



the new building society limited

Annual Report
2014

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MISSION STATEMENT

To provide our members with the very best Mortgage and Savings products through a large network of branches, modern technology and a disciplined, affable and well trained staff and to uphold our social responsibilities through involvement in worthwhile community projects.

BUSINESS OBJECTIVE

To provide a broad range of Mortgage and Savings Products through a wide network of branches.

To provide independent financial advice on products offered.

To practice prudent management to ensure financial stability.

To provide excellent customer service using modern technology and a highly efficient and disciplined staff.

To provide employees with very favorable working conditions thereby enhancing their personal growth and development.

To be a respected and appreciated corporate citizen.

NOTICE OF MEETING

Notice is hereby given that the Seventy-Fifth Annual General Meeting of the Members of the New Building Society Limited will be held at 10.30 a.m on Saturday, 28th March, 2015 at the Society's Chief Office at Lot 1 North Road & Avenue of the Republic, Georgetown.

AGENDA

1. To receive the Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2014.
2. To elect Directors in accordance with Rule 47(1). The Directors retiring by rotation are Messrs. Dr. Nanda K. Gopaul and Seepaul Narine, who being eligible offer themselves for re-election - Rule 47(2).
3. To fix the remuneration of the Directors for the year 2015.
4. To appoint Auditors for the year 2015.
5. To fix the remuneration of the Auditors for the year 2015.
6. To approve the sum of \$8,000,000 for donations to Charity and for Educational purposes for the year 2015.
7. To transact any other business of which due notice shall have been given in accordance with Rule 36.

By Order of the Board,



Ahmad M. Khan
 CEO/Director/Secretary
 16th February, 2015

Please Note:

- **Only Members holding at least one of the following Accounts are entitled to attend the meeting –**
 - Save & Prosper Accounts** - **minimum balance \$1,000:**
 - Five Dollar Share Accounts** - **minimum balance \$1,000:**
- **Only first named Members** holding any of the Accounts mentioned above will be allowed entry.
- A proxy need not be a member of the Society. A Member may uplift one proxy form from any of the Society's Offices and the form must be returned no later than 2.30 p.m. on 25th March, 2015.
- Any Company which is a Member of the Society may by resolution of its Directors authorise such person as it thinks fit to act as its representative at the meeting.
- Please bring your **Passbook and some form of Identification** to gain entry to the Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Floyd Mc Donald - Chairman
Seepaul Narine - Vice-Chairman
Moen M. Mc Doom, S.C.
Dr. Nanda K. Gopaul
Kenneth Joseph
Edwin Verasammy
Ahmad M. Khan - *CEO/Director/ Secretary*

CHIEF OFFICE

1 North Road & Avenue of the Republic,
Georgetown, Guyana.
Tel: 227-4444. Fax: 225-0832
Website: www.nbsgy.com
Email: nbsltd@networksgy.com

BRANCHES

New Amsterdam

15-16 New Street, New Amsterdam,
Berbice, Guyana.
Tel: 333-2157, 2893, 5024. Fax: 333-5642

Rosignol

196 Section 'A', Rosignol,
West Coast Berbice, Guyana.
Tel: 330-2341. Fax: 330-2268

Corriverton

31 No. 78 Village, Corriverton,
Corentyne, Berbice, Guyana.
Tel: 335-3239. Fax: 335-3344

Rosehall

26 B Public Road, Williamsburg,
Corentyne, Berbice, Guyana.
Tel: 322-5035. Fax: 322-5036

Mackenzie

34 A Republic Avenue, Mackenzie,
Linden, Guyana.
Tel: 444-6543. Fax: 444-6066

Essequibo

29 Henrietta,
Essequibo Coast, Guyana.
Tel: 771-4956. Fax: 771-4954

ATTORNEYS-AT-LAW

Messrs. Cameron & Shepherd

2 Avenue of the Republic,
Georgetown, Guyana.

Messrs. Mc Doom & Co.

215 King Street & South Road,
Lacytown,
Georgetown, Guyana.

BANKERS

Bank of Nova Scotia

104 Carmichael Street,
North Cummingsburg,
Georgetown, Guyana.

Republic Bank (Guyana) Limited

38-40 Water Street, Robbstown,
Georgetown, Guyana.

Bank of Baroda (Guyana) Inc.

10 Avenue of the Republic, Robbstown,
Georgetown, Guyana.

Guyana Bank for Trade & Industry Limited

47-48 Water Street, Robbstown,
Georgetown, Guyana.

Demerara Bank Limited

230 Camp & South Streets, Lacytown,
Georgetown, Guyana.

Citizens Bank Guyana Inc.

201 Camp & Charlotte Streets,
Lacytown, Georgetown, Guyana.

AUDITORS

Maurice Solomon & Company

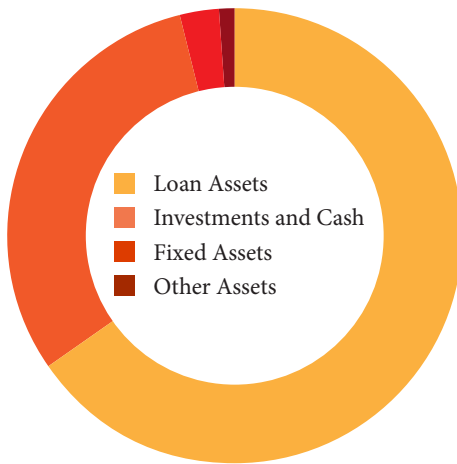
92 Oronoque Street, Queenstown,
Georgetown, Guyana.
Tel: 337-4683. Fax: 337-4684

FIVE-YEAR STATISTICAL INFORMATION (2010-2014)

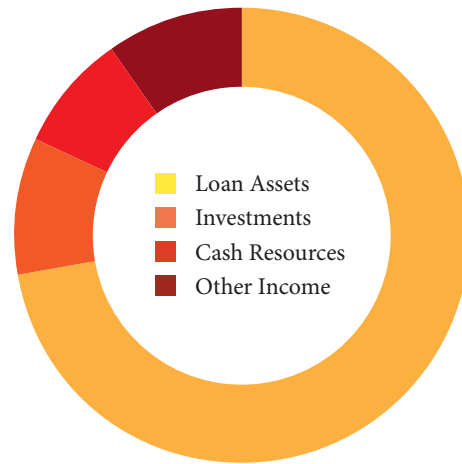
DESCRIPTION	2010 \$M	2011 \$M (Restated)	2012 \$M (Restated)	2013 \$M	2014 \$M
PROFIT	577	772	813	993	1,447
TOTAL ASSETS	41,831	45,557	49,024	53,973	56,440
TOTAL MORTGAGE BALANCE	21,593	23,506	27,705	32,880	36,946
INVESTMENTS	18,203	19,644	18,417	17,972	16,211
TOTAL SAVINGS BALANCE	35,668	38,474	41,024	44,730	45,883
RESERVES	5,935	6,948	7,842	8,950	10,377
MORTGAGE LOANS DISBURSED FOR YEAR	2,948	4,201	6,754	7,764	6,843

FINANCIAL HIGHLIGHTS

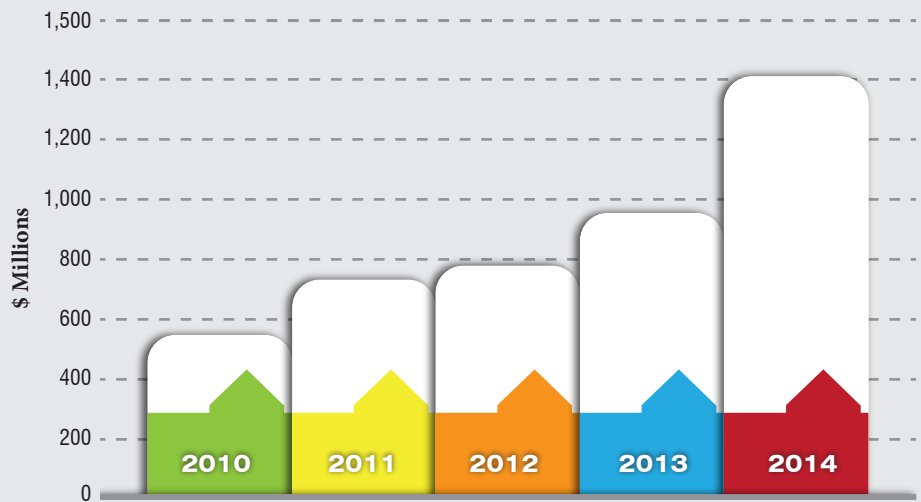
Asset Composition
31st December, 2014



Income Distribution
2014

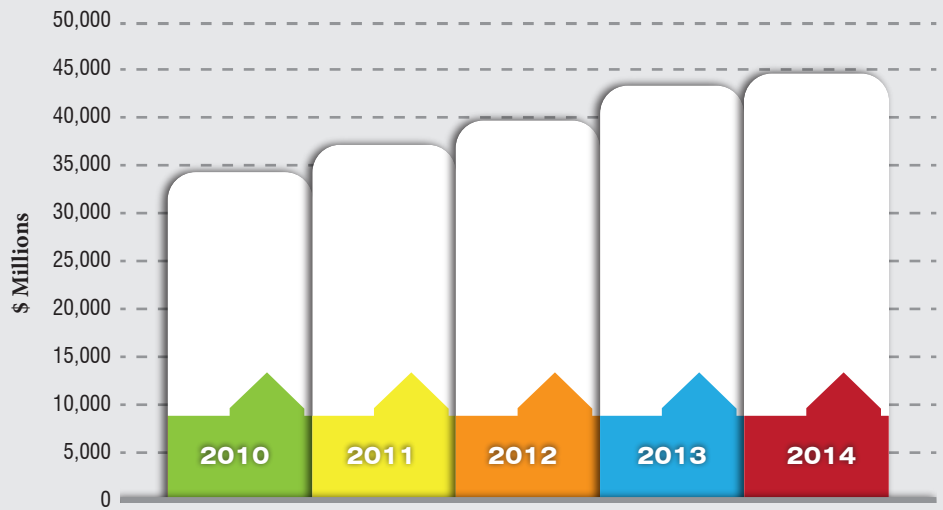


**Profitability:
2010 - 2014**

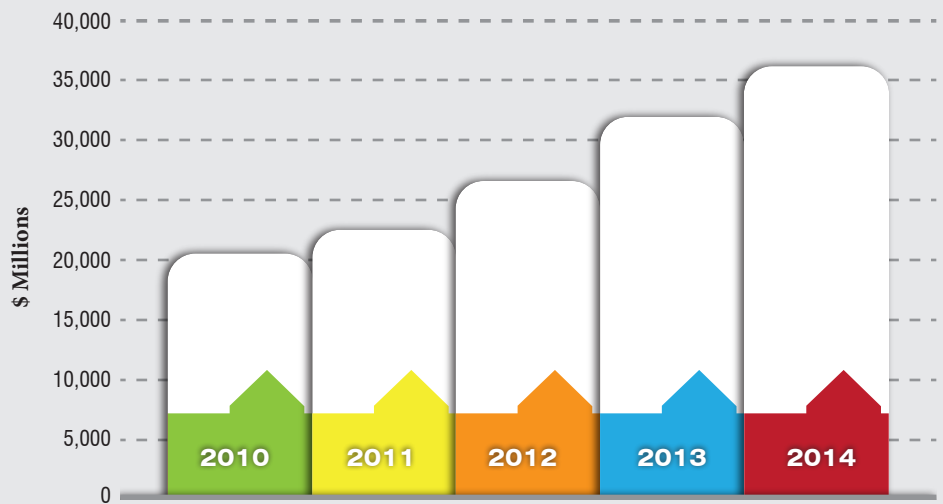


FINANCIAL HIGHLIGHTS (cont'd)

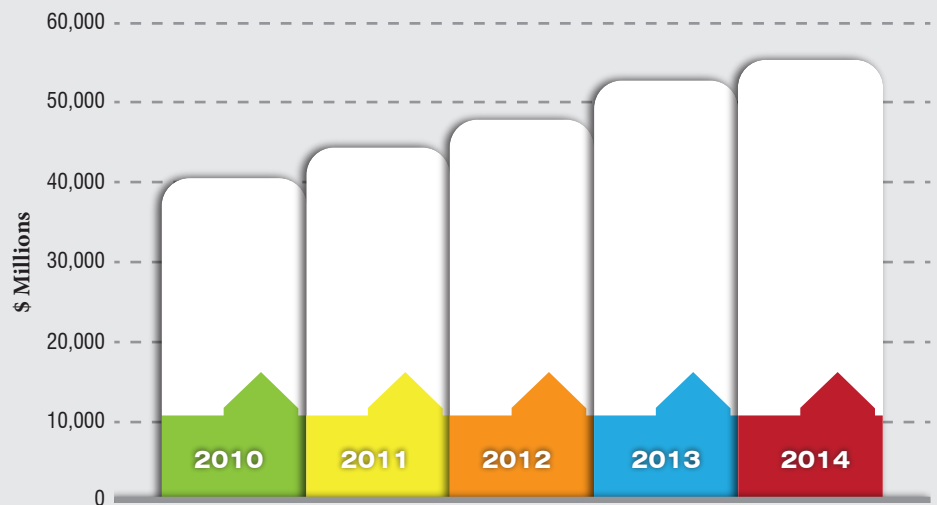
Savings Growth 2010 - 2014



Mortgage Growth 2010 - 2014



Asset Growth 2010 - 2014



CHAIRMAN'S REPORT

“ We have recorded our highest operating profit of \$1.168B, which represent an increase of 18% over the previous year's profit of \$993M. ”



On this the 75th Anniversary of the New Building Society Limited, it is my pleasure to report that this is the first occasion in which the Society has made a profit of over \$1 Billion dollars. Our Society's development has been sustained over its long years of service to our Country. The dedication shown by the staff of the Society of the New Building Society in 2014 and the continued support of our stakeholders have in no small measure contributed to success, during the year under review. It's against this background that we the Board of Directors are pleased to report on the performance of the New Building Society in 2014.

We have recorded our highest operating profit of \$1.168B, which represent an increase of 18% over the previous year's profit of \$993M. This is after excluding a gain on sale of our previous Chief Office totaling \$279M. We continue to operate in a positive economic environment which has resulted in a constant demand from customers for our Mortgages and Savings products. Our Mortgage lending activities have remained steady over the years as we continue to meet demand and market expectations. This growth in Mortgage is supported by a simple business model which also ensures growth in our Deposit base by offering attractive interest rates on Savings.

OVERVIEW OF THE ECONOMY

During the last quarter of 2014, global growth had received a boost from lower petroleum prices. Oil prices in US dollar have declined by about 55% since September 2014. This decline is particularly due to unexpected weakness in demand in some major economies, especially emerging market economies.

Global growth increased in the third quarter in 2014 as expected, specifically because of stronger than expected recovery in the United States, while other major economies fell short of expectations most notably Japan. Leading indicators in China point to further slowdown in investments while lower oil prices signaled a weaker outlook for Russia and some other economies.

In Guyana, the economy is expected to record its eight consecutive year of growth which is projected at 4.5%, the highest for a Caribbean country in 2014. The traditional rice industry performed well, with unprecedented production boom of 633,000 tons of rice while sugar surpassed its budgeted production target of 216,000 tons despite the many challenges. On the other hand the mining industry has seen a reduction in gold declarations over the previous year.

CHAIRMAN'S REPORT (cont'd)

FINANCIAL RESULTS

Our financial results reflect our successful mutual heritage, with a record increase in our operating profit in 2014. This was as a result of prudent strategies employed over the years and sustainable growth in line with our modern mutual concept of looking after the needs of our Savers and Mortgagors by providing attractive financial services and products. In the year 2014 the Society increased its savings interest rate thus guaranteeing an attractive interest rate in the market while maintaining the most affordable mortgage rates for borrowers. These changes along with our rigorous internal controls and strong risk management policies gave us the tools in 2014 to make optimum use of market opportunities as shown by our key financial performance indicators.

Revenue

Interest income for 2014 increased by 16% to \$2.8B, over that of 2013 which was \$2.3B, 82 % Interest income earned in 2014 was on loan assets. The Society continued to utilize its resources efficiently, by managing to keep its operating expenses to 20% of interest and other income earned, while maximizing the use of our Assets. The profit for 2014 provided a 2.6% return on Total Assets and 15% return on equity.

Assets

The Society's Asset base grew by \$2.5B or 5% to \$56.4B (2013 - \$53.9B) for the year 2014. The entire banking sector asset growth was also 5% for 2014. This growth shows market confidence in the Society which is operating in an extremely competitive environment.

Savings

The Banking sector's Total Deposit base increased from \$333B to \$339B in 2014 representing an increase of 2%. The Society's Deposit base increased from \$44.7B to \$45.9B in 2014, representing 3% over the previous year. NBS enjoyed continued Deposit base growth for 2014 which is an indication of the Members' confidence in the Society's products and services.

Profit sufficiency rather than profit maximization is the strategy of the mutuality concept of the Society. The Society is dependent on cash flows generated from our members to make affordable home loans. The integrity and careful investment of the funds is an undertaking that the

Society treats with great importance. Our Interest expense is 38% of Interest income, a reflection of the Society's commitment to ensuring our members have a large share in our revenue generated.

Mortgages

The year 2014 was another good year for the Society's Mortgage business. We disbursed \$6.843B in mortgage advances in keeping with prudent financial management, as compared to \$7.764B in 2013. For the year 2014 the mortgage portfolio grew by \$4B or 12% to \$36.9B from \$32.9B at the end of 2013.

This portfolio growth and low interest rate on mortgage is a clear indication of the role the Society is playing in supporting the nation's growing housing market. We continue with our belief that we can make a difference by providing Guyanese with the opportunity of owning their home and contributing to the development and the creation of wealth for all Guyanese.

Our Mortgage portfolio is 65% of our Total Assets. The future cash inflow from these Assets is very important to the Society's continued growth and development and as such the quality of its Loan Assets is critical. The quality of its Mortgage Assets is an indication of the level of credit risk, which increases with delinquent mortgage repayment. In addition to sound credit policies the Society identifies potential defaulting members very early and embarks on repayment plans where appropriate to avoid increasing our credit risk and mortgagors losing their home by foreclosure. This strategy is reflected in our positive Asset quality ratios. The non-performing loans are only 0.39% of Gross Loans and 1.37% of Capital and Reserves as at 2014.

Liquidity

The financial services sector has seen the liquidity indicator, the 91 day Treasury bill rate, increased from 1.45 % to 1.67% and the Commercial Banks holdings of Treasury Bills falling from \$76.4B to \$61.9B for the year 2014 . The Commercial Banks liquidity had reduced from \$116B to \$107B or by 7% while The Society's Liquid Assets reduced from \$16B to \$15B or by 6%. The Society's Liquid Assets of \$15B cover 33% of Investor's Balances and is 26% of Gross Assets. This level of liquidity provides an adequate buffer to cover cash flow imbalances caused by unanticipated cash inflows and outflows.

CHAIRMAN'S REPORT (cont'd)

Capital Adequacy Ratio

The Society is cognizant of its critical role in the stability of the financial industry, which requires Banks to maintain a capital base of not less 8% of risk-weighted Assets and avoid excess leveraging on the Depositor funds. The Society's capital base is 42% of its risk base assets. The mutual concept model ensures that the Society retains adequate earnings to ensure capital growth. In 2014 profits moved the reserve from \$ 8.0B to \$9.88B increasing capital in the same direction as our deposit base.

CUSTOMER FOCUS

The Society always conveys a passion for its members and our goal is to always strive to deliver the best service experience. Our employees are continuously trained and are provided with all the tools necessary to meet or exceed our members' expectations. Our customers and members remain our highest priority. We see them as partners and seek their feedback as we consistently work to improve our service. We want their experience with us to be pleasant and for them to eagerly refer others to us. This integrated customer relationship is part of the Society's strategic objective to continue to build on our quality customer service reputation.

CORPORATE SOCIAL RESPONSIBILITY

The Society prides itself as an organization that constantly evolves rather than remains stagnant. Some of its objectives include good ethical behavior, employee well being, environmentally sound business practices and community development.

Over the years the Society made regular and meaningful contributions towards community activities. We are committed to helping build better communities and showing that we care. We participate in initiatives such as fixed monthly donations to educational and charitable organizations for the poor and vulnerable members of the communities.

EMPLOYEES

Since our employees are the Society's most important assets, we ensure that they are provided with the right tools, skills and opportunities for their continued development thereby creating a modern work environment. Their contribution is the key to the Society maintaining its excellent financial and corporate track record.

Our staff well being and personal growth are important to us, thus we ensure that they are adequately compensated for their continued educational development. In-house and external training are provided as necessary along with other activities such as a recently held fun day in Berbice to encourage familiarity with each other.

OUTLOOK TO THE FUTURE

The Society recognizes its steady and consistent progress and will continue to adopt a prudent approach to our operations, a strategy that is working for the Society. Plans are currently in place to update and modernize our banking operating software, which will give us new tools and strategies to better serve our customers and compliment our modern work environment in 2015.

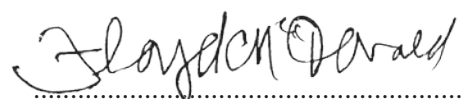
The Society's core business (mortgage loans) is greatly appreciated by our customers as our terms and conditions are the most attractive. We anticipate that the demand for mortgages from the Society will continue.

The Society remains hopeful that the Anti-Money Laundering and Countering the Financing of Terrorism Bill can be passed and assented into law to avoid any potential stress on the financial sector should the country be blacklisted by the Caribbean Financial Action Task Force.

ACKNOWLEDGMENT

To all stakeholders, especially our valued members, I express my appreciation to you for your continued support and confidence in The New Building Society during the year 2014. We the Members of the Board of Directorate are committed to serve you with enthusiasm and dedication in 2015.

Finally, without the foresight and guidance from my fellow Board Members and the support of a resilient staff our excellent financial result would not have been achieved. I take this opportunity to personally thank all of you for your continued dedication and commitment to the long term viability of the Society.



Floyd Mc Donald

Chairman

16th February, 2015



BOARD OF DIRECTORS

Top row (left to right):

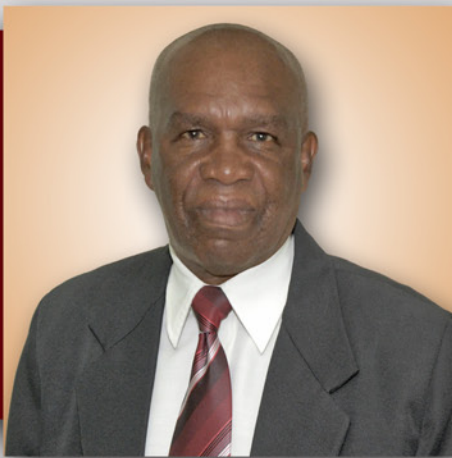
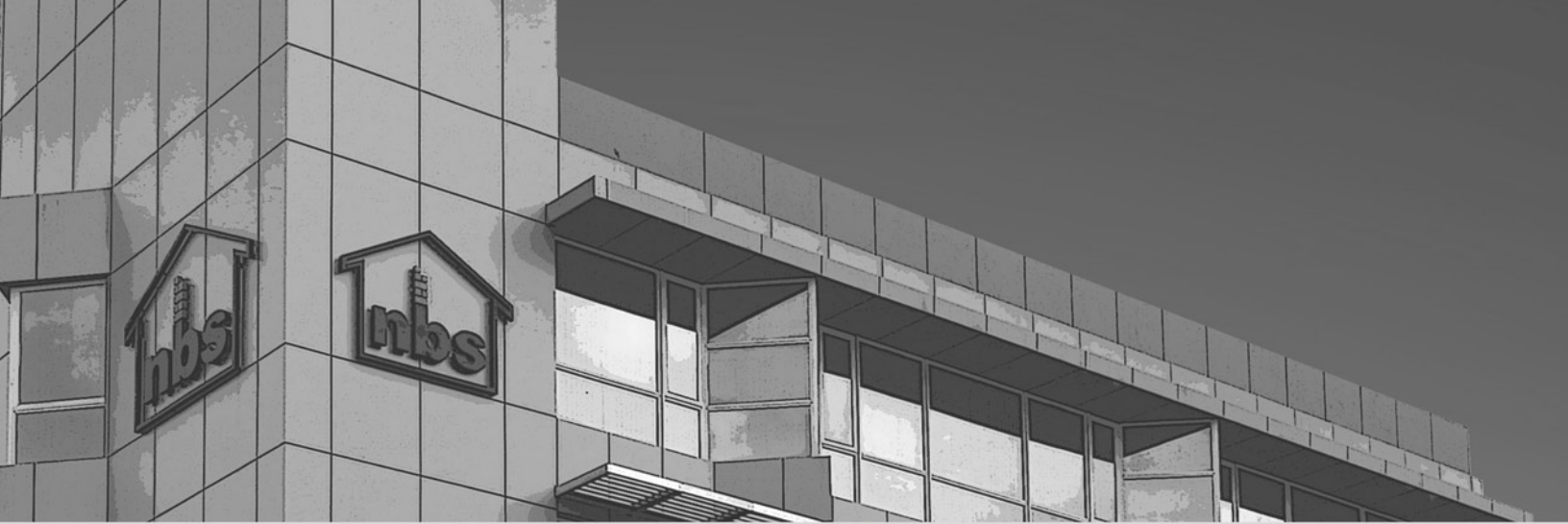
Floyd Mc Donald - Chairman
Seepaul Narine, Vice-Chairman
Moen M. Mc Doom, S.C., Director



Bottom row (left to right):

Dr. Nanda K. Gopaul, Director
Kenneth Joseph, Director
Edwin Verasammy, Director
Ahmad M. Khan, CEO/Director/Secretary






CHIEF EXECUTIVE OFFICER'S REPORT

The principal purpose of the Society is to make available, affordable loans for residential purposes and encourage savings by offering our members and customers competitive savings rates in a comfortable and secure environment. The Society remains committed to achieving sustainable growth in order to maintain its position as an independent mutual and a trusted provider of loans and savings products.

The Banking Sector continued to expand notwithstanding the intense competition and narrowing interest rate spreads across the banks. In 2014 we also saw the government being unable to pass the Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Bill (AML/CFT) which has led the Caribbean Financial Action Task Force (CFATF) to recognize Guyana as a country with significant AML/CFT deficiencies.

In spite of these challenges, I am pleased to report that the Society is in sound financial standing, having achieved a record net profit in excess of one billion dollars for the first time in its history. The profit for the year was \$1.4B (2013 - \$993M) representing an increase of \$430M or 43% over the previous year. The demand for our Savings and Mortgage products continued which has resulted in consistent growth in these areas; correspondingly, our Total Assets increased by \$2.5B or 5% to \$56B (2013 - \$54B) at the end of 2014.



“Having achieved a record net profit in excess of one billion dollars for the first time in its history. The profit for the year was \$1.4B (2013 - \$993M) representing an increase of \$430M or 43% over the previous year.”

Economy Review

Despite some setbacks in early 2014, the global economy had strengthened largely because of the improvements in the economies of advanced countries, though the recovery has been uneven - faster in the United States and the United Kingdom than in the Euro area or Japan, but the pace of recovery remained very modest. Emerging economies like those of India, China, Brazil and Russia experienced slower growth in the year. However, it is anticipated that in 2015 and 2016, growth in developing countries will pick up.

The Guyanese economy has reported consecutive growth for 2014 continuing from the preceding years. Output of rice, sugar, diamond, manufacturing as well as increased activities in the services sector were the drivers of this growth. The inflation rate remained low despite moderate price increases for food items. The production and export of rice has dramatically increased over the years as a result of expanded cultivation and increased yields. At the end of 2014, a record 633,000 tonnes (2013 - 535,212 tonnes) was produced.

Key Financial Performance Indicators

The year 2014 was a significant one for our Society. A net profit in excess of one billion dollars was achieved for the first time in the history of the Society. Growth in Total Assets is a measure of our success in the core markets for Mortgages and Savings. At the end of 2014, our Total Assets was \$56B (2013 - \$54B) representing an increase of \$2.5B or 5% over the previous year.

The Society maintained its position as the leading mortgage provider through a combination of attractive products and a prudent lending policy. We also continued with our support of the Government's housing drive. The amended income tax legislation that allowed first time home owners to benefit from a 30% relief on their mortgage interest payments

also led to a positive impact on our Mortgage Portfolio. At the end of 2014, we disbursed a total of \$6.8B (2013 - \$7.8B) in Mortgage Advances. Our Mortgage Portfolio increased to \$37B at the end of 2014 (2013 - \$33B) and accounted for 66% of Total Assets (2013 - 61%).

The number of delinquent accounts at the end of 2014 was 1,398 with a default value of \$59M (2013 - 1,393 accounts with a default value of \$58M). These arrears levels are considered low when compared to our Total Mortgage Portfolio. This is a reflection of our improving economy, quality of lending and the support given to those borrowers experiencing difficulties with their monthly payments.

Investors' Balances increased by \$1.2B or 3% over the previous year. At the end of 2014 it was \$45.9B (2013 - \$44.7B). As can be seen from the Statistical Information Chart in this report, there has been consistent growth in our Investors' Balances over the last five years. This growth is indicative that our savings' rates remained competitive in a low interest rate environment. The Society is confident that it has the ability to retain its loyal members and customers and at the same time, attract new ones.

The Society maintained a prudent level of liquid resources to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities. Our total Liquid Assets at the end of 2014 was \$15.4B (2013 - \$16.4B) and accounted for 27% of Total Assets (2013 - 30%). Though there was a reduction, the Society is comfortably in excess of the minimum statutory levels required under the supervisory guidelines as issued by the Bank of Guyana.

Our Total Reserves increased by \$1.4B or 16% over the previous year. At the end of 2014 it was \$10.4B (2013 - \$9B) and accounted for 23% of Total Investors' Balances (2013 - 20%).

CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

The Society remains committed to maintaining a strong capital position to satisfy regulatory requirements, to protect our investors and to support our current and future mortgage lending.

Capital Adequacy Ratios

Under the Financial Institutions Act 1995, the Society is obligated to report monthly to the Bank of Guyana, its level of capital adequacy. Our capital adequacy is computed based on guidelines developed by the Basle Committee on Banking Regulations and Supervisory Practice and adopted by the Bank of Guyana under the Financial Institutions Act 1995.

The Society has maintained its financial strength with a capital base that has grown consistently over the years. At the end of 2014, our capital base was \$10.3B (2013 - \$8.5B) while our capital adequacy ratio when computed under Tier 1 was 41% (2013 – 34%) and under Tier 11 was 42% (2013 – 37%). These results are way above the minimum ratio of capital to risk-weighted assets of no less than 8% under the Supervision Guidelines.

Customer Appreciation

Key financial performance indicators are just one of the methods used by the Society to measure its performance. We at the New Building Society recognized the importance of being successful in terms of the quality of service we deliver to the satisfaction of our customers and members. We remain motivated and focused on providing our customers and members with value, choice and expert advice, backed by great service and providing this to more and more customers and members.

Our Employees' Contributions

The support and commitment of the Management and Staff of the Society during the year have been overwhelming which translated to superior service being delivered to our customers and members.

The Society remains committed in employees' professional development. We continue to encourage employees to advance themselves academically and professionally so that they can be versatile and kept abreast of the changes that take place in the ever evolving banking sector.

The Society prides itself as an equal opportunity employer. We do not discriminate against race, color, religion, gender, sexual orientation, etc.

Information Technology

We continue to improve and develop our information technology systems for the greater benefit of better serving you, our valued customers and members. In my last report to you, I indicated that the Society will be embarking on a project of migrating from its current banking software to a much more sophisticated one with the desired expectations of our customers and members. I am happy to report that this project has commenced and is expected to conclude shortly.

Other Regulations

The non-passage of the Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Bill (AML/CFT) has led the Caribbean Financial Action Task Force (CFATF) to recognize Guyana as a country with significant AML/CFT deficiencies.

CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

The Society has nevertheless taken appropriate steps to enable detection of money laundering activities and the financing of terrorist activities respectively. We remain committed on further strengthening our efficiency in this area by working with our customers and members to ensure they comply with the relevant provisions of the present AML/CFT Act and circulars issued by the Financial Intelligence Unit and other regulatory bodies.

Community Development

Notwithstanding the challenges in the banking sector and in the environment as a whole, the Society's involvement in the communities we operate within, remains an integral part of our corporate and social responsibility. During the year the Society contributed to and supported many activities in our local community to the tune of \$6M.

Outlook For The Future

The Society has grown over the years and remains financially sound and vibrant. We will continue with our prudent policies on lending and investments and providing reasonable returns to our loyal customers and members on their savings.

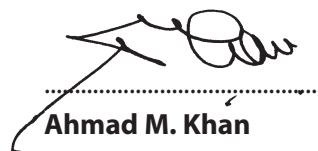
A date has been set for the holding of General and Regional Elections in 2015. The Society remains hopeful that political maturity will be shown by all stakeholders before and after this date, thereby providing an environment where the people of Guyana and all sectors of the economy can prosper.

Acknowledgements

It has been another historic and successful year for the Society. We have recorded consistently over the years, strong growth and excellent financial performances. These were possible due to the extraordinary commitment, enthusiasm and hard work of all team members within the New Building Society, who always strive to serve our customers and members in a way which they themselves would wish to be served.

I would also like to highlight the contribution of the Chairman and other members of the Board for their wise stewardship and service to the Society over the years. It has been a particular privilege to lead our team in 2014 and to have witnessed the great achievements over the years.

As always I would like to thank our loyal customers and members who continue to place their trust and confidence in the New Building Society Limited.



Ahmad M. Khan
CEO / Director / Secretary
16th February, 2015

NBS provides loans for various categories of income earners. These are houses completed with funding from the Society.



HIGH INCOME RESIDENCE



MIDDLE INCOME RESIDENCE



LOW INCOME RESIDENCE

STAFF MATTERS



In the presence of all participating members of staff, Mr. Kenneth Joseph, one of the Society's Directors presents the overall winner's trophy to Mr. Kevin Jewanram, Captain of the team representing NBS from the County of Demerara when they engaged their Berbice counterparts in a variety of Sporting Disciplines as part of Society's Fun-day.



NBS' employees appropriately dressed for the religious occasion of Diwali pose for a photograph on the workday immediately prior to the Public Holiday. Similar practices were carried out for the other Cultural Observances.

MANAGEMENT TEAM



Top Row (left - right)

Nizamooden Mahamad (Assistant Secretary)

Anil Kishun (Operations Manager)

Anil Beharry (Senior Manager - Berbice Operations)

Bottom Row (left - right)

Mohamed Majeed (IT Systems Administrator)

Noel Fernandes (Assistant Manager - Mortgage)

Atma L. Rajaram (Manager - Internal Audit)

MANAGEMENT TEAM



Top Row (left - right)

Rana Persaud (Branch Manager - Rosehall)

Bibi A. Jagnarayan (Branch Manager - Rosignol)

Vicky Bharosay (Branch Manager - Corriverton)

Bottom Row (left - right)

Sewchan Raghunandan (Branch Manager - Essequibo)

Eric Johnson (Branch Manager - Mackenzie)

Savitri Samaroo (Mortgage Supervisor)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2014

The Directors are pleased to present their Report together with the audited Financial Statements of the New Building Society Limited (NBS) for the year ended December 31, 2014.

Principal Business Activities

The main aim of the New Building Society is to provide a broad range of quality Mortgage and Savings Products, through our network of branches geographically spread across the country, by delivering these with quality, efficiency, courtesy and reliability. This aim is fully endorsed with pertinent values of fairness, honesty, corporate responsibility, employees' and customers' prioritization.

Business Highlights:

Residential Mortgage Balances increased by \$4,079M or 12.4% to \$37,051M at the end of the year.

Savings Balances increased by \$1,153M or 3% to \$45,883M at the end of the year.

Financial Highlights

In the year 2014 NBS:-

	2014 \$ Millions	2013 \$ Millions	% Change
Recorded a profit of	1,447	993	+ 45.7
Increased Total Reserves to	10,377	8,950	+ 15.9
Increased Assets under Management to	56,440	53,973	+ 4.6
Provided New Advances to Mortgagors totaling	6,843	7,764	- 11.9

Mortgages:

As at December 31, 2014, there were 10,081 Mortgage Accounts totaling \$37,051M which represent 66% of our Total Assets (2013 – 9,759 Mortgage Accounts totaling \$32,972M or 61% of our Total Assets).

There were no Mortgage Accounts whose repayments were twelve months or more in arrears as at December 31, 2014.

Savings:

The value of net receipts for the year was \$1,153M (2013 – \$3,707M). Our Total Investors' Balances as at December 31, 2014 was \$45,883M (2013 - \$44,730M).

Assets:

Total Assets as at December 31, 2014 was \$56,440M (2013 - \$53,973), representing an increase of approximately 4.6%. All changes in tangible fixed assets during the year are detailed in the Financial Statements. Freehold Land and Building were last re-valued in 2013 and have been included in the Financial Statements at these valuations. Liquid Assets in the form of Cash and Short Term Securities was \$15,456 and represented 34% of our Investors' Balances as at December 31, 2014 (2013 - \$16,363 - 37%).

Charitable Donations:

At the end of 2014, the Society made donations to several charitable and educational institutions in the communities across the country totaling \$5.9M.

Employees:

The New Building Society recognizes the critical role employees play in its continued growth and development and therefore continually train, motivate and suitably compensate them.

Going Concern:

The Directors are satisfied that the New Building Society has adequate resources to continue in business for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing these Financial Statements.

Directorate:

In accordance with Rule 47(1), the Directors whose names are listed below, retire after the 75th Annual General Meeting and are eligible for re-election.

- Dr. Nanda K. Gopaul
- Mr. Seepaul Narine

Auditors:

The Auditors Messrs. Maurice Solomon and Company retire and are eligible for re-election.

By Order of the Board,

.....
Ahmad M. Khan

CEO | Director | Secretary

16th February, 2015

REPORT OF THE DIRECTORS

ON CORPORATE GOVERNANCE

Corporate Governance and Board Committees

The Board ensures long term sustainability for the good of our customers and members. We do this by setting our strategy to ensure we meet the needs of our customers, members and regulators, remain competitive and deliver our services appropriately with a profit to help build our capital over the long term. The Board formulates the strategy, reviews business performance, oversees the identification and management of risks, ensures adherence to laws and regulations and that the required controls are in place and aligned to our strategy. Years of successive growth and generation of profits is testament to the success and effectiveness of the policies of the Board and its implementation by Management.

The Directors of the Society are committed to best practice in corporate governance and are dedicated to the policies of good corporate governance in order to achieve the highest level of integrity and enhanced stakeholder's value.

In addition to attending Board Meetings, Directors are required to serve on one or more of the following sub-committees:-

Role of Board Committees

Our Board Committees are chaired by a Non-Executive Director and consists primarily of Non-Executive Directors.

Audit and Compliance Committee

The Committee ensures the adequacy of controls and judgments made in financial reporting and regulatory compliance and assesses the effectiveness of internal audit and compliance. The Committee reviews the Terms of Reference of our External Auditors and ensures their continued independence and effectiveness.

The Committee is also responsible for the effectiveness of the Society's AML/CFT framework and has an oversight role designed to ensure that there is compliance with all relevant laws and regulations. It also reviews the Society's AML/CFT Policies to ensure that they are consistent with its business model.

The Committee also reviews the operation of internal controls, risk management policies and matters raised by the internal and external auditors.

Current Chair (Director):	Mr. K. Joseph
Director:	Mr. F. Mc Donald
Director:	Mr. E. Verasammy

Human Resource Committee

The Human Resources Committee comprising three Non-Executive Directors discusses and makes proposals to the Board on organizational structure, employees' compensation and employment policies and procedures. Appointment of key management personnel is approved by this Committee.

Current Chair (Director):	Mr. S. Narine
Director:	Mr. F. Mc Donald
Director:	Mr. K. Joseph

Finance Committee

The Finance Committee considers the external and internal environment of the Society and assesses the opportunities for investment and the associated inherent risk thereof. The Committee also reviews the performance of the Society against its budget and addresses issues for any shortfalls or cost overruns. It comprises three Non-Executive Directors.

Current Chair (Director): Mr. F. Mc Donald
 Director: Mr. K. Joseph
 Director: Mr. E. Verasammy

Loans Committee

The Loans Committee comprising two Non-Executive Directors is guided by a clearly defined lending policy as approved by the Board. The Committee pays particular attention to the risks relating to lending and assesses our Debt Recovery Management Systems for adequacy and compliance.

Current Chair (Director): Mr. F. Mc Donald
 Director: Mr. K. Joseph

Executives and Senior Managers are included in committee meetings as required.

Directors' Responsibilities for Accounting Records and Internal Controls

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that the Society:

- keeps accounting records in accordance with the New Building Society (Amendment) Act 2010, and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the Financial Institutions Act 1995 and recommendations and guidelines as issued by the Bank of Guyana.

Business Objectives and Activities

The Society's business objectives and principal activities are to provide the best savings products and to promote home ownership.

The Board pays continuous attention to the financial market having regard to the provision of attractive rates of interest for investors and mortgagors. We endeavour to continue offering affordable financing for home-building and provide excellent returns to our investors in a safe and secured environment.

Each mortgage or advance granted by the Society is certified by at least one Director, and subsequently approved by the full Board.

The Society has established ethical rules and policies, to ensure the affairs of our Customers and Members remain confidential. We promote a culture of zero tolerance against discrimination of all forms. We strive to resolve all issues communicated to us in writing or orally by our customers and members, in a timely and efficient manner.

On behalf of the Board of Directors



Floyd Mc Donald
 Chairman
 16th February, 2015

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF THE NEW BUILDING SOCIETY LIMITED

We have audited the accompanying financial statements of the New Building Society Limited which comprise the Statement of Financial Position as at 31 December 2014, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in pages 26 to 57.

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, the New Building Society Act (Amendment) 2010 (Act No. 12 of 2010) and the Financial Institutions Act 1995, 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. These 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' judgement, including the assessment of the risk 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 give a true and fair view of the financial position of the New Building Society Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the New Building Society Act (Amendment) 2010 (Act No. 12 of 2010) and the Financial Institutions Act 1995.

Report on Additional Requirement

We have examined the mortgage deeds, transports and other securities belonging to the Society. Title deeds held in respect of mortgages were produced to us and actually inspected by us and we are satisfied that deeds not inspected by us were in the hands of the Society's attorneys or elsewhere in the normal course of the business of the Society.


.....

Maurice Solomon & Co.

Chartered Accountants
17th February, 2015

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

	NOTE	2014	2013
Assets			
Cash Resources	5	10,723,886	12,524,477
Loan Assets	6	36,945,544	32,879,536
Investments	7	6,626,815	6,167,701
Property, Plant & Equipment	8	1,613,185	1,915,082
Other Assets	9	195,769	156,315
Retirement Benefit Surplus		334,358	330,380
		<u>56,439,557</u>	<u>53,973,491</u>
Investors' Balances, Other Liabilities And Reserves			
Investors' Balances	10	45,883,007	44,730,347
Other Liabilities	11	179,773	292,977
Risk Reserve	13	40,612	31,764
Assigned Capital	13	250,000	250,000
Revaluation Reserve	13	317,998	587,680
Retained Earnings	13	9,768,167	8,080,723
		<u>56,439,557</u>	<u>53,973,491</u>

The Board of Directors approved these financial statements for issue on 16th February, 2015.


.....
Chairman


.....
Vice-Chairman


.....
CEO/Director/Secretary

The notes on pages 29 to 57 form an integral part of the Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

	NOTE	2014	2013
INTEREST INCOME ON:			
Loan Assets		2,262,091	1,969,729
Investments		300,048	290,501
Cash Resources		258,687	194,442
		2,820,826	2,454,672
INTEREST EXPENSE	16	1,064,125	894,341
INTEREST REVENUE		1,756,701	1,560,331
Other Income			
Profit on Sale of Assets		279,093	3,315
Fees and Commission Income		16,835	6,409
Other Operating Income		4,946	4,499
Gain on Exchange		985	354
TOTAL NET INCOME		2,058,560	1,574,908
Operating Expenses			
General Administrative Expenses	15	(492,149)	(463,239)
Net Provision for Impairment on Loan Assets	14;15	(9,167)	(6,024)
Depreciation	15	(59,248)	(59,703)
Other Expenses	15	(51,232)	(53,404)
Total Operating Expenses		(611,796)	(582,370)
PROFIT FOR THE YEAR		1,446,764	992,538
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of Provision of Employee Benefits		(20,154)	49,950
Gain on Revaluation of Property		-	65,491
Other Comprehensive Income for the year		(20,154)	115,441
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,426,610	1,107,979

The notes on pages 29 to 57 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

	2014	2013
OPERATING ACTIVITIES		
Net Profit for the Year	1,446,764	992,538
Adjustments for:		
Depreciation	59,248	59,703
Net Provision for Impairment on Loan Assets	9,167	6,024
Movement in Retirement Benefit Plan Liability	(24,132)	(13,255)
Gain on Disposal of Property, Plant and Equipment	(279,094)	(3,315)
OPERATING INCOME BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	1,211,953	1,041,695
Loans Advances Net of Repayments	(4,075,175)	(5,180,205)
Increase in Other Assets	(39,454)	(38,474)
Receipts from Investors Net of Withdrawals	1,152,660	3,706,569
(Decrease)/Increase in Other Liabilities	(113,204)	134,626
NET CASH OUTFLOW - OPERATING ACTIVITIES	(1,863,220)	(335,789)
INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(24,199)	(9,932)
Additions to Investments	(4,732,333)	(3,838,211)
Redemptions of Investments	4,273,219	9,953,949
Net Decrease/(Increase) in Restricted Cash Resources and Fixed Deposits	2,219,979	(5,670,563)
Proceeds from the Sale of Property, Plant and Equipment	545,942	3,315
NET CASH INFLOW - INVESTING ACTIVITIES	2,282,608	438,558
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	419,388	102,769
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	720,008	617,239
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	1,139,396	720,008

The notes on pages 29 to 57 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

1. ENTITY IDENTIFICATION

The New Building Society Limited was established in Guyana under the New Building Society Act 1940, as amended. Its registered office is located at Lot 1, North Road and Avenue of the Republic, Georgetown.

The Society operates under the purview of the Financial Institutions Act 1995 and the supervision of the Bank of Guyana, as provided under the New Building Society (Amendment) Act 2010 (Act No. 12 of 2010).

The Society is not subject to taxation under the tax regime of Guyana.

2. PRINCIPAL ACTIVITY

The principal activity is the provision of a range of mortgage and savings products.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings, and in accordance with the New Building Society Act and International Financial Reporting Standards.

The preparation of the Society's financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 BASIS OF PREPARATION (cont'd)

a) New and revised standards published and effective for the current financial year:-

- IFRS 10 - Consolidated financial statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosures of interests in other entities
- IFRS 13 - Fair value measurement
- IAS 16 - Property, plant and equipment (amendment)
- IAS 19 - Employee benefits (revision)
- IAS 27 - Separate financial statements (revision)
- IAS 28 - Investments in associates and joint ventures (revision)
- IAS 32 - Financial instruments: Presentation (amendment)
- IFRS 7 - Financial instruments: Disclosure (amendment)

IAS 19 - Employee benefits (revision)

The revised standard introduced primary amendments to the recognition and presentation of defined benefit plans as well as to the required disclosures. The fundamental change of the revision is the removing of the corridor method as it relates to the recognition of actuarial gains and losses. Actuarial gains and losses will be recognized directly in other comprehensive income and as such the net pension asset or liability recognized in the statement of financial position reflects the full value of the plan deficit or surplus. The Society has adopted the revised Standard in the prior financial year.

b) New and revised standards published and effective in future years:-

- IFRS 9 - Financial Instruments
- IFRS 14 - Regulatory deferral accounts
- IFRS 15 - Revenue from contracts with customers
- IAS 32 - Financial instruments: Presentation (amendment)
- IAS 36 - Impairment of assets (amendment)
- IFRIC 21 - Levies

IFRS 9 - Financial Instruments

The standard will be effective for the financial period beginning on 1 October, 2018. All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 BASIS OF PREPARATION (cont'd)

b) New and revised standards published and effective in future years (cont'd):-

IFRS 15- Revenue from contracts with customers

The standard will be effective for the financial period beginning on 1 October, 2017. The core principle of the standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

3.2 FOREIGN CURRENCIES

Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Society operates. The financial statements are presented in Guyana Dollars, which is the Society's functional currency.

Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Such balances are translated at the prevailing year end exchange rates.

3.3 LOAN ASSETS

Loan assets are stated at amortized cost using the effective interest method. Specific provisions for impairment are made throughout the year and at year end if there is objective evidence that a loan asset is impaired. Objective evidence that a financial asset is impaired includes indications that the borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of the expected future cash flows, including amounts recoverable from collateral, discounted at the original effective interest rate. The specific provision for properties in possession is based on an agreed sales price with a third party or a Director's valuation.

The carrying values of impaired assets are reduced through the use of an allowance account and the amount is recognized in the income statement. Write-offs are made when all or part of a loan asset is deemed uncollectible and are charged against the allowance account. Recoveries in part or in full of amounts previously written off are credited to income.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 LOAN ASSETS (cont'd)

The Society also collectively assesses its mortgages for impairment by applying historical loss rates to the portion of the portfolio not deemed to be individually impaired.

Renegotiations normally involve the deferral of repayments for members experiencing significant but temporary cash flow problems, in the judgment of management. Renegotiated facilities continue to earn interest and are aged based on the original terms.

3.4 INVESTMENTS

The Society classifies its investments as held-to-maturity securities as these are non-derivative financial assets with fixed and determinable payments and fixed maturities that management has the positive intent and ability to hold to maturity. The investments are carried at amortized cost with premiums and discounts being amortized to the income statement over the period to maturity on an effective yield basis.

3.5 PROPERTY, PLANT & EQUIPMENT

Freehold land and buildings are stated at the revalued amounts less accumulated depreciation thereon. All other fixed assets are stated at cost less accumulated depreciation.

Freehold land is not depreciated. Depreciation on all other assets is calculated on a straight line basis at rates estimated to write off the depreciable assets over their expected useful economic lives.

The following rates are used:-

Buildings	2.0%
Office Furniture	10.0%
Machinery and Equipment	12.5%
Motor Vehicles	20.0%

Increases in the carrying amount arising on the revaluation of land and building are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 PROPERTY, PLANT & EQUIPMENT (cont'd)

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

3.6 INTANGIBLE ASSETS (COMPUTER SOFTWARE)

The cost of acquiring and installing computer software is capitalized and amortized over their estimated useful economic life of eight years on a straight line basis. Costs associated with maintenance of computer software are expensed as incurred.

3.7 INTEREST RECOGNITION

For instruments measured at amortized cost, the effective interest method is used to measure the carrying value of a financial asset or a liability and to allocate the associated interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

3.8 RECOGNITION OF FEES & COMMISSION

Fees and commission are generally recognized on an accrual basis when the service has been provided. Property inspection fees for mortgages that are likely to be drawn down are deferred over the term of the mortgage.

3.9 INVESTORS' BALANCES

Investors' balances are initially recognized at the nominal amount of funds received and subsequently at nominal amount plus accrued interests.

3.10 RETIREMENT BENEFIT PLAN

The Society operates the New Building Society Limited Pension Scheme which is a defined benefit scheme as the amount of pension that an employee will receive on retirement is dependent on years of service and compensation. The assets of the scheme are held independently from those of the Society. The Scheme is funded by employee and Society contributions.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 RETIREMENT BENEFIT PLAN (cont'd)

The projected actuarial method is used for the retirement benefit plan. Under this method, the actuarial liabilities consist of the present value of pensions in payment and vested deferred benefits for terminated members, plus that portion of the future benefits expected to be paid to present members which is related to their credited service up to the valuation date. Amounts of pension are determined based on each member's projected final earnings. The current service cost for the defined benefit provisions for the year following the valuation date is the present value of benefits accrued by members with respect to their service in that year.

The characteristics of this actuarial cost method are that it matches year-by-year costs of benefits expected to be accrued by the members each year to the contributions required for those years and, since it results in a pattern of progressively increasing costs for an individual employee as that employee ages, it may also result in progressively increasing costs for the Scheme as a whole if the average age profile of the Scheme membership increases from year to year.

3.11 PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated. Contingent liabilities have not been recognized.

3.12 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and cash at bank excluding balances redeemable after three months.

3.13 COMPARATIVES

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 IMPAIRMENT LOSSES ON LOAN ASSETS

To identify impairment in the Society's loan assets, judgments are made as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Estimating the quantum and timing of future recoveries involves significant judgment. The size of receipts will depend on the future performance of the borrower and the value of the security, both of which will be affected by future economic conditions; additionally, collateral may not be readily marketable. The actual amount of future cash flows and the date they are received may differ from these estimates and consequently actual losses incurred may differ from those recognized in these financial statements.

4.2 HELD-TO-MATURITY INVESTMENTS

The Society follows the guidance of International Accounting Standards 39 - Financial Instruments: Recognition and Measurement, on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment for which management evaluates its intention and ability to hold such investments to maturity.

4.3 RETIREMENT BENEFIT PLAN

The present value of the retirement benefit plan obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the plan's obligation. The assumptions used are disclosed in note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

	2014	2013
5. CASH RESOURCES		
Redeemable on Demand:		
Cash in Hand	7,200	7,200
Cash at Bank, excluding Fixed Deposits	<u>1,132,196</u>	<u>712,808</u>
Classified as Cash and Cash Equivalents	1,139,396	720,008
Redeemable after 3 Months:		
Fixed Deposits	<u>9,584,490</u>	<u>11,804,469</u>
	<u>10,723,886</u>	<u>12,524,477</u>
6. LOAN ASSETS		
Mortgages	<u>37,053,045</u>	32,976,564
Properties in Possession	<u>6,901</u>	<u>14,499</u>
	<u>37,059,946</u>	<u>32,991,063</u>
Provision for Impairment on Loan Assets (note 14)	<u>(112,668)</u>	(107,320)
Unearned Interest	<u>(1,734)</u>	<u>(4,207)</u>
	<u>36,945,544</u>	<u>32,879,536</u>

The table below shows the movement to the Properties in Possession

	2014		2013	
	No. of Properties	Value	No. of Properties	Value
As at the Beginning of the Year	7	14,499	5	15,976
Additions in the Year	1	17,256	2	19,378
Disposals in the Year	(4)	(24,854)	-	(20,855)
As at End of Year	<u>4</u>	<u>6,901</u>	<u>7</u>	<u>14,499</u>

Properties in possession are sold as soon as practicable, with proceeds used to reduce the outstanding balance.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

6. LOAN ASSETS (cont'd)	2014		2013	
	No. of Securities	Value	No. of Securities	Value
The table below shows the analysis of the mortgage portfolio by value bands				
Balances not exceeding \$1,000,000	1,758	983,638	1,828	1,047,880
Balances exceeding \$1,000,000 but not \$1,500,000	1,007	1,243,722	1,081	1,339,294
Balances exceeding \$1,500,000 but not \$2,000,000	792	1,383,680	865	1,505,942
Balances exceeding \$2,000,000 but not \$2,500,000	744	1,674,069	767	1,718,505
Balances exceeding \$2,500,000 but not \$3,000,000	768	2,127,085	798	2,201,241
Balances exceeding \$3,000,000 but not \$4,000,000	1,405	4,953,486	1,314	4,588,570
Balances exceeding \$4,000,000 but not \$5,000,000	1,002	4,500,920	934	4,175,994
Balances exceeding \$5,000,000 but not \$6,000,000	748	4,096,011	679	3,715,614
Balances exceeding \$6,000,000 but not \$7,000,000	496	3,211,952	448	2,895,098
Balances exceeding \$7,000,000 but not \$8,000,000	438	3,282,234	375	2,815,566
Balances exceeding \$8,000,000 but not \$9,000,000	188	1,569,163	142	1,188,734
Balances exceeding \$9,000,000 but not \$10,000,000	182	1,737,863	114	1,082,827
Balances exceeding \$10,000,000 but not \$11,000,000	166	1,728,898	137	1,438,222
Balances exceeding \$11,000,000 but not \$12,000,000	255	2,940,414	193	2,234,395
Balances exceeding \$12,000,000	132	1,618,176	84	1,024,474
Total	10,081	37,051,311	9,759	32,972,356

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

	2014	2013
7. INVESTMENTS		
Government of Guyana Treasury Bills	4,732,333	3,838,211
United Kingdom Government Treasury Loans	178,773	459,490
Berbice Bridge Company Inc. Bonds	1,715,709	1,870,000
	<u>6,626,815</u>	<u>6,167,701</u>

8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Total
Cost				
As at 01 January, 2014	1,838,845	268,482	67,132	2,174,459
Additions	-	16,449	7,750	24,199
Disposals	(271,274)	-	(7,217)	(278,491)
Revaluation	-	-	-	-
As at 31 December, 2014	<u>1,567,571</u>	<u>284,931</u>	<u>67,665</u>	<u>1,920,167</u>
Accumulated Depreciation				
As at 01 January, 2014	(30,234)	(174,341)	(54,802)	(259,377)
Charges for the Year	(25,808)	(26,365)	(7,075)	(59,248)
Written back on Disposals	4,426	-	7,217	11,643
Revaluation	-	-	-	-
As at 31 December, 2014	<u>(51,616)</u>	<u>(200,706)</u>	<u>(54,660)</u>	<u>(306,982)</u>
Net Book Value				
As at 31 December, 2014	<u>1,515,955</u>	<u>84,225</u>	<u>13,005</u>	<u>1,613,185</u>

Freehold land and buildings are recorded at the valuations of the Directors, based on independent professional advice as a result of valuations carried out by the Chief Valuation Officer (ag.), Mr. Compton P. Outar, as at September 2013 on the basis of open market value. There was no subsequent valuation.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Total
Cost				
As at 01 January, 2013	1,838,845	258,550	83,357	2,180,752
Additions	-	9,932	-	9,932
Disposals	-	-	(16,225)	(16,225)
Revaluation	-	-	-	-
As at 31 December, 2013	<u>1,838,845</u>	<u>268,482</u>	<u>67,132</u>	<u>2,174,459</u>
Accumulated Depreciation				
As at 01 January, 2013	(65,491)	(151,172)	(64,727)	(281,390)
Charges for the Year	(30,234)	(23,169)	(6,300)	(59,703)
Written back on Disposals	-	-	16,225	16,225
Revaluation	65,491	-	-	65,491
As at 31 December, 2013	<u>(30,234)</u>	<u>(174,341)</u>	<u>(54,802)</u>	<u>(259,377)</u>
Net Book Value				
As at 31 December, 2013	<u>1,808,611</u>	<u>94,141</u>	<u>12,330</u>	<u>1,915,082</u>

If freehold land and buildings were stated at historical cost, the carrying values would be:

	2014	2013
Cost	1,201,712	1,274,870
Accumulated Depreciation	(94,010)	(71,567)
	<u>1,107,702</u>	<u>1,203,303</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

	2014	2013
9. OTHER ASSETS		
Accrued Interest	193,027	144,292
Accounts Receivables and Prepayments	2,742	12,023
	<u>195,769</u>	<u>156,315</u>
10. INVESTORS' BALANCES		
Five Dollar Shares	20,492,965	20,071,355
Save and Prosper	24,486,052	23,814,710
Deposits	903,990	844,282
	<u>45,883,007</u>	<u>44,730,347</u>
11. OTHER LIABILITIES		
Withholding Taxes	63,846	55,598
Accounts Payables and Accruals	68,246	191,448
Deferred Income	47,681	45,931
	<u>179,773</u>	<u>292,977</u>

NOTES TO THE FINANCIAL STATEMENTS

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Expressed in Thousands of Guyana Dollars

12. RETIREMENT BENEFIT PLAN

The amount recognized in the Statement of Financial Position is as follows:

	2014	2013
Present Value of Obligations	538,205	498,524
Fair Value of Plan Assets	<u>(872,563)</u>	<u>(828,904)</u>
Asset Recognized in the Statement of Financial Position	<u><u>(334,358)</u></u>	<u><u>(330,380)</u></u>

The movement in the Present Value of the Obligation is:

As at Beginning of Year	498,524	443,758
Interest Expense	33,348	29,697
Current Service Cost	21,838	20,937
Contributions by Plan Participants	11,686	10,412
Benefits Paid	(4,490)	(5,119)
Actuarial Gain	<u>(22,701)</u>	<u>(1,161)</u>
As at End of Year	<u><u>538,205</u></u>	<u><u>498,524</u></u>

The movement in the Fair Value of Plan Assets is:

As at Beginning of Year	828,904	710,933
Actual Return on Plan Assets	12,051	95,724
Contributions by the Society	25,318	22,558
Contributions by Plan Participants	11,686	10,412
Benefits Paid	(4,490)	(5,119)
Administrative Expenses	<u>(906)</u>	<u>(5,604)</u>
As at End of Year	<u><u>872,563</u></u>	<u><u>828,904</u></u>

The amount recognized in the Statement of Profit or Loss:

Current Service Cost	21,838	20,937
Interest Cost	33,348	29,697
Expected Return on Plan Assets	(54,906)	(46,934)
Administrative Expenses	<u>906</u>	<u>5,604</u>
Total included in Staff Cost	<u><u>1,186</u></u>	<u><u>9,304</u></u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

12. RETIREMENT BENEFIT PLAN (cont'd)	2014	2013
The amount recognized in Other Comprehensive Income:		
Experience Gains - Demographic	(22,700)	(1,161)
Experience Gains - Financial	42,854	(48,789)
	<u>20,154</u>	<u>(49,950)</u>
Expected Contributions in Upcoming Year	<u>36,898</u>	<u>34,294</u>
The principal assumptions used were:		
Discount Rate	6.50%	6.50%
Future Salary Increases	5.50%	5.50%
Return on Assets	6.50%	6.50%
Mortality	UP -94	UP -94
	(+1)(with a projection scale AA)	(+1)(with a projection scale AA)

The expected return on plan assets comprises income and capital gains less a margin for administrative expenses. The income component has been determined by reference to a weighted average of rates of interest at which deposits have been fixed, and the dividend yield on equity holdings. An allowance for capital gains has been determined by considering the proportion of plan assets invested in equity holdings, adjusted for growth in the capital value in line with economic conditions.

Risks specific to the Society arising from the Retirement Benefit Plan:

Interest Risk: A decrease in the bond interest rate will decrease the retirement benefit surplus.

Mortality Risk: The present value of the plan obligation is calculated by reference to the best estimate of the mortality of the plan participants during and after their employment. An increase in the life expectancy of the plan participants will decrease the retirement benefit surplus.

Salary Risk: The present value of the plan obligation is calculated by reference to the future salaries of the plan participants. An increase in the salary of the plan participants will decrease the retirement benefit surplus.

Investment Risk: A decrease in the return on plan assets will decrease the retirement benefit surplus.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

12. RETIREMENT BENEFIT PLAN (cont'd)

Plan Assets are comprised as follows:

	2014		2013	
Cash Resources	235,269	27%	185,527	22%
Equity:				
Manufacturing	89,506		80,843	
Distribution	79,554		85,786	
Financial Institutions	402,859		410,666	
	571,919	66%	577,295	70%
Debt Instruments (United Kingdom Government Bonds)	65,375	7%	66,082	8%
	872,563	100%	828,904	100%

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

A summary of the plan position and experience adjustments is as follows:

	2014	2013	2012	2011	2010
Present Value of Obligation	538,205	498,524	(443,758)	(378,785)	(425,373)
Fair Value of Plan Assets	872,563	828,904	710,933	556,441	474,957

Impact of changes in significant actuarial assumptions

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increases and mortality. The sensitivity analysis provided below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Scenario	Benefit Obligation	% Change in Benefit Obligation
Valuation Results	538,205	
Discount Rate -1%	680,260	26.39
Discount Rate +1%	435,338	-19.11
Salary Increases -1%	480,765	-10.67
Salary Increases +1%	609,103	13.17
Increase average life expectancy by 1 year	547,291	1.69
Decrease average life expectancy by 1 year	529,109	-1.69

NOTES TO THE FINANCIAL STATEMENTS

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13. A) RESERVES	2014	2013
Revaluation Reserve		
As at Beginning of Year	587,680	522,189
Gain on Revaluation of Property	-	65,491
Disposal of Property	<u>(269,682)</u>	<u>-</u>
As at End of Year	<u>317,998</u>	<u>587,680</u>
Retained Earnings		
As at Beginning of Year	8,080,723	7,014,064
Transferred (to)/from Risk Reserve	(8,848)	24,171
Realization of Revaluation Gains	<u>269,682</u>	<u>-</u>
	8,341,557	7,038,235
Profit for the Year	1,446,764	992,538
Other Comprehensive Income:		
Remeasurement of provision of employee benefits	<u>(20,154)</u>	<u>49,950</u>
As at End of Year	<u>9,768,167</u>	<u>8,080,723</u>

B) The Risk Reserve

The Risk Reserve is created as an appropriation of retained earnings to account for the difference between the specific provision created by the Society and the provisions as required under the Financial Institutions Act 1995.

The Society makes specific provisions for non-performing advances based on the difference between the carrying amount and the discounted expected cash flows. These provisions booked as at 31 December, 2014 totalled \$112,668 compared with a provision of \$153,280 as required under the Financial Institutions Act 1995.

The Risk Reserve as at 31 December, 2013 was \$31,764. The increase of \$8,848 is shown as a transfer of Retained Earnings to Risk Reserve. This is shown in note 13 (A).

C) Assigned Capital

As required by the Financial Institutions Act 1995, the Bank of Guyana has assigned the Society's capital of its business as not less than an amount of \$250,000.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

	2014	2013
14. PROVISION FOR IMPAIRMENT ON LOAN ASSETS		
As at Beginning of Year	107,320	101,296
Utilized in the Year	(3,819)	-
Charged for the Year	9,167	6,024
	<hr/>	<hr/>
As at End of Year	112,668	107,320
	<hr/> <hr/>	<hr/> <hr/>
15. NON-INTEREST EXPENSES BY NATURE		
Depreciation	59,248	59,703
Net Provision for Impairment (Note 14)	9,167	6,024
Staff Costs (Note 17)	340,061	316,441
Security	42,279	43,876
Electricity	37,479	37,722
Software Licence Fee	18,383	16,403
Advertising	4,879	6,788
Postage and Telephone	11,095	10,455
Charitable and Educational Donations	5,985	6,560
Auditors' Remuneration	2,968	2,968
Other	80,252	75,430
	<hr/>	<hr/>
Total Non-Interest Expenses	611,796	582,370
	<hr/> <hr/>	<hr/> <hr/>
16. INTEREST EXPENSE		
Five Dollar Shares	391,694	363,704
Save and Prosper Shares	659,875	518,721
Deposits	12,556	11,916
	<hr/>	<hr/>
	1,064,125	894,341
	<hr/> <hr/>	<hr/> <hr/>
17. STAFF COST		
Wages and Salaries	291,680	263,272
Social Security Costs	17,930	11,939
Pension Costs	1,186	9,304
Other Staff Costs	29,265	31,926
	<hr/>	<hr/>
	340,061	316,441
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

18. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. The related parties are key management personnel including Directors and Senior Officers of the Society and close family members of such individuals. Mortgages are extended to Senior Officers of the Society at the applicable employee rate of 50% of the prevailing rate. All other transactions are carried out on commercial terms and at prevailing rates.

	2014	2013
(a) MORTGAGES		
Balance as at Beginning of Year	29,330	26,550
Mortgages issued during the Year	9,000	3,140
Mortgage Interest Charged during the Year	1,455	1,310
Mortgage Payments during the Year	(1,926)	(1,670)
	<u>37,859</u>	<u>29,330</u>
Balance as at End of Year		
No provision has been required in 2014 and 2013 for the mortgages granted to related parties.		
(b) INVESTORS' BALANCES		
Balance as at Beginning of Year	81,039	119,709
Effect of Changes in Key Management Personnel	-	(32,136)
Deposits Received during the Year	47,700	41,157
Interest earned during the Year (net of tax)	1,885	1,642
Withdrawals made during the Year	(39,782)	(49,333)
	<u>90,842</u>	<u>81,039</u>
Balance as at End of Year		
(c) KEY MANAGEMENT COMPENSATION		
Short-Term Employee Benefits	94,799	88,177
Post-Employment Benefits	4,435	4,181
	<u>99,234</u>	<u>92,358</u>
(d) OTHER SERVICES		
Legal Services from Key Management	<u>7,679</u>	<u>17,021</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

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19. DIRECTORS' COSTS

Directors' Costs included in Key Management Compensation

	2014	2013
Directors' Fees	3,840	3,840
Directors' Travel	3,840	3,840
Directors' Pension	2,010	2,010
	9,690	9,690
	9,690	9,690

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

Financial instruments carried at the Statement of Financial Position date include cash resources, loan assets, investments, other assets (excluding property, plant and equipment and prepayments), and investors' balances, accounts payables and accruals.

The Society's financial instruments are classified into the following categories identified in IFRS 7: held-to-maturity and loans and receivables. All of the Society's financial liabilities are classified as financial liabilities measured at amortized cost.

Financial assets classified as held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that management has the positive intent and ability to hold to maturity. The Society's investments are classified as held-to-maturity.

Financial assets classified as loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. The Society's cash resources, loan assets and other assets (excluding property, plant and equipment and prepayments) are classified as loans and receivables.

Financial liabilities which are not classified as fair value through the profit and loss are classified as financial liabilities measured at amortized cost. A financial liability which is acquired principally for the purpose of selling in the short term or derivatives are categorized as fair value through the profit and loss. The Society holds no such financial liabilities. As such, the Society's investors' balances, accounts payables and accruals are classified as financial liabilities measured at amortized cost.

There were no changes in these classifications from the prior year.

(b) RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments incorporate the vast majority of the Society's assets and liabilities. The Society's activity involves the acceptance of deposits from investors which are then used to earn an interest margin by investing these funds in high quality assets. The principal risks which arise from this core activity, and which needs to be managed by the Society, are credit risks, liquidity risk, interest rate risks and foreign exchange risk. The Society's objective is to limit its exposure to such risks while maintaining a steady growth in profitability and net asset base. The Society's risk management policies for each of these risks is described in the following parts to this note.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(c) CREDIT RISK

The Society takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises on the Society's holdings of cash resources, investments and loan assets. The maximum credit risk exposure approximates to the carrying values of these assets at the Statement of Financial Position date.

To reduce the Society's exposure, cash resources are held with financial institutions licensed in Guyana or the United Kingdom. The Society's investments are largely in securities issued or guaranteed by governments of Commonwealth countries. The investment in the bonds issued by the Berbice Bridge Company Inc., while not issued or guaranteed by a government of a Commonwealth Country, is considered to be of sound credit quality based on the Society's assessment of the viability of that company's activity; the bond is secured on the assets of that company.

With respect to the exposure to credit risk on mortgages, the following mitigating measures are relied upon.

- (i) Prior to the advancing of funds, an initial interview of the potential borrower is conducted by an Officer of the Mortgage Department. During the interview, the Officer collects information on the proposed project, the income resources to be relied upon for repayments and the property to be lodged as collateral.
- (ii) The initial inspection of the property to be lodged as collateral is carried out by a Senior Manager of the Society with a Director during which a value is assessed. For loans between ten to twelve million dollars, two Directors inspect the property to ensure the collateral is adequate.
- (iii) A recommendation is made for the amount to be approved using information collected on the project, sources of repayment and the assessed value of the collateral to be lodged. The recommendation must be within seventy-five percent of the assessed value of the collateral to be lodged as within the statutory lending limits of the Society of twelve million Guyana dollars.
- (iv) The Board of Directors is required to approve all mortgages regardless of the amount to be disbursed.
- (v) The mortgage must be registered on the collateral prior to the disbursement of funds.
- (vi) For mortgages that involve disbursement of funds in stages, a weekly site inspection is carried out by an Officer of the Mortgage Department to assess the satisfaction of set targets prior to further release of disbursements.
- (vii) Daily reports are generated to identify mortgagors who have defaulted on repayments. The Society has a team within its Mortgage Department that is tasked with the identification and monitoring of defaulting mortgagors.

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(c) CREDIT RISK (cont'd)

(viii) A Director of the Society is required to inspect collateral lodged at least once every three years.

Given the homogenous nature of the Society's loan assets, management monitors the overall quality of its portfolio by examining the geographic concentration against historic default rates (foreclosed mortgages as a percentage of the geographic total).

The concentration of loan assets that are neither past due nor impaired as at the Statement of Financial Position date and the geographic default rates are shown below.

	2014		2013	
	Value	Default Rate	Value	Default Rate
Demerara, except Linden	23,860,502	0.46%	21,187,400	0.43%
Berbice	5,646,494	0.22%	4,917,170	0.21%
Essequibo	1,738,051	0.25%	1,593,986	0.18%
Linden	717,472	0.41%	687,471	0.48%
	<u>31,962,519</u>		<u>28,386,027</u>	

During the year there were loan assets totaling \$127,548 (2013 - \$106,030) which were renegotiated and which would have otherwise been past due or impaired.

The table below shows the age analysis of loan assets that are past due as at the Statement of Financial Position date but which are not impaired, along with the estimated fair value of the collateral held against these balances.

	2014	2013
Past due up to 30 days	3,110,409	2,886,900
Past due 30 to 90 days	1,777,055	1,494,390
Past due over 90 days	130,625	101,868
Total	<u>5,018,089</u>	<u>4,483,158</u>
Fair value of collateral	<u>10,190,400</u>	<u>9,562,070</u>

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(c) CREDIT RISK (cont'd)

The table below shows the geographic analysis of loan assets that are impaired as at the Statement of Financial Position date, along with the estimated fair value of the collateral held against these balances. All impaired loan assets exceeding 180 days totalled \$4,494 (2013 - \$22,812).

	2014	2013
Demerara, except Linden	36,730	92,773
Berbice	21,097	8,020
Essequibo	12,873	2,379
Linden	-	-
	<u>70,700</u>	<u>103,172</u>
Fair value of collateral	<u>112,500</u>	<u>161,900</u>

(d) INTEREST RATE RISK

The Society assumes interest rate risk from dealing with members and other third parties through fixed term lending or investment activity. The risk arises from movement in interest rates where the Society's financial assets or liabilities have different repricing dates. The Society manages this risk through the retention of the right to change applicable rates on mortgages and investors' balances and the holding of short-term investments.

The Society's interest bearing instruments carry fixed rate of interest except cash resources totaling \$453,037 (2013 – \$4,644) with an effective interest rate of 0.5% (2013 – 0.5%). Should the interest rates on the floating rate instruments increase/decrease by 50 basis points (2013 – 50 basis points), with all other variables held constant, the profit for the year would increase/decrease by \$2,265 (2013 – \$23).

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(d) INTEREST RATE RISK (cont'd)

The tables below summarize the Society's exposure to interest rate risk by categorizing the carrying amounts of assets and liabilities by the earlier of the contractual repricing or maturity dates.

	Up to one year	Over one year	Non-Interest Bearing	Total
As at 31 December 2014				
Cash Resources	10,226,693	-	497,193	10,723,886
Loan Assets	36,940,377	-	6,901	36,947,278
Investments	4,732,333	1,894,482	-	6,626,815
Other Assets (Property, Plant and Equipment / Retirement Benefit Surplus)	-	-	2,143,312	2,143,312
Total Assets	51,899,403	1,894,482	2,647,406	56,441,291
Investors' Balances	45,883,007	-	-	45,883,007
Other Liabilities	-	-	179,773	179,773
Total Investors' Balances and Other Liabilities	45,883,007	-	179,773	46,062,780
Interest Sensitivity Gap	6,016,396	1,894,482		

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(d) INTEREST RATE RISK (cont'd)

	Up to one year	Over one year	Non-Interest Bearing	Total
As at 31 December 2013				
Cash Resources	11,804,469	-	720,008	12,524,477
Loan Assets	32,869,244	-	14,499	32,883,743
Investments	3,838,211	2,329,490	-	6,167,701
Other Assets (Property, Plant and Equipment / Retirement Benefit Surplus)	-	-	2,401,777	2,401,777
Total Assets	48,511,924	2,329,490	3,136,284	53,977,698
Investors' Balances	44,730,347	-	-	44,730,347
Other Liabilities	-	-	292,977	292,977
Total Investors' Balances and Other Liabilities	44,730,347	-	292,977	45,023,324
Interest Sensitivity Gap	3,781,577	2,329,490		

The effective interest rates/yields on significant financial instruments are as follows:

	2014	2013
	%	%
Fixed Deposits	2.2	2.2
Mortgages	6.5	6.5
Investments	4.7	3.2
Investors' Balances	2.3	2.1

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(e) LIQUIDITY RISK

Liquidity risk is the risk that the Society is not able to meet its financial obligations as they fall due. The Society is exposed to daily calls on its cash resources from investors' accounts and mortgage draw downs. The Society's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Society and to enable it to meet all financial obligations. This is achieved through maintaining a prudent level of liquid assets and through management control of the growth of business.

All the Society's financial liabilities are payable within one month of the Statement of Financial Position date. However, in practice, investors' balances are repaid later than on the earliest date on which repayment can be required.

The tables below analyze assets and liabilities of the Society into relevant maturity groupings.

	Up to one year	One to five years	Over five years	Total
As at 31 December 2014				
Cash Resources	10,723,886	-	-	10,723,886
Loan Assets	2,748,283	8,599,023	25,598,238	36,945,544
Investments	5,021,014	1,148,231	457,570	6,626,815
Other Assets	195,769	1,613,185	334,358	2,143,312
Total Assets	18,688,952	11,360,439	26,390,166	56,439,557
Investors' Balances	45,883,007	-	-	45,883,007
Other Liabilities	251,545	22,496	18,936	292,977
Total Investors' Balances and Other Liabilities	46,134,552	22,496	18,936	46,175,984
Net Liquidity Gap	(27,445,600)	11,337,943	26,371,230	

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(e) LIQUIDITY RISK (cont'd)

As at 31 December 2013	Up to one year	One to five years	Over five years	Total
Cash Resources	12,524,477	-	-	12,524,477
Loan Assets	2,501,654	8,111,554	22,266,328	32,879,536
Investments	3,846,265	1,031,890	1,289,546	6,167,701
Other Assets	156,315	1,915,082	330,380	2,401,777
Total Assets	19,028,711	11,058,526	23,886,254	53,973,491
Investors' Balances	44,730,347	-	-	44,730,347
Other Liabilities	251,545	22,496	18,936	292,977
Total Investors' Balances and Other Liabilities	44,981,892	22,496	18,936	45,023,324
Net Liquidity Gap	(25,953,181)	11,036,030	23,867,318	

(f) FOREIGN EXCHANGE RISK

Foreign exchange exposure arises from the Society's holding of foreign-denominated financial assets. Management limits the exposure to unfavourable exchange rate movements by investing in stable currencies.

Aggregate Assets denominated in Foreign Currencies amounted to:	2014	2013
British Pound Sterling	<u>820,976</u>	<u>817,195</u>

At 31 December 2014, if the Guyana dollar had weakened / strengthened by 5% against the British Pound Sterling, with all other variables held constant, profit for the year would have been \$41,048 (2013 – \$40,860 for a 5% change) higher / lower.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

21. CAPITAL COMMITMENT

Capital Commitments for Property and Equipment
Authorized and Contracted for

	2014	2013
	-	-

22. FAIR VALUE MEASUREMENTS

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/2014	31/12/2013				
Loan Assets	Asset - 39,382,190	Asset - 33,645,231	Level - 2	The fair value of the loan assets was estimated to be using the discounted amount of the estimate of future cash flows expected to be received. Expected cash flows are discounted at the current market rates to determine the fair value.	N/A	N/A
Investments - Government of Guyana Treasury Bills	Asset - 4,743,524	Asset - 3,848,785	Level - 2	The fair values have been estimated by applying discounted cash flows analysis, using current market rates.	N/A	N/A
Investments - United Kingdom Government Treasury Loans	Asset - 198,681	Asset - 483,972	Level - 1	The fair value of the United Kingdom Government Treasury Loans is based on current market value.	N/A	N/A
Investments - Berbice Bridge Company Inc. Bonds	Asset - 1,917,522	Asset - 2,179,254	Level - 2	The fair values have been estimated by applying discounted cash flows analysis, using actuarial discounted rates for similar term investments.	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

22. FAIR VALUE MEASUREMENTS (cont'd)

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/2014	31/12/2013				
Freehold land and Buildings	Asset - 1,567,572	Asset - 1,773,354	Level - 3	"The appraisal was carried out in September 2013 using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the freehold land and buildings in question, including plot size, location, encumbrances and current use."	"The significant unobservable input is the adjustment for factors specific to the freehold land and buildings in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation."	Granting that the inputs are subjective judgements, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Cash Resources and Other Assets

Cash Resources and Other Assets: The carrying value of cash resources and other assets approximate to fair value given their short term nature.

Investors' Balances and Other Liabilities

The fair value of investors' balances and other liabilities approximates to the amount repayable on demand as the balances carry no stated maturity.

There were no transfer between levels in the current year.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

Expressed in Thousands of Guyana Dollars

23. CONTINGENT MATTERS

(a) CLAIM FROM A MEMBER

On 16 October 2007 the Society received a writ from a member seeking an amount of \$7,673 which was allegedly given to an employee of the Society to convert into foreign currency for remittance overseas. The sum, it was claimed, was not remitted or returned to the member. The matter is currently engaging the attention of the court. No Provision has been made for this amount in these financial statements as the Society is confident of defending the claim.

(b) CLAIMS FROM BUILDING CONSULTANTS

During December 2008 the Society received three writs of claim totaling \$29,829 from consultants involved in providing architectural, structural engineering and quantity surveying services in respect of preparatory works for the construction of the Society's new Head Office. The sums, it was claimed, represent outstanding consideration due to the consultants for services provided and were determined using the agreed fee bases applied to a building construction bid amount approved in October 2007. The matter is currently engaging the attention of the court. No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

(c) CLAIMS FROM FORMER EMPLOYEES

During 2010, the Society received writs from three former employees seeking damages in excess of fifty million dollars in each case for wrongful dismissal and breach of contract of employment. The trial for these cases are currently engaging the attention of the court.

No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

(d) ASSET OF RETIREMENT BENEFIT PLAN

As at 10 September, 2010 the court ordered the liquidation of Clico Life and General Insurance Company SA Limited naming the Governor of the Bank of Guyana liquidator. The Society held a flexible annuity policy with this company and an amount of \$50,938 was due to the Society's retirement benefit plan as at 31 December, 2014. A further payment of the sum of \$30,000 was made in January, 2015 leaving an outstanding balance of \$20,938. As at the date of publication of this report, the liquidation process is continuing.

Our Contributions and Sponsorships



Top: Mr. Roger Harper receives a cheque from Mr. Ahmad Khan, CEO/Director/Secretary of NBS for the Society's sponsored 40-over Second Division Cricket Competition organized by the Georgetown Cricket Association. The Society's Directors and members of the Georgetown Cricket Association look on approvingly.

Bottom left: NBS' support for the Guyana Police Force Annual Athletics Championship continued with full sponsorship of trophies for an entire race. Mr. Colin Boyce, DSP receives the trophies from NBS' boss, Mr. Ahmad Khan. In attendance were Mr. Boyce's Deputy, Ms. Tiffany Williams, ASP and other Managers of the Society.

Bottom right: Ms. Seraphina Jones, a member of staff at the NBS' Mackenzie Branch, presents a trophy donated by the New Building Society to a Teacher of Wismar Hill Primary for the School's graduation exercise.

Our Contributions and Sponsorships (cont'd)



Top: Mr. S. E. Cooke, Facilitator of the Education Management Committee of ACDA poses with Mr. David Granger, Leader of the Opposition and supporter of ACDA, Directors of the New building Society Limited and students of the Center of Learning and Afro Centric Orientation (COLAACO) when the Society handed over recreational equipment to the Learning Institution.

Bottom left: Mr. Avery James, a Staff attached to the Society's New Amsterdam Branch hands over a trophy to one of the outstanding performers at the graduation ceremony of the Class of 2014 of the Berbice High School.

Bottom right: Mr. Rana Persaud, Manager of NBS' Rosehall Branch, hands over a cheque for the Society's sponsorship of a 40-over Second Division Cricket Competition for teams in the Berbice region to Mr. Hubern Evans, Vice-President of the Berbice Cricket Board. The Society's members of staff and other officials of the Berbice Cricket Board witnessed the presentation.



the new building society limited

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