



**THE**  
**nlbs**

**THE NEW BUILDING SOCIETY LIMITED**  
**ANNUAL REPORT 2002**

**nbs**

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**BUSINESS OBJECTIVES**

*To provide a broad range of  
Mortgage and Saving products  
through a wide network of  
branches.*

*To provide independent financial  
advice on products offered.*

*To practice prudent management  
for the continuation of financial  
stability.*

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

*To provide employees with very  
favourable 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 Sixty-Third Annual General Meeting of the Members of the New Building Society Limited will be held at 5.00 p.m. on Monday, 14<sup>th</sup> April, 2003 at the Le Meridien Pegasus, Seawall Road, Kingston, Georgetown.

AGENDA

1. To consider the Financial Statements and the Reports of the Directors and Auditors for the year 2002.
2. To appoint Directors for the period 2003 - 2005.
3. To fix the remuneration of the Directors for the year 2003.
4. To appoint Auditors for the year 2003.
5. To fix the remuneration of the Auditors for the year 2003.
6. To approve the sum of \$6 million to be donated to Charity and for Educational Purposes for the year 2003.
7. Any other business of which due notice shall have been given.

By Order of the Board,

*Maurice L. Arjoon*  
 Maurice L. Arjoon,  
 Director/Secretary  
 1st March 2003

Please Note:

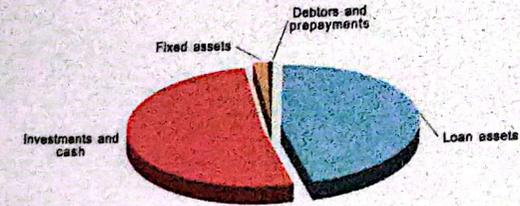
Only Members holding the following Accounts or their duly appointed proxies are entitled to attend the meeting:

- Save & Prosper Accounts
- Five Dollar Share Accounts
- Mortgage Accounts

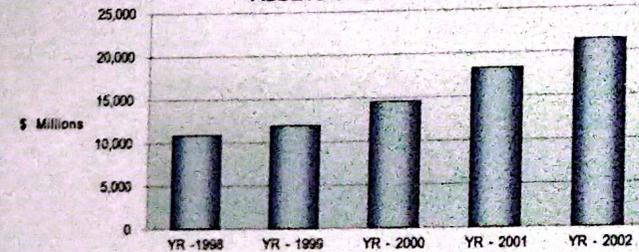
Please bring your Passbook to gain entry to the Meeting.

FINANCIAL HIGHLIGHTS

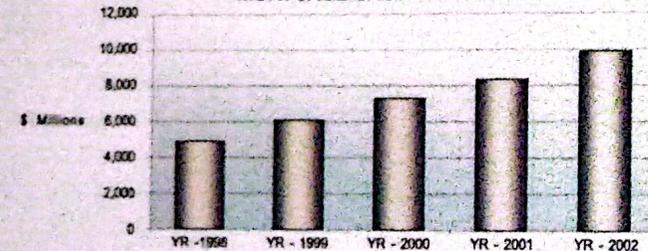
ASSETS COMPOSITION - 2002



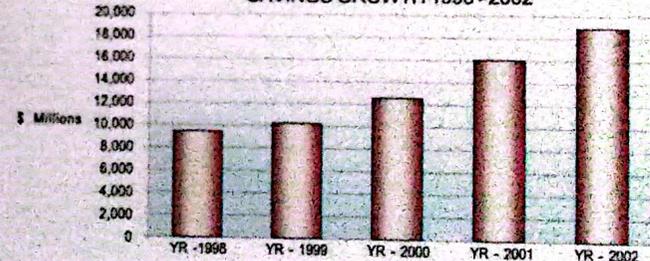
ASSETS GROWTH 1998 - 2002



MORTGAGE GROWTH 1998 - 2002



SAVINGS GROWTH 1998 - 2002



CORPORATE INFORMATION

**BOARD OF DIRECTORS**

- R. Bhookmohan Esq. *Chairman*
- L. O. Rockcliffe Esq. *Vice Chairman*
- M. L. Arjoon Esq.
- S. G. Bovell Esq.
- Dr. N. K. Gopaul
- M. M. McDoom S.C.
- Y. N. Yhann (Mrs.)

**MANAGEMENT**

- M. L. Arjoon Esq. - *Director/Secretary*
- N. Mohamed Esq. - *Assistant Secretary/Operations Manager*
- M. Majeed Esq. - *IT Systems Administrator*
- K. Vincent Esq. - *Branch Manager, Essequibo*
- S. Balram (Mrs.) - *Sub Branch Manager, N/A*

**SOLICITORS**

Messrs. Cameron & Shepherd 2 Avenue of the Republic, Georgetown, Guyana.  
 Messrs. McDoom & Co. 215 King Street, Stabroek, Georgetown, Guyana.

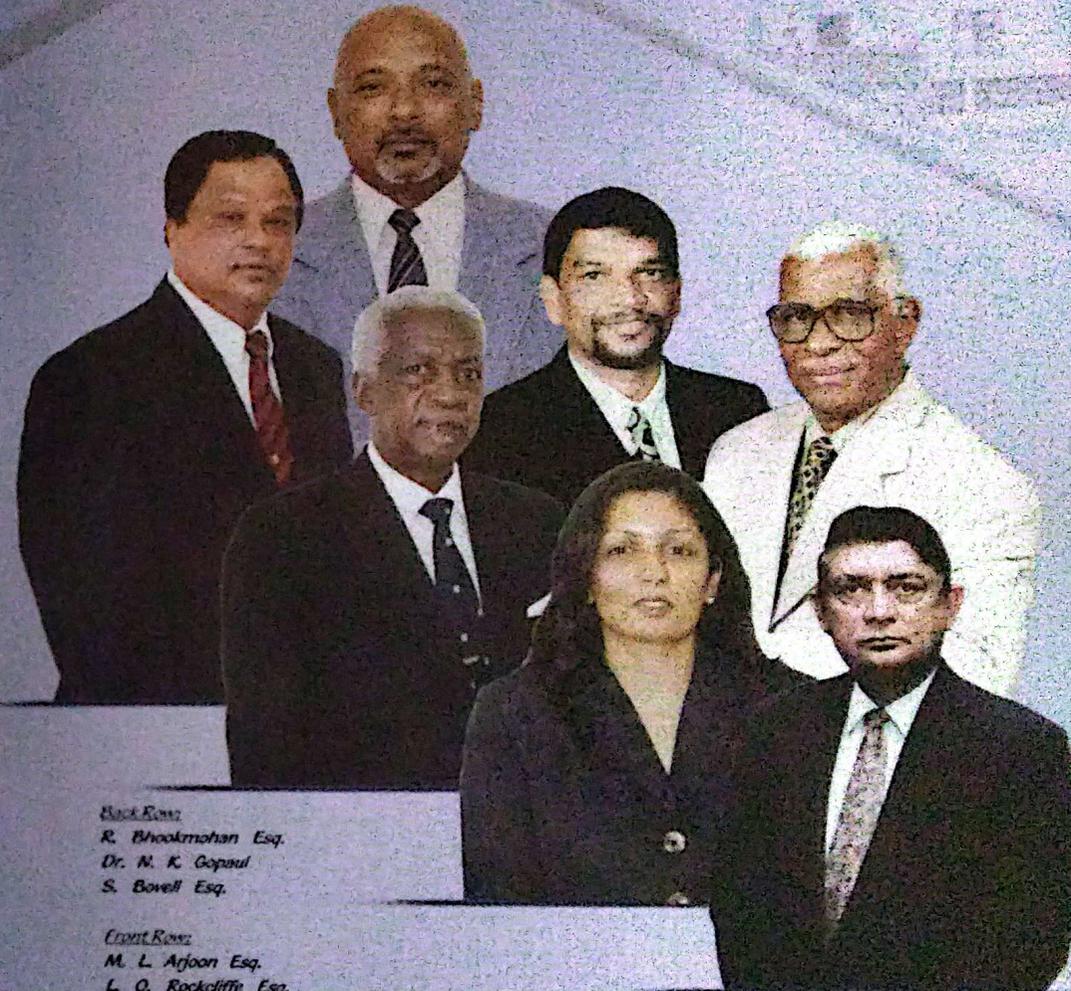
**BANKERS**

- Bank of Nova Scotia  
*Carmichael Street, Georgetown, Guyana.*
- National Bank of Industry and Commerce Limited  
*Water Street, Georgetown, Guyana.*
- Guyana National Co-operative Bank  
*Lombard & Cornhill Streets, Georgetown, Guyana.*
- Bank of Baroda  
*Avenue of the Republic, Georgetown, Guyana.*
- Guyana Bank for Trade and Industry Limited  
*Water Street, Georgetown, Guyana.*

**AUDITORS**

Jack A. Alli, Sons & Company - *Associates of PricewaterhouseCoopers*  
 145 Crown Street, Queenstown, Georgetown, Guyana.

BOARD OF DIRECTORS



*Back Row:*  
 R. Bhookmohan Esq.  
 Dr. N. K. Gopaul  
 S. Bovell Esq.

*Front Row:*  
 M. L. Arjoon Esq.  
 L. O. Rockcliffe Esq.  
 Y. Yhann (Mrs.)  
 M. McDoom S.C.

## MANAGEMENT TEAM



*M. Majeed*  
IT Systems Administrator

*M. L. Arjoon*  
Director/Secretary

*N. Mohamed*  
Assistant Secretary/  
Operations Manager

*K. Vincent*  
Manager, Essequibo



*J. Persaud*  
Sub-Branch Manager  
Kese Hall

*A. Beharry*  
Sub-Branch Manager  
Rosignol

*D. Balam*  
Sub-Branch Manager  
New Amsterdam

*Tyrone Hall*  
Sub-Branch Manager  
Cormerten

*M. Simon*  
Sub-Branch Manager  
Lindun

## CHAIRMAN'S REPORT

*I am extremely pleased to announce that NBS has recorded a profit of \$316 million for the year ended 31st December, 2002, the highest since its establishment in the year 1940.*



*I am pleased to present to you the Chairman's Report and Financial Statements of the New Building Society Limited (NBS) for the year ended 31<sup>st</sup> December, 2002.*

**ECONOMIC REVIEW:**

*During the year 2002, historical, social and economic factors continue to be reflected in limited employment opportunities, continuous migration of skilled Guyanese, an increase in the number of residents living below the poverty line and a decline in general business activity. Guyana's economy faced a number of challenges, including the unprecedented upsurge in the level of very serious and fearful crimes and the apparent inability of the security forces in providing effective responses, as well as the disturbingly fatal attacks on members of the Police Force. Still reeling from the unstable political environment preceding and following the March 2001 general elections, an environment of uncertainty continues to prevail.*

*The country's economic progress was also affected by developments in the global economy, moreso by swings in commodity prices. In the year 2002, real GDP grew by 1.1% compared to an overall growth in 2001 of 2.3%. Growth was driven mainly by sugar production which increased by 31% with a resulting increase in exports of 46% coupled with the appreciation of the Euro against the US Dollar. Positive contributions also emanated from manufacturing, financial services, engineering, construction, transportation and communication, masking reduced contributions from the rice, bauxite, gold, fishing and forestry sectors.*

The increase was nevertheless grossly inadequate as Guyana needs an annual growth rate of at least 10% if a significant input is to be made on reducing the poverty level and impacting positively on our economy.

The rate of inflation on the basis of the consumer price index accelerated to 6.1% compared with 0.4% for the corresponding period last year. There was a marginal depreciation of 0.23% of the Guyana Dollar against the US Dollar and higher levels of foreign currency transactions.

The Government continued its policy of reducing excess liquidity through the issue of Treasury Bills. With limited investment opportunities in the private sector, there was an increase in the demand for Treasury Bills and as a consequence, the average 91 day Treasury Bills rate declined from 6.25% at the beginning of the year to 3.9% at the end of the year.

On the positive side, Government continued its infrastructural works financed by the multilateral institutions. One of its major successes was the acceleration of the Housing Drive with the establishment of numerous housing schemes across the country as is reflected in the increasing trend of Mortgage Loans approved by NBS.

#### FINANCIAL PERFORMANCE:

Once again during the past year, we have succeeded in demonstrating the advantages of being a member of NBS. Despite the economic, political and social constraints, I am extremely pleased to announce that NBS has recorded a profit of \$316 million for the year ended 31st December, 2002, the highest since its establishment in the year 1940. This level of profit was achieved whilst maintaining the lowest spread, i.e. paying high rates of interest on Deposit Accounts and charging lowest rates of interest on Mortgage Loans. We believe that affordable loan rates and better returns on savings provide attractive options for the hard-pressed consumers.

As forecast last year, our share of the Mortgage Market continued to increase following our aggressive marketing strategy, exemplary customer service and the decision to further reduce our mortgage rates. Our Mortgage Portfolio moved from \$8.351 billion to \$9.832 billion, an increase of \$1.481 billion or 18%.

It is noteworthy that asset quality within our loan portfolio remains very high as only \$56 million had to be provided for loan losses. Our measures of efficiency reflect continuous improvement and with effective loan recovery management, we continue to maintain the lowest arrears rate in our sector as arrears were at an extremely low level of \$45.7 million representing 0.5 of 1% of Total Loans.

Our Total Deposits have grown in 2002 by \$2.841 billion to \$18.914 billion or 18% reflecting the confidence of the members in our operations.

Our Total Assets have grown in 2002 by 18% to \$21.484 billion making us the third largest financial institution in Guyana.

Our excellent achievement has been due primarily to cost control, beneficial investment decisions, prudent risk management and monitoring processes, while at the same time maintaining a high and efficient level of service to our members.

#### STAFF:

Once again this year, the professionalism and commitment of our employees have been reflected in our many achievements. Our staff has displayed enthusiasm for the Society's work and has portrayed attitudes that show real concern about general problems that members experience. I want to take this opportunity to thank our Management and Staff for the dedication, loyalty and commitment they have displayed throughout the year.

#### DONATIONS:

We have continued to support many charitable and public benefit causes. Nearly 140 charities and organisations have benefited from over \$5.7 million in donations made in 2002. During the course of this year we will see the opening of a new Counselling Centre in Berbice which was fully funded by the Society at a cost of \$37 million.

We have also made a substantial sum available for the renovation of the NBS Hall of Residence at the University of Guyana, the Linden Centre for Handicapped Children and the Anna Regina Community Centre Ground. These contributions amounted to \$7.6 million. Our contributions to various worthwhile causes will continue as we attempt to improve the quality of life in Guyana.

#### SUGGESTIONS/COMMENTS FROM MEMBERS:

In keeping with a commitment made to the membership at the last Annual General Meeting, a Committee comprising the Board of Directors and Senior Management was established to review the rules of the Society. The recommendations of this Committee will be put to the membership in due course.

#### FUTURE OUTLOOK:

There are no immediate signs of a positive impact on the global economic crisis nor can a dramatic national turnaround in the short term be discerned. New challenges will continue to be created and NBS is preparing itself to meet these challenges with a positive outlook for growth and prosperity in the year 2003 and beyond. NBS is a trusted organisation that deals with its members in a fair and transparent manner. We look forward to promoting the financial sector as far and wide as possible and have been looking at a number of ideas to ensure that our products and services are more widely available. We remain totally committed to a very fair mortgage pricing strategy and are encouraged by the resultant increasing market share. Encouraging home-ownership, mobilising savings, serving our members, supporting our staff, developing new technologies and championing our members interests are our priorities. These are what we have built our reputation on, they define what we stand for, and they are what will drive us forward into the future.

#### CONCLUSION:

The Board of Directors, Management and Staff recognise the importance of a strong and stable financial system for the future success of our country. We are therefore committed to the maintenance of such a system and the preservation of its integrity.

I would like to thank our members for their support during the year and look forward to their continued support in the future. I would also like to thank my fellow Directors for their co-operation and input during the year under review.

## DIRECTOR/SECRETARY'S REPORT

**OVERVIEW:**

I am extremely pleased to be able to comment on such an outstanding and very successful year for the New Building Society Limited (NBS) despite the economic uncertainty in a more competitive marketplace.

The financial sector within which we operate has been very volatile and under threat from the weight of intensifying competition, reduced investment opportunities, and the impact of narrowing margins resulting from an environment of excess liquidity with limited money market instruments available for investments.

Despite the foregoing, based on our core principles of putting members first, our savings interest rates have been going down much slower than base rates, as we do not believe that the whole of the rate reduction should be borne by our members. We do not attempt to maximise profit but operate a policy of profit sufficiency under which our profit grows at a rate that will maintain our strong capital ratios and allow us to invest in the infrastructure of our business. It is noteworthy, that during the year 2002 the rate of interest earned by our members was regularly in excess of 2% over the average rate of interest paid by other institutions in the financial sector, while our lending rates were lower by over 4% with our existing lending rate being 9.95% on a loan up to \$8 million.

A key element of our success in the year under review has been prudent interest rate management which significantly mitigated the negative impact of falling yields on our growing portfolio of Government of Guyana Treasury Bills, and the continued growth in our main business lines which has been reflected in our steadily increasing market share. Internal controls have been very effective and have been greatly enhanced by the work of the Committees of Directors which ensures the safety of members funds and good Corporate Governance.

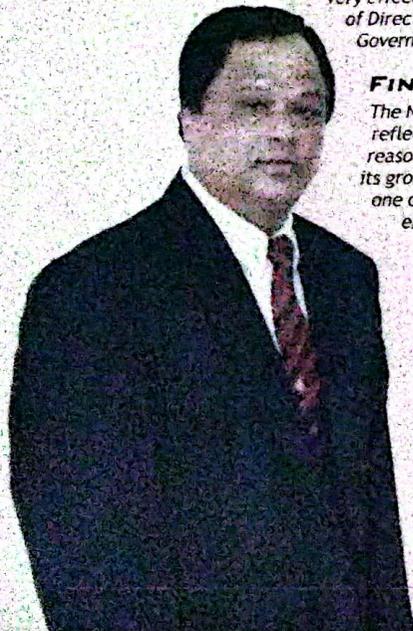
**FINANCIAL HIGHLIGHTS:**

The NBS recorded a profit of \$316 million for the year under review reflecting a 55% increase over last year's results. NBS needs to make a reasonable level of profit each year in order to maintain and strengthen its gross capital base. The NBS operates a policy of profit sufficiency and one of the most appropriate way of measuring profit sufficiency is to express profit as a percentage of average total assets. This ratio was 1.55% and compares favourably to that achieved by other financial institutions locally.

Our savings accounts were 88% of Total Assets increasing by 18% to \$18.914 billion. Net retail savings were \$1.979 billion.

Gross Lending rose to \$2.311 billion an increase of 38% over that which was achieved in 2001. The mortgage portfolio at the end of the year was \$9.832 billion comprising 4,506 accounts. Despite the decline in the economy, only \$56 million had to be provided for loan losses. Our arrears were at an extremely low level of \$45.7 million reflecting the benefits derived from a long established policy of lending to customers of good credit quality, together with our effective loan recovery management.

Our aim is  
to achieve  
an enviable  
reputation as  
champions of  
the Financial  
Sector.



## DIRECTOR/SECRETARY'S REPORT

Total Assets grew by 18% from \$18.268 billion to \$21.484 billion. Liquid Assets held by the Society which are in the form of Cash or Assets which are readily convertible into cash totalled \$10.605 billion and represent 56% of Total Savings. This ratio is maintained at a level which is considered appropriate for the activities of the Society.

Our gross reserves which represents general and revaluation reserves totalled \$2.488 billion, an increase of 20% over 2001. The purpose of gross reserves is to provide a buffer against any losses arising from the Society's activities, thereby protecting members savings. Our gross reserves expressed as a percentage of members savings was a high 13.1%. The higher the ratio, the greater the protection for members' savings.

**TECHNOLOGY/CUSTOMER SERVICES:**

The focus during the year was on both the qualitative and quantitative improvement of our service as members have less time to conduct their business. In a competitive marketplace any company that concentrates on value and service for customers is likely to do well. Three years ago we invested in a new work-flow and processing system and the results of our investment speak for itself. We are committed to embrace technology wherever it can improve our business. During the past year, we have improved in the delivery of services to our members which is reflected in our efficiency rate.

**OUR IMAGE/MARKET:**

There are many ways in which we promote our image, for example, through the continuous improvement of our premises, the professional mode of dress and attitude of our employees, our donations to charity and more noticeably our advertisements. With a view to maintaining efficient and excellent customer service, we have been eliciting feedback from our members on a wide range of issues from member loyalty/preference to the impact of our television advertisements.

**HUMAN RESOURCE:**

We are aware that the achievements of the Society are also based on the commitment and support of our staff who have worked tirelessly to offer first class service. Our ongoing objective is to ensure that our staff possess the knowledge and skills to provide the highest quality customer service. Emphasis will therefore continue to be placed on relevant training to ensure that employees skills are updated including the area of proper credit assessment. Our employees are committed to our members receiving good value and first class service and I am extremely proud to be able to lead such an outstanding team.

**FUTURE OUTLOOK:**

While the challenges in the environment within which we operate are great, the business pressures in the entire financial sector are considerable. These include the very high levels of leverage that are characteristic of many borrowers, the shortcomings of the legal environment, as well as the constraints placed by the current unstable and vulnerable economic environment. Limited investment opportunities are also a major challenge to the Society.

However, our aim is to achieve an enviable reputation as champions of the financial sector. We will continue to develop maximum value to the membership through keener pricing, fewer fees and charges and exceptional customer service. We want to lead the way in delivering real value to our members and to acquire a dominant position in the marketplace. We look forward to promoting our business as far and wide as possible, and to provide our members not only with a safe place for their money but also one which they can rely on to provide solid returns. The success story over the last year attests to these values.

Finally, I must acknowledge that I have always received excellent support and guidance from our Chairman and Directors of the Board. On behalf of myself and staff, I wish to state our appreciation of their continued commitment to the Society's growth and development.

## REPORT OF THE DIRECTORS

The Directors are pleased to present the 63<sup>rd</sup> Annual Report together with the Financial Statements of the Society for the year ended 31<sup>st</sup> December, 2002.

**Principal Business Activities:**

The Society provides a broad range of mortgage and savings products from seven locations across the country.

**Business Highlights:**

The Society continued to attract new business whilst retaining high levels of existing business.

Residential Mortgage Balances increased by \$1-481 billion to \$9-832 billion - (18%).

Savings Balances increased by \$2-841 billion to \$18-914 billion - (18%).

**Financial Highlights:**

In the year 2002 the Society:

	2002	2001	%
	\$ million	\$ million	Change
Recorded a profit of	316	204	+55%
Increased General Reserves to	2,488	2,071	+20%
Increased Assets under Management to	21,484	18,268	+18%
Provided New Advances to members totalling	2,311	1,671	+38%

**Mortgages:**

At 31<sup>st</sup> December, 2002 there were 4,506 Mortgages in force totalling \$9-832 billion representing 46% of Total Assets. (2001 - \$8-351 billion - 46%)

The number of loans and advances to members on which payments were twelve months or more in arrears was 8 (2001 - 16). The total outstanding balance gross of provisions on these loans was \$28 million. (2001 - \$42 million)

At 31<sup>st</sup> December, 2002 the total amount of arrears was \$46 million (2001 - \$78 million) representing 0.5 of 1% (2001 - 0.9 of 1%) of the total loans and advances to members.

**Liquid Assets:**

At 31<sup>st</sup> December, 2002 liquid assets (i.e. cash and short term investments) were \$10-605 billion and represent 56% of total savings.

**Charitable Donations:**

During the year, donations to charity and for educational purposes as well as support to initiatives in the Community totalled \$5.7 million.

## REPORT OF THE DIRECTORS

**Going Concern:**

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

**Directorate:**

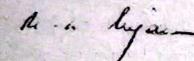
Under the provisions of the Society's Rule 47(1), the Directors whose names are listed below retire after the 63<sup>rd</sup> Annual General Meeting. Under the provisions of Rule 47(2) they are eligible and offer themselves for re-election:-

R. Bhokmohan, Esq.  
L. O. Rockcliffe, Esq.  
S. G. Bovell, Esq.  
Dr. N. K. Gopaul  
M. M. Mc Doom, S.C.  
Y. N. Yhann (Mrs.)

**Auditors:**

The Auditors Messrs. Jack A. Alli, Sons and Company retire and are eligible for re-election.

By Order of the Board,



Maurice L. Arjoon,  
Director/Secretary  
21 March 2003

## STATEMENT ON CORPORATE GOVERNANCE

The Directors apply principles of good governance by adopting the following policies and procedures.

All of the Board Members with the exception of the Director/Secretary are non-executive and are considered independent and bring wide knowledge, experience and professionalism to the deliberations of the Board.

The roles of the Chairman and the Director/Secretary are distinct and the offices are held by different persons. The Chairman (non-executive) is responsible for the running of the Board and the Director/Secretary is responsible for managing the Society's business.

The Directors have access to the advice and services of the Director/Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed in accordance with the New Building Society Act Chapter 36:21 of the Laws of Guyana.

The valuations of properties lodged as collateral for mortgages are carried out by the Directors in collaboration with Senior Management.

The Board meets at least once a month and has adopted a structure of mandates granted to Committees whilst retaining specific matters for its decision.

The most important committees of the Board are:-

The Audit Committee chaired by Mrs. Y. N. Yhann and comprises of two other non-executive Directors (S. G. Bovell and M. M. Mc Doom). The Audit Committee meets to monitor the internal financial control and risk management systems and the integrity of the financial statements of the Society. In particular, the Committee reviews the quarterly results and the full year results prior to their submission to the Board and to consider any matter raised by the external Auditors

The Human Resource Committee chaired by Dr. N. K. Gopaul and comprises of one other non-executive Director (S. G. Bovell). The Human Resource Committee meets to discuss and decide on employees' compensation in particular the remuneration policy with respect to Senior Executives for submission to the Board.

The Director/Secretary and the Assistant Secretary/Operations Manager are included in committee meetings as deemed appropriate.

The Society communicates with its members in a number of ways which include the Annual Report and Accounts, the Annual General Meeting, Television, the Press, Suggestion Boxes and Member Talkbacks which give members the opportunity to discuss matters relevant to the Society's operations.

## REPORT OF THE AUDITORS

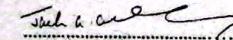
TO THE MEMBERS OF  
THE NEW BUILDING SOCIETY LIMITED

We have audited the financial statements of The New Building Society Limited as set out on pages 18 to 32. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have inspected the mortgage deeds, transports and other securities and title deeds and found them to be in order.

In our opinion, the financial statements, which have been prepared under the historical cost convention, modified by the valuation of freehold land and buildings, give a true and fair view of the state of affairs of the Society at 31 December 2002 and of the results of its operations and its cash flow for the year ended 31 December 2002 in accordance with International Accounting Standards and the provisions of the New Building Society Act.

  
JACK A. ALLI, SONS & CO.

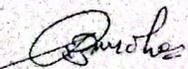
Associates of PricewaterhouseCoopers  
12 March 2003

## BALANCE SHEET

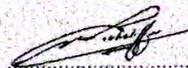
31 DECEMBER 2002

	Note	2002 G\$'000	2001 G\$'000
<b>ASSETS</b>			
Cash resources	4	2,504,469	1,668,071
Loan assets	5	9,897,734	8,381,017
Investments	6	8,590,053	7,830,737
Property, plant and equipment	7	399,568	325,813
Other assets	8	91,877	62,789
		<u>21,483,701</u>	<u>18,268,427</u>
<b>INVESTORS' BALANCES, LIABILITIES AND RESERVES</b>			
Investors' balances	9	18,914,705	16,073,677
Other liabilities	10	81,091	123,587
Reserves	11	2,487,905	2,071,163
		<u>21,483,701</u>	<u>18,268,427</u>

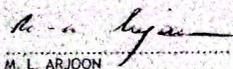
The Board of Directors approved these financial statements for issue on 12 March 2003.



R. BHOOKMOHAN  
CHAIRMAN



L. O. ROCKCLIFFE  
VICE-CHAIRMAN



M. L. ARJOON  
DIRECTOR / SECRETARY

The notes on pages 21 to 32 form an integral part of these financial statements.

## STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 G\$'000	2001 G\$'000
<b>Interest Income</b>			
Loan assets		944,402	907,008
Investments		621,290	695,018
Cash resources		169,739	162,680
		<u>1,735,431</u>	<u>1,764,704</u>
<b>Interest Expense</b>			
Five dollars shares		(456,269)	(531,275)
Save and prosper shares		(631,313)	(719,237)
Deposits		(21,306)	(27,053)
		<u>1,108,888</u>	<u>1,277,565</u>
<b>Net Interest Income</b>		<u>626,543</u>	<u>487,139</u>
Fee and commission income		9,608	6,513
(Loss) / gain on exchange		(1,796)	4,706
Other operating income		3,463	3,244
		<u>11,275</u>	<u>14,463</u>
<b>Total Net Income</b>		<u>637,810</u>	<u>501,602</u>
Provision for losses on loan assets	12	(11,389)	(5,627)
General administrative expenses		(238,039)	(233,947)
Depreciation		(31,407)	(30,714)
Other expenses		(41,012)	(27,131)
		<u>(322,847)</u>	<u>(297,419)</u>
<b>Net Profit For The Year</b>	13	<u>315,963</u>	<u>204,183</u>

## STATEMENT OF TOTAL RECOGNISED GAINS

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 G\$'000	2001 G\$'000
Net profit for the year	11	315,963	204,183
Revaluation of land and buildings	11	100,779	0
		<u>416,742</u>	<u>204,183</u>
<b>Total Recognised Gains For The Year</b>		<u>416,742</u>	<u>204,183</u>

The notes on pages 21 to 32 form an integral part of these financial statements.

**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
	GS'000	GS'000
<b>Operating Activities</b>		
Net profit for the year	315,963	204,183
Adjustments for:		
Depreciation	31,407	30,714
Provision for losses on loan assets	11,389	5,627
Utilization of provision for losses on loan assets	(6,466)	(13,259)
Gain on disposal of property, plant and equipment	0	(580)
Operating income before changes in operating assets and liabilities	352,293	226,685
Loan advances net of repayments	(1,521,640)	(1,060,217)
Increase in other assets	(29,088)	(27,866)
Receipts from investors net of withdrawals	2,841,028	3,480,509
(Decrease) / increase in other liabilities	(42,496)	1,337
<b>Net Cash Inflow - Operating Activities</b>	<b>1,600,097</b>	<b>2,620,448</b>
<b>Investing Activities</b>		
Proceeds from sale of property, plant and equipment	0	600
Purchase of property, plant and equipment	(4,383)	(25,004)
Purchase of investments net of redemptions	(759,316)	(1,834,179)
Investment in fixed deposit accounts	(1,003,000)	(552,000)
<b>Net Cash Outflow - Investing Activities</b>	<b>(1,766,699)</b>	<b>(2,410,583)</b>
<b>Net Movement In Cash and Cash Equivalents</b>	<b>(166,602)</b>	<b>209,865</b>
Cash and Cash Equivalents as at Beginning of Year	318,071	108,206
<b>Cash and Cash Equivalents as at End of Year</b>	<b>151,469</b>	<b>318,071</b>

The notes on pages 21 to 32 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2002

**1. ENTERPRISE 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, Avenue of the Republic, Georgetown.

The Society is not registered under the Financial Institutions Act, 1995 and is not subject to taxation within 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 Accounting Standards. The financial statements are stated in Guyana Dollars.

**3.2 Foreign Currencies**

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 recognised in the statement of income and expenditure. Such balances are translated at the prevailing year-end exchange rate.

**3.3 Loan Assets**

Loan assets are stated net of unearned interest, and, where applicable, provisions for losses. Specific provisions for losses are made throughout the year and at year end on a case by case basis. Consideration is given to the value of collateral held as determined by the Directors. The specific provision for properties in possession is based on an agreed sales price or Directors' valuation.

**3.4 Investments**

At 1 January 2002, the Society adopted International Accounting Standard 39, Financial Instruments: Recognition and Measurement. The Society classified Government of Guyana Treasury Bills as originated loans as the securities establish contractual rights to receive repayments from the Government, and the Society does not have the intent to sell the securities immediately or in the short term. United Kingdom Government Treasury Loans are classified as held to maturity investments as the Society has the intent and ability to hold these investments to maturity.

Investments are carried at amortised cost with premiums and discounts being amortised to the statement of income and expenditure over the period to maturity.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.5 Property, Plant and 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 amount over their expected useful economic lives. The following rates are used:

Buildings	2 %
Office furniture	10 %
Machinery and equipment	12.5 %
Motor vehicles	20 %

#### 3.6 Interest Recognition

Interest income and expense are recognised in the statement of income and expenditure for all interest bearing instruments on an accrual basis.

#### 3.7 Retirement Benefit Plan

The Society operates the New Building Society Limited Pension Scheme which is a defined benefit scheme. The assets of the scheme are held independently from those of the Society.

Scheme valuations are carried out by independent professionally qualified actuaries. The most recently published formal valuation of the scheme, using the Attained Age method, was as at 31 December 2001, when the market value of assets covered 113% of accrued liabilities. The surplus amounted to \$16,909,000.

The Society accounts for pension costs as they become due. An actuarial assessment of the pension scheme as at 31 December 2002 is currently being performed in accordance with International Accounting Standard 19, Employee Benefits, the results of which management is committed to accepting. The results of the actuarial assessment have not been received at the date of approval of these financial statements for issue.

#### 3.8 Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and cash at bank excluding fixed deposits.

#### 3.9 Comparatives

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

### 4. CASH RESOURCES

	2002	2001
	G\$'000	G\$'000
Redeemable on demand:		
Cash in hand	6,800	6,800
Other cash at bank	<u>144,669</u>	<u>311,271</u>
	151,469	318,071
Redeemable after 3 months:		
Fixed deposits	<u>2,353,000</u>	<u>1,350,000</u>
	<u>2,504,469</u>	<u>1,668,071</u>

5. (a) LOAN ASSETS		
Mortgages	9,831,677	8,351,247
Properties in possession	101,847	60,637
Other loans and advances	<u>20,327</u>	<u>20,327</u>
	9,953,851	8,432,211
Provision for losses on loan assets (Note 12)	<u>(56,117)</u>	<u>(51,194)</u>
	<u>9,897,734</u>	<u>8,381,017</u>

### (b) MORTGAGES

	2002		2001	
	No. of Securities	Amount G\$'000	No. of Securities	Amount G\$'000
Balances exceeding \$1,000 but not \$2,000	1	2	1	2
Balances exceeding \$2,000 but not \$5,000	2	6	5	16
Balances exceeding \$5,000 but not \$10,000	1	5	7	50
Balances exceeding \$10,000 but not \$15,000	6	75	5	67
Balances exceeding \$15,000 but not \$20,000	4	70	3	52
Balances exceeding \$20,000 but not \$25,000	6	127	4	43
Balances exceeding \$25,000 but not \$30,000	2	54	3	83
Balances exceeding \$30,000 but not \$50,000	10	399	16	651
Balances exceeding \$50,000 but not \$100,000	38	2,887	40	2,933
Balances exceeding \$100,000 but not \$200,000	64	9,559	78	11,796
<b>Balance carried forward</b>	<u>134</u>	<u>13,184</u>	<u>162</u>	<u>15,743</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

### 5. (D) MORTGAGES

	2002		2001	
	No. of Securities	Amount G\$'000	No. of Securities	Amount G\$'000
Balance brought forward	124	13,184	162	15,747
Balances exceeding \$200,000 but not \$250,000	45	10,001	45	10,155
Balances exceeding \$250,000 but not \$300,000	243	92,524	239	91,389
Balances exceeding \$300,000 but not \$750,000	276	172,132	250	155,329
Balances exceeding \$750,000 but not \$1,000,000	409	358,413	399	319,757
Balances exceeding \$1,000,000 but not \$1,500,000	773	985,055	642	806,305
Balances exceeding \$1,500,000 but not \$2,000,000	665	1,157,981	579	1,008,929
Balances exceeding \$2,000,000 but not \$2,500,000	493	1,106,780	411	918,488
Balances exceeding \$2,500,000 but not \$3,000,000	370	1,027,090	327	903,761
Balances exceeding \$3,000,000 but not \$4,000,000	451	1,571,660	420	1,464,367
Balances exceeding \$4,000,000 but not \$5,000,000	444	1,998,676	441	2,009,709
Balances exceeding \$5,000,000 but not \$6,000,000	89	475,184	82	427,979
Balances exceeding \$6,000,000 but not \$7,000,000	42	273,557	16	102,918
Balances exceeding \$7,000,000 but not \$8,000,000	62	476,440	12	92,498
Balances exceeding \$8,000,000	14	113,000	3	24,020
<b>Total</b>	<b>4,506</b>	<b>9,831,677</b>	<b>3,968</b>	<b>8,351,247</b>
Aggregate amount of mortgages in arrears for more than twelve months.		28,144		41,542

### 6. INVESTMENTS

	2002		2001	
	G\$'000	G\$'000	G\$'000	G\$'000
Government of Guyana Treasury Bills	8,100,234	7,387,708		
United Kingdom Government Treasury Loans	489,819	443,029		
	<b>8,590,053</b>	<b>7,830,737</b>		

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

### 7. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Work in Progress	2002 Total
	G\$'000	G\$'000	G\$'000	G\$'000	G\$'000
<b>Cost / Valuation</b>					
As at beginning of year	203,696	156,814	61,752	4,585	426,847
Additions	1,807	2,576	0	0	4,383
Transfers	4,585	0	0	(4,585)	0
Revaluation	80,799	0	0	0	80,799
As at end of year	<u>290,887</u>	<u>159,390</u>	<u>61,752</u>	<u>0</u>	<u>512,029</u>
<b>Depreciation</b>					
As at beginning of year	(16,417)	(48,651)	(35,966)	0	(101,034)
Charges for the year	(3,563)	(17,334)	(10,510)	0	(31,407)
Revaluation	19,980	0	0	0	19,980
As at end of year	<u>0</u>	<u>(65,985)</u>	<u>(46,476)</u>	<u>0</u>	<u>(112,461)</u>
<b>Net Book Value</b>					
As at end of year	<u>290,887</u>	<u>91,405</u>	<u>15,276</u>	<u>0</u>	<u>399,568</u>
As at beginning of year	<u>187,279</u>	<u>108,163</u>	<u>25,786</u>	<u>4,585</u>	<u>325,813</u>

Freehold land and buildings are recorded at the valuations of the Directors, based on independent professional advice as a result of revaluations carried out by Rodrigues Architects Limited as at December 2002 on the basis of open market value.

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

	2002	2001
	G\$'000	G\$'000
Cost	64,248	77,856
Accumulated depreciation	(5,395)	(3,750)
<b>Net book value</b>	<b>78,853</b>	<b>74,106</b>

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2002

	2002	2001
	G\$'000	G\$'000
<b>8. OTHER ASSETS</b>		
Accrued interest	86,850	57,311
Sundry debtors	4,617	4,508
Prepayments	410	970
	<u>91,877</u>	<u>62,789</u>
<b>9. INVESTORS' BALANCES</b>		
Five dollars shares	8,330,898	7,188,015
Save and prosper shares	10,120,154	8,482,755
Deposits	463,653	402,907
	<u>18,914,705</u>	<u>16,073,677</u>
<b>10. OTHER LIABILITIES</b>		
Withholding taxes	54,888	63,644
Anniversary celebrations	7,881	40,668
Sundry creditors and accruals	18,322	19,275
	<u>81,091</u>	<u>123,587</u>

The amount shown as Anniversary Celebrations represents the balance on the sum approved at the sixtieth annual general meeting for developmental projects. The sum has been provided to meet the constructive obligation to build a family counselling centre in Port Mourant, Berbice.

	2002	2001
	G\$'000	G\$'000
<b>11. RESERVES</b>		
<b>Revaluation Reserve</b>		
As at beginning of year	95,587	95,587
Revaluation during the year	100,779	0
As at end of year	<u>196,366</u>	<u>95,587</u>
<b>Retained Profits</b>		
As at beginning of year	1,975,576	1,771,393
Net profit for the year	315,963	204,183
As at end of year	<u>2,291,539</u>	<u>1,975,576</u>
<b>Total Reserves</b>	<u>2,487,905</u>	<u>2,071,163</u>

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2002

12. PROVISION FOR LOSSES ON LOAN ASSETS

	2002	2001
	G\$'000	G\$'000
As at beginning of year		
Charged in year	51,144	58,826
Utilised in year	11,389	5,627
	<u>76,466</u>	<u>(13,259)</u>
As at end of year	<u>56,117</u>	<u>51,194</u>

13. NET PROFIT FOR THE YEAR

Net profit for the year is shown after charging the following:

	2002	2001
Staff costs (Note 14)	157,532	160,854
Directors' costs (Note 15)	6,950	6,950
Charitable and educational donations	5,743	3,624
Auditors' remuneration	2,000	2,000
Operating lease payments	640	820
	<u>172,865</u>	<u>174,248</u>

14. STAFF COSTS

	2002	2001
Wages and salaries	123,633	124,753
Social security costs	5,395	5,293
Pension costs	11,412	10,724
Other staff costs	17,092	20,084
	<u>157,532</u>	<u>160,854</u>

Number of persons employed at the end of year

	2002	2001
Full time	100	101
Part time	11	8
	<u>111</u>	<u>109</u>

15. DIRECTORS' COSTS

	2002	2001
Directors' fees	2,700	2,700
Directors' travel	2,700	2,700
Directors' pension	1,550	1,550
	<u>6,950</u>	<u>6,950</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2002

**16. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

A number of transactions are entered into with related parties in the normal course of business. The related parties include 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 which is 50% of the prevailing rate. All other transactions are carried out on commercial terms and at prevailing rates. The outstanding balances and related income and expenses are as follows:

	2002	2001
	G\$'000	G\$'000
<b>(i) Mortgages</b>		
Balance as at end of year	37,652	24,210
Interest income	2,973	2,715
No provisions have been recognised in respect of mortgages given to related parties (2001: Nil).		
<b>(ii) Investors' Balances</b>		
Balance as at end of year	23,279	20,581
Interest expense	1,624	1,742

**17. FINANCIAL INSTRUMENTS**

**(i) 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.

	2002	2001
	G\$'000	G\$'000
Aggregate assets denominated in foreign currencies amounted to:		
British Pound Sterling	497,180	450,447

**(ii) Interest Rate Risk**

The Society assumes interest rate risk from dealing with customers 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 varying repricing dates. The Society manages this risk through the retention of the right to change applicable rates on mortgages and the holding of short-term investments.

**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2002

**17. FINANCIAL INSTRUMENTS (cont'd)**

**(ii) Interest Rate Risk (cont'd)**

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

	Up to one year	Over one year	Non-interest bearing	Total 2002
	G\$'000	G\$'000	G\$'000	G\$'000
Cash resources	2,441,799	0	62,670	2,504,469
Loan assets	9,818,717	0	79,017	9,897,734
Investments	8,100,234	489,819	0	8,590,053
Other assets	0	0	491,445	491,445
<b>TOTAL ASSETS</b>	<b>20,360,750</b>	<b>489,819</b>	<b>633,132</b>	<b>21,483,701</b>
Investors' balances	18,914,705	0	0	18,914,705
Other liabilities	0	0	81,091	81,091
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>18,914,705</b>	<b>0</b>	<b>81,091</b>	<b>18,995,796</b>
<b>INTEREST SENSITIVITY GAP</b>	<b>1,446,045</b>	<b>489,819</b>		

	Up to one year	Over one year	Non-interest bearing	Total 2001
	G\$'000	G\$'000	G\$'000	G\$'000
Cash resources	1,571,690	0	96,381	1,668,071
Loan assets	8,339,461	0	41,556	8,381,017
Investments	7,387,708	443,029	0	7,830,737
Other assets	0	0	388,602	388,602
<b>TOTAL ASSETS</b>	<b>17,298,859</b>	<b>443,029</b>	<b>526,539</b>	<b>18,268,427</b>
Investors' balances	16,073,677	0	0	16,073,677
Other liabilities	0	0	123,587	123,587
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>16,073,677</b>	<b>0</b>	<b>123,587</b>	<b>16,197,264</b>
<b>INTEREST SENSITIVITY GAP</b>	<b>1,225,182</b>	<b>443,029</b>		

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2002

17. FINANCIAL INSTRUMENTS (cont'd)

(ii) Interest Rate Risk (cont'd)

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

	2002	2001
	%	%
Fixed deposits	5.9	9.8
Mortgages	10.0	11.1
Investments	5.4	10.0
Investors' balances	6.1	7.6

(iii) Liquidity Risk

The Society is exposed to daily calls on its cash resources from investors' accounts and mortgage draw downs. The Society maintains sufficient cash resources and short term investments to meet expected needs.

The table below analyses assets and liabilities of the Society into relevant maturity groupings.

	Up to one year	One to five years	Over five years	Total 2002
	G\$'000	G\$'000	G\$'000	G\$'000
Cash resources	2,504,469	0	0	2,504,469
Loan assets	632,010	2,322,726	6,942,998	9,897,734
Investments	8,100,234	369,065	120,754	8,590,053
Other assets	91,877	0	399,568	491,445
<b>TOTAL ASSETS</b>	<b>11,328,590</b>	<b>2,691,791</b>	<b>7,463,320</b>	<b>21,483,701</b>
Investors' balances	18,914,705	0	0	18,914,705
Other liabilities	81,091	0	0	81,091
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>18,995,796</b>	<b>0</b>	<b>0</b>	<b>18,995,796</b>
<b>NET LIQUIDITY GAP</b>	<b>(7,667,206)</b>	<b>2,691,791</b>	<b>7,463,320</b>	

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2002

17. FINANCIAL INSTRUMENTS (cont'd)

(iii) Liquidity Risk (cont'd)

	Up to one year	One to five years	Over five years	Total 2001
	G\$'000	G\$'000	G\$'000	G\$'000
Cash resources	1,668,071	0	0	1,668,071
Loan assets	447,533	2,029,353	5,904,131	8,381,017
Investments	7,387,708	265,101	177,928	7,830,737
Other assets	62,789	0	325,813	388,602
<b>TOTAL ASSETS</b>	<b>9,566,101</b>	<b>2,294,454</b>	<b>6,407,872</b>	<b>18,268,427</b>
Investors' balances	16,073,677	0	0	16,073,677
Other liabilities	123,587	0	0	123,587
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>16,197,264</b>	<b>0</b>	<b>0</b>	<b>16,197,264</b>
<b>NET LIQUIDITY GAP</b>	<b>(6,631,163)</b>	<b>2,294,454</b>	<b>6,407,872</b>	

(iv) Credit Risk

The Society takes on exposure to credit risks which is the risk that a counterparty will be unable to pay amounts in full when due.

To reduce this exposure, cash resources are held with substantial financial institutions while investments are held in government securities.

Management limits the Society's exposure to credit risks in relation to its mortgage portfolio by strict adherence to the maximum lending limit of \$8,000,000. Additionally, mortgages are limited to seventy five percent of the valuation of the property to be lodged as collateral. Valuations are carried out by Directors.

The geographic concentration of total mortgages outstanding is shown in the table below:

	2002	2001
	G\$'000	G\$'000
Demerara, except Linden	8,160,350	6,936,941
Berbice	1,061,790	940,237
Essequibo	261,626	197,168
Linden	347,911	276,901
	<b>9,831,677</b>	<b>8,351,247</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

### 17. FINANCIAL INSTRUMENTS (cont'd)

#### (v) Fair Values

Fair values represents an estimate of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act.

#### Cash resources:

The carrying values of cash resources approximate to fair value given their short-term nature.

#### Loan assets:

The fair values of these assets which would be based upon projected cash flows discounted at the current market rates of interest on similar instruments, approximate to carrying values as the Society's rates effectively set market rates for low and medium sized mortgages. Impaired loan assets are stated net of specific provisions for losses.

#### Investments:

The fair values of investments are based on current market values, or discounted cash flows, where market values are not available. The fair values of the investments at the year end were:

	2002	2001
	G\$'000	G\$'000
Government of Guyana Treasury Bills	8,165,394	7,536,489
United Kingdom Government Treasury Loans	519,072	462,746
	<u>8,684,466</u>	<u>7,999,235</u>

#### Investors' balances:

The fair values of investors' balances approximate to the amount repayable on demand as the balances carry no stated maturity.

### 18. CONTINGENT LIABILITY

The Society is currently defending a claim with a potential liability of \$21,000,000.