



# VENTURE CAPITAL INCENTIVE PROGRAMME

## ADMINISTRATIVE REPORT 2008 OF THE VENTURE CAPITAL INCENTIVE PROGRAMME

## **Mission Statement**

To facilitate business activity through private equity financing by fostering and promoting an environment of innovation and entrepreneurship.

## **Vision**

An entrepreneurial landscape where private equity is a normal and regular method of financing new and existing businesses.

## **Strategic Plan**

During 2008 we had targeted the addition of at least 3 new Qualifying Investee Companies coming out of two Venture Capital Companies.

A mixture of promotional methods was used to market the programme and for the first time we highlighted the tax incentive aspects during the last quarters of 2007 and 2008 with radio and newspaper advertisements.

The programme was also advertised extensively in trade magazines and we maintained links with the major trade organizations such as the Chambers of Commerce.

A Business Plan Competition for secondary schools was hosted and there was encouraging participation from the nation's schools.

There were also collaborations with the University of Trinidad and Tobago, Cipriani College of Labour and Cooperative Studies and a significant partnership with the Tobago House of Assembly all related to developing business ideas.

We concentrated on developing the existing Venture Capital Companies and increasing both their fund sizes and number of investments. We have not had the success and cooperation anticipated in this area and this strategy will have to be reevaluated. The recent freeze of the Adventure Venture Capital Fund as part of the CL Financial Group has also impacted negatively on this strategy.

We propose to suggest an alternative approach to venture capital financing to the Honourable Minister.

## **Financial Operations**

We have submitted Audited Financial Statements up to the year 2006 and are awaiting word from the Auditor General's Department on 2007 and 2008 which are ready for auditing.

The VCIP spent approximately 55% of its allocations last year. This was due in large part to the postponement of an International Investment Forum and the cancellation of overseas trips and a decision to leave some posts vacant.

The VCIP incurs no debt and makes no financial investments.

## **Human Resources**

The majority of our Human Resource issues are handled in collaboration with the HR department of the Ministry of Trade and Industry.

We have two staff members who have moved through the ranks of the VCIP and we will normally look internally before filling vacant positions. These promotions were performance based.

The performance appraisal system of the Ministry of Trade and Industry is utilized for performance management.

## **Organizational Structure**

### 1. Corporate Structure

Organisation Chart - Index 1

### 2. Services Provided

Facilitation services to entrepreneurs, provision of tax credit certificates to taxpayers. Advice on proposals and projects.

### 3. Levels of Authority

Strategic- Administrator reports to the Permanent Secretary/Minister

Tactical- Administrator and Financial and Compliance Officer sign all vouchers and authorizations for expenditure

4. Conditions of Employment- All staff on contract.

### **Procurement**

All procurement is done in accordance with the guidelines of the Ministry of Trade and Industry.

### **Reporting Functions**

The Administrator reports to the Minister of Trade and Industry and also prepares a report for Parliament.

### **Special Plans / Performance vs. Goals**

With the exception of the Investment Forum we were able to carry out most of our plans for the year 2008. The problem however is that they did not yield the level of success that we had anticipated. The VCIP is in the uncomfortable position of depending on others for its ultimate success. It does not matter if we promote and advertise and facilitate if it does not translate into new businesses or at least new investments.

Fund sizes have remained stagnant at approximately \$14 million. We have advertised with a view to increasing the fund sizes but the companies themselves have not been marketing their organizations and have often failed to fund advertising or promotional campaigns in partnership with us.

Our projections required 3 new companies based on our discussions with the Venture Capital Companies and this has not materialized despite our encouragement. In hindsight issues at CL Financial may have had some impact at Addventure Venture Capital Fund.

This apathy contributed to the postponement of the Investment Forum since we could not have a forum promoting equity financing without a reasonable assurance that projects would be seriously considered.

Due to the potential risks and the participation of the VCCs in the business only a small percentage of proposals will be financed by a Venture Capital Company but nevertheless we are not seeing a commitment to increasing deal flows and by extension actual businesses.

## Remedial Plans

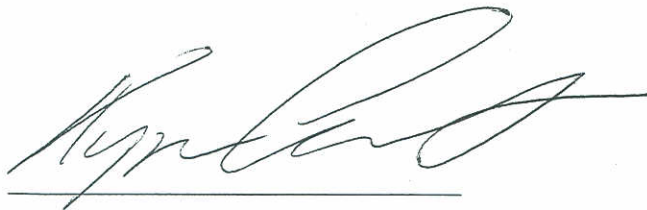
We intend to approach the Minister to propose two major changes/additions to the existing venture capital model.

1. A change from a fund based system to a project based system and special purpose venture capital companies.
2. The creation of a national venture capital fund either of a general nature or sector based.

In addition we broaden and deepen links with the tertiary institutions which over the last decade have been placing greater emphasis on entrepreneurship. This is expected to provide a steady stream of innovative ideas that can be tapped for actual business potential.

This will be assisted by continuing intervention at the secondary level in terms of entrepreneurial spirit as well as the awareness of business plans which can be refined as students' progress to tertiary level.

It is also required that we strengthen the links among all government business and financing agencies so as to facilitate speedy referrals of business ideas to the agency best suited to support the needs of the entrepreneur.

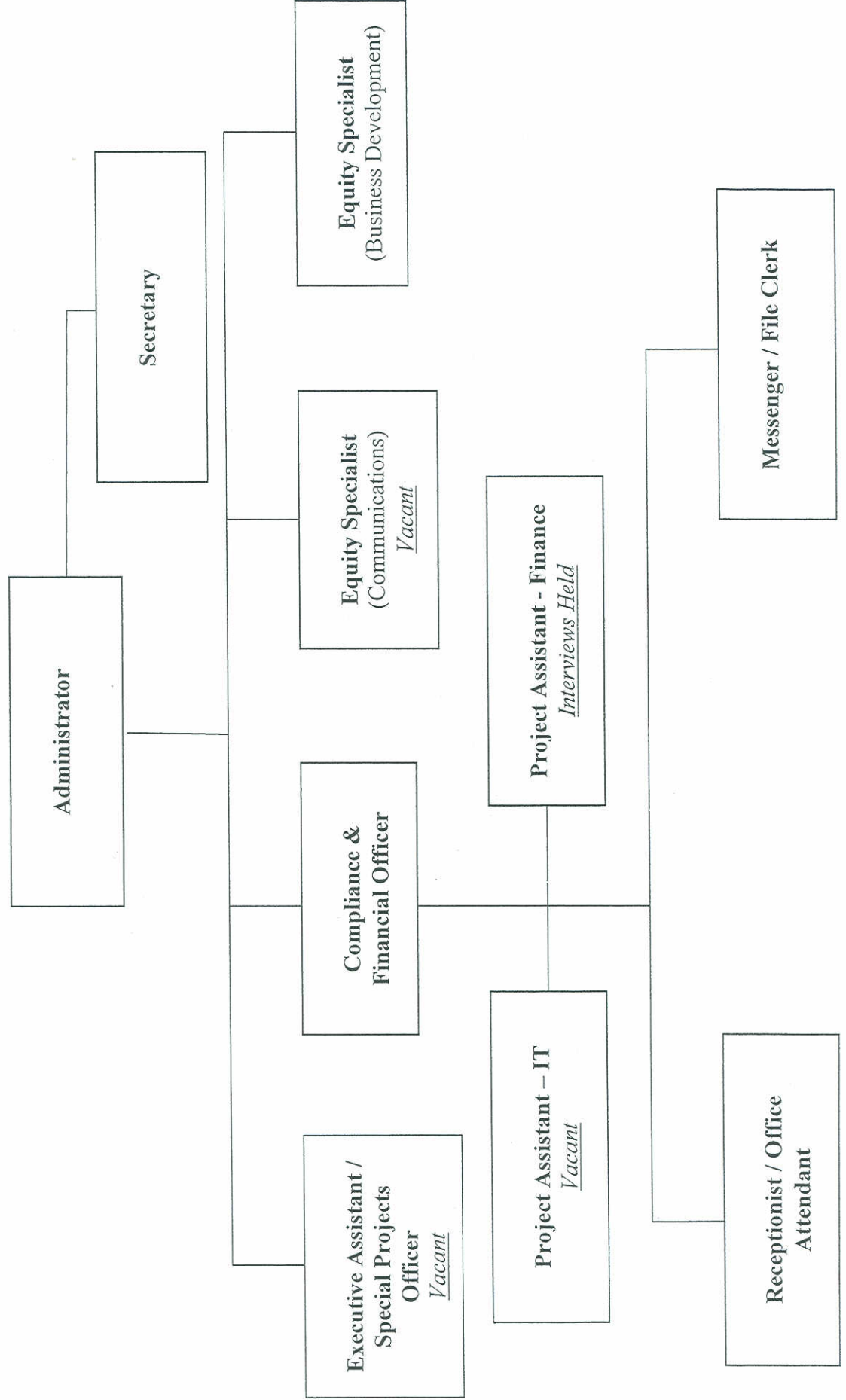
A handwritten signature in black ink, appearing to read 'Kyran Grant', is written over a horizontal line.

Kyran Grant

Administrator

# Venture Capital Incentive Programme

## Organisation Chart



**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Financial Statements  
for the year ended  
30 September 2008**

# VENTURE CAPITAL INCENTIVE PROGRAMME

Financial Statements for the year ended 30 September 2008

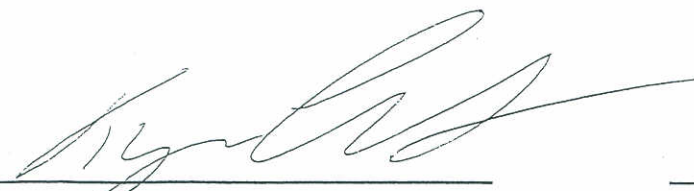
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Statement of Cash Flows	4-5
Notes to the Financial Statements	6-9
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**VENTURE CAPITAL  
INCENTIVE PROGRAMME  
Balance Sheet as at 30 September 2008**

	Notes	2008 \$	2007 \$
<b>Current Assets</b>			
Cash on Hand and Bank	6	120,994.23	178,799.28
Debtors		21,000.00	20,049.59
Prepayments	7	214,564.05	551,464.72
		<u>356,558.28</u>	<u>750,313.59</u>
<b>Current Liabilities</b>			
Accounts Payable	4	12,641.33	357,279.80
Accrued Liabilities	8	115,544.09	99,530.33
		<u>128,185.42</u>	<u>456,810.13</u>
<b>Working Capital</b>		228,372.86	293,503.46
Fixed Assets	3	136,321.47	163,756.71
<b>Net Assets</b>		<u><u>364,694.33</u></u>	<u><u>457,260.17</u></u>
<b>Represented By:</b>			
Accumulated Fund	5	364,694.33	457,260.17
<b>Accumulated Fund</b>		<u><u>364,694.33</u></u>	<u><u>457,260.17</u></u>

The attached statements and notes set out on pages 6 to 9 form an integral part of these Financial Statements



ADMINISTRATOR



COMPLIANCE AND  
FINANCIAL OFFICER



**VENTURE CAPITAL  
INCENTIVE PROGRAMME**  
Statement of Income and Expenditure  
for the year ended 30 September 2008

	Schedules	2008 \$	2007 \$
Total Revenue			
Depreciation	1	1629,104.55	1227,013.55
		45,734.99	57,586.55
		<u>1674,839.54</u>	<u>1284,600.10</u>
Total Expenses			
Depreciation	2	1675,935.40	966,721.35
		45,734.99	57,586.56
		<u>1721,670.39</u>	<u>1024,307.91</u>
Net Income		(46,830.85)	260,292.23
Purchase of Fixed Assets		(18,299.75)	(102,918.11)
		<u>(65,130.60)</u>	<u>157,374.12</u>

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 Administrator

**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Statement of Cash Flows  
for the year ended 30 September 2008**

	2008 \$	2007 \$
<b>Cash Flows from Operating activities</b>		
Net Income		
Operating Profit before working capital changes	(46,830.85)	260,292.23
	<u>(46,830.85)</u>	<u>260,292.23</u>
Increase / (Decrease) in debtors and prepayments	335,950.26	(508,032.71)
(Increase) / Decrease in Accounts Payable and Accrued Liabilities	(328,624.71)	354,325.65
	<u>(39,505.30)</u>	<u>106,585.17</u>
Cash generated from Operations		
Net Cash from operating activities	<u>(39,505.30)</u>	<u>106,585.17</u>
Purchase of Fixed Assets	(18,299.75)	(102,918.11)
Fixed Assets written off	0.00	0.00
Net Cash used in investing activities	<u>(18,299.75)</u>	<u>(102,918.11)</u>

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INCENTIVE PROGRAMME**

**Statement of Cash Flows (Continued)  
for the year ended 30 September 2008**

	2008	2007
	\$	\$
<b>Cash Flows From Financing Activities</b>		
Net Cash used in financing activities	0.00	0.00
Net Increase in cash and cash equivalents	(57,805.05)	3,667.06
Cash and cash equivalents at beginning of year	<u>371,356.10</u>	<u>367,689.04</u>
Cash and cash equivalents at end of year	<u><u>313,551.05</u></u>	<u><u>371,356.10</u></u>

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# VENTURE CAPITAL INCENTIVE PROGRAMME

Notes to the Financial Statements  
for the year ended 30 September 2008

## 1 Incorporation and principal activity

The Venture Capital Incentive Programme (VCIP) was established by the Venture Capital Act, 1994 to encourage the investment in business through Venture Capital Companies and Instruments.

The VCIP provides entrepreneurs with a means by which ideas can be developed into lucrative and financially sound business enterprises.

The VCIP was formed to facilitate the development of business primarily within the non-traditional small and medium sectors of the national economy as this area of the economy faces the highest risks due to the lack of adequate financing and expertise to ensure proper growth.

The VCIP fulfils this mandate by offering fiscal incentives for both saving and investing in the productive sectors of the economy. The VCIP is the means by which persons willing to accumulate savings can do so with the added benefit of a tax incentive and the knowledge of aiding the small and medium business sector.

The broad objectives of the programme are as follows:

- To stimulate growth and expansion in the non-traditional small and medium enterprise sector.
- Diversification of the economy
- To reduce the risk of business failure caused by fixed debt servicing.
- To provide business expertise and financial support.
- To promote the growth of the capital market.
- To create jobs in light of rising unemployment.

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# VENTURE CAPITAL INCENTIVE PROGRAMME

## Notes to the Financial Statements for the year ended 30 September 2008 (continued)

### 2 Significant accounting policies

#### a) Basis of accounting

These financial statements are prepared under the historical cost convention and no account is taken of the effects of inflation.

The Venture Capital Incentive Programme established a bank account to deposit funds received from revenue generating activities.

During the review period, the Ministry of Trade and Industry administered the disbursement of funds from subventions received upon instructions from the VCIP.

#### b) Fixed Assets

Fixed assets are stated at historical cost. Depreciation is provided on the straight line basis at rates which are estimated to write off the cost of the assets over their estimated useful lives. The rates are as follows:

Computer Equipment - 20% per annum

Furniture & Fixtures - 10% per annum

Office Equipment - 20% per annum

A full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal.

The accounting treatment for depreciation in the accounts of the Venture Capital Incentive Programme is similar to that recommended by the Ministry of Finance for Statutory Boards.

#### c) Income & Expenses

Income and expenses are accounted for on the accruals basis. Office rent is based on a lease agreement with West Indies Stock Brokers Limited



**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Notes to the Financial Statements  
for the year ended 30 September 2008 (continued)**

**3 Fixed Assets**

	Computer Equipment \$	Furniture & Fixtures \$	Office Equipment \$	Total \$
Fixed Assets b/f - 01.10.2007	227,687.66	243,887.89	206,060.00	677,635.55
Additions	948.75	9,790.00	7,561.00	18,299.75
<b>Fixed Assets c/f - 30.09.2008</b>	<b>228,636.41</b>	<b>253,677.89</b>	<b>213,621.00</b>	<b>695,935.30</b>
Accumulated Depreciation - 01.10.2007	158,009.86	206,088.46	149,780.52	513,878.84
Depreciation Charge	24,764.64	6,556.36	14,413.99	45,734.99
<b>Accumulated Depreciation -30.09.2008</b>	<b>182,774.50</b>	<b>212,644.82</b>	<b>164,194.51</b>	<b>559,613.83</b>
<b>Net Book Value - 30.09.2008</b>	<b>45,861.91</b>	<b>41,033.07</b>	<b>49,426.49</b>	<b>136,321.47</b>
Net Book Value - 30.09.2007	69,677.80	37,799.43	56,279.48	163,756.71

**4 Accounts Payable**

Accounts Payable refers to Trade Creditors for whom invoices were forwarded to the Ministry of Trade for payment under the VCIP's allocation but remained unpaid as at September 30, 2008

**5 Accumulated Fund**

**Computation of Accumulated Fund**

	30.09.2008 \$	30.09.2007 \$
Accumulated Fund b/f	457,260.17	254,554.50
Purchase of Fixed Assets	18,299.75	102,918.11
Depreciation	(45,734.99)	(57,586.56)
Surplus/(Deficit)	429,824.93 (65,130.60)	299,886.05 157,374.12
<b>Accumulated Fund as at September 30, 2008</b>	<b>364,694.33</b>	<b>457,260.17</b>

**6 Cash on Hand**

Cash on hand refers to the unexpended portion of the petty cash float, net deposits and net credit balance of an account in the name of the Venture Capital Incentive Programme held at Republic Bank Limited, Independence Square Branch.



**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Notes to the Financial Statements  
for the year ended 30 September 2008 (continued)**

**Prepayments**

Prepayments refer to advance payments for goods and services for the VCIP.  
The prepayments are listed in schedule 4 attached.

**Accruals**

Accruals relate to expenditure for which invoices have not been received as at September 30, 2008

	2008	2007
	\$	\$
All Media Projects Ltd.	135.30	0.00
Auditor General Dept.	92,393.76	78,610.32
Citadel Ltd.	6,325.00	0.00
Direct Trading Ltd.	345.00	0.00
Food Giant Supermarket	252.78	0.00
Prestige Business Publications Ltd.	6,158.25	0.00
Quick Stitch Ltd.	0.00	2,550.00
Salary	9,750.00	17,201.61
Tops Office Supplies Ltd	184.00	1,168.40
	<b>115,544.09</b>	<b>99,530.33</b>

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**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Schedules to the Financial Statements  
for the year ended 30 September 2008**

**Schedule 1**

<b>Revenue</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Government Subventions	1626,534.07	1222,860.63
Miscellaneous Income	0.00	0.00
Interest Income	2,570.48	4,152.95
<b>Total Revenue</b>	<b>1629,104.55</b>	<b>1227,013.58</b>

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**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Schedules to the Financial Statements  
for the year ended 30 September 2008 (continued)**

**Schedule 2**

Expenses	2008 \$	2007 \$
<b>Staff Expenses</b>		
Salaries and Wages	709,485.48	420,699.92
Staff Training	4,495.00	4,357.50
Employee Benefits	141,282.88	63,968.59
<b>Total Staff Expenses</b>	<b>855,263.36</b>	<b>489,026.01</b>
<b>Other Expenses</b>		
Advertising	203,507.83	46,738.22
Subscriptions and Memberships	1,437.50	4,245.62
Seminars & Workshops	179,492.49	19,170.00
Newspapers, magazines, publications	6,215.68	6,295.82
Rental-Motor vehicle	4,790.00	0.00
Rental-Office Building	240,000.00	240,000.00
Rental-Other	16,266.75	15,663.00
Repairs and Maintenance-Computer Equipment	0.00	690.00
Repairs and Maintenance-Office Equipment	345.00	2,733.50
Repairs and Maintenance-Office furn&fix	0.00	3,565.00
Repairs and Maintenance-Office Building	291.80	180.00
Janitorial	43,583.34	36,719.47
Interest and Bank Charges	640.50	272.00
Professional Fees	13,783.44	15,870.65
Accomodation and incidentals	191.48	0.00
Travel	640.00	0.00
Entertainment	4,675.00	1,631.85
Telephone/Fax/Internet	85,817.44	71,146.74
Printing & Stationery	9,539.86	4,245.78
Postage/Courier	92.50	38.00
General Expenses	8,366.43	8,489.69
Contributions	995.00	0.00
<b>Total Other Expenses</b>	<b>820,672.04</b>	<b>477,695.34</b>
<b>Total Expenses</b>	<b>1675,935.40</b>	<b>966,721.35</b>

**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Schedules to the Financial Statements  
for the year ended 30 September 2008 (continued)**

**Schedule 3**

**Accounts Payable-Creditors**

	2008 \$	2007 \$
AMPLE	0.00	349,923.15
Carib-Link Ltd.	115.00	0.00
Trinidad Express	7,313.78	7,313.78
TSTT	5,212.55	42.87
<b>Total Creditors</b>	<u><u>12,641.33</u></u>	<u><u>357,279.80</u></u>

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**VENTURE CAPITAL  
INCENTIVE PROGRAMME**

**Schedules to the Financial Statements  
for the year ended 30 September 2008 (continued)**

**Schedule 4**

**Prepayments**

	2008 \$	2007 \$
AMPLE		
Center of Excellence	175,173.75	525,096
COPOS Credit Union	9,030.95	0
Corbin Communications	0.00	20,000
Daily News Limited (Newsday)	3,833.31	0
Restige Business Publications	130.50	130
Printed Matter Distribution	9,237.36	0
Stentokil	3,521.25	3,521.2
Trinidad & Tobago Chamber of Ind. & Comm.	591.47	571.0
Trinidad Express	359.40	359.4
Trinidad Publishing Limited	259.98	216.6
TT - Yellow Pages Advertising	130.50	130.5
Webberz.com	11,969.55	1,329.9
<b>Total Prepayments</b>	<u>326.03</u>	<u>108.48</u>
	<u><u>214,564.05</u></u>	<u><u>551,464.72</u></u>

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