



the new building society limited

ANNUAL REPORT 2013



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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.

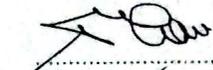
Notice of Meeting

Notice is hereby given that the Seventy-Fourth Annual General Meeting of the Members of the New Building Society Limited will be held at 10.30 a.m on Saturday, 26th April, 2014 at the Society's Chief Office at Lot 1 North Road & Avenue of the Republic, Georgetown.

AGENDA

1. To receive the Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2013.
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 2014.
4. To appoint Auditors for the year 2014.
5. To fix the remuneration of the Auditors for the year 2014.
6. To approve the sum of \$8,000,000 for donations to Charity and for Educational purposes for the year 2014.
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
 6th March, 2014

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 23rd April, 2014.
- 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

Moses M. Mc Dooan, S.C. - *Chairman*
 Floyd Mc Donald - *Vice-Chairman*
 Dr. Nanda K. Gopaul
 Seepaul Narine
 Kenneth Joseph
 Edwin Verasammy
 Ahmad M. Khan - *CEO/ Director/ Secretary*

CHIEF OFFICE

1 North Road & 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 Street, New Amsterdam,
 Berbice, Guyana.
 Tel: 333-2157, 2893, 5024. Fax: 333-5642

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

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

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

Mackenzie
 34 A Republic Avenue, Mackenzie,
 Lantien, Guyana.
 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. Mc Doom & Co.
 215 King Street & South Road,
 Lacytown,
 Georgetown, Guyana.

BANKERS

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

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

Bank of Baroda (Guyana) Inc.
 10 Avenue of the Republic, Robbstown,
 Georgetown, Guyana.

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

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

Citizens Bank Guyana Inc.
 201 Camp & Charlotte Streets,
 Lacytown, Georgetown, Guyana.

AUDITORS

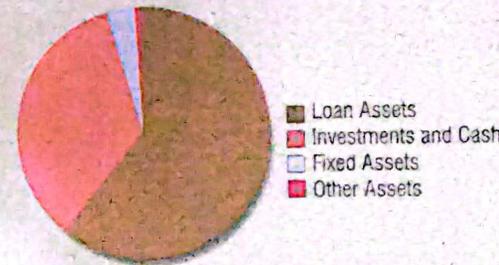
Maurice Solomon & Company
 92 Oronogue Street, Queenstown,
 Georgetown, Guyana.
 Tel: 337-4683. Fax: 337-4684

Five-Year Statistical Information (2009-2013)

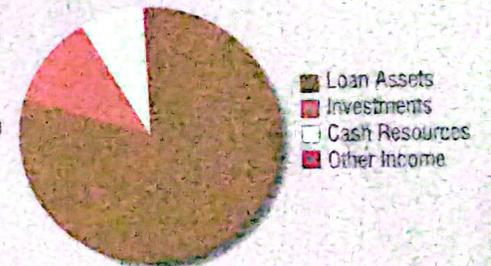
DESCRIPTION	2009 \$M	2010 \$M	2011 \$M (Restated)	2012 \$M (Restated)	2013 \$M
PROFIT	568	577	772	813	982
TOTAL ASSETS	37,903	41,831	45,557	49,021	53,973
TOTAL MORTGAGE BALANCE	20,941	21,593	23,306	27,705	32,880
INVESTMENTS	15,164	18,203	19,644	18,417	17,072
TOTAL SAVINGS BALANCE	32,310	35,668	38,474	41,024	44,730
RESERVES	5,359	5,935	6,948	7,842	8,950
MORTGAGE LOANS DISBURSED FOR YEAR	3,922	2,948	4,201	6,754	7,754

Financial Highlights

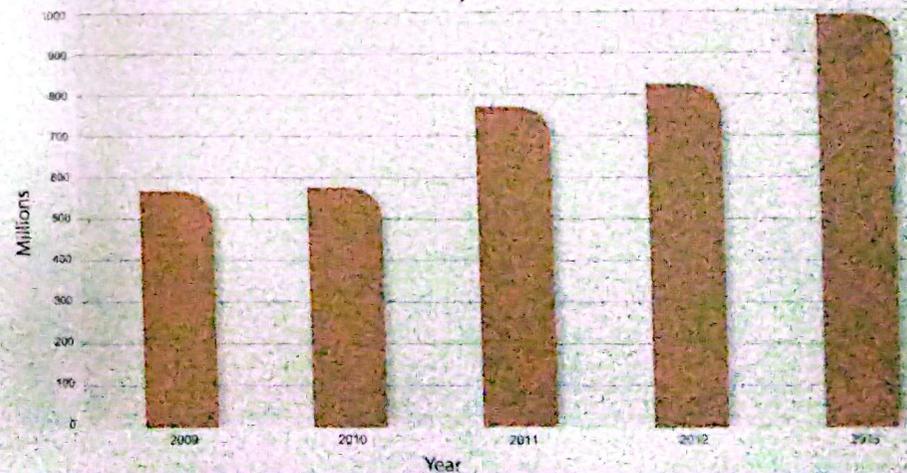
Asset Composition
31st December, 2013



Income Distribution 2013

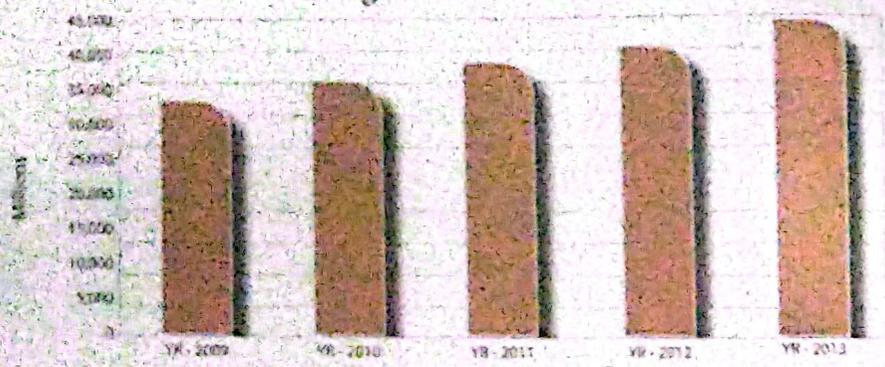


Profitability: 2009 - 2013

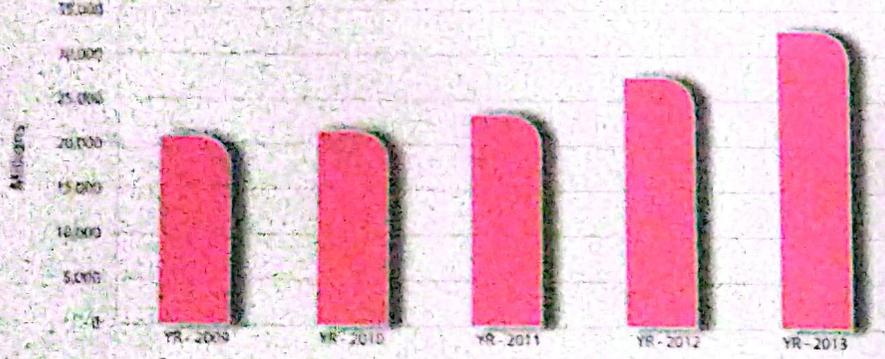


Financial Highlights (cont'd)

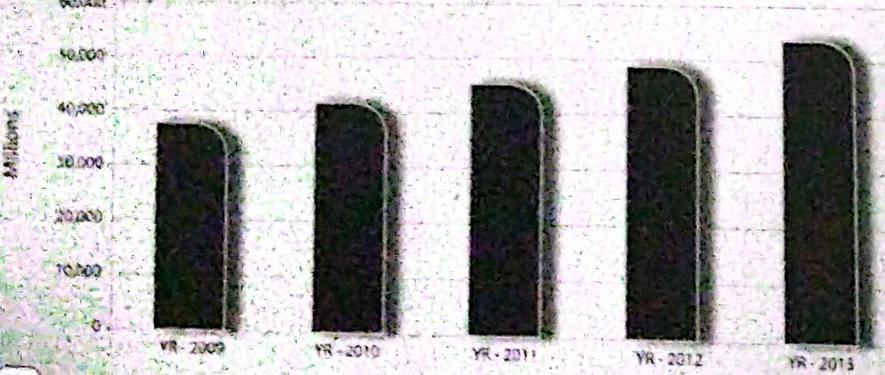
Savings Growth 2009 - 2013



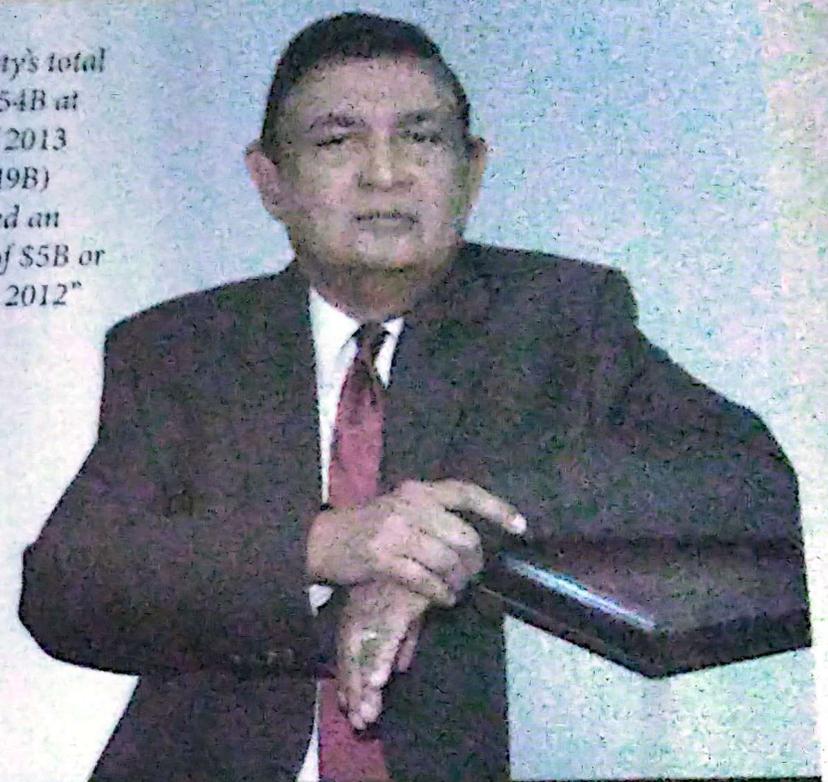
Mortgage Growth 2009 - 2013



Asset Growth 2009 - 2013



"The Society's total assets of \$54B at the end of 2013 (2012 - \$49B) represented an increase of \$5B or 10% over 2012"



Chairman's Report

It is with much pride and satisfaction that I report to you, our valued customers and members, that 2013 was another record year for the New Building Society as we continue to build on our successes of the past years. The Society's financial performance has remained exceedingly strong, achieving an even higher level of profit of \$993M in 2013 (2012 - \$813M).

The Society continues to balance delivering value and service to our customers and members and

maintaining our financial strength for the long term. Aggressive competition in the financial services sector compounded further with high levels of liquidity, resulting in low yields on our investments in Treasury Bills, did not deter the Society's efforts to deliver these excellent results.

REVIEW OF THE ECONOMY

Global growth has been slothful and below expectations, the drivers of activity are changing, and downside risks persist.

China and a growing number of emerging market economies are coming off cyclical peaks. Their growth rates are projected to remain much over those of the advanced economies but below the elevated levels seen in recent years, for various reasons.

The United States has seen several quarters of solid private demand. Although public sector demand has been pushing in the opposite direction, this counterforce will diminish in 2014, setting the stage for higher growth.

Japan's economy is enjoying a vigorous rebound but may contract in 2014 as fiscal policy tightens. The euro area is slowly coming out of recession, but activity is forecast to stay moderate.

It is expected that inflation rates of the advanced economies will remain subdued. Looking ahead, global activity is expected to strengthen moderately based on the performances of the advanced economies, where output is projected to expand at a pace of about 2 percent in 2014, which is about ¼ percentage point more than in 2013.

In the domestic economy, the sugar industry continued to grapple with technical and operational challenges resulting in low production output in 2013. In contrast, improvements in yields and expansion in acreage cultivated resulted in rice production achieving a historic high of 529,384 tonnes, which represented an increase of 25.43% over 2012. The mining and quarrying industry also recorded favorable growth. Notwithstanding adverse price developments, gold declarations were significantly higher in the year. There was positive growth in the fishing, livestock and forestry sectors also. Overall real economic growth was recorded which was contributed to by all the major sectors.

OUR FINANCIAL PERFORMANCE

The Society's total assets of \$54B at the end of 2013 (2012 - \$49B) represented an increase of \$5B or 10% over 2012. Mortgages accounted for 61% (2012 - 57%) of the Total Assets while our Liquid

Assets accounted for 30% at the end of 2013 (2012 - 34%).

The demand for mortgages continued in 2013 as a result of the many new housing schemes that were developed across the country by the Government of Guyana under their aggressive Housing Programme. This has contributed to the persistent growth of our mortgage portfolio over the years. In 2013 we disbursed over \$7.8B (2012 - \$6.8B) in mortgages to several qualified home-owners. Our portfolio stood at \$32.9B at the end of 2013 (2012 - \$27.7B).

As a responsible mortgage provider, we ensure our borrowers can afford their mortgages not just now, but also in the future. The Society has continued in its efforts to minimize mortgage arrears and to help borrowers in difficulties to resolve their situations. The Society adopts a consultative approach with its borrowers who experience payment difficulties and it is believed that this has resulted in a more encouraging arrears position. The number of accounts in arrears at the end of 2013 was 1,393 with a default value of \$58M (2012 - 1529 accounts with a default value of \$68M). This is an area that will always be under our focus.

The Society recognizes that it is inefficient to hold significantly more liquidity than is required, as excess liquidity earns less than it cost to acquire. Therefore our focus has been to ensure that we have (or have access to) sufficient liquidity rather than on maximizing the absolute liquidity levels. Our liquid assets at the end of 2013 was \$16.4B (2012 - \$16.7B). As is revealed, our liquidity position still exceeded the minimum statutory requirements.

We have consistently provided long term value to our customers and members by, helping them to make the best choice for their finances, never mislead them, conducted our business efficiently to maximize customers and members' benefit and provided a superior level of customer service. These are some of the core principles that the Society has been guided by for over seventy years which has resulted in consistent growth of our savings portfolio, which increased by \$3.7B or 9% to \$44.7B at the end of 2013 (2012 - \$41.0B).

UNDERSTANDING OUR CUSTOMERS AND MEMBERS

As a building society we are accountable to our customers and members and everything we do is aimed at building on the trust you have placed in us. It is what we have been doing for several decades in the business. The interests of our customers and members will always come first. We continue to believe in helping people have better lives. The views of our customers and members form an integral part of our decision making processes.

Against this background, the Society endeavors to continue working assiduously to uphold our Mission Statement and Business Objectives. We re-commit once again to continue providing excellent customer service to you, our customers and members, earning and keeping your trust.

HUMAN RESOURCES

The level of performance by our employees at every level has been exceptional. Their contributions have resulted in the Society declaring annually, sound financial

performances and maintaining the loyalty of our customers and members.

Migration of employees has plagued many businesses across the region. However, at the Society we are proud to report that our rate of employees' turnover has been low which is commendable. It points to our concerned efforts.

We intend to continue our framework to ensure our employees' potential is fully realized by providing opportunities for their development. We value each of our employee's talent and encourage fresh perspectives to deliver a superior experience to our customers and members. This will certainly bring enhanced benefits to the Society as we confront the challenges that permeate the financial sector.

SUPPORTING OUR COMMUNITIES

As a grass-root society and being in existence for over seventy years, the New Building Society has a social connection with local communities across Guyana. Our contributions go beyond providing superior levels of customer service, affordable mortgage financing and attractive savings products to our customers and members. We are also proud to play a key role in the local communities we're part of, supporting causes close to your hearts.

For the year 2013 we have donated in excess of \$6M to several charitable organizations with emphasis on helping those people who are more vulnerable, particularly the elderly, children and people with disabilities.

We have also supported recreational projects that focus on developing the talent of our young sports enthusiasts. In 2013, we renewed our sponsorships for the NBS 40-Overs Cricket Tournaments in Georgetown and in Berbice.

OUTLOOK FOR THE FUTURE

We anticipate that the scale of government's housing programme across Guyana would continue in 2014. This will no doubt provide real opportunities for the Society to increase the scale of its mortgage lending, within our agreed risk policy, bringing the benefits of our affordable mortgage financing to a growing number of customers and members.

Though the financial services sector continues to be saddled with high liquidity, compounded further with the fact that the Society can only invest in a limited number of instruments, we began to see increased yields on Treasury Bills. We are particularly hopeful that this positive trend will continue in 2014 and beyond, but will aggressively continue in our mortgage drive.

Guyana is at risk of being blacklisted by the Caribbean Financial Action Task Force (CFATF) for having been unable to amend its present legislation on Anti-Money Laundering and Countering the Financing of Terrorism. This will certainly have a disastrous effect on the financial services sector and many businesses.

The Society nevertheless remain hopeful that a consensus can soon be forthcoming between

the Government of Guyana and other major stakeholders including the political parties, to ensure the amendments to our present legislation on Anti-Money Laundering and Countering the Financing of Terrorism, as recommended by the Caribbean Financial Action Task Force (CFATF) can be passed and assented into law.

ACKNOWLEDGMENTS

The support and loyalty of our customers and members have been tremendous throughout the years.

Our employees at every level have continuously demonstrated time after time their dedication and commitment to their roles.

The foresight and guidance from my fellow Board members have been outstanding in every regard.

I wish to go on record to thank everyone for all that they have done in their respective roles. Co-operation and commitment at every level have resulted in the resounding financial fortunes of the New Building Society. I'm confident that the Society is in capable hands to attain much greater heights in the foreseeable future and overcoming the challenges that lies ahead.

I look forward to seeing 2014 as being the first year that the Society's profit exceeds the Billion Dollar mark as we continue to grow from strength to strength.


Moen M. Mc Doom, S.C.
Chairman
6th March, 2014.



Board of Directors



Sitting - left to right:

- Dr. Nanda K. Gopaul, Director
- Edwin Verasammy, Director
- Moen M. Mc Doom, S.C. - Chairman

Standing - left to right:

- Ahmad M. Khan, CEO/Director/Secretary
- Floyd Mc Donald, Vice-Chairman
- Kenneth Joseph, Director
- Seepaul Narine, Director

"Our strategic framework and business model have allowed the Society to increase the scale of our mortgage lending and simultaneously provide reasonable returns to our loyal savers..."



Chief Executive Officer's Report

Our core mutual purpose remains unchanged ever since the New Building Society was established over seventy years ago. Though our business has grown considerably from where we started, the Society has stayed true to its tradition of safeguarding its customers and members' financial interests, helping them to save and helping them to own their dream home.

Against this background and in keeping with our business approach of prudent lending, adequate risk management and maintaining sufficient levels of liquidity, each of which is aligned to our business objectives of providing residential mortgages and secure savings products for our customers and members, the New Building Society has delivered another solid financial performance in the year 2013,

continuing from the successes of the preceding years.

There was positive growth in our Savings and Mortgage businesses. Our profit for the financial year ended December 31, 2013 was \$993M (2012 - \$813M) representing an increase of 22%. This is the highest profit ever recorded since the Society was established. Our assets base has grown by 10% to \$54B (2012 -

\$49B). The demand for mortgages continued and has seen the Society disbursing over \$7.8B in mortgages for 2013 (2012 - \$6.8B).

REVIEW OF THE ECONOMY

Recovery in the world economy remained slow five years after the global economic meltdown started in 2008. Prolonged recession in most Euro Area and the slowdown in key emerging market economies are the aftershocks of this economic meltdown.

The domestic economy recorded consistent growth in 2013 with expansion in real output in a number of key sectors. However, commodity prices continued to fluctuate unpredictably while food prices were relatively mixed during the year.

Notwithstanding the adverse price developments, production in the key sectors continued apace. The rice sector performed exceedingly well continuing from a bumper first crop. At the end of 2013, the production of 529,384 tonnes or 25.43% over the output for 2012 of rice was in itself historic, given that the projection of 500,000 tonnes was anticipated until 2015. Production for the year 2014 is expected to be even more pronounced.

There was continuous and consistent growth in the production of other crops

as well. Performance in the forestry, mining and quarrying industry, and the manufacturing sectors were positive which overall compensated for the low production levels in sugar and bauxite.

FINANCIAL HIGHLIGHTS

Total Assets at the end of the year was \$54B (2012 - \$49B) representing an increase of 10%. Mortgage Loans increased to \$32.9B or 61% of Total Assets at the end of 2013 (2012 - \$27.7B or 57% of Total Assets). As the Government aggressively continued to make available house lots for all Guyanese, the demand for the Society's affordable mortgage products continued. Mortgage disbursements for 2013 was a record high \$7.8B (2012 - \$6.8B).

As can be seen in the Five-Year Statistical Information component of this Annual Report, the Society's Mortgage Portfolio has consistently grown over the period while our Reserve for Loan Losses to Gross Loans Ratio has been reducing correspondingly. At the end of 2013 this ratio stood at 0.42% (2012 - 0.57%). This is testimony that the Society's Mortgage Portfolio is made up of quality loans. It is also a reflection of our mutuality of working with mortgagors in their time of difficulties to resolve their situations.

The Society's Liquid Assets allow

it to meet the demands of its depositors, to make advances to our mortgagors and to facilitate the smooth day-to-day operation of our business. Our Liquid Assets was \$16.4B or 30% of Total Assets at the end of 2013 (2012 - \$16.7B or 34% of Total Assets). Though there was reduction in our liquidity position in 2013, we have continued to exceed the minimum statutory requirements as a result of the high liquidity in the financial services sector. This position is likely to continue in 2014.

Our depositors continue to show confidence in the Society which resulted in our overall portfolio being increased by \$3.7B or 9% to \$44.7B at the end of 2013 (2012 - \$41.0B). Our interest rates are very competitive and remain attractive. We have made every effort to look after the needs of our depositors by offering them superior levels of personalized banking service.

Total Reserves was \$9.0B at the end of 2013 (2012 - \$7.8B) representing an increase of \$1.2B or 16%. Total Reserves represents 20% of Investors' Balance at the end of 2013 (2012 - 19%). Our reserves have increased steadily over the years as a result of our sound strategic plans. We have consistently delivered sustainable financial performance that ensured real financial security for our customers and members. Our reserves also allow us to support current and future mortgage

tending and to absorb any losses that the Society may incur.

CAPITAL ADEQUACY RATIOS

Our Regulatory Supervisory Authority, the Bank of Guyana, monitors our capital adequacy on a monthly basis in accordance with risk-based capital guidelines developed by the Basel Committee on Banking Regulation and Supervisory Practices. These guidelines have been adopted and implemented by the Bank of Guyana under the Financial Institutions Act 1995. The ratio when computed for 2013 under Tier 1 was 34% (2012 - 36%) and under Tier II was 37% (2012 - 39%). These ratios are way above the minimum ratio of capital to risk weighted assets of 8% as set out in the guidelines. The Society's Capital Base has consistently grown over the years. At the end of 2013, it was \$8.58 (2012 - \$7.58). The results for the year have further strengthened the Society's platform for future growth and expansion.

EXCEPTIONAL CUSTOMER EXPERIENCE

Customer service is a key focus for all employees and building on our lead in customer satisfaction from the preceding years, remains a major component of our Strategic Plan. Exceptional customer experience naturally enhances the Society's reputation and helps to build trust at every turn.

The Society continues to encourage its customers and members to share their experiences about our products and services, through our feedback system. This information when put together came us to re-work, if necessary, our strategies to ensure the standard of service remains superior or improved where necessary, to better serve you, our valued customers and members.

RECOGNIZING THE CONTRIBUTION OF OUR EMPLOYEES

Over the past year we have consistently seen high levels of customer service satisfaction, and I know how much effort our employees put into ensuring that our customers and members receive the best possible service. I am very grateful to all our employees for their unceasing focus on doing the right thing for our customers and members.

The Society continued to encourage its employees to advance themselves academically and professionally so that they can be well equipped to embrace the changes taking place in the ever evolving banking environment.

We also continue our extensive training programs during the year to ensure our employees possess the requisite knowledge and skills necessary to take the Society into the future.

The Society considers itself to be an equal opportunity employer. We are committed to ensuring that our employees are treated fairly and equally at all times. Our policies ensure that discrimination on the grounds of race, color, religion, belief, sex, sexual orientation, marital status, age etc. is not tolerated.

TECHNOLOGY ADVANCEMENT

Building societies across the globe have upgraded or are in the process of upgrading their banking applications to ensure greater stability and flexibility in their operations with the customer needs as their main focus. The Society is fully committed to using the latest technology to transform its business of banking and as such will be embarking on a project of migrating from our current main banking software to a much more sophisticated banking software, catering mainly for our customers and members seeking more efficient and less time consuming means to conduct their financial affairs. We have already received an undertaking from our Software Supplier to commence this project later in the year.

ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM

The international regulatory bodies continue to put pressure on sovereign states to strengthen their overall legislative and

operational framework regarding Anti-Money Laundering and Countering the Financing of Terrorism (AML / CFT).

Financial institutions in Guyana have been facing an uphill task of carrying on its business of conducting foreign currency transactions as a result of Guyana being unable to amend its legislation on AML / CFT, as recommended by the Caribbean Financial Action Task Force (CFATF). Guyana now faces the risk of being blacklisted by the CFATF for having weak legislative and operational framework on AML / CFT.

The Society remains optimistic that the major stakeholders including our political parties can soon resolve the already long stale-mate and pass the required legislations in Guyana as recommended by the CFATF to strengthen the country's ability to deter money laundering and the financing of terrorism and to prosecute offenders.

The Society has nevertheless taken steps to strengthen its internal polices and procedures to detect money laundering activities across our locations. We will continue to work with the Financial Intelligence Unit and other agencies to ensure compliance with the laws and systems which are introduced from time to time.

COMMUNITY RELATIONS

An integral component of our Mission Statement and Business Objectives is to be socially responsible particularly in the communities that we operate in. This is a responsibility we take very seriously as it brings a deep sense of pride. We are always willing to respond to the ever-increasing need for social development.

In 2013 we once again demonstrated our commitment to this cause through donations of over \$6M towards education and enriching the lives of the less fortunate and differently-abled persons. We surely have made our contributions in this area and received high acknowledgment.

OUTLOOK FOR 2014

Our strategic framework and business model have allowed the Society to increase the scale of our mortgage lending and simultaneously provide reasonable returns to our loyal savers during the year. We are confident of the fundamentals that underpinned our financial performance during 2013 and of the preceding years will continue in 2014. We are fully aware that aggressive competition in our core businesses will continue but like in the previous years we will overcome these, since we are geared to meet challenges in these areas.

The New Building Society is hopeful that the major stakeholders including our political parties will remain engaged to ensure the amendments to our Anti Money Laundering and Countering the Financing of Terrorism legislation as recommended by the CFATF are passed in Parliament so that our beloved country can continue in its development path and ensure free movement of finances in all business transactions both local and foreign.

ACKNOWLEDGMENTS

Through hard work and resilience at every level, the year 2013 was another successful one for the Society. I wish to express my sincere gratitude to my very hard working, committed, and experienced Board of Directors, Management team and Employees for their support during 2013. This teamwork was pivotal to the success of the Society.

To our customers and members for their loyalty and confidence over the years, I thank you all.



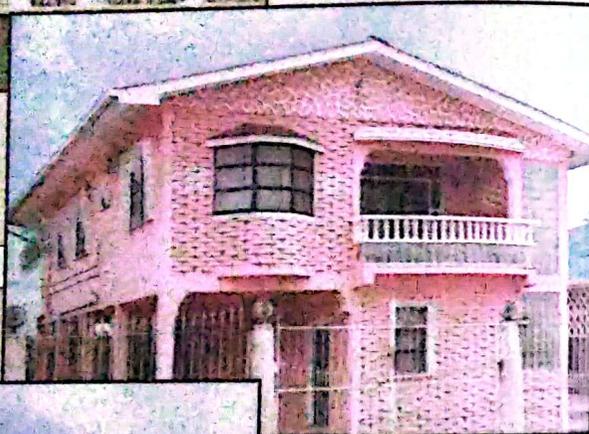
Ahmad M Khan
CEO / Director / Secretary
6th March, 2014

nbs

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



HIGH INCOME RESIDENCE



MIDDLE INCOME RESIDENCE



LOW INCOME RESIDENCE

Let NBS help you own your Dream Home...



Low Income Mortgages up to:

- \$4,000,000 4.25% per annum

Mortgages up to:

- \$10,000,000 6.15% per annum

Mortgages up to:

- \$12,000,000 6.75% per annum

- Efficient and prompt service • Quick approvals
- No hidden charges • Easy qualification

Visit or call us today at any of our branches

nbs

The New Building Society Limited

1 North Road & 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 Street, New Amsterdam, Berbice, Guyana.
Tel: 333-2157, 2893, 5024. Fax: 333-5642

Corriverton

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

Rosignol

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

Mackenzie

34 A Republic Avenue, Mackenzie, Linden, Guyana.
Tel: 444-8543. Fax: 444-6066

Rosehall

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

Essequibo

29 Henrietta, Essequibo Coast, Guyana.
Tel: 771-4996. Fax: 771-4954



Management Team

1. Nizamooden Mahamad (Assistant Secretary)
2. Anil Kishun (Operations Manager)
3. Anil Beharry (Senior Manager - Barbice Operations)
4. Mohamed Majeed (IT Systems Administrator)
5. Noel Fernandes (Assistant Manager - Mortgage)
6. Atma L. Rajaram (Manager - Internal Audit)
7. Rana Persaud (Branch Manager - Rosehall)
8. Bibi A. Jagnarayan (Branch Manager - Rosignol)
9. Vicky Bharosay (Branch Manager - Corriverton)
10. Sewchan Raghunandan (Branch Manager - Essequibo)
11. Eric Johnson (Branch Manager - Mackenzie)
12. Berinthia Vasconcellos (Supervisor - Office Administration)



Report of the Directors

For the year ended 31st December, 2013

The Directors are pleased to present their Report together with the audited Financial Statements of the New Building Society Limited (NBS) for the year ended 31st December, 2013.

Principal Business Activities

The main aim of the New Building Society is to provide a broad range of quality Mortgage and Savings Products, through our network of branches geographically spread across the country, by delivering these with quality, efficiency, courtesy and reliability. This aim is fully endorsed with pertinent values of fairness, honesty, corporate responsibility, employees' and customers' prioritization.

Business Highlights:

Residential Mortgage Balances increased by \$5,181M or 18.7% to \$32,972M at the end of the year.

Savings Balances increased by \$3,707M or 9% to \$44,730M at the end of the year.

Financial Highlights

in the year 2013 NBS:

	2013	2012 Restated	%
	\$ Millions	\$ Millions	Change
Recorded a profit of	993	813	+ 22.1
Increased Total Reserves to	8,950	7,842	+ 15.1
Increased Assets under Management to	53,973	49,024	+ 10.1
Provided New Advances to Mortgages totaling	7,764	6,754	+ 15.0

Mortgages:

As at 31st December, 2013, there were 9,759 Mortgage Accounts totaling \$32,972M which represent 61% of our Total Assets (2012 - 9,120 Mortgage Accounts totaling \$27,91M or 57% of our Total Assets).

There were no Mortgage Accounts whose repayments were twelve months or more in arrears as at 31st December, 2013 (2012 - 2 Accounts with balances totaling \$8 Million).

Savings:

The value of net receipts for the year was \$3,707M (2012 - \$2,550M). Our Total Investors' Balances as at 31st December, 2013 was \$44,730M (2012 - \$41,024M).

Assets:

Total Assets as at 31st December, 2013 was \$53,973M (2012 - \$49,024M), representing an increase of approximately 10%. All changes in tangible fixed assets during the year are detailed in the Financial

Statements. Freehold Land and buildings were re-valued as at 30th September, 2013 and have been included in the Financial Statements at these valuations. Liquid Assets in the form of Cash and Short Term Securities was \$16,363 and represented 37% of our Investors' Balances as at 31st December, 2013 (2012 - \$16,703 - 34.1%).

Charitable Donations:

At the end of 2013, the Society made donations to several charitable and educational institutions in the communities across the country totaling \$6.5M.

Employees:

The New Building Society recognizes the critical role employees play in its continued growth and development and therefore continually train, motivate and suitably compensate them.

Going Concern:

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

Directorate:

In accordance with Rule 47(1), the Directors whose names are listed below, retire after the 74th Annual General Meeting and are eligible for re-election.

- Mr. Moen M. Mc Doom S.C.

- 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
6th March, 2014

Report of the Directors On Corporate Governance

Report of the Directors

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended 31st December, 2013.

Corporate Governance and Board Committees

The Board of Directors is committed to best practice in corporate governance and is dedicated to the policies of good corporate governance in order to achieve the highest level of integrity and enhanced stakeholder's value. The current Board comprising the Chairman, five non-executives and one executive meet formally on a monthly basis. The Chairman is elected by the Directors who are in turn elected by the Members of the New Building Society.

All Directors, both on appointment and thereafter, must meet the test of fitness and propriety prescribed under the Financial Institutions Act 1995 and recommendations contained in the Supervision Guideline No.8 issued by the Bank of Guyana.

As well as attending Board meetings, Directors are required to serve on one or more of the following sub committees.

The Audit Committee comprising three Non-Executive Directors meets periodically. It is charged with the responsibility of reviewing the scope, results and cost-effectiveness of internal and external audit, reviews financial statements including the accounting policies adopted and the implementation of changes as well as the significant financial reporting judgements in them, considers the independence of internal auditors and the independence and objectivity of the external auditors.

The Committee also reviews the operation of internal controls, risk management policies and matters raised by the internal and external auditors.

Current Chair (Director): Mr. K. Joseph
Director: Mr. F. Mc Donald
Director: Mr. E. Verasammy

The Human Resources Committee comprising three Non-Executive Directors discusses and makes proposals to the Board on organizational structure, employees' compensation and employment policies and procedures. Appointment of key management personnel is approved by this Committee.

Current Chair (Director): Mr. S. Narine
Director: Mr. F. Mc Donald
Director: Mr. K. Joseph

The Finance Committee considers the external and internal environment of the Society and assesses the opportunities for investment and the associated inherent risk thereof. The Committee also reviews the performance of the Society against its budget and addresses issues for any shortfalls or cost overruns. It comprises three Non-Executive Directors.

Current Chair (Director): Mr. F. Mc Donald
Director: Mr. K. Joseph
Director: Mr. E. Verasammy

The Loans Committee comprising two Non-Executive Directors is guided by a clearly defined lending policy as approved by the Board. The Committee pays particular attention to the risks relating to lending and assesses our Debt Recovery Management Systems for adequacy and compliance.

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

Executives and Senior Managers are included in committee meetings as required.

Directors Responsibilities for Accounting Records and Internal Controls

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that the Society:

- keeps accounting records in accordance with the New Building Society (Amendment) Act 2010, and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the Financial Institutions Act 1995 and such recommendations and guidelines as issued by the Bank of Guyana.

Business Objectives and Activities

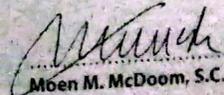
The Society's business objectives and principal activities are to provide the best savings product and to promote home ownership.

The Board pays continuous attention to the financial market having regard to the provision of attractive rates of interest for investors and mortgagors. We endeavour to continue offering affordable financing for home-building and provide excellent returns to our investors in a safe and secured environment.

Each mortgage or advance granted by the Society is certified by at least one Director, and subsequently approved by the full Board.

The Society has established ethical rules and policies, to ensure the affairs of our Customers and Members remain confidential. We promote a culture of zero tolerance against discrimination of all forms. We strive to resolve all issues communicated to us in writing or orally by our Customers and Members, in a timely and efficient manner.

On behalf of the Board of Directors


Moen M. McDoom, S.C.
Chairman
6th March, 2014

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 2013, the Statement of Profit or Loss and Other 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 26 to 58.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the New Building Society Limited as at 31 December 2013, and of its financial performance and its cash flows for the year

then ended in accordance with International Financial Reporting Standards, the requirements of the New Building Society Act (Amendment) 2010 (Act No. 12 of 2010) and the Financial Institutions Act 1995.

Report on Additional Requirement

We have examined the mortgage deeds, transports and other securities belonging to the Society. Title deeds held in respect of mortgages were produced to us and actually inspected by us and we are satisfied that deeds not inspected by us were in the hands of the Society's attorneys or elsewhere in the normal course of the business of the Society.

Maurice Solomon & Co.
Chartered Accountants
7th March, 2014

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

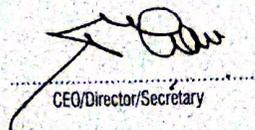
Expressed In Thousands of Guyana Dollars

	NOTE	2013	2012 Restated	2011 Restated
Assets				
Cash Resources	5	12,524,477	6,751,145	3,959,186
Loan Assets	6	32,879,536	27,705,355	23,505,718
Investments	7	6,167,701	12,283,439	16,100,068
Property, Plant & Equipment	8	1,915,082	1,899,362	1,734,720
Other Assets	9	156,315	117,841	79,788
Retirement Benefit Surplus		330,380	267,175	177,656
		<u>53,973,491</u>	<u>49,024,317</u>	<u>45,557,136</u>
Investors' Balances, Other Liabilities And Reserves				
Investors' Balances	10	44,730,347	41,023,778	38,474,434
Other Liabilities	11	292,977	158,351	133,753
Risk Reserve	13	31,764	55,935	185,020
Assigned Capital	13	250,000	250,000	250,000
Revaluation Reserve	13	587,680	522,189	522,189
Retained Earnings	13	8,080,723	7,014,064	5,991,740
		<u>53,973,491</u>	<u>49,024,317</u>	<u>45,557,136</u>

The Board of Directors approved these financial statements for issue on 6th March, 2014.


Chairman


Vice-Chairman


CEO/Director/Secretary

The notes on pages 29 to 58 form an integral part of the Financial Statements.

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in Thousands of Guyana Dollars

	NOTE	2013	2012 Restated
INTEREST INCOME ON:			
Loan Assets		1,969,729	1,675,303
Investments		290,501	457,684
Cash Resources		194,442	126,861
		<u>2,454,672</u>	<u>2,259,848</u>
	16	894,341	924,469
INTEREST EXPENSE		<u>1,560,331</u>	<u>1,335,379</u>
INTEREST REVENUE			
Other Income		3,315	-
Profit on Sale of Assets		6,409	7,504
Fee and Commission Income		4,499	3,873
Other Operating Income		354	12,523
Gain on Exchange		1,574,908	1,359,279
TOTAL NET INCOME			
Operating Expenses			
General Administrative Expenses	15	(463,239)	(444,612)
Net Provision for Impairment on Loan Assets	14;15	(6,024)	(5,810)
Depreciation	15	(59,703)	(49,057)
Other Expenses	15	(53,404)	(46,803)
Total Operating Expenses		<u>(582,370)</u>	<u>(546,282)</u>
		992,538	812,997
PROFIT FOR THE YEAR			
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of Provision of Employee Benefits		49,950	80,241
Gain on Revaluation of Property		65,491	-
Other Comprehensive Income for the year		<u>115,441</u>	<u>80,241</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,107,979</u>	<u>893,238</u>

The notes on pages 29 to 58 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
 Expressed in Thousands of Guyana Dollars

	2013	2012 Restated
OPERATING ACTIVITIES	992,538	812,997
Net Profit for the Year		812,997
Adjustments for:	59,703	49,057
Depreciation	6,024	5,810
Net Provision for Impairment on Loan Assets	(13,255)	(9,277)
Movement in Retirement Benefit Plan Liability	(3,315)	-
Gain on Disposal of Property, Plant and Equipment		
OPERATING INCOME BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	1,041,695	858,587
Loans Advances Net of Repayments	(5,180,205)	(4,205,447)
Increase in Other Assets	(38,474)	(38,053)
Receipts from Investors Net of Withdrawals	3,706,569	2,549,344
Decrease in Other Liabilities	134,626	24,598
NET CASH OUTFLOW - OPERATING ACTIVITIES	(335,789)	(810,971)
INVESTING ACTIVITIES	(9,932)	(213,699)
Purchase of Property, Plant and Equipment	(3,838,211)	(9,952,216)
Additions to Investments	9,953,949	13,768,845
Redemptions of Investments	(5,670,563)	(2,590,047)
Net Increase in Restricted Cash Resources and Fixed Deposits	3,315	-
Proceeds from the Sale of Property, Plant and Equipment		
NET CASH INFLOW - INVESTING ACTIVITIES	438,558	1,012,883
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	102,769	201,912
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	617,239	415,327
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	720,008	617,239

The notes on pages 29 to 58 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

1. ENTITY IDENTIFICATION

The New Building Society Limited was established in Guyana under the New Building Society Act 1940, as amended. Its registered office is located at Lot 1, North Road and Avenue of the Republic, Georgetown.

The Society operates 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.

a) New and revised standards affecting amounts reported and/or disclosures in the financial statements

IAS 19 - Employee Benefits

The revised standard introduced primary amendments to the recognition and presentation of defined benefit plans as well as to the required disclosures. The fundamental change of the revision is the removing of the corridor method as it relates to the recognition of actuarial gains and losses. Actuarial gains and losses will be recognized directly in other comprehensive income and as such the net pension asset or liability recognized in the statement of financial position reflects the full value of the plan deficit or surplus. The changes in the standard have had an impact on the amounts recognized in the income statement and other comprehensive income in prior years (see note 22).

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 BASIS OF PREPARATION (cont'd)

a) New and revised standards affecting amounts reported and/or disclosures in the financial statements (cont'd)

IFRS 13 - Fair Value Measurement

The Society has applied IFRS 13 for the first time in the current year (see note 23). This standard defines fair value as set out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions. Under IFRS 13, fair value is an exit price regardless of whether that price is directly observable or estimates using another valuation technique. IFRS 13 requires prospective application from 1 January 2013. The Society has not made any new disclosures required by IFRS 13 for the 2012 comparative period as the standard gives specific transitional provisions allowing entities not to apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. The application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

IAS 1 - Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'.

The amendment requires that items of other comprehensive income must be grouped together into two sections: Those that will or may be reclassified into profit or loss and those that will not.

As the amendment only affects presentation, there is no effect on the Society's financial position or performance.

Amendments to IAS 1 - Presentation of Financial Statements (Annual Improvements to IFRS 2009 - 2011 Cycle)

The amendments relevant to the Society specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position.

In the current year, the Society has applied IAS 19 (as discussed before) which has resulted in material effects on the information in the statement of financial position as at 31 December, 2011. As such the Society has presented a third statement of financial position as at 31 December, 2011.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

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

IFRS 7 - Financial instruments (Disclosures)

IFRS 9 - Financial instruments

IFRS 10 - Consolidated financial statements

IFRS 11 - Joint arrangements

IFRS 12 - Disclosures of interests in other entities

IAS 27 - Separate financial statements (revision)

IAS 28 - Investments in associates and joint ventures (revision)

IAS 32 - Financial instruments (amendment)

IFRIC 20 - Stripping costs in the production phase of a surface mine

IFRIC 21 - Levies

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.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 LOAN ASSETS (cont'd)

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 judgment 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.

3.5 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%

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 PROPERTY, PLANT & EQUIPMENT (cont'd)

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 recognized 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.

3.9 INVESTORS' BALANCES

Investors' balances are initially recognized at the nominal amount of funds received and subsequently at nominal amount plus accrued interests.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

The projected actuarial method is used for the retirement benefit plan. Under this method, the actuarial liabilities consist of the present value of pensions in payment and vested deferred benefits for terminated members, plus that portion of the future benefits expected to be paid to present members which is related to their credited service up to the valuation date. Amounts of pension are determined based on each member's projected final earnings. The current service cost for the defined benefit provisions for the year following the valuation date is the present value of benefits accrued by members with respect to their service in that year.

The characteristics of this actuarial cost method are that it matches year-by-year costs of benefits expected to be accrued by the members each year to the contributions required for those years and, since it results in a pattern of progressively increasing costs for an individual employee as that employee ages, it may also result in progressively increasing costs for the Scheme as a whole if the average age profile of the Scheme membership increases from year to year.

3.11 PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized 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 recognized.

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.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 IMPAIRMENT LOSSES ON LOAN ASSETS

To identify impairment in the Society's loan assets, judgments 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 judgment. 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 recognized 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 judgment 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 2013
Expressed in Thousands of Guyana Dollars

	2013	2012
5. CASH RESOURCES		
Redeemable on Demand:		
Cash in Hand	7,200	7,200
Cash at Bank, excluding Fixed Deposits	712,808	610,039
	<u>720,008</u>	<u>617,239</u>
Classified as Cash and Cash Equivalents		
Redeemable after 3 Months:		
Fixed Deposits	11,804,469	6,133,906
	<u>12,524,477</u>	<u>6,751,145</u>
6. LOAN ASSETS		
Mortgages	32,976,564	27,797,185
Properties in Possession	14,499	15,976
	<u>32,991,063</u>	<u>27,813,161</u>
Provision for Impairment on Loan Assets (note 14)	(107,320)	(101,296)
Unearned Interest	(4,207)	(6,510)
	<u>32,879,536</u>	<u>27,705,355</u>

The table below shows the movement to the Properties in Possession

	2013		2012	
	No. of Properties	Value	No. of Properties	Value
As at the Beginning of the Year	5	15,976	4	8,227
Additions in the Year	2	19,378	1	14,367
Disposals in the Year	-	(20,855)	-	(6,618)
As at End of Year	<u>7</u>	<u>14,499</u>	<u>5</u>	<u>15,976</u>

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 2013
Expressed in Thousands of Guyana Dollars

	2013	2012		
6. LOAN ASSETS (cont'd)				
The table below shows the analysis of the mortgage portfolio by value bands				
	No. of Securities	Value	No. of Securities	Value
Balances not exceeding \$1,000,000	1,828	1,047,880	1,797	1,045,650
Balances exceeding \$1,000,000 but not \$1,500,000	1,081	1,339,294	1,213	1,493,002
Balances exceeding \$1,500,000 but not \$2,000,000	865	1,505,942	911	1,584,583
Balances exceeding \$2,000,000 but not \$2,500,000	767	1,718,505	809	1,807,429
Balances exceeding \$2,500,000 but not \$3,000,000	798	2,201,241	776	2,135,396
Balances exceeding \$3,000,000 but not \$4,000,000	1,314	4,588,570	1,153	3,987,138
Balances exceeding \$4,000,000 but not \$5,000,000	934	4,175,994	811	3,612,878
Balances exceeding \$5,000,000 but not \$6,000,000	679	3,715,614	561	3,060,409
Balances exceeding \$6,000,000 but not \$7,000,000	448	2,895,098	350	2,265,789
Balances exceeding \$7,000,000 but not \$8,000,000	375	2,815,566	304	2,278,748
Balances exceeding \$8,000,000 but not \$9,000,000	142	1,188,734	101	839,849
Balances exceeding \$9,000,000 but not \$10,000,000	114	1,082,827	73	693,159
Balances exceeding \$10,000,000 but not \$11,000,000	137	1,438,222	62	650,371
Balances exceeding \$11,000,000 but not \$12,000,000	193	2,234,395	144	1,666,493
Balances exceeding \$12,000,000	84	1,024,474	55	669,781
Total	<u>9,759</u>	<u>32,972,356</u>	<u>9,120</u>	<u>27,790,675</u>

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7. INVESTMENTS

	2013	2012
Government of Guyana Treasury Bills	3,838,211	9,952,216
United Kingdom Government Treasury Loans	459,490	461,223
Berbice Bridge Company Inc. Bonds	1,870,000	1,870,000
	<u>6,167,701</u>	<u>12,283,439</u>

8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Total
Cost				
As at 01 January, 2013	1,838,845	258,550	83,357	2,180,752
Additions	-	9,932	-	9,932
Disposals	-	-	(16,225)	(16,225)
Revaluation	-	-	-	-
As at 31 December, 2013	<u>1,838,845</u>	<u>268,482</u>	<u>67,132</u>	<u>2,174,459</u>
Accumulated Depreciation				
As at 01 January, 2013	(65,491)	(151,172)	(64,727)	(281,390)
Charges for the Year	(30,234)	(23,169)	(6,300)	(59,703)
Written back on Disposals	-	-	16,225	16,225
Revaluation	65,491	-	-	65,491
As at 31 December, 2013	<u>(30,234)</u>	<u>(174,341)</u>	<u>(54,802)</u>	<u>(259,377)</u>
Net Book Value				
As at 31 December, 2013	<u>1,808,611</u>	<u>94,141</u>	<u>12,330</u>	<u>1,915,082</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 the Chief Valuation Officer (ag.) Mr. Compton P. Outar as at September 2013 on the basis of open market value.

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8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land and Buildings	Machinery, Furniture and Equipment	Motor Vehicles	Work in Progress	Total
Cost					
As at 01 January, 2012	771,062	152,151	83,357	960,483	1,967,053
Additions	80,404	106,399	-	26,896	213,699
Disposals	-	-	-	-	-
Transfers	987,379	-	-	(987,379)	-
As at 31 December, 2012	<u>1,838,845</u>	<u>258,550</u>	<u>83,357</u>	<u>-</u>	<u>2,180,752</u>
Accumulated Depreciation					
As at 01 January, 2012	(40,544)	(133,361)	(58,428)	-	(232,333)
Charges for the Year	(24,947)	(17,811)	(6,299)	-	(49,057)
Written back on Disposals	-	-	-	-	-
As at 31 December, 2012	<u>(65,491)</u>	<u>(151,172)</u>	<u>(64,727)</u>	<u>-</u>	<u>(281,390)</u>
Net Book Value					
As at 31 December, 2012	<u>1,773,354</u>	<u>107,378</u>	<u>18,630</u>	<u>-</u>	<u>1,899,362</u>

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

	2013	2012
Cost	1,274,870	1,320,940
Accumulated Depreciation	(71,567)	(46,070)
	<u>1,203,303</u>	<u>1,274,870</u>

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	2013	2012
9. OTHER ASSETS		
Accrued Interest	144,292	104,168
Accounts Receivables and Prepayments	12,023	13,673
	<u>156,315</u>	<u>117,841</u>
10. INVESTORS' BALANCES		
Five Dollar Shares	20,071,355	18,227,380
Save and Prosper	23,814,710	21,960,547
Deposits	844,282	835,851
	<u>44,730,347</u>	<u>41,023,778</u>
11. OTHER LIABILITIES		
Withholding Taxes	55,598	57,309
Accounts Payables and Accruals	191,448	60,014
Deferred Income	45,931	41,028
	<u>292,977</u>	<u>158,351</u>

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12. RETIREMENT BENEFIT PLAN

	2013	2012 Restated
The amount recognized in the Statement of Financial Position is as follows:		
Present Value of Obligations	498,524	443,758
Fair Value of Plan Assets	(828,904)	(710,933)
Asset Recognized in the Statement of Financial Position	<u>(330,380)</u>	<u>(267,175)</u>
The movement in the Present Value of the Obligation is:		
As at Beginning of Year	443,758	378,785
Interest Expense	29,697	25,288
Current Service Cost	20,937	17,255
Contributions by Plan Participants	10,412	9,311
Benefits Paid	(5,119)	(6,042)
Actuarial (Gain) / Loss	(1,161)	19,161
As at End of Year	<u>498,524</u>	<u>443,758</u>
The movement in the Fair Value of Plan Assets is:		
As at Beginning of Year	710,933	556,441
Actual Return on Plan Assets	95,724	136,168
Contributions by the Society	22,558	20,173
Contributions by Plan Participants	10,412	9,311
Benefits Paid	(5,119)	(6,042)
Administrative Expenses	(5,604)	(5,118)
As at End of Year	<u>828,904</u>	<u>710,933</u>
The amount recognized in the Statement of Profit or Loss:		
Current Service Cost	20,937	17,255
Interest Cost	29,697	25,288
Expected Return on Plan Assets	(46,934)	(36,765)
Administrative Expenses	5,604	5,118
Total included in Staff Cost	<u>9,304</u>	<u>10,896</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013
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	2013	2012 Restated
12. RETIREMENT BENEFIT PLAN (cont'd)		
The amount recognized in Other Comprehensive Income:		
Loss from changes in assumptions	-	27,155
Experience Gains - Demographic	(1,161)	(7,993)
Experience Gains - Financial	(48,789)	(99,403)
	<u>(49,950)</u>	<u>(80,241)</u>
Expected Contributions in Upcoming Year	<u>34,294</u>	<u>32,554</u>

The principal assumptions used were:

Discount Rate	6.50%	6.50%
Future Salary Increases	5.50%	5.50%
Return on Assets	6.50%	6.50%
Mortality	UP -94 (+1) (with a projection scale AA)	UP -94 (+1) (with a projection scale AA)

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.

Risks specific to the Society arising from the Retirement Benefit Plan:

Interest Risk: A decrease in the bond interest rate will decrease the retirement benefit surplus.

Mortality Risk: The present value of the plan obligation is calculated by reference to the best estimate of the mortality of the plan participants during and after their employment. An increase in the life expectancy of the plan participants will decrease the retirement benefit surplus.

Salary Risk: The present value of the plan obligation is calculated by reference to the future salaries of the plan participants. An increase in the salary of the plan participants will decrease the retirement benefit surplus.

Investment Risk: A decrease in the return on plan assets will decrease the retirement benefit surplus.

NOTES TO THE FINANCIAL STATEMENTS

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	2013		2012	
12. RETIREMENT BENEFIT PLAN (cont'd)				
Plan Assets are comprised as follows:				
Cash Resources	185,527	22%	199,061	28%
Equity:				
Manufacturing	80,843		61,964	
Distribution	85,786		67,232	
Financial Institutions	410,666		332,910	
	<u>577,295</u>	70%	<u>462,106</u>	65%
Debt Instruments (United Kingdom Government Bonds)	66,082	8%	49,765	7%
	<u>828,904</u>	100%	<u>710,933</u>	100%

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

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

	2013	2012	2011	2010	2009
Present Value of Obligation	498,524	(443,758)	(378,785)	(425,373)	(393,889)
Fair Value of Plan Assets	<u>828,904</u>	<u>710,933</u>	<u>556,441</u>	<u>474,957</u>	<u>372,104</u>

Impact of changes in significant actuarial assumptions

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increases and mortality. The sensitivity analysis provided below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Scenario	Benefit Obligation	% Change in Benefit Obligation
Valuation Results	498,524	
Discount Rate -1%	632,266	26.83
Discount Rate +1%	401,720	-19.42
Salary Increases -1%	444,353	-10.87
Salary Increases +1%	565,374	13.41
Mortality Assuming 1 Year Younger	499,186	0.13
Mortality Assuming 1 Year Older	497,874	-0.13

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13.		2013	2012 Restated
A)	RESERVES		
	Revaluation Reserve		
	As at Beginning of Year	522,189	522,189
	Gain on revaluation of property	65,491	-
	As at End of Year	<u>587,680</u>	<u>522,189</u>
	Retained Earnings		
	As at Beginning of Year	7,014,064	5,749,483
	Transferred from Risk Reserve	24,171	129,085
		<u>7,038,235</u>	<u>5,878,568</u>
	Profit for the Year	992,538	812,997
	Other Comprehensive Income:		
	Remeasurement of provision of employee benefits	49,950	80,241
	Impact of adoption of IAS 19 revision	-	242,258
	As at End of Year	<u>8,080,723</u>	<u>7,014,064</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, 2013 totalled \$107,320 compared with a provision of \$139,084 as required under the Financial Institutions Act 1995. The Risk Reserve as at 31 December, 2012 was \$55,935. The decrease of \$24,171 is shown as a transfer of Risk Reserve to Retained Earnings. 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.

NOTES TO THE FINANCIAL STATEMENTS

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	2013	2012
14. PROVISION FOR IMPAIRMENT ON LOAN ASSETS		
As at Beginning of Year	101,296	95,486
Charged for the Year	6,024	5,810
As at End of Year	<u>107,320</u>	<u>101,296</u>
15. NON-INTEREST EXPENSES BY NATURE		
Depreciation	59,703	49,057
Net Provision for Impairment (Note 14)	6,024	5,810
Staff Costs (Note 17)	316,441	291,777
Security	43,876	38,104
Electricity	37,722	38,717
Software Licence Fee	16,403	15,408
Advertising	6,788	8,897
Postage and Telephone	10,455	10,600
Charitable and Educational Donations	6,560	5,731
Auditors' Remuneration	2,968	2,968
Other	75,430	79,213
Total Non-Interest Expenses	<u>582,370</u>	<u>546,282</u>
16. INTEREST EXPENSE		
Five Dollar Shares	363,704	372,496
Save and Prosper Shares	518,721	538,165
Deposits	11,916	13,808
	<u>894,341</u>	<u>924,469</u>
17. STAFF COST		
Wages and Salaries	263,272	240,736
Social Security Costs	11,939	10,799
Pension Costs	9,304	10,896
Other Staff Costs	31,926	29,346
	<u>316,441</u>	<u>291,777</u>

NOTES TO THE FINANCIAL STATEMENTS

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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.

	2013	2012
(a) MORTGAGES		
Balance as at Beginning of Year	26,550	23,022
Mortgages Issued during the Year	3,140	12,200
Mortgage Interest Charged during the Year	1,310	1,081
Mortgage Payments during the Year	(1,670)	(9,753)
Balance as at End of Year	<u>29,330</u>	<u>26,550</u>

No provision has been required in 2013 and 2012 for the mortgages granted to related parties.

(b) INVESTORS' BALANCES

Balance as at Beginning of Year	119,709	116,745
Effect of Changes in Key Management Personnel	(32,136)	-
Deposits Received during the Year	41,157	38,087
Interest earned during the Year (net of tax)	1,642	2,540
Withdrawals made during the Year	(49,333)	(37,663)
Balance as at End of Year	<u>81,039</u>	<u>119,709</u>

(c) KEY MANAGEMENT COMPENSATION

Short-Term Employee Benefits	88,177	81,616
Post-Employment Benefits	4,181	3,480
	<u>92,358</u>	<u>85,096</u>

(d) OTHER SERVICES

Legal Services from Key Management	17,021	16,722
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NOTES TO THE FINANCIAL STATEMENTS

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19. DIRECTORS' COSTS

Directors' Costs included in Key Management Compensation

	2013	2012
Directors' Fees	3,840	3,840
Directors' Travel	3,840	3,840
Directors' Pension	2,010	2,010
	<u>9,690</u>	<u>9,690</u>

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

Financial instruments carried at the Statement of Financial Position date include cash resources, loan assets, investments, other assets (excluding property, plant and equipment and prepayments), and investors' balances, accounts 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, accounts payables and accruals are classified as financial liabilities measured at amortized cost.

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

(b) RISK 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 risk. 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.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

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 Statement of Financial Position 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 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 approve 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 the Statement of Financial Position date and the geographic default rates are shown below.

	2013		2012	
	Value	Default Rate	Value	Default Rate
Demerara, except Linden	21,187,400	0.43%	17,273,706	0.42%
Berbice	4,917,170	0.21%	3,919,162	0.26%
Essequibo	1,593,986	0.18%	1,391,634	0.20%
Linden	687,471	0.48%	612,744	0.68%
	<u>28,386,027</u>		<u>23,197,246</u>	

During the year there were loan assets totaling \$106,030 (2012 - \$20,406) 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 Statement of Financial Position date but which are not impaired, along with the estimated fair value of the collateral held against these balances.

	2013	2012
Past due up to 30 days	2,886,900	2,540,256
Past due 30 to 90 days	1,494,390	1,616,757
Past due over 90 days	101,868	322,706
Total	<u>4,483,158</u>	<u>4,479,719</u>
Fair value of collateral	<u>9,562,070</u>	<u>9,663,890</u>

NOTES TO THE FINANCIAL STATEMENTS

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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 Statement of Financial Position date, along with the estimated fair value of the collateral held against these balances. All impaired loan assets were outstanding for more than 160 days, with mortgages totaling \$22,812 (2012 - \$7,682) being outstanding for more than one year.

	2013	2012
Demerara, except Linden	92,773	109,530
Berbice	8,020	2,471
Essequibo	2,379	-
Linden	-	1,709
	<u>103,172</u>	<u>113,710</u>
Fair value of collateral	<u>161,900</u>	<u>207,650</u>

(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 rate of interest except cash resources totaling \$4,644 (2012 - \$621,823) with an effective interest rate of 0.5% (2012 - 1.0%). Should the interest rates on the floating rate instruments increase/decrease by 50 basis points (2012 - 50 basis points), with all other variables held constant, the profit for the year would increase/decrease by \$23 (2012 - \$3,109).

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.

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

(d) INTEREST RATE RISK (cont'd)

	Up to one year	Over one year	Non-Interest Bearing	Total
As at 31 December 2013				
Cash Resources	11,804,469	-	720,008	12,524,477
Loan Assets	32,869,244	-	14,499	32,883,743
Investments	3,838,211	2,329,490	-	6,167,701
Other Assets (Property, Plant and Equipment / Retirement Benefit Surplus)	-	-	2,401,777	2,401,777
Total Assets	<u>48,511,924</u>	<u>2,329,490</u>	<u>3,136,284</u>	<u>53,977,698</u>
Investors' Balances	44,730,347	-	-	44,730,347
Other Liabilities	-	-	292,977	292,977
Total Investors' Balances and Other Liabilities	<u>44,730,347</u>	<u>-</u>	<u>292,977</u>	<u>45,023,324</u>
Interest Sensitivity Gap	<u>3,781,577</u>	<u>2,329,490</u>		

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

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

(d) INTEREST RATE RISK (cont'd)

	Up to one year	Over one year	Non-interest Bearing	Total
As at 31 December 2012 Restated				
Cash Resources	6,133,906	-	617,239	6,751,145
Loan Assets	27,683,569	-	15,976	27,699,545
Investments	9,952,216	2,331,223	-	12,283,439
Other Assets (Property, Plant and Equipment / Retirement Benefit Surplus)	-	-	2,516,711	2,516,711
Total Assets	43,769,691	2,331,223	3,149,926	49,250,840
Investors' Balances	41,023,778	-	-	41,023,778
Other Liabilities (Retirement Benefit Plan Deficit)	-	-	158,351	158,351
Total Investors' Balances and Other Liabilities	41,023,778	-	158,351	41,182,129
Interest Sensitivity Gap	2,745,913	2,331,223		

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

	2013	2012
	%	%
Fixed Deposits	2.2	2.6
Mortgages	6.5	6.5
Investments	3.2	3.3
Investors' Balances	2.1	2.3

NOTES TO THE FINANCIAL STATEMENTS

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

(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 Statement of Financial Position 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 2013				
Cash Resources	12,524,477	-	-	12,524,477
Loan Assets	2,501,654	8,111,554	22,266,328	32,879,536
Investments	3,846,265	1,031,890	1,289,546	6,167,701
Other Assets	156,315	1,915,082	330,360	2,401,777
Total Assets	19,028,711	11,058,526	23,886,254	53,973,491
Investors' Balances	44,730,347	-	-	44,730,347
Other Liabilities	251,545	22,496	18,936	292,977
Total Investors' Balances and Other Liabilities	44,981,892	22,496	18,936	45,023,324
Net Liquidity Gap	(25,953,181)	11,036,030	23,867,318	

NOTES TO THE FINANCIAL STATEMENTS

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

(e) LIQUIDITY RISK (cont'd)

	Up to one year	One to five years	Over five years	Total
As at 31 December 2012 Restated				
Cash Resources	6,751,145	-	-	6,751,145
Loan Assets	2,250,357	7,438,256	18,016,742	27,705,355
Investments	9,952,216	402,427	1,928,796	12,283,439
Other Assets	117,841	1,899,362	267,175	2,284,378
Total Assets	19,071,559	9,740,045	20,212,713	49,024,317
Investors' Balances	41,023,778	-	-	41,023,778
Other Liabilities	103,716	36,839	17,796	158,351
Total Investors' Balances and Other Liabilities	41,127,494	36,839	17,796	41,182,129
Net Liquidity Gap	(22,055,935)	9,703,206	20,194,917	

(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.

	2013	2012
Aggregate Assets denominated in Foreign Currencies amounted to:		
British Pound, Sterling	<u>817,195</u>	<u>806,792</u>

At 31 December 2013, 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 \$40,860 (2012 - \$40,340 for a 5% change) higher / lower.

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21. CAPITAL COMMITMENT

	2013	2012
Capital Commitments for Property and Equipment Authorised and Contracted for	<u>-</u>	<u>-</u>

22. IMPACT OF ACCOUNTING POLICY CHANGES

In the current year the Society's accounting policy was changed in respect of the following item (see note 3.1 (a))

1) Adoption of the revised IAS 19 - Employee Benefits

The impact of the change has been adjusted retrospectively as shown below:-

	2013	2012
Increase in Retained Earnings	<u>-</u>	<u>310,332</u>
Statement of Financial Position		
Decrease in provision for employee benefits	<u>268,191</u>	<u>310,332</u>
Increase in net assets	<u>268,191</u>	<u>310,332</u>
Statement of Profit or Loss		
Increase in staff costs	<u>5,777</u>	<u>12,166</u>
Decrease in profit for the year	<u>5,777</u>	<u>12,166</u>
Other Comprehensive Income:		
Remeasurement credit for employee benefits	<u>49,950</u>	<u>80,241</u>
Increase in other comprehensive income	<u>49,950</u>	<u>80,241</u>

NOTES TO THE FINANCIAL STATEMENTS

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23. FAIR VALUE MEASUREMENTS

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/2013	31/12/2012				
Loan Assets	Asset - 33,645,231	Asset - 28,047,921	Level - 2	The fair value of the loan assets was estimated 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.	N/A	N/A
Investments - Government of Guyana Treasury Bills	Asset - 3,848,785	Asset - 9,963,223	Level - 2	The fair values have been estimated by applying discounted cash flows analysis, using current market rates.	N/A	N/A
Investments - United Kingdom Government Treasury Loans	Asset - 483,972	Asset - 511,323	Level - 1	The fair value of the United Kingdom Government Treasury Loans is based on current market value.	N/A	N/A
Investments - Berbice Bridge Company Inc. Bonds	Asset - 2,179,254	Asset - 2,244,210	Level - 2	The fair values have been estimated by applying discounted cash flows analysis, using actuarial discounted rates for similar term investments.	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

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23. FAIR VALUE MEASUREMENTS (cont'd)

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/2013	31/12/2012				
Freehold land and Buildings	Asset - 1,838,845	Asset - 1,773,354	Level - 3	The appraisal was carried out in September 2013 using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the freehold land and buildings in question, including plot size, location, encumbrances and current use.	"The significant unobservable input is the adjustment for factors specific to the freehold land and buildings in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation."	Granting that the inputs are subjective judgements, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Cash Resources and Other Assets

The carrying value of cash resources and other assets approximate to fair value given their short term nature.

Investors' Balances

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

Other Liabilities

The fair value of other liabilities approximates to the amount repayable on demand.

There were no transfer between levels in the current year.

NOTES TO THE FINANCIAL STATEMENTS

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24. CONTINGENT MATTERS.

(a) 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. This matter is currently engaging the attention of the Court. No Provision has been made for this amount in these financial statements as the Society is confident of defending the claim.

(b) CLAIMS FROM BUILDING CONSULTANTS

During December 2008, the Society received three writs of claim totaling \$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. This matter is currently engaging the attention of the Court. No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

(c) 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. The trial for these cases are currently engaging the attention of the court. No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

(d) ASSET OF RETIREMENT BENEFIT PLAN

As at 10 September, 2010, the court ordered the liquidation of Clico Life and General Insurance Company SA Limited naming the Governor of the Bank of Guyana liquidator. The Society held a flexible annuity policy with this company and an amount of \$50,938 was due to the Society's retirement benefit plan as at 31 December, 2013. As at the date of publication of this report, the liquidation process is continuing.

Our Contributions and Sponsorship



NBS' CEO/Director/Secretary, Mr. Ahmad M. Khan, presents the Sponsorship Cheque to Georgetown Cricket Association's Treasurer, Mr. Dennis Wilson for a 40-Overs Second Division Cricket Competition with the Society's Directors and GCA Officials in attendance.



NBS' Chairman, Mr. Moen Mc Doom S.C., makes remarks prior to handing over the Society's Cheque for \$1,000,000 to Mr. Nowrang Persaud, Chairman of the Blairmont Crematorium & Memorial Garden Society to assist in building a Crematorium and Memorial Garden to benefit residents especially in the West Berbice Region.



NBS' CEO/Director/Secretary, Mr. Ahmad M. Khan, hands over trophies to Mr. Colin Boyce, Deputy Superintendent of the Guyana Police Force for the Force's Annual Athletics Championship which included participants from other Police Forces in the Caribbean.

Our Contributions and Sponsorship (cont'd)

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Mr. Vicky Bharosay, Manager of NBS' Corriverton Branch, hands over a cheque to Ms. Vedawattie Chand, President of the P.T.A. of the New Market Primary School in the presence of the School's Headmistress among others.



Miss Deandra Gordon, the best graduating student of the No. 29 Village Primary School, West Coast Berbice receives a plaque from Mrs. Guwantie Hiralall of NBS' Rosignol Branch for achieving the highest score in Mathematics.



NBS' New Amsterdam's Branch Staff, Mrs. Drupatie Gilmore presents a Trophy compliments of NBS, to the best Graduating Student of Berbice High School.

