Sister Islands Affordable Housing Development Corporation

Annual Report

For the 18 Months Ended 31 December 2017

Sister Islands Affordable Housing
Development Corporation

Foreword by the Chairman

The 2016/17 financial period was another successful year for SIAHDC as contracts for a further three (3) houses for construction were entered into, all to be sold in the coming year and construction began on all three. The Board takes the lead on setting the values and strategic direction in delivering the highest standards of customer service while meeting the accountability and transparency requirements of the Cayman Islands Government.

Many factors beyond the control of SIAHDC influence its deliverables, with the main one being the number of eligible individuals that approach the company to purchase a house. Cayman Brac's population of about 2000 has held steady with very little change over the past 4 decades; this limits the potential for housing growth at SIAHDC, although it has maintained a steady delivery of 2 to 4 houses per year, and is on target for the coming year. Currently, Little Cayman's population has limited need with a population of about 200.

We as board members feel great satisfaction when a home has been completed and handed over to the new home owner. We feel we have positively influenced the standard of living for many Sister Islands residents through this programme where they are able to provide a clean and safe environment for their families to live and grow.

Strategic Statements

Strategic Goals

- To become a well-structured, efficiently managed organization that is fair and prudent in its processing and selection of eligible applicants for the affordable homes offered by the company.

- To identify the housing needs of Caymanians in the Sister Islands and to continue developing affordable homes to meet these needs and which will contribute to the economic development of the Sister Islands.

Sister Islands Affordable Housing Development Corporation

Objectives

- Where necessary, to seek out additional funding for future development of affordable housing that have been identified as an imperative need in the economic development of the Sister Islands.
- To continue a close working relationship with the local construction industry in the Sister Islands
- To develop new homes for the households in the Sister Islands community.
- To ensure that the Sister Islands Affordable Housing Development Corporation is managed in an efficient and prudent manner.

Vision

SIAHDC's vision is to be recognised as one of the best social housing development businesses in the Cayman Islands, providing high quality affordable built houses as great homes for Cayman Brac and Little Cayman communities.

Values that will characterise our work and daily activities

- **Integrity** - SIAHDC as a Government Company will work to the highest ethical standards as it provides affordable housing service to the communities of Cayman Brac and Little Cayman.
- **Diversity** - SIAHDC will promote equality and fair treatment for all, treating its customers and stakeholders with decency and respect.
- **Openness** - SIAHDC will be open about its work and share information with all its stakeholders.
- **Accountability** - SIAHDC will be accountable to its stakeholders and will work with them to meaningfully influence our priorities.
- **Clarity** - SIAHDC will be consistently clear about its vision, values and strategy.
- **Excellence** - SIAHDC will aspire to be the best in providing quality customer services and standards of performance.

Sister Islands Affordable Housing Development Corporation

Establishment and Principal Activities

- The Sister Island Affordable Housing Development ("SIAHDC") was incorporated as a non-profit company on 1 June 2006 and is a wholly-owned Government entity.

- The main purpose of SIAHDC is to promote affordable home ownership on Cayman Brac and Little Cayman. Two properties are currently owned in Cayman Brac: Watering Place and West End Communities. Four (4) homes have been built in Watering Place with space for 11 more homes to be built and twenty-one (21) homes have been built in West End with space for 29 more homes to be built.
- The SIAHDC aims to provide quality concrete construction freehold homes which are owned outright by the successful applicants. SIAHDC works closely with the Public Works Department and the Ministry of District Administration, Tourism & Transport to ensure the aim is met.

- SIAHDC operates under the parameters of the Public Management Finance Law and Regulations, and follows very closely the Ministry of District Administration, Tourism and Transport Procurement Policy, inclusive of ensuring value for money with the public tendering.

- The financial statements are prepared in accordance with International Public Sector Accounting Standards. See appendix 2 for the audited financial statements for the 18 Months ended 31st December 2017.

Governance

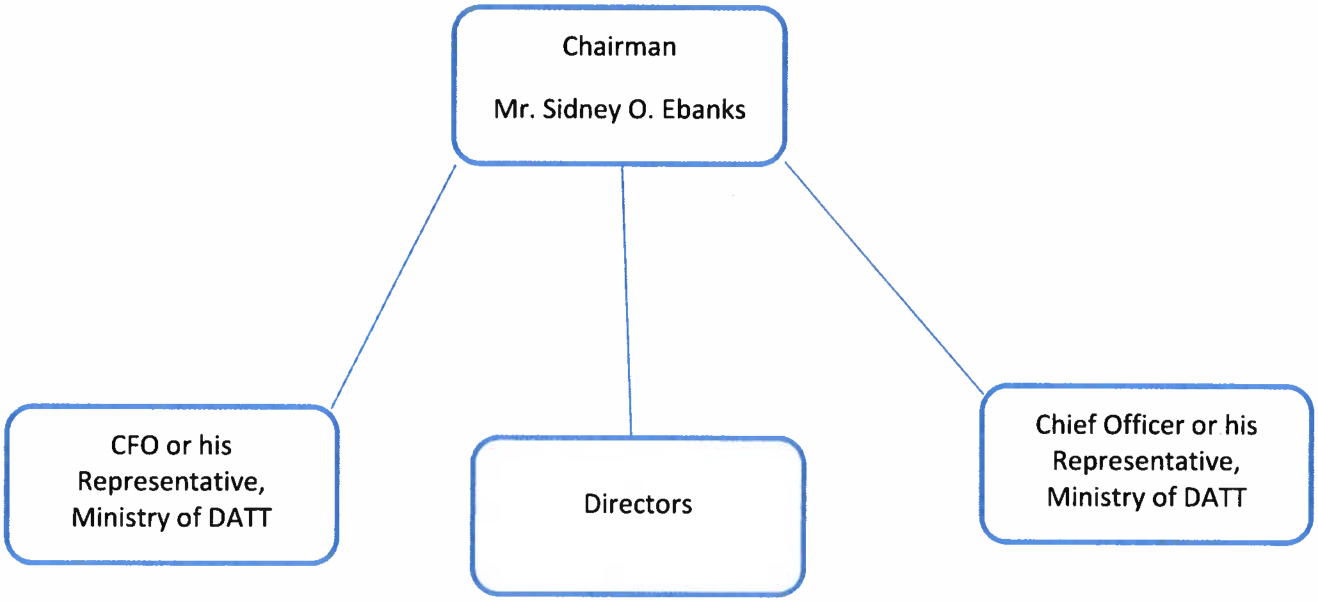
The SIAHDC operates with a set of By-Laws established in 2006. Its nine (9) member board is responsible for governance and overseeing the effective performance of the company. The SIAHDC is led by its Chairman, who is then supported by the Chief Officer or his Representative and the Chief Financial Officer or his Representative for the time being, for the Ministry with responsibility for District Administration and also six (6) other Directors appointed by the Governor in Cabinet.

The Board meets regularly to consider key performance indicators affecting the health of the company and take corrective action as necessary. The majority of SIAHDC's board members are retired members of the Cayman Brac community. They are appointed with varying background inclusive of economics, accounting, banking, administration, architectural design, law, project management, and construction skills.

Board members are not compensated for their service in compliance with the By-Laws.

For this period the Board was comprised of the following directors:

- Mr. Sidney O. Ebanks
- Mr. Larry Bryan
- Ms. Martha Scott
- Mrs. Marlyn Fay Scott
- Mr. Mark Tibbetts
- Mr. Justin Bodden
- Mrs. Thelma Galbraith
- Mr. Stran Bodden, Chief Officer or his Representative
- Mrs. Neyka Webster, Chief Financial Officer or her Representative



2016/17 Highlights

Summary of the major developments of SIAHDC are outlined below:

- September to October 2016 – Handover of houses 17 and 18 to the successful applicants.
- October to November 2017 – Site levelling and fill commenced on Houses 19, 20, and 21.
- November 2017 to May 2018 – Timeline from construction to completion of Houses 19, 20, and 21.

The SIAHDC has met the performance targets set out in the annual ownership agreement for financial year 2016-17 and continues to meet the objectives for which it was expected. Refer to the audited financial statements in appendix 2 of this annual report for further details regarding the targets and actuals for Sister Islands Affordable Housing Development Corporation for the 18-month period ended December 31, 2017.

Sister Islands Affordable Housing Development Corporation

Risk Management

As an affordable housing provider, SIAHDC considers all of its current activities to fall within its core business. Key challenges facing SIAHDC include those associated with limited population growth and relatively stagnant economic activity of Cayman Brac and Little Cayman. Tender Procurement Policy for Goods and Services, Cash Management Policy, Internal and External Audit compliances, and the employment of qualified professional support services contractors, all form part of the controls in place to ensure that current and emerging risks are managed.

Operational risks are reviewed regularly for all key areas of the business.

Key strategic goals for managing risk are as follows:

A. Ensure that SIAHDC's Board Members have regular training on risk management and that there is a culture of constructive and open challenge within the boardroom.

B. SIAHDC shall promote practices across the Corporation that establish an appropriate risk management within the day to day activities and culture of the Board.

C. Ensure Hazard Management Plan/Disaster Plans are adhered to.

Financial Performance and Analysis

The Corporation was audited by the Office of the Auditor General and received an Unqualified Opinion (clean opinion).

Sister Islands Affordable Housing Development Corporation

Profit for the Year

The audited deficit for the 18 Months ended 31 December 2017 was $6,986 which is $32,339 under the budgeted Deficit of $39,325. The decrease in the deficit was due to the treatment of construction costs, posting to Construction in Progress rather than being expensed. SIAHDC budgeted for a Deficit in 2016/17 due to the expectation of expensed construction costs.

Revenue

SIAHDC's sources of revenue are earned from selling housing units it produces; delivery of outputs to the Cayman Islands Government and interest income from fixed deposits held at Cayman National Bank. There was no variance in the revenue of $108,000 from the delivery of outputs to Government. In addition, SIAHDC earned $1,627 in interest income from fixed deposits held at Cayman National Bank.

Revenue is not expected to grow for the foreseeable future since there is no expectation of an increase in number of houses sold or additional funding from Government through outputs.

Expenditure

The SIAHDC largest expenditure was on Audit fees, rent and accounting and professional fees, all of which were budgeted and expected expenses.

Forward Looking

SIAHDC will continue with the housing delivery of 2 to 4 units each financial year.

SIAHDC will also look to expand its housing programme by carrying out feasibility studies to review the potential of a Retiree Housing market in Cayman Brac for Senior Citizens. The feasibility studies will have to be completed in order to determine if the above mentioned housing programme is the right fit for SIAHDC's business model.

Sister Islands Affordable Housing
Development Corporation

Appendix 1 – Site Pictures

Appendix 2 – Audited Financial Statements

Sister Islands Affordable Housing Development Corporation

Annual Financial Statements

For the 18 Months Ended

31 December 2017

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Sister Islands Affordable Housing Development Corporation

P.O. Box 141
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Telephone: 948-8177 Email: siahdc@candw.ky

Statement of Responsibility for the Financial Statements

These financial statements have been prepared by the Sister Islands Affordable Housing Development Corporation ("SIAHDC") in accordance with the provisions of the *Public Management and Finance Law*, (2017 Revision). The financial statements comply, in all material respects, with generally accepted accounting practice as defined in International Public Sector Accounting Standards.

The Board of Directors accepts responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law*, (2017 Revision).

As the Board of Directors, 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 SIAHDC.

As the Board of Directors, we are responsible for the preparation of the SIAHDC 's financial statements and for the judgments made in them.

The financial statements fairly present the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows and Statement of Changes in Equity for the financial period ended 31 December 2017.

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

(a) Completely and reliably reflect the financial transactions of the SIAHDC for the 18 months ended 31 December 2017;
(b) Fairly reflect the financial position as at 31 December 2017 and financial performance for the period ended 31 December 2017; and
(c) Comply with International Public Sector Accounting Standards under the responsibility of 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 on Auditing.

Sidney O Ebanks

Mr. Sidney Ebanks
Chairman, on behalf of the Board of Directors
Date: April 30, 2018

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Sister Islands Affordable Housing Development Corporation

Opinion

I have audited the financial statements of the Sister Islands Affordable Housing Development Corporation (the "Corporation"), which comprise the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of cash flows and statement of changes in net worth for the 18-month period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 20.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2017 and its financial performance and its cash flows for the 18-month period from 1 July 2016 to 31 December 2017 in accordance with International Public Sector Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a)(ii) of the *Public Management and Finance Law (2017 Revision).* I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Sue Winspear, CPFA
Auditor General

30 April 2018
Cayman Islands

Sister Islands Affordable Housing Development Corporation
Statement of Financial Position
As at 31 December 2017
(Expressed in CI$'000)

Prior Year Actual (Restated, Note 17)	Description	Notes	Current Period Actual	Original Budget	Revised Budget	Budget vs Actual Variance
	Assets:					
	Current Assets:					
685	Cash and cash equivalents	3	800	700	700	100
36	Accounts receivable	4	-	-	-	
1	Security deposits	5	1	1	1	
207	Construction - in - progress	6	178	-	-	178
-	Housing to be sold	11	-	-	-	
929	**Total Current Assets**		**979**	**701**	**701**	**278**
	Non-Current Assets:					
-	Furniture and equipment		2	-	-	2
597	Land	7	542	569	569	(27)
1,526	**Total Assets**		**1,523**	**1,270**	**1,270**	**253**
	Liabilities:					
	Current Liabilities:					
13	Trades payables and accruals		12	69	69	57
25	Audit fee payable	8	30	-	-	30
38	**Total Current Liabilities**		**42**	**69**	**69**	**(27)**
1,488	**Total Net Assets**		**1,481**	**1,201**	**1,201**	**280**
	Net Worth:					
	Accumulated deficit:					
(640)	At the beginning of the period		(765)	*	*	
(125)	Deficit for the period/year		(7)	*	*	
(765)	At the end of the period		(772)	(563)	(563)	(209
2,253	Capital contribution		2,253	1,764	1,764	(489
1,488	**Total Net Worth**		**1,481**	**1,201**	**1,201**	**28**

*No available published budget details

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation
Statement of Financial Performance
For the 18 Months ended 31 December 2017
(Expressed in CI$'000)

Prior Year Actual (Restated, Note 17)		Notes	Current Period Actual	Original Budget	Revised Budget	Budget vs Actual Variance
	Revenues:					
72	Outputs to Cabinet	9	108	108	108	-
1	Interest and other income	10	1	-	-	(1)
259	Housing Sales	11	214	244	244	30
332	**Total Revenues**		**323**	**352**	**352**	**29**
	Cost of Goods Sold:					
21	Construction materials	11	-	-	-	-
271	Subcontractor expenses	11	214	-	-	(214)
55	Cost of land	11	55	-	-	(55)
17	Other construction costs	11	-	-	-	-
364	**Total Cost of Goods Sold**		**269**	**-**	**-**	**(269)**
(32)	**Gross Profit**		**54**	**352**	**352**	**298**
	Expenses:					
40	Staff costs	12	-	82	82	82
53	Supplies and consummables	13	61	309	309	248
93	**Total Expenses**		**61**	**391**	**391**	**330**
(125)	**Deficit**		**(7)**	**(39)**	**(39)**	**(32)**

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation
Statement of Cash Flows
For the 18 Months ended 31 December 2017
(Expressed in CI$'000)

Prior Year Actual (Restated, Note 17)	Description	Notes	Current Period Actual	Original Budget	Revised Budget	Budget vs Actual Variance
	Cash Flow from Operating Activities:					
(125)	Deficit		(7)	(39)	(39)	32
55	Land transferred with housing sales		55	-	-	55
25	Prior Period correction of audit fee payable		-	-	-	-
(36)	Decrease/(increase) in accounts receivable		36	-	-	36
(207)	Decrease (increase) in construction in progress		29	-	-	29
259	Decrease in housing to be sold		-	-	-	-
(24)	Increase/(decrease) in trade payable and accrual		(1)	23	23	(24)
(2)	Increase/(decrease) in payroll liabilities		-	-	-	--
25	Increase/(decrease) in audit fee payable		5	-	-	5
(19)	Increase/(decrease) deferred revenue		-	-	-	-
(49)	Net Cash Provided by Operating Activities		**117**	**(16)**	**(16)**	**133**
	Cash Flow from Investing Activities:					
-	Purchase of furniture and equipment		(2)	-	-	2
-	Net Cash Provided by Investing Activities		**(2)**	-	-	**2**
	Cash Flow from Financing Activities:					
-	Equity injection		-	-	-	-
-	Net Cash Provided by Financing Activities		-	-	-	-
	Reconciliation of Movement in Cash to Cash at End of Period					
(49)	Net Cash Movement During the Period		115	(16)	(16)	131
734	Cash and Cash Equivalents at Beginning of Period		685	552	552	133
685	**Cash & Cash Equivalents at the end of the Period**	**3**	**800**	**536**	**536**	**264**

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation
Statement of Changes in Net Worth
For the 18 Months ended 31 December 2017
(Expressed in CI$'000)

	Accumulated Surplus/(Deficit) (Restated, Note 17)	Contributed Capital	Total Net worth
Balance as at 1 July 2015	(640)	2,253	1,613
Contributed capital	-	-	-
Capital withdrawal	-	-	-
Surplus/(deficit) for the year	(125)	-	(125)
Balance at 30 June 2016	**(765)**	**2,253**	**1,488**

	Accumulated Surplus/(Deficit)	Contributed Capital	Total Net worth
Balance as at 1 July 2016	(765)	2,253	1,488
Contributed capital	-	-	-
Capital withdrawal	-	-	-
Surplus/(deficit) for the period	(7)	-	(7)
Balance at 31 December 2017	**(772)**	**2,253**	**1,481**

The accompanying notes form an integral part of these financial statements

1. Establishment and principal activities

The Sister Island Affordable Housing Development ("SIAHDC") was incorporated as a non-profit company on 1 June 2006 and is a wholly-owned Government entity.

The main purpose of SIAHDC is to promote affordable home ownership on Cayman Brac and Little Cayman. Two properties are currently owned on Cayman Brac: Watering Place and West End with spaces for 15 homes and 20-40 homes, respectively.

The SIAHDC aims to provide quality concrete construction freehold homes which are owned outright by the successful applicants. SIAHDC works closely with the Public Works Department and the Ministry of District Administration, Tourism & Transport.

The main office is located at the Avistar Building III, Unit# 48, West End, Cayman Brac and the mailing address is P.O. Box 141, Cayman Brac KY2-2101.

2. Significant accounting policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards ("IPSAS") issued by the International Public Sector Accounting Standards Board ("IPSASB"). The significant accounting policies adopted by the SIAHDC in these financial statements are as follows:

(a) Basis of preparation

The Financial Statements of the SIAHDC are presented in Cayman Islands Dollars and comply with IPSAS for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluations of assets. As at 31 December 2017, there were no assets held at revalued amounts.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period and in the prior period.

(b) Use of estimates

The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expense during the period. 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 could differ from these estimates.

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

2. Significant accounting policies cont'd

(c) Changes inaccounting 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. There was no change to the accounting policies in 2016/2017.

(d) Budget amounts

The financial statements show comparison of actual amounts with amounts in the original and final budget. Explanations of material differences between original budget and actual amounts are provided as required by IPSAS 24.

The original budget amounts for the financial period are as presented in the 2016/2017 Ownership agreements and were approved by the Legislative Assembly on 24 June 2016. The budget was prepared based on the accrual accounting concept and the going concern basis.

(e) Reporting period

The reporting period is the 18 months ended 31 December 2017, pursuant to the *Public Management and Finance Law* amendment in (2017 revision). Thereafter, reporting periods under the law coincide with the calendar year,that is ending 31 December. This results into the prior year 2015/16 presentation not being entirely comparable.

(f) Foreign currency translation

Financial assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statement date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the Statement of Financial Performance.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(h) Accounts receivable

Accounts receivable are recognized initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collected by the SIAHDC according to the agreed terms, a provision for bad debt is established.

(i) Furniture and equipment/depreciation

In keeping with the accounting policies of the Government of the Cayman Islands, which is the sole shareholder, all furniture and equipment purchases under CI$1,000 are immediately expensed. Furniture and equipment are stated at cost less accumulated depreciation and amortization and any impairment losses.

2. Significant accounting policies cont'd

(i) Furniture and equipment/depreciation (continued)

Depreciation is charged to the Statement of Financial Performance on a straight-line basis based on the estimated useful life of the asset.

(j) Revenue recognition

Revenue is recognized at the point that SIAHDC meets the obligations to the purchaser which has been determined as when the home is completed and the purchaser takes possession of the property. Revenue from housing sales is recognized at this point.

(k) Expense

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

(l) Operating lease

Lease payments are recognized as an expense on a straight-line basis over the lease term.

(m) Construction in progress

This account consists of costs incurred or attributable to bringing the asset to the 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 SIAHDC houses are completed, the infrastructure costs will be allocated by parcel.

(n) Land

Land was acquired from the Government at no cost and is recorded at fair market value at the date of acquisition. A revaluation of the land was done as at 10 October 2014.

(o) Employee benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognized 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 SIAHDC are paid to the Silver Thatch Pension Fund and administered by the Silver Thatch Pension Board.

2. Significant accounting policies cont'd

(p) 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, exchange financial instruments under conditions that are potentially favorable or an equity instrument of another enterprise. Financial assets are comprised of cash and cash equivalents and accounts 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 unfavorable. Financial liabilities are comprised of trade payables and accruals

ii. *Recognition*

The SIAHDC 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 recognized in the Statement of Financial Performance.

iii. *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.

iv. *De-recognition*

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

(q) Provisions and contingencies

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

3. Cash and cash equivalents

SIAHDC maintains bank accounts at Cayman National Bank. As at 31 December, 2017 the following balances were held:

Prior Year Actual		Current Year Actual
30 June 2016		31 December 2017
CI$'000		CI$'000
232	Operating accounts	94
453	Fixed Deposit	706
685	**Cash and cash equivalent**	**800**

No restricted cash balances were held by the SIAHDC as at 31 December 2017.

4. Accounts receivable

As at 31 December 2017, the SIAHDC had accounts receivable of $zero; (2015/16: $35,754.00).

5. Security deposits

The SIAHDC entered into a rent agreement with the University College of the Cayman Islands (Brac Campus) for accommodations (See Note 13- Rent Expense) in 2010. A rent deposit of $500 was paid over to the Landlord, an amount which is refundable upon vacating the premises or the agreement coming to an end. Similarly, a deposit was paid over to Cayman Brac Power and Light of $500 as required in their standard contract for the supply of electricity. Security deposits remained unchanged at $1,000.

6. Construction in progress

For the period ended 31 December 2017, the SIAHDC began construction on three housing units at the West End site, to be sold in 2018, and remain in construction in progress as at 31December 2017. The Units are # 96E-537, 96E-538 and 96E-539.

7. Land

The following properties were vested with the SIAHDC by the Cayman Islands Government for nil consideration. Property revaluation was completed by the Department of Lands and Survey on 10 October 2014.

Block/ Parcel	Sq. ft.	Acre	Value
96E 277REM1	439,956	10.1	$ 140,000
96E 284	38,176	0.8764	$ 6,000
96E 525	10,167	0.2334	Sold
96E 526	10,001	0.2296	Sold
96E 532	10,014	0.2299	Sold
96E 536	10,010	0.2298	Sold
96E 537	10,014	0.2299	$ 27,500
96E 538	10,014	0.2299	$ 27,500
96E 539	10,023	0.2301	$ 27,500
96E 540	37,126	0.8523	$ 2,350
106E 48	4,356	0.1	$ 5,000
106E 49REM1	1,742	0.04	$ -
106E 175	10,018	0.23	$ 17,000

Block/ Parcel	Sq. ft.	Acre	Value
106E 194	11,364	0.26	$ 25,000
106E 196	13,636	0.3032	$ 30,000
106E 197	11,818	0.2697	$ 26,000
106E 198	11,818	0.2734	$ 26,000
106E 199	41,068	0.9428	$ -
106E 201	10,682	0.244	$ 23,500
106E 205	32,234	0.74	$ 5,000
106E 206	10,000	0.2297	$ 22,000
106E 207	10,000	0.2297	$ 22,000
106E 208	10,000	0.2295	$ 22,000
106E 209	9,773	0.2256	$ 21,500
106E 210	9,773	0.2247	$ 21,500
106E 211	9,773	0.2241	$ 21,500
106E 212	10,227	0.2331	$ 22,500
Total value of land			**$ 541,350**

Block 106E Parcel 49REM1, the land register indicates that this parcel provides a 16 feet Vehicular Right of Way to block 106E Parcels 48, 177 & 178. It comprises a small gravel road of poor quality. This implies that it has a restricted use, and therefore, it only has a nominal value. No value is listed in the valuation report produced by the Lands & Survey Department.

Block 106E Parcel 199 is an asphalt road, which provides access to sub-divided plots. This implies that it has a restricted use, and therefore, it only has a nominal value. No value is listed in the valuation report produced by the Lands & Survey Department.

8. Audit fees payable

This amount represents the Audit fee payable to the Office of the Auditor General of CI$30,000.00 as of 31 December 2017.

9. Outputs to cabinet

The SIAHDC provides general management and administration of affordable housing for the Cayman Islands Government. These services are based on terms outlined in the Annual Purchase Agreement.

10. Interest and other income

SIAHDC receives interest on fixed deposit accounts held at Cayman National Bank. For the period ended 31 December 2017, SIAHDC earned a total of $1,627 from fixed deposits.

11. Housing to be sold

The SIAHDC earns income by selling the houses it produces. During the 2016/17 fiscal period, there were two houses sold (2015/16: two houses). These houses were valued based on the cost to construct.

As at the end of 31 December 2017, there were three units under construction expected to be available for sale in the next financial year.

12. Staff costs

SIAHDC had no paid employees for the 18 Months ended 31 December 2017.

13. Supplies and consummables

	Current Period Actual	Prior Year Actual
	31 December 2017	**30 June 2016**
Rent Expense *	9	6
Audit Fees **	30	25
Accounting and Professional fees	9	11
Supplies & Consumables	2	0
Janitorial services	3	2
Utilities ***	4	2
Advertising	3	0
Other misc expenses	1	7
Total	61	53

13. Supplies and consumables (continued)

* SIAHDC is subject to a lease agreement with the University College of the Cayman Islands (UCCI-Brac Campus). The details of that agreement entail a monthly payment of $500. This agreement, which covers the rental of office space, is an operating lease as defined by IPSAS.

** The SIAHDC incurred $30,000 with respect to audit fees for fiscal 2016-17 as agreed in the engagement letter with the Office of the Auditor General.

** The following amounts were charged to the utilities account for the fiscal period:

	Current Period Actual **31 December 2017** CI$'000	Prior Year Actual **30 June 2016** CI$'000
Electricity	2	1
Telephone	2	1
Total	**4**	**2**

14. Related party transactions

SIAHDC is a wholly government company from which it derives a major source of revenue through the process of output funding. SIAHDC management personnel transact with other government departments and entities on a regular basis.

The SIAHDC also periodically engages the services of other departments of the Cayman Islands Government. Such services are provided at prevailing market prices on an arm's length basis. Services of $39,000 were provided to SIAHDC by other Cayman Islands Government departments during 2016/17, see the table below for details of payments.

The Office of the Auditor General	30,000
University College of the Cayman Islands	9,000

Due to the uniqueness and design of the SIAHDC operations, SIAHDC relies on the Board of Directors. The Directors offer their services through the Board and Committee meetings. These services are provided free of charge.

During the 18 Months to 31 December 2017, the Board of Directors have made formal declarations of their interest as required.

15. Comparison of budget to actual

The 2016/2017 Annual Accounts were prepared on a basis consistent with the 2016/17 Budget. The budget covers the fiscal period from 1 July 2016 to 31 December 2017.

The original budget was approved by the Legislative Assembly. There were no supplementary changes to the budget for the SIAHDC during the 2016/17 financial period.

The difference in planned expenditures vs. actual expenditures is due to some costs incurred in construction were treated as construction in progress rather than being expensed.

Statement of Financial Position:

Cash and cash equivalents – No Staff costs were incurred during financial period and other expenses kept under tight control.

Construction in progress – Construction of Homes for Sale in next financial year were not anticipated to be completed to the extent in this financial period.

Land – Cost of land sold in the financial period was as expected, as it was budgeted that 2 homes with land values of $27,500 each would be sold in the 2016/17 period. However, due to restatements in the 2014/15 and 2015/16 financials the starting and ending values of land changed after the budget was prepared resulting in a difference in the expected value of land at the end of the 2016/17 period. The budgeted information was prepared before the audited financials were restated.

Current liabilities – Adjustment in prior year of $25,000 not anticipated when budget compiled.

Revenues:

Housing sales – Housing sales revenue for 2 properties sold during the year less than budgeted due to tender bids for the homes coming in lower than expected. Additionally the restatement of revenue recognition of home sales impacted which years the homes were recognized as sold which would have impacted the budgeted amounts but the budgeted amounts could not be restated, hence the variance between actual and budgeted.

(For example: The homes that were scheduled to be sold in 15/16 may have been 2 – two bedrooms which will be lower than 2 – three bedrooms budgeted in 16/17. However, since the homes are being reflected in different periods the budgeted figures would not correspond with what really occurred).

15. Comparison of budget to actual (continued)+

Cost of goods sold

Subcontractor expenses – Cost of construction of 2 properties sold during the year less than budgeted due to tender bids for the homes coming in lower than expected. Additionally the restatement of revenue recognition of home sales impacted which years the homes were recognized as sold which would have impacted the budgeted amounts but the budgeted amounts could not be restated, hence the variance between actual and budgeted.

Expenses

Biggest variance is related to staff costs. During the budget period we anticipated the staff intern returning to school and that there would be a need for an employee. Therefore the costs were budgeted for, however, the staff intern is still in place and therefore no personnel costs were incurred during the period. The remaining variances are related to Audit and Accounting fees coming in lower than budgeted.

Statement of Cash Flows

Deficit – Combination of low staff costs, and not including cost of land for homes sold in budget figures.

Decrease in accounts receivable - Outputs to cabinet received in full during financial period.

Decrease in liabilities - Adjustment in prior year of $25,000 not anticipated when budget compiled and increase in liabilities in construction costs also not anticipated as of period end.

Construction in progress - Construction of homes for sale in next financial year were not anticipated to be completed to the extent in this financial period.

Equity injection – Was not required as outputs to cabinet received were adequate.

16. Subsequent events

No events materially affecting these financial statements occurred after 31 December 2017. These financial statements were approved on 30 April 2018.

17. Correction of prior period errors

Errors affecting period reporting periods were corrected during the year including:

17. Correction of prior period errors (continued)

- Recognition of housing sales in 2015-16 that should have been recognized as sales in 2016-17 period together with the cost of sales and the affected inventory was reinstated as of 30 June 2016.
- Audit fees payable relating to years prior to 1 July 2015 that were recognized in 2015-16, subsequently confirmed as not owing with OAG.

The following line items in the 30 June 2016 financial statements were affected:

	Current Year Per 2015-16 FS (Original)	Adjustments	Prior Year Actual in current FS (Restated)
Statement of Financial Position			
Assets			
Accounts receivable	250	(214)	36
Construction - in - progress	1	206	207
Total Current Assets	937	(8)	929
Non-current assets			
Land	542	55	597
Total Assets	1,479	47	1,526
Liabilities			
Current Liabilities			
Trades payables and accruals	37	(24)	13
Total Current Liabilities	62	(24)	38
Total Net Assets	1,417	71	1,488
Equity			
At the beginning of the period	(665)	25	(640)
Surplus/(deficit) for the year	(171)	46	(125)
Total Owner's Net Worth	1,417	71	1,488
Statement of Financial Performance			
Housing sales	473	(214)	259
Total Revenues	546	(214)	332
Cost of Goods Sold Subcontractor expenses	478	(207)	271
Cost of land	110	(55)	55
Total Cost of Goods Sold	626	(262)	364

17. Correction of prior period errors (continued)

Statement of Financial Performance (continued)	Current Year Per 2015-16 FS (Original)	Adjustments	Prior Year Actual in current FS (Restated)
Gross Profit	(80)	48	(32)
Expenses			
Supplies and consummables	51	2	53
Total Expenses	91	2	93
Deficit	(171)	46	(125)
Statement of Changes in Net Worth			
Accumulated Deficit			
Balance as at 1 July 2015	(665)	25	(640)
Deficit for the year	(171)	46	(125)
Balance at 30 June 2016	(826)	61	(765)
Statement of Cash Flows			
Cash Flow from Operating Activities			
Surplus/(Deficit)	(171)	46	(125)
Land transferred with housing sales	110	(55)	55
Prior period correction of audit fee payable	-	25	25
(Increase)/decrease in accounts receivable	(250)	214	(36)
Increase in construction in progress	(1)	(206)	(207)
Decrease in housing to be sold	0	259	259
Increase/(decrease) in trade payables and accruals	23	(47)	(24)
Increase/(decrease) in payroll liabilities	-	(2)	(2)
Increase/(decrease) in audit fee payable	-	25	25
Increase/decrease in deferred revenue	-	-	(19)
Net Cash Provided by Operating Activities	(289)	-	(49)