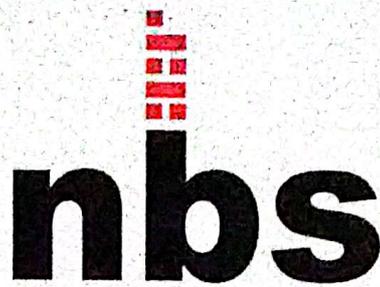


The New Building Society Limited



ANNUAL REPORT 2006



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-Seventh Annual General Meeting of the Members of the New Building Society Limited will be held at 5.00 p.m. on Monday, 23rd April, 2007 at Le Meridien, Pegasus, Scawall Road, Kingston, Georgetown.

AGENDA

1. To receive the Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2006.
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)
3. To fix the remuneration of the Directors for the year 2007.
4. To appoint Auditors for the year 2007.
5. To fix the remuneration of the Auditors for the year 2007.
6. To approve the sum of \$8,000,000 for donations to Charity and for Educational purposes for the year 2007.
7. 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
23rd March, 2007

Please Note:

- Only members holding at least one of the following Accounts are entitled to attend the meeting-
Save & Prosper Accounts
Five Dollar Share Accounts
Mortgage Accounts
- Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her.
- A proxy need not be a member of the Society. A proxy form can be uplifted from any of the Society's Branch Offices and must be returned no later than 4.00 p.m. on the fourth day before the date set for the Annual General Meeting.
- Any Company which is a member of the Society may by resolution of its Directors authorise such person as it thinks fit to act as its representative at the meeting.
- Please bring your Passbook to gain entry to the Meeting.

Corporate Information

BOARD OF DIRECTORS

M. M. McDoom S.C.
Chairman

Dr. N. K. Gopaul
Vice-Chairman

L. O. Rockcliffe

S. G. Bovell

D. A. Yhann

S. Narine

M. L. Arjoon

MANAGEMENT

M. L. Arjoon
Director/Secretary

N. Mohamed
Assistant Secretary

K. Vincent
Operations Manager

M. Majeed
IT Systems Administrator

K. Baldeo
Assistant Mortgage Manager

A. Beharry
Branch Manager, New Amsterdam

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

A. Kishun
Sub-Branch Manager, Rosignol

K. Mackinnam
Sub-Branch Manager, Corriverton

I. Samad
Sub-Branch Manager, Williamsburg

R. Persaud
Sub-Branch Manager, Essequibo

A. Rajaram
Internal Audit Manager

ATTORNEYS-AT-LAW

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

Messrs. McDoom & Co.
215 King Street, Stabroek,
Georgetown, Guyana.

BANKERS

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

Republic Bank (Guyana) Limited
38-40 Water Street,
Georgetown, Guyana.

Bank of Baroda
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

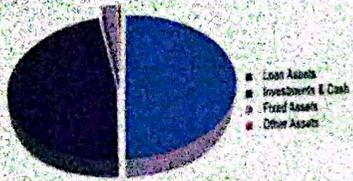
Jack A. Alli, Sons & Company
145 Crown Street, Queenstown,
Georgetown, Guyana.

THE NEW BUILDING SOCIETY LIMITED FIVE-YEAR STATISTICAL INFORMATION

DESCRIPTION	2002 \$M	2003 \$M	2004 \$M	2005 \$M	2006 \$M
PROFIT	316	255	397	365	403
TOTAL ASSETS	21,484	23,699	25,872	28,812	31,463
TOTAL MORTGAGE BALANCES	9,831	10,920	12,461	13,896	15,600
INVESTMENTS	10,943	12,067	12,523	13,887	14,482
TOTAL SAVINGS BALANCES	18,914	20,779	22,506	25,004	27,278
RESERVES	2,487	2,731	3,176	3,585	3,988
MORTGAGE LOANS DISBURSED	2,311	2,133	2,704	2,720	3,187

Financial Highlights

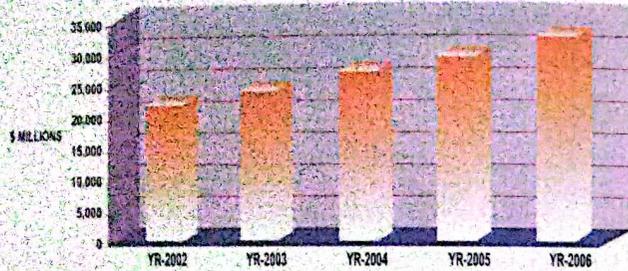
Asset Composition - 31/12/06



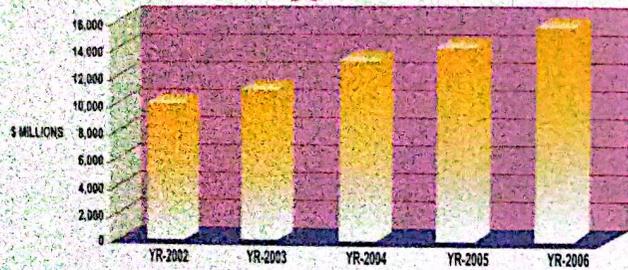
Income Distribution 2006



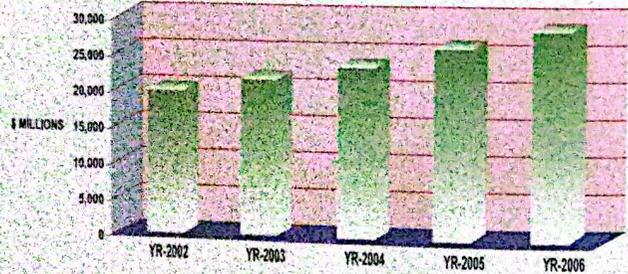
Asset Growth 2002 - 2006



Mortgage Growth 2002 - 2006



Savings Growth 2002 - 2006



nbs



nbs 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

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 31st December, 2006.

Economic Review

The local economy grew in real G.D.P. by 4.7% during 2006. Growth of 5.5%, 12.4% and 11% was recorded in the sugar, rice and forestry sectors respectively, while Diamond, Gold and Bauxite production recorded a decline of 7.6%, 25.3% and 9.2% respectively. The engineering and construction sectors grew by 12% as a result of preparations for CWC (Cricket World Cup), especially the construction of hotels, as well as the acceleration of the housing drive.

Higher oil prices and periodic shortages of key intermediate goods such as cement contributed to an inflation rate of 4.2% which was nevertheless half of what was obtained in 2005. The Guyana Dollar vis-à-vis the US Dollar depreciated slightly by 1.5% to approximately \$204: at the end of 2006, compared with \$201: in 2005, while the 91 day Treasury Bills rate increased from 3.74% in 2005 to 4.15% in 2006.

The real G.D.P. growth for 2007 is projected at 4.9% fuelled by the anticipated stronger growth in sugar, the recovery of the mining and quarrying sectors as well as activities in connection with CWC and the large public sector investment programme. Inflation is projected to be 5.2% for 2007.

Financial Highlights

I am pleased to announce that the year 2006 was another successful year for the Society. We recorded a profit of \$403 million whilst ensuring that both our borrowing and saving members benefit from our attractive interest rates.

Our mortgage portfolio reflected a 12.2% growth and now stands at \$15.6 billion. Savings on the other hand grew by 9.1% and is now \$27.3 billion.

The value of Total Assets grew by 9.2% over 2005 to \$31.463 billion at the end of the reporting period. Despite continued growth in all areas of our operations, we managed to maintain good Asset quality as only \$57 million or 0.37 of 1% of the loan portfolio had to be provided for. This excellent achievement was largely due to effective cost control, prudent investment decisions and strict monitoring of our total operations which allowed us to also remain financially sound during 2006.

Our Members

We have put in place the systems, values and people to continue taking the Society forward. We will continue to look for ways to improve customer service, to reward all our members for their loyalty and to increase our share of the mortgage and savings market to generate further returns for our members.

We are pleased to report the completion of our Rose Hall Branch Office, from where we have been operating since November 2006, to better serve our members. Unfortunately, we are experiencing some delays in the construction of our new Chief Office in Georgetown due to circumstances beyond our control. Nevertheless, we are hopeful that a start will be made later this year.



CHAIRMAN'S REPORT (CONT'D)

Staff

Our continued growth and development means that our employees will need to be more proactive in meeting our members' needs. We have been able through training programmes to maintain a good level of service to our members. We continue to encourage staff to improve their knowledge in fields relevant to the Society's operations. I would like to thank both Management and Staff for their dedication and commitment throughout the year.

Donations

We have supported many charitable and educational causes throughout a wide spectrum of the Society. Over 100 charities and organisations have benefited from over \$7.2 million in donations made in 2006. Our corporate responsibility to the community will continue during 2007, as we attempt to improve the quality of life in Guyana.

The Future

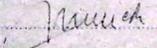
We remain optimistic about the future of Guyana and are cognisant of the role we need to play in promoting economic development particularly with respect to increasing the stock of houses countrywide.

In his Budget presentation, the Minister of Finance indicated that the sum of \$1.7 billion has been allocated for housing during 2007 and is expected to facilitate the provision of more than 1,500 low income house lots and regularise approximately 500 squatter settlements. To facilitate the process several initiatives will be undertaken including accelerating the process of acquiring house lots, providing sites and services and completion of the electrification programme in un-served and under-served areas.

The Society has built up over the last 67 years an in-depth knowledge of our members through a well trained labour force. We are therefore well positioned to take advantage of the opportunities as they present themselves.

Conclusion

The Society continues to lead the way in the area of housing and has made mortgage loans most affordable. 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 support during the year 2006.


Moen M. Mc Doom, S.C.
Chairman
23rd March, 2007

MANAGEMENT TEAM



M. Mohamed
Assistant Secretary



K. Vincent
Operations Manager



M. Majeed
IT Systems Administrator



A. Beharry
Branch Manager, New Amsterdam



K. Baldeo
Assistant Mortgage Manager



A. Rajaram
Internal Audit Manager



R. Persaud
Sub-Branch Manager, Essequibo



A. Kishun
Sub-Branch Manager, Rosignol



I. Samad
Sub-Branch Manager, Williamsburg



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



K. Macklingam
Sub-Branch Manager, Corriverton

DIRECTOR/SECRETARY'S REPORT

Overview

It gives me great pleasure to report once again on the very successful operations of the New Building Society Limited (NBS) for the year ended 31st December 2006.

The NBS has continued to fulfill its mandate of encouraging thrift and promoting home ownership with much success and has delivered valuable benefits to its members whilst at the same time ensuring the safety of their funds.

The mortgage market continued to expand in the year 2006. NBS assisted to fuel this expansion by increasing the value of loans for low-income housing and reducing the interest rate on housing loans. These initiatives resulted in record loan disbursements which contributed to greater activity levels in the construction industry, resulting in additional employment and incomes.

The level of excess liquidity continues to be high as is evident by the large volume of Treasury Bills held with the Bank of Guyana by Financial Institutions including NBS. It is to be noted that NBS, by Law, can only invest its excess funds in Government Securities and Bank Accounts. Despite the low yield on these instruments, we were able to once again manage our resources efficiently for the benefit of our membership.

Financial Highlights

NBS recorded a profit of \$403 million for the year under review which reflected an increase of 10.4% over the previous year's results.

Total Interest Income earned for financial 2006 was \$1.767 billion as compared with \$1.775 billion in financial 2005.

Total Interest Expense was \$1.060 billion which represented 60% of Total Interest Income (2005 - 58%). In other words for every \$100 in income received by NBS, \$60 goes back to the general membership. It is therefore more advantageous for members to save with the NBS.

General Administrative Expenses incurred for the year were \$305 million, a modest increase of \$19 million or 7% over 2005, as a result of our effective cost control systems and monitoring processes.

Our Total Savings Accounts Balance was 87% of Total Liabilities increasing by 9.1% to \$27.278 billion. A total of 5,604 savings accounts were opened during the year as a result of our ongoing campaign to mobilise savings and encourage thrift among our members.

Gross mortgage lending for the year was \$3.187 billion, the highest in the history of the NBS, reflecting an increase of 17.2% over 2005. The mortgage portfolio at the end of the year was \$15.6 billion representing 49.6% of Total Assets.

The value of Total Assets grew by 9.2% from \$28.812 billion to \$31.463 billion. Our Liquid Assets were \$13.6 billion and represented 49.8% of Total Savings at December 31, 2006. Members should take note of this ratio as Liquid Assets are utilised to readily meet their requests for withdrawals from their savings accounts, to make mortgage loans to borrowers and to fund the business activities of NBS.

Our Gross Reserves which include general and revaluation Reserves totalled \$3.988 billion, an increase of 11.2% over financial 2005 and 14.6% of Members' Savings. These Reserves are used to provide a buffer against any losses that may arise from NBS' activities. The higher the ratio, the greater the protection for Members' Savings.

DIRECTOR/SECRETARY'S REPORT (CONTD)

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 in 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 are committed to the development of social milieu to better our country and have consistently supported strategic and beneficial programmes which have a real effect on their communities.

The Future

The year 2007 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 2006 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 emphasise our commitment to NBS' growth and development.

M. L. Arjoon
 M. L. Arjoon
 Director/Secretary
 23rd March, 2007

**REPORT OF THE DIRECTORS
 FOR THE YEAR ENDED 31st DECEMBER, 2006**

The Directors are pleased to present the 67th Annual Report together with the Financial Statements of the New Building Society Limited (NBS) for the year ended 31st December, 2006.

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 \$1.703 billion to \$15.600 billion - (12.2%).

Savings Balances increased by \$2.273 billion to \$27.278 billion - (9.1%).

Financial Highlights

In the year 2006 NBS:-

	2006	2005	%
	\$ million	\$ million	Change
▶▶ Recorded a profit of	403	365	+ 10.4%
▶▶ Increased General Reserves to	3,988	3,585	+ 11.2%
▶▶ Increased Assets under Management to	31,463	28,812	+ 9.2%
▶▶ Provided New Advances to Borrowing Members totalling	3,187	2,720	+ 17.2%

Mortgages

At 31st December, 2006, there were 6,854 Mortgages in force totalling \$15.600 billion representing 49.6% of Total Assets (2005 - 6,299 Mortgages totalling \$13.897 billion - 48%).

The number of loans and advances to members on which payments were twelve months or more in arrears was 10 (2005 - 7). The total outstanding balance on these loans was \$20 million (2005 - \$12 million).

Savings

The value of Net Receipts in the year was \$1.546 billion (2005 - \$1.778 billion). Total Savings Balances as at 31st December, 2006 totalled \$27.278 billion (2005 - \$25.005 billion).

**REPORT OF THE DIRECTORS (CONT'D)
FOR THE YEAR ENDED 31st DECEMBER, 2006**

Assets

The value of Total Assets as at 31st December, 2006 was \$31.463 billion (2005 - \$28.812 billion) an increase of 9.2% (2005-11.4%).

All changes in tangible fixed assets during the year are detailed in the Accounts. Freehold Land and Buildings were re-valued as at 31st December, 2005 and have been included in the Accounts at these Valuations. Liquid Assets in the form of Cash and Short Term Securities were \$13.6 billion and represented 49.8% of Total Savings, as at 31st December, 2006 (2005 \$12.9 billion-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 \$7.2 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.

Directorate

In accordance with Rule 47(1), the Directors whose names are listed below retire after the 67th 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,

Maurice L. Arjoon
Maurice L. Arjoon
Director/Secretary
23rd March, 2007

**REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31st DECEMBER, 2006**

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 (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 36:21 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 once 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. Yhann. 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. Rockcliffe 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. Rockcliffe 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 Meetings, 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 and proxies from the Chief Office and Branch Offices of the Society.

Moen M. Mc Doom S.C.
Moen M. Mc Doom S.C.
Chairman
23rd March, 2007

Jack A. Alli, Sons & Co.



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

145 Crown Street
Queenstown
Georgetown 6 P.O.
Box 10351 Guyana
Telephone: (592) 226-2904
Fax: (592) 225-3849
Website: www.jasco.com

We have audited the financial statements of The New Building Society Limited as set out on pages 17 to 36. 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 2006, and of the results of its operations and its cash flow for the year ended 31 December 2006 in accordance with International Financial Reporting Standards and the New Building Society Act.

Jack A. Alli, Sons & Co.
JACK A. ALLI, SONS & CO.
16 March 2007

BALANCE SHEET 31 DECEMBER 2006

	Note	2006 \$'000	2005 \$'000
ASSETS			
Cash resources	5	1,795,711	1,494,208
Loan assets	6	15,664,585	13,955,242
Investments	7	13,217,283	12,637,318
Property, plant and equipment	8	730,172	679,990
Other assets	9	55,391	44,941
		<u>31,463,142</u>	<u>28,811,699</u>
INVESTORS' BALANCES, OTHER LIABILITIES AND RESERVES			
Investors' balances	10	27,278,197	25,004,799
Other liabilities	11	99,459	117,376
Retirement benefit plan deficit	12	97,422	104,302
Reserves	13	3,988,064	3,585,222
		<u>31,463,142</u>	<u>28,811,699</u>

The notes on pages 20 to 36 form an integral part of the financial statements. The Board of Directors approved these financial statements for issue on 12 March 2007.

M. M. McDoom S.C. CHAIRMAN
M. M. McDoom S.C.

Dr. N. K. Gopaul VICE-CHAIRMAN
Dr. N. K. Gopaul

M. L. Arjoon DIRECTOR / SECRETARY
M. L. Arjoon

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 \$'000	2005 \$'000
Interest Income			
Loan assets		1,150,408	1,208,828
Investments		550,790	498,152
Cash resources		66,068	68,121
		<u>1,767,266</u>	<u>1,775,101</u>
Interest Expense			
Five dollar shares		(431,661)	(406,891)
Save and prosper shares		(612,466)	(616,636)
Deposits		(16,237)	(14,495)
		<u>(1,060,364)</u>	<u>(1,038,022)</u>
Net Interest Income		706,902	737,079
Other Income			
Fee and commission income		6,648	7,599
Gain on exchange		63,160	9,736
Other operating income		4,367	4,029
		<u>74,175</u>	<u>21,364</u>
Total Net Income		781,077	758,443
Operating Expenses			
Provision for losses on loan assets	14	(9,339)	(16,489)
General administrative expenses		(305,076)	(285,753)
Depreciation		(27,084)	(26,363)
Other expenses		(36,736)	(65,165)
		<u>(408,235)</u>	<u>(433,770)</u>
Net Profit For The Year	15	402,842	364,673

**STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 \$'000	2005 \$'000
Net profit for the year	13	402,842	364,673
Revaluation of land and buildings	13	0	44,401
		<u>402,842</u>	<u>409,074</u>
Total Recognised Income For The Year		402,842	409,074

The notes on pages 20 to 36 form an integral part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 \$'000	2005 \$'000
Operating Activities		
Net profit for the year	402,842	364,673
Adjustments for:		
Depreciation	27,084	26,363
Provision for losses on loan assets	9,339	16,489
Utilization of provision for losses on loan assets	(17,364)	(1,932)
Movement in retirement benefit plan liability	(6,880)	(3,707)
Loss on disposal of property, plant and equipment	1,143	4,887
	<u>12,222</u>	<u>41,100</u>
Operating income before changes in operating assets and liabilities	416,164	406,773
Loan advances net of repayments	(1,701,318)	(1,447,201)
(Increase) / decrease in other assets	(10,450)	2,415
Receipts from investors net of withdrawals	2,273,398	2,497,847
(Decrease) / increase in other liabilities	(17,917)	36,533
	<u>959,877</u>	<u>1,496,367</u>
Net Cash Inflow - Operating Activities	959,877	1,496,367
Investing Activities		
Purchases of property, plant and equipment	(78,431)	(46,614)
Additions to investments	(13,001,965)	(11,946,959)
Redemptions of investments	12,422,000	10,250,000
Net (increase) / decrease in restricted cash resources and fixed deposits	(277,238)	333,844
Proceeds on sale of property, plant and equipment	22	307
	<u>(935,612)</u>	<u>(1,409,422)</u>
Net Cash Outflow - Investing Activities	(935,612)	(1,409,422)
Net Movement in Cash and Cash Equivalents	24,265	86,945
Cash and Cash Equivalents as at beginning of year	244,208	157,263
	<u>268,473</u>	<u>244,208</u>
Cash and Cash Equivalents as at end of year	268,473	244,208

The notes on pages 20 to 36 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

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.

The Barbice River Bridge Act 2006 was effected during the year thereby allowing the Society to invest in securities issued by the Barbice Bridge Company Inc. subject to the approval of the Minister of Finance and to restrictions and conditions that the Minister may impose in his discretion.

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.

In the current year the Society adopted the amendments to International Accounting Standard 19, *Employee Benefits*, requiring additional disclosures for its retirement benefit plan.

International Financial Reporting Standard 7, *Financial Instruments: Disclosures*, will be adopted in the next financial year when it becomes effective. This Standard replaces International Accounting Standard 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and International Accounting Standard 32, *Financial Instruments: Disclosures and Presentation*, and introduces new disclosures to improve information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

3.2 Foreign Currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 income statement. 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. Objective evidence that a financial asset is impaired includes observable data of significant financial difficulties of the borrower or an adverse change in the payment status of the borrower.

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

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%

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

1.5 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

3.6 Intangible Asset (Computer Software)

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

3.7 Cash and Cash Equivalents

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

3.8 Investors' Balances

Investors' balances are recognised initially at nominal amount of funds received and subsequently at amortised cost.

3.9 Retirement Benefit Plan

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

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 an independent actuary 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.

3.10 Interest Recognition

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

3.11 Comparatives

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Impairment Losses on Loan Assets

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

4.2 Held-to-Maturity Investments

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

4.3 Retirement Benefit Plan

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

5. CASH RESOURCES	2006 \$'000	2005 \$'000
Redeemable on demand:		
Cash in hand	6,800	6,800
Cash at bank, excluding fixed deposits	261,673	237,408
Classified as cash and cash equivalents	268,473	244,208
Restricted cash or redeemable after 3 months:		
Fixed deposits	1,264,238	1,250,000
Berbice Bridge Company Inc. escrow balance	263,000	0
	1,795,711	1,494,208

6. (a) LOAN ASSETS	2006	2005
Mortgages	15,600,239	13,896,611
Properties in possession	101,154	103,464
Other loans and advances	20,327	20,327
	15,721,720	14,020,402
Provision for losses on loan assets (Note 14)	(57,135)	(65,160)
	15,664,585	13,955,242

(b) MORTGAGES	2006		2005	
	No. of Securities	Value \$'000	No. of Securities	Value \$'000
Balances exceeding \$500 but not \$1,000	1	1	0	0
Balances exceeding \$1,000 but not \$2,000	0	0	1	2
Balances exceeding \$2,000 but not \$5,000	6	18	1	2
Balances exceeding \$5,000 but not \$10,000	5	39	4	28
Balances exceeding \$10,000 but not \$15,000	3	35	5	65
Balances exceeding \$15,000 but not \$20,000	5	86	1	15
Balances exceeding \$20,000 but not \$25,000	5	114	4	89
Balances exceeding \$25,000 but not \$30,000	1	25	4	112
	26	318	20	313

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

6. (b) MORTGAGES (CONT'D)	2006		2005	
	No. of Securities	Value \$'000	No. of Securities	Value \$'000
Balance brought forward	26	318	20	313
Balances exceeding \$30,000 but not \$50,000	18	698	11	457
Balances exceeding \$50,000 but not \$100,000	36	2,827	31	2,367
Balances exceeding \$100,000 but not \$200,000	73	11,397	86	13,012
Balances exceeding \$200,000 but not \$250,000	47	10,512	56	12,669
Balances exceeding \$250,000 but not \$500,000	309	119,201	287	112,521
Balances exceeding \$500,000 but not \$750,000	389	243,843	362	226,887
Balances exceeding \$750,000 but not \$1,000,000	465	408,864	486	428,963
Balances exceeding \$1,000,000 but not \$1,500,000	1,450	1,883,802	1,303	1,694,258
Balances exceeding \$1,500,000 but not \$2,000,000	1,063	1,851,827	1,014	1,767,663
Balances exceeding \$2,000,000 but not \$2,500,000	761	1,712,453	660	1,478,429
Balances exceeding \$2,500,000 but not \$3,000,000	574	1,581,430	555	1,521,853
Balances exceeding \$3,000,000 but not \$4,000,000	719	2,489,715	655	2,279,716
Balances exceeding \$4,000,000 but not \$5,000,000	364	1,623,437	330	1,470,344
Balances exceeding \$5,000,000 but not \$6,000,000	196	1,084,978	164	902,295
Balances exceeding \$6,000,000 but not \$7,000,000	166	1,073,778	119	776,131
Balances exceeding \$7,000,000 but not \$8,000,000	176	1,324,241	147	1,103,703
Balances exceeding \$8,000,000	22	176,918	13	105,030
Total	6,854	15,600,239	6,299	13,896,611
Aggregate amount of mortgages in arrears for more than twelve months		20,180		11,857

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

7. INVESTMENTS	2006 \$'000	2005 \$'000
Government of Guyana Treasury Bills	12,143,892	11,733,899
United Kingdom Government Treasury Loans	752,053	680,241
Government of Barbados Guaranteed Bonds	234,338	223,178
Berbice Bridge Company Inc. Bond	87,000	0
	<u>13,217,283</u>	<u>12,637,318</u>

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings G\$'000	Machinery, Furniture and Equipment \$'000	Motor Vehicles \$'000	Work In Progress \$'000	2006 Total \$'000
Cost / Valuation					
As at beginning of year	599,645	142,325	71,487	20,172	833,629
Additions	322	5,189	0	72,920	78,431
Disposals	0	(4,919)	0	0	(4,919)
Transfer	39,350	6,752	0	(46,102)	0
As at end of year	<u>639,317</u>	<u>149,347</u>	<u>71,487</u>	<u>46,990</u>	<u>907,141</u>
Accumulated Depreciation					
As at beginning of year	0	(96,400)	(57,239)	0	(153,639)
Charges for the year	(7,088)	(16,470)	(3,526)	0	(27,084)
Written back on disposals	0	3,754	0	0	3,754
As at end of year	<u>(7,880)</u>	<u>(109,116)</u>	<u>(60,765)</u>	<u>0</u>	<u>(176,969)</u>
Net Book Value					
As at end of year	<u>632,229</u>	<u>40,231</u>	<u>10,722</u>	<u>46,990</u>	<u>730,172</u>
As at beginning of year	<u>599,645</u>	<u>45,925</u>	<u>14,248</u>	<u>20,172</u>	<u>679,990</u>

Freehold land and buildings are recorded at the valuations of the Directors, based on independent professional advice as a result of valuations carried out by Rodrigues Architects Limited as at December 2005 on the basis of open market value.

Included in machinery, furniture and equipment is computer software costing \$61,107,425 (2005 - \$61,107,425), with accumulated amortisation of \$50,922,857 (2005 - \$43,284,428) and carrying value of \$10,184,568 (2005 - \$17,822,967). There were no additions or disposals to computer software in the current year or the prior year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)	2006 \$'000	2005 \$'000
If freehold land and buildings were stated at historical cost, the carrying values would be:		
Cost	231,266	230,944
Accumulated depreciation	(13,715)	(10,791)
Net book value	<u>217,551</u>	<u>220,153</u>
9. OTHER ASSETS		
Accrued interest	46,837	30,318
Sundry debtors and prepayments	8,554	14,623
	<u>55,391</u>	<u>44,941</u>
10. INVESTORS' BALANCES		
Five dollar shares	12,406,711	11,219,557
Save and prosper shares	14,208,511	13,151,532
Deposits	662,975	633,710
	<u>27,278,197</u>	<u>25,004,799</u>
11. OTHER LIABILITIES		
Withholding taxes	71,673	70,202
Sundry creditors and accruals	27,786	47,174
	<u>99,459</u>	<u>117,376</u>
12. RETIREMENT BENEFIT PLAN		
The amount recognised in the balance sheet is as follows:		
Present value of obligation	285,996	257,381
Fair value of plan assets	(262,404)	(245,255)
Net underfunding	23,592	12,126
Unrecognised actuarial gain	73,830	92,176
Liability recognised in the balance sheet	<u>97,422</u>	<u>104,302</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

12. RETIREMENT BENEFIT PLAN (CONT'D)	2006 \$'000	2005 \$'000
The movement in the present value of the obligation is:		
As at beginning of year	257,381	232,931
Interest expense	17,662	16,043
Current service cost	11,771	10,621
Contributions by plan participants	7,286	6,402
Benefits paid	(9,584)	(6,338)
Actuarial loss / (gain)	1,480	(2,278)
As at end of year	<u>285,996</u>	<u>257,381</u>
The movement in the fair value of present value of the plan assets is:		
As at beginning of year	245,255	199,350
Expected return on plan assets	16,373	13,403
Contributions	23,074	20,270
Benefits paid	(9,584)	(6,338)
Actuarial (loss) / gain	(12,714)	18,570
As at end of year	<u>262,404</u>	<u>245,255</u>
The amounts recognised in the income statement:		
Current service cost	11,771	10,621
Interest cost	17,662	16,043
Expected return on plan assets	(16,373)	(13,403)
Net actuarial gains	(4,152)	(3,099)
Total included in staff costs	<u>8,908</u>	<u>10,162</u>
Actual return on the plan assets	<u>3,659</u>	<u>31,973</u>
Expected contributions in upcoming year	<u>23,352</u>	<u>21,811</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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

12. RETIREMENT BENEFIT PLAN (CONT'D)

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

Plan assets are comprised as follows:

	2006		2005	
	\$'000	%	\$'000	%
Equity	79,651	30%	76,029	31%
Debt instruments	42,932	17%	41,693	17%
Government treasury bills	0	0%	29,431	12%
Cash resources	139,821	53%	98,102	40%
	<u>262,404</u>	<u>100%</u>	<u>245,255</u>	<u>100%</u>

The plan assets include deposits with the Society totalling \$12,684,989 at the year end (2005 - \$11,857,060). Interest of \$337,505 was earned during the year (2005 - \$852,810).

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

	2006 \$'000	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000
Present value of obligation	(285,996)	(257,381)	(232,931)	(247,961)	(259,031)
Fair value of plan assets	262,404	245,255	199,350	167,417	160,520
Deficit	<u>(23,592)</u>	<u>(12,126)</u>	<u>(33,581)</u>	<u>(80,544)</u>	<u>(98,511)</u>
Experience adjustment on obligation	(1,480)	2,278	39,520	26,500	0
Experience adjustment on assets	(12,714)	18,570	11,801	(3,393)	0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

	2006 \$'000	2005 \$'000
13. RESERVES		
Revaluation Reserve -		
As at beginning of year	375,501	331,100
Revaluation during the year	0	44,401
As at end of year	<u>375,501</u>	<u>375,501</u>
Retained Profits		
As at beginning of year	3,209,721	2,845,048
Net profit for the year	402,842	364,673
As at end of year	<u>3,612,563</u>	<u>3,209,721</u>
Total Reserves	<u>3,988,064</u>	<u>3,585,222</u>
14. PROVISION FOR LOSSES ON LOAN ASSETS		
As at beginning of year	65,160	50,603
Charged in year	9,339	16,489
Utilised in year	(17,364)	(1,932)
As at end of year	<u>57,135</u>	<u>65,160</u>
15. NET PROFIT FOR THE YEAR		
Net profit for the year is shown after charging the following:		
Staff costs (Note 16)	199,877	178,359
Charitable and educational donations	7,220	7,614
Anniversary celebrations	0	28,927
Auditors' remuneration	2,250	2,250
Operating lease payments	825	884
16. STAFF COSTS		
Wages and salaries	167,352	144,382
Social security costs	7,512	6,565
Pension costs	8,908	10,162
Other staff costs	16,105	17,250
	<u>199,877</u>	<u>178,359</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

17. 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:

	2006 \$'000	2005 \$'000
(a) Mortgages		
Balance as at beginning of year	28,004	18,257
Effect of changes in key management personnel	5,711	5,982
Balance as at beginning of year - adjusted	<u>33,715</u>	<u>24,239</u>
Mortgages issued during the year	1,439	5,075
Mortgage interest charged during the year	2,070	1,771
Mortgage payments during the year	(3,820)	(3,081)
Balance as at end of year	<u>33,404</u>	<u>28,004</u>

No provision has been required in 2006 and 2005 for the mortgages granted to related parties.

	2006 \$'000	2005 \$'000
(b) Investors' Balances		
Balance as at beginning of year	24,528	19,621
Effect of changes in key management personnel	1,313	10,873
Balance as at beginning of year - adjusted	<u>25,841</u>	<u>30,494</u>
Deposits received during the year	15,180	17,609
Interest earned during the year (net of tax)	1,063	1,262
Withdrawals made during the year	(12,677)	(24,837)
Balance as at end of year	<u>29,407</u>	<u>24,528</u>

(c) Key Management Compensation

	2006 \$'000	2005 \$'000
Short-term employee benefits	60,887	50,244
Post-employment benefits	5,036	5,539
	<u>65,923</u>	<u>55,783</u>

18. DIRECTORS' COSTS

Directors' costs included in Key Management Compensation:

	2006 \$'000	2005 \$'000
Directors' fees	2,700	2,700
Directors' travel	2,700	2,700
Directors' pension	1,149	1,210
	<u>6,549</u>	<u>6,610</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

19. FINANCIAL INSTRUMENTS

(i) 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.

As at 31 December 2006	Up to one year \$'000	Over one year \$'000	Non- interest bearing \$'000	Total \$'000
Cash resources	1,633,174	0	162,537	1,795,711
Loan assets	15,584,513	0	60,072	15,664,585
Investments	12,359,928	857,355	0	13,217,283
Other assets	0	0	785,563	785,563
TOTAL ASSETS	29,577,615	857,355	1,028,172	31,463,142
Investors' balances	27,278,197	0	0	27,278,197
Other liabilities	0	0	196,881	196,881
TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES	27,278,197	0	196,881	27,475,078
INTEREST SENSITIVITY GAP	2,299,418	857,355		

As at 31 December 2005	Up to one year \$'000	Over one year \$'000	Non- interest bearing \$'000	Total \$'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
TOTAL ASSETS	26,960,849	903,419	947,431	28,811,699
Investors' balances	25,004,799	0	0	25,004,799
Other liabilities	0	0	221,678	221,678
TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES	25,004,799	0	221,678	25,226,477
INTEREST SENSITIVITY GAP	1,956,050	903,419		

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

19. FINANCIAL INSTRUMENTS (CONT'D)

(i) Interest Rate Risk (Cont'd)

The effective interest rates / yields on significant financial instruments are as follows:	2006 %	2005 %
Cash resources	4.3	4.3
Mortgages	7.4	8.9
Investments	4.4	4.1
Investors' balances	4.1	4.5

The Society's interest-bearing instruments carry fixed rates of interest except cash resources totalling \$192,936,026 (2005 - \$80,273,848) with an effective interest rate of 4.8% (2005 - 3.5%).

(ii) 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 2006	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
Cash resources	1,795,711	0	0	1,795,711
Loan assets	1,074,895	4,105,600	10,484,090	15,664,585
Investments	12,359,928	578,551	278,804	13,217,283
Other assets	55,391	0	730,172	785,563
TOTAL ASSETS	15,285,925	4,684,151	11,493,066	31,463,142
Investors' balances	27,278,197	0	0	27,278,197
Other liabilities	99,459	0	97,422	196,881
TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES	27,377,656	0	97,422	27,475,078
NET LIQUIDITY GAP	(12,091,731)	4,684,151	11,395,644	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

19. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity Risk (Cont'd)

As at 31 December 2005	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'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
TOTAL ASSETS	14,212,369	4,108,281	10,491,049	28,811,699
Investors' balances	25,004,799	0	0	25,004,799
Other liabilities	117,376	0	104,302	221,678
TOTAL INVESTORS' BALANCES AND OTHER LIABILITIES	25,122,175	0	104,302	25,226,477
NET LIQUIDITY GAP	(10,909,806)	4,108,281	10,386,747	

(iii) 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 largely 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:

	2006 \$'000	2005 \$'000
Demerara, except Linden	12,386,747	11,183,652
Berbice	2,023,985	1,750,964
Essequibo	587,008	441,815
Linden	602,499	520,180
	15,600,239	13,896,611

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

19. FINANCIAL INSTRUMENTS (CONT'D)

(iv) 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:

	2006 \$'000	2005 \$'000
British Pound Sterling	780,011	680,306
United States Dollars	497,338	223,178

(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:

	2006 \$'000	2005 \$'000
Government of Guyana Treasury Bills	12,201,179	11,781,898
United Kingdom Government Treasury Loans	750,380	704,127
Government of Barbados Guaranteed Bonds	236,460	225,097
Berbice Bridge Company Inc. Bond	87,000	0
	13,275,019	12,711,122

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

19. FINANCIAL INSTRUMENTS (CONT'D)

(v) Fair Values (cont'd)

Investors' balances.

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

20. CONTINGENT MATTERS

- (a) 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.
- (b) The Society and the law enforcement authorities are investigating an alleged fraudulent withdrawal of funds from a member's account. The investigation has not yet been concluded.

NBS PROVIDES LOANS FOR VARIOUS CATEGORIES OF INCOME EARNERS. BELOW ARE HOUSES COMPLETED WITH FUNDING FROM THE SOCIETY.



Higher Income Residence



Middle Income Residence



Low Income Residence

NBS' ONGOING CONTRIBUTIONS TO THE COMMUNITY



NBS Director/Secretary, M. L. Arjoon hands over a cheque for \$500,000 to Sister Angela Teresa of St. Bernadette's Hostel to assist in the renovation of the Hostel



Rana Persaud, Manager of our Hennieta Branch, Essequibo hands over the Trophy to the captain of the Devonshire Castle Sport Club, winner of the Society's sponsored 40-over cricket competition

NBS IS COMMITTED TO BETTER SERVE ITS MEMBERS



Our New Branch Office at Williamsburg, Coventry, was opened to the Public on 28th September 2006. Previously, the Society operated from rented premises.



Artist's impression of the Society's new Chief Office Building to be constructed at the corners of North Road and Avenue of the Republic, Georgetown.