



nbs

The New Building Society Ltd.

Annual Report
2003

Mission Statement

To provide 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 worthwhile involvement in community projects.

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.

The logo for nbs features a stylized 'H' symbol composed of five horizontal bars of varying lengths, stacked vertically. Below this symbol, the letters 'nbs' are written in a large, bold, black, lowercase sans-serif font.

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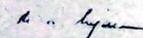
NOTICE OF MEETING

Notice is hereby given that the Sixty-Fourth Annual General Meeting of the Members of the New Building Society Limited will be held at 5.00 p.m. on Monday, 19th April, 2004 at the Hotel Tower Limited, 74-75 Main Street, Georgetown.

AGENDA

1. To consider the Financial Statements and the Reports of the Directors and Auditors for the year 2003.
2. To fix the remuneration of the Directors for the year 2004.
3. To appoint Auditors for the year 2004.
4. To fix the remuneration of the Auditors for the year 2004.
5. To approve the sum of \$6 million to be donated to Charity and for Educational Purposes for the year 2004.
6. Any other business of which due notice shall have been given.

By Order of the Board,



Maurice L. Arjoon,
Director/Secretary

15th March, 2004

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.

BOARD OF DIRECTORS

- R. Bhokmohan Esq. Chairman
- I. 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
- A. Beharry Esq. - Sub Branch Manager, New Amsterdam
- M. Simon (Miss) - Sub Branch Manager, Mackenzie
- A. Kishun Esq. - Sub Branch Manager, Rosignol
- K. Macklingam Esq. - Sub Branch Manager, Corriverton
- I. Samad Esq. - Sub Branch Manager, Rose Hall
- T. Hall Esq. - Sub Branch Manager

ADVISORS

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

SAVERS

- Bank of Nova Scotia
Carmichael Street, Georgetown, Guyana.
- National Bank of Industry and Commerce Limited
Water Street, Georgetown, Guyana.
- Bank of Baroda
Avenue of the Republic, Georgetown, Guyana.
- Guyana Bank for Trade and Industry Limited
Water Street, Georgetown, Guyana.
- Jack A. Alli, Sons & Company
Associates of PricewaterhouseCoopers
145 Crown Street, Queenstown, Georgetown, Guyana.

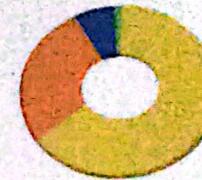
FINANCIAL HIGHLIGHTS

ASSETS COMPOSITION 2003



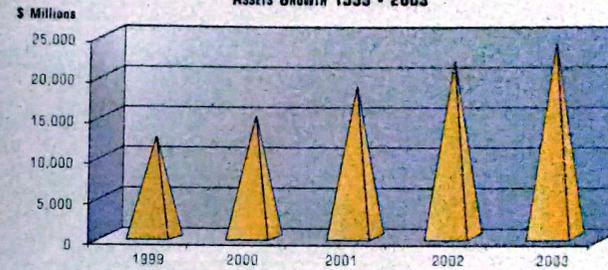
- Loan Assets
- Investments and Cash
- Fixed Assets
- Debtors and Prepayments

INCOME DISTRIBUTION 2003

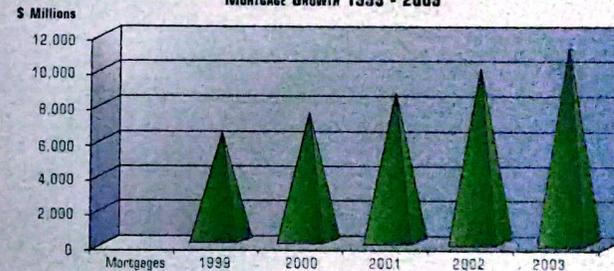


- Loan Assets
- Investments
- Cash Resources
- Other Income

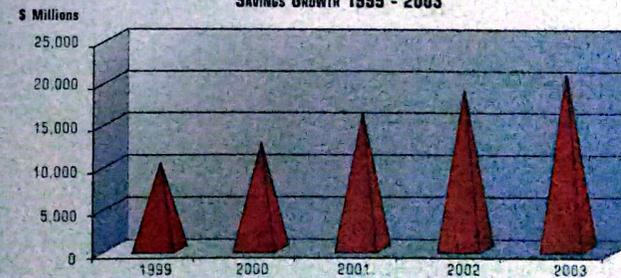
ASSETS GROWTH 1999 - 2003



MORTGAGE GROWTH 1999 - 2003



SAVINGS GROWTH 1999 - 2003



board of directors



R. Bhankirathnan Esq.



L. O. Rockcliffe Esq.



M. L. Arjoon Esq.



Dr. N. K. Gopaul



S. Bovell Esq.



Y. Yhann (Mrs.)



M. McDoom S.C.

chairman's report



NBS is a trusted organisation that deals with its members in a fair and transparent manner

I am pleased to present to you the Chairman's Report and the Financial Statements of the New Building Society Limited (NBS) for the year ended 31st December, 2003.

Economic Review:

Despite a marked reduction in the unprecedented and violent crime wave of 2002, the year 2003 faced many challenges, characterised primarily by the slowdown in the economy. While rice, forestry, bauxite and the service sectors made positive contributions, the output of sugar and gold was lower and further compounded by declining prices on the world market. The global economy which triggered lower commodity prices also stymied Guyana's economic growth in the year 2003. The rate of inflation on the basis of the consumer price index reached 5% compared with 6% for the corresponding period last year. Unlike some other Caribbean countries where real GDP growth has shown positive signs of picking up, our country's real GDP growth for 2003 was 0.9%, down from 1.1% in the year 2002.

There was a marginal depreciation of the Guyana Dollar against the US Dollar, despite a modest growth in foreign currency transactions. Low demands for loans in the private sector which were characterised by excess liquidity in the Banking Sector translated to an increase in the demand for Treasury Bills.

chairman's report cont'd

The Government increased the issue of Treasury Bills in its attempt to sterilise the excess liquidity, however the yield on these instruments declined to 3.5% approximately at the end of 2003, an all time low. On the positive side, the obvious efforts of the Government in enhancing the country's infrastructure including bridges, roads, sea defences, etc. are a welcome development. Noteworthy, is the continuous growth in the Housing Sector including a marked increase in low income Housing Development which continues to be reflected in the increasing trend of Mortgage Loans offered by the NBS.

Financial Performance:

I am extremely pleased to report that the NBS had another successful year.

For the year ended 31st December, 2003, a net profit of \$255M was achieved, reflecting a 19% reduction in the profit of the previous year. This reduction was intentional, and was in an effort at deliberately maintaining the lowest spread in the Financial Sector, simultaneously paying the highest rate of interest on Deposit Accounts and charging the lowest rate of interest on mortgage loans.

As expected, resulting from our aggressive marketing strategy, exemplary and efficient customer service, and very competitive rates of interest, notwithstanding the positive input of the Government's housing drive, our share of Deposit Business and the Mortgage Market continue to reflect increases. Our Deposit Business has grown in 2003 by 10% to \$20.780 billion. Our Mortgage Portfolio has moved from \$9.832 billion to \$10.920 billion, an increase of \$1.088 billion or 11%. Asset quality continues to be very high as only \$52 million or .47 of 1% of the loan portfolio had to be provided for loan losses.

Our Total Assets have grown in 2003 by 10% also to \$23.699 billion, maintaining our position as the third largest financial institution in Guyana.

Our continuous and excellent achievements once again have been due primarily to cost control, beneficial investment decisions and prudent risk management and monitoring processes while simultaneously maintaining a high and efficient level of service to our members. We re-assess our strategic aims and goals which have resulted in a close focus on giving value back to members whilst implementing a far more commercial approach to running the business of the NBS.

Central Bank Inspection:

In the interest of good governance and financial probity, the Board of Directors requested that the Finance Minister appoint the Bank of Guyana to inspect the financial records of the NBS and to undertake on site inspections.

I am pleased to report that the Bank of Guyana carried out an inspection of the records of the NBS during the months of July and August in the year under review. While we are yet to receive the final report on the inspection, we have been advised that no major discrepancies were detected.

Our Members:

I am pleased to announce that, emanating from our expansion and enhancement efforts, we have recently acquired the properties at Lots 1 & 2 North Road & Avenue of the Republic, which will subsequently replace our existing Chief Office, from which we have operated for over 64 years.

chairman's report cont'd

Our plans include the construction of a modern "state of the art" building which is expected to commence in the year 2005 and result in providing the most efficient service possible to you our members. We continue to develop more innovative ways of reaching new members and satisfying our existing membership.

As reported last year, a Committee comprising the Directors, Senior Management and some of our members had been established to review the Rules of the Society. The work of this Committee has been concluded and its recommendations will be presented at a Special General Meeting of the Members shortly.

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 at the national level. Nearly 115 charities and organisations have benefited from over \$5.9 million in donations made in 2003. Our contributions to various worthwhile causes will continue, as we attempt to improve the quality of life in Guyana.

Future Outlook:

There are no immediate signs of a strong economic recovery, despite some improvement in the crime situation and the political environment. New challenges will continue to emerge and NBS is preparing itself to meet the challenges with a positive outlook for growth and prosperity in the year 2004 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.

Management Team



N. MOHAMMED
Assistant Secretary,
Operations Manager

M. MAJED
Assistant Secretary,
Finance Manager

K. VINCENT
Manager, Escrow/Title



T. HALL
Sub-Branch Manager



M. SIMON
Sub-Branch Manager,
Mackenzie



K. MACKLINGAM
Assistant Secretary,
Finance Manager



I. SAMAD
Sub-Branch Manager



A. KISHIN
Sub-Branch Manager,
Georgetown



A. BEHARRY
Sub-Branch Manager,
New Amsterdam

Director/Secretary's Report



Overview

It is with pleasure that I comment once again on the successful operations of the NBS. Notwithstanding the many challenges faced in Guyana through adverse domestic and international conditions, we have demonstrated once again that as a Building Society, we can deliver valuable benefits to our members by providing them with *significantly better rates and much lower charges than our competitors, whilst ensuring the safety of their funds.* Our business performance has been exceptionally strong, with significant growth in the mortgage and savings markets. Consequently, we have substantially

NBS is in a strong financial position and continues to be a leading Financial Services Provider

increased our market share while restoring some rationality to pricing in the mortgage market. We are of the opinion that price does remain a key factor although the mortgage market has expanded significantly, particularly as a result of new technology, new distribution channels and new entrants.

The level of excess liquidity continues to be very high as is evident by the large volume of Treasury Bills held with the Bank of Guyana by Financial Institutions including the NBS. As a consequence, during the year under review, there was a steady decline in the yield on these instruments resulting in a reduction in the income earned for 2003 as compared to 2002. *It must be emphasised that under the New Building Society Act, the NBS is precluded from investing in Consumer/*

Commercial Loans and in Equities, and can only invest its excess funds not utilized for housing loans in Government Securities and Bank Accounts. Despite the foregoing, we were able to manage our resources efficiently, whilst ensuring that our members continue to benefit from very competitive rates of interest. It is noteworthy that the advantageous rate of interest earned by our members remained stable throughout the year, despite a further reduction in our competitors' rates on savings accounts.

A key element of our success 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 Committees which ensure the safety of members' funds and good Corporate Governance.

Financial Highlights:

The NBS recorded a profit of \$255 million for the year under review reflecting a reduction of 19% 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 1.1% and compares favourably to that achieved by other financial institutions locally.

Our savings accounts were 88% of Total Liabilities increasing by 10% to \$20.780 billion.

Gross mortgage lending was \$2.133 billion, an 8% reduction on what was achieved in the year 2002. The mortgage portfolio at the end of the year was \$10.920 billion comprising of 4,984 accounts. Despite the poor performance of the economy, only \$52 million had to be provided for loan losses. Our arrears were at an extremely low level of \$45 million reflecting once again the benefits derived from a long established policy of lending to customers of good credit quality, together with our effective loan recovery management.

Total Assets grew by 10% from \$21.484 billion to \$23.699 billion. Liquid Assets held by the NBS which are in the form of Cash or Assets which are readily convertible into cash totalled \$11.268 billion and represent 54% of total savings. This ratio is maintained at a level which is considered appropriate for the business activities of the NBS.

Our gross reserves which represent general and revaluation reserves totalled \$2.731 billion an increase of 10% over 2002. The purpose of gross reserves is to provide a buffer against any losses arising from the NBS' activities, thereby protecting members' savings. Our gross reserves expressed as a percentage of members' savings was a high 13%. The higher the ratio, the greater the protection for members' savings.

Technology/Customer Services:

NBS has recognised the need to keep improving its technology which forms the basis of tools needed to service our members who have less time to conduct their business. We are in the process of upgrading our computer software which will give us more flexibility in the future. We have also installed a Disaster Recovery System in the event that something catastrophic occurs. Members can therefore be assured that if there is a major disaster at any one of our Offices, we can continue to serve them from another location with a minimum of disruption. We are committed to embrace technology wherever it can improve our business. During the past year, we have improved the delivery of service to our members which is reflected in our efficiency rate.

Staff:

We are aware that the achievements of the NBS 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.

Community Involvement:

We firmly believe that businesses have a responsibility to the communities in which they operate and we meet this responsibility by investing in local charities and community groups.

Future Outlook:

The NBS is in a strong financial position and continues to be a leading Financial Services Provider.

The year 2004 will no doubt present its own challenges. However, we will grasp new opportunities as they arise and expect to continue to succeed by firmly keeping to our mutual values and responsibilities to all of our members and making the best possible use of technology to allow us to unleash our full potential.

Conclusion:

We acknowledge that there is a lot of competition in the Financial Services Industry, and customer loyalty and retention are an issue. The key is to understand the requirements of members as members, rather than mere customers. The concept of membership will become increasingly valuable and we will continue to be more member focused in every way that we operate.

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 NBS' growth and development.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER, 2003

The Directors are pleased to present the 64th Annual Report together with the Financial Statements of the New Building Society Limited (NBS) for the year ended 31st December 2003.

Principal Business Objectives:

The main aim of the NBS is to provide a broad range of quality Mortgage and Savings products that are widely available from seven locations across the country and delivered with speed, efficiency, courtesy and reliability. This aim is backed by the key values of fairness, honesty, employee importance and corporate responsibility.

Business Highlights:

The NBS continued to attract new business while retaining high levels of existing business.

Residential Mortgage balances increased by \$1.088 billion to \$10.920 billion - (11%).

Savings balances increased by \$1.865 billion to \$20.780 billion - (10%).

Financial Highlights

In the year 2003 the NBS:

	2003 \$ million	2002 \$ million	% Change
Recorded a profit of	255	316	- 19%
Increased general reserves to	2,731	2,488	+ 10%
Increased assets under management to	23,699	21,484	+ 10%
Provided new advances to members totalling	2,133	2,311	- 8%

Mortgages

At 31st December 2003, there were 4,984 Mortgages in force totalling \$10.920 billion representing 46% of total assets (2002 - \$9.832 billion - 46%).

The number of loans and advances to members on which payments were twelve months or more in arrears was 6 (2002 - 8). The total outstanding balance gross of provision on these loans was \$12 million (2002 - \$28 million).

As at 31st December 2003, the total amount of arrears was \$45 million (2002 - \$46 million) representing 0.4% (2002 - 0.5%) of the total loans and advances to members.

Savings:

The value of Net Receipts in the year was \$1.135 billion (2002 - \$1.979 billion) and savings balances as at 31st December 2003 totalled \$20.780 billion (2002 - \$18.914 billion).

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER, 2003

Assets:

The value of Total Assets as at 31st December, 2003 was \$23.699 billion (2002 - \$21.484 billion) an increase of 10%.

All the changes in tangible fixed assets during the year are detailed in the Accounts. Freehold land and buildings were re-valued as at 31st December, 2003 and have been included in the Accounts at these valuations. Liquid Assets in the form of Cash and Short-Term Securities were \$11.268 billion and represent 54% of total savings as at 31st December, 2003.

Charitable Donations

During the year, donations to charity and for educational purposes as well as support to initiatives in several communities and organizations totalled \$5.9 million.

Employees:

During the year, the NBS has maintained and developed systems for disseminating information to employees, who are informed of the NBS' objectives and performance through meetings, team briefings, circulars, etc.

It is the NBS' policy to afford access to training and promotional opportunities equally to all employees to enhance efficiency and staff development.

Going Concern

The Directors are satisfied that the NBS 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.

Directors:

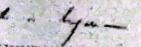
The following persons served as Directors of the NBS for the year 2003.

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

Auditors

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

By Order of the Board,



Maurice L. Arjoon,
Director /Secretary

15th March, 2004

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31ST DECEMBER, 2003

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, Messrs. S.G. Bovell and M.M. McDoom. The Audit Committee meets to monitor the internal financial control and risk management systems and the integrity of the financial statements of the NBS. 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 with one other non-executive Director Mr. S.G. Bovell meets to discuss and make proposals on:-
 - (1) Organisational Structure.
 - (2) Employees' compensation and in particular the remuneration of 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 NBS 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 Consultations, which give members the opportunity to discuss matters relevant to the NBS' operations.
- * The NBS also encourages Members to participate in the Annual General Meeting and to vote in the election of Directors and any Resolutions thereat.


Ramdial Bhookmohan
Chairman

15th March, 2004

REPORT OF THE AUDITORS

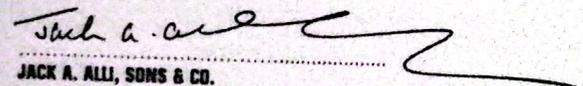
**TO THE MEMBERS OF
THE NEW BUILDING SOCIETY LIMITED**

We have audited the financial statements of **The New Building Society Limited** as set out on pages 18 to 31. 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.

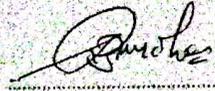
In our opinion, the financial statements, which have been prepared under the historical cost convention, modified by the valuation of freehold land and buildings, give a true and fair view of the state of affairs of the Society at 31 December 2003 and of the results of its operations and its cash flow for the year ended 31 December 2003 in accordance with International Financial Reporting Standards and the New Building Society Act.


JACK A. ALL, SONS & CO.
March 15, 2004

BALANCE SHEET
31 DECEMBER 2003

	Note	2003	2002
		G\$'000	G\$'000
ASSETS			
Cash resources	4	1,709,896	2,504,469
Loan assets	5	10,991,722	9,897,734
Investments	6	10,478,502	8,590,053
Property, plant and equipment	7	458,978	399,568
Other assets	8	59,769	91,877
		23,690,867	21,483,701
INVESTORS' BALANCES, LIABILITIES AND RESERVES			
Investors' balances	9	20,779,517	18,914,705
Retirement benefit plan deficit	10	103,651	0
Other liabilities	11	84,447	81,091
Reserves	12	2,731,252	2,487,905
		23,690,867	21,483,701

The Board of Directors approved these financial statements for issue on 15 March 2004.



K. BOOKMAN
CHAIRMAN



L.A. ROCKCLIFFE
VICE-CHAIRMAN



M.L. RAJOON
DIRECTOR/SECRETARY

The notes on pages 21 to 31 form an integral part of these financial statements.

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		G\$'000	G\$'000
Interest Income			
Loan assets		1,070,009	944,402
Investments		435,404	621,290
Cash resources		112,435	169,739
		1,617,848	1,735,431
Interest Expense			
Five dollars shares		(397,229)	(456,269)
Save and prosper shares		(625,436)	(631,313)
Deposits		(17,571)	(21,306)
		577,612	626,543
Net Interest Income			
Fee and commission income		6,424	9,600
Gain / (loss) on exchange		3,450	(1,796)
Other operating income		3,288	3,463
		590,774	637,810
Total Net Income			
Provision for losses on loan assets	13	(12,214)	(11,369)
General administrative expenses		(259,475)	(238,039)
Depreciation		(31,920)	(31,407)
Other expenses		(31,871)	(41,012)
		255,294	315,963
Net Profit For The Year			
	14	255,294	315,963

STATEMENT OF TOTAL RECOGNISED GAINS
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		G\$'000	G\$'000
Net profit for the year	12	255,294	315,963
Revaluation of land and buildings	12	86,564	100,779
		341,858	416,742
Total Recognised Gains For The Year			

The notes on pages 21 to 31 form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
Operating Activities	G\$'000	G\$'000
Net profit for the year	255,294	315,963
Adjustments for:	31,920	31,407
Depreciation	12,214	11,389
Provision for losses on loan assets	(16,681)	(6,466)
Utilization of provision for losses on loan assets	5,140	0
Retirement benefit plan net expense		
Operating income before changes in operating assets and liabilities	287,887	352,293
Loan advances net of repayments	(1,089,521)	(1,521,640)
Decrease / (increase) in other assets	32,108	(29,088)
Receipts from investors net of withdrawals	1,864,812	2,841,028
Increase / (decrease) in other liabilities	3,356	(42,496)
Net Cash Inflow - Operating Activities	1,098,642	1,600,097
Investing Activities		
Purchase of property, plant and equipment	(4,766)	(4,383)
Net movement of investments	(1,888,449)	(759,316)
Net movement of fixed deposit accounts	764,000	(1,003,000)
Net Cash Outflow - Investing Activities	(1,129,215)	(1,766,699)
Net Movement in Cash and Cash Equivalents	(30,573)	(166,602)
Cash and Cash Equivalents as at Beginning of Year	151,469	318,071
Cash and Cash Equivalents as at End of Year	120,896	151,469

The notes on pages 21 to 31 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2003

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 Financial Reporting 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 Directors. The specific provision for properties in possession is based on an agreed sales price or Directors' valuation.

3.4 Investments

The Society classified its investment as originated loans and held-to-maturity securities. Investments are carried at amortised cost with premiums and discounts being amortised to the statement of income and expenditure over the period to maturity.

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

The liability in respect of the scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses. The obligation has been calculated by independent actuaries using the projected unit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the average remaining lives of employees.

On completion of the actuarial assessment of the obligations as at 1 January 2003, the resulting deficit was recognised as an adjustment to retained profits as at that date, in accordance with International Accounting Standard 19, Employee Benefits.

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 which are redeemable after three months.

4. CASH RESOURCES

Redeemable on demand:
Cash in hand
Other cash at bank

Redeemable after 3 months:
Fixed deposits

5. (a) LOAN ASSETS

Mortgages
Properties in possession
Other advances

Provision for losses on loan assets (Note 13)

	2003	2002
	G\$'000	G\$'000
	6,800	6,800
	114,096	144,669
	120,896	151,469
	1,589,000	2,353,000
	1,709,896	2,504,469
	10,920,436	9,831,677
	102,609	101,847
	20,327	20,327
	11,043,372	9,953,851
	(51,650)	(56,117)
	10,991,722	9,897,734

5. (b) MORTGAGES

	2003		2002	
	No. of Securities	Value G\$'000	No. of Securities	Value G\$'000
Balances exceeding \$1,000 but not \$2,000	1	2	1	2
Balances exceeding \$2,000 but not \$5,000	2	8	2	6
Balances exceeding \$5,000 but not \$10,000	2	14	1	5
Balances exceeding \$10,000 but not \$15,000	2	25	6	75
Balances exceeding \$15,000 but not \$20,000	3	52	4	70
Balances exceeding \$20,000 but not \$25,000	1	24	6	127
Balances exceeding \$25,000 but not \$30,000	3	81	2	54
Balances exceeding \$30,000 but not \$50,000	15	594	10	399
Balances exceeding \$50,000 but not \$100,000	36	2,707	38	2,887
Balances exceeding \$100,000 but not \$200,000	64	10,013	64	9,559
Balances exceeding \$200,000 but not \$250,000	36	8,007	45	10,001
Balances exceeding \$250,000 but not \$500,000	257	97,218	243	92,524
Balances exceeding \$500,000 but not \$750,000	289	181,594	276	172,132
Balances exceeding \$750,000 but not \$1,000,000	431	380,521	405	358,413
Balances exceeding \$1,000,000 but not \$1,500,000	959	1,241,694	773	985,055
Balances exceeding \$1,500,000 but not \$2,000,000	752	1,316,859	665	1,157,981
Balances exceeding \$2,000,000 but not \$2,500,000	544	1,215,731	493	1,106,780
Balances exceeding \$2,500,000 but not \$3,000,000	432	1,193,567	370	1,027,090
Balances exceeding \$3,000,000 but not \$4,000,000	482	1,688,734	451	1,571,660
Balances exceeding \$4,000,000 but not \$5,000,000	408	1,832,076	444	1,998,676
Balances exceeding \$5,000,000 but not \$6,000,000	100	545,633	89	475,184
Balances exceeding \$6,000,000 but not \$7,000,000	53	345,446	42	273,557
Balances exceeding \$7,000,000 but not \$8,000,000	99	754,449	62	476,440
Balances exceeding \$8,000,000	13	105,387	14	113,000
Total	4,984	10,920,436	4,506	9,831,677
Aggregate amount of mortgages in arrears for more than twelve months.		12,085		28,144

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2003

	2003	2002
	G\$'000	G\$'000
6. INVESTMENTS		
Government of Guyana Treasury Bills	9,755,050	8,100,234
United Kingdom Government Treasury Loans	520,104	489,819
Government of Barbados Guaranteed Bonds	203,348	0
	10,478,502	8,590,053

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	2003 Total
	G\$'000	G\$'000	G\$'000	G\$'000
Cost / Valuation				
As at beginning of year	290,887	159,390	61,752	512,029
Additions	0	4,766	0	4,766
Disposal	0	(1,741)	0	(1,741)
Revaluation	81,295	0	0	81,296
As at end of year	372,183	162,415	61,752	596,350
Depreciation				
As at beginning of year	0	(65,985)	(46,476)	(112,461)
Charges for the year	(5,320)	(17,695)	(8,905)	(31,920)
Charges written back	0	1,741	0	1,741
Revaluation	5,268	0	0	5,268
As at end of year	(52)	(81,939)	(55,381)	(137,372)
Net Book Value				
As at end of year	372,131	80,476	6,371	458,978
As at beginning of year	290,887	93,405	15,276	399,568

Freehold land and buildings are recorded at the valuations of the Directors, based on independent professional advice arising from revaluations carried out by Rodrigues Architects Limited as at December 2003 on the basis of fair market value.

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

	2003	2002
	G\$'000	G\$'000
Cost	84,248	84,248
Accumulated depreciation	(6,968)	(5,395)
Net book value	77,280	78,853

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2003

	2003	2002
	G\$'000	G\$'000
6. OTHER ASSETS		
Accrued interest		0\$'000
Sundry debtors and prepayments	55,926	86,850
	3,843	5,027
	59,769	91,877
9. INVESTORS' BALANCES		
Five dollars shares		
Save and prosper shares	9,272,452	8,330,898
Deposits	10,985,367	10,120,154
	521,698	463,653
	20,779,517	18,914,705

10. RETIREMENT BENEFIT PLAN DEFICIT

The amount recognised in the balance sheet is as follows:

Present value of obligation		
Fair value of plan assets		247,961
		(167,417)
Net underfunding		
Unrecognised actuarial gain		80,544
		23,107
Liability recognised in balance sheet		103,651

Movement in the liability recognised in the balance sheet:

Liability as at 1 January 2003		
Net expense		98,511
Contributions paid		16,826
		(11,686)
Liability as at 31 December 2003		103,651

The amounts recognised in the profit and loss account are as follows:

Current service cost		
Interest cost		13,512
Expected return on plan assets		13,274
		(9,960)
Total included in staff costs		16,826
Actual return on plan assets		6,567

The principal assumptions used were:

	2003	2002
Discount rate	5%	5%
Future salary increases	5%	5%
Return on assets	6%	6%

On completion of the actuarial assessment of the obligation as at 1 January 2003, the resulting deficit of \$98,511,000 was recognised as an adjustment to retained profits as at that date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

	2002	2001
11. OTHER LIABILITIES	65,988	69,000
Withholding taxes	70,082	54,888
Anniversary celebrations	897	7,881
Surety creditors and miscell.	12,468	18,322
	<u>84,447</u>	<u>81,091</u>

This amount, shown as Anniversary Celebrations represents the balance to the sum approved at the society's annual general meeting for developmental projects.

12. RESERVES

Revaluation Reserve

As at beginning of year	196,366	95,587
Revaluation during the year	86,564	100,779
As at end of year	<u>282,930</u>	<u>196,366</u>

Retained Profits

As at beginning of year	2,291,539	1,975,576
Effect of IAS 19 (Note 10)	(98,511)	0
As at beginning of year - restated	2,193,028	1,975,576
Net profit for the year	255,294	315,963
As at end of year	<u>2,448,322</u>	<u>2,291,539</u>

Total Reserves

2,731,252 2,487,905

13. PROVISION FOR LOSSES ON LOAN ASSETS

As at beginning of year	56,117	51,194
Charged in year	12,214	11,389
Utilised in year	(16,681)	(6,466)
As at end of year	<u>51,650</u>	<u>56,117</u>

14. NET PROFIT FOR THE YEAR

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

Staff costs (Note 15)	168,775	157,532
Directors' costs (Note 16)	6,783	6,950
Charitable and educational donations	5,897	5,743
Auditors' remuneration	2,000	2,000
Operating lease payments	729	640

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2001

	2002	2001
15. STAFF COSTS	65,000	68,000
Wages and salaries	128,268	179,633
Social security costs	5,620	5,985
Pension costs	16,826	11,412
Other staff costs	18,080	17,092
	<u>168,775</u>	<u>157,532</u>

Number of persons employed at the end of year

Full time	60	100
Part time	11	11
	<u>109</u>	<u>111</u>

16. DIRECTORS' COSTS

Directors' fees	2,700	2,700
Directors' travel	2,700	2,700
Directors' pension	1,383	1,550
	<u>6,783</u>	<u>6,950</u>

17. 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 fifty percent 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
(i) Mortgages	65,000	68,000
Balance as at end of year	<u>31,011</u>	<u>37,652</u>
Interest income	<u>3,063</u>	<u>2,373</u>
No provisions have been recognised in respect of mortgages given to related parties (2002: Nil).		
(ii) Investors' Balances		
Balance as at end of year	<u>26,018</u>	<u>23,279</u>
Interest expense	<u>1,245</u>	<u>1,624</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2003

18. 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.

Aggregate assets denominated in foreign currencies amounted to:

	2003	2002
	G\$'000	G\$'000
British Pound Sterling	525,707	497,180
United States Dollars	203,348	0

(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.

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 G\$'000	Over one year G\$'000	Non-interest bearing G\$'000	Total 2003 G\$'000
Cash resources	1,624,332	0	85,564	1,709,896
Loan assets	10,916,334	0	75,388	10,991,722
Investments	9,755,050	723,452	0	10,478,502
Other assets	0	0	518,747	518,747
TOTAL ASSETS	22,295,716	723,452	679,699	23,698,867
Investors' balances	20,779,517	0	0	20,779,517
Other liabilities	0	0	188,098	188,098
TOTAL INVESTORS' BALANCES AND LIABILITIES	20,779,517	0	188,098	20,967,615
INTEREST SENSITIVITY GAP	1,516,199	723,452		

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2003

18. FINANCIAL INSTRUMENTS (cont'd)

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

	Up to one year G\$'000	Over one year G\$'000	Non-interest bearing G\$'000	Total 2002 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
TOTAL ASSETS	20,360,750	489,819	633,132	21,483,701
Investors' balances	18,914,705	0	0	18,914,705
Other liabilities	0	0	81,091	81,091
TOTAL INVESTORS' BALANCES AND LIABILITIES	18,914,705	0	81,091	18,995,796
INTEREST SENSITIVITY GAP	1,446,045	489,819		

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

	2003	2002
	%	%
Fixed deposits	4.6	5.9
Mortgages	9.7	10.0
Investments	4.3	5.4
Investors' balances	5.4	6.1

(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 tables below analyse assets and liabilities of the Society into relevant maturity groupings.

	Up to one year G\$'000	Due to five years G\$'000	Over five years G\$'000	Total 2003 G\$'000
Cash resources	1,709,896	0	0	1,709,896
Loan assets	741,791	2,673,799	7,576,132	10,991,722
Investments	9,755,050	416,474	306,978	10,478,502
Other assets	59,769	0	458,978	518,747
TOTAL ASSETS	12,266,506	3,090,273	8,342,088	23,698,867
Investors' balances	20,779,517	0	0	20,779,517
Other liabilities	84,447	0	103,651	188,098
TOTAL INVESTORS' BALANCES AND LIABILITIES	20,863,964	0	103,651	20,967,615
NET LIQUIDITY GAP	(8,597,458)	3,090,273	8,238,437	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2003

18. FINANCIAL INSTRUMENTS (cont'd)

(a) Liquidity Risk (see also)	Up to one year G\$'000	One to five years G\$'000	Over five years G\$'000	Total 2002 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
TOTAL ASSETS	11,328,590	2,691,791	7,463,320	21,483,701
Investors' balances	18,914,705	0	0	18,914,705
Other liabilities	81,091	0	0	81,091
TOTAL INVESTORS' BALANCES AND LIABILITIES	18,995,796	0	0	18,995,796
NET LIQUIDITY GAP	(7,667,206)	2,691,791	7,463,320	

(b) 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 risk 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:

	2003 G\$'000	2002 G\$'000
Demerara, except London	9,080,628	8,160,350
Barbados	1,160,785	1,061,790
Essequibo	309,213	261,626
London	369,810	347,911
	10,920,436	9,831,677

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2003

18. FINANCIAL INSTRUMENTS (cont'd)

(v) Fair Values

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

Cash resources:

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

Loan assets:

The fair value 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:

	2003 G\$'000	2002 G\$'000
Government of Guyana Treasury Bills	9,809,001	8,165,394
United Kingdom Government Treasury Loans	554,341	519,072
Government of Barbados Guaranteed Bonds	206,478	0
	10,569,820	8,684,466

Investors' balances:

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

19. CONTINGENT LIABILITY

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