

Micro Enterprise Financing Limited

Financial Statements
30 September 2007

Micro Enterprise Financing Limited

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Independent Auditors' Report

To the Members of
Micro Enterprise Financing Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Micro Enterprise Financing Limited set out on pages 1 to 16, which comprise the balance sheet as of 30 September 2007 and the income and expenditure account, statement of changes in equity and cash flow statement 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 and with the requirements of the Jamaican Companies Act. 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 auditor's 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 auditor considers 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 accompanying financial statements give a true and fair view of the financial position of the company as of 30 September 2007, and of financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

Chartered Accountants

[date]

Kingston, Jamaica

Micro Enterprise Financing Limited

Income and Expenditure Account

Year ended 30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Income			
Interest on loans		34,409	20,193
Interest on deposits		2,334	8,823
Grants		2,191	23,978
Fees		5,679	3,728
Other income		5,478	2,394
		<u>50,091</u>	<u>59,116</u>
Operating expenses	5	<u>(72,885)</u>	<u>(45,997)</u>
Operating (Loss)/Profit		(22,794)	13,119
Finance cost		<u>(4,674)</u>	<u>(4,043)</u>
(Deficit)/Surplus		<u><u>(27,468)</u></u>	<u><u>9,076</u></u>

Micro Enterprise Financing Limited

Balance Sheet

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Non-Current Assets			
Property, plant and equipment	7	17,175	14,465
Investments	8	-	46,699
Current Assets			
Loans	9	78,079	33,701
Receivables	10	6,437	13,548
Deposits	11	18,074	6,940
Cash	11	5,694	10,020
		108,284	64,209
Current Liabilities			
Payables	12	4,035	3,012
Current portion of long term liability	14	31,600	-
		35,635	3,012
Net Current Assets			
		72,649	61,197
		89,824	122,361
Shareholders' Equity			
Capital (Limited by guarantee of \$10.00)	1	-	-
Grants	13	15,255	10,724
Retained earnings		20,969	48,437
		36,224	59,161
Non-Current Liability			
Long term liability	14	53,600	63,200
		89,824	122,361

Approved for issue by the Board of Directors on 5 December 2007 and signed on their behalf by:

William E. Clarke

Director

Morin Seymour

Director

Micro Enterprise Financing Limited

Statement of Changes in Shareholders' Equity

Year ended 30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Grants	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2005		9,937	39,361	49,298
Capital grants received	-	787	-	787
Surplus for the year	-	-	9,076	9,076
Balance at 30 September 2006		10,724	48,437	59,161
Capital grants received	-	4,531	-	4,531
Deficit for the year	-	-	(27,468)	(27,468)
Balance at 30 September 2007	-	15,255	20,969	36,224

Micro Enterprise Financing Limited

Statement of Cash Flows

Year ended 30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities		
(Deficit)/surplus from operations	(27,468)	9,076
Items not affecting cash resources:		
Amortisation of capital grants	(14,074)	(9,425)
Depreciation	5,886	2,523
Deferred revenue	-	(2,132)
	<u>(35,656)</u>	<u>42</u>
Changes in operating asset and liability:		
Receivables	7,111	(5,957)
Payables	<u>1,023</u>	<u>1,058</u>
Cash used in operating activities	<u>(27,522)</u>	<u>(4,857)</u>
Cash Flow from Investing Activities		
Loans receivable	(44,378)	(14,807)
Investments	46,699	17,504
Purchase of property, plant and equipment	<u>(8,596)</u>	<u>(7,051)</u>
Cash used in investing activities	<u>(6,275)</u>	<u>(4,354)</u>
Cash Flow from Financing Activities		
Grants received	18,605	10,212
Loan financing	<u>22,000</u>	<u>-</u>
Cash provided by financing activities	<u>40,605</u>	<u>10,212</u>
Increase in cash and cash equivalents	6,808	1,001
Cash and cash equivalents at beginning of year	<u>16,960</u>	<u>15,959</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>23,768</u></u>	<u><u>16,960</u></u>

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

- (a) The company is incorporated in Jamaica and was registered under the Companies Act on 7 May 2002 and is limited by guarantee of \$10.00.
- (b) The company was established to assist in the development of micro enterprises in designated urban inner-city communities. This is done through loan financing to low income micro entrepreneurs on a group basis. The main sources of funding are grants from Canadian International Development Agency (CIDA), the Bank of Nova Scotia Jamaica Limited (BNS), Kingston Restoration Company (KRC) and interest earned on loans disbursed.

The registered office of the company is located at 12 Duke Street, Kingston.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Interpretations and amendments to published accounting standards effective in the current year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS, which are relevant to its operations. The 2006 comparative figures have been amended as required, in accordance with the relevant requirements.

- **IFRIC 4, Determining whether an Arrangement contains a Lease** (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

The adoption of IFRIC 4 did not result in substantial changes to the company's accounting policies.

There was no impact on opening retained earnings at 1 October 2006 from the adoption of the above-mentioned standard.

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the balance sheet date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations, and has concluded as follows:

- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures** (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk. The company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 October 2007.

The company has concluded that the following IFRS and interpretations to existing standards, which are published but not yet effective, are not relevant to the Company's operations:

- **IFRIC 9 Reassessment of Embedded Derivatives** (effective for annual periods beginning on or after 1 March 2007)
- **IFRIC 11 IFRS 2 - Group and Treasury Share Transactions** (effective for annual periods beginning on or after 1 March 2007)
- **IFRIC 12 Service Concession Arrangements** (effective for annual periods beginning on or after 1 January 2008).

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Interest income and expense

Except for loans receivable, interest income and expense are recognised in the income and expenditure account for all interest bearing instruments on an accruals basis using the effective yield method based on the actual purchase price.

Interest on loans receivables is taken into account on the cash basis, as collection is considered doubtful. IFRS requires that when loans become doubtful of collections, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However, such amounts as would have been determined under IFRS are considered to be immaterial.

(c) Property, plant and equipment

Property, plant and equipment are shown at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method at rates estimated to write down the assets over their expected useful lives as follows:

Leasehold improvements	3 years
Office furniture, machines and equipment	10 years
Computer equipment	3 years
Motor vehicle	5 years

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit/(loss).

Repairs and maintenance expenses are charged to the income and expenditure account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset. All property, plant and equipment are shown at historical cost less accumulated depreciation and any accumulated impairment losses.

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Investments

Investments are classified as available-for-sale securities. Management determines the appropriate classification of investments at the time of purchase.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Purchases and sales of investments are recognised on the settlement date - the date on which an asset is delivered to the company. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets. Available-for-sale financial assets are subsequently carried at fair value.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the income and expenditure account as 'gains and losses on investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income and expenditure account.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(e) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

For the purpose of these financial statements, financial assets comprise investments, loans, receivables, deposits and bank balance. Financial liabilities comprise payables and deferred revenue. The determination of the fair values of the company's financial instruments is discussed in Note 3.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise deposits, and cash and bank balances.

(g) Borrowings

Borrowings are recognised initially at the proceeds received, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost.

(h) Employee benefit costs

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The company operates a defined contribution plan whereby it pays contributions to a privately administered fund. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and are included in staff costs.

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(i) Grants

Grants are recognised at their fair value where there is reasonable assurance that the company will comply with all attached conditions.

Operational grants are deferred and recognised in the income and expenditure account over the period necessary to match them with the cost they are intended to compensate.

Grants relating to the purchase of property, plant and equipment are included in the balance sheet as deferred grants and are credited to the income and expenditure account on a straight-line basis over the expected lives of the related assets.

(j) Loans and allowance for impairment losses

Loans are stated net of any unearned income and of an allowance for credit losses.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis.

(k) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income and expenditure account on a straight-line basis over the period of the lease.

(l) Taxation

The company has applied to the Ministry of Finance for status as an approved venture capital company under Section 36A of the Income Tax Act and Section 36C (2) which relieves the income of such company from Income Tax, providing certain conditions specified by the Act and Certificate of Approval are met on an annual basis. The company's management is confident that such an approval will be granted and as such no provision for taxation has been made in these financial statements.

(m) Comparative information

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

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

(a) Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Management seeks to minimise potential, adverse effects on the financial performance of the company by applying procedures to identify, evaluate and manage these risks, based on the guidelines set by the Board of Directors.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company had no foreign currency transactions for the period under review.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. At 30 September 2007, the company had no significant exposure to such risks.

(ii) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The company's exposure to credit risk on its financial assets relates to the amount held in cash and bank, accounts receivable, loans receivable and short-term investments. Cash is held with substantial financial institutions.

The company offers loan financing to low income entrepreneurs primarily on a group basis and seeks to diversify its loan portfolio, by placing limits on the amount of risk accepted from any one group. Therefore, the company has no significant concentrations of credit risk.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the management of the company aims at maintaining sufficient liquidity by efficient cash management and by investing in highly liquid interest bearing securities.

(iv) Cash Flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As the company has no significant interest bearing assets and liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Fair value of financial instruments

Fair value represents an estimate of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the company's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The fair values of interest receivable, cash and bank, loans receivable, investments and payables are assumed to approximate their carrying values due to their short-term nature.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates 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.

(a) Critical judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, management has made no judgements which it believes presents a significant risk of material misstatement to the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. 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.

Impairment losses on loans

The company reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income and expenditure account, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

5. Expenses by Nature

The following items have been charged in arriving at operating (loss)/profit:

	2007	2006
	\$'000	\$'000
Auditors' remuneration	350	250
Depreciation	5,886	2,523
Loan loss provision	10,104	4,245
Other expenses	3,636	3,105
Rent	4,494	2,189
Repairs and maintenance expenditure	260	572
Staff costs (Note 6)	38,938	26,709
Travelling expense	2,134	1,547
Advertising	1,220	723
Printing, stationery & office supplies	990	744
Utilities	4,873	3,390
	<u>72,885</u>	<u>45,997</u>

6. Staff Costs

	2007	2006
	\$'000	\$'000
Wages and salaries	33,854	23,137
Statutory contributions	2,794	1,866
Pension costs	775	523
Other	1,515	1,183
	<u>38,938</u>	<u>26,709</u>

Number of persons employed by the company at the end of the year:

	2007	2006
	No.	No.
Full-time	<u>39</u>	<u>33</u>

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

7. Property, Plant and Equipment

	Leasehold Improvement \$'000	Furniture & Fixtures \$'000	Office Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Total \$'000
At Cost -						
At 1 October 2005	4,085	1,173	5,023	2,219	1,450	13,950
Additions	1,383	557	949	1,685	2,477	7,051
At 30 September 2006	5,468	1,730	5,972	3,904	3,927	21,001
Additions	3,666	1,113	2,781	1,036	-	8,596
At 30 September 2007	9,134	2,843	8,753	4,940	3,927	29,597
Depreciation -						
At 1 October 2005	1,295	202	712	1,635	169	4,013
Charge for the year	1,125	125	519	423	331	2,523
At 30 September 2006	2,420	327	1,231	2,058	500	6,536
Charge for the year	2,684	259	1,213	944	786	5,886
At 30 September 2007	5,104	586	2,444	3,002	1,286	12,422
Net Book Value -						
30 September 2007	4,030	2,257	6,309	1,938	2,641	17,175
30 September 2006	3,048	1,403	4,741	1,846	3,427	14,465

8. Investments

	2007 \$'000	2006 \$'000
Government of Jamaica securities	-	45,065
Interest receivable	-	1,634
	-	46,699

The weighted average effective interest rate on investments was 14% per annum.

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

9. Loans

	2007 \$'000	2006 \$'000
Direct lending	86,784	37,222
Less: Provision for loan losses	<u>(8,705)</u>	<u>(3,521)</u>
	<u><u>78,079</u></u>	<u><u>33,701</u></u>

10. Receivables

	2007 \$'000	2006 \$'000
Prepayments	267	3,867
Other receivables	1,298	305
Taxation recoverable	<u>4,872</u>	<u>9,376</u>
	<u><u>6,437</u></u>	<u><u>13,548</u></u>

11. Cash and Cash Equivalents

	2007 \$'000	2006 \$'000
Bank deposits	18,074	6,940
Cash	<u>5,694</u>	<u>10,020</u>
	<u><u>23,768</u></u>	<u><u>16,960</u></u>

The effective interest rate on short-term bank deposits was 11% (2006 - 13%) and these deposits have an average maturity of 35 days (2006 - 30 days).

12. Payables

	2007 \$'000	2006 \$'000
Accruals	2,889	1,873
Statutory contributions	704	529
Other	<u>442</u>	<u>610</u>
	<u><u>4,035</u></u>	<u><u>3,012</u></u>

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

13. Grants

These represent interest-free, non-reimbursable portion of financing which were provided to the company by the CIDA as contribution towards its operations.

	2007	2006
	\$'000	\$'000
Capital grants at the beginning of the year	10,724	9,937
Capital grants received	18,605	10,212
Amortisation	(5,478)	(2,374)
Purchase of property, plant and equipment	(8,596)	(7,051)
	<u>15,255</u>	<u>10,724</u>

14. Long Term Liability

	2007	2006
	\$'000	\$'000
Bank of Nova Scotia facility #1	63,200	63,200
Bank of Nova Scotia facility #2	22,000	-
	<u>85,200</u>	<u>63,200</u>
Less: Current portion	(31,600)	-
	<u>53,600</u>	<u>63,200</u>

This represents two loan facilities with BNS. The first loan represents a ten year non-revolving loan facility with BNS, which is to be on-lent to low income micro-entrepreneurs in specified renewal zones of Kingston and Saint Andrew and their environs. Repayments are to be made in twenty equal quarterly instalments, commencing 31 December 2007. Interest is at 4.5% for the first two years and increases by 1 percentage point per annum until the sixth year.

The second loan facility was granted in September 2007 and is repayable in 32 equal quarterly instalments, each instalment being equal to the principal balance outstanding as at 31 August 2009 divided by 32, with the first instalment due on 30 September 2009 at an interest of 8.5% per annum payable quarterly on the outstanding principal balance.

Micro Enterprise Financing Limited

Notes to the Financial Statements

30 September 2007

(expressed in Jamaican dollars unless otherwise indicated)

15. Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are:

	2007	2006
	\$'000	\$'000
Not later than 1 year	334	460
Later than one year and not later than 5 years	1,161	1,280
	<u>1,495</u>	<u>1,740</u>

16. Related Party Transactions

A related party is one which controls or exercises significant influence over, or is controlled or significantly influenced by, the company in making financial and operating decisions or, along with the company, is subject to common control or significant influence.

(a) The balance sheet amounts, arising in the normal course of business, with related parties, are as follows:

	2007	2006
	\$'000	\$'000
(i) Accounts with BNS:		
Deposits	18,074	6,940
Cash	5,694	10,020
	<u>23,768</u>	<u>16,960</u>

(ii) See Note 13 for grants received from CIDA.

(b) Key management compensation:

	2007	2006
	\$'000	\$'000
Salaries and other short-term employee benefits	5,822	5,504
Statutory contributions	307	217
Pension benefits	231	201
	<u>6,360</u>	<u>5,922</u>

