</u>
	<u>38,637,942</u>	<u>-</u>	<u>38,637,942</u>

(d) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Entity's exposure to foreign exchange risk is minimal and the Entity's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. Currency risk is not considered a material risk.

(e) Operational risk

Operational risk is the risk derived from deficiencies relating to the Entity's information technology and control systems, as well as the risk of human error and natural disasters. The Entity's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error.

(f) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the strong monitoring controls applied by the Entity's management.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Financial risk management (continued)

(g) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Entity's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Entity. The Entity engages in public social endeavours to engender trust and minimize this risk.

4. Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions in the process of applying the Entity's accounting policies. See Note 2 (b).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Entity makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether leases are classified as operating leases or finance leases.
- ii) Which depreciation method for plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgments) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Plant and equipment

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

5. Government grants

	Deferred Income Grants \$	Capital Grants \$	Lending Grants \$	Total \$
Balance as at October 1, 2018	-	815,417	27,550,279	28,365,696
Received during the year	6,826,662	1,173,338	4,000,000	12,000,000
Released during the year	<u>(6,826,662)</u>	<u>(327,928)</u>	<u>(6,765,465)</u>	<u>(13,920,055)</u>
Balance as at September 30, 2019	<u>-</u>	<u>1,660,827</u>	<u>24,784,814</u>	<u>26,445,641</u>
Balance as at October 1, 2019	-	1,660,827	24,784,814	26,445,641
Received during the year	11,631,578	368,422	-	12,000,000
Released during the year	<u>(11,631,578)</u>	<u>(608,621)</u>	<u>(1,331,295)</u>	<u>(13,571,494)</u>
Balance as at September 30, 2020	<u>-</u>	<u>1,420,628</u>	<u>23,453,519</u>	<u>24,874,147</u>

6. Loans

Loans are stated at principal outstanding net of a provision for loan losses. The provision for loan losses is based on management's evaluation of the performance of the loan portfolio under the current economic conditions.

	2020 \$	2019 \$
Loans	35,255,451	38,584,313
Less: Allowance for impairment	<u>(11,801,933)</u>	<u>(13,799,500)</u>
	<u>23,453,518</u>	<u>24,784,813</u>
Provisions for loan losses:		
Balance at beginning of year	13,799,500	14,660,416
Loans written off from allowance for impairment	(1,595,267)	(923,230)
Decrease in allowance for impairment	<u>(402,300)</u>	<u>62,314</u>
Balance at end of year	<u>11,801,933</u>	<u>13,799,500</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

7. Property, plant and equipment

Cost	Leasehold improvements \$	Furniture & fixtures \$	Office equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
Balance as at October 1 2019	4,403,451	3,681,101	1,422,407	2,616,770	658,605	12,782,334
Adjustment for IFRS 16	6,693,360					6,693,360
Additions	189,578	-	85,498	93,346	-	368,422
Disposals	<u>(1,088,382)</u>	<u>(156,752)</u>	<u>(16,397)</u>	<u>(7,963)</u>	<u>-</u>	<u>(1,269,494)</u>
Balance as at September 30 2020	<u>10,198,007</u>	<u>3,524,349</u>	<u>1,491,508</u>	<u>2,702,153</u>	<u>658,605</u>	<u>18,574,622</u>
Accumulated Depreciation						
Balance as at October 1 2019	3,292,641	3,648,442	1,308,659	2,440,922	430,842	11,121,506
Depreciation charge	1,652,341	19,820	36,164	93,743	101,229	1,903,297
Disposals	<u>(881,764)</u>	<u>(156,752)</u>	<u>(14,041)</u>	<u>(7,963)</u>	<u>-</u>	<u>(1,060,520)</u>
Balance as at September 30 2020	<u>4,063,218</u>	<u>3,511,510</u>	<u>1,330,782</u>	<u>2,526,702</u>	<u>532,071</u>	<u>11,964,283</u>
Net book value						
Balance as at September 30 2020	<u>6,134,789</u>	<u>12,839</u>	<u>160,726</u>	<u>175,451</u>	<u>126,534</u>	<u>6,610,339</u>
Balance as at September 30 2019	<u>1,110,810</u>	<u>32,660</u>	<u>113,748</u>	<u>175,848</u>	<u>227,762</u>	<u>1,660,828</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

7. Property, plant and equipment (continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2020	2019
	\$	\$
Leasehold properties	<u>6,693,360</u>	-----
Total right-of-use assets	<u>6,693,360</u>	-----

8. Leases liabilities

Lease liabilities are presented in the statement of financial position as follows:

Current	1,816,942	-
Non-current	<u>3,535,404</u>	-----
Total lease liabilities	<u>5,352,346</u>	-----

The Entity has three tenancy arrangement for the rental of office space that is determined to contain a lease. The Entity has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The table below describes the nature of the Entity's leasing activities by type of right-of-use asset recognised on the statement of financial position:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	No of leases with extension options
Leasehold improvements	3	2 - 3 years	1

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

8. Leases liabilities (continued)

Future minimum lease payments as at September 30, 2020 were as follows:

	Minimum lease payments due			Total \$
	Within 1 year \$	Within 1-2 years \$	Within 2-3 years \$	
September 30, 2020				
Lease payments	2,149,034	1,992,800	1,813,800	5,955,634
Finance charges	<u>(332,093)</u>	<u>(202,080)</u>	<u>(69,115)</u>	<u>(603,288)</u>
Net present values	<u>1,816,941</u>	<u>1,790,720</u>	<u>1,744,685</u>	<u>5,352,346</u>

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2020 \$	2019 \$
Short-term leases	1,405,087	-
Leases of low value assets	<u>-</u>	<u>-</u>
	<u>1,405,087</u>	<u>-</u>

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount \$	Depreciation expense \$	Impairment \$
Leasehold properties	<u>6,693,360</u>	<u>1,503,652</u>	<u>-</u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

9. Cash and cash equivalents

	2020	2019
	\$	\$
Cash		
Cash in hand	12,000	12,000
Amounts held in bank current accounts	<u>818,342</u>	<u>3,301,424</u>
	830,342	3,313,424
Cash equivalents:		
Amounts held in mutual fund accounts	<u>6,127,353</u>	<u>4,213,108</u>
	<u>6,957,695</u>	<u>7,526,532</u>

Other than the stated cash in hand, the vast majority of the Entity's cash and cash equivalents are held in current accounts maintained at the First Citizens Bank Limited and in mutual fund accounts managed by the said bank, as well as at the Trinidad & Tobago Unit Trust Corporation.

10. Accounts receivables and prepayments

	2020	2019
	\$	\$
Interest receivable	8,270	4,241
Other receivables	1,525,668	1,323,956
Prepayments	<u>34,652</u>	<u>456,354</u>
	<u>1,568,590</u>	<u>1,784,551</u>

11. Stated and contributed capital

Authorised:

An unlimited number of ordinary shares
of no par value

Issued and fully paid:

3 shares of no par value

<u>3</u>	<u>3</u>
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NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

12. Accumulated deficit

This balance represents an excess of the Entity's expenditure over revenue grants received from the Government of the Republic of Trinidad and Tobago and other income. Movement on this account is shown in the Statement of Comprehensive Income.

13. Accounts payable and accruals

	2020	2019
	\$	\$
Accounts payable:		
Trade creditors	819,390	843,044
Employee related obligations	7,796,654	4,789,900
Client related obligations- lending business	2,423,185	2,537,285
Non- trade payables	288,434	333,629
Accruals:		
Audit fees	466,069	315,000
Other accruals	<u>3,144,997</u>	<u>3,373,443</u>
	<u>14,938,729</u>	<u>12,192,301</u>

14. Other income

Training fees	35,550	81,172
Loans processing fees	47,800	74,900
Bad Debt Ledger Collections	1,684,147	59,566
Other	<u>489,402</u>	<u>259,273</u>
	<u>2,256,899</u>	<u>474,911</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

15. Operating expenses

	2020	2019
	\$	\$
Director's (Note 19)	676,384	623,798
Staff costs (Note 20)	14,918,098	12,947,813
Loan portfolio management	961,434	424,734
Property-related costs (Note 21)	1,428,610	3,377,670
Depreciation and amortisation	1,903,298	319,866
Other operating costs	<u>2,034,664</u>	<u>2,198,868</u>
	<u>21,922,488</u>	<u>19,892,749</u>

16. Development support services

Marketing and distribution initiative	220,679	198,268
Networking in communities	7,360	24,867
Special projects	1,708	71,920
Training initiative	<u>31,521</u>	<u>161,169</u>
	<u>261,268</u>	<u>456,224</u>

17. Interest expense

Interest costs	390,785	300
Bank interest and charges	<u>9,429</u>	<u>10,817</u>
	<u>400,214</u>	<u>11,117</u>

18. Loan loss:

Loans written off	<u>-</u>	<u>-</u>
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NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

19. Directors' costs

	2020	2019
	\$	\$
Directors' fees	551,152	512,935
Directors' miscellaneous	<u>125,232</u>	<u>110,863</u>
	<u>676,384</u>	<u>623,798</u>

20. Staff costs

Current period costs:		
Salaries	12,164,810	10,119,693
Benefits	1,540,095	1,415,505
Training and welfare	67,534	310,719
Other staff costs	<u>806,162</u>	<u>709,084</u>
	<u>14,578,601</u>	<u>12,555,001</u>
Post- employment benefits:		
Gratuities	153,872	195,052
Defined contribution arrangements	<u>185,625</u>	<u>197,760</u>
	<u>339,497</u>	<u>392,812</u>
	<u>14,918,098</u>	<u>12,947,813</u>

The costs of providing post-employment benefits that have been charged in the current period are shown above, and have been included within staff costs.

Gratuities

Certain members of staff of the Entity have been employed on fixed term arrangements ranging in periods from one to three years. As part of contractual obligation to these employees, a deferred benefit of approximately twenty per centum of basic contract earnings is payable on completion of the contract.

Defined contribution arrangements

Post-employment benefits are provided to the majority of the Entity's permanently-employed staff through a hybrid arrangement of individual deferred annuity policies. In respect of each of the employees covered by this arrangement, at least two separate individual deferred annuity policies have been arranged. Into one policy is deposited what effectively is the employer's contribution to the arrangement and into the other is deposited what is effectively the employees' contribution to the arrangement. The employee contributes 5% of basic salary, which is matched by the Entity. The employer's contributions are deposited into a policy owned by the Entity but arranged for the benefit of the employee, whereas the employees' contributions are deposited into a policy owned by and for the benefit of the employee.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

20. Staff Costs (continued)

Defined contribution arrangements (continued)

Employer-owned policies are currently arranged through Sagicor Life Incorporated but previously this Company of policies were arranged through Colonial Life Insurance Company (Trinidad) Limited. Employees cannot contribute directly to these policies. Employee-owned policies are arranged through Guardian Life of the Caribbean Limited.

21. Property-related costs

	2020	2019
	\$	\$
Operating lease rentals	1,221,168	2,738,501
Security costs	183,426	493,796
Other property related costs	<u>24,016</u>	<u>145,373</u>
	<u>1,428,610</u>	<u>3,377,670</u>

22. Related party transactions

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

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Entity.

Balances and transactions with related parties and key management personnel during the year were as follows:

	2020	2019
	\$	\$
Assets		
Outstanding balances on loans to key management personnel	<u>-</u>	<u>5,833</u>
Expenses		
Directors' fees	<u>551,152</u>	<u>512,936</u>
Key management compensation		
Short-term benefits	<u>3,933,925</u>	<u>3,346,500</u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

23. Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

(a) Current assets and liabilities

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

(b) Loans

Loans are net of specific provisions for losses.

(c) Investments

The fair values of investments are determined on the basis of market prices available at 30 September 2020.

24. Capital risk management

The Entity manages its capital to ensure that it will be able to continue as a going concern.

The capital structure of the Entity consists of equity attributable to the Government of Trinidad and Tobago for lending purposes.

25. Funds held for various Government-sponsored entrepreneurial and innovation programs

	2020	2019
	\$	\$
Enabling Competitive Business Programme	543,897	544,257
National Integrated Business Incubator System	16,664	168,810
Innovation Financing Facility	2,544,561	2,544,921
Enterprise Investment Fund	198,920	199,280
Entrepreneurial Relief Grant	<u>5,389,914</u>	<u>-</u>
	<u>8,693,956</u>	<u>3,457,268</u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**25. Funds held for various Government-sponsored entrepreneurial and innovation programs
(continued)**

Enabling Competitive Business Programme

Pursuant to a financing agreement between the Government of the Republic of Trinidad and Tobago and the European Union, under the "Support to enabling Competitive Business" initiative, certain funding was provided to the Government of the Republic of Trinidad and Tobago through the European Commission. In concordance with the said financing agreement, the Ministry of Trade, Industry, Investment and Communications then invited project proposals by stakeholders in keeping with the theme of creating an enabling competitive business environment through its Enabling Competitive Business Programme.

In response to the said invitation and for the purpose of accessing this funding, the National Entrepreneurship Development Company Limited (NEDCO), in collaboration with the Central Statistical Office (a department which falls under the purview of the Ministry of Planning and Sustainable Development) submitted a proposal through the then Ministry of Labour and Small and Micro Enterprise Development, for the establishment of a technology-based business survey system (the Proposal). The Proposal was aimed at deepening the understanding of the micro and small enterprise sector by improving statistical data-capture systems via survey methods to broaden the scope of data related to micro and smaller enterprises (the Project).

Following acceptance of the Proposal, a memorandum of agreement was executed on 16 March 2015, initially for a period of one year but subsequently extended for a period of two and a half years, under which a grant of **\$1,956,000** was provided to NEDCO (the Agreement). Pursuant to the Agreement, legal title to all software, hardware and equipment so acquired passes to the Central Statistical Office.

It is a condition of the Agreement that all Project-related funds be held in a separate bank account and that any unused portion of the funds be repaid to the Ministry of Trade, Industry, Investment and Communications (the provider of the funding). Accordingly, the aforementioned funds are not available to NEDCO for its own use and so does not comprise part of NEDCO's own financial resources. The funds are held in a current account maintained at the First Citizens Bank Limited for the purpose and are not comingled with other funds.

National Integrated Business Incubator System

On 27 September 2011, NEDCO signed a memorandum of understanding with the Ministry of Labour and Small and Micro Enterprise Development which was intended to implement the National Business Incubation Policy through the mechanism of the National Integrated Business Incubator System (IBIS). IBIS was designed to enhance economic development and to encourage the establishment of business incubators and consequently, drive innovation and develop the micro and small enterprises sector.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

25. Funds held for various Government-sponsored entrepreneurial and innovation programs (continued)

National Integrated Business Incubator System (continued)

The system involved the creation of a network of community based and commercial incubator units which provided entrepreneurial and business skills development services, facilities and seed capital funding to entrepreneurs so as to encourage employment and wealth creation in a socially and environmentally responsible manner.

NEDCO acts as fund manager to the IBIS programme and is responsible for its financial management. To this end the funds described above are being held and managed on behalf of the IBIS programme and are not available to NEDCO for its own use and so does not comprise part of NEDCO's own financial resources. The funds are held in a current account maintained at the First Citizens Bank Limited for the purpose and are not comingled with other funds.

Innovation Financing Facility

The Government through its Council for Competitiveness and Innovation established its Idea 2 Innovation programme, branded as i2i, as a programme of the Ministry of Planning and Sustainable Development in July 2013. The programme, which took the form of a competition, gave an opportunity to innovators and inventors to submit proposals for innovative projects and creative initiatives. Those projects that met stated criteria were eligible for the award of a grant.

NEDCO acted as fund manager of the Innovation Financing Facility and was responsible for its financial management. To this end the funds described above are being held and managed on behalf of the i2i programme and are not available to NEDCO for its own use and so does not comprise part of NEDCO's own financial resources. The funds are held in a current account maintained at the First Citizens Bank Limited for the purpose and are not comingled with other funds.

Enterprise Investment Fund

On 16 July 2017, NEDCO signed a memorandum of understanding with the Ministry of Labour and Small Enterprise Development and Launch Rocket, a non-profit organisation. The Ministry adopted a mandate to support the development of local small and micro enterprises and establish partnerships with the private sector, academia and the cooperative sector aimed at supporting the operation of commercial business incubators. The Enterprise Investment Fund is a programme developed by the Ministry to provide funding to well-structured, innovative business support programmes targeting the Micro and Small Enterprise and Cooperatives sectors.

NEDCO is the agency responsible for the implementation and operation of the Enterprise Investment Fund referred to as "EIF". To this end the funds described above are being held and managed on behalf of the initiative and are not available to NEDCO for its own use and so does not comprise part of NEDCO's own financial resources. The funds are held in a current account maintained at the First Citizens Bank Limited for the purpose and are not comingled with other funds.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

25. Funds held for various government-sponsored entrepreneurial and innovation programs (continued)

Entrepreneurial Relief Grant

The COVID-19 pandemic has had a detrimental effect on the MSME sector in Trinidad and Tobago and the Government's response was critically important to minimize the impact on these businesses. The initiatives of the Government of the Republic of Trinidad and Tobago includes the decision to assist the affected sector by using various and unique recovery instruments.

To this end, SME businesses that earn under \$1 million annually have also been offered *grants* to assist them in negotiating these uncertain times. The Government has allocated thirty million (TT\$30,000,000.00) dollars towards this Grant and we at NEDCO have partnered with the Ministry of Finance to administer these grants.

The first tranche of funding for the Grants of TT\$10,000,000.00 was received by NEDCO the week of July 20, 2020.

26. Other amounts held on trust

	2020	2019
	\$	\$
Employee death benefits held on trust	<u>214,509</u>	<u>211,342</u>

Qualifying employees of the Entity are eligible to join the Entity's group life plan which is a non-contributory plan. The amounts shown above represent the aggregate death benefit due to the various beneficiaries or estates of deceased employees that have not yet been remitted to them. These funds are currently held in an interest bearing money market account maintained at Trinidad and Tobago Unit Trust Corporation. These monies are not available to the Entity for its own use and so does not comprise part of the Entity's own financial resources.

27. Going concern

These financial statements have been prepared on the going concern basis despite the total comprehensive loss for the year of \$3,693,863, incurred during the year ended September 30, 2020 and, as of that date the Entity's current liabilities exceeded its current assets by \$8,229,386.

The Entity has been dependent on the Government of the Republic of Trinidad and Tobago ("GORTT") to fund its operating and capital expenditures since inadequate resources are generated from its operating activities at this time. In the absence of continued support from the Government of the Republic of Trinidad and Tobago, the conditions cited above indicate the existence of a material uncertainty that may cast significant doubt about the Entity's ability to continue as a going concern.

The Entity is of the viewpoint that the government is expected to continue to provide continued grant funding due to the importance of the Entity based on its relevancy as entrepreneurial lending is underserved by the traditional banking and credit union sector and therefore any efficient financial institution will maintain its relevancy.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)

27. Going concern (continued)

Additionally, the Entity's role is to help stimulate the MSE sector in T&T, especially at a time when oil prices are falling around the world. The Entity's role includes assisting the government in achieving one of its missions – to diversify the economy by transitioning away from reliance on the oil and gas sector and toward a service and export-oriented economy. As such there is a significant reliance for the Entity to provide this social support in areas where there is weak entrepreneurial infrastructure.

The Entity is on a multi-year journey to create an organization that can serve the nation in the medium term with less reliance on the nation's Treasury and become self-sustaining in the long term. This would require a strategy that takes into consideration business growth models together with social intervention to treat with the unbankables and special groups unable to access entrepreneurial activities. The foundations being laid now must be strong enough to support good engagement while also providing a cohesive approach to digital transformation, more efficient use of technology, a sophisticated understanding of data, and a realistic appreciation of the capabilities required to develop, maintain, and deliver appropriate financing, advisory, training, business accelerator, and industry coordination.

28. Events after the reporting date

Covid-19 impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to affect Trinidad and Tobago, the region and the world.

Management is uncertain of the effects of the global pandemic on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, the Entity is unable to estimate the potential impact on the Company's operations as at the date of these financial statements.

There has been no occurrence of any adjusting or significant non-adjusting events between the September 30, 2020, reporting date and the date of authorization of these financial statements.