

**NATIONAL ENTREPRENEURSHIP
DEVELOPMENT COMPANY LIMITED**

FINANCIAL STATEMENTS

30 SEPTEMBER 2008

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

I N D E X

	<u>Page</u>
Independent Auditors' Report	1
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Shareholder's Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 20
Schedules to the Financial Statements	21 – 22

INDEPENDENT AUDITORS' REPORT

The Shareholder National Entrepreneurship Development Company Limited

We have audited the accompanying financial statements of the National Entrepreneurship Development Company Limited, which comprise the balance sheet as at 30 September 2008, the statement of operations, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Entrepreneurship Development Company Limited as of 30 September 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Port of Spain
29 October 2010**

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

BALANCE SHEET

		<u>ASSETS</u>	
		30 September	
	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Current Assets:			
Cash in hand and at bank	5	\$ 229,132	\$ 474,013
Short-term investments	6	8,760,351	41,920,943
Accounts receivable and prepayments	7	<u>3,593,426</u>	<u>5,640,365</u>
Total Current Assets		<u>12,582,909</u>	<u>48,035,321</u>
Non-Current Assets:			
Loans	8	111,171,325	90,661,455
Fixed assets	9	<u>8,576,281</u>	<u>9,053,681</u>
Total Non-Current Assets		<u>119,747,606</u>	<u>99,715,136</u>
Total Assets		<u>\$ 132,330,515</u>	<u>\$ 147,750,457</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:			
Overdrawn current account	10	\$ 1,745,372	\$ 2,824,589
Accounts payable and accruals	11	<u>5,137,554</u>	<u>3,431,355</u>
Total Current Liabilities		6,882,926	6,255,944
Non-Current Liabilities:			
Deferred income – Government Grant		<u>-</u>	<u>4,406,049</u>
Total Liabilities		<u>6,882,926</u>	<u>10,661,993</u>
Shareholder's Equity:			
Stated capital	12	150,863,152	146,599,191
Accumulated deficit	13	<u>(25,415,563)</u>	<u>(9,510,727)</u>
Total Shareholder's Equity		<u>125,447,589</u>	<u>137,088,464</u>
Total Liabilities and Shareholder's Equity		<u>\$ 132,330,515</u>	<u>\$ 147,750,457</u>

On Behalf of the Board:

Director_____
Director

(The accompanying notes form part of these financial statements)

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

STATEMENT OF OPERATIONS

		For the year ended 30 September	
	<u>Schedules</u>	<u>2008</u>	<u>2007</u>
Income:			
Revenue grants from the Government of Trinidad and Tobago		\$ 8,670,009	\$ 21,564,449
Loan interest		6,698,570	5,251,421
Investment income		1,457,091	2,433,764
Other income	1	480,230	320,442
		17,305,900	29,570,076
Expenditure:			
Operating expenses	2	28,141,608	25,860,588
Development support services	3	3,656,054	2,678,114
Interest expense	4	16,163	308,601
Loan loss		1,396,911	722,773
		33,210,736	29,570,076
Excess of expenditure over income		\$ (15,904,836)	\$ -

(The accompanying notes form part of these financial statements)

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2008

	<u>Stated Capital</u>	<u>Accumulated Deficit</u>	<u>Shareholder's Equity</u>
Balance as at 1 October 2006	\$ 116,350,484	\$ (9,510,727)	\$ 106,839,757
Loan repayments (<i>refer to Note 12</i>)	12,000,000	-	12,000,000
New capital grant (<i>refer to Note 2(h)</i>)	<u>18,248,707</u>	<u>-</u>	<u>18,248,707</u>
Balance as at 1 October 2007	146,599,191	(9,510,727)	137,088,464
New capital grant	4,263,961	-	4,263,961
Excess of expenditure over income	<u>-</u>	<u>(15,904,836)</u>	<u>(15,904,836)</u>
Balance as at 30 September 2008	<u>\$ 150,863,152</u>	<u>\$ (25,415,563)</u>	<u>\$ 125,447,589</u>

(The accompanying notes form part of these financial statements)

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

	For the year ended	
	30 September	
	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES:		
Excess of expenditure over income	\$ (15,904,836)	\$ -
Adjustments for:		
Loss on disposal of fixed assets	34,177	87,936
Loan loss	1,396,911	722,773
Depreciation	<u>2,366,403</u>	<u>1,834,551</u>
Changes in operating assets and liabilities	(12,107,345)	2,645,260
Net change in deferred income - government grants	(4,406,049)	(2,088,957)
Net change in accounts receivable and prepayments	2,046,939	(4,076,742)
Net change in accounts payable and accruals	1,706,199	901,428
Net change in loans receivable	<u>(21,906,781)</u>	<u>(14,996,301)</u>
Cash used in operating activities	<u>(34,667,037)</u>	<u>(17,615,312)</u>
INVESTING ACTIVITIES:		
Additions to fixed assets	(1,949,021)	(5,916,875)
Proceeds from disposal of fixed assets	<u>25,841</u>	<u>66</u>
Cash used in investing activities	<u>(1,923,180)</u>	<u>(5,916,809)</u>
FINANCING ACTIVITIES:		
Net change in capital grants	4,263,961	30,248,707
Loan repayment	<u>-</u>	<u>(12,000,000)</u>
Cash provided by financing activities	<u>4,263,961</u>	<u>18,248,707</u>
Net change in cash and cash equivalents	(32,326,256)	(5,283,414)
Cash and cash equivalents - at beginning of year	<u>39,570,367</u>	<u>44,853,781</u>
- at end of year	<u><u>\$ 7,244,111</u></u>	<u><u>\$ 39,570,367</u></u>
Represented by:		
Cash in hand and at bank	\$ 229,132	\$ 474,013
Short-term investments	8,760,351	41,920,943
Overdrawn current account	<u>(1,745,372)</u>	<u>(2,824,589)</u>
	<u><u>\$ 7,244,111</u></u>	<u><u>\$ 39,570,367</u></u>

(The accompanying notes form part of these financial statements)

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****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 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 statements 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) Adoption of New and revised IFRSs

During the current year the Company adopted all the new and revised IFRSs and International Financial Reporting Interpretation Committee Standards (IFRICs) which are relevant to its operations and are effective for accounting periods commencing on 1 January 2008. The Company has implemented early adoption of the Standards. The adoption of these Standards does not have a material effect on the financial statements. At the date of authorisation of these financial statements, some Standards were in issue but not yet effective. The Board of Directors expects that the adoption of these Standards in future periods will not have a material effect on the financial statements of the Company.

(d) 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

30 SEPTEMBER 2008

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

(e) Depreciation -

Depreciation is provided on a straight-line basis at annual rates designed to write-off the cost of the assets over their estimated useful economic lives as follows:-

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date. 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 are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Operations.

(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) Revenue recognition -

Loan Interest

Interest on non-performing 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 non-performing loans is taken into income on a cash basis, but only after specific provisions for losses have been made.

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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2008

2. Summary of Significant Accounting Policies (Cont'd):**(g) Revenue recognition (Cont'd) -****Investment Income**

Income from investments is accounted for on the accruals basis, consistent with International Accounting Standard (IAS) #18.

(h) 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 Operations 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 Operations in an amount equal to the period's depreciation of acquired assets, over the expected useful lives of these assets.

Grants intended for on-lending purposes are recorded as capital grants and presented as equity in the Company's Balance Sheet.

(i) 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.

(j) Financial instruments -

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****2. Summary of Significant Accounting Policies (Cont'd):****(j) Financial instruments (Cont'd) -**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the Company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

The Company assesses at each Balance Sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- i)** Significant financial difficulty of the issuer or obligor.
- ii)** A breach of contract, such as default or delinquency in interest or principal payments.
- iii)** It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- iv)** The disappearance of an active market for that financial asset because of financial difficulties.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****2. Summary of Significant Accounting Policies (Cont'd):****(j) Financial instruments (Cont'd) -**

- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Company or national or economic conditions that correlate with defaults on assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) Financial assets measured at amortised cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Operations.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Operations.

ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Operations. These losses are not reversed.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****2. Summary of Significant Accounting Policies (Cont'd):****(j) Financial instruments (Cont'd) -****iii) Financial assets measured at cost (cont'd)**Cash and cash equivalents

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

Accounts receivable

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Operations when there is objective evidence that the asset is impaired.

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.

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Operations.

Accounts payable

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

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****2. Significant Accounting Policies (Cont'd):****(k) 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 Balance Sheet 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.

3. Financial Risk Management:**Financial risk factors**

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 or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in mutual funds and loans.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

Loans

The Company generally invests in loans to entrepreneurs for terms that average three years. These are funded mainly from government grants.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****3. Financial Risk Management (Cont'd):****Financial risk factors (Cont'd)****(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 Balance Sheet date. The Company relies heavily on its written Policies and Procedures Manuals, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Company's lending philosophy; provide policy guidelines to team members involve in lending; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

The Company's loan portfolio is consistently monitored by the Loans Committee 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 high credit quality financial institutions and the Company has policies to limit the amount of exposure to any single financial institution.

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

(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.

Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Company. The Company employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Company's assets as well as generating sufficient cash from government grants and loan repayments.

To manage and reduce liquidity risk the Company's management actively seeks to match cash inflows with liability requirements.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****3. Financial Risk Management (Cont'd):****Financial risk factors (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. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures. The operation of a Piarco Store also provides exposure to currency risk. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(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. There is also an Internal Audit department that is adequately staffed with personnel who are equipped with the required skills, knowledge and expertise. Additionally, staff is often rotated and trained on an on-going basis.

(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 monitoring controls applied by the Company. The Company has an internal Audit department, which does routine reviews on compliance.

(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 applies procedures to minimize this risk.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****4. Critical Accounting Estimates and Judgments:**

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, 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:

Changes in accounting estimates are recognised in the Statement of Operations 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 judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date (requiring management's most difficult, subjective or complex judgements) 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 Balance Sheet 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 judgement 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

30 SEPTEMBER 2008

5. Cash in Hand and at Bank:

	30 September	
	<u>2008</u>	<u>2007</u>
Cash in hand	\$ 9,500	\$ 9,000
First Citizens Bank Limited:		
- Loan receipts account	174,099	419,940
- Piarco business account	<u>45,533</u>	<u>45,073</u>
	<u>\$ 229,132</u>	<u>\$ 474,013</u>

6. Short-term Investments:

	30 September	
	<u>2008</u>	<u>2007</u>
Caribbean Money Market Brokers Limited	\$ -	\$ 5,214,324
First Citizens Bank Limited	7,561,473	15,858,939
Republic Bank Limited	-	4,351,373
Scotiabank Limited	-	2,268,853
Trinidad and Tobago Unit Trust Corporation	<u>1,198,878</u>	<u>14,227,454</u>
	<u>\$ 8,760,351</u>	<u>\$ 41,920,943</u>

7. Accounts Receivable and Prepayments:

	30 September	
	<u>2008</u>	<u>2007</u>
Interest receivable	\$ 6,095	\$ 159,931
Other receivables	3,203,092	5,119,905
Prepayments	<u>384,239</u>	<u>360,529</u>
	<u>\$ 3,593,426</u>	<u>\$ 5,640,365</u>

8. 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.

	30 September	
	<u>2008</u>	<u>2007</u>
Loans	\$128,630,854	\$106,724,073
Less: Provision for loan losses	<u>(17,459,529)</u>	<u>(16,062,618)</u>
	<u>\$111,171,325</u>	<u>\$ 90,661,455</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2008

9. Fixed Assets:

Cost	Leasehold <u>Improvements</u>	Furniture and <u>Fixtures</u>	Office <u>Equipment</u>	Computer Software and <u>Equipment</u>	Motor <u>Vehicles</u>	<u>Total</u>
Balance as at 1 October 2007	\$ 5,488,467	\$ 4,520,732	\$ 1,282,847	\$ 2,955,398	\$ 580,135	\$ 14,827,579
Additions	641,764	322,598	100,616	610,606	273,437	1,949,021
Disposals	<u>(133,295)</u>	<u>-</u>	<u>(350)</u>	<u>-</u>	<u>(87,700)</u>	<u>(221,345)</u>
Balance as at 30 September 2008	<u>5,996,936</u>	<u>4,843,330</u>	<u>1,383,113</u>	<u>3,566,004</u>	<u>765,872</u>	<u>16,555,255</u>
 Accumulated depreciation						
Balance as at 1 October 2007	1,163,751	1,420,312	731,023	2,114,773	344,039	5,773,898
Depreciation charge	823,724	694,395	213,264	526,065	108,955	2,366,403
Disposals	<u>(99,141)</u>	<u>-</u>	<u>(65)</u>	<u>-</u>	<u>(62,121)</u>	<u>(161,327)</u>
Balance as at 30 September 2008	<u>1,888,334</u>	<u>2,114,707</u>	<u>944,222</u>	<u>2,640,838</u>	<u>390,873</u>	<u>7,978,974</u>
 Net Book Value						
Balance as at 30 September 2008	<u>\$ 4,108,602</u>	<u>\$ 2,728,623</u>	<u>\$ 438,891</u>	<u>\$ 925,166</u>	<u>\$ 374,999</u>	<u>\$ 8,576,281</u>
Balance as at 30 September 2007	<u>\$ 4,324,716</u>	<u>\$ 3,100,420</u>	<u>\$ 551,824</u>	<u>\$ 840,625</u>	<u>\$ 236,096</u>	<u>\$ 9,053,681</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2008

10. Overdrawn Current Account:

	30 September	
	<u>2008</u>	<u>2007</u>
First Citizens Bank Limited:		
- Operations account	\$ 767,609	\$ 37,377
- Loans disbursement account	<u>977,763</u>	<u>2,787,212</u>
	<u>\$ 1,745,372</u>	<u>\$ 2,824,589</u>

11. Accounts Payable and Accrued Liabilities:

	30 September	
	<u>2008</u>	<u>2007</u>
Audit fees payable	\$ 126,500	\$ 63,250
Accruals	1,485,703	1,072,035
Business Levy payable	3,755	3,117
Green Fund Levy payable	1,878	1,558
Industrial relations settlement payable	160,000	160,000
Loan insurance payable	117,382	260,730
Statutory deductions and salaries payable	-	28,048
Stale-dated cheques	506,283	435,212
Unallocated loan installment payable	338,967	372,902
Other payables	1,581,546	999,219
Pension Plan payable	1,630	35,284
Vacation leave payable	<u>813,910</u>	<u>-</u>
	<u>\$ 5,137,554</u>	<u>\$ 3,431,355</u>

12. Stated Capital:

	30 September	
	<u>2008</u>	<u>2007</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:		
Payments of loan instalments	-	12,000,000
Payment for on-lending purposes	<u>150,863,149</u>	<u>134,599,188</u>
	<u>\$ 150,863,152</u>	<u>\$ 146,599,191</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2008

13. 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. Movement on this account is shown in the Statement of Changes in Shareholder's Equity. *Refer to Note 2(h).*

14. 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 transaction with related parties and key management personnel during the year were as follows:

	30 September	
	<u>2008</u>	<u>2007</u>
Assets		
Loans to key management personnel	\$ 15,667	\$ 12,400
Expenses		
Directors' fees	\$ 301,100	\$ 248,225
Key management compensation		
Short-term benefits	\$3,030,246	\$2,568,668

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2008****15. 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. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

c) Investments -

The fair values of investments are determined on the basis of market prices available at 30 September 2008.

16. 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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

SCHEDULES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2008

	For the year ended 30 September	
	<u>2008</u>	<u>2007</u>
1. Other Income:		
Training fees	\$ 248,805	\$ 165,194
Loan processing fees	52,475	47,575
Other	<u>178,950</u>	<u>107,673</u>
	<u>\$ 480,230</u>	<u>\$ 320,442</u>
2. Operating Expenses:		
Advertising	\$ 659,376	\$ 716,282
Audit fees	63,250	63,250
Business Levy	14,317	10,953
Courier expenses	-	108
Depreciation	2,366,403	1,834,551
Directors' fees and expenses (Schedule 5)	453,838	334,987
Entertainment	14,523	20,057
Gratuity	237,635	214,264
Green Fund Levy	7,159	5,476
Industrial relations settlement expense	-	160,000
Insurance	128,535	131,808
Legal and professional fees	479,880	621,340
Loans written off	3,076	63,902
Loss on disposal of fixed asset	34,177	87,936
Miscellaneous	138,129	36,682
Motor vehicle and equipment rental	531,483	447,045
Motor vehicle	89,088	55,462
NIS - Employer's contribution	624,707	454,908
Office	657,133	540,646
Pension cost	211,277	223,064
Postage and stationery	401,345	285,741
Rent	3,487,968	2,883,694
Repairs and maintenance	479,484	153,487
Salaries	11,716,633	12,308,510
Security	1,476,808	985,978
Staff benefits	642,136	575,295
Staff training and welfare	668,923	634,078
Travel allowance	1,288,815	945,321
Travel - Foreign	140,774	81,321
Travel - Local	69,472	55,909
Utilities	<u>1,055,264</u>	<u>928,533</u>
	<u>\$ 28,141,608</u>	<u>\$ 25,860,588</u>

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

SCHEDULES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2008

	For the year ended	
	30 September	
	<u>2008</u>	<u>2007</u>
3. <u>Development Support Services:</u>		
Conference/Symposiums	\$ -	\$ 98,967
Marketing and distribution initiative	1,859,454	1,330,309
Networking in communities	40,295	176,677
Special projects	435,679	241,895
Training initiative	<u>1,320,626</u>	<u>830,266</u>
	<u>\$ 3,656,054</u>	<u>\$ 2,678,114</u>
4. <u>Interest Expense:</u>		
Bank interest and charges	\$ 16,163	\$ 11,346
Loan interest	<u>-</u>	<u>297,255</u>
	<u>\$ 16,163</u>	<u>\$ 308,601</u>
5. <u>Directors' Fees and Expenses:</u>		
Directors' fees	\$ 301,100	\$ 248,225
Directors' miscellaneous	<u>152,738</u>	<u>86,762</u>
	<u>\$ 453,838</u>	<u>\$ 334,987</u>