



NATIONAL HOUSING DEVELOPMENT TRUST

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 June 2014**

CONTENTS

	Page
1. Statement of Responsibility for Financial Statements	1
2. Auditor General's Report	2 - 3
3. Statement of Financial Position	4
4. Statement of Financial Performance	5
5. Statement of Changes in Net Assets	6
6. Statement of Cash Flows	7
7. Notes to the Financial Statements	8 - 28



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.

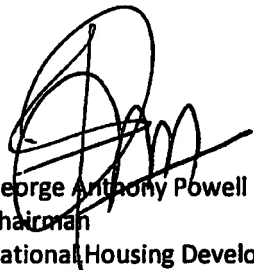
As Chairman and General Manager we are responsible for the preparation of the National Housing Development Trust financial statements and for the judgements made in them.

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 2014.

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 2014;
- (b) fairly reflect the financial position as at 30 June 2014 and performance for the year ended 30 June 2014;
- (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.


George Anthony Powell
Chairman
National Housing Development Trust

Date- April 30, 2015


Julio Ramos
General Manager
National Housing Development Trust

Date- April 30, 2015

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 2014 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 2014 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

30 April 2015
Cayman Islands

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Financial Position
As at 30 June 2014
(Expressed in Cayman Islands Dollars)

2012/13 Actual			2013/14 Actual	Final/Original Budget	Variance (Budget vs Actual)
\$000		Note	\$000	\$000	\$000
Current Assets					
736	Cash and cash equivalents	2	788	1,387	599
748	Trade receivables	3	1,278	977	(301)
25	Prepayments		21	48	27
1,509	Total Current Assets		2,087	2,412	325
Non-Current Assets					
-	Accounts receivable	3	-	-	-
15,514	Property, plant and equipment	4	16,614	22,290	5,676
-	Inventory - New Proj Dev	1(m)	2,231	-	(2,231)
3,739	Work In Process		6	-	(6)
19,253	Total Non-Current Assets		18,851	22,290	3,439
20,762	Total Assets		20,938	24,702	3,764
Current Liabilities					
179	Payables and accruals	5	92	72	(20)
36	Employee entitlements	6	30	19	(11)
1,177	Current portion - Bonds Payable	7	1,206	1,216	10
1,392	Total Current Liabilities		1,328	1,307	(21)
Non-Current Liabilities					
18,185	Long term - Bonds Payable	7	16,979	16,969	(10)
80	Payables	1(0)	112	261	149
18,265	Total Non-Current Liabilities		17,091	17,230	139
19,657	Total Liabilities		18,419	18,537	118
1,105	Net Assets		2,519	6,165	3,646
Net Worth					
14,953	Contributed capital		17,945	18,084	139
1,408	Revaluation Surplus		1,138	3,657	2,519
(15,256)	Accumulated surpluses/(deficits)		(16,564)	(15,576)	988
1,105	Total Net Worth		2,519	6,165	3,646

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 2014
(Expressed in Cayman Islands Dollars)

2012/13 Actual \$000		2013/14 Actual \$000	Final/Original Budget \$000	Variance (Budget vs Actual) \$000	
	Revenue	8			
642	Outputs to Cabinet	645	645	-	
704	Sale of goods and services	467	599	132	
1,346	Total Revenue	1,112	1,244	132	
	Expenses				
689	Personnel costs	9	683	628	(55)
761	Supplies and consumables	10	430	417	(13)
224	Depreciation		187	189	2
891	Financing Expense	11	835	870	35
339	Losses on disposal of property, plant and equipment	12	214	-	(214)
-	Other expenses		-	-	-
2,904	Total Expenses	2,349	2,104	(245)	
(1,558)	Surplus or (Deficit) for the period	(1,237)	(860)	377	

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 2014
(Expressed in Cayman Islands Dollars)

	Contributed Capital \$000	Accumulated Surplus/(deficits) \$000	Revaluation Surplus \$000	Total Net Worth \$000	Final/Original Budget \$000	Variance (Budget vs Actual) \$000
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		(5)		(5)		5
Balance at 30 June 2013	14,953	(15,256)	1,408	1,105	(487)	(1,592)
Capital Injection	2,992	-	-	2,992	2,992	-
(Deficit) for the (year						
2013/14)	-	(1,237)	-	(1,237)	(860)	377
Revaluation Surplus	-		(270)	(270)	-	270
Prior Period Adjustments	-	(71)	-	(71)	-	71
Balance at 30 June 2014	17,945	(16,564)	1,138	2,519	1,645	(874)

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

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Cash Flows For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Prior Year Actual 2012/13 \$000		Note	Current Year Actual 2013/14 \$000	Final/ Original Budget \$000	Variance (Budget vs Actual) \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
	<i>Receipts</i>				
391	Outputs to Cabinet		1,041	645	(396)
770	Sale of goods and services - third party		472	1,206	734
-	Interest received		-	-	-
	<i>Payments</i>				
(692)	Personnel costs		(693)	(628)	65
(1,104)	Suppliers		(441)	(527)	(86)
(870)	Interest paid		(821)	(870)	(49)
-	Other payments		-	-	-
(1,505)	Net cash flows (used in)/ from operating activities	13	(442)	(174)	268
CASH FLOWS FROM INVESTING ACTIVITIES					
(2,618)	Purchase of property, plant and equipment		(491)	(961)	(470)
	Net Movement in Capital Assets				
-	Investment – Low Income Housing Properties		163	-	(163)
(2,618)	Net cash flows from investing activities		(328)	(961)	(633)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	Proceeds from Bonds		-	-	-
(1,148)	Payments on Bonds Payable		(1,187)	(1,176)	11
2,144	Equity Investment		2,009	2,992	983
-	Other Payables		-	-	-
996	Net cash flows from financing activities		822	1,816	994
(3,127)	Net increase/(decrease) in cash and cash equivalents		52	681	629
3,863	Cash and cash equivalents at beginning of period		736	706	(30)
736	Cash and cash equivalents at end of period		788	1,387	599

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 2014
(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 2014 there were no loans processed.
- b) The Affordable Housing Initiative ("AHI") is designed to assist low income families to have their housing needs met. As of 30 June 2014 there were 53 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.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(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.

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 2013/2014 Annual Budget Statement and approved by the Legislative Assembly on 23 October 2013. The Final Budget is those budget amounts approved in Supplementary Budget.

(c) Reporting period

The reporting period is the year ended 30 June 2014.

(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.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(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.

(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. 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 is 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. Land improvements are not depreciated.

(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.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(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 are held in property, plant and equipment – AHI Houses. The Inventory Assets are measured at lower of cost and net realizable value. Inventory has been recorded at cost with the carrying amount being \$2.231M. There have been no write-downs for the period and none are pledged as security for liabilities.

(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 exercise was undertaken on March 7, 2013. A revaluation of this asset will be undertaken every 5 years.

(o) Deferred liabilities

Payments/ accrued amounts 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.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(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.

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.

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.

(r) 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.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(s) 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.

Note 2: Cash and cash equivalents

2012/13 Actual \$000	Description	Currency	Exchange Rate	2013/14 Actual \$000
1	Cash on hand (Petty Cash)	CI \$	1	1
735	Bank Accounts held at other financial institutions [<i>Bank of Nova Scotia and Bank of Butterfield</i>]	CI \$	1	787
-	Fixed Deposits held with Banks (Fidelity & Scotiabank) - (less than 90 days)			-
736	TOTAL	CI \$	1	788

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 2014 and 30 June 2013.

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.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 3: Trade receivables and other receivables

2012/13 Actual \$000		2013/14 Actual \$000
1,215	Debtors	1,759
(467)	Less: provision for doubtful debts	(481)
748	Total trade & other receivables	1,278

As at 30 June 2014 and 30 June 2013, the aging analysis of trade and other receivables is as follows:

	Gross Amount \$000	Prior Year Impairment	Net \$000	Gross amount	Current Year \$000
Current	1,163	-	1,163	-	1,163
Past due 1-30 days	12	-	12	-	12
Past due 31-60 days	96	-	96	-	96
Past due 61-90 days	7	-	7	-	7
Past due 90 and above	481	-	481	-	481
Total	1,759	-	1,759	-	1,759

The amount of \$481K past due 90 days and above includes 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.

Changes in the provision for doubtful debts.

2012/13 Actual \$000	Description	2013/14 Actual \$000
(880)	Balance at 1 July	(467)
129	Additional provisions made during the year	(14)
(453)	Provision for Unpaid Outputs for Prior Periods	
737	Receivables written off during the period	
(467)	Balance at 30 June	(481)

As at 30 June 2014 and 30 June 2013, trade and other receivables are all due within one year from financial position date.

Approximately \$467K had been provided up to June 30, 2013, and therefore \$14K further expense was required for the current year. These balances relate to client receivables for the New AHI houses and also the Cabinet Outputs for 2010-11 and 2011-2012. The receivables for the Old AHI had previously been written off.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2014

(Expressed in Cayman Islands Dollars)

Note 4: Property, plant and equipment

	Land \$000	Buildings \$000	Leasehold Improvement \$000	Furniture & Fixtures \$000	Computer Equipment \$000	Office & Tel Equipment \$000	Vehicle \$000	Land Improvements \$000	Total \$000
Balance as at 1 July 2013	7,109	8,542	135	39	30	32	49	-	15,936
Additions	-	122	-	-	1	4	-	1,151	1,278
Additions (Note: Re-evaluation)	-	-	-	-	-	-	-	-	-
Impairment loss 2013/14	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Balance as at 30 June 14	7,109	8,664	135	39	31	36	49	1,151	17,214

Accumulated Depreciation and Impairment losses:

	Land \$000	Buildings \$000	Leasehold Improvement \$000	Furniture & Fixtures \$000	Computer Equipment \$000	Office & Tel Equipment \$000	Vehicle \$000	Land Improvements \$000	Total \$000
Balance as at 1 July 2013	-	162	135	21	26	25	44	-	413
Depreciation Expense 14	-	173	-	3	2	5	4	-	187
Impairment loss 14	-	-	-	-	-	-	-	-	-
Eliminate on Disposal 14	-	-	-	-	-	-	-	-	-
Balance as at 30 June 14	-	335	135	24	28	30	49	-	600
Net Book value 30 June 13	7,109	8,371	-	18	4	7	4	-	15,514
Net Book value 30 June 14	7,109	8,329	-	15	3	7	-	1,151	16,614

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. These values are being used in the June 30, 2014 report net of depreciation.
- 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, 2014.
- 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.
- d) Land Improvements Asset refers to the cost of developmental improvements made to land located at Bodden Town site. These include clearing and filling of the site, the paving of roads and walkways and the hook-up to public water mains.

Summary of Work in process:

2012/13 Actual \$000	Description	2013/14 Actual \$000
3	Project Development - New Housing Project in East End	6
650	Project Development - New Housing Project in West Bay	-
16	Project Development - New Housing Project in Windsor Park	-
34	Project Development - Eastern Ave	-
3,035	Project Development - Bodden Town	-
1	Project Development - New Housing Project - Overhead Cost	-
3,739	Total	6

Buildings:

2012/2013 Actual \$000	Location	2013/2014 Actual \$000
4,237	West Bay	4,519
3,735	Windsor Park	3,574
571	East End	571
8,543	Total	8,664

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(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 for the Bodden Town Project was included in the Work-in-Process, but has now been transferred to Fixed Assets as the project has been completed.

Note 5: Trade payables, accruals and other payables

2012/2013 Actual \$000		2013/2014 Actual \$000
141	Trade Payables	53
38	Housing Rental Deposits	39
-	Special Purpose Fund	-
-	Accounts payable - special	-
179	Total trade payables, accruals and other payables	92

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 2014 and 30 June 2013, trade payables, accruals and other payables are all due within one year from financial position date.

Note 6: Employee entitlements

2012/2013 Actual \$000		2013/2014 Actual \$000
	Current employee entitlements are represented by:	
19	Annual Leave	13
17	Pension Liability	17
36	Total current portion	30
	Non-current employee entitlements are represented by:	
-	Retirement and long service leave	-
36	Total employee entitlements	30

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 6: Employee entitlements (continued)

The retirement and long-service leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit. The relevant standard being applied is IAS 19, Employee Benefits (Amended 2011). The NHDT only had 1 staff entitled to this, who has now retired. A revaluation is scheduled to be conducted.

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 \$000		CI at (0.82) \$000	
	2014	2013	2014	2013
Amount borrowed	10,389	11,033	8,519	9,047
Principal repayments	(679)	(644)	(557)	(528)
Bond balance	9,710	10,389	7,962	8,519
Current portion	715	679	586	557
Long term portion	8,996	9,710	7,376	7,962

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(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 costs of constructing homes to low-income Caymanians. Repayments are being made in equal bi-annual principal payments of KYD 310,000, plus accrued interest.

The Cayman Islands Government agreed to execute a Guaranty Agreement for the full amount of the Bond. This Guaranty Agreement was signed by the Premier and dated 02 January 2010.

Particulars	USD \$000		CI at (0.82) \$000	
	2014	2013	2014	2013
Amount borrowed	13,012	13,756	10,843	11,463
Amount drawn			-	-
Undrawn amount			-	-
Principal repayments	(744)	(744)	(620)	(620)
Bond balance	12,268	13,012	10,223	10,843
Current portion	744	744	620	620
Long term portion	11,524	12,268	9,603	10,223

Total NHDT - Bonds (Scotiabank & Butterfield)				
Particulars	USD \$000		CI at (0.82) \$000	
	2014	2013	2014	2013
Bond balance	23,401	23,401	18,185	19,362
Current portion	1,423	1,423	1,206	1,177
Long term portion	21,978	21,978	16,979	18,185

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 8: Revenue

2012/13 Actual \$000	Revenue Description	2013/14 Actual \$000	Final/Original Budget \$000	Variance (Budget vs Actual) \$000
642	Outputs Sold to EXCO -	645	645	-
391	Income from Rental Property	198	349	151
209	Income from Mortgage Property	135	241	106
87	Insurance Fees Recharged to Clients	70	-	(70)
11	Commitment Fee - GGHAM	-	9	9
6	Interest on Cash Balances & Late Fees	1	-	(1)
-	Miscellaneous Income	63	-	(63)
1,346	Total Revenue	1,112	1,244	132

Miscellaneous income is primarily made up of payments made by clients of the Old AHI Houses.

As at 30 June 2014 and 30 June 2013, outputs sold to Cabinet as follows:

2012/13 Actual \$000	Description	2013/14 Actual \$000
208	GGHAM Output 5	231
231	AHI Output 4	210
203	Project Development Output 6	204
-	BYOP Output 7	-
642	Total	\$645

As at 30 June 2014 and 30 June 2013, income from rental property by location is as follows:

2012/13 Actual \$000	Description	2013/14 Actual \$000
273	West Bay	95
11	East End	21
108	Windsor Park, George Town	82
392	Total	198

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 8: Revenue (continued)

As at 30 June 2014 and 30 June 2013, income from mortgage property by location is as follows:

2012/13 Actual \$000	Description	2013/14 Actual \$000
120	West Bay	56
88	Windsor Park, George Town	79
-	East End	-
208	Total	135

Note 9: Personnel costs

2012/13 Actual \$000	Description	2013/14 Actual \$000
542	Salaries, wages and allowances	514
94	Health care	114
49	Pension	50
4	Leave	1
-	Other personnel related costs	4
689	Total Personnel Costs	683

Note 10: Supplies and consumables

2012/13 Actual \$000	Description	2013/14 Actual \$000
324	Doubtful debt expense	11
73	Repairs and maintenance	77
154	Insurance	188
69	Lease of buildings	46
113	Other Supplies and Consumables	81
28	Utilities	27
761	Total Supplies and consumables	430

The Trust 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 affected. 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 2014
(Expressed in Cayman Islands Dollars)

Note 11: Finance Costs

2012/13 Actual \$000	Description	2013/14 Actual \$000
21	Bank charges	21
870	Interest on bonds payable	814
891	Total Finance Costs	835

As at 30 June 2014 and 30 June 2013, interest on bonds payable is as follows:

2012/13 Actual \$000	Description	2013/14 Actual \$000
467	Bond interest payment to Sun Life Assurance	439
403	Bond interest payment to Butterfield Bank	375
870	Total Finance Costs	814

Note 12: Gains / (Losses)

2012/13 Actual \$000	Description	2013/14 Actual \$000
(339)	Loss on disposal of property, plant and equipment	(214)
-	Loss on impairment of buildings	-
(339)	Total gains/ (losses)	(214)

The loss on disposal of asset attributable to the transfer of AHI Houses amounted to \$178K, and the cost of demolition and site clearing of the old AHI houses amounted to \$35.5K

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 13: Reconciliation of net cash flows from operating activities to surplus/ (deficit)

2012/13 Actual \$000	Description	2013/14 Actual \$000
(1,558)	Surplus/(deficit) from ordinary activities	(1,237)
	Non-cash movements	
224	Depreciation expense	187
(412)	Increase in payables	(63)
-	Increase in provisions relating to employee costs	-
-	(Gain)/losses on sale of property plant and equipment	214
	Increase in receivables – Cabinet	983
241	Increase in receivables (net of provision for doubtful debts)	(526)
(1,505)	Net cash flows from operating activities	(442)

Note 14: Commitment

Prior Year 2012/13 Actual \$000	Type	1 year or less \$000	1-5 Years \$000	Over 5 Years \$000	Total \$000
47	Operating Commitments				
	Non-cancellable accommodation leases	-	-	-	-
-	Other operating commitments	-	-	-	-
47	Total Commitments	-	-	-	-

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 15: Contingencies

	Beginning Balance \$000	Additions	Disbursements	Adjustments	Ending Balance 2013/2014 \$000
Contingent Liabilities					
Security Center Limited	12	-	-	-	12
Total contingent liabilities	12	-	-	-	12

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 sale of goods and services was \$132K below budget mainly due to the fact that the Bodden Town Houses remain unoccupied thus not accruing the projected income. Also the GGHAM program had not been refunded by the banks.

Personnel costs

Personnel costs were \$55K above budget due primarily to increases in the medical insurance premiums and a one off payment to a contracted worker.

Supplies and consumable & finance cost

Supplies and consumables were \$13 above budget as there was an amount incurred for upkeep of the Bodden Town property.

Statement of financial position

Cash and cash equivalents

The actual year-end cash balances were approximately \$599K below budget mainly attributed to fact that the projects are now completed and payments made.

Debtors and other receivables

The actual year-end debtors and other receivables balances were \$301K above budget as the output billings to Government were still outstanding at year-end.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

NOTE 17: Explanation of major variances against budget (continued)

Property, Plant and Equipment

Property, plant and equipment were \$5.67M lower than the original budget as no new projects were started during the year.

Payables and accruals

Payables and accruals were \$20K higher than the original budget due to retention on Project Development Contractors.

Statement of cash flows

Cash from operating activities

The decrease of \$268K cash on budget from operating activities is mainly attributed to the fact that no payments were received for the rental or lease of the Bodden Town houses. 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.

Cash from investing activities

The decrease of \$633K cash on budget from investing activities is mainly attributed to higher budgeted cost of project development activity.

Cash from financing activities

The shortfall of \$994K cash from financing activities is due to the fact that the equity refund for infrastructure works was not received during the year.

NOTE 18: Related party and key management personnel disclosures

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, 2014 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 2013-14 was \$15.4K (2012-13 \$65.8K)

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 30 June 2014

(Expressed in Cayman Islands Dollars)

NOTE 18: Related party and key management personnel disclosures (continued)

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 2013-14 was \$835 (2012-13 \$11k) There were no transactions with Government entities which could be reliably measured.

Key management personnel

There are two 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 2013-2014 was \$192K (2012-13 \$102k) . There were no loans made to key management personnel in 2013-14 (2012-13: \$0). There were no transactions with Government entities which could be reliably measured.

NOTE 19: Events occurring after reporting date

- I. On Thursday July 3, 2014, the Board of Directors passed a resolution to that the existing Affordable Housing Initiative Restrictive Covenant for the New Affordable Houses to be amended as to restrict to resale of the houses not to be within 5 years of service, and not to include the value of the land. It was also resolved that the valuation on the property be conducted by an assigned evaluator as approved by the lending institution.
- II. With the Trust's decision to sell all the properties developed a loss is now being realized as the sales price does not include the cost of the land or infrastructure. This is however recovered in the form of equity injection from the Cayman Islands Government.
- III. At a Board meeting held on May 15, 2014 a resolution was passed to pay sub committee fees.
- IV. In January 2015 the NHDT received draft lease agreement with Bodwin Investments Ltd. for the rental of National Housing Development Trust operating premises at its current location. This Lease is currently being reviewed and it is anticipated that it will be sign off on April 2015.
- V. The NHDT has a prior commitment by way of Court Order since 2006 with one of the tenants of the Old AH! Houses located in Apple Blossoms, West Bay. In keeping with this Court Order the position has been taken to transition this tenant to one of the new homes in Light House Garden, West Bay. The formalities of this is yet to be concluded.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

NOTE 20: 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.

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 2014, 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.

NATIONAL HOUSING DEVELOPMENT TRUST
Notes to the Financial Statements
For the year ended 30 June 2014
(Expressed in Cayman Islands Dollars)

NOTE 21: Appropriations used

Appropriation Description (Including Output number and name)	Amount Appropriated \$000	Appropriation Used \$000	Variance \$000
NHDT 1011 – Exec Accrual remaining	-	-	-
NHT 4 – Administration of the Affordable Housing Initiative	210	210	-
NHT 5 – Administration of Government Guaranteed Home Assisted Mortgage	231	231	-
NHT 6 – Administration of the Low Income Housing Scheme	204	204	-
NHT 7 – Administration of Build on Your Own Property Initiative	-	-	-
TOTAL	645	645	0

NOTE 22: Authorization date

The 2014 Financial Statements for National Housing Development Trust is authorized for issue on April 30, 2015 by the Trust's Board of Directors.