



Chartered Accountants  
& Business Advisors

**NATIONAL ENTREPRENEURSHIP  
DEVELOPMENT COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**



Chartered Accountants  
& Business Advisors

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**INDEX**

	<u>Page</u>
Statement of Management Responsibilities	1
Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 33



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## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of National Entrepreneurship Development Company Limited, which comprise the statement of financial position as at 30 September, 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the company 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 company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply 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 utilized the 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 Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying Financial Statements have been authorized for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Signed: .....

Dated: .....

Signed: .....

Dated: .....

**DIRECTORS:** Mr. Clarry Benn (Chairman), Dr. Mahindra Ramesh Ramdeen (Deputy Chairman), Ms. Cassandra Tommy-Dabreo, Mr. Nigel Bhagwatsaran, Ms. Kathleen Thomas, Ms. Marjorie Agnes Moore-Carrington, Ms. Ria Ramdeen, Ms. Willa Guy-Straker



Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITORS' REPORT

**The Shareholder**  
**National Entrepreneurship Development Company Limited**

### Opinion

We have audited the financial statements of National Entrepreneurship Development Company Limited, which comprise the statement of financial position as at 30 September 2017, the statements of comprehensive income, changes in shareholder's equity and 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 National Entrepreneurship Development Company Limited as at 30 September 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The National Entrepreneurship Development Company Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other 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.

### Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

PKF Chartered Accountants and Business Advisors (Trinidad) is a member of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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Partners: Renée-Lisa Philip Mark K. Sonerville



Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITORS' REPORT (Cont'd)

### Auditors' 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 auditors' 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 company'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 company'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 auditors' report. However, future events or conditions may cause the company 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.

We communicate with the Board of Directors 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.

PKF

Barataria  
TRINIDAD  
8 August 2019

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>		30 September	
	<u>Notes</u>	<u>2017</u> (\$)	<u>2016</u> (\$) (Restated)
<b>Current Assets:</b>			
Cash and cash equivalents	5	8,497,631	7,947,144
Subventions receivable		-	6,355,000
Accounts receivable and prepayments	6	<u>1,769,666</u>	<u>1,435,508</u>
Total Current Assets		<u>10,267,297</u>	<u>15,737,652</u>
<b>Non-Current Assets:</b>			
Loans	7	32,414,610	30,831,101
Property, plant and equipment	8	<u>503,113</u>	<u>2,053,090</u>
Total Non-Current Assets		<u>32,917,723</u>	<u>32,884,191</u>
<b>Total Assets</b>		<u><b>43,185,020</b></u>	<u><b>48,621,843</b></u>
 <b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b>			
<b>Liabilities:</b>			
Accounts payable and accruals	9	10,018,859	14,894,491
Deferred income - Government Grants		<u>5,130,074</u>	<u>5,691,265</u>
Total Liabilities		<u>15,148,933</u>	<u>20,585,756</u>
<b>Shareholder's Equity:</b>			
Stated capital	10	3	3
Contributed capital	10	150,863,149	150,863,149
Accumulated deficit	11	<u>(122,827,065)</u>	<u>(122,827,065)</u>
Total Shareholder's Equity		<u>28,036,087</u>	<u>28,036,087</u>
<b>Total Liabilities and Shareholder's Equity</b>		<u><b>43,185,020</b></u>	<u><b>48,621,843</b></u>

These financial statements were approved by the Board of Directors and authorised for issue on 8 August 2019 and signed on their behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

(The accompanying notes form part of these financial statements)

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

	<u>Notes</u>	For the year ended 30 September	
		<u>2017</u> (\$)	<u>2016</u> (\$)
<b>Income:</b>			
Revenue grants from the Government of Trinidad and Tobago		24,561,191	27,280,152
Loan interest		4,142,326	3,934,129
Investment income		85,996	59,805
Other income	12	663,403	689,260
Gain on disposal of fixed assets		-	<u>80,500</u>
<b>Total income</b>		<u>29,452,916</u>	<u>32,043,846</u>
<b>Expenditure:</b>			
Operating expenses	13	27,860,957	31,372,664
Development support services	14	1,567,152	456,914
Interest expense	15	20,628	16,489
Loan loss	16	<u>4,179</u>	<u>197,779</u>
<b>Total expenditure</b>		<u>29,452,916</u>	<u>32,043,846</u>
Net deficit for the year		<u>-</u>	<u>-</u>

(The accompanying notes form part of these financial statements)

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	<u>Stated Capital</u> (\$)	<u>Contributed Capital</u> (\$)	<u>Accumulated Deficit</u> (\$)	<u>Total</u> (\$)
Balance as at 1 October 2015	3	150,863,149	(136,733,112)	14,130,040
Net deficit for the year	-	-	-	-
Balance as at 30 September 2016	3	150,863,149	(136,733,112)	14,130,040
Restatement (Note 26)	-	-	<u>13,906,047</u>	<u>13,906,047</u>
Revised balance as at 30 September 2016	<u>3</u>	<u>150,863,149</u>	<u>(122,827,065)</u>	<u>28,036,087</u>
Balance as at 1 October 2016	3	150,863,149	(122,827,065)	28,036,087
Net deficit for the year	-	-	-	-
Balance as at 30 September 2017	<u>3</u>	<u>150,863,149</u>	<u>(122,827,065)</u>	<u>28,036,087</u>

(The accompanying notes form an integral part of these financial statements)



**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

	For the year ended 30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$) (Restated)
<b>OPERATING ACTIVITIES:</b>		
Net deficit for the year	-	-
Adjustments for:		
Prior period adjustment	-	13,906,047
Loan loss expense	4,179	197,779
Loss/(gain) on disposal of fixed assets	2,225	(80,500)
Software costs written-off	1,308,875	-
Depreciation	<u>379,128</u>	<u>574,405</u>
Changes in operating assets and liabilities	1,694,407	14,597,731
Net change in accounts receivable and prepayments	(334,158)	(211,729)
Net change in accounts payable and accruals	(4,875,632)	1,752,437
Net change in loans receivable	<u>(1,587,688)</u>	<u>(11,304,361)</u>
Funds (used in)/provided by operating activities	<u>(5,103,071)</u>	<u>4,834,078</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(142,536)	(499,692)
Proceeds from disposal of fixed assets	<u>2,285</u>	<u>86,809</u>
Funds used in investing activities	<u>(140,251)</u>	<u>(412,883)</u>
<b>FINANCING ACTIVITIES:</b>		
Net change in subventions receivable	6,355,000	(6,355,000)
Net change in deferred income – Government Grants	<u>(561,191)</u>	<u>3,074,848</u>
Funds provided by/(used in) financing activities	<u>5,793,809</u>	<u>(3,280,152)</u>
Net change in cash and cash equivalents	550,487	1,141,043
Cash resources - at beginning of year	<u>7,947,144</u>	<u>6,806,101</u>
Cash resources - at end of year	<u><u>8,497,631</u></u>	<u><u>7,947,144</u></u>
<b>Represented by:</b>		
Cash and cash equivalents	<u><u>8,497,631</u></u>	<u><u>7,947,144</u></u>

(The accompanying notes form part of these financial statements)

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**1. Incorporation and Principal Business Activity:**

The company was incorporated on 17 July 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 company'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 -**

The Company 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 Company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

- |        |  |
|--------|--|
| IFRS 1 | First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 2 | Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018).                         |
| IFRS 4 | Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).            |

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**2. Summary of the Significant Accounting Policies (Cont'd):**

**(c) New Accounting Standards and Interpretations (cont'd) -**

IFRS 9	Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
IFRS 9	Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019).
IFRS 12	Disclosure of Interest in Other Entities - Amendments regarding the specification of the disclosure requirements for an entity's interest classified as held-for-sale, held for distribution or as a discontinued operation (effective for accounting periods beginning on or after 1 January 2017).
IFRS 15	Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
IFRS 16	Leases (effective for accounting periods beginning on or after 1 January 2019).
IFRS 17	Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021).
IAS 7	Statement of Cash Flows - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2017).
IAS 12	Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017).
IAS 28	Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
IAS 40	Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).
IFRIC 22	Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).
IFRIC 23	Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of the Significant Accounting Policies (Cont'd):

(d) **Fixed assets -**

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 -**

Financial assets and financial liabilities are recognised on the company's Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of the Significant Accounting Policies (Cont'd):

(e) **Financial instruments (cont'd) -**

Accounts receivable and prepayments

Accounts receivable and prepayments are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans receivable

Loans receivable are stated at principal amounts outstanding net of allowances for loan losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. 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.

Accounts payable and accruals

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(f) **Investments -**

The company's investments are classified as available-for-sale. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as "available-for-sale", in accordance with International Accounting Standards (IAS) 39.

These investments are carried at their fair values. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in equity in the period they arise. All short-term investments of the company are considered available-for-sale.

(g) **Leases -**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Summary of the Significant Accounting Policies (Cont'd):****(h) 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.

**(i) 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 company 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 and construction of property and plant and equipment 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.

**(j) 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.

## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

2. Summary of the Significant Accounting Policies (Cont'd):(k) **Taxation -**

According to IAS #12, a deferred tax asset should be recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits would be available against which the unused tax losses can be utilised. In the opinion of the Directors, the company is not expected to generate sufficient taxable profits in the foreseeable future to offset against the unused tax losses. Hence, no deferred tax asset has been recognised.

(l) **Provisions -**

Provisions are recognised when the company 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.

(m) **Comparative information -**

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

(n) **Going Concern -**

These financial statements have been prepared on the going concern basis despite the excess of current liabilities over current assets. The situation arose from the Deferred Income derived from Government Subventions. This basis has been deemed appropriate as it is expected that the position will be reversed as amounts from the Deferred Income are expected to be transferred to the Statement of Comprehensive Income as expenditure is incurred in the subsequent year.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**3. Financial Risk Management:**

**Financial risk factors**

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

	<b>30 September 2017</b>	
	<b>Carrying Value (\$)</b>	<b>Fair Value (\$)</b>
<b>Financial Assets</b>		
Cash and cash equivalents	8,497,631	8,497,631
Accounts receivable and prepayments	1,769,666	1,769,666
Loans	32,414,610	32,414,610
<b>Financial Liabilities</b>		
Accounts payable and accruals	10,018,859	10,018,859
Deferred income - Government Grants	5,130,074	5,130,074
	<b>30 September 2016</b>	
	<b>Carrying Value (\$) (Restated)</b>	<b>Fair Value (\$) (Restated)</b>
<b>Financial Assets</b>		
Cash and cash equivalents	7,947,144	7,947,144
Subventions receivable	6,355,000	6,355,000
Accounts receivable and prepayments	1,435,508	1,435,508
Loans	30,831,101	30,831,101
<b>Financial Liabilities</b>		
Accounts payable and accruals	14,894,491	14,894,491
Deferred income - Government Grants	5,691,265	5,691,265



## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

3. Financial Risk Management (Cont'd):

The company 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 company 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 company'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 company'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.

	Effective Rate (\$)	2017		Non - Interest Bearing (\$)	Total (\$)
		Up to 5 years (\$)	Over 5 years (\$)		
<b>Financial Assets</b>					
Cash and cash equivalents	0.5% - 1.5%	8,487,831	-	9,800	8,497,631
Accounts receivable and prepayments	0%	-	-	1,769,666	1,769,666
Loans	14% - 15%	<u>32,414,610</u>	-	-	<u>32,414,610</u>
		40,902,441	-	<u>1,779,466</u>	<u>42,681,907</u>
<b>Financial Liabilities</b>					
Accounts payable and accruals	0%	-	-	10,018,859	10,018,859
Deferred income - Government Grants	0%	-	-	<u>5,130,074</u>	<u>5,130,074</u>
		-	-	<u>15,148,933</u>	<u>15,148,933</u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**3. Financial Risk Management (Cont'd):**

**(a) Interest rate risk (continued) -**

	Effective Rate (\$)	2016		Non - Interest Bearing (\$) (Restated)	Total (\$) (Restated)
		Up to 5 years (\$) (Restated)	Over 5 years (\$) (Restated)		
<b>Financial Assets</b>					
Cash and cash equivalents	0.5% - 1.5%	7,937,344	-	9,800	7,947,144
Government subventions	0%	-	-	6,355,000	6,355,000
Accounts receivable and prepayments	0%	-	-	1,435,508	1,435,508
Loans	14% - 15%	<u>30,831,101</u>	-	-	<u>30,831,101</u>
		<u>38,768,445</u>	-	<u>7,800,308</u>	<u>46,568,753</u>
<b>Financial Liabilities</b>					
Accounts payable and accruals	0%	-	-	14,894,491	14,894,491
Deferred income - Government Grants	0%	-	-	<u>5,691,265</u>	<u>5,691,265</u>
		-	-	<u>20,585,756</u>	<u>20,585,756</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 company relies heavily on written Financial Processes and Internal Controls.

The company's debtors' portfolio is managed and consistently monitored by the company'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 company 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

30 SEPTEMBER 2017

3. Financial Risk Management (Cont'd):

(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 company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets. The company 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 company's exposures 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.

	30 September 2017		
	Up to 5 years (\$)	Over 5 years (\$)	Total (\$)
<b>Financial Assets</b>			
Cash and cash equivalents	8,497,631	-	8,497,631
Accounts receivable and prepayments	1,769,666	-	1,769,666
Loans	<u>32,414,610</u>	-	<u>32,414,610</u>
	<u>42,681,907</u>	-	<u>42,681,907</u>
<b>Financial Liabilities</b>			
Accounts payable and accruals	10,018,859	-	10,018,859
Deferred income - Government Grants	<u>5,130,074</u>	-	<u>5,130,074</u>
	<u>15,148,933</u>	-	<u>15,148,933</u>
<b>30 September 2016</b>			
	Up to 5 years (\$) (Restated)	Over 5 years (\$) (Restated)	Total (\$) (Restated)
<b>Financial Assets</b>			
Cash and cash equivalents	7,947,144	-	7,947,144
Government subventions	6,355,000	-	6,355,000
Accounts receivable and prepayments	1,435,508	-	1,435,508
Loans	<u>30,831,101</u>	-	<u>30,831,101</u>
	<u>46,568,753</u>	-	<u>46,568,753</u>
<b>Financial Liabilities</b>			
Accounts payable and accruals	14,894,491	-	14,894,491
Deferred income - Government Grants	<u>5,691,265</u>	-	<u>5,691,265</u>
	<u>20,585,756</u>	-	<u>20,585,756</u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**3. Financial Risk Management (Cont'd):**

**(d) Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company's exposure to foreign exchange risk is minimal and the company'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 company's information technology and control systems, as well as the risk of human error and natural disasters. The company'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 company's management.

**(g) Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to the company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the company. The company 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 company'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 company 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:

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**4. Critical Accounting Estimates and Judgments (Cont'd):**

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.

**5. Cash and Cash Equivalents:**

	<b>30 September</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	(\$)	(\$)
Cash:		
Cash in hand	9,800	9,800
Amounts held in bank current accounts	<u>1,740,738</u>	<u>1,737,132</u>
	1,750,538	1,746,932
Cash equivalents:		
Amounts held in mutual fund accounts	<u>6,747,093</u>	<u>6,200,212</u>
	<u><b>8,497,631</b></u>	<u><b>7,947,144</b></u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**5. Cash and Cash Equivalents (Cont'd):**

Other than the stated cash in hand, the vast majority of the company's cash and cash equivalents are either held in current accounts maintained at the First Citizens Bank Limited or in mutual fund accounts managed by the said bank, or one of its associated companies.

**6. Accounts Receivables and Prepayments:**

	<b>30 September</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	(\$)	(\$)
Interest receivable	-	3
Other receivables	1,522,791	1,055,038
Prepayments	<u>246,875</u>	<u>380,467</u>
	<b><u>1,769,666</u></b>	<b><u>1,435,508</u></b>

**7. 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.

	<b>30 September</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	(\$)	(\$)
		(Restated)
Loans	44,556,084	109,155,858
Less: Allowance for Impairment	<u>(12,141,474)</u>	<u>(78,324,757)</u>
	<b><u>32,414,610</u></b>	<b><u>30,831,101</u></b>
 <b>Provisions for Loan losses:</b>		
Balance at beginning of year	78,324,757	92,032,206
Loans written off from allowance for impairment	(66,183,283)	(13,707,449)
Increase in allowance for impairment	<u>          -</u>	<u>          -</u>
Balance at end of year	<b><u>12,141,474</u></b>	<b><u>78,324,757</u></b>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**8. Property, Plant and Equipment:**

<b>Cost</b>	<b>Leasehold Improvements (\$)</b>	<b>Furniture and Fixtures (\$)</b>	<b>Office Equipment (\$)</b>	<b>Computer Software and Equipment (\$)</b>	<b>Motor Vehicles (\$)</b>	<b>Total (\$)</b>
Balance as at 1 October 2016	6,370,667	5,152,218	2,631,223	5,978,940	813,598	20,946,646
Reclassification	-	-	-	(1,308,875)	-	(1,308,875)
Additions	-	2,914	45,226	94,396	-	142,536
Disposals	-	(9,500)	(5,879)	(9,199)	-	(24,578)
Balance as at 30 September 2017	<u>6,370,667</u>	<u>5,145,632</u>	<u>2,670,570</u>	<u>4,755,262</u>	<u>813,598</u>	<u>19,755,729</u>
<b>Accumulated Depreciation</b>						
Balance as at 1 October 2016	6,213,517	5,021,015	2,287,970	4,557,456	813,598	18,893,556
Depreciation charge	49,503	40,270	199,143	90,212	-	379,128
Disposals	-	(9,500)	(4,505)	(6,063)	-	(20,068)
Balance as at 30 September 2017	<u>6,263,020</u>	<u>5,051,785</u>	<u>2,482,608</u>	<u>4,641,605</u>	<u>813,598</u>	<u>19,252,616</u>
<b>Net Book Value</b>						
Balance, 30 September 2017	<u>107,647</u>	<u>93,847</u>	<u>187,962</u>	<u>113,657</u>	<u>-</u>	<u>503,113</u>
Balance, 30 September 2016	<u>157,150</u>	<u>131,203</u>	<u>343,253</u>	<u>1,421,484</u>	<u>-</u>	<u>2,053,090</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

8. Property, Plant and Equipment (Cont'd):

Cost	Leasehold Improvements (\$)	Furniture and Fixtures (\$)	Office Equipment (\$)	Computer Software and Equipment (\$)	Motor Vehicles (\$)	Total (\$)
Balance as at 1 October 2015	6,351,681	5,163,037	2,687,386	5,947,901	1,538,694	21,688,699
Additions	18,986	4,838	36,602	439,266	-	499,692
Disposals	-	(15,657)	(92,765)	(408,227)	(725,096)	(1,241,745)
Balance as at 30 September 2016	<u>6,370,667</u>	<u>5,152,218</u>	<u>2,631,223</u>	<u>5,978,940</u>	<u>813,598</u>	<u>20,946,646</u>
<b>Accumulated Depreciation</b>						
Balance as at 1 October 2015	6,162,361	4,984,481	2,158,082	4,813,435	1,436,228	19,554,587
Depreciation charge	51,156	52,190	218,805	149,787	102,467	574,405
Disposals	-	(15,656)	(88,917)	(405,766)	(725,097)	(1,235,436)
Balance as at 30 September 2016	<u>6,213,517</u>	<u>5,021,015</u>	<u>2,287,970</u>	<u>4,557,456</u>	<u>813,598</u>	<u>18,893,556</u>
<b>Net Book Value</b>						
Balance, 30 September 2016	<u>157,150</u>	<u>131,203</u>	<u>343,253</u>	<u>1,421,484</u>	<u>-</u>	<u>2,053,090</u>
Balance, 30 September 2015	<u>189,320</u>	<u>178,556</u>	<u>529,304</u>	<u>1,134,466</u>	<u>102,466</u>	<u>2,134,112</u>



## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

9. Accounts Payable and Accruals:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
		(Restated)
Accounts payable:		
Trade creditors	740,321	165,732
Employee related obligations	3,827,527	8,147,157
Client related obligations - lending business	1,716,019	1,709,148
Non-trade payables	67,458	736,900
Accruals:		
Audit fees	120,000	240,000
Other accruals	3,043,786	3,445,349
Retirement benefit payable	<u>503,748</u>	<u>450,205</u>
	<u>10,018,859</u>	<u>14,894,491</u>

10. Stated and Contributed Capital:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
3 shares of no par value	3	3
Transfers by the Government of the Republic of Trinidad and Tobago through:		
Payment for on-lending purposes	150,863,149	150,863,149

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**11. Accumulated Deficit:**

This balance represents an excess of the company'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.

**12. Other Income:**

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Training fees	274,091	310,754
Loan processing fees	132,800	113,000
Other	<u>256,512</u>	<u>265,506</u>
	<u><u>663,403</u></u>	<u><u>689,260</u></u>

**13. Operating Expenses:**

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Directors' cost (Note 17)	661,932	662,977
Staff costs (Note 18)	17,237,254	16,939,622
Loan portfolio management	995,079	1,198,344
Property-related costs (Note 19)	5,693,199	6,115,575
Depreciation and amortisation	379,128	574,405
Other operating costs	<u>2,894,365</u>	<u>5,881,741</u>
	<u><u>27,860,957</u></u>	<u><u>31,372,664</u></u>

## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

14. Development Support Services:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Marketing and distribution initiative	273,497	287,325
Networking in communities	24,406	14,754
Special projects	1,037,554	77,622
Training initiative	<u>231,695</u>	<u>77,213</u>
	<u><b>1,567,152</b></u>	<u><b>456,914</b></u>

15. Interest Expense:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Interest cost	9,004	7,971
Bank interest and charges	<u>11,624</u>	<u>8,518</u>
	<u><b>20,628</b></u>	<u><b>16,489</b></u>

16. Loan Loss:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Loans written off	<u>4,179</u>	<u>197,779</u>

17. Directors' Cost:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Directors' fees	513,614	524,701
Directors' miscellaneous	<u>148,318</u>	<u>138,276</u>
	<u><b>661,932</b></u>	<u><b>662,977</b></u>

## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

18. Staff Costs:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Current period costs:		
Salaries	12,828,798	12,970,691
Benefits	2,230,947	2,117,024
Training and welfare	167,598	90,408
Other staff costs	<u>1,188,243</u>	<u>989,055</u>
	<u>16,415,586</u>	<u>16,167,178</u>
Post-Employment Benefits:		
Gratuities	267,916	256,096
Defined contribution arrangements	509,213	472,682
Defined benefit arrangements	<u>44,539</u>	<u>43,666</u>
	<u>821,668</u>	<u>772,444</u>
	<u>17,237,254</u>	<u>16,939,622</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 company have been employed on fixed term arrangements ranging in periods from one to three years. As part of the remuneration promised 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 company'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 company. The employer's contributions are deposited into a policy owned by the company 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.

Employer-owned policies are currently arranged through Sagacor Life Incorporated but previously this group 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.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**18. Staff Costs (Cont'd):**

Defined benefit arrangements

For a small group of employees not covered by the foregoing arrangements a promise by the company of a lump sum payment on retirement was made based on one month's final salary for each year of service. The charge in the current year represents the current service cost for this arrangement and represents the present value of the defined benefit obligation. This entire obligation is currently unfunded.

**19. Property-Related Costs:**

	30 September	
	<u>2017</u> (\$)	<u>2016</u> (\$)
Operating lease rentals	4,135,083	4,458,101
Security costs	952,963	958,128
Other property related costs	<u>605,153</u>	<u>699,346</u>
	<u><b>5,693,199</b></u>	<u><b>6,115,575</b></u>

**20. 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 company.

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

	30 September	
	<u>2017</u> (\$)	<u>2016</u> (\$)
<b>Assets</b>		
Outstanding balances on Loans to key management personnel	-	-
<b>Expenses</b>		
Directors' fees	513,614	524,701
<b>Key management compensation</b>		
Short-term benefits	5,246,992	5,395,894

## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

21. **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 2017.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**22. Capital Risk Management:**

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

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

**23. Funds held for Various Government-Sponsored Entrepreneurial and Innovation Programs:**

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Enabling Competitive Business Programme	716,778	1,563,997
National Integrated Business Incubator System	107,638	217,545
Innovation Financing Facility	<u>2,545,641</u>	<u>2,488,278</u>
	<u><b>3,370,057</b></u>	<u><b>4,269,820</b></u>

**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.

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**23. Funds held for Various Government-Sponsored Entrepreneurial and Innovation Programs (Cont'd):**

Enabling Competitive Business Programme (cont'd)

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 (NBIS). NBIS is 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.

The system involves the creation of a network of community based and commercial incubator units which provide 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 NBIS programme and is responsible for its financial management. To this end the funds described above are being held and managed on behalf of the NBIS 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 has established its Idea 2 Innovation programme, branded as i2i, as a programme of the Ministry of Planning and Sustainable Development. The programme, which currently takes the form of a competition, gives an opportunity to innovators and inventors to submit proposals for innovative projects and creative initiatives. Those projects that meet stated criteria are eligible for the award of a grant.

NEDCO acts as fund manager of the Innovation Financing Facility and is 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.



## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

24. Other Amounts Held on Trust:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Employee death benefits held on trust	<u>362,017</u>	<u>357,880</u>

Qualifying employees of the company are eligible to join the company'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 company for its own use and so does not comprise part of the company's own financial resources.

25. Non-Cancellable Operating Lease Commitments:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
In respect of the company's branch network:	593,253	916,335
Due in 1 year	<u>195,334</u>	<u>591,450</u>
Due after 1 year but less than 5 years	<u>788,587</u>	<u>1,507,785</u>
The National Integrated Business Incubator System:	1,046,853	1,866,456
Due in 1 year	<u>195,334</u>	<u>453,600</u>
Due after 1 year but less than 5 years	<u>1,242,187</u>	<u>2,320,056</u>
In aggregate:	1,640,106	2,782,791
Due in 1 year	<u>390,668</u>	<u>1,045,050</u>
Due after 1 year but less than 5 years	<u>2,030,774</u>	<u>3,827,841</u>

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**

**25. Non-Cancellable Operating Lease Commitments (Cont'd):**

**The Branch Network -**

The company conducts its business through a network of branches established throughout the country. The branch network is created through a series of short term lease arrangements for the provision of office space and other facilities. Summarised above are the non-cancellable lease commitments in respect of the company's Branch network.

**The National Integrated Business Incubator System -**

Additionally the company is the named counterparty, as lessee, in a second group of short term leasing arrangements which have been established for the purpose of the National Integrated Business Incubator System (NBIS) incubator unit network. These leases are normally for a term of 3 to 4 years, renewable for a further term of similar length, by sixty days written notice (prior to the expiration of the lease) by the company to the lessor at varying, usually escalated, rents. Lease rents due are settled from the fund managed by the company for the NBIS initiative and are not settled from the company's own financial resources.

**26. Prior Period Adjustment/Restatement:**

Comparative information has been adjusted to take into account the following restatements and reclassifications:

a) The restatement to loan loss provision was as follows:

Delinquent client files had been sent to a collection agency for action. However, sums paid by the collection agency did not result in a reduction of the loan loss provision. This is deemed to be an error in accordance with the definition of International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

b) The restatements to accounts payable were as follows:

Amounts were deducted from loans at disbursement and paid to collection agencies. These payments were not deducted from the payable balance established for that purpose. This is deemed to be an error in accordance with the definition of IAS 8.

Amounts were deducted from loans at disbursement for All Risk Insurance premiums and Life Insurance premiums. These payments were not deducted from the payable balances established for those purposes. This is deemed to be an error in accordance with the definition of IAS 8.

## NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

26. Prior Period Adjustment/Restatement (Cont'd):

In accordance with IAS 8, these prior period errors have been applied retrospectively. The impact of this restatement on the prior period is disclosed in the table below:

Year ended 30 September 2016	As previously reported	Correction of prior period error	As currently reported
<b>Impact on Statement of Financial Position</b>			
<b>Net Assets</b>			
Loans	17,123,652	13,707,449	30,831,101
Accounts payable and accruals	<u>(15,093,089)</u>	<u>198,598</u>	<u>(14,894,491)</u>
Total effect on net assets	<u>2,030,563</u>	<u>13,906,047</u>	<u>15,936,610</u>
<b>Equity</b>			
Accumulated Deficit	<u>136,733,112</u>	<u>(13,906,047)</u>	<u>122,827,065</u>
Total effect on equity	<u>136,733,112</u>	<u>(13,906,047)</u>	<u>122,827,065</u>
		(\$)	
Sums received from collection agency		13,707,449	
Fees for credit checks paid		123,161	
All-risk insurance premiums paid		15,235	
Life insurance premiums paid		<u>60,202</u>	
		<u>13,906,047</u>	