

Cayman Islands Development Bank

Financial Statements

For the Year Ended June 30, 2014

CAYMAN ISLANDS DEVELOPMENT BANK

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Table of Contents

	Page
Statement of Responsibility for the Financial Statements	2
Auditor General's Report	3-4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9-25

Cayman Islands Development Bank
Statement of Responsibility for the Financial Statements
June 30, 2014

These financial statements have been prepared by the Cayman Islands Development Bank in accordance with the provisions of the *Public Management and Finance Law, (2013 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Financial Reporting Standards.

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 Chief Officer and General Manager we are responsible for establishing, and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorized by law, and properly record the financial transactions of the Cayman Islands Development Bank.

As Chief Officer and General Manager we are responsible for the preparation of the Cayman Islands Development Bank financial statements and for the judgments made in them.

The financial statements fairly present the financial position of the Cayman Islands Development Bank as at 30 June 2014, and its financial performance, cash flows and changes in net worth for the financial year then ended.

To the best of our knowledge the statements are:

- (a) completely and reliably reflect the financial transactions of the Cayman Islands Development Bank for the year ended 30 June 2014;
- (b) fairly reflect the financial position as at 30 June 2014 and financial performance for the year ended 30 June 2014; and
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.



Dax Basdeo
Chief Officer
Ministry of Financial Services,
Commerce and Environment



Tracy Ebanks
General Manager
Cayman Islands Development Bank

Date: April 22, 2015

Date: April 22, 2015

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Development Bank

I have audited the accompanying financial statements of the Cayman Islands Development Bank ("CIDB"), which comprise the statement of financial position as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 27 in accordance with Section 21(3) of the *Cayman Islands Development Bank Law (2004 Revision)* and the provisions of Section 60(1)(a) 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 Financial Reporting 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 on the auditor's judgment, 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.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cayman Islands Development Bank as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards

Emphasis of Matter

Without qualifying my opinion, I draw your attention to notes 13 and 16 of the financial statements which explains that CIDB has credit facilities totalling \$34.7 Million (US\$41.8 Million) that is guaranteed by the Cayman Islands Government, which matures between April 2015 and January 2016. The bank intends to repay \$8.3 Million (US\$10 Million) of this debt by 30 June 2015, and subsequent to the year, the bank has obtained a one year extension to 27 April 2016 of US\$20million for the debt which matures on 27 April 2015.

Note 5 of the financial statements states that impaired loans as at 30 June 2014 stands at CI\$10.9M; this represents 30% of the overall loan portfolio excluding allowances for credit losses.

My opinion is not modified in respect of the matters emphasized



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

22 April 2015
Cayman Islands

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

(Expressed in Cayman Islands Dollars)

	Notes	2014 \$	2013 \$
ASSETS			
Cash and Cash Equivalents	3, 11	12,601,059	7,427,299
Term Deposit, Loan Interest and Other Receivable		207,724	253,444
Fixed Deposit	4	172,519	171,869
Loans and Advances to Customers, Net of Allowance for Credit Losses	5	31,638,286	33,737,996
Prepaid Expenses		48,052	31,853
Property and Equipment	6	552,373	580,689
TOTAL ASSETS		45,220,013	42,203,150
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities	7	148,956	249,831
Due to Related Parties	11	2,455,009	545,877
Interest Payable – Loans and Bonds		219,499	231,018
Current Portion of Long Term Debt	13	26,808,899	389,459
Post Retirement Benefit Pension Obligations	10	-	30,000
Non-Current Liabilities			
Bonds	13	8,308,000	34,727,440
Loans - Caribbean Development Bank	13	1,869,402	2,180,969
TOTAL LIABILITIES		39,809,765	38,354,594
Equity			
Contributed Capital	8	5,789,185	4,289,185
Statutory Reserve Fund	9	60,847	48,509
Retained Earnings (Accumulated Losses)		(439,784)	(489,138)
TOTAL EQUITY		5,410,248	3,848,556
TOTAL LIABILITIES AND EQUITY		45,220,013	42,203,150

Approved on behalf of Management:



Tracy Ebanks
General Manager

Date: April 22, 2015



Paula R. Smith
Financial Controller

Date: April 22, 2015

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

	Notes	2014 \$	2013 \$
INCOME			
Interest Income			
Loans		1,855,393	2,391,284
Fixed Term Deposits		20,612	17,817
		<u>1,876,005</u>	<u>2,409,101</u>
Interest Expense			
Bond		(941,004)	(1,019,318)
Loan		<u>(95,558)</u>	<u>(100,305)</u>
Net Interest Income		839,443	1,289,478
Loss on Foreign Currency Conversion		(1,919)	(10,837)
Loan Commitment Fees		8,970	10,807
Services Provided to Cayman Islands Government	11	526,317	566,768
Ministry of Education Payments for Output	11	48,451	-
Provision for Loan Impairment	5	93,514	(735,453)
Other Income		-	3,500
Net Income from Operations		<u>1,514,776</u>	<u>1,124,263</u>
ADMINISTRATIVE EXPENSES			
Salaries and Other Staff Benefits	10,14	1,067,275	1,196,303
Accommodation Costs	14	135,530	143,522
Computer Maintenance		68,904	68,842
Office Expenses		64,260	67,400
Professional Fees		54,530	58,397
Depreciation	6	49,661	54,571
Advertising and Promotion		7,970	9,918
Other		4,954	5,114
Directors' Fees		-	4,250
Bad Debts Written Off		<u>-</u>	<u>2,780</u>
Total Administrative Expenses		<u>1,453,084</u>	<u>1,611,097</u>
Net Income (Loss)		61,692	(486,834)
Transfer to Reserves		<u>(12,338)</u>	<u>-</u>
Net Income (Loss) after Transfer to Reserves		<u>49,354</u>	<u>(486,834)</u>

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) after Transfer to Reserves		49,354	(486,834)
Adjustments for:			
Transfer to Reserve Fund		12,338	-
Depreciation	6	49,661	54,571
Bad Debts Written Off		-	2,780
Provision for Loan Impairment	5	(93,514)	735,453
Gain on sale of property and equipment		-	(3,500)
		<u>17,839</u>	<u>302,470</u>
Changes in Operating Assets and Liabilities			
Increase in Prepaid Expenses		(16,199)	(14,314)
Decrease in Term Deposit and Loan Interest and Other Receivables		45,720	4,935
Decrease in Loans and Advances to Customers		2,193,224	1,642,374
Decrease in Accounts Payables and Accrued Liabilities		(100,875)	(99,264)
Increase in Due to Related Parties		1,909,132	258,396
Decrease in Post Retirement Pension Obligations		(30,000)	(3,000)
Decrease in Interest Payable – Loans and Bonds		(11,519)	(25,286)
Net Cash Provided by Operating Activities		<u>4,007,322</u>	<u>2,066,311</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in Fixed Deposits	4	(650)	(545)
Purchase of Property and Equipment	6	(21,345)	(4,653)
Proceeds from disposal of Property and Equipment	6	-	3,500
Net Cash Used in Investing Activities		<u>(21,995)</u>	<u>(1,698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Contributed	8	1,500,000	1,000,000
Repayments of Debt Issued and Other Borrowed Funds	13	(311,567)	(359,513)
Net Cash Provided by Financing Activities		<u>1,188,433</u>	<u>640,487</u>
Net Increase in Cash and Cash Equivalents During Year		5,173,760	2,705,100
Cash and Cash Equivalents at Beginning of Year		7,427,299	4,722,199
Cash and Cash Equivalents at End of Year		<u>12,601,059</u>	<u>7,427,299</u>
Supplementary information on Cash Flows From Operating Activities			
Interest Received During the Year		2,072,840	2,489,568
Interest Paid During the Year		1,048,080	1,114,909

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF CHANGES IN EQUITY
AS AT JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

	Notes	Contributed Capital \$	Statutory Reserve Fund \$	Retained Earnings (Accumulated Losses) \$	Total \$
Balance as at June 30, 2012	8	3,289,185	48,509	(2,304)	3,335,390
Net Loss for the Year		-	-	(486,834)	(486,834)
Transfer to Reserves	9	-	-	-	-
Capital Contribution		1,000,000	-	-	1,000,000
Balance as at June 30, 2013		4,289,185	48,509	(489,138)	3,848,556
Net Income for the Year		-	-	61,692	61,692
Transfer to Reserves		-	12,338	(12,338)	-
Capital Contribution		1,500,000	-	-	1,500,000
Balance as at June 30, 2014		5,789,185	60,847	(439,784)	5,410,248

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

1. GENERAL INFORMATION

The Cayman Islands Development Bank ("CIDB" or the "Bank") was established under the *Cayman Islands Development Bank Law (2004 Revision)* which came into force on March 1, 2002, and is solely owned by the Cayman Islands Government. Upon the enactment of the *Cayman Islands Development Bank Law (2004 Revision)*, two former statutory financial institutions, the Agricultural and Industrial Development Board and the Housing Development Corporation were dissolved and their functions as well as their assets and liabilities were transferred to the Bank.

The principal function of CIDB is to mobilise, promote, facilitate, and provide finance for the expansion and strengthening of the economic development of the Islands. The Bank does this by providing financing for tertiary education, housing, agriculture and the development of small businesses.

The registered office of the Bank is at 36B Dr. Roy's Drive, P.O. Box 2576, George Town, Grand Cayman, KY1-1103, Cayman Islands. As at June 30, 2014, the Bank had thirteen (13) employees (2013: 13).

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of CIDB are presented in Cayman Islands Dollars and are prepared on the accrual basis under the historical cost convention. All values are rounded to the nearest dollar, except when otherwise indicated.

Statement of Compliance

The financial statements of CIDB have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Significant Accounting Judgments and Estimates

In the process of applying the Bank's accounting policies, Management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

Impairment Losses on Loans and Advances to Customers

Loans and advances is stated net of allowance for credit losses. The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. Specific provisions for loan losses are determined for loans that are likely to become uncollectible in light of the borrowers' inability to repay the debt. The Bank assesses the collateral held and the expected future cash flows in determining the provisions assigned. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Recognition of Income

Revenue is recognized on the accrual basis to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Interest Income

Interest income is recorded on an accrual basis using the effective interest method until such time as a loan is classified as impaired. Interest on loans that are contractually 90 days in arrears are classified as impaired. Any accrued interest on impaired loans is reversed against income for the current period. Thereafter, interest income on impaired loans is recognized in the period it is collected.

Fee Income

The Bank earns loan commitment fees that are recognized as income in the year loans are advanced to customers.

b) Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method at rates considered adequate to write-off the cost over their estimated useful lives as follows:

Office Furniture/Equipment	5 years
Computer Equipment	3 years
Motor Vehicles	5 years
Building	20 years

Property and equipment are derecognized on disposal or when there are no future economic benefits expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of comprehensive income in the year the asset is derecognized.

c) Foreign Currency Transactions

Transactions during the year in currencies other than the Cayman Islands dollar are converted at exchange rates prevailing at the date of the transactions. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the statement of financial position date. Resulting gains and losses on exchange are recognized in the statement of comprehensive income.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

d) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain significant estimates and judgements that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

e) Employee Benefits

CIDB participates in the Public Service Pension Plan, a defined benefit and contribution pension fund, in accordance with the Public Service Pension Law. The Public Services Pension Fund is administered by the Public Service Pension Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

The unfunded portion of the defined benefit plan, as determined by an actuarial valuation, is recorded as a liability.

f) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset or to exchange financial instruments under conditions that are potentially favorable or an equity instrument of another enterprise. As of June 30, 2014, financial assets comprise of cash and cash equivalents, deposit accounts and loans and advances receivable.

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. As of June 30, 2014, financial liabilities comprise of accounts payable and accrued liabilities, long and short-term loans and bonds payable.

(ii) Recognition

The Bank recognizes 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 or liabilities are recognised in the statement of comprehensive income.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

f) Financial Instruments (continued)

(iii) Derecognition

A financial asset is derecognised when the Bank realizes 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 expires.

(iv) 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 measured at their estimated fair value.

g) Changes in International Financial Reporting Standards

IFRS 9 – Financial instruments (effective for periods beginning on or after January 1, 2018) – addresses classification and measurement of financial instruments and replaces portions of IAS 39. Under IFRS 9 two criteria are used to determine how financial assets should be classified and measured: (1) the entity's business model for managing the financial assets and (2) the contractual cash flow characteristics of the financial asset. Financial assets are further classified into measurement categories: those measured at fair value and those measured at amortized cost. Essentially, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it held is to collect contractual cash flows, then the financial asset is measured at amortized cost. In contrast, if that asset is held in a business model the objective of which is both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value and amortized cost information is provided through profit or loss. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements; the main change relates to cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income as opposed to the income statement. Additions were also made to the impairment requirements relating to accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. Under the impairment approach in IFRS 9 it is not necessary for a credit event to have occurred before the credit losses are recognized. An entity has to account for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition; therefore, more timely information is provided about expected credit losses. The Bank will assess the full impact of IFRS 9 before adoption in 2018.

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

3. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT

a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash at bank and deposit accounts with terms of maturity of three months or less from the date of acquisition.

Cash and cash equivalents at June 30 were comprised of the following:

	2014	2013
	\$	\$
Current and Savings Accounts	5,446,036	3,460,994
Fixed Deposit less than three months	4,872,533	3,592,297
Cash held on behalf of the Young Nation Builders Scholarship Fund	375,731	-
Cash held on behalf of the Education Council Scholarship Fund	1,906,759	374,008
Total	<u>12,601,059</u>	<u>7,427,299</u>

The effective interest rate on call deposits in 2014 was 0.49% (2013: 0.31%). The deposits had an average maturity of 135 days (2013: 135 days). As approved by the Board of Directors, short term fixed deposit of \$4,872,533 (2013: \$3,592,297) is restricted in use and is being held to service future debt repayment.

b) Bank Overdraft

The overdraft facility as of June 30, 2014 is with a local financial institution. Interest on the overdraft facility is charged at U.S. Prime Rate plus 1.75%. No interest expense was incurred on the overdraft facility for the years ended June 30, 2014 and 2013 as the facility was not used.

4. FIXED DEPOSIT

Deposit accounts reflect term deposits, which are placed with approved financial institutions. Such deposits have maturity between three months and six months from the date of acquisition. The carrying amount of total fixed deposit approximates to fair value.

The table below shows an analysis of the expected maturity of the fixed deposit amounts.

	<u>TOTAL</u>	<u>Matures Within 91 Days and 180 Days</u>	<u>Matures Within 181 Days and 365 Days</u>
As of June 30, 2014	\$	\$	\$
Fixed Deposit	172,519	172,519	-
As of June 30, 2013			
Fixed Deposit	171,869	171,869	-

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

5. LOANS AND ADVANCES TO CUSTOMERS

The net balances of loans and advances to customers as at June 30 were as follows:

	2014	2013
	\$	\$
Mortgages	12,920,345	13,824,835
Business Loans	11,023,419	12,226,333
Debt Consolidation	5,009,527	4,841,721
Student Loans	4,109,154	3,929,792
Financial Stimulus	2,432,256	2,488,764
Staff Loans	776,652	1,040,270
Personal Financial Assistance	121,636	141,823
Other Loans	59,471	91,210
Lines of Credit	-	60,936
	<u>36,452,460</u>	<u>38,645,684</u>
Less: Allowance for Impairment Losses	(4,814,174)	(4,907,688)
Total Net Balances	<u>31,638,286</u>	<u>33,737,996</u>

	2014	2013
	\$	\$
Short Term Portion	2,321,715	1,465,204
Long Term Portion	34,130,745	37,180,480
Total	<u>36,452,460</u>	<u>38,645,684</u>

Loans and advances to customers' maturity analysis

	2014	2013
	\$	\$
0 – 3 Months	1,285,589	475,829
3 – 12 Months	1,036,127	989,375
1 – 5 Years	7,362,889	5,475,508
Over 5 Years	26,767,855	31,704,972
Total	<u>36,452,460</u>	<u>38,645,684</u>

Movement in Allowance for Impairment Losses

	2014	2013
	\$	\$
Balance at beginning of year	4,907,688	4,348,112
(Decrease)/Increase in provision for loan impairment	(93,514)	735,453
Loans previously provided for written off	-	(175,877)
Balance at end of year	<u>4,814,174</u>	<u>4,907,688</u>

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

5. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

As at June 30, 2014, the Bank had loan commitments amounting to \$799,840 (2013: \$866,267). These amounts, which are not reflected in the statement of financial position, reflect the undisbursed portion of loans, which have been approved by Management.

Ageing Analysis of Past Due but not Impaired Loans

As of June 30, 2014

	Mortgages	Business Loans	Debt Consolidation	Student Loans	Financial Stimulus	Personal Financial Assistance	Other	Total
	\$	\$	\$	\$	\$	\$	\$	
30 days and less	2,012,956	1,759,929	1,093,885	1,298,947	382,344	-	-	6,548,061
31 to 60 days	-	-	-	-	-	-	-	-
61 and less than 90 days	1,143,578	610,537	591,352	374,255	-	-	-	2,719,722
	<u>3,156,534</u>	<u>2,370,466</u>	<u>1,685,237</u>	<u>1,673,202</u>	<u>382,344</u>	<u>-</u>	<u>-</u>	<u>9,267,783</u>

As of June 30, 2013

	Mortgages	Business Loans	Debt Consolidation	Student Loans	Financial Stimulus	Personal Financial Assistance	Other	Total
	\$	\$	\$	\$	\$	\$	\$	
30 days and less	-	-	-	60,000	-	-	-	60,000
31 to 60 days	830,316	813,664	-	550,379	-	27,643	-	2,222,002
61 and less than 90 days	1,624,932	512,986	142,064	94,462	5,730	-	2,825	2,382,999
	<u>2,455,248</u>	<u>1,326,650</u>	<u>142,064</u>	<u>704,841</u>	<u>5,730</u>	<u>27,643</u>	<u>2,825</u>	<u>4,665,001</u>

The average interest yield during the year on loans and advances was 4.94% (2013: 6.58%). Impaired loans as of June 30, 2014 amounted to \$10,858,233 (2013: \$10,371,468) and interest taken to income on impaired loans during the year amounted to \$802,909 (2013: \$743,067).

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

5. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Renegotiated Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. The amount of the impairment loss is measured as the difference between the carrying value of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, based on the renegotiated terms and conditions discounted at the original EIR. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Restructured loans for the period amounted to \$1,988,423 (2013: \$12,731,591).

Reposessed Collateral

In the normal course of business, the security documentation which governs the collateral charged in favour of the Bank to secure the debt, gives the Bank express authority to reposess collateral in the event of default by customers. Reposessed collateral are sold as soon as practicable, with proceeds used to reduce the outstanding indebtedness. Reposessed collateral is not recognized on the Bank's statement of financial position.

Reposessed collateral as of June 30, 2014 amounted to \$6,670,825 (2013: \$3,637,500).

6. PROPERTY AND EQUIPMENT

	Building	Motor Vehicles	Computers	Furniture and Office Equipment	Total
Cost	\$	\$	\$	\$	\$
At July 1, 2013	816,065	21,300	354,506	104,782	1,296,653
Additions	-	-	21,345	-	21,345
At June 30, 2014	816,065	21,300	375,851	104,782	1,317,998
Accumulated Depreciation					
At July 1, 2013	244,666	21,300	348,006	101,992	715,964
Depreciation charge for the year	40,803	-	7,525	1,333	49,661
At June 30, 2014	285,469	21,300	355,531	103,325	765,625
Net Book Value – June 30, 2014	530,596	-	20,320	1,457	552,373
Net Book Value – June 30, 2013	571,399	-	6,500	2,790	580,689

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

6. PROPERTY AND EQUIPMENT (CONTINUED)

CIDB has pledged as collateral building owned, with a net book value above of \$530,596 (fair value being approximately \$845,000) as of June 30, 2014 (2013: \$571,399), under a revolving bank overdraft facility agreement with a local financial institution. The limit under the bank overdraft facility agreement is CI\$753,300. As of June 30, 2014, there was a nil overdraft balance (2013: Nil). During the year ended June 30, 2013, equipment with a net book value of nil was sold for \$3,500; total gain on disposal being \$3,500.

CIDB acquired and implemented a banking software system, Real Time Integrated Banking System ("RIBS"), from Gresham Computing Ltd. during the 2004/2005 year. CIDB has entered into a maintenance service agreement for five years with Gresham Computing Ltd., at an annual maintenance fee of US\$15,000 which commenced July 1, 2004. This would increase by 3% annually except for the 2007/2008 when it increased by 20% to US\$ 19,096.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of funds held in hand for the payment of fees, professional fees and other payables. As of June 30, the balances were as follows:

	2014	2013
	\$	\$
Funds in hand for payment of fees on behalf of customers	37,273	160,564
Professional fees	62,678	62,011
Pension liability payable	26,000	-
Other payables	12,154	13,217
Accrued leave liability	10,851	14,039
Total	<u>148,956</u>	<u>249,831</u>

There is a Past Service Liability balance of \$26,000, representing the one employee who participated in the defined benefit plan of the Public Service Pensions Board. The liability has been transferred as of June 30, 2014 to the Government as the employee retired during 2012. The amount of \$26,000 is now due and payable to the Government.

8. AUTHORIZED AND CONTRIBUTED CAPITAL

The authorized capital of CIDB is CI\$50 million as stated in Section 14(1) of the *Cayman Islands Development Bank Law, (2004 Revision)*.

At June 30, 2014, the amount of contributed capital of \$5,789,185 (2012: \$4,289,185) amounted to 12% (2013: 8.5%) of the \$50 million authorized capital in accordance with Section 14(3) of the *Cayman Islands Development Bank Law, (2004 Revision)* which requires that the paid up portion of authorized capital should not be less than 3% of the authorized capital. During February 2013, March 2013 and May 2014, the Bank received \$2,500,000 in contributed capital from the Cayman Islands Government.

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

9. STATUTORY RESERVE FUND

Under Section 20 of the *Cayman Islands Development Bank Law, (2004 Revision)*, the Bank is required to establish a reserve. The Bank transfers 20% of its annual net income until the balance reaches the paid-up portion of the authorized capital of the Bank (currently \$5.7 Million). There was a transfer to the Reserve Fund for year ended June 30, 2014 of \$12,338 (2013: Nil).

10. PERSONNEL

Public Service Pension Plan

Pension contributions for eligible employees of the Bank are paid to the Public Service Pension Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer plan. Prior to January 1, 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from January 1, 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after January 1, 2000 becoming members of the defined contribution element only.

Defined Contribution Plan

A defined contribution plan is a pension plan under which the Bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Bank in a fund under the control of the Pensions Board. Where employees leave the plan prior to vesting fully in the contributions, the contributions payable by the Bank are reduced by the amount of the forfeited contributions.

CIDB contributes 13% of the employees' monthly pensionable earnings to the Public Services Pension Fund. This includes an additional 1% to cover ancillary costs, which is required of statutory authorities from July 1, 2003. The total amount contributed by CIDB for the 12-month period ended June 30, 2014 was \$87,204 (2013: \$110,765).

Pension contributions are paid for all eligible employees on their pensionable emoluments. The Bank's 13 (2013: 13) employees all participate in a defined contribution scheme. Under the plan, the obligations and assets are both equal to the account balances held on behalf of the participants and no actuarial valuations are required. The Plan is funded at rates of:

		<u>2014</u>	<u>2013</u>
Defined Contribution Plans	- Employee	6%	6%
	- Employer	7%	7%

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)**

10. PERSONNEL (CONTINUED)

Defined Benefit Plan

A defined benefit plan is a pension plan that defines an amount of benefit that an employee is entitled to receive in retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

There is a Past Service Liability balance of \$26,000, representing the one employee who participated in the defined benefit plan of the Public Service Pensions Board. The liability has been transferred as of June 30, 2014 to the Government as the one employee retired during 2012. The amount of \$26,000 is now due and payable to the Government.

11. RELATED PARTY TRANSACTIONS

a) Transaction with the Cayman Islands Government

CIDB acts as an agent for the Cayman Islands Government in respect of the Hurricane Relief Programme (Housing Recovery Grant) and the Education Council Scholarship Funds. For the year ended June 30, 2014, CIDB received payments of \$526,317 (2013: \$566,768) for providing these services as outlined in a purchase agreement between CIDB and the Cayman Islands Government. The payment from the Cayman Islands Government was reduced by \$40,851 for the fiscal year ended June 30, 2014 and this amount is now paid directly by the Ministry of Education. Currently, CIDB is economically dependent upon Government to meet its operational expenditure. Effective August 2013, CIDB entered into an agreement with the Young Nation Builders Scholarship Programme (YNBP) to administer the bank account on behalf of YNBP. CIDB receives \$48,451 annually for services provided to YNBP (\$8,000) and the Ministry of Education (\$40,451). The agreement with YNBP covers the four years ending June 30, 2014 to June 30, 2017. The fee arrangement over the four-year period is as follows:

1. Year ended June 30, 2014 – \$8,000
2. Year ending June 30, 2015 – \$4,000
3. Year ending June 30, 2016 – \$2,500
4. Year ending June 30, 2017 – Nil

The amounts received and disbursed on behalf of the programs are recorded on a timely basis by CIDB and the cash balances as of June 30 are included on CIDB's statement of financial position along with the corresponding amounts due to these programs, amounting to a net impact of nil on CIDB's statement of financial position. The cash for these programs are held in separate bank accounts on behalf of the Cayman Islands Government.

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Transaction with the Cayman Islands Government (continued)

The balances to be distributed from these programs and are due and payable to each program as of June 30 are as follows:

	2014	2013
	\$	\$
Education Council Scholarship Fund	1,906,759	374,008
Young Nation Builders Scholarship Program	375,731	-
Housing Recovery Grant	172,519	171,869
Total	<u>2,455,009</u>	<u>545,877</u>

b) Transactions with Members of Management and Staff

During the year ended June 30, 2014 and 2013, CIDB had five key management personnel positions which consisted of the General Manager, Financial Controller, Operations Manager, Senior Risk Manager and Senior Credit Manager. The total compensation received by key management personnel for the year ended June 30, 2014 totaled \$539,439 (2013: \$538,184), which represents salary, pension and medical expenses for the reporting period. Defined contribution plan expense for key management personnel for year ended June 30, 2014 amounted to \$45,792 (2013: \$56,628).

As at June 30, 2014, Senior Management held loans totaling \$268,983 (2013: \$323,317). Income earned on Senior Management loans was \$14,211 (2013: \$16,423).

As of June 30, 2014, the total staff loan balances was \$776,652 (2013: \$1,040,270). The outstanding balances arose from the ordinary course of business. The interest charged to staff and Senior Management is at normal lending rates.

For the year ended June 30, 2014, the Bank has not made any provision for impairment losses relating to amounts owed by Senior Management or staff (2013: Nil).

A member of Senior Management provides accounting services for an entity owned by a customer of CIDB. For the years ended June 30, 2014 and 2013, all transactions with this customer were at arm's length. During the year ended June 30, 2011, a loan restructure exercise was undertaken for this customer consolidating two loans held with CIDB. As of June 30, 2014, there was one loan balance outstanding with this customer of \$237,323 (2013: \$249,612) with security provided in the form of land. Total interest earned on the one loan with this customer for year ended June 30, 2014 amounted to \$19,299 (2013: \$19,951). In addition, the existing loan as of June 30, 2014 and 2013 was classified as non-performing with total arrears of \$31,108 (2013: \$26,441). As of June 30, 2014, there was provision for impairment losses of \$15,149 (2013: \$15,417) against the outstanding loan balance.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)**

11. RELATED PARTY TRANSACTIONS (CONTINUED)

c) Transactions with Director

During fiscal year ended June 30, 2013, one of the directors (who ceased to be a director on May 22, 2013) was related to one of CIDB's customer. For the year ended June 30, 2013, all transactions with this customer were at arm's length. As of June 30, 2013, there was one loan balance outstanding with this customer of \$566,467 with security provided in the form of developed and undeveloped property. Total interest earned on this loan for year ended June 30, 2013 amounted to \$42,754. As of June 30, 2013, the loan was classified as performing. There was no provision for impairment losses against the outstanding loan balance as of June 30, 2013. This loan was fully repaid on September 4, 2014.

The said director also guaranteed a loan for another of CIDB's customers. The guarantee is limited to \$63,700. For the year ended June 30, 2014 and 2013, all transactions with this customer were at arm's length. As of June 30, 2014, there was one loan balance outstanding with this customer of \$66,215 (2013: \$66,215). Total interest earned on this loan for year ended June 30, 2014 amounted to \$5,297 (2013: \$5,264). In addition, as of June 30, 2014 the loan was classified as non-performing with total arrears of \$35,843 (2013: \$24,226). As of June 30, 2014, there was provision for impairment losses of \$66,215 (2013: \$66,215) against the outstanding loan balance.

12. FAIR VALUE AND RISK ASSESSMENT OF FINANCIAL INSTRUMENT

Risk Management

Financial assets of the Bank include cash, cash equivalents, fixed deposits, loan and advances to customers. Financial liabilities include bank overdraft, other payables, debt issued and other borrowed funds.

a) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest will affect future cash flows or the fair values of financial instruments. CIDB provides loans and technical assistance in the areas of human resource development, housing and small business, in particular in the agricultural, tourism, and industrial sectors. The Bank minimizes interest rate risk principally by on-lending at variable rates of interest from funding provided by long-term debts with variable interest rates.

The Bank manages the interest rate risk by securing funds from international financial institutions which review their lending rates to CIDB on a semi-annual basis. Details of rates and maturities are presented in Note 13.

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

12. FAIR VALUE AND RISK ASSESSMENT OF FINANCIAL INSTRUMENT (CONTINUED)

b) Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers fail to discharge their contractual obligations. Cash and fixed deposits are held with conventional banks.

The Bank manages credit risks on loans advanced to individuals and companies, which satisfies the Bank's lending requirements, by requiring borrowers to provide adequate security, limiting the total value of loans to a single borrower to 10% of its total capital and spreading its risk over several developmental sectors.

c) Fair Value

The carrying values of cash, fixed deposits, loans and advances to customers, other receivables, accrued liabilities and long-term liabilities are not materially different from their fair values.

13. DEBT ISSUED AND OTHER BORROWED FUNDS

Loans from Caribbean Development Bank ("CDB")

On the establishment of CIDB, three lines of credit with CDB were transferred from the former Agricultural and Industrial Development Board to CIDB.

In May 2002, CDB granted a new line of credit (9/OR-CAY) of US\$5 million (CI\$4.154 million) for mortgage financing to the Cayman Islands Government with the CIDB acting as Executing Agent. This was in addition to 7/OR-CI line of credit of \$996,960 (US\$1,200,000). In 2008, CIDB made additional drawdown of \$238,396 (US\$ 286,948). Currently there is one line of credit existing. The 7/OR-CI line of credit was repaid in full in January 2013.

As at June 30, 2014, the balance on the one remaining loan was as follows:

<u>Purpose</u>	<u>Year Granted</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Balance 2014</u> \$	<u>Balance 2013</u> \$
Mortgage	2002	2020	4.10%	<u>2,258,861</u>	<u>2,570,428</u>
				<u>2,258,861</u>	<u>2,570,428</u>
	Current Portion:			<u>389,459</u>	<u>389,459</u>
	Long Term Portion:			<u>1,869,402</u>	<u>2,180,969</u>

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)**

13. DEBT ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

Bond Issue

In the fiscal year 2004-05 CIDB issued bonds totaling \$9,969,600 (US\$12 million). The terms and conditions of the bonds were as follows:

US\$6,000,000 – 5-Year Variable Rate Development Bond due June 30, 2010

US\$6,000,000 – 10-year Variable Rate Development Bond due June 30, 2015

During June 2010, the Management of the Bank successfully negotiated with the bondholders of the US\$ 6 Million bond which matured on June 30, 2010 to extend maturity for another 5 years. Over 95% (US\$ 5.8 Million) of the bondholders agreed to extend the maturity date for another 5 years at an interest rate of U.S. 6 Month LIBOR, plus 2.75%. The Bank paid redemption of US\$300,000 and facilitated a transfer in the amount of US\$100,000. Net pay out under the bond was US\$200,000.

Another bond was issued in July 2007 for \$16,616,000 (US\$ 20,000,000) at 6.85% fixed rate due July 2017. Interest on this bond is paid half-yearly in July and January. During April 2010, CIDB refinanced the US\$20 Million Bond, due July 2017. CIDB secured a credit facility with a local financial institution to refinance the bond at a lower rate of interest of U.S. 180-Day LIBOR, plus 235 basis points. The new credit facility is for a period of 5 years.

Interest on the 5-year and 10-year bonds accrue daily and is payable in arrears semi-annually on June 30 and December 31 based on the 6-month US\$ Libor rate (plus 2.75% and 1% for the 5 and 10-year bonds respectively) as quoted by Bloomberg at 10 am New York, USA or Reuters six months before the interest due date.

The bonds are secured by an irrevocable and unconditional guarantee issued by the Cayman Islands Government. The Guarantor promises to pay the Bondholder from time to time on demand all sums of money (of principal, interest or otherwise) which CIDB is at any time liable to pay such Bondholder.

In the event of default, (upon notification in writing by the bondholder) the bond becomes immediately due and payable.

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

13. DEBT ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

Terms and Principal Repayment Debt Schedule as at 30 June 2014

	<u>TOTAL</u>	<u>1 Year or less</u>	<u>1-2 Years</u>	<u>2 - 5 Years</u>	<u>Over 5 Years</u>
	\$	\$	\$	\$	\$
Secured Bank Loan (CDB)					
9/OR-CAY – 4.10% Variable	2,258,861	389,459	311,567	934,701	623,134
Secured Bond					
US\$ 5.8 million due June 2015, Variable Rate at 6 month US\$ LIBOR plus 2.75%	4,818,640	4,818,640	-	-	-
US\$ 6 million due June 2015 Variable Rate at 6 month US\$ LIBOR plus 1%	4,984,800	4,984,800	-	-	-
US\$ 20 million due April 2015 Variable Rate at 6 month US\$ LIBOR plus 2.35%	16,616,000	16,616,000	-	-	-
US\$5 million due July 2015, Variable Rate at 6 month US\$ LIBOR plus 2.75%	4,154,000	-	4,154,000	-	-
US\$5 million due January 2016, Variable Rate at 6 month US\$ LIBOR plus 2.75%	4,154,000	-	4,154,000	-	-
TOTAL	36,986,301	26,808,899	8,619,567	934,701	623,134

During the year ended June 30, 2014 the Bank did not repurchase any of its own debt (2013: Nil).

14. OTHER SIGNIFICANT EXPENSE ITEMS

Further details of other significant expense items in the statement of comprehensive income include:

a) Salaries and Other Staff Benefits

	2014	2013
	\$	\$
Salaries	829,953	899,756
Medical Expenses	122,263	120,341
Pension Cost – Defined Contribution Plan	91,204	110,765
Pension Cost – Defined Benefit Plan	(4,000)	(3,000)
Recruitment and Other Related Expenses	27,855	68,441
	1,067,275	1,196,303

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Cayman Islands Dollars)

14. OTHER SIGNIFICANT EXPENSE ITEMS (CONTINUED)

b) Accommodation Costs

	2014	2013
	\$	\$
Strata Fees	41,136	41,136
Electricity	39,238	41,210
Telephone	13,372	19,487
Insurance-Contents	10,992	10,992
Janitorial Costs	10,800	10,800
Other	19,992	19,897
	<u>135,530</u>	<u>143,522</u>

15. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS

The Bank had no known contingent liabilities at June 30, 2014 (2013: Nil).

At June 30, 2014, the Bank had commitments relating to maintenance of the RIBS/EDGE banking software by Gresham Computing Ltd. The amount committed per year is approximately \$17,600 (2013: \$17,600).

As at June 30, 2014, the Bank had loan commitments amounting to \$799,840 (2013: \$866,267). These amounts, which are not reflected in the statement of financial position, reflect the undisbursed portion of loans, which have been approved by Management.

16. EVENTS AFTER THE REPORTING DATE

The Bank has five (5) credit facilities amounting to \$34.7 Million (US\$41.8 Million), guaranteed by the Cayman Islands Government, which mature between April 2015 and January 2016. Subsequent to June 30, 2014, based on directives from the Government, the Management of the Bank intends to repay in full (with assistance from Government) \$8.3 Million (US\$10 Million) of this debt by June 30, 2015. Management will seek to consolidate the remainder of the debt of \$26.4 Million (US\$31.8 Million) with amortized payments of principal and interest over a fixed number of years. In the interim, the Bank has obtained a temporary one-year extension to April 27, 2016 of US\$20 Million of this debt which matures on April 27, 2015. Interest rate on this credit facility has been set at US Prime rate and the Bank has the option to repay in full at any time before the expiration of the one-year extension providing it gives 2 days written notice to the lender.