

The logo for nbs (the new building society limited) features the letters 'nbs' in a bold, black, sans-serif font. Above the letter 'i' is a vertical stack of seven red squares of varying heights, resembling a stylized building or a bar chart.

**the new building society limited**

The text 'Annual Report 2010' is written in a white, elegant cursive script. It is positioned in the lower-left quadrant of the cover, set against a dark, textured background that appears to be a close-up of a book cover or a similar material. A large, thick, red curved line sweeps across the middle of the page, separating the top text from the bottom text.



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## Mission Statement

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

## Business Objective

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

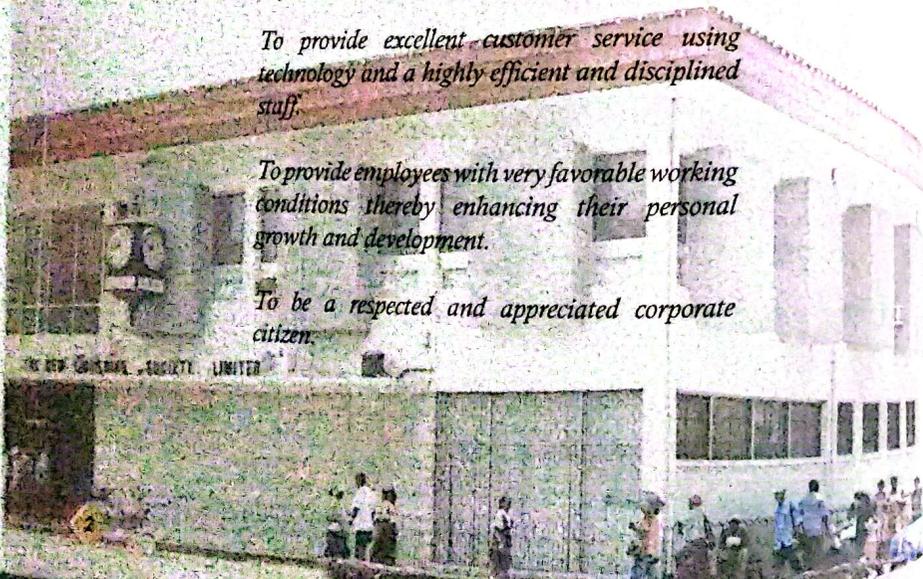
*To provide independent financial advice on products offered.*

*To practice prudent management to ensure financial stability.*

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

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

*To be a respected and appreciated corporate citizen.*



## Notice of Meeting

Notice is hereby given that the Seventy-First Annual General Meeting of the Members of the New Building Society Limited will be held at 10.30 a.m. on Saturday, 30th April, 2011 at the Umama Yana, Kingston, Georgetown.

### AGENDA

1. To receive the Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2010.
2. To elect Directors in accordance with Rule 47(1). The Directors retiring by rotation are Messrs. Moen M. Mc Doom, S.C. and Kenneth Joseph, who being eligible offer themselves for re-election - Rule 47(2).
3. To fix the remuneration of the Directors for the year 2011.
4. To appoint Auditors for the year 2011.
5. To fix the remuneration of the Auditors for the year 2011.
6. To approve the sum of \$8,000,000 for donations to Charity and for Educational purposes for the year 2011.
7. To transact any other business of which due notice shall have been given in accordance with Rule 36.

By Order of the Board,

Ahmad M. Khan  
CEO/Director/Secretary  
14th March, 2011

### Please Note:

- Only members holding at least one of the following Accounts are entitled to attend the meeting -

Save & Prosper Accounts	-	minimum balance \$1,000:
Five Dollar Share Accounts	-	minimum balance \$1,000:

Only first-named members holding any of the accounts mentioned above will be allowed entry.

- A proxy need not be a member of the Society. A member may uplift one proxy form from any of the Society's Offices and the form must be returned no later than 2.30 p.m. on 26th April, 2011.
- Any Company which is a member of the Society may by resolution of its Directors authorise such person as it thinks fit to act as its representative at the meeting.
- Please bring your **Passbook and some form of Identification** to gain entry to the Meeting.

## Corporate Information

### BOARD of DIRECTORS

Dr N. K. Gopaul - *Chairman*  
 Floyd Mc Donald - *Vice-Chairman*  
 Moen M. Mc Doom S.C.  
 Seepaul Narine  
 Chandrawattie Ramson  
 Kenneth Joseph  
 Ahmad M. Khan - *CEO/Director / Secretary*

### CHIEF OFFICE

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

### BRANCHES

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

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

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

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

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

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

### ATTORNEYS-AT-LAW

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

**Messrs. 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.

**Citizens Bank**  
 201 Camp & Charlotte Sts,  
 Lacytown, Georgetown, Guyana.

### AUDITORS

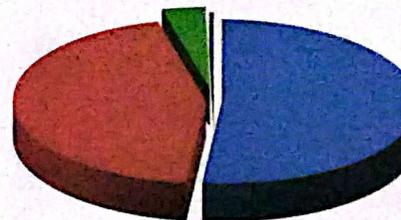
**Maurice Soloman & Company**  
 Tel: 337-4683. Fax: 337-4684  
 92 Oronoque Street, Queenstown,  
 Georgetown, Guyana.

## Five-year Statistical Information (2006 - 2010)

DESCRIPTION	2006 \$M	2007 \$M	2008 \$M	2009 \$M	2010 \$M
PROFIT	400	392	288	568	577
TOTAL ASSETS	31,463	33,677	35,556	37,903	41,831
TOTAL MORTGAGE BALANCE	15,600	16,992	19,045	20,941	21,593
INVESTMENTS	14,482	15,457	15,368	15,164	18,203
TOTAL SAVINGS BALANCE	27,278	28,937	30,529	32,310	35,668
RESERVES	3,988	4,502	4,790	5,358	5,935
MORTGAGE LOANS DISBURSED FOR YEAR	3,187	2,983	3,870	3,922	2,948

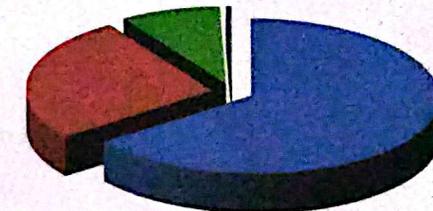
## Financial Highlights

Asset Composition -  
31st December 2010



■ Loan Assets ■ Investments and Cash  
 ■ Fixed Assets ■ Other Assets

Income Distribution 2010

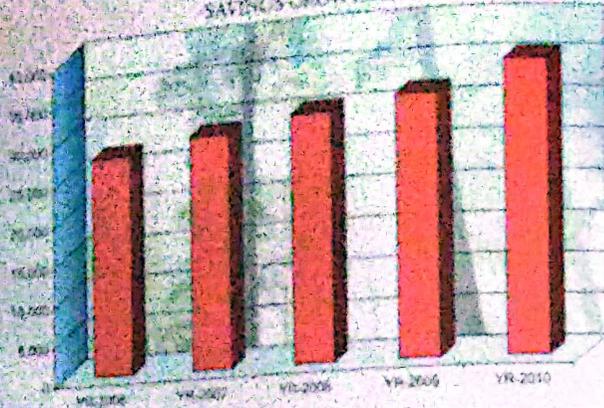


■ Loan assets ■ Investments  
 ■ Cash Resources ■ Other income

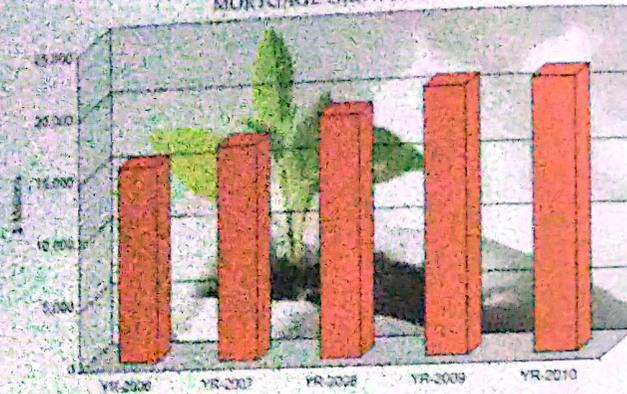


Financial Highlights

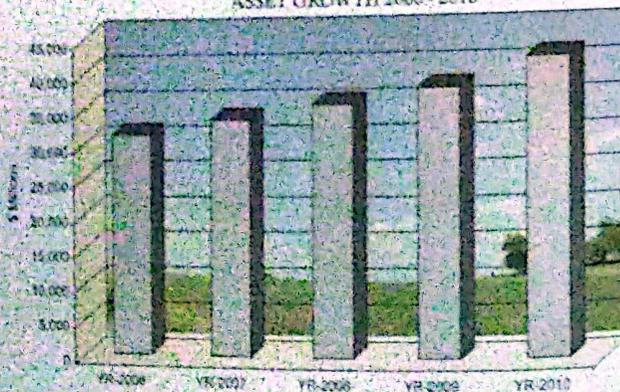
SAVINGS GROWTH 2006 - 2010



MORTGAGE GROWTH 2006 - 2010



ASSET GROWTH 2006 - 2010



Chairman's Report

"...we were able to hold our own, and recorded the highest profit ever, of \$577M for the year 2010, \$9M more than last year's record profit"



It is my distinct pleasure to welcome you to this, the 71st Annual General Meeting of the members of The New Building Society Limited, and to present to you the Chairman's Report and Financial Statements for the year ended 31st December, 2010.

Economic Performance

Global Economy

The Global Economy grew by an estimated 4.8% in 2010 compared to a contraction of 0.6% recorded in 2009. This was due largely again to the emerging and rapidly developing economies such as China and India. Global output is projected to continue to grow in 2011 at approximately 4.2%. With this projection it is also expected to see a reversal of the economic downturn which affected some of the most developed countries of the world.

Local Economy

In his budget presentation for 2011 the Honourable Minister of Finance indicated that the Guyana Economy has grown in GDP to \$453B currently with an annual real growth for the last four years of 4% on average. External Reserves stand at a high of US\$760M, over 180% that of 2006, while External Debt was reduced from 72% to 47%. The Fiscal Deficit was also reduced from 7.2% to 4.0% of GDP.

The above macroeconomic indicators achieved

simultaneously with Government's increased expenditure from 60% to 81%, financed with its own domestic revenues, have served to lay the foundation to overcome the inherent vulnerabilities of small economies. With this favourable economic performance came also a drastic decline in interest rates especially in the area of Treasury Bills. As you know the Society has a huge investment portfolio in Treasury Bills.

Thus, the Society has been affected somewhat by the drastic reduction in interest paid on Government of Guyana Treasury Bills, where most of our funds not lent in the form of mortgages, are invested. High liquidity in the financial system has also caused the banks to pay less interest on our Fixed Deposit Accounts.

However, our investment in the Berbice Bridge Company Inc. continues to be the most lucrative, earning interest at a rate of 9.56% per annum compared to Treasury Bills which currently approximates to 2.6%. Credit must go to the Directors for the foresight and sound judgement shown with respect to this investment, the interest payment of which is prompt and up to date.

**Financial Performance**

Despite major tax concessions given to the other financial institutions similar to that of the Society, we were able to hold our own, and recorded the highest profit ever, of \$577M for the year 2010, \$9M more than last year's record profit.

We are also happy to note that as the specialised and most experienced agency for home loans, mortgage interest rates were further reduced from October 2010 to make repayments easier and to encourage home ownership. Accordingly, we are leading the way in this regard.

As a result, we disbursed mortgage advances for the year in the sum of \$2,948M, while the mortgage portfolio is currently \$21.625M (52% of Assets or 61% of Investors' Balances). The quality of our Loan Assets continues to be excellent as we recorded an exceptionally low level of arrears which in the vicinity of only 0.4%.

We continue to maintain a sound lending policy in order to avoid persons from failing to meet their repayment deadlines but inevitably some problems do occur. In this regard, the Society puts great emphasis and effort to work with defaulters in a very sympathetic manner and work

with them to ensure that their obligations are met. This is surely reflective in the small number of repossessed houses by the Society. We emphasize that repossession brings no satisfaction to us. We view such action very much as a last resort.

The Society's Savings Balances as at 31st December, 2010 was \$35,668M or 85% of Total Assets. We are proud of the confidence reposed in us by Investing Members. We have a duty and wisely and prudently in our lending policies in order to protect their funds.

At the same time, Total Assets grew by 10% to \$41,831M, while Reserves stood at \$5,935M, representing 14% of Total Assets or 17% of Members' Funds. These ratios serve to protect members in difficult circumstances.

The Society's Total Liquidity was \$16,054M or 38% of Total Assets and 44% of Members' Funds.

Our liquidity position has always been healthy to cater for unforeseen development or needs. This robust financial state is in total contrast to the perceptions of a few detractors who peddle untruths that unfortunately can be detrimental to the Society.

**The Mutuality Concept**

We have a duty and responsibility to our Investing Members to act wisely in our lending policies, but our duty to our borrowing customers is also to act responsibly and to give them the benefit of our experience which we have built up over many years. Considering a matter without personal or emotional involvement enables one to be more rational, as buying or building a house is probably the largest single financial transaction most persons undertake and it is an important transaction.

It is therefore incumbent on the Building Society to do its best in ensuring that the funds of its Investing Members are properly invested when making home loans.

**Our Membership**

The ownership structure of The New Building Society allows us to provide consistently better levels of customer service. It also gives us the ability to provide more attractive rates on mortgages and savings products, compared to

**Chairman's Report (cont'd)**

our competitors. We seek to optimize rather than maximize profits through lower margins between savings and mortgage rates to the benefit of all of our members and customers alike.

The construction of our new Chief Office is progressing, although there were some delays due to several factors including the inclement weather and late arrival of materials. It is expected that the completion date will now be the end of May 2011. This new location will of course be the hub to better serve our membership and customers along with our six other branches. The year 2011 will therefore see a major transformation of the Society in the way we do business and the service we provide. We eagerly look forward to moving into our modern and spacious Chief Office.

**Human Resource**

We are proud of our cadre of staff members who have over time accumulated vast experiences to better serve the Society, its customers and its membership. We constantly provide in-house training to employees with regard to the products we offer to better suit members' needs and we encourage them to improve their professional qualifications by compensating them for qualifications earned during their employ. We appreciate the dedication of our staff in ensuring that The New Building Society remains stable and continues to grow and fulfill its objectives.

**Corporate Social Responsibility**

The New Building Society feels that they have a particular responsibility to their local community. That is why each year the membership would approve an amount (2010 - \$8.0M) to be donated for charitable and educational purposes. Approximately \$6.0M was donated during the last year to institutions, such as religious bodies, non-profit and other community based organizations in an effort to better the lives of ordinary citizens. We also contribute handsomely to sports in the major regions of the country. This we are committed to doing in the future.

**The Housing Sector**

The Society has currently over \$21.6B in mortgages countrywide and with many house lots in existing schemes yet to be occupied and approximately 10,000 lots to be developed on the East Bank corridor, we will position ourselves to ensure the

beneficiaries of the house lots, fully access our services to benefit from our very attractive rates of interest.

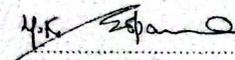
The Housing Ministry would have expended over \$9.6B in the housing sector during 2010 where 6,331 house lots and 4,591 land titles were distributed. This was accompanied by the "One Stop Shop Outreach" programme in the various Regions which benefited over 2,000 persons who received on the spot house lot allocations. The young and energetic Minister, the Hon. Irfaan Ali deserves our praise and commendation for his dedication and service to our country. He has been working with all the financial institutions to ensure that affordable loans are made available to the burrowing public.

In 2011, a further \$3.6B is allocated to the housing sector. It is expected that there will be the allocation of 7,500 house lots and the processing and distribution of 4,000 land titles for this year alone. This development will result in more demand for our services and we intend to take full advantage of these opportunities.

**Commendation and Conclusion**

Our past experience suggests that our policies in the years which are now behind us have been good. There is great satisfaction 20 years on when a borrower redeeming his mortgage calls to say "without your help and advice I would not have owned my house".

These feelings are of course due in no small measure to the membership and borrowers who trusted us, the management and staff who served us faithfully and last but by no means least, my fellow Directors without whose support and ideas our splendid performance would not have been made possible. I promise you our members our continued dedication, sound business policies and humane consideration to mortgage seekers and customers alike as we continue to move the Society to greater heights.

  
 Dr. Nanda K. Gopaul  
 Chairman,  
 14th March, 2011



### Board of Directors

Standing L - R:  
Seepaul Narine - Director,  
Ahmad M. Khan - CEO/Director/Secretary,  
Kenneth Joseph - Director,  
Moen M. Mc Doom, S.C. - Director.  
Sitting L - R:  
Dr. Nanda K. Gopaul - Chairman,  
Chandrawatte Ramson - Director,  
Floyd Mc Donald - Vice-Chairman.

# Chief Executive Officer (CEO) Report



## Global Economic Review

In 2010 the global economy exhibited signs of recovery as real growth in the global output was 4.8 percent in contrast to the 0.6 percent contraction that was recorded in 2009.

Developing economies led by China and India have once again emerged victorious in 2010; as China and India have recorded growth of 10.5 percent and 9.7 percent respectively. Our Southern Neighbour Brazil has emerged as one of the fastest developing economies in the hemisphere for 2010 by recording an estimated growth of 7.5 percent for the year.

World trade volumes for 2010 showed an appreciable growth of 11.4 percent, which is consistent with global recovery, as against a decline of 11 percent recorded for the previous fiscal year.

**“In 2010, the New Building Society’s investors’ fund grew by \$3.358B compared to the growth of \$1.781B reported for the previous year; an increase of 89 percent”**

The year 2010 can therefore be viewed as the year in which major economic recovery was evident in almost every part of the world.

## Local Economic Review

For the past four (4) years, Guyana has recorded positive growth of approximately 4

percent per annum and the fiscal year 2010 has been no exception. Our country’s Gross Domestic Product (GDP) for 2010 has been measured at \$453 billion, testimony that our economy is vibrant and on course of becoming a force to be reckoned with. Notwithstanding this, Guyana still faces challenges such as the La Nina phenomenon which has already caused many adversities to our farmers and their livelihood.

## The Society’s Performance

The Society has had another record-breaking year. We have recorded a profit of \$577M for 2010, the highest in our history, and have achieved our strategic goals and operational targets for 2010, through sound financial planning and prudent management. Notwithstanding this remarkable achievement, financial institutions alike were faced with diminishing yields on Treasury Bills as a result of the excess liquidity in the banking sector. That being said, the Society was however able to continue offering attractive interest rates to our Savers and at the same time provide affordable mortgage financing to encourage home ownership.

In August 2010, the New Building Society Act was amended, thereby bringing the Society under the regulatory supervision of the Bank

# CEO/Director/Secretary’s Report (cont’d)

of Guyana in accordance with the Financial Institutions Act 1995 and the Bank of Guyana Act 1998. In conformity with Section (7) of the Financial Institutions Act 1995, the Society has provided \$250M as Assigned Capital in the Financial Statements for 2010 and this has been assigned to the Bank of Guyana.

## Key Financial Performance Indicators

The net interest revenue for the year 2010 was \$1,027M, an increase of 6 percent compared to the \$969M that was recorded for 2009. Prudent management of our resources remained one of our priorities and this has resulted in our total operating expenditure for 2010 being increased marginally by 2.5 percent over 2009. Our total operating expenditure for 2010 was \$461M which is 19% of the total interest income for the year.

In 2010, the New Building Society’s investors’ fund grew by \$3.358B compared to the growth of \$1.781B reported for the previous year; an increase of 89 percent. This enormous growth is directly attributable to the overwhelming confidence and trust our Customers and Members have placed in us as custodians of their monies and importantly also is the fact that we have been able to deliver excellent returns on their investments.

The Society’s mortgage portfolio grew by 3 percent when compared to the previous year. At the end of 2010, the total portfolio represented 51.6 percent of the total assets. The Society continues to promote home ownership by providing affordable financing to home owners. At the end of 2010, we had disbursed \$2.9B in mortgage advances.

In 2010, the Society earned \$1.5B in mortgage interest which represents 65 percent of the total income for the year. These earnings provided 114% coverage of the \$1.4B paid as returns to our investors.

The balance outstanding for more than 180 days on mortgages was a paltry 1.0% of the Society’s mortgage portfolio. This is a reflection of the Society’s prudent lending policies and sound management.

The Society’s income from Treasury Bills, Berbice Bridge and Investments in foreign markets amounted to \$631M for the year 2010. Our

investment in the Berbice Bridge continues to be our most lucrative venture. In 2010, we earned approximately \$179M or 28 percent of the total income from these investments. The Society is pleased to announce that the Berbice Bridge Company Inc. has made good on its obligation and has remitted fully all returns that are due to us at the end of 2010. We have to date earned and received returns totalling approximately \$405M or 22% of the \$1.8B that the Society has invested and this represents the highest rate of return on any of our investments.

Our Total Assets at the end of 2010 stood at \$41.8B representing an increase of \$3.9B or 10.4 percent over the previous year. This accomplishment is testimony to the fact that the Society plays a very active and crucial role in a largely growing and accelerated Housing Market and at the same time provides competitive interest rates for our Savers in a secure environment supported by personalized customer services of the highest standard.

The security of Customers and Members’ savings is paramount to our business. The Society’s Liquid Assets totalled \$16,045M at the end of 2010. Correspondingly, it was \$12,986M at the end of 2009 representing an increase of 24 percent. At the end of 2010, our Liquid Assets were 45 percent of Investors’ Balances. This level of liquidity is way above the norm in the banking sector and therefore provides assurance that funds would always be available to meet demands.

Under the Financial Institutions Act 1995, financial institutions are required to maintain a capital base of an amount not less than 8 percent of its weighted risk assets. International norm averages around 15 percent. The weighted risk is based upon the perceived risk associated with balance sheet risk adjusted assets. The Society’s capital adequacy ratio for 2010 under Tier 1 was 33 percent while the total for both Tiers 1 and 11 was 36 percent, which is more than sufficient to cushion any unforeseen financial disaster and is amongst the highest in the industry.

Total Reserves at the end of 2010 stood at \$5.9B representing an increase of 10 percent over the previous year and further it represents 16.6 percent of Investors’ Balances, an unprecedented high, which is largely due to the implementation of updated business procedures, a diligent and

continued workforce, strategic use of technological advancement and importantly, strong leadership.

**Customer Service And Operations**

The Society recognises that an efficient customer service of the highest standard is essential to any business for it to succeed and be competitive. It is only by serving our customers and members well that the Society can achieve its long term goals and objectives. The motivational level of our employees plays an integral role in meeting the expectations of our customers and members and we achieve this by allowing our employees to be a part of the decision making processes which ultimately makes them better equipped to communicate our message to the customers and members and ensure their overall satisfaction.

**Human Resources**

Our accomplishments in this record breaking year and those of the preceding years came about not only from sound financial planning, prudent management and esteemed levels of customer service, but also from dedicated, diligent and committed employees who have worked unflinchingly throughout the years, to make the NBS a household name as it is today. In this regard, I am proud to lead such an outstanding team.

With the world advancing at such a fast pace, the Society recognises the need to enhance one's skills. We achieve this by providing the necessary support and tools required by our employees in their quest to further improve their academic skills.

The Society follows a strict code of ethics as we do not discriminate against any religion, ethnicity, gender or class. Our process of selection is based on each individual's skills and talents so as to provide quality service to our customers and members.

**Technology**

Technology is evolving rapidly at unprecedented levels and we at the Society are cognizant just how important this development has become and of the strategic use by organizations to achieve their overall goals and objectives.

The Society saw no need to upgrade our systems

in this year as the systems we currently have continues to function smoothly, thus allowing us to keep abreast with the performance of our branches geographically spread across country.

**Community Involvement**

The New Building Society has been and continues to be a social partner and to be involved in worthwhile community projects. We see this as a way of giving back to our community with our customers and members have steadfastly supported us throughout our existence. During the year we continued our generosity and donated \$6M to deserving schools, orphanages and non-profit organizations, etc.

**Future Outlook**

We at the Society are looking forward to 2011 to be a year of new beginnings, as our state of the art Chief Office is slated to be completed shortly. Our move to this new edifice will definitely bring with it many enhanced procedures and a much larger, safer and secure facility to allow us to cater for the needs of our growing membership. We eagerly await a fruitful and prosperous year ahead, one that will enable us to enrich the lives of our customers and members.

**Acknowledgements**

I would like to take this opportunity to convey my esteem appreciation to our customers and members for their continued support and confidence in the Society in 2010 and to the Management and Staff who have continuously shown dedication and commitment through their performances.

I would also like to thank the Chairman and my fellow Directors for their full support and guidance throughout 2010 and I remain confident that 2011 would be another successful year for the Society.

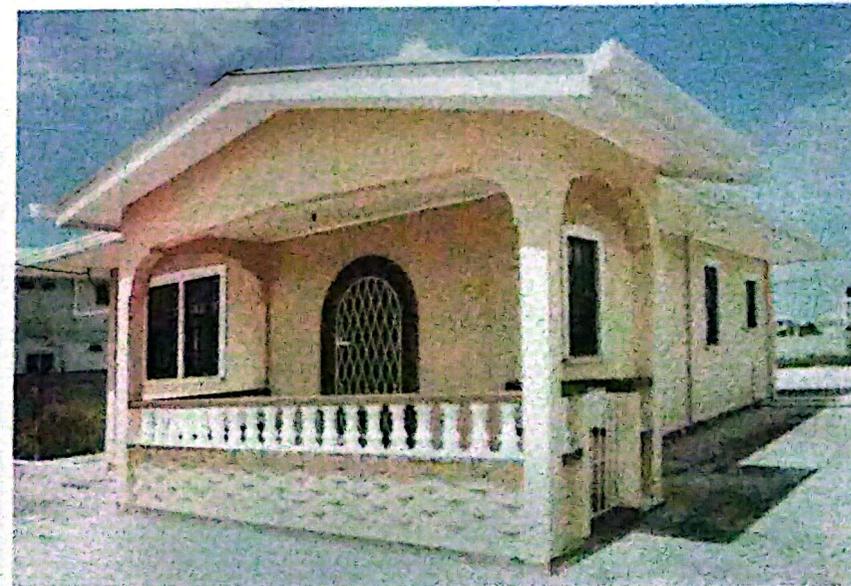


Ahmad M. Khan  
CEO/Director/Secretary  
14th March 2011

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



Middle Income Residence



Low Income Residence

Management



Starling L. A.  
Berlinda Susanto, Los Supervisor - Office Administration  
Noel Fernandes Assistant Manager - Mortgage  
Belinda Gomes Branch Manager - Mackenzie  
Rana Perisud Branch Manager - Rosehall  
Mohamed Majeed IT Systems Administrator  
Rishi A. Jagannathan Branch Manager - Rosignol  
Vicky Bharosay Branch Manager - Eornvorton  
Atma L. Rajaram Manager - Internal Audit  
Sreerhan Raghunandan Branch Manager - Esselton

Starling L. A.  
Anil Baharry Senior Manager - Service Operations  
Nazim Mohamed Assistant Secretary  
Anil Mishra Operations Manager

# Report of the Directors

For The Year Ended December 31, 2010

The Directors are pleased to present the 71st Annual Report together with the Audited Financial Statements of the New Building Society Limited (NBS) for the year ended December 31, 2010.

### 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 quality, efficiency, courtesy and reliability. This aim is backed by the key values of fairness, honesty, corporate responsibility, employees' and customers' prioritization.

### Business Highlights:

Residential Mortgage Balances increased by \$660M to \$21,625M – (3.1%).

Savings Balances increased by \$3,358M to \$35,668M – (10.4%).

### Financial Highlights:

In the year 2010 NBS:

	2010	2009	%
	\$ Million	\$ Million	Change
- Recorded a profit of	577	568	+ 1.6
- Increased General Reserves to	5,935	5,358	+ 10.8
- Increased Assets under Management to	41,831	37,903	+ 10.4
- Provided New Advances to Borrowing Members totalling	2,948	3,922	- 24.8

### Mortgages:

At December 31, 2010, there were 8,195 Mortgages in force totalling \$21,625M representing 51.7% of Total Assets (2009 – 8,178 Mortgages totalling \$20,965M – 55.3%).

Mortgages on which payments were twelve months or more in arrears numbered 4 accounts (2009 – 4). The total outstanding balance was \$11 Million (2009 – \$11 Million).

### Savings:

The value of Net Receipts for the year was \$3,358M (2009 – \$1,781M). Total Savings Balances as at December 31, 2010 was \$35,668M (2009 – \$32,310M).

### Assets:

The value of Total Assets as at December 31, 2010 was \$41,831M (2009 – \$37,903M) an increase of 10.4%.

## Report of the Directors (cont'd)

All changes in tangible fixed assets during the year are detailed in the Financial Statements. Freehold Land and Buildings were re-valued as at December 31, 2007 and have been included in the Financial Statements at these Valuations. Liquid Assets in the form of Cash and Short Term Securities were \$16,054M and represented 45.0% of Total Savings, as at December 31, 2010 (2009 – \$12,986M – 40.0%).

### Charitable Donations:

During the year, donations to charities, educational institutions and community groups totalled \$6.1M.

### Employees:

The New Building Society is cognizant of the critical role played by its employees in its continued growth and development and therefore strives to continually train, suitably compensate and highly motivate them.

### 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 71th Annual General Meeting and are eligible for re-election:-

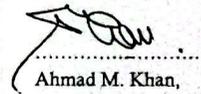
Mr. Moen M. Mc Doom

Mr. Kenneth Joseph

### Auditors:

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

By Order of the Board,



Ahmad M. Khan,  
CEO | Director | Secretary  
14th March, 2011

## Report of the Directors on Corporate Governance

The Board of Directors of the New Building Society Limited is comprised of six non-executive Directors and the CEO/Director/Secretary as the only executive member. The Board is headed by a Chairman elected by the Directors. The CEO/Director/Secretary is head of the management of the Society and is an employee of the organization.

Members of the Board bring to the Society a range of professional, financial, corporate and legal skills which they employ in setting the policies, financial strategies and in advising the employer-employee relationships and ensuring a healthy relationship with the Society's customers and members.

The Board pays strict attention to the adherence by the Society to its statutory obligations, industrial relations and compliance with developed standards recognised as governing financial institutions, including those communicated during the interaction with External Auditors of the Society. Particular attention is paid to those operations of the organization falling within the provisions and guidelines imposed by the Financial Institutions Act 1995, the New Building Society Act and the Rules made thereunder.

The Board meets at least once every month receiving where applicable, reports of its four main Committees and quarterly reports from each of the Society's six branch offices.

The Committees are at present structured and comprised as follows:

- **Audit Committee** – The Audit Committee monitors the internal controls, risk management and the Financials of the Society. The Committee reviews the quarterly and yearly results prior to the submission to the Board for consideration and any matter raised by the internal and external auditors.

Current Chair: Mr. M. M. Mc Doom, S.C.  
Director: Mr. F. Mc Donald

- **Human Resources Committee** – The Human Resources Committee discusses and makes proposals to the Board on Organizational

Structure, employees' compensation and employment policies and procedures.

Current Chair: Mr. S. Narine  
Director: Mr. F. Mc Donald  
Director: Mrs. C. Ramson

- **Finance Committee** – The Finance Committee formulates investment and treasury policies and monitors risks associated with lending and treasury operations.

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

- **Loans Committee** – The Loans Committee ensures a clearly defined lending policy as approved by the Board.

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

Senior executives may be included in committee meetings as required.

The Board pays continuing attention to the financial market having regard to the provision of attractive rates of interest for investors and mortgagors. This encourages financing of home-building.

Each mortgage or advance granted by the Society is recommended under the hand of at least one Director and within each three-year period the valuations of all mortgaged properties are re-performed by a physical site visit of a Director.

**Communication** – NBS communicates with its Members by diverse means including Annual Reports, Annual General Meetings, the Press and in particular in areas away from the city, by television and public meetings.



Dr. Nanda K. Gopaul  
Chairman  
14th March, 2011

## Report of the Independent Auditors To The Members Of The New Building Society Limited

We have audited the accompanying financial statements of the New Building Society Limited which comprise the Statement of Financial Position as at 31 December 2010, the Statement of Comprehensive Income and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in pages 23 to 51.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, the New Building Society Act (Amendment) 2010 (Act No. 12 of 2010) and the Financial Institutions Act 1995. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

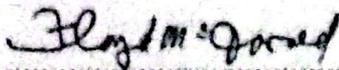
*Expressed in Thousands of Guyana Dollars*

	NOTE	2010	2009
<b>Assets</b>			
Cash Resources	5	4,894,706	4,548,955
Loan Assets	6	21,592,737	20,940,720
Investments	7	13,661,487	11,052,191
Property, Plant & Equipment	8	1,516,927	1,098,232
Other Assets	9	164,715	262,711
		<u>41,830,572</u>	<u>37,902,809</u>
<b>Investors' Balances, Other Liabilities And Reserves</b>			
Investors' Balances	10	35,667,784	32,310,132
Other Liabilities	11	155,167	160,518
Retirement Benefit Plan Deficit	12	72,740	74,462
Risk Reserve	13	153,530	-
Assigned Capital	13	250,000	-
Revaluation Reserve	13	522,189	522,189
Retained Earnings	13	5,009,162	4,835,508
		<u>41,830,572</u>	<u>37,902,809</u>

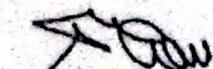
The Board of Directors approved these financial statements for issue on 11th March, 2010.



Chairman



Vice-Chairman



Director/Secretary

The notes on pages 26 to 31 form an integral part of the Financial Statements.



**STATEMENT OF COMPREHENSIVE INCOME**  
and related financial statements

	2019	2018
Statement of Operations of Canada (Notes 1, 2)		
<b>OPERATING REVENUE</b>		
Operating Revenue	6,345,399	5,751,318
Commissions	898,768	750,115
Other Revenue	2,580,314	2,251,085
<b>EXPENSES</b>		
Operating Expenses	3,246,807	3,096,365
Other Expenses	4,987	4,987
Net Gain on Disposition of Assets	2,429	2,429
Other Income	1,098,678	1,098,678
<b>NET LOSS ON INVESTMENT</b>		
Operating Expenses	79	(248,248)
Capital Advantages/Disadvantages	14,175	(22,288)
Net Realization on Disposition of Assets	13	(18,777)
Depreciation	13	(7,148)
Net Loss on Exchange	13	(35,827)
Other Expenses		(451,494)
Net Operating Expense		
<b>NET COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,098,592</b>	<b>2,652,285</b>

The notes on pages 26 to 51 form an integral part of the Financial Statements.

**STATEMENT OF CASH FLOW**  
and related financial statements

	2019	2018
Statement of Operations of Canada (Notes 1, 2)		
<b>OPERATING ACTIVITIES</b>		
Net Profit for the Year	3,098,592	2,652,285
Adjustments for:		
Depreciation	67,851	68,757
Net Profit on Disposition of Assets	22,288	22,288
Losses on Disposition of Investments on Cash Basis	(4,987)	(4,987)
Loss on Disposition of Property, Plant and Equipment	(2,429)	(2,429)
<b>OPERATING INCOME BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	<b>3,181,313</b>	<b>2,715,914</b>
Loans Advances Net of Repayments	(664,278)	(1,261,644)
Decrease / (Increase) in Other Assets	62,396	(81,588)
Receipts from Interest Net of Withholdings	3,197,492	3,197,492
(Decrease) / Increase in Other Liabilities	(28,251)	7,407
<b>NET CASH (OUTFLOW)/INFLOW-OPERATING ACTIVITIES</b>	<b>3,688,272</b>	<b>288,591</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Property, Plant and Equipment	(449,292)	(1,112,895)
Additions to Investments	(1,148,971)	(9,968,388)
Redemptions of Investments	8,580,211	10,227,947
Net Increase in Restricted Cash Resources and Fund Disposal	(429,489)	(10,426)
<b>NET CASH INFLOW / (OUTFLOW) - INVESTING ACTIVITIES</b>	<b>(717,541)</b>	<b>(903,762)</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>2,970,731</b>	<b>384,829</b>
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR</b>	<b>437,320</b>	<b>437,320</b>
<b>CASH AND CASH EQUIVALENTS AS AT END OF YEAR</b>	<b>2,543,089</b>	<b>822,149</b>

The notes on pages 26 to 51 form an integral part of the Financial Statements.



**1. ENTITY IDENTIFICATION**

The New Building Society Limited was established in Guyana under the New Building Society Act 1995, as amended. Its registered office is located at Lot 1, Avenue of the Republic, Georgetown.

As indicated in our Financial Report for 2009, legislation has been enacted in 2010 to bring the Society under the purview of the Financial Institutions Act 1995 and the supervision of the Bank of Guyana, as provided under the New Building Society (Amendment) Act 2010 (Act No. 12 of 2010). The Society is not subject to taxation under the tax regime of Guyana.

**2. PRINCIPAL ACTIVITY**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 BASIS OF PREPARATION**

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

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

**Standards, amendments and interpretations effective in 2010 that are either not relevant or with no material impact on the Society's financial reporting.**

*Amended and Revised Standards*

**IFRS 1 - Revision to First Time Adoption of IFRSs (1 July, 2009)**

Exempts entities using the full cost method from retrospective application of IFRSs for oil and gas assets and exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 - Determining whether an Arrangement contains a lease when the application of their national accounting requirements produced the same result.

**IFRS 1 - Additional exemptions for First Time Adopters (1 January, 2010)**

Provides relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs and provides guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

**IFRS 2 - Group Cash - Settled Share Based Payments (1 January, 2010)**

The amendments to the standard require that an entity receiving goods or services in either an equity-settled or a cash settled share based payment transaction to account for the transaction in its separate or individual financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**  
**3.1 BASIS OF PREPARATION (cont'd)**

**IFRS 3 (2008) Business Combinations (1 July, 2009)**

The revised IFRS 3 places particular emphasis on the acquirer achieving control of the acquiree. Achieving, or losing, control is a fundamental change in the nature of one entity's interest in another. Achieving control is a business combination and causes the initial recognition of the assets acquired and liabilities and equity instruments assumed. IFRS 3 (Revised) revises certain aspects of accounting for business combinations. Revisions include the requirement to expense all transaction costs and the requirement for all payments to acquire a business to be recorded at fair value at the acquisition date, with future contingent consideration subsequently re-measured at fair value through the income statement.

**IAS 27 (2008) Consolidated and Separate Financial Statements (1 July, 2009)**

The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there has been no change in control. It also specifies the accounting when control is lost.

**IAS 39 - Eligible Hedged Items (1 July, 2009)**

The amendment clarifies how existing principles underlying hedge accounting should be applied in two particular situations:

- a) one sided risk in a hedged item; and
- b) inflation in a financial hedged item.

**Various Improvements to IFRSs - First Batch (1 July, 2009 - 1 January, 2010)**

- a) **Standards, amendments and interpretations effective in 2010 that are either not relevant or with no material impact on the Society's financial reporting.**

*New Interpretations*

**IFRIC 17 - Distributions of Non Cash Assets to Owners (1 July, 2009)**

IFRIC 17 Distributions of Non-cash Assets to Owners applies to the entity making the distribution, not to the recipient. It applies when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets.

**IFRIC 18 - Transfers of Assets from Customer (1 July, 2009)**

IFRIC 18 Transfers of Assets from Customers clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water) or to do both.

- b) **Standards, amendments and interpretations to existing standards that are not yet effective and are not expected to have a significant impact on the Society's financial reporting.**

*New Standards*

**IFRS 9 - Financial Instruments: Classification and Measurement (1 January, 2013)**

The new standard addresses phase 1 of the IASB's project to replace IAS 39 'Financial Instruments'. It is applicable to financial assets and requires classification and measurement in either the amortised cost or the fair value category.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 20103. SIGNIFICANT ACCOUNTING POLICIES (cont'd)  
3.1 BASIS OF PREPARATION (cont'd)

- b) Standards, amendments and interpretations to existing standards that are not yet effective and are not expected to have a significant impact on the Society's financial reporting (cont'd).

*Amendments to Standards*

**IFRS 1 - Short term Disclosure Exemption - IFRS 7 (1 July, 2010)**

**IFRS 1 - Short term Disclosure Exemption - IFRS 9 (1 July, 2010)**

**IFRS 1 - Three amendments to IFRS 1 (1 January, 2011):**

- 1) Changes in Accounting Policies
- 2) Deemed Cost Exemption for Event Driven Fair Value
- 3) Measurements and Deemed Cost (Rated Regulated Entities)

**IFRS 3 - Amendments to IFRS 3 - 2008 (1 July, 2010)**

Amendments encompass measurement of non-controlling interests, un-replaced and voluntary replaced sharebased payment awards and transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (2008).

**IFRS 7 - Amendments as part of Improvements to IFRSs 2010 (1 January, 2011)**

Encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. Clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.

**IFRS 7 - Enhanced Derecognition Disclosure Requirements (1 July, 2011)**

**IFRS 9 - Additions for Financial Liability Accounting (1 January, 2013)**

This is the first part of a new standard to replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Published by the IASB in November 2009, this is effective for annual periods beginning on or after 1 January, 2013.

**IAS 1 - Amendments as part of Improvements to IFRSs 2010 (1 January, 2011)**

Clarifies that an entity may present the analysis of other comprehensive income by item either in the Statement of Changes in Equity or in the notes to the Financial Statements.

**IAS 24 - Related Party Disclosures (1 January, 2011)**

IAS 24 Related Party Disclosures require disclosures about related parties and transactions with such parties. This project was not intended to fundamentally reconsider IAS 24 and has a limited scope as follows providing an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities') and amending the definitions of a related party and of a related party transaction to clarify the intended meaning and remove some inconsistencies.

**IAS 27 (2008) - Amendments as part of Improvements to IFRSs 2010 (1 July, 2010)**

Clarifies that the amendments made to IAS 21 - The Effects of Changes in Foreign Rates, IAS 28 - Investments in Associates and IAS 31 - Interests in Joint Ventures as a result of IAS 27 (2008) should be applied prospectively. This is so except for paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2010

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

## 3.1 BASIS OF PREPARATION (cont'd)

- b) Standards, amendments and interpretations to existing standards that are not yet effective and are not expected to have a significant impact on the Society's financial reporting (cont'd).

**IAS 32 - Classification of Rights Issues (1 February, 2010)**

Under the amendment right, options and warrants otherwise meeting the definition of equity instruments in IAS 32 issued to acquire a fixed number of an entity own non-derivative equity instrument for a fixed amount in any currency are classified as equity instruments provided the offer is still made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instrument.

**IAS 34 - Amendments as part of Improvements to IFRSs 2010 (1 January, 2011)**

Underlines the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and it makes clear how to apply this principle in respect of financial instruments and their fair values.

*New Interpretations*

**IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (1 July, 2010)**

The newly issued interpretation provides guidance on how to account for the extinguishment of all or part of a financial liability by the issue of equity instruments (debt for equity swaps) by a debtor by means of renegotiating the terms of the debt, provided the creditor is an independent third party. The equity instruments now have to be measured at their fair value, and the difference between the carrying amount of the financial liability extinguished and the measurement of the equity instruments must be included in the entity's income statement for the period, i.e. under IFRIC 19 it is no longer possible to merely reclassify the financial liability to equity.

*Amendments to Interpretations*

**IFRIC 13 - Amendments as part of Improvements to IFRSs 2010 (1 January, 2011)**

IFRIC 13 is amended to clarify that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and the proportion of award credits that are not expected to be redeemed.

**IFRIC 14 - Prepayments of a Minimum Funding Requirement (1 January, 2011)**

The amendment applies when an entity makes an early payment of minimum funding requirements. The amendment permits such an entity to treat the benefit of an early payment as an asset.

*As previously mentioned, all of the above listed amendments and interpretations are either not relevant or have no material impact on the Society's financial reporting.*

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)  
3.2 FOREIGN CURRENCIES

Functional and Presentation Currency

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

Transactions and balances

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

3.3 LOAN ASSETS

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

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

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

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

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

3.4 INVESTMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 PROPERTY, PLANT & EQUIPMENT

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

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

The following rates are used:-

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

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

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

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

3.6 INTANGIBLE ASSETS (COMPUTER SOFTWARE)

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

3.7 INTEREST RECOGNITION

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

3.8 RECOGNITION OF FEES & COMMISSION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****3.9 INVESTORS' BALANCES**

Investors' balances are measured initially at the nominal amount of funds received and subsequently at amortized cost.

**3.10 RETIREMENT BENEFIT PLAN**

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

For the defined benefit pension plan, the liability equals the present value of the defined benefit obligation less the fair value of the plan assets adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. The cost of providing the pensions is computed and charged to the Income Statement in accordance with the requirements of IAS 19 – Employee Benefits. The corridor approach under IAS 19 is applied to actuarial gains and losses. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

**3.11 PROVISIONS AND CONTINGENT LIABILITIES**

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

**3.12 CASH AND CASH EQUIVALENTS**

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

**3.13 COMPARATIVES**

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

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS****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 the security, both of which will be affected by future economic conditions; additionally, collateral may not be readily marketable. The actual amount of future cash flows and the date they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in these Financial Statements.

**4.2 HELD-TO-MATURITY INVESTMENTS**

The Society follows the guidance of International Accounting Standards 39 – Financial Instruments: Recognition and Measurement, on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant 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 obligation. The assumptions used are disclosed in Note 12 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2010

Expressed in Thousands of Guyana Dollars

5 CASH RESOURCES

	2010	2009
Redeemable on Demand:		
Cash in Hand	7,200	7,200
Cash at Bank, excluding Fixed Deposits	346,475	450,125
Classified as Cash and Cash Equivalents	353,675	437,325
Redeemable after 3 Months:		
Fixed Deposits	4,541,031	4,111,630
	4,894,706	4,548,955

6 LOAN ASSETS

	2010	2009
Mortgages	21,624,924	20,964,957
Properties in Possession	30,537	28,224
Other Loans and Advances	21,425	20,327
	21,676,886	21,013,508
Provision for Impairment on Loan Assets (note 14)	(84,149)	(72,788)
	21,592,737	20,940,720

The table below shows the movement to the Properties in Possession

	2010		2009	
	No. of Properties	Value	No. of Properties	Value
As at the beginning of the year	8	28,224	7	30,180
Additions in the year	4	25,050	5	26,153
Disposals in the year	(4)	(22,737)	(4)	(28,109)
As at End of year	8	30,537	8	28,224

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

NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2010

Expressed in Thousands of Guyana Dollars

6 LOAN ASSETS (cont'd)

The table below shows the analysis of the mortgage portfolio by value bands

	2010		2009	
	No. of Securities	Value	No. of Securities	Value
Balances not exceeding \$1,000,000	1,630	957,065	1,558	893,738
Balances exceeding \$1,000,000 but not \$1,500,000	1,388	1,731,213	1,482	1,863,805
Balances exceeding \$1,500,000 but not \$2,000,000	993	1,729,117	1,071	1,869,134
Balances exceeding \$2,000,000 but not \$2,500,000	854	1,917,006	856	1,919,940
Balances exceeding \$2,500,000 but not \$3,000,000	678	1,857,340	722	1,981,655
Balances exceeding \$3,000,000 but not \$4,000,000	938	3,193,973	893	3,085,992
Balances exceeding \$4,000,000 but not \$5,000,000	611	2,737,104	572	2,566,746
Balances exceeding \$5,000,000 but not \$6,000,000	459	2,524,798	388	2,134,360
Balances exceeding \$6,000,000 but not \$7,000,000	267	1,744,298	263	1,707,420
Balances exceeding \$7,000,000 but not \$8,000,000	263	1,968,371	292	2,179,209
Balances exceeding \$8,000,000 but not \$9,000,000	42	346,053	35	290,960
Balances exceeding \$9,000,000 but not \$10,000,000	40	383,481	28	270,606
Balances exceeding \$10,000,000 but not \$11,000,000	14	149,374	7	71,651
Balances exceeding \$11,000,000 but not \$12,000,000	12	313,218	9	105,583
Balances exceeding \$12,000,000	6	72,513	2	24,158
<b>Total</b>	<b>8,195</b>	<b>21,624,924</b>	<b>8,178</b>	<b>20,964,957</b>

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## 7 INVESTMENTS

Government of Guyana Treasury Bills  
United Kingdom Government Treasury Loans  
Berbice Bridge Company Inc. Bonds

	2010	2009
	11,159,507	8,436,649
	631,980	745,542
	1,870,000	1,870,000
	<u>13,661,487</u>	<u>11,052,191</u>

## 8 PROPERTY, PLANT &amp; EQUIPMENT

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Work in Progress	Total
<b>Cost</b>					
As at 01 January, 2010	771,062	149,608	71,487	322,836	1,314,993
Additions	-	970	31,500	403,257	435,727
Disposals	-	(1,461)	-	-	(1,461)
As at 31 December, 2010	<u>771,062</u>	<u>149,117</u>	<u>102,987</u>	<u>726,093</u>	<u>1,749,259</u>
<b>Accumulated Depreciation</b>					
As at 01 January, 2010	(20,272)	(126,694)	(69,795)	-	(216,761)
Charges for the year	(10,136)	(4,933)	(1,963)	-	(17,032)
Written back on Disposals	-	1,461	-	-	1,461
As at 31 December, 2010	<u>(30,408)</u>	<u>(130,166)</u>	<u>(71,758)</u>	<u>-</u>	<u>(232,332)</u>
<b>Net Book Value</b>					
As at 31 December, 2010	<u>740,654</u>	<u>18,951</u>	<u>31,229</u>	<u>726,093</u>	<u>1,516,927</u>

NOTES TO THE FINANCIAL STATEMENTS  
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## 8 PROPERTY, PLANT &amp; EQUIPMENT (cont'd)

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Work in Progress	Total
<b>Cost</b>					
As at 01 January, 2009	771,062	153,423	71,487	55,415	1,051,387
Additions	-	4,671	-	267,421	272,092
Disposals	-	(8,486)	-	-	(8,486)
As at 31 December, 2009	<u>771,062</u>	<u>149,608</u>	<u>71,487</u>	<u>322,836</u>	<u>1,314,993</u>
<b>Accumulated Depreciation</b>					
As at 01 January, 2009	(10,136)	(129,507)	(66,785)	-	(206,428)
Charges for the year	(10,136)	(5,591)	(3,010)	-	(18,737)
Written back on Disposals	-	8,404	-	-	8,404
As at 31 December, 2009	<u>(20,272)</u>	<u>(126,694)</u>	<u>(69,795)</u>	<u>-</u>	<u>(216,761)</u>
<b>Net Book Value</b>					
As at 31 December, 2009	<u>750,790</u>	<u>22,914</u>	<u>1,692</u>	<u>322,836</u>	<u>1,098,232</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 2007 on the basis of open market value. There was no subsequent valuation.					
If freehold land and buildings were stated at historical cost, the carrying values would be:					
		2010	2009		
Cost		270,636	270,636		
Accumulated Depreciation		(25,411)	(22,487)		
		<u>245,225</u>	<u>248,149</u>		
<b>9 OTHER ASSETS</b>					
Accrued Interest		160,078	257,063		
Sundry Debtors and Prepayments		4,637	5,648		
		<u>164,715</u>	<u>262,711</u>		
<b>10 INVESTORS' BALANCES</b>					
Five Dollar Shares		15,372,264	14,534,985		
Save and Prosper		19,572,544	17,075,405		
Deposits		722,976	699,742		
		<u>35,667,784</u>	<u>32,310,132</u>		

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	2010	2009
<b>11 OTHER LIABILITIES</b>	<b>84,829</b>	<b>84,588</b>
Withholding Taxes	36,255	42,433
Sundry Creditors and Accruals	34,083	33,497
Deferred Income	<u>155,167</u>	<u>160,518</u>
<b>12 RETIREMENT BENEFIT PLAN</b>		
<b>The amount recognised in the Balance Sheet is as follows:</b>		
Present value of Obligations	425,373	393,889
Fair Value of Plan Assets	<u>(474,957)</u>	<u>(372,104)</u>
Net Underfunding/(Overfunding)	<u>(49,584)</u>	21,785
Unrecognised Actuarial Gain	122,324	52,677
Liability Recognised in the Balance Sheet	<u>72,740</u>	<u>74,462</u>
<b>The movement in the present value of the obligation is:</b>		
As at beginning of year	393,889	354,474
Interest Expense	26,146	23,672
Current Service Cost	16,748	14,273
Contributions by Plan Participants	8,909	8,428
Benefits Paid	<u>(8,950)</u>	<u>(3,277)</u>
Actuarial Loss/(Gain)	<u>(11,369)</u>	<u>(3,681)</u>
As at end of year	<u>425,373</u>	<u>393,889</u>
<b>The movement in the Fair Value of Plan Assets is:</b>		
As at beginning of year	372,105	375,984
Expected Return on Plan Assets	24,813	25,200
Contributions by the Society	19,303	18,260
Contributions by Plan Participants	8,909	8,428
Benefits Paid	<u>(8,950)</u>	<u>(3,277)</u>
Actuarial Gain/(Loss)	<u>58,777</u>	<u>(52,490)</u>
As at end of year	<u>474,957</u>	<u>372,105</u>

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	2010		2009		
<b>12 RETIREMENT BENEFIT PLAN (cont'd)</b>					
<b>The amount recognised in the Income Statement:</b>					
Current Service Cost	16,748		14,273		
Interest Cost	26,146		23,672		
Expected Return On Plan Assets	(24,813)		(25,200)		
Net Actuarial Gain	(500)		(2,458)		
Total included in Staff Cost	<u>17,581</u>		<u>10,287</u>		
Actual Return on Plan Assets	<u>83,590</u>		<u>(27,290)</u>		
Expected contributions in Upcoming Year	<u>27,779</u>		<u>27,653</u>		
<b>The principal assumptions used were:</b>					
Discount Rate	6.50%		6.50%		
Future Salary Increases	5.50%		5.50%		
Return on Assets	6.50%		6.50%		
Mortality	PA(90) - 2		PA(90) - 2		
The expected return on plan assets comprises income and capital gains less a margin for administrative expenses. The income component has been determined by reference to a weighted average of rates of interest at which deposits have been fixed, and the dividend yield on equity holdings. An allowance for capital gains has been determined by considering the proportion of plan assets invested in equity holdings, adjusted for growth in the capital value in line with economic conditions.					
	<u>2010</u>		<u>2009</u>		
<b>Plan Assets are comprised as follows:</b>					
Equity	157,118	33%	129,084		
Debt Instruments	65,931	14%	42,932		
Cash Resources	251,908	53%	200,088		
	<u>474,957</u>	<u>100%</u>	<u>372,104</u>		
			<u>100%</u>		
<b>A summary of the plan position and experience adjustments is as follows:</b>					
	2010	2009	2008	2007	2006
Present Value of Obligation	(425,373)	(393,889)	(354,474)	(265,330)	(285,966)
Fair Value of Plan Assets	<u>474,957</u>	<u>372,104</u>	<u>375,984</u>	<u>330,696</u>	<u>262,404</u>
Surplus/(Deficit) Before				65,366	(23,562)
Unrecognised Actuarial Adjustments	<u>49,584</u>	<u>(21,785)</u>	21,510		
Experience Adjustment on Obligation	11,369	3,681	(56,881)	51,637	(1,480)
Experience Adjustment on Assets	<u>(58,777)</u>	<u>(52,490)</u>	<u>5,852</u>	<u>38,989</u>	<u>(12,714)</u>

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	2010	2009
<b>13 A) RESERVES</b>		
Revaluation Reserve		
As at Beginning and End of Year	<u>522,189</u>	<u>522,189</u>
Retained Earnings		
As at Beginning of Year	4,835,508	4,267,608
Transferred to Assigned Capital	(250,000)	
Transferred to Risk Reserve	(153,530)	
	<u>4,431,978</u>	<u>4,267,608</u>
Net Profit for the Year	577,184	567,900
As at End of Year	<u>5,009,162</u>	<u>4,835,508</u>

**B) The Risk Reserve**

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

The Society makes specific provisions for non-performing advances based on the difference between the carrying amount and the discounted expected cash flows. These provisions booked as at 31 December, 2010, totalled \$84,149 compared with a provision of \$237,679 as required under the Financial Institutions Act 1995. The difference of \$153,530 is shown as a transfer of Retained Earnings to Risk Reserve. This is shown in **note 13 (A)**.

**C) Assigned Capital**

As required by the Financial Institutions Act 1995, the Bank of Guyana has assigned the Society's capital of its business as not less than an amount of \$250,000. Therefore, for the year ended 31 December, 2010, the Society has fulfilled this requirement by a transfer of this amount from its Retained Earnings to Assigned Capital. This is shown in **note 13 (A)**.

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	2010	2009
<b>14 PROVISION FOR IMPAIRMENT ON LOAN ASSETS</b>		
As at Beginning of Year	72,788	51,426
Charged for the Year	13,258	23,090
Utilised in the Year	(1,897)	(1,728)
As at End of Year	<u>84,149</u>	<u>72,788</u>
<b>15 NON-INTEREST EXPENSES BY NATURE</b>		
Net Loss on Exchange	7,118	
Depreciation	17,032	18,737
Net Provision for Impairment (Note 14)	13,258	23,090
Staff Costs (Note 17)	271,166	255,048
Security	27,441	26,867
Electricity	22,585	21,922
Software Licence Fee	13,817	13,217
Advertising	9,585	9,959
Postage and Telephone	9,456	8,956
Charitable and Educational Donations	6,098	5,958
Auditors' Remuneration	2,800	2,800
Other	61,138	63,849
Total Non-Interest Expenses	<u>461,494</u>	<u>450,403</u>
<b>16 INTEREST EXPENSE</b>		
Five Dollar Shares	522,564	520,751
Save and Prosper Shares	818,493	725,593
Deposits	17,800	17,790
	<u>1,358,857</u>	<u>1,264,134</u>
<b>17 STAFF COST</b>		
Wages and Salaries	216,260	209,964
Social Security Costs	10,389	8,958
Pension Costs	17,581	10,287
Other Staff Costs	26,936	25,839
	<u>271,166</u>	<u>255,048</u>

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**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.

	2010	2009
<b>(a) MORTGAGES</b>		
Balance as at Beginning of Year	16,773	16,561
Effect of Changes in Key Management Personnel	<u>(943)</u>	<u>1,263</u>
Balance as at Beginning of Year - adjusted	15,830	17,824
Mortgages issued during the year	740	12,336
Mortgage Interest Charged during the year	692	838
Mortgage Payments during the year	<u>(1,780)</u>	<u>(14,225)</u>
Balance as at End of Year	<u>15,482</u>	<u>16,773</u>
No Provision has been required in 2010 and 2009 for the mortgages granted to related parties		
<b>(b) INVESTORS' BALANCES</b>		
Balance as at Beginning of Year	46,235	47,725
Effect of Changes in Key Management Personnel	<u>-</u>	<u>37</u>
Balance as at Beginning of Year - adjusted	46,235	47,762
Deposits received during the Year	64,087	25,745
Interest earned during the Year (net of tax)	1,721	1,695
Withdrawals made during the year	<u>(20,297)</u>	<u>(28,967)</u>
Balance as at End of Year	<u>91,746</u>	<u>46,235</u>
<b>(c) KEY MANAGEMENT COMPENSATION</b>		
Short-Term Employee Benefits	71,495	66,591
Post-Employment Benefits	<u>3,201</u>	<u>2,067</u>
	<u>74,696</u>	<u>68,658</u>
<b>(d) OTHER SERVICES</b>		
Legal Services from Key Management	<u>7,132</u>	<u>5,285</u>

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	2010	2009
<b>19 DIRECTORS' COSTS</b>		
Directors' Costs included in Key Management Compensation		
Directors' Fees	2,700	2,700
Directors' Travel	2,700	2,700
Directors' Pension	<u>2,010</u>	<u>2,010</u>
	<u>7,410</u>	<u>7,410</u>

**20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**(a) CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

**(b) RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

## (c) CREDIT RISK

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

To reduce the Society's exposure, cash resources are held with financial institutions licensed in Guyana or the United Kingdom. The Society's investments are largely in securities issued or guaranteed by Governments of Commonwealth Countries. The investment in the bonds issued by the Berbice Bridge Company Inc., while not issued or guaranteed by a Government of a Commonwealth Country, is considered to be of sound credit quality based on the Society's assessment of the viability of that company's activity; the bond is secured on the assets of that company. With respect to the exposure to credit risk on mortgages, the following mitigating measures are relied upon:

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

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

## (c) CREDIT RISK (cont'd)

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

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

The concentration of loan assets that are neither past due nor impaired as at Balance Sheet date and the geographic default rates are shown below:

	2010		2009	
	Value	Default Rate	Value	Default Rate
Demerara, except Linden	13,174,102	0.41%	13,539,281	0.43%
Berbice	2,619,689	0.56%	2,557,940	0.75%
Essequibo	1,034,354	0.37%	993,255	0.72%
Linden	505,447	0.93%	526,710	1.14%
	<u>17,333,592</u>		<u>17,617,186</u>	

During the year there were loan assets totalling \$19,276 (2009 - \$28,237) which were renegotiated and which would have otherwise been past due or impaired.

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

	2010	2009
Past due up to 30 days	1,757,218	1,485,773
Past due 30 to 90 days	1,618,578	1,297,981
Past due over 90 days	687,072	459,741
Total	<u>4,062,868</u>	<u>3,243,495</u>
Fair value of collateral	<u>7,789,941</u>	<u>5,824,560</u>

Expressed in Thousands of Guyana Dollars

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

(c) CREDIT RISK (cont'd)

The table below shows the geographic analysis of loan assets that are impaired as at the Balance Sheet date, along with the estimated fair value of the collateral held against these balances. All impaired loan assets were outstanding for more than 180 days, with mortgages totalling \$11,258 (2009 - \$11,646) being outstanding for more than one year.

	2010	2009
Demerara, except Linden	189,256	76,919
Berbice	27,167	21,077
Essequibo	12,041	6,280
Linden	228,464	-
	<u>363,200</u>	<u>104,276</u>
Fair value of collateral		157,400
Interest earned on Impaired Loan Assets	15,021	7,978

(d) INTEREST RATE RISK

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

The Society's interest bearing instruments carry fixed rates of interest except cash resources totalling \$451,144 (2009 - \$450,416) with an effective interest rate of 3.0% (2009 - 4.0%). Should the interest rates on the floating rate instruments increase/decrease by 50 basis points (2009 - 50 basis points), with all other variables held constant, the net profit for the year would increase/decrease by \$2,255 (2009 - \$2,252).

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

(d) INTEREST RATE RISK (cont'd)

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

	Up to one year	Over one year	Non-Interest Bearing	Total
As at 31 December 2010				
Cash Resources	4,541,031	-	353,675	4,894,706
Loan Assets	21,540,775	-	51,962	21,592,737
Investments	11,159,507	2,501,980	-	13,661,487
Other Assets (Property, Plant and Equipment)	-	-	1,681,642	1,681,642
<b>Total Assets</b>	<u>37,241,313</u>	<u>2,501,980</u>	<u>2,087,279</u>	<u>41,830,572</u>
Investors' Balances	35,667,784	-	-	35,667,784
Other Liabilities	-	-	227,907	227,907
<b>Total Investors' Balances and Other Liabilities</b>	<u>35,667,784</u>	<u>-</u>	<u>227,907</u>	<u>35,895,691</u>
<b>Interest Sensitivity Gap</b>	<u>1,573,529</u>	<u>2,501,980</u>		
As at 31 December 2009				
Cash Resources	4,111,630	-	437,325	4,548,955
Loan Assets	20,892,169	-	48,551	20,940,720
Investments	8,436,649	2,615,542	-	11,052,191
Other Assets	-	-	1,360,943	1,360,943
<b>Total Assets</b>	<u>33,440,448</u>	<u>2,615,542</u>	<u>1,846,819</u>	<u>37,902,809</u>
Investors' Balances	32,310,132	-	-	32,310,132
Other Liabilities	-	-	234,980	234,980
<b>Total Investors' Balances and Other Liabilities</b>	<u>32,310,132</u>	<u>-</u>	<u>234,980</u>	<u>32,545,112</u>
<b>Interest Sensitivity Gap</b>	<u>1,130,316</u>	<u>2,615,542</u>		

Expressed in Thousands of Guyana Dollars

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(d) INTEREST RATE RISK (cont'd)

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

	2010	2009
	%	%
Fixed Deposits	4.5	4.5
Mortgages	7.0	7.0
Investments	4.6	4.6
Investors' Balances	3.9	3.9

(e) LIQUIDITY RISK

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

All the Society's financial liabilities are payable within one month of the Balance Sheet date. However in practice, Investors' Balances are repaid later than on the earliest date on which repayment can be required.

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

	Up to one year	One to five years	Over five years	Total
As at 31 December 2010				
Cash Resources	4,894,706	-	-	4,894,706
Loan Assets	1,735,060	6,388,991	13,468,686	21,592,737
Investments	11,216,052	2,077,278	368,157	13,661,487
Other Assets	164,715	-	1,516,927	1,681,642
<b>Total Assets</b>	<b>18,010,533</b>	<b>8,466,269</b>	<b>15,353,770</b>	<b>41,830,572</b>
Investors' Balances	35,667,784	-	-	35,667,784
Other Liabilities	121,084	14,648	92,175	227,907
<b>Total Investors' Balances And Other Liabilities</b>	<b>35,788,868</b>	<b>14,648</b>	<b>92,175</b>	<b>35,895,691</b>
<b>Net Liquidity Gap</b>	<b>(17,778,335)</b>	<b>8,451,621</b>	<b>15,261,595</b>	

Expressed in Thousands of Guyana Dollars

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(d) LIQUIDITY RISK (cont'd)

	Up to one year	One to five years	Over five years	Total
As at 31 December 2009				
Cash Resources	4,548,955	-	-	4,548,955
Loan Assets	1,962,100	6,011,469	13,767,171	21,341,580
Investments	8,542,013	2,325,996	184,182	11,052,191
Other Assets	262,711	-	1,098,232	1,360,943
<b>Total Assets</b>	<b>14,915,779</b>	<b>8,337,465</b>	<b>14,649,585</b>	<b>37,902,829</b>
Investors' Balances	32,310,132	-	-	32,310,132
Other Liabilities	129,347	11,478	92,158	234,983
<b>Total Investors' Balances And Other Liabilities</b>	<b>32,439,479</b>	<b>13,475</b>	<b>92,158</b>	<b>32,545,112</b>
<b>Net Liquidity Gap</b>	<b>(17,523,700)</b>	<b>8,323,970</b>	<b>14,557,427</b>	

(f) FOREIGN EXCHANGE RISK

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

Aggregate Assets denominated in Foreign Currencies amounted to:	2010	2009
British Pound Sterling	811,084	757,623

At 31 December 2010, if the Guyana dollar had weakened/strengthened by 5% against the British Pound Sterling, with all other variables held constant, profit for the year would have been \$40,554 (2009 - \$37,881 for a 5% change) higher/lower.

(g) 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.

Expressed in Thousands of Guyana Dollars

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

**(g) FAIR VALUES (cont'd)**

**Loan Assets:**

At the Balance Sheet date the fair value of the loan assets was estimated to be \$22,501,516 (2009 - \$21,098,210) using the discounted amount of the estimate of future cash flows expected to be received. Expected cash flows are discounted at the current market rates to determine the fair value.

**Investments:**

The fair value of the United Kingdom Government Treasury Loans is based on current market value. For the other investments, the fair values have been estimated by applying discounted cash flows analysis, using prevailing rates of return on instruments with similar terms and characteristics.

The fair values of the investment at the year-end were:	<b>2010</b>	<b>2009</b>
Government of Guyana Treasury Bills	<b>11,163,856</b>	8,456,466
United Kingdom Government Treasury Loans	<b>682,892</b>	791,376
Berbice Bridge Company Inc. Bonds	<b>1,870,000</b>	1,870,000
	<u><b>13,716,748</b></u>	<u>11,117,842</u>

**Investors' Balances:**

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

**21 CAPITAL COMMITMENT**

Capital Commitments for Property, Plant and Equipment Authorised and Contracted for	<b>2010</b>	<b>2009</b>
	<u><b>194,974</b></u>	<u>509,047</u>

**22 CONTINGENT MATTERS**

**(a) CLAIM FROM A FINANCIAL INSTITUTION**

The Society is currently defending a claim with a potential liability of \$26,423 from a financial institution on a matter relating to advances to a housing developer. The Society is still awaiting a trial date. No provision has been made for this matter in these financial statements as the Society is confident of defending the claim.

Expressed in Thousands of Guyana Dollars

**22 CONTINGENT MATTERS (cont'd)**

**(b) CLAIM FROM A MEMBER**

On 16 October 2007, the Society received a writ from a member seeking an amount of \$7,673 which was allegedly given to an employee of the Society to convert into foreign currency for remittance overseas. The sum, it was claimed, was not remitted or returned to the member. Summons were heard and new Summons are in course of hearing in the Commercial Division of the High Court. No Provision has been made for this amount in these financial statements as the Society is confident of defending the claim.

**(c) CLAIMS FROM BUILDING CONSULTANTS**

During December 2008, the Society received three writs of claim totalling \$29,829 from consultants involved in providing architectural, structural engineering and quantity surveying services in respect of preparatory works for the construction of the Society's new Head Office. The sums, it was claimed, represent outstanding consideration due to the consultants for services provided and were determined using the agreed fee bases applied to a building construction bid amount approved in October 2007. A trial date was fixed for 29 March 2011. No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

**(d) CLAIMS FROM FORMER EMPLOYEES**

During 2010, the Society received writs from three former employees seeking damages in excess of fifty million dollars in each case for wrongful dismissal and breach of contract of employment. No trial date has been fixed for hearing. No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

**(e) ASSET OF RETIREMENT BENEFIT PLAN**

As at 31 December 2009, the Society's retirement benefit plan held a flexible annuity policy with Clico Life and General Insurance Company SA Limited amounting to \$110,938.

As at 10 September 2010, the court ordered the liquidation of this company previously under judicial management of the Bank of Guyana. The Governor of the Bank of Guyana was appointed the liquidator, and as the date of publication of this report the liquidation process is continuing.

# Our Contributions



Below: Mr. Raymond Barnatt of NBS' Rosignol Branch presents a Prize to the Best Graduating Math Student at the Bath Primary School 2010 Graduation Ceremony.



Left: A Senior Police Officer receives trophies donated by NBS from Mr. Ahmad M. Khan, the Society's CEO/Director/Secretary for the Guyana Police Force's Annual Athletics Championship.



Right: President's College Head Mistress accepts Donations donated by NBS from the Society's Mortgage Manager, Mr. Nori Fernandes in the presence of Mr. Kenneth Joseph, NBS' Director and students of the School.

# Our Contributions



Right: Mrs. Shannon Tidman, Supervisor of Savings Accounts Department, kindly over funds donated by the Society to a teacher of the St Mary's Primary School situated on the East Bank of Demerara.



Left: Pastor Arnold Kerevan of the Roadside Baptist Church Skills Training Center is all smiles as he receives NBS' Donation from Mr. Vicky Bharossy, Manager of the Corporation Branch, while staff members of that Branch look on.



Right: Mrs. Subrena Boodhoo, Branch Manager (Ag.) of NBS' Rosignol Branch, donates a Cheque to teacher of the Precious Lamb Daycare in the presence of the Daycare students and the Society's members of staff.



Left: Ms. Velecia Wade of NB Linden Branch presents the Society cheque to support the Linden Can Society sponsored Walk-A-themed "Women on the Move."