

**nbs**

**The New Building Society Limited**



**ANNUAL REPORT 2005**



## **The New Building Society Limited**

### **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 involvement in worthwhile community projects.

### **Business Objectives**

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

To provide independent financial advice on products offered.

To practice prudent management 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.

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## NOTICE OF MEETING

Notice is hereby given that the Sixty-Sixth Annual General Meeting of the Members of the New Building Society Limited will be held at 5.00 p.m. on Monday, 24<sup>th</sup> April, 2006 at the Hotel Tower Limited, 74-75 Main Street, Georgetown for the following purposes:-

### AGENDA

1. To receive the Financial Statements and the Reports of the Directors and Auditors for the year ended 31<sup>st</sup> December, 2005.  
To consider and if thought fit pass the following resolution:- "That the Financial Statements and the Reports of the Directors and Auditors for the year ended 31<sup>st</sup> December, 2005 be and are hereby adopted."
2. To elect Directors in accordance with Rule 47(1). The Directors retiring by rotation are Messrs. David A. Yhann and Seepaul Narine, who, being eligible, offer themselves for re-election. Rule 47(2).  
To consider and if thought fit pass the following resolution:- "That the retiring Directors Messrs. David A. Yhann and Seepaul Narine be and are hereby elected Directors of the Society."
3. To fix the remuneration of the Directors in accordance with Rule 45.  
To consider and if thought fit pass the following resolution:- "That the remuneration of the Directors for the year 2006 be the sum of \$5,400,000 to be apportioned as fees and travelling as the Board decides."
4. To appoint Auditors in accordance with Section 16(1) of the New Building Society Act.  
To consider and if thought fit pass the following resolution:- "That Messrs. Jack A. Alli, Sons and Company be and are hereby appointed Auditors for the period ending with the conclusion of the next Annual General Meeting."
5. To fix the remuneration of the Auditors in accordance with Section 16(7) of the NBS Act.  
To consider and if thought fit pass the following resolution:- "That the remuneration of the Auditors be fixed at \$2,250,000 for the year 2006."
6. To amend Rule 22(2)(ii) of the NBS Rules:  
To consider and if thought fit pass the following resolution as a Special Resolution: "That no advance in respect of such security shall exceed ten million dollars."
7. To fix charitable donations in accordance with Section 8(b) of the NBS Act.  
To consider and if thought fit pass the following resolution:- "That the amount appropriated for Charitable Donations be fixed at \$8,000,000 for the year 2006."
8. To transact any other business of which due notice shall have been given in accordance with Rule 36.

By Order of the Board,

*M. L. Arjoon*  
M. L. Arjoon  
Director/Secretary  
24<sup>th</sup> March, 2006

**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.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**M. M. McLoone J.C.**  
Chairman

**Dr. M. K. Gopaul**  
Vice-Chairman

**L. H. Rosenthal**

**E. S. Savoff**

**H. A. Thano**

**S. Narine**

**M. I. Arjoon**

### MANAGEMENT

**M. I. Arjoon**  
Director/Secretary

**N. Muhammad**  
Assistant Secretary

**K. Vincent**  
Operations Manager

**M. Majood**  
IT Systems Administrator

**K. Baldeo**  
Assistant Mortgage Manager

**A. Soltary**  
Branch Manager, New Amsterdam

**T. Perzant (Ms.)**  
Sub-Branch Manager, Mackenzie

**A. Nishan**  
Sub-Branch Manager, Rosignol

**K. Mackinnam**  
Sub-Branch Manager, Cornelian

**I. Ginnel**  
Sub-Branch Manager, Rosehall

**R. Percand**  
Sub-Branch Manager, Essequibo

**A. Rajaram**  
Internal Audit Manager

### ATTORNEYS-AT-LAW

**Mezars, Cameron & Shepherd**  
2 Avenue of the Republic,  
Georgetown, Guyana.

**Stevens, McInnes & Co.**  
215 King Street, Stabroek,  
Georgetown, Guyana.

### BANKERS

**Bank of Nova Scotia**  
104 Carmichael Street, North Cummingsburg,  
Georgetown, Guyana.

**National Bank of Industry & Commerce Limited**  
38-40 Water Street,  
Georgetown, Guyana.

**Bank of Barbuda**  
10 Avenue of the Republic,  
Georgetown, Guyana.

**Guyana Bank for Trade & Industry Limited**  
47-48 Water Street, Robbstown,  
Georgetown, Guyana.

**Demerara Bank Limited**  
230 Camp & South Streets,  
Georgetown, Guyana.

### AUDITORS

**Jack & All. Sons & Company**  
145 Crown Street, Queenstown,  
Georgetown, Guyana.

## Financial Highlights

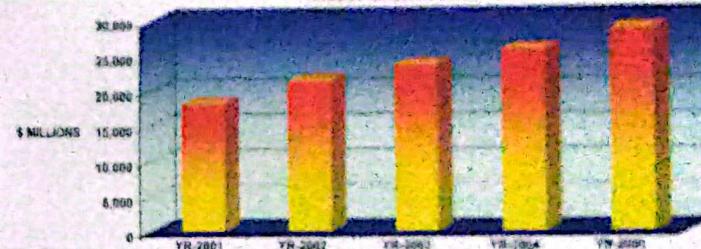
Asset Composition - 2005



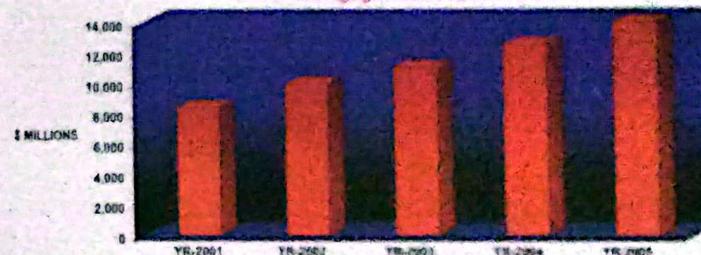
Income Distribution 2005



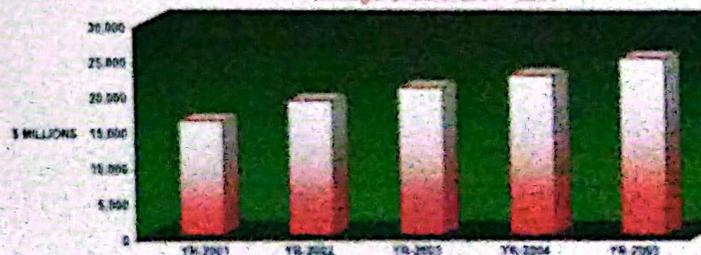
Asset Growth 2001 - 2005



Mortgage Growth 2001 - 2005



Savings Growth 2001 - 2005



## CHAIRMAN'S REPORT

It is my pleasure to present to you my Report and the Financial Statements of the New Building Society Limited (NBS) for the year ended 31<sup>st</sup> December, 2005.

### Overview:

Despite high oil prices, the Iraq war and several major natural disasters, the global economy grew by 3.2% during the year 2005 driven largely by the economies of the U.S.A., China, India and Japan.

The local economy declined by 3% in real GDP compared with a positive growth of 1.6% in the year 2004. This decline was attributed largely to higher oil prices, the disastrous floods on the East Coast of Demerara and elsewhere, and a shortfall of production in the sugar, rice and mining sectors. You would recall that the floods were the worst in the country for over one century.

The decline in the economy contributed to a reduced demand for credit in the banking system which resulted in the economy being awash with liquidity. This has forced financial institutions to further drop interest rates on deposits. The Government, being responsible for monetary policies, should take note of this trend for if this situation is allowed to continue to a point where it becomes unattractive to save in the local financial system, exchange rate problems may arise if depositors seek other forms of security in foreign currency.

On the positive side, the continued efforts of the Government in enhancing the country's infrastructure including bridges, roads, sea defences, etc. are commendable. The housing sector continues to boom as is reflected in the record loan disbursements by NBS in the year under review.

### NBS' Performance:

I am pleased to announce another successful year. We recorded a profit of \$365 million whilst maintaining the lowest interest rate for housing loans in the financial sector.

At the same time, we offer attractive interest rates on deposits and by making our mortgage products with no hidden charges easily available to all borrowers, together with our efficient customer service, we were able to achieve significant growth in our share of the mortgage and savings market. Our mortgage portfolio grew by 11.5% to \$13.9 billion while savings grew by 11.1% to \$25 billion.

The value of Total Assets grew by 11.4% over 2004 to \$28.8 billion at the end of the reporting period which ensured our position as the third largest financial institution in the country.

This excellent achievement is due in no small measure to effective cost control, beneficial investment decisions, prudent risk management and strict monitoring of all aspects of NBS' operations.



## BOARD OF DIRECTORS

### From Top

M. M. McDoom S.C.

Dr. N. K. Gopaul

L. O. Rockcliffe

S. G. Bovell

D. A. Yhann

S. Narine

M. L. Arjoon

**CHAIRMAN'S REPORT cont'd**

**Our Members:**

The service provided to our members is central to our success. As a consequence, we constantly focus to improve on the level of service provided to our members and have embarked on a number of new initiatives to be better able to serve our members in a more efficient manner.

The construction of the new Chief Office at Lots 1 & 2 North Road and Avenue of the Republic, is now scheduled to commence in the latter part of 2006 whilst the construction of the Rose Hall Branch Office has already begun and is expected to be completed in September 2006. With our wide network of branches across the country, we are well placed to ensure that members gain easy access to our services.

**Staff:**

Our employees are our Society's most valuable asset and our hope for the future lies with them. We continue to support and encourage them in their studies to improve their knowledge in relevant fields which together with on-going training programmes both within the Society and externally, will equip them with the necessary skills to better serve our members. I would like to thank both Management and Staff for their dedication and commitment throughout the year.

**Donations:**

We continue to contribute meaningfully to the community at large in the form of various charitable and educational donations. As part of our 65<sup>th</sup> Anniversary Celebrations, \$7 million was committed to assist with the establishment of a Head Office building for Habitat for Humanity, which has been contributing greatly to make housing available to the very poor. Gifts were also distributed to our membership to mark the occasion.

**The Future:**

The Society will continue to adjust to meet the various challenges emanating from an ever changing financial services environment both globally and locally. Our growth and sound financial development were built on developing an in-depth knowledge of our members through a well trained labour force. Infrastructural development in the new housing schemes has been moving apace and is likely to generate a greater level of activity in the establishment of new homes. With the continuous refining of our strategic responses we are well positioned to take advantage of these opportunities in an effort to make more affordable housing loans available to as many persons as possible.

**Conclusion:**

The NBS continues to be the leading Mortgage Finance Institution in the country with a sound track record. For that, I would like to thank our members countrywide for their support during the year and we look forward to your continued support in the future. Similarly, I would like to thank my fellow Directors for their co-operation and support during the year under review.

*Moon M. McDoom*  
**Moon M. McDoom, S.C.**  
 Chairman  
 24<sup>th</sup> March, 2006

**MANAGEMENT TEAM**



**K. Mohamed**  
Assistant Secretary



**K. Vincent**  
Operations Manager



**M. Majeed**  
IT Systems Administrator



**K. Baldeo**  
Assistant Mortgage Manager



**A. Boharry**  
Branch Manager, New Amsterdam



**A. Kishen**  
Sub-Branch Manager, Rosignol



**I. Samad**  
Sub-Branch Manager, Rosehall



**K. Macklingam**  
Sub-Branch Manager, Corriverton



**T. Persaud (Ms.)**  
Sub-Branch Manager, Mackenzie



**R. Persaud**  
Sub-Branch Manager, Essequibo



**A. Rajaram**  
Internal Audit Manager

**DIRECTOR/SECRETARY'S REPORT****Overview:**

I am pleased to comment once again on the very successful operations of the New Building Society Limited (NBS) for the year ended 31<sup>st</sup> December 2005.

Despite economic stagnation domestically, exacerbated by the devastating floods in the early part of 2005 and intense competition in the financial services sector, the NBS continued to reflect a financially strong position. In the year under review, we focused on widening our membership base and stimulating demand for mortgages. We embarked on an aggressive marketing campaign in the communities especially in the rural areas which resulted in NBS recording double digit growth in its main business lines, i.e. savings and mortgages.

Our members continued to enjoy the benefits that are associated with doing business with a Building Society. Once again throughout the year we operated on the lowest spread in the financial sector, in keeping with our concept of mutuality.

The level of excess liquidity continued to be very high mainly due to a sharp decline in private sector credit coupled with a cautious and

conservative lending policy adopted by the commercial banks. This has resulted in an increased demand for Government of Guyana Treasury Bills, hence the low yield obtained on these instruments in which the NBS must invest by law.

Despite the foregoing, we were able to manage our resources efficiently, whilst ensuring that our members continued to benefit from very competitive rates of interest. It is noteworthy that the rates of interest remained stable throughout the year despite reductions in the savings rates offered by other financial institutions.

**Financial Highlights:**

NBS recorded a profit of \$365 million for the year under review which reflected a reduction of 8% over the previous year's results. This was due to the fact that NBS operated on narrowing margins, a policy that is favourable to members.

Total Interest Income earned for financial 2005 was \$1.775 billion, an increase of \$185 million or 11.6% over financial 2004.

Total Interest Expense was \$1.038 billion which represented 58% of Total Interest Income and higher than the Interest Expense percentage of other financial institutions. It is therefore more advantageous for members to save with the NBS.

General Administrative Expenses incurred for the year were \$286 million, a modest increase of \$27 million or 10% over 2004. However, the substantial increase for other expenses was mainly due to a contribution of \$4.7 million to the National Flood Relief efforts in the early part of 2005 and a sum of \$29 million expended to commemorate the NBS' 65<sup>th</sup> Anniversary in the form of donations.

Our Savings Accounts Balance was 87% of Total Liabilities increasing by 11.1% to \$25.005 billion. A total of 5,696 savings accounts were opened during the year as more local and overseas based Guyanese continued to access our services from our seven locations across the country.

Gross mortgage lending for the year peaked at \$2.72 billion, another record achievement despite the floods in the earlier part of the year which had a negative impact on the housing sector. The mortgage portfolio at the end of the year was \$13.897 billion comprising of 6,299 mortgage accounts. Our loan losses provision was \$65.2 million and our arrears were at an extremely low level of \$57.7 million. This is as a result of our policy of lending to persons of good credit quality together with our effective loan recovery management.

The value of Total Assets grew by 11.4% from \$25.872 billion to \$28.812 billion. Liquid Assets which are in the form of Cash or Assets which are readily convertible into cash totalled \$12.9 billion and represented 52% of Total Savings. Liquid Assets are utilised to meet the requests by members for withdrawals from their savings accounts, to make new mortgage loans to borrowers and to fund the general business activities of NBS.

**DIRECTOR/SECRETARY'S REPORT cont'd**

Our gross reserves which include general and revaluation reserves totalled \$3.585 billion, an increase of 12.9% over financial 2004. The purpose of gross reserves is to provide a buffer against any losses arising from NBS' activities, thereby protecting members' savings. The reserves are also intended to cover the risks in our business such as the risk of a sustained recession in the housing market. Our gross reserves expressed as a percentage of members' savings was a high 14% (2004 - 14%). The higher the ratio, the greater the protection for members' savings.

**Technology/Customer Services:**

We are committed to embrace technology wherever it can improve our business and/or enhance our customer service while at the same time containing escalation in costs. We have recently established a Website which gives full details of the products and services we offer. During the past year, we have improved the delivery of service to our members by the application of greater use of technology which is reflected in our efficiency rate.

**Staff:**

We are aware that the achievements of NBS are also based on the commitment and support of our staff who are working tirelessly to offer first class service to our customers and members of the public. Our ongoing objective is to ensure that our staff possess the knowledge and skills necessary 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, community groups and educational institutions.

**The Future:**

The year 2006 would no doubt present its own challenges as the financial services market is changing rapidly and margins are tightening. However, we will continue to strive to succeed by firmly keeping to our mutual values and responsibilities to our members.

We will also continue to encourage people to save who otherwise would not have done so and to concentrate on straightforward residential mortgages, an area in which we have unparalleled expertise. Despite all the constraints facing financial institutions, the NBS' role in the development of the housing drive in Guyana is very sound and assured.

**Conclusion:**

The year 2005 was a highly successful year for NBS. We have increased our market share in Mortgage and Savings, have maintained our efficiency, have recorded a reasonable profit in our members' interests and have maintained very strong capital ratios.

NBS continues to be a top performer and will strive to retain this rating for the foreseeable future.

On behalf of myself and staff, I wish to state our appreciation of the Directors' commitment to NBS' growth and development.

*M. L. Arjoon*  
M. L. Arjoon  
Director/Secretary  
24<sup>th</sup> March, 2006

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2005

The Directors are pleased to present the 66<sup>th</sup> Annual Report together with the Financial Statements of the New Building Society Limited (NBS) for the year ended 31<sup>st</sup> December, 2005.

### Principal Business Activities:

The main aim of 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 and customer importance and corporate responsibility.

### Business Highlights:

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

Residential Mortgage Balances increased by \$1.435 billion to \$13.897 billion - (11.5%).

Savings Balances increased by \$2.498 billion to \$25.005 billion - (11.1%).

### Financial Highlights:

In the year 2005 NBS:-

	2005	2004	%
	\$ million	\$ million	Change
▶▶ Recorded a profit of	365	397	- 8%
▶▶ Increased General Reserves to	3,585	3,176	+12.9%
▶▶ Increased Assets under Management to	28,812	25,872	+11.4%
▶▶ Provided New Advances to Borrowing Members totalling	2,720	2,704	+ 0.6%

### Mortgages:

At 31<sup>st</sup> December, 2005, there were 6,299 Mortgages in force totalling \$13.897 billion representing 48% of Total Assets (2004 - 5,711 Mortgages totalling \$12.462 billion - 48%).

The number of loans and advances to members on which payments were twelve months or more in arrears was 7 (2004 - 5). The total outstanding balance on these loans was \$12 million (2004 - \$14 million).

### Savings:

The value of Net Receipts in the year was \$1.778 billion (2004 - \$1.074 billion) and Savings Balances as at 31<sup>st</sup> December, 2005 totalled \$25.005 billion (2004 - \$22.507 billion).

## REPORT OF THE DIRECTORS (CONT'D) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2005

### Assets:

The value of Total Assets as at 31<sup>st</sup> December, 2005 was \$28.812 billion (2004 - \$25.872 billion) an increase of 11.4% (2004 - 9%).

All changes in tangible fixed assets during the year are detailed in the Accounts. Freehold Land and Buildings were revalued as at 31<sup>st</sup> December, 2005 and have been included in the Accounts at these Valuations. Liquid Assets in the form of Cash and Short Term Securities were \$12.9 billion and represent 52% of Total Savings, as at 31<sup>st</sup> December, 2005 (2004 - \$11.6 billion and 52%).

### Charitable Donations:

During the year, donations to charity and for educational purposes as well as support to initiatives in several Communities and Organisations totalled \$7.6 million.

### Employees:

NBS is cognisant of the critical role played by its employees in its continued growth and development and therefore tries to ensure that they are continually trained, suitably compensated and highly motivated to guarantee a higher level of performance to its members.

During the year, 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.

### Going Concern:

The Directors are satisfied that 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.

### Amendment to the Rules:

As a consequence of exorbitant increases in the cost of labour and building materials and to further increase the NBS' mortgage portfolio, the Directors are recommending that the maximum sum permitted under Rule 22(2)(ii) on a single security be amended to \$10 million.

A special resolution authorising the amendment is set out in Item 6 on the Agenda.

### Directorate:

In accordance with Rule 47(1), the Directors whose names are listed below retire after the 66<sup>th</sup> Annual General Meeting. They are eligible and offer themselves for re-election.

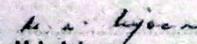
David A. Yhann

Seepaul Narine

### Auditors:

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

### By Order of the Board,

  
M. L. Arjoon  
Director/Secretary  
24<sup>th</sup> March, 2006

**REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2005**

The Directors enhance 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-executives and are considered independent and bring wider knowledge, experience and professional opinion 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 (executive) is responsible for managing the Society's business and ensuring that Board policies and applicable rules and regulations are observed in accordance with the New Building Society Act, Chapter 98:21 of the Laws of Guyana.
- The statutory valuations of properties offered as collateral for mortgages are carried out by the Directors in collaboration with Senior Management.
- The Board meets at least twice per 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 Mr. S. G. Bovell and comprises one other non-executive Director Mr. David A. Yhaon. The Audit Committee meets to monitor the internal financial control and risk management systems and the integrity of the financial statements of NBS. In particular, the Committee reviews the quarterly and yearly results prior to their submission to the Board and to consider any matter raised by the internal and external Auditors.
  - **The Human Resource Committee** - chaired by Dr. N. K. Gopaul and comprises two other non-executive Directors, Messrs. L. O. Rockliffe and S. G. Bovell meets to discuss and make proposals to the Board on:
    - (1) Organisational Structure
    - (2) Employees' compensation and in particular the remuneration of Senior Executives.
  - **The Finance Committee** - chaired by Mr. L. O. Rockliffe and comprising one other non-executive Director, Dr. N. K. Gopaul meets to formulate investment and treasury policy and to monitor risks associated with lending and treasury operations.
  - The Management Staff are included in committee meetings as deemed appropriate.
- NBS communicates with its members in a number of ways which include the Annual Report and Accounts, the Annual General Meeting, the Television, the Press, Suggestion Boxes and consultations which give Members the opportunity to discuss matters relevant to NBS operations.
- Members are notified of Meetings through the press and are invited to collect copies of Reports and Accounts from the Chief Office and Branch Offices of the Society.

*M. M. Mc Doom S.C.*  
M. M. Mc Doom S.C.  
Chairman  
24<sup>th</sup> March, 2006

**Jack A. Alli, Sons & Co.**

**REPORT OF THE AUDITORS**

**TO THE MEMBERS OF**

**THE NEW BUILDING SOCIETY LIMITED**

18<sup>th</sup> Queen Street  
Georgetown  
Guyana  
P.O. Box 10553  
Guyana  
Telephone: (592) 224-2964  
Fax: (592) 224-1640  
Website: www.nbs.com.gy

We have audited the financial statements of **The New Building Society Limited** as set out on pages 16 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.

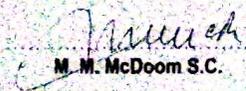
In our opinion, the financial statements, which have been prepared under the historical cost convention, modified by the valuation of freehold land and buildings, give a true and fair view of the state of the affairs of the Society at 31 December 2005, and of the results of its operations and its cash flow for the year ended 31 December 2005 in accordance with International Financial Reporting Standards and the New Building Society Act.

*Jack A. Alli*  
JACK A. ALLI, SONS & CO.  
14 March 2006

**BALANCE SHEET  
31 DECEMBER 2005**

	Note	2005 G\$'000	2004 G\$'000
<b>ASSETS</b>			
Cash resources	4	1,494,208	1,741,107
Loan assets	5	13,955,242	12,522,598
Investments	6	12,637,318	10,940,359
Property, plant and equipment	7	679,990	620,532
Other assets	8	44,941	47,356
		<u>28,811,699</u>	<u>25,871,952</u>
<b>INVESTORS' BALANCES, OTHER LIABILITIES AND RESERVES</b>			
Investors' balances	9	25,004,799	22,506,952
Other liabilities	10	117,376	80,843
Retirement benefit plan deficit	11	104,302	108,009
Reserves	12	3,585,222	3,176,148
		<u>28,811,699</u>	<u>25,871,952</u>

The notes on pages 19 to 31 form an integral part of the financial statements. The Board of Directors approved these financial statements for issue on 10 March 2006.

 CHAIRMAN  
M. M. McDoom S.C.

 VICE-CHAIRMAN  
Dr. N. K. Gopaul

 DIRECTOR / SECRETARY  
M. L. Arjoon

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 G\$'000	2004 G\$'000
<b>Interest Income</b>			
Loan assets		1,208,828	1,069,808
Investments		498,152	453,485
Cash resources		66,121	66,682
		<u>1,775,101</u>	<u>1,589,975</u>
<b>Interest Expense</b>			
Five dollar shares		(406,891)	(368,797)
Save and prosper shares		(616,636)	(565,086)
Deposits		(14,495)	(13,344)
		<u>(1,038,022)</u>	<u>(947,227)</u>
<b>Net Interest Income</b>		737,079	642,748
<b>Other Income</b>			
Fee and commission income		7,599	7,657
Gain on exchange		9,736	66,453
Other operating income		4,029	4,420
		<u>21,364</u>	<u>78,530</u>
<b>Total Net Income</b>		758,443	721,278
<b>Operating Expenses</b>			
Provision for losses on loan assets	13	(16,489)	(1,469)
General administrative expenses		(285,753)	(258,998)
Depreciation		(26,363)	(28,300)
Other expenses		(65,165)	(35,785)
		<u>(433,770)</u>	<u>(324,552)</u>
<b>Net Profit For The Year</b>	14	<u>364,673</u>	<u>396,726</u>

**STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 G\$'000	2004 G\$'000
Net profit for the year	12	364,673	396,726
Revaluation of land and buildings	12	44,401	48,170
<b>Total Recognised Income For The Year</b>		<u>409,074</u>	<u>444,896</u>

The notes on pages 19 to 31 form an integral part of these financial statements.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 G\$'000	2004 G\$'000
<b>Operating Activities</b>		
Net profit for the year	364,673	396,726
Adjustments for:		
Depreciation	26,363	28,300
Provision for losses on loan assets	16,489	1,469
Utilization of provision for losses on loan assets	(1,932)	(2,516)
Movement in retirement benefit plan liability	(3,707)	4,358
Loss on disposal of property, plant and equipment	4,687	770
Operating income before changes in operating assets and liabilities	406,773	429,107
Loan advances net of repayments	(1,447,201)	(1,529,829)
Decrease in other assets	2,415	12,413
Receipts from investors net of withdrawals	2,497,847	1,727,435
Increase / (decrease) in other liabilities	36,533	(3,604)
<b>Net Cash Inflow - Operating Activities</b>	<u>1,496,367</u>	<u>635,522</u>
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(46,614)	(142,454)
Additions to investments	(11,946,959)	(10,390,207)
Redemptions of investments	10,250,000	9,928,350
Net redemption of fixed deposit accounts	333,844	5,156
Proceeds on sale of property, plant and equipment	307	0
<b>Net Cash Outflow - Investing Activities</b>	<u>(1,409,422)</u>	<u>(599,155)</u>
<b>Net Movement in Cash and Cash Equivalents</b>	86,945	36,367
<b>Cash and Cash Equivalents as at beginning of year</b>	<u>157,263</u>	<u>120,896</u>
<b>Cash and Cash Equivalents as at end of year</b>	<u>244,208</u>	<u>157,263</u>

The notes on pages 19 to 31 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2005

### 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 rates.

#### 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 if there is objective evidence that a loan asset is impaired. 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.

Write-offs are made when all or part of a loan asset is deemed uncollectible. Write-offs are charged against previously established provisions for losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to income.

#### 3.4 Investments

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

**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2005

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 assets 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 income statement 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 as the amount of pension that an employee will receive on retirement is dependent on years of service and compensation. The assets of the scheme are held independently from those of the Society.

The 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.

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.

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 2005

	2005 G\$'000	2004 G\$'000
<b>4. CASH RESOURCES</b>		
Redeemable on demand:		
Cash in hand	6,800	6,800
Cash at bank, excluding fixed deposits	237,409	150,463
Classified as cash and cash equivalents	<u>244,208</u>	<u>157,263</u>
Redeemable after 3 months:		
Fixed deposits	1,250,000	1,583,844
	<u>1,494,208</u>	<u>1,741,107</u>
<b>5. (a) LOAN ASSETS</b>		
Mortgages	13,896,611	12,461,880
Properties in possession	103,464	90,994
Other loans and advances	20,327	20,327
	<u>14,020,402</u>	<u>12,573,201</u>
Provision for losses on loan assets (Note 13)	(65,160)	(50,603)
	<u>13,955,242</u>	<u>12,522,598</u>

(b) MORTGAGES

	2005		2004	
	No. of Securities	Value G\$'000	No. of Securities	Value G\$'000
Balances exceeding \$1,000 but not \$2,000	1	2	0	0
Balances exceeding \$2,000 but not \$5,000	1	2	1	2
Balances exceeding \$5,000 but not \$10,000	4	28	3	19
Balances exceeding \$10,000 but not \$15,000	5	65	1	14
Balances exceeding \$15,000 but not \$20,000	1	15	5	87
Balances exceeding \$20,000 but not \$25,000	4	89	6	130
Balances exceeding \$25,000 but not \$30,000	4	112	2	51
	<u>20</u>	<u>313</u>	<u>18</u>	<u>303</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

5. (b) MORTGAGES (CONT'D)	2005		2004	
	No. of Securities	Value G\$'000	No. of Securities	Value G\$'000
Balance brought forward	20	313	18	303
Balances exceeding \$30,000 but not \$50,000	11	457	8	355
Balances exceeding \$50,000 but not \$100,000	31	2,367	35	2,565
Balances exceeding \$100,000 but not \$200,000	86	13,012	74	11,375
Balances exceeding \$200,000 but not \$250,000	56	12,669	52	11,853
Balances exceeding \$250,000 but not \$500,000	287	112,521	276	105,280
Balances exceeding \$500,000 but not \$750,000	362	226,887	342	212,858
Balances exceeding \$750,000 but not \$1,000,000	486	428,963	464	408,141
Balances exceeding \$1,000,000 but not \$1,500,000	1,303	1,694,258	1,182	1,543,522
Balances exceeding \$1,500,000 but not \$2,000,000	1,014	1,767,663	860	1,510,270
Balances exceeding \$2,000,000 but not \$2,500,000	660	1,478,429	618	1,382,654
Balances exceeding \$2,500,000 but not \$3,000,000	555	1,521,853	503	1,380,579
Balances exceeding \$3,000,000 but not \$4,000,000	655	2,279,716	576	2,012,380
Balances exceeding \$4,000,000 but not \$5,000,000	330	1,470,344	364	1,629,492
Balances exceeding \$5,000,000 but not \$6,000,000	164	902,295	114	628,001
Balances exceeding \$6,000,000 but not \$7,000,000	119	776,131	84	548,700
Balances exceeding \$7,000,000 but not \$8,000,000	147	1,103,703	123	926,668
Balances exceeding \$8,000,000	13	105,030	18	146,884
<b>Total</b>	<b>6,299</b>	<b>13,896,611</b>	<b>5,711</b>	<b>12,461,880</b>
Aggregate amount of mortgages in arrears for more than twelve months		<u>11,857</u>		<u>14,253</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

6. INVESTMENTS	2005 G\$'000	2004 G\$'000
Government of Guyana Treasury Bills	11,733,899	10,102,271
United Kingdom Government Treasury Loans	680,241	624,800
Government of Barbados Guaranteed Bonds	223,178	213,288
	<u>12,637,318</u>	<u>10,940,359</u>

### 7. PROPERTY, PLANT AND EQUIPMENT

Cost / Valuation	Freehold Land and Buildings G\$'000	Machinery, Furniture and Equipment G\$'000	Motor Vehicles G\$'000	Work In Progress G\$'000	2005 Total G\$'000
As at beginning of year	556,031	159,532	61,752	0	777,315
Additions	5,620	5,772	15,050	20,172	46,614
Disposals	0	(22,979)	(5,315)	0	(28,294)
Revaluation	37,994	0	0	0	37,994
As at end of year	<u>599,645</u>	<u>142,325</u>	<u>71,487</u>	<u>20,172</u>	<u>833,629</u>
Depreciation					
As at beginning of year	(103)	(96,328)	(60,352)	0	(156,783)
Charges for the year	(6,304)	(17,857)	(2,202)	0	(26,363)
Written back on disposals	0	17,785	5,315	0	23,100
Revaluation	6,407	0	0	0	6,407
As at end of year	<u>0</u>	<u>(96,400)</u>	<u>(57,239)</u>	<u>0</u>	<u>(153,639)</u>
Net Book Value					
As at end of year	<u>599,645</u>	<u>45,925</u>	<u>14,248</u>	<u>20,172</u>	<u>679,986</u>
As at beginning of year	555,928	63,204	1,400	0	620,532

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 2005 on the basis of open market value.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)	2005 G\$'000	2004 G\$'000
If freehold land and buildings were stated at historical cost, the carrying values would be:		
Cost	230,944	225,324
Accumulated depreciation	(10,791)	(8,654)
Net book value	<u>220,153</u>	<u>216,670</u>
8. OTHER ASSETS		
Accrued interest	30,318	42,618
Sundry debtors and prepayments	14,623	4,738
	<u>44,941</u>	<u>47,356</u>
9. INVESTORS' BALANCES		
Five dollar shares	11,219,557	10,091,928
Save and prosper shares	13,151,532	11,867,570
Deposits	633,710	547,454
	<u>25,004,799</u>	<u>22,506,952</u>
10. OTHER LIABILITIES		
Withholding taxes	70,202	63,633
Sundry creditors and accruals	47,174	17,210
	<u>117,376</u>	<u>80,843</u>
11. RETIREMENT BENEFIT PLAN DEFICIT		
The amount recognised in the balance sheet is as follows:		
Present value of obligation	257,381	232,931
Fair value of plan assets	(245,255)	(199,350)
Net underfunding	12,126	33,581
Unrecognised actuarial gain	92,176	74,428
Liability recognised in the balance sheet	<u>104,302</u>	<u>108,009</u>

The Plan assets include deposits with the Society totalling \$11,857,060 at year end (2004 - \$39,896,616). Interest of \$852,810 was earned during the year (2004 - \$1,549,003).

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

11. RETIREMENT BENEFIT PLAN DEFICIT (CONT'D)	2005 G\$'000	2004 G\$'000
Movement in the liability recognised in the balance sheet:		
Liability as at beginning of year	108,009	103,651
Net expense	10,162	16,656
Contributions paid	(13,869)	(12,298)
Liability as at end of year	<u>104,302</u>	<u>108,009</u>
The amounts recognised in the statement of income and expenditure are as follows:		
Current service cost	10,621	13,808
Interest cost	16,043	13,183
Expected return on plan assets	(13,403)	(10,335)
Net actuarial gains	(3,099)	0
Total included in staff costs	<u>10,162</u>	<u>16,656</u>
Actual return on the plan assets	<u>31,973</u>	<u>22,136</u>
The principal assumptions used were:		
Discount rate	6.5%	6.5%
Future salary increases	6.5%	6.5%
Return on assets	6.5%	6.5%
Mortality	PA(90) - 2	PA(90) - 2
12. RESERVES		
<b>Revaluation Reserve</b>		
As at beginning of year	331,100	282,930
Revaluation during the year	44,401	48,170
As at end of year	<u>375,501</u>	<u>331,100</u>
<b>Retained Profits</b>		
As at beginning of year	2,845,048	2,448,322
Net profit for the year	364,673	396,726
As at end of year	<u>3,209,721</u>	<u>2,845,048</u>
<b>Total Reserves</b>	<u>3,585,222</u>	<u>3,176,148</u>

The surplus arising on the revaluation of land and building is transferred to the revaluation reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

	2005 G\$'000	2004 G\$'000
<b>13. PROVISION FOR LOSSES ON LOAN ASSETS</b>		
As at beginning of year	50,603	51,650
Charged in year	16,489	1,469
Utilised in year	(1,932)	(2,516)
	<hr/>	<hr/>
As at end of year	65,160	50,603
<b>14. NET PROFIT FOR THE YEAR</b>		
Net profit for the year is shown after charging the following:		
Staff costs (Note 15)	178,359	179,002
Charitable and educational donations	7,614	5,977
Anniversary celebrations	28,927	0
Auditors' remuneration	2,250	2,000
Operating lease payments	884	884
	<hr/>	<hr/>
<b>15. STAFF COSTS</b>		
Wages and salaries	144,382	137,949
Social security costs	6,565	6,358
Pension costs	10,162	16,656
Other staff costs	17,250	18,039
	<hr/>	<hr/>
	178,359	179,002
<b>16. KEY MANAGEMENT COMPENSATION</b>		
Short-term employee benefits	50,244	36,791
Post-employment benefits	5,539	7,139
	<hr/>	<hr/>
	55,783	43,930
<b>17. DIRECTORS' COSTS</b>		
Directors' costs included in Key Management Compensation:		
Directors' fees	2,700	2,665
Directors' travel	2,700	2,665
Directors' pension	1,210	1,367
	<hr/>	<hr/>
	6,610	6,697

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

**18. RELATED PARTY TRANSACTIONS**

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

(i) Mortgages	2005 G\$'000	2004 G\$'000
Balance as at beginning of year	18,257	33,011
Effect of changes in key management personnel	5,982	(14,791)
	<hr/>	<hr/>
Balance as at beginning of year - adjusted	24,239	18,220
Mortgages issued during the year	5,075	1,100
Mortgage interest charged during the year	1,771	1,332
Mortgage payments during the year	(3,081)	(2,395)
	<hr/>	<hr/>
Balance as at end of year	28,004	18,257
No provision has been required in 2005 and 2004 for the mortgages granted to related parties.		
(ii) Investors' Balances	2005 G\$'000	2004 G\$'000
Balance as at beginning of year	19,621	26,918
Effect of changes in key management personnel	10,873	(760)
	<hr/>	<hr/>
Balance as at beginning of year - adjusted	30,494	26,158
Deposits received during the year	17,609	7,917
Interest earned during the year (net of tax)	1,262	899
Withdrawals made during the year	(24,837)	(15,353)
	<hr/>	<hr/>
Balance as at end of year	24,528	19,621

**19. 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:	2005 G\$'000	2004 G\$'000
British Pound Sterling	680,306	632,652
United States Dollars	223,178	213,288
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

#### 19. FINANCIAL INSTRUMENTS (CONT'D)

##### (ii) Interest Rate Risk (Cont'd)

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.

As at 31 December 2005	Up to one year G\$'000	Over one year G\$'000	Non- interest bearing G\$'000	Total G\$'000
Cash resources	1,330,339	0	163,869	1,494,208
Loan assets	13,896,611	0	58,631	13,955,242
Investments	11,733,899	903,419	0	12,637,318
Other assets	0	0	724,931	724,931
<b>TOTAL ASSETS</b>	<b>26,960,849</b>	<b>903,419</b>	<b>947,431</b>	<b>28,811,699</b>
Investors' balances	25,004,799	0	0	25,004,799
Other liabilities	0	0	221,678	221,678
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>25,004,799</b>	<b>0</b>	<b>221,678</b>	<b>25,226,477</b>
<b>INTEREST SENSITIVITY GAP</b>	<b>-1,956,050</b>	<b>903,419</b>		

As at 31 December 2004	Up to one year G\$'000	Over one year G\$'000	Non- interest bearing G\$'000	Total G\$'000
Cash resources	1,674,836	0	66,271	1,741,107
Loan assets	12,450,025	0	72,573	12,522,598
Investments	10,102,271	838,088	0	10,940,359
Other assets	0	0	667,888	667,888
<b>TOTAL ASSETS</b>	<b>24,227,132</b>	<b>838,088</b>	<b>806,732</b>	<b>25,871,952</b>
Investors' balances	22,506,952	0	0	22,506,952
Other liabilities	0	0	188,852	188,852
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>22,506,952</b>	<b>0</b>	<b>188,852</b>	<b>22,695,804</b>
<b>INTEREST SENSITIVITY GAP</b>	<b>1,720,180</b>	<b>838,088</b>		

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2005

#### 19. FINANCIAL INSTRUMENTS (CONT'D)

##### (ii) Interest Rate Risk (Cont'd)

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

	2005 %	2004 %
Fixed deposits	4.3	4.4
Mortgages	8.9	8.9
Investments	4.1	3.9
Investors' balances	4.5	4.5

##### (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.

As at 31 December 2005	Up to one year G\$'000	One to five years G\$'000	Over five years G\$'000	Total G\$'000
Cash resources	1,494,208	0	0	1,494,208
Loan assets	939,321	3,500,041	9,515,880	13,955,242
Investments	11,733,899	608,240	295,179	12,637,318
Other assets	44,941	0	679,990	724,931
<b>TOTAL ASSETS</b>	<b>14,212,369</b>	<b>4,108,281</b>	<b>10,491,049</b>	<b>28,811,699</b>
Investors' balances	25,004,799	0	0	25,004,799
Other liabilities	117,376	0	104,302	221,678
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>25,122,175</b>	<b>0</b>	<b>104,302</b>	<b>25,226,477</b>
<b>NET LIQUIDITY GAP</b>	<b>(10,909,806)</b>	<b>4,108,281</b>	<b>10,386,747</b>	

**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2005

19. FINANCIAL INSTRUMENTS (CONT'D)  
(ii) Liquidity Risk (Cont'd)

As at 31 December 2004	Up to one year G\$'000	One to five years G\$'000	Over five years G\$'000	Total G\$'000
Cash resources	1,741,107	0	0	1,741,107
Loan assets	823,058	3,021,654	8,677,886	12,522,598
Investments	10,102,271	510,015	328,073	10,940,359
Other assets	47,356	0	620,532	667,888
<b>TOTAL ASSETS</b>	<b>12,713,792</b>	<b>3,531,669</b>	<b>9,626,491</b>	<b>25,871,952</b>
Investors' balances	22,506,952	0	0	22,506,952
Other liabilities	80,843	0	108,009	188,852
<b>TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES</b>	<b>22,587,795</b>	<b>0</b>	<b>108,009</b>	<b>22,695,804</b>
<b>NET LIQUIDITY GAP</b>	<b>(9,874,003)</b>	<b>3,531,669</b>	<b>9,518,482</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 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:

	2005 G\$'000	2004 G\$'000
Demerara, except Linden	11,183,652	10,183,450
Berbice	1,750,964	1,501,552
Essequibo	441,815	378,096
Linden	520,180	398,782
	<b>13,896,611</b>	<b>12,461,880</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
31 DECEMBER 2005

19. 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:

	2005 G\$'000	2004 G\$'000
Government of Guyana Treasury Bills	11,781,898	10,143,870
United Kingdom Government Treasury Loans	704,127	637,427
Government of Barbados Guaranteed Bonds	225,097	216,454
	<b>12,711,122</b>	<b>10,997,751</b>

Investors' balances:

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

20. CONTINGENT LIABILITY

The Society is currently defending a claim with a potential liability of \$26,473,500 from a financial institution on a matter relating to advances to a housing developer. The Society is awaiting a date for trial.