



Chartered Accountants
& Business Advisors

**NATIONAL ENTREPRENEURSHIP
DEVELOPMENT COMPANY LIMITED**

FINANCIAL STATEMENTS

30 SEPTEMBER 2015



Chartered Accountants
& Business Advisors

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

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Ministry of Labour and
Small Enterprise Development



HEAD OFFICE: 38, New Street, Port of Spain, Republic of Trinidad and Tobago, W. I.
TEL: (868)-821-5800 FAX: (868)-623-1606

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 2015, 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.

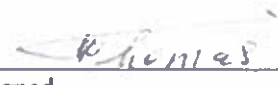
In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards 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 authorised for issue, if later.

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


Signed _____

Date 2017-12-11


Signed _____

Date 2017-12-11

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

We have audited the accompanying financial statements of the National Entrepreneurship Development Company Limited, which comprise the statement of financial position as at 30 September 2015, 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.

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, 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.

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 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

11 December 2017
Barataria,
TRINIDAD

Telephone: (868) 235-5063
Address: 111 Eleventh Street, Barataria, Trinidad, West Indies
Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Partners: Renée-Lisa Philip Mark K. Superville

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

| | | <u>ASSETS</u> | |
|-------------------------------------|--------------|---------------------|---------------------|
| | | | 30 September |
| | <u>Notes</u> | <u>2015</u> (\$) | <u>2014</u> (\$) |
| Current Assets: | | | |
| Cash and cash equivalents | 5 | 6,806,101 | 10,393,634 |
| Accounts receivable and prepayments | 6 | <u>1,223,779</u> | <u>1,758,718</u> |
| Total Current Assets | | <u>8,029,880</u> | <u>12,152,352</u> |
| Non-Current Assets: | | | |
| Loans | 7 | 19,724,519 | 22,083,056 |
| Property, plant and equipment | 8 | <u>2,134,112</u> | <u>1,833,416</u> |
| Total Non-Current Assets | | <u>21,858,631</u> | <u>23,916,472</u> |
| Total Assets | | <u>29,888,511</u> | <u>36,068,824</u> |

LIABILITIES AND SHAREHOLDER'S EQUITY

| | | | |
|---|----|----------------------|----------------------|
| Current Liabilities: | | | |
| Accounts payable and accruals | 9 | <u>13,142,054</u> | <u>17,365,493</u> |
| Total Current Liabilities | | 13,142,054 | 17,365,493 |
| Non-Current Liabilities: | | | |
| Deferred Income Government Grants | | <u>2,616,417</u> | <u>4,573,291</u> |
| Total Liabilities | | <u>15,758,471</u> | <u>21,938,784</u> |
| Shareholder's Equity: | | | |
| Stated capital | 10 | 3 | 3 |
| Contributed capital | 10 | 150,863,149 | 150,863,149 |
| Accumulated deficit | 11 | <u>(136,733,112)</u> | <u>(136,733,112)</u> |
| Total Shareholder's Equity | | <u>14,130,040</u> | <u>14,130,040</u> |
| Total Liabilities and Shareholder's Equity | | <u>29,888,511</u> | <u>36,068,824</u> |

These financial statements were approved by the Board of Directors and authorised for issue on 11 December 2017 and signed on their behalf by:



Director



Director

(The accompanying notes form part of these financial statements)

4.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME

| | <u>Notes</u> | For the year ended 30 September | |
|--|--------------|------------------------------------|---------------------------|
| | | <u>2015</u> (\$) | <u>2014</u> (\$) |
| Income: | | | |
| Revenue grants from the Government of Trinidad and Tobago | | 26,956,874 | 27,095,063 ⁰¹⁹ |
| Loan interest | | 4,228,948 | 4,804,686 ⁰⁹ |
| Investment income | | 103,780 | 65,883 |
| Other income | 12 | 950,034 | 969,895 ⁰⁸ |
| Gain on disposal of fixed assets | | <u>-</u> | <u>900</u> |
| Total income | | <u>32,239,636</u> | <u>32,936,427</u> |
| Expenditure: | | | |
| Operating expenses | 13 | 30,427,762 | 31,741,107 |
| Development support services | 14 | 1,220,775 | 526,958 |
| Interest expense | 15 | 25,584 | 18,720 |
| Loan loss | 16 | <u>565,515</u> | <u>649,642</u> |
| Total expenditure | | <u>32,239,636</u> | <u>32,936,427</u> |
| Net deficit for the year | | <u><u>-</u></u> | <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 2015

| | <u>Stated Capital</u> (\$) | <u>Contributed Capital</u> (\$) | <u>Accumulated Deficit</u> (\$) | <u>Total</u> (\$) |
|---------------------------------|-----------------------------------|--|--|----------------------|
| Balance as at 1 October 2013 | 3 | 150,863,149 | (136,733,112) | 14,130,040 |
| Net deficit for the year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance as at 30 September 2014 | <u>3</u> | <u>150,863,149</u> | <u>(136,733,112)</u> | <u>14,130,040</u> |
| Balance as at 1 October 2014 | 3 | 150,863,149 | (136,733,112) | 14,130,040 |
| Net deficit for the year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance as at 30 September 2015 | <u>3</u> | <u>150,863,149</u> | <u>(136,733,112)</u> | <u>14,130,040</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>2015</u> (\$) | <u>2014</u> (\$) |
| OPERATING ACTIVITIES: | | |
| Net deficit for the year | | |
| Adjustments for: | | |
| Loss on disposal of fixed assets | 1,328 | 9,536 |
| Loan loss | 565,515 | 649,642 |
| Depreciation | <u>831,648</u> | <u>1,188,587</u> |
| Changes in operating assets and liabilities | 1,398,491 | 1,847,765 |
| Net change in accounts receivable and prepayments | 534,939 | (419,586) |
| Net change in accounts payable and accruals | (4,223,439) | 344,302 |
| Net change in loans receivable | <u>1,793,022</u> | <u>2,597,243</u> |
| Funds (used in)/provided by operating activities | <u>(496,987)</u> | <u>4,369,724</u> |
| INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (1,135,402) | (339,331) |
| Proceeds from disposal of fixed assets | <u>1,730</u> | <u>18,388</u> |
| Funds used in investing activities | <u>(1,133,672)</u> | <u>(320,943)</u> |
| FINANCING ACTIVITIES: | | |
| Net change in deferred income – Government Grants | <u>(1,956,874)</u> | <u>4,573,291</u> |
| Funds (used in)/provided by financing activities | <u>(1,956,874)</u> | <u>4,573,291</u> |
| Net change in cash and cash equivalents | (3,587,533) | 8,622,072 |
| Cash resources - at beginning of year | <u>10,393,634</u> | <u>1,771,562</u> |
| Cash resources - at end of year | <u><u>6,806,101</u></u> | <u><u>10,393,634</u></u> |
| Represented by: | | |
| Cash and cash equivalents | <u><u>6,806,101</u></u> | <u><u>10,393,634</u></u> |

(The accompanying notes form part of these financial statements)

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2015****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) which include International Accounting Standards (IAS) 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 -

- i) The company has applied the following standards and amendments that became effective during the current year:

IAS 32 Financial Instruments: Presentation – Amendment relating to the offsetting of assets and liabilities (effective for accounting periods beginning on or after 1 January 2014).

IAS 36 Impairment of Assets – Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets (effective for accounting periods beginning on or after 1 January 2014).

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

ii) The company has not applied the following standards and amendments that became effective during the current year, as they do not apply to the activities of the company:

- | | |
|---------|--|
| IFRS 2 | Share-based payment – Amendment to the definition of vesting condition (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 3 | Business Combinations – Amendment re: accounting for a contingent consideration in a business combination (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 3 | Business Combinations – Amendment on the scope of exception for joint ventures (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 8 | Operating Segments – Amendment re: disclosure of the aggregation of operating segments and the reconciliation of assets (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 10 | Consolidated Financial Statements – Amendment for investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IFRS 12 | Disclosure of Interests in Other Entities – Amendment for investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IFRS 13 | Fair Value Measurement – Amendment re: clarification of portfolio exception (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 16 | Property, Plant and Equipment – Amendment re: proportionate restatement of accumulated depreciation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 24 | Related Party Disclosures – Amendment on disclosures for entities providing key management personnel services (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 27 | Separate Financial Statements – Amendment to measure at fair value eligible investment entities (effective for accounting periods beginning on or after 1 January 2014). |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

- IAS 32 Financial Instruments; Presentation – Amendment re: application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
- IAS 38 Intangible Assets – Amendment re: the proportionate restatement of accumulated amortisation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014).
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment re: the novation of derivatives and continuation of hedge accounting (effective for accounting periods beginning on or after 1 January 2014).
- IAS 40 Investment Property – Amendment re: clarification of specific transactions that are both business combinations and investment property (effective for accounting periods beginning on or after 1 July 2014).
- IFRIC 21 Levies (effective for accounting periods beginning on or after 1 January 2014).

iii) 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 5 Non-current Assets Held for Sale and Discontinued Operations – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 7 Financial Instruments: Disclosures – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 10 Consolidated Financial Statements – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 10 Consolidated Financial Statements – Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

- IFRS 11 Joint Arrangements – Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 12 Disclosure of Interest in Other Entities – Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 14 Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017).
- IAS 1 Presentation of Financial Statements – Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2016).
- IAS 16 Property, Plant and Equipment – Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016).
- IAS 16 Property, Plant and Equipment – Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 19 Employee Benefits: Disclosures – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
- IAS 27 Separate Financial Statements – Amendments reinstalling the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for accounting periods beginning on or after 1 January 2016).
- IAS 28 Investment in Associates – Amendments regarding the sale or contribution of assets between investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016).
- IAS 28 Investment in Associates – Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IAS 34 Interim Financial Reporting – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

IAS 38 Intangible Assets – Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016).

IAS 41 Agriculture – Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016).

The adoption of IFRS 9 Financial Instruments may result in significant changes in the company's classification and presentation of financial instruments.

(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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(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 (3) months or less and are carried at cost, which approximates market value.

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 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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2015****2. Summary of Significant Accounting Policies (Cont'd):****(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 and Accumulated Deficit.

(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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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:

| | 30 September 2015 | |
|-------------------------------------|------------------------------------|--------------------------------|
| | Carrying Value (\$) | Fair Value (\$) |
| Financial Assets | | |
| Cash and cash equivalents | 6,806,101 | 6,806,101 |
| Accounts receivable and prepayments | 1,223,779 | 1,223,779 |
| Loans | 19,724,519 | 19,724,519 |
| Financial Liabilities | | |
| Accounts payable and accruals | 13,142,054 | 13,142,054 |
| Deferred income – Government Grants | 2,616,417 | 2,646,417 |
| | 30 September 2014 | |
| | Carrying Value (\$) | Fair Value (\$) |
| Financial Assets | | |
| Cash and cash equivalents | 10,393,634 | 10,393,634 |
| Accounts receivable and prepayments | 1,758,718 | 1,758,718 |
| Loans | 22,083,056 | 22,083,056 |
| Financial Liabilities | | |
| Accounts payable and accruals | 17,365,493 | 17,365,493 |
| Deferred income – Government Grants | 4,573,291 | 4,573,291 |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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 (\$) | 2015 | | Non - Interest Bearing (\$) | Total (\$) |
|-------------------------------------|---------------------|--------------------|-------------------|-----------------------------|-------------------|
| | | Up to 5 years (\$) | Over 5 years (\$) | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 0.5 % – 1.5% | 6,796,301 | - | 9,800 | 6,806,101 |
| Accounts receivable and prepayments | 0% | - | - | 1,223,779 | 1,223,779 |
| Loans | 14% - 15% | <u>19,724,519</u> | - | - | <u>19,724,519</u> |
| | | <u>26,520,820</u> | - | <u>1,233,579</u> | <u>27,754,399</u> |
| Financial Liabilities | | | | | |
| Accounts payable and accruals | 0% | - | - | 13,142,054 | 13,142,054 |
| Deferred income – Government Grants | 0% | - | - | <u>2,616,417</u> | <u>2,616,417</u> |
| | | - | - | <u>15,758,471</u> | <u>15,758,471</u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

3. Financial Risk Management (Cont'd):

(a) Interest rate risk (continued) -

| | Effective Rate (\$) | 2014 | | Non - Interest Bearing (\$) | Total (\$) |
|-------------------------------------|---------------------------|--------------------------|-------------------------|--------------------------------------|-------------------|
| | | Up to 5 years (\$) | Over 5 years (\$) | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 0.5 – 1.5% | 10,383,634 | - | 10,000 | 10,393,634 |
| Accounts receivable and prepayments | 0% | - | - | 1,758,718 | 1,758,718 |
| Loans | 14 -15% | <u>22,083,056</u> | <u>-</u> | <u>-</u> | <u>22,083,056</u> |
| | | <u>32,466,690</u> | <u>-</u> | <u>1,768,718</u> | <u>34,235,408</u> |
| Financial Liabilities | | | | | |
| Accounts payable and accruals | 0% | - | - | 17,365,493 | 17,365,493 |
| Deferred income – Government Grants | 0% | <u>-</u> | <u>-</u> | <u>4,573,291</u> | <u>4,573,291</u> |
| | | <u>-</u> | <u>-</u> | <u>21,938,784</u> | <u>21,938,784</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 2015

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 2015 | | |
|-------------------------------------|--------------------------|-------------------------|-------------------|
| | Up to 5 years (\$) | Over 5 years (\$) | Total (\$) |
| Financial Assets | | | |
| Cash and cash equivalents | 6,806,101 | - | 6,806,101 |
| Accounts receivable and prepayments | 1,223,779 | - | 1,223,779 |
| Loans | <u>19,724,519</u> | <u>-</u> | <u>19,724,519</u> |
| | <u>27,754,399</u> | <u>-</u> | <u>27,754,399</u> |
| Financial Liabilities | | | |
| Accounts payables and accruals | 13,142,054 | - | 13,142,054 |
| Deferred income – Government Grants | <u>2,616,417</u> | <u>-</u> | <u>2,616,417</u> |
| | <u>15,758,471</u> | <u>-</u> | <u>15,758,471</u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

3. Financial Risk Management (Cont'd):

(c) Liquidity risk (cont'd) -

| | 30 September 2014 | | |
|-------------------------------------|--------------------------|-------------------------|-------------------|
| | Up to 5 years (\$) | Over 5 years (\$) | Total (\$) |
| Financial Assets | | | |
| Cash and cash equivalents | 10,393,634 | - | 10,393,634 |
| Accounts receivable and prepayments | 1,758,718 | - | 1,758,718 |
| Loans | <u>22,083,056</u> | - | <u>22,083,056</u> |
| | <u>34,235,408</u> | - | <u>34,235,408</u> |
| Financial Liabilities | | | |
| Accounts payable and accruals | 17,365,493 | - | 17,365,493 |
| Deferred income – Government Grants | <u>4,573,291</u> | - | <u>4,573,291</u> |
| | <u>21,938,784</u> | - | <u>21,938,784</u> |

(d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The 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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with IFRSs 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:

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

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

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

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

i) Impairment of assets

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

ii) Plant and equipment

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

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

5. Cash and Cash Equivalents:

| | 30 September | |
|--------------------------------------|-------------------------|--------------------------|
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Cash: | | |
| Cash in hand | 9,800 | 10,000 |
| Amount held in bank current accounts | <u>1,208,542</u> | <u>918,213</u> |
| | 1,218,342 | 928,213 |
| Cash equivalents: | | |
| Amount held in mutual fund accounts | <u>5,587,759</u> | <u>9,465,421</u> |
| | <u><u>6,806,101</u></u> | <u><u>10,393,634</u></u> |

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

6. Accounts Receivable and Prepayments:

| | 30 September | |
|-------------------|-------------------------|-------------------------|
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Other receivables | 728,601 | 1,286,221 |
| Prepayments | <u>495,178</u> | <u>472,497</u> |
| | <u><u>1,223,779</u></u> | <u><u>1,758,718</u></u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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.

| | 30 September | |
|-------------------------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Loans | 111,756,725 | 114,115,262 |
| Less: Provision for loan losses | <u>(92,032,206)</u> | <u>(92,032,206)</u> |
| | <u>19,724,519</u> | <u>22,083,056</u> |
| Provisions for Loan losses: | | |
| Balance at beginning of year | 92,032,206 | 91,872,968 |
| Increase in provision for bad debts | <u>-</u> | <u>159,238</u> |
| Balance at end of year | <u>92,032,206</u> | <u>92,032,206</u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

8. Property, Plant and Equipment:

| Cost | <u>Leasehold Improvements</u> (\$) | <u>Furniture and Fixtures</u> (\$) | <u>Office Equipment</u> (\$) | <u>Computer Software and Equipment</u> (\$) | <u>Motor Vehicles</u> (\$) | <u>Total</u> (\$) |
|---------------------------------|---|---|-------------------------------------|--|-----------------------------------|----------------------|
| Balance as at 1 October 2014 | 6,338,193 | 5,139,858 | 2,651,097 | 4,897,593 | 1,538,694 | 20,565,435 |
| Additions | 13,488 | 26,054 | 36,884 | 1,058,976 | - | 1,135,402 |
| Disposals | - | (2,875) | (595) | (8,668) | - | (12,138) |
| Balance as at 30 September 2015 | <u>6,351,681</u> | <u>5,163,037</u> | <u>2,687,386</u> | <u>5,947,901</u> | <u>1,538,694</u> | <u>21,688,699</u> |
| Accumulated Depreciation | | | | | | |
| Balance as at 1 October 2014 | 6,104,964 | 4,915,100 | 1,916,469 | 4,562,658 | 1,232,828 | 18,732,019 |
| Depreciation charge | 57,397 | 72,256 | 242,208 | 256,387 | 203,400 | 831,648 |
| Disposals | - | (2,875) | (595) | (5,610) | - | (9,080) |
| Balance as at 30 September 2015 | <u>6,162,361</u> | <u>4,984,481</u> | <u>2,158,082</u> | <u>4,813,435</u> | <u>1,436,228</u> | <u>19,554,587</u> |
| Net Book Value | | | | | | |
| 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> |
| Balance, 30 September 2014 | <u>233,229</u> | <u>224,758</u> | <u>734,628</u> | <u>334,935</u> | <u>305,866</u> | <u>1,833,416</u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

| Cost | Leaschold Improvements (\$) | Furniture and Fixtures (\$) | Office Equipment (\$) | Computer Software and Equipment (\$) | Motor Vehicles (\$) | Total (\$) |
|---------------------------------|--|--|--------------------------------------|---|------------------------------------|-----------------------|
| Balance as at 1 October 2013 | 6,335,031 | 5,063,365 | 2,492,363 | 4,873,619 | 1,538,694 | 20,303,072 |
| Additions | 3,162 | 83,979 | 189,374 | 62,816 | - | 339,331 |
| Disposals | - | (7,486) | (30,640) | (38,842) | - | (76,968) |
| Balance as at 30 September 2014 | <u>6,338,193</u> | <u>5,139,858</u> | <u>2,651,097</u> | <u>4,897,593</u> | <u>1,538,694</u> | <u>20,565,435</u> |
| Accumulated Depreciation | | | | | | |
| Balance as at 1 October 2013 | 5,811,630 | 4,741,658 | 1,701,658 | 4,308,101 | 1,029,429 | 17,592,476 |
| Depreciation charge | 293,334 | 180,928 | 237,266 | 273,660 | 203,399 | 1,188,587 |
| Disposals | - | (7,486) | (22,455) | (19,103) | - | (49,044) |
| Balance as at 30 September 2014 | <u>6,104,964</u> | <u>4,915,100</u> | <u>1,916,469</u> | <u>4,562,658</u> | <u>1,232,828</u> | <u>18,732,019</u> |
| Net Book Value | | | | | | |
| Balance, 30 September 2014 | <u>233,229</u> | <u>224,758</u> | <u>734,628</u> | <u>334,935</u> | <u>305,866</u> | <u>1,833,416</u> |
| Balance, 30 September 2013 | <u>523,401</u> | <u>321,707</u> | <u>790,705</u> | <u>565,518</u> | <u>509,265</u> | <u>2,710,596</u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

9. Accounts Payable and Accruals:

| | 30 September | |
|---|--------------------------|--------------------------|
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Accounts payable: | | |
| Trade creditors | 1,439,611 | 1,031,040 |
| Employee-related obligations | 8,229,504 | 13,425,561 |
| Client-related obligations – lending business | 1,741,616 | 1,269,847 |
| Other payables | 479,053 | 517,615 |
| Accruals: | | |
| Audit fees | 143,750 | 195,500 |
| Other accruals | 709,952 | 577,147 |
| Retirement benefit payable | <u>398,568</u> | <u>348,783</u> |
| | <u>13,142,054</u> | <u>17,365,493</u> |

10. Stated Capital:

| | 30 September | |
|---|--------------------|--------------------|
| | <u>2015</u> | <u>2014</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 |

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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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| 12. <u>Other Income:</u> | 30 September | |
|--|--------------------------|--------------------------|
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Training fees | 342,925 | 54,550 |
| Loan processing fees | 68,900 | 20,300 |
| Other | <u>538,209</u> | <u>895,045</u> |
| | <u><u>950,034</u></u> | <u><u>969,895</u></u> |
| | | |
| 13. <u>Operating Expenses:</u> | 30 September | |
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Directors' cost (Note 17) | 917,433 | 1,056,535 |
| Staff costs (Note 18) | 16,985,807 | 17,171,061 |
| Loan portfolio management | 649,202 | 824,392 |
| Property-related costs (Note 19) | 6,682,924 | 6,833,820 |
| Depreciation and amortisation | 831,648 | 1,188,587 |
| Other operating costs | <u>4,360,748</u> | <u>4,666,712</u> |
| | <u><u>30,427,762</u></u> | <u><u>31,741,107</u></u> |
| | | |
| 14. <u>Development Support Services:</u> | 30 September | |
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Marketing and distribution initiative | 275,167 | 289,000 |
| Networking in communities | 606 | 3,075 |
| Special projects | 480,123 | 201,254 |
| Training initiative | <u>464,879</u> | <u>33,629</u> |
| | <u><u>1,220,775</u></u> | <u><u>526,958</u></u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

15. Interest Expense:

| | 30 September | |
|---------------------------|----------------------|----------------------|
| | <u>2015</u> (\$) | <u>2014</u> (\$) |
| Interest cost | 6,976 | 6,016 |
| Bank interest and charges | <u>18,608</u> | <u>12,704</u> |
| | <u><u>25,584</u></u> | <u><u>18,720</u></u> |

16. Loan Loss:

| | 30 September | |
|-------------------|-----------------------|-----------------------|
| | <u>2015</u> (\$) | <u>2014</u> (\$) |
| Loan loss expense | - | 159,238 |
| Loans written off | <u>565,515</u> | <u>490,404</u> |
| | <u><u>565,515</u></u> | <u><u>649,642</u></u> |

17. Directors' Fees and Expenses:

| | 30 September | |
|--------------------------|-----------------------|-------------------------|
| | <u>2015</u> (\$) | <u>2014</u> (\$) |
| Directors' fees | 701,093 | 751,420 |
| Directors' miscellaneous | <u>216,340</u> | <u>305,115</u> |
| | <u><u>917,433</u></u> | <u><u>1,056,535</u></u> |

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

| 18. <u>Staff Costs:</u> | 30 September | |
|-----------------------------------|--------------------------|--------------------------|
| | <u>2015</u> (\$) | <u>2014</u> (\$) |
| Current period costs: | | |
| Salaries | 12,817,877 | 13,087,224 |
| Benefits | 2,120,107 | 1,916,494 |
| Training and welfare | 414,372 | 787,700 |
| Other staff costs | <u>989,942</u> | <u>746,470</u> |
| | <u>16,342,298</u> | <u>16,537,888</u> |
| Post-Employment Benefits: | | |
| Gratuities | 199,412 | 252,665 |
| Defined contribution arrangements | 401,288 | 338,538 |
| Defined benefit arrangements | <u>42,809</u> | <u>41,970</u> |
| | <u>643,509</u> | <u>633,173</u> |
| | <u><u>16,985,807</u></u> | <u><u>17,171,061</u></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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

18. Staff Costs (Cont'd):

Defined contribution arrangements (cont'd) -

Employer-owned policies are currently arranged through Sagicor 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.

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>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Operating lease rentals | 4,732,957 | 4,741,980 |
| Security costs | 1,517,000 | 1,535,292 |
| Other property-related costs | <u>432,967</u> | <u>556,548</u> |
| | <u><u>6,682,924</u></u> | <u><u>6,833,820</u></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.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

20. Related Party Transactions (Cont'd):

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

| | 30 September | |
|---|---------------------|---------------------|
| | <u>2015</u> (\$) | <u>2014</u> (\$) |
| Assets | | |
| Outstanding balances on Loans to key management personnel | - | 20,000 |
| Expenses | | |
| Directors' fees | 701,093 | 751,420 |
| Key management compensation | | |
| Short-term benefits | 5,263,874 | 4,165,636 |

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 2015.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Enabling Competitive Business Programme | 1,955,832 | - |
| National Integrated Business Incubator System | 2,353,667 | 4,108,533 |
| Innovation Financing Facility | <u>6,573,203</u> | <u>3,611,480</u> |
| | <u>10,882,702</u> | <u>7,720,013</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 2015

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

Innovation Financing Facility -

The Government through its Council for Competitiveness and Innovation 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

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24. Other Amounts Held on Trust:

| | 30 September | |
|---------------------------------------|----------------|----------------|
| | <u>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| Employee death benefits held on trust | <u>354,337</u> | <u>351,122</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>2015</u> | <u>2014</u> |
| | (\$) | (\$) |
| In respect of, the company's branch network: | | |
| Due in 1 year | 2,474,333 | 3,871,500 |
| Due after 1 year but less than 5 years | <u>2,187,686</u> | <u>668,265</u> |
| | <u>4,662,019</u> | <u>4,539,765</u> |
| The National Integrated Business Incubator System: | | |
| Due in 1 year | 4,651,339 | 3,491,745 |
| Due after 1 year but less than 5 years | <u>3,703,544</u> | <u>2,958,387</u> |
| | <u>8,354,883</u> | <u>6,450,132</u> |
| In aggregate: | | |
| Due in 1 year | 7,125,672 | 7,363,245 |
| Due after 1 year but less than 5 years | <u>5,891,230</u> | <u>3,626,652</u> |
| | <u>13,016,902</u> | <u>10,989,897</u> |

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 lease in respect of the company's head office is the single most significant leasing transaction within this group, which term ends on 31 December 2015. It is renewable for a further term of three years by six months written notice (prior to the expiration of the lease) by the company to the lessor.

NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2015****25. Non-Cancellable Operating Lease Commitments (Cont'd):****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 (IBIS) 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 IBIS initiative and are not settled from the company's own financial resources.