



NATIONAL HOUSING DEVELOPMENT TRUST

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 June 2013**

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NATIONAL HOUSING DEVELOPMENT TRUST

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the National Housing Development Trust in accordance with the provisions of the *Public Management and Finance Law (2013 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision)*.

As Chairman and General Manager, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the National Housing Development Trust.

As Chairman and General Manager we are responsible for the preparation of the National Housing Development Trust financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of financial performance, cash flow statement and statement of changes in net assets/equity for the financial year ended 30 June 2013.

To the best of our knowledge we represent that these financial statements:

- (a) completely and reliably reflect the financial transactions of National Housing Development Trust for the year ended 30 June 2013;
- (b) fairly reflect the financial position as at 30 June 2013 and performance for the year ended 30 June 2013;
- (c) comply with International Public Sector Accounting Standards under the responsibility of the International Public Sector Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.

A stylized handwritten signature in blue ink.

George Anthony Powell
Chairman
National Housing Development Trust

Date- October 9, 2014

A stylized handwritten signature in blue ink.

Julio Ramos
General Manager
National Housing Development Trust

Date- October 9, 2014



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AUDITOR GENERAL'S REPORT

To the Board of Directors of the National Housing Development Trust

I have audited the accompanying financial statements of the National Housing Development Trust (the "Trust"), which comprise of the statement of financial position as at 30 June 2013 and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 4 to 28 in accordance with the provisions of Section 60(1)(a)(ii) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

AUDITOR GENERAL'S REPORT Cont'd

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the National Housing Development Trust as at 30 June 2013 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Other Matters

The National Housing Development Trust obtained bonds in order to finance the development of the Affordable Housing Initiative program of the government. The full amounts of these bonds have been guaranteed by the Cayman Islands Government. The ability of the Trust to meet its bond obligations and capacity to sustain its operations are reliant on continuing Government support from the proceeds of capital injection and outputs sold to Cabinet.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

9 October 2014
Cayman Islands

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Financial Position
As at 30 June 2013
(Expressed in Cayman Islands Dollars)

2011/12 Actual			2012/13 Actual	Final/Original Budget	Variance (Budget vs Actual)
\$000		Note	\$000	\$000	\$000
Current Assets					
3,863	Cash and cash equivalents	2	736	1,572	836
941	Trade receivables	3	748	335	(413)
73	Prepayments		25	24	(1)
4,877	Total Current Assets		1,509	1,931	422
Non-Current Assets					
14,397	Property, plant and equipment	4	15,514	3,655	(11,859)
1,060	Work In Process	4	3,739	14,916	11,177
15,457	Total Non-Current Assets		19,253	18,571	(682)
20,334	Total Assets		20,762	20,502	(260)
Current Liabilities					
171	Payables and accruals	5	179	47	(132)
38	Employee entitlements	6	36	5	(31)
1,148	Current portion – Bonds Payable	7	1,177	1,149	(28)
1,357	Total Current Liabilities		1,392	1,201	(191)
Non-Current Liabilities					
19,362	Long term – Bonds Payable	7	18,185	19,362	1,177
500	Payables	1(o)	80	426	346
19,862	Total Non-Current Liabilities		18,265	19,788	1,523
21,219	Total Liabilities		19,657	20,989	1,332
(885)	Net Assets		1,105	(487)	(1,592)
	Net Worth			(2,117)	(2,117)
12,808	Contributed capital		14,953	2,992	(11,961)
-	Revaluation Surplus		1,408		(1,408)
(13,693)	Accumulated surpluses/(deficits)		(15,256)	(1,362)	13,894
(885)	Total Net Worth		1,105	(487)	(1,592)

The accounting policies and notes on pages 8 - 28 form part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Financial Performance
For the year ended 30 June 2013
(Expressed in Cayman Islands Dollars)

2011/12 Actual \$000			2012/13 Actual \$000	Final/Original Budget \$000	Variance (Budget vs Actual) \$000
Revenue					
658	Outputs to Cabinet	8	642	665	23
619	Sale of goods and services	8	704	759	55
1,277	Total Revenue		1,346	1,424	78
Expenses					
686	Personnel costs	9	689	589	(100)
1,011	Supplies and consumables	10	761	1,246	485
44	Depreciation		224	43	(181)
930	Financing Expense	11	891	907	16
-	Losses on disposal of property, plant and equipment	12	339	-	(339)
-	Other expenses		-	-	-
2,671	Total Expenses		2,904	2,785	(119)
(1,394)	Surplus or (Deficit) for the period		(1,558)	(1,361)	197

The accounting policies and notes on pages 8 - 28 form part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2013
(Expressed in Cayman Islands Dollars)

	Contributed Capital	Accumulated Surplus/(deficits)	Total Net worth	Final/Original Budget	Variance (Budget vs Actual)
Balance at 30 June 2011	7,741	(12,299)	(4,558)	(1,524)	3,034
Capital Injection	5,067	-	5,067	703	(4,364)
(Deficit) for the (year 2011/12)	-	(1,394)	(1,394)	(1,296)	98
Prior Period Adjustments (note 14)	-	-	-	-	-
Balance at 30 June 2012	12,808	(13,693)	(885)	(2,117)	(1,232)
Capital Injection	2,145	-	2,145	2,992	847
(Deficit) for the (year 2012/13)	-	(1,558)	(1,558)	(1,362)	196
Revaluation Surplus	-	1,408	1,408	-	(1,408)
Prior Period Adjustments (note 14)	-	(5)	(5)	-	5
Balance at 30 June 2013	14,953	(13,848)	1,105	(487)	(1,592)

The accounting policies and notes on pages 8 - 28 form part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST
CASH FLOW STATEMENT
For the year ended 30 June 2013
(Expressed in Cayman Islands Dollars)

Prior Year Actual 2011/12 \$000	Note	Current Year Actual 2012/13 \$000	Final/ Original Budget \$000	Variance (Budget vs Actual) \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Receipts</i>				
78	Outputs to Cabinet	391	665	274
562	Sale of goods and services - third party	770	898	128
-	Interest received	-	5	5
<i>Payments</i>				
(786)	Personnel costs	(692)	(589)	103
(1,075)	Suppliers	(1,104)	(739)	365
(903)	Interest paid	(870)	(906)	(36)
(2,124)	Net cash flows from/(used in) operating activities	(1,505)	(666)	839
CASH FLOWS FROM INVESTING ACTIVITIES				
(3,838)	Purchase of property, plant and equipment Net Movement in Capital Assets	(2,618)	(7,012)	(4,394)
765	Investment – Low Income Housing Properties		453	453
(3,073)	Net cash flows from/(used in) investing activities	(2,618)	(6,559)	(3,941)
CASH FLOWS FROM FINANCING ACTIVITIES				
-	Proceeds from Bonds	-	-	-
(1,148)	Payments on Bonds Payable	(1,148)	(1,121)	27
5,068	Equity Investment	2,144	2,992	848
3,920	Net cash flows from financing activities	996	1,871	875
(1,278)	Net increase/(decrease) in cash and cash equivalents	(3,127)	(5,354)	(2,227)
5,141	Cash and cash equivalents at beginning of period	3,863	6,926	3,063
3,863	Cash and cash equivalents at end of period	736	1,572	836

The accounting policies and notes on pages 8 - 28 form part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2013

(Expressed in Cayman Islands Dollars)

Description and principal activities

The National Housing Development Trust (the "Trust") was incorporated on September 29, 2003 as a not for profit company by guarantee without share capital. The Trust provides affordable housing to Caymanian citizens.

National Housing Development Trust offers several programs:

- a) The Government Guaranteed Home Mortgage Assistance (GGHAM) - The Cayman Islands Government (CIG), working along with local banks, provide mortgage funding to persons who cannot qualify for a traditional mortgage from a commercial bank and who are unable to accumulate the required 5-20% required for acquiring a mortgage. As of 30 June 2013 there were 10 loans processed of which none were approved.
- b) The Affordable Housing Initiative ("AHI") is designed to assist low income families to have their housing needs met. As of 30 June 2013 there were 54 registered clients under the Affordable Housing Initiative.

The build on your own property ("BYOP") is an option for a person owning their own home if they have their own land. The National Housing Development Trust assists Caymanian to construct affordable homes on their own property. This program has been put on hold.

The Trust is a government owned company with its registered office situated at the Government Administration Building on Elgin Avenue, George Town, Grand Cayman and its office operation located at Cayman Centre, Bldg E Unit 4, Dorcy Drive, Grand Cayman.

Note 1: Significant accounting policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation

The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2013

(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

Changes in accounting policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

(b) Budget amounts

The original budget amounts for the financial year are as presented in the 2012/2013 Annual Budget Statement and approved by the Legislative Assembly on 29 August 2012. The Final Budget is those budget amounts approved in Supplementary Budget.

(c) Reporting period

The reporting period is the year ended 30 June 2013.

(d) Judgments and estimates

The preparation of financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period they are determined and in any future periods that are affected by those revisions.

(e) Revenue

Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability (unearned revenue).

The Trust derives its revenue from mortgage interest, strata fees and rental of houses to the Caymanian public. Revenue is recognised at fair value of services provided.

(f) Expenses

Expenses are recognised when incurred on the accrual basis of accounting. In addition, an expense is recognized for the consumption of the estimated fair value of contributed goods and services received.

(g) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are recognised as an expense on a straight-line basis over the lease term.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months at the date of acquisition.

Note 1: Significant accounting policies (continued)

(i) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment in these financial statements.

(j) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognized impairment loss. Leasehold Improvements are depreciated over the life of the office lease of 5 years ending Oct 28, 2012. Depreciation is charged as to write off the cost or valuation of asset over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Computer equipment	3
Furniture and fixtures	12
Office and telephone equipment	5
Vehicle	5
Low-income housing properties	50
Leasehold improvements	5

Depreciation on the new AHI houses are recognized upon the issuance of the Certificate of Occupancy, which signals the point at which they are available for use. At this point they are in the location and condition necessary for them to be operating in the manner intended by Management, as outlined in IPSAS 17 .

The gain or loss arising on the disposal or retirement of an asset is determined as difference between the sales proceeds and the carrying amount of the asset and is recognized as income/Loss.

(k) Disposals

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

(l) Work in progress

This account consists of costs incurred attributable to bringing the asset condition necessary for it to be capable of operating in the manner intended by management. It is categorized as non-current assets for the actual cost related to each project. When the affordable housing initiative (AHI) houses are complete then a reclass will be made to the relevant property, plant and equipment. The NHDT's objective is to complete projects within approximately an eighteen (18) month period.

(m) Inventory assets

This account consists of completed AHI Houses, for which have been allocated parcels, issued Certificate of Occupancy and held specifically for re-sale. Houses which are held as rental property or lease-to-own in property, plant and equipment –AHI Houses.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2013

(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(n) Land

Land is acquired from the government at no cost and is recorded at fair market value at the date of acquisition. A revaluation of this asset will be undertaken every 5 years.

(o) Deferred liabilities

Payments made by purchasers on their mortgage principal are recorded as deferred liabilities.

(p) Employee benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees of the Trust are paid to the Silver Thatch Pension Fund and administered by the Silver Thatch Pension Board (the "Board").

Silver Thatch Pensions is governed by a board of trustees who appoint agents to handle administration, management and investment functions. Intertrust are the plan administrators, Saxon Pensions are the Client Services Agent and Coutts Cayman are the Investment Managers.

(q) Financial instruments

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, trade and accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

(r) Financial instruments

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents and receivables.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial instruments comprise of accounts payable and accrued expenses.

Recognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the Statements of Financial Performance.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2013

(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(r) Financial instruments (continued)

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

De-recognition

A financial asset is derecognized when the Trust realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expired.

(s) Contingent liabilities and assets (including guarantees)

Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are disclosed if it is probable that the benefits will be realised.

(t) Foreign currency

Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

At the end of the reporting period the following exchange rates are to be used to translate foreign currency balances:

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate at year end date;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and
- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)****Note 2: Cash and cash equivalents**

2011/12 Actual \$000	Description	Currency	Exchange Rate	2012/13 Actual \$000
1	Cash on hand (Petty Cash)	CI \$	1	1
3,578	Bank Accounts held at other financial institutions <u>[Bank of Nova Scotia and Bank of Butterfield]</u>	CI \$	1	735
284	Fixed Deposits held with Banks (Fidelity & Scotiabank) - (less than 90 days)			-
3,863	TOTAL	CI \$	1	736

Cash and cash equivalents include cash on hand; bank accounts in the name of the Trust maintained at the Scotiabank & Trust (Cayman) Limited and Butterfield Bank (Cayman) Limited. No restricted cash balances were held by the Trust at 30 June 2013 and 30 June 2012.

Note 3: Trade receivables and other receivables

At year end all overdue receivables have been assessed and appropriate provisions were made. The provision for doubtful debts has been calculated based on expected losses for the Trust and review of specific debtors. Expected losses have been determined based on analysis of the Trust's losses in previous periods.

2011/12 Actual \$000	Description	2012/13 Actual \$000
1,821	Debtors	1,215
(880)	Less: provision for doubtful debts	(467)
941	Total trade & other receivables	748

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)****Note 3: Trade receivables and other receivables (continued)**

As at 30 June 2013 and 30 June 2012, the aging analysis of trade and other receivables is as follows:

2011/12 Actual \$000	Description	Gross Amount \$000	Prior Year Impairment	Net Receivables
34	Current	75	-	75
187	Past due 1-30 days	150	-	150
(2)	Past due 31-60 days	8	-	8
22	Past due 61-90 days	6	-	6
700	Past due 90 and above	509	-	509
941	Total	748	-	748

The amount of \$509K past due 90 days and above includes funds which are due from Cabinet for outputs delivered for 2012-13. An amount of \$452K due from Cabinet for Outputs delivered in 2010-11 and 2011-12 has been classified as doubtful and a provision has been made for this.

2011/12 Actual \$000	Description	2012/13 Actual \$000
(607)	Balance at 1 July	(880)
(273)	Additional provisions made during the year	129
-	Provision for Unpaid Outputs for Prior Periods	(453)
-	Receivables written off during the period	737
(880)	Balance at 30 June	(467)

As at 30 June 2013 and 30 June 2012, trade and other receivables are all due within one year from financial position date.

Net Receivables of \$737K has been written off from provisions for doubtful debts. \$880K had been provided up to June 30, 2012, and therefore no further expense was required for the current year. These balances relate to client receivables for the Old AHI houses which have been impaired and written off. 34 of these houses remain and are being demolished as they become vacant.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2013

(Expressed in Cayman Islands Dollars)

Note 4: Property, plant and equipment

	<i>Land</i>	<i>Buildings</i>	<i>Leasehold Improvement</i>	<i>Furniture & Fixtures</i>	<i>Computer Equipment</i>	<i>Office & Tel Equipment</i>	<i>Vehicle</i>	<i>Infrastructure</i>	<i>Total</i>
Balance as at 1 July 12	3,817	6,077	135	39	26	34	49	4,420	14,597
Additions	-	728	-	-	4	-	-	674	1,406
Additions (Note: Re-evaluation)	4,094	2,408	-	-	-	-	-	(5,094)	1,408
Impairment loss 2011/12	-	-	-	-	-	-	-	-	-
Disposals	-	(670)	-	-	-	(2)	-	-	(672)
Transfers	(802)	-	-	-	-	-	-	-	(802)
Balance as at 30 June 13	7,109	8,543	135	39	30	32	49	-	15,937

Accumulated Depreciation and impairment losses:

	<i>Land</i>	<i>Buildings</i>	<i>Leasehold Improvement</i>	<i>Furniture & Fixtures</i>	<i>Computer Equipment</i>	<i>Office & Tel Equipment</i>	<i>Vehicle</i>	<i>Infrastructure</i>	<i>Total</i>
Balance as at 1 July 2012	-	-	98	18	25	21	38	-	200
Depreciation Expense 13	-	171	37	3	1	5	7	-	224
Impairment loss 13	-	-	-	-	-	-	-	-	-
Eliminate on Disposal 13	-	-	-	-	-	(1)	-	-	(1)
Balance as at 30 June 13	-	171	135	21	26	25	45	-	423
Net Book value 30 June 12	3,817	6,077	37	22	1	13	11	4,420	14,397
Net Book value 30 June 13	7,109	8,372	-	18	4	7	4	-	15,514

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)****Note 4: Property, plant and equipment (Continued)**

- a) In July 2012 the NHDT retained the services of JEC Property Consultants to provide fair market valuation for the new AHI Houses located in the East End, Windsor Park and West Bay. In Windsor Park, the 26 AHI Houses were valued at \$3.895M, and the net book value at 30 June 2012 was \$2.56M. At Lighthouse Garden in West Bay the 29 Houses which were completed were valued at \$4.48M, with the net book value at June 2012 being \$2.85M. In East End 7 of the 12 houses were sold and the 5 houses which remain in the possession of the NHDT are valued at \$740K, with the net book value at 30 June 2012 being \$673K.
- b) The NHDT land located at Eastern Avenue was valued at \$1.81M under its current zoning as high density residential, but was valued at \$3M when categorized as commercial. The high residential value is being used in our report at June 30, 2013.
- c) In March 2013 the NHDT retained the services of Integra Realty Resources (IRR) to provide fair market valuation for its land assets located in the East End, Windsor Park, West Bay, Bodden Town and Eastern Avenue. The total revalue confirmed was \$7.1M, with the book value at 30 June 2012 being \$3.8M.

Summary of Work in process:

2011/12 Actual \$000	Description	2012/13 Actual \$000
-	Project Development - New Housing Project in East End	3
530	Project Development - New Housing Project in West Bay	650
-	Project Development - New Housing Project in Windsor Park	16
34	Project Development - Eastern Ave	34
37	Project Development - Fair Banks & Bodden Town	3,035
459	Project Development - New Housing Project - Overhead Cost	1
1,060	Total	3,739

Location	Buildings \$000
West Bay	4,237
Windsor Park	3,735
East End	571
Total	8,543

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)**

Note 4: Property, plant and equipment (Continued)

The Buildings pertain to affordable low income property houses that are located in West Bay, East End and Windsor Park. The additions in 2013 relate to AHI houses that were constructed in West Bay which have been completed and have received their Certificates of Occupancy. These were previously categorized as Work-in Process, but have now been transferred to Property, plant and equipment. The cost for the infrastructure works was also included in the Work-in-Process, but has now been transferred to Fixed Assets as the project has been completed.

The Legal Opinion issued in April 2011, concluded that structures completed between 2004 and 2005 were constructed in the absence of any building control regulation. This culminated in the inability to obtain the Certificates of Fitness for Occupancy required before any occupation of a completed new building can take place. The inability to comply with the Land Registration Legislation led to the purported sale of unregistered properties which are incapable of transfer of title and registration and which are, by normal Cayman Islands Building Codes, unfit for habitation. As a result these houses have been categorized as Impaired Assets. As at 30 June 2012 all of these impaired houses have been written off and a program has been put in place to have them demolished.

Note 5: Trade payables, accruals and other payables

2011/12 Actual \$000	Description	2012/13 Actual \$000
149	Trade Payables	141
22	Housing Rental Deposits	38
-	Special Purpose Fund	-
-	Accounts payable - special	-
171	Total trade payables, accruals and other payables	179

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. The Housing rental deposits are advance payments made by clients on lease agreements between the NHDT.

As at 30 June 2013 and 30 June 2012, trade payables, accruals and other payables are all due within one year from financial position date.

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)****Note 6: Employee entitlements**

Prior Year 2011/12 \$000	Description	Current Year 2012/13 \$000
	Current employee entitlements are represented by:	
21	Annual Leave	19
17	Pension Liability	17
38	Total current portion	36
	Non-current employee entitlements are represented by:	
-	Retirement and long service leave	-
38	Total employee entitlements	36

The retirement and long-service leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

Note 7: Bonds Payable**Scotiabank Bond**

In October 2004, the Trust secured funding in the form of a bond issuance from Scotia Capital in the amount of US\$14.5 million at a fixed interest rate of 5.238%. Bi-annual payments of US \$607,032 commenced on April 28, 2006 and the loan will be paid in full by October 2024. The bond issue has been guaranteed by the Cayman Islands Government. The bond payable balance was translated at 0.82 at the financial year end reporting period. As per wire instruction on the bond, payments are made to Sun Life Financial, Waterloo, Ontario, Canada.

Particulars	USD		CI at (0.82)	
	2013	2012	2013	2012
Amount borrowed	11,033	11,645	9,047	9,549
Principal repayments	(644)	(612)	(528)	(502)
Bond balance	10,389	11,033	8,519	9,047
Current portion	679	644	557	528
Long term portion	9,710	10,389	7,962	8,519

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013***(Expressed in Cayman Islands Dollars)***Note 7: Bonds Payable (continued)****Butterfield Bond**

In August 2009, the Trust secured a bond issuance from Butterfield Bank (Cayman) Ltd. in the amount of KYD\$12,083,000 at the Applicable Margin per annum above the Butterfield Bank Cayman Islands Dollar Base Rate (currently 3.25%).

This bond issuance is to provide long term financing to finance the soft and hard costs of constructing homes to low-income Caymanians. Repayment for the first two years (2) years interest only paid monthly, followed by a nine (9) year equal amortizing term loan in equal bi-annual principal payments of KYD 310,000 amortized over nineteen (19) years (the "Amortization Period"), plus accrued interest, payable monthly in arrears. Unless extended by the Bank in writing, the Term Loan together with all accrued interest and other amounts payable by the Borrower to the Bank hereunder, is repayable in full on the eleventh (11th) anniversary date of acceptance of this Facility Letter (the "Maturity Date").

The Cayman Islands Government agreed to execute a Guaranty Agreement for the full amount of the Bond in order to induce Butterfield Bank to make the loan to National Housing Development Trust and thereby providing funds to finance the development of housing under the Affordable Housing Initiative of the Government. This Guaranty Agreement was signed by the Premier and dated 02 January 2010.

The initial Guaranty Agreement also included the first requested Draw-down of KYD\$2,000,000 with funds received by National Housing Development Trust on February 10, 2010. The second requested Draw-down dated 02 June, 2010 for an additional KYD\$2,000,000 was received on June 10th, 2010. The third Draw-down was for KYD\$4,000,000, received on 06 December 2011 and the fourth and final drawdown for KYD\$4,083,000 was received on 17 June 2011.

Particulars	USD		CI at (0.83)	
	2013	2012	2013	2012
Amount borrowed	13,756	14,500	11,463	12,083
Principal repayments	(744)	(744)	(620)	(620)
Bond balance	13,012	13,756	10,843	11,463
Current portion	744	744	620	620
Long term portion	12,268	13,012	10,223	10,843

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2013
(Expressed in Cayman Islands Dollars)

Note 8: Revenue

Prior Year 2011/12 \$000	Revenue Description	Current Year 2012/13 \$000	Final/Original Budget \$000	Variance (Budget vs Actual) \$000
658	Outputs Sold to EXCO -	642	671	29
295	Income from Rental Property	391	320	(71)
219	Income from Mortgage Property	209	269	60
55	Strata Fees - Charges on Mortgage Property	87	-	(87)
41	Commitment Fee - GGHAM	11	160	149
6	Interest on Cash Balances & Late Fees	6	4	(2)
3	Miscellaneous Income	-	-	-
1,277	Total Revenue	1,346	1,424	78

As at 30 June 2013 and 30 June 2012, outputs sold to EXCO is as follows:

2011/12 \$000	Description	2012/13 \$000
		\$0
218	GGHAM Output 5	208
197	AHI Output 4	231
191	Project Development Output 6	203
52	BYOP Output 7	-
658	Total	\$642

As at 30 June 2013 and 30 June 2012, income from rental property by location is as follows:

2011/12 \$000	Description	2012/13 \$000
225	West Bay	273
44	East End	11
26	Windsor Park, George Town	108
295	Total	392

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)**

Note 8: Revenue (continued)

As at 30 June 2013 and 30 June 2012, income from mortgage property by location is as follows:

2011/12 \$000	Description	2012/13 \$000
143	West Bay	120
71	Windsor Park, George Town	88
5	East End	-
219	Total	208

Note 9: Personnel costs

2011/12 \$000	Description	2012/13 \$000
538	Salaries, wages, fees and allowances	542
96	Health care	94
45	Pension	49
7	Leave	4
-	Other personnel related costs	-
686	Total Personnel Costs	689

Note 10: Supplies and consumables

2011/12 \$000	Description	2012/13 \$000
386	Doubtful debt expense	324
272	Repairs and maintenance	73
163	Insurance	154
108	Lease of buildings	69
55	Other Supplies and Consumables	113
27	Utilities	28
1,011	Total Supplies and consumables	761

The Lease of buildings contains an amount of \$24K representing the relocation cost for the clients who resided in the old AHI houses in Windsor Park. This exercise commenced in May 2011 and extended to August 2012.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2013
(Expressed in Cayman Islands Dollars)

Note 11: Finance Costs

2011/12 \$000	Description	2012/13 \$000
23	Bank charges	21
907	Interest on bonds payable	870
930	Total Finance Costs	891

As at 30 June 2013 and 30 June 2012, interest on bonds payable is as follows:

2011/12 \$000	Description	2012/13 \$000
494	Bond interest payment to Sun Life Assurance	467
413	Bond interest payment to Butterfield Bank	403
907	Total Finance Costs	870

Note 12: Gains / (Losses)

Prior Year 2011/12 \$000		Current Year 2012/13 \$000
-	Loss on disposal of property, plant and equipment – Eastern Avenue	(339)
-	Loss on impairment of buildings	-
-	Total gains/ (losses)	(339)

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2013

(Expressed in Cayman Islands Dollars)

Note 13: Commitment

Prior Year Actual 2011/12 \$000	Type	1 year or less \$000	1-5 Years \$000	Over 5 Years \$000	Total \$000
	Operating Commitments				
10	Non-cancellable accommodation leases			-	-
-	Other operating commitments	-	-	-	-
10	Total Commitments		-	-	-

Note 14: Reconciliation of net cash flows from operating activities to surplus/ (deficit)

Prior year 2011/12 \$000	Description	Current year 2012/13 \$000
(1,394)	Surplus/(deficit) from ordinary activities	(1,558)
	Non-cash movements	
44	Depreciation expense	224
27	Increase in payables	(412)
-	Increase in provisions relating to employee costs	
-	(Gain)/losses on sale of property plant and equipment	-
(658)	Increase in receivables – Cabinet	-
(143)	Increase in receivables (net of provision for doubtful debts)	241
(2,124)	Net cash flows from operating activities	(1,505)

The Trust has signed a lease agreement with Bodwin Investments Ltd. for the rental of National Housing Development Trust operating premises in the amount of \$41,250 (US dollar) annually, effective 01 October 2007 for a period of five (5) years. This contract expired on the 01 October 2012 and the option to renew for an additional five (5) years was not effected. The Trust now operates on a month by month rental.

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)**

Note 15: Contingencies

	Beginning Balance \$000	Additions \$000	Disbursements \$000	Adjustments \$000	Ending Balance \$000
Other Contingent Liabilities					
Security Centre Limited	12	-	-	-	12
Total contingent liabilities	12	-	-	-	12
Contingent Assets	-	-	-	-	-
	-	-	-	-	-
Total Other Contingent Assets	-	-	-	-	-

There was a legal action against the Trust by the Security Centre Limited in the amount \$12,000 for breach of contract for work performed in August, 2005. The case is currently inactive.

NOTE 16: Explanation of major variances against budget

Explanations for major variances for the Trust's performance against the original / final budget are as follows:

Statement of financial performance*Revenue*

Revenue from outputs sold to Cabinet was below budget by \$23K representing a reduction in Government Budget. Revenue from sale of goods and services was \$55K below budget mainly due to the sale of some houses and also the fact that the GGHAm program had been put on hold..

Personnel costs

Personnel costs were \$100K above budget due to the fact that a Finance and Administration Manager was employed during the year. Also contributing to this was the restructuring of the Trust and the need to have increased directors and committee meetings.

Supplies and consumable & finance cost

Supplies and consumables were \$485K below budget as there was a decrease in property maintenance cost as most of the old affordable houses were demolished.

NOTE 16: Explanation of major variances against budget (Continued)

Statement of financial position

Cash and cash equivalents

The actual year-end cash balances were approximately \$836K below budget mainly attributed to fact that the projects are now substantially completed and payments made.

Debtors and other receivables

The actual year-end debtors and other receivables balances were \$413K above budget as the output billings to Government were still outstanding at year-end.

Property, Plant and Equipment

Property, plant and equipment were \$11.9M higher than the original budget due to the completion of the Affordable Houses located in West Bay and Windsor Park.

Payables and accruals

Payables and accruals were \$132K higher than the original budget due to retention on Project Development Contractors.

Statement of cash flows

Cash from operating activities

The decrease of \$839K cash on budget from operating activities is mainly attributed to the fact that no payments were received for the Cabinet Output billings for 2012-13. Also there was a reduction in cash received from client that are registered under the old affordable housing initiative program.

On the payment side, there was an increase in payments due to the payments made for the demolition works of the old houses. There was also an increased number of director's meetings following on the restructuring of the Trust.

Cash from investing activities

The decrease of \$4.4M cash on budget from investing activities is mainly attributed to higher budgeted cost for Project Development for the year.

Cash from financing activities

The shortfall of \$875K cash from financing activities is due to the fact that the equity refund for infrastructure works was not received during the year.

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)**

NOTE 17: Related party and key management personnel disclosures**Related party disclosure**

The Trust is a government company from which it derives a major source of its revenue from Cabinet through Output funding. The Trust and its key management personnel transact with other government entities on a regular basis.

These transactions were provided free of cost during the financial year ended June 30, 2013 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Due to its uniqueness and set up of the Trust, the operation of the Trust relies on the Board of Directors. The Directors offer their services through Board and Committee Meetings, for which they earn directors fees. The total Board and Directors Fees and Committees fees paid out for 2012-13 was \$65.8K (2011-12 \$78K)

During the year, The Trust also has business transactions with registered companies in which members of the Board of Directors or their close family members have an interest. The total of such related party transactions for 2012-13 was \$11K (2011-12 \$234k)

Key management personnel

There is one full-time equivalent personnel considered at the senior management level. The total remuneration includes: regular salary, allowances, pension contributions and health insurance contributions. Total remuneration for senior management in 2012-2013 was \$102K (2011-12 \$106k) . There were no loans made to key management personnel in 2012-13 (2011-12: \$0).

NOTE 18: Events occurring after reporting date

- a) In September 2013 the NHDT Board passed a resolution to reduce the directors fees and also to eliminate remuneration for sub committee meetings. This remains in effect as at August 2014.
- b) In October 2013 the National Housing Development Trust was appointed a new Board that consisted of individual local Entrepreneurs, Bankers, Contractor, Property Manager and a Retired Civil Servant. The first Board Meeting was held on October 17, 2013.
- c) In November 2013 the NHDT Board passed a resolution to discontinue the structural upkeep of the Old AHI houses. The maintenance of the common areas and the service of the septic tanks would continue, along with the removal of derelict cars. This remains in effect as at August 2014.
- d) In November 2013 the Trust retained the services of JEC Property Consultants to provide a market valuation exercise for the 20 Affordable Houses that were completed at the Bodden Town Housing site. These houses were valued at \$3.11m. This remains in effect as at August 2014.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2013

(Expressed in Cayman Islands Dollars)

NOTE 18: Events occurring after reporting date (continued)

- e) In January 2014 the NHDT Board passed a resolution to authorize that the sale option be adopted for distribution of the AHI houses. The Trust would continue with Purchase Offer to Existing Lease-to-Own Clients at their current balance, and offer a Purchase Option to Existing New AHI Lease Clients and recalculate the commitment for prospective applicants as if they were acquiring under a lease-to-own option at a local market rate of 5.25% and factoring in payback for property Insurance. The prices are:

- House type 1-Bedroom CI\$77,000.00
- House type 2-Bedroom CI\$105,000.00
- House type 3-Bedroom CI\$120,000.00

The above outline costs for the AHI houses remain in effect as at August 2014.

- f) The Trust and the Needs Assessment Unit (NAU) of the Department of Children and Family Services (DCFS) were tasked on December 2013 with conducting the relevant assessment that would outline the needs of these occupants. As of August 2014, the assessments have been ongoing and once completed will be referred to the Cayman Islands Government.
- g) In 2006 an occupant of the NHDT Eastern Avenue property, inherited a benefit of being allocated one of the affordable houses by way of a court order. In keeping with the court order, approval was given for a proposal to transition the occupant from the Old Affordable Housing Site known as Apple Blossoms and unto the New Affordable Housing Site known as Light House Gardens. The proposal was made and as of August 2014, there have been ongoing discussion to finalize and approve the new agreement.

NOTE 19: Financial instrument risks

National Housing Development Trust (NHDT) is exposed to a variety of financial risks including interest rate risk, credit risk and liquidity risk. NHDT's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the CIG Financial Regulations.

Interest Rate Risk

NHDT is subject to interest rate risk on the cash placed with a local bank which attracts interest. A late fee of \$15.00 is charged to tenants on late payments on accounts receivable and not late interest payments. The NHDT is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and short term fixed deposits which are available on demand.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the NHDT. Financial assets which potentially expose NHDT to credit risk comprise development of property investments, house construction, cash equivalents and accounts receivable. NHDT is exposed to potential loss that would be incurred if the counterparty to the bank balances failed to discharge its obligation to repay. All bank balances are with three financial institutions located in the Cayman Islands which management and the Board considers being financially secure and well managed.

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to the Financial Statements****For the year ended 30 June 2013****(Expressed in Cayman Islands Dollars)****NOTE 19: Financial instrument risks (continued)**

NHDT is also exposed to a significant concentration of credit risk in relation to accounts receivables, all of which are due from persons who have a lease or mortgage agreements with NHDT. The maximum amount of these accounts varies with a month to month payment of \$699 or \$579 for both the rental and mortgage accounts with the total cost of the homes being stated as \$69,900 and \$56,900 respectively for mortgages. As at 30 June 2013, provisions for doubtful debts have been made for these accounts.

The carrying amount of financial assets recorded in the financial statements represents NHDT's maximum exposure to credit risk. In the case of the mortgage accounts the collateral for these accounts is the house itself and for the rental no collateral is required from NHDT's debtors.

Liquidity Risk

Liquidity risk is the risk that NHDT is unable to meet its payment obligations associated with the financial liabilities when they fall due. The ability of NHDT to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to NHDT in a timely basis and from proceeds of capital injection that are received from the Cayman Islands Government. In the event of being unable to collect its outstanding debt, it is expected that Government would fund any shortfalls.

NOTE 20: Appropriations used

Appropriation Description (including Output number and name)	Amount Appropriated \$000	Appropriation Used \$000	Variance \$000
NHT 4 Administration of the Affordable Housing Initiative	210	209	(1)
NHT 5 – Administration of Government Guaranteed Home Assisted Mortgage	231	231	-
NHT 6 – Administration of the Low Income Housing Scheme	204	203	(1)
NHT 7 – Administration of Build on Your Own Property Initiative	-	-	-
TOTAL	645	642	(3)

NOTE 21: Authorization date

The 2013 Financial Statements for National Housing Development Trust is authorized for issue on October 9, 2014 by the Trust's Board of Directors.