
Sister Islands Affordable Housing Development Corporation



Annual Report

For the Year Ended 31 December 2020



Foreword by the Chairman

The 2020 financial period was a quiet year for SIAHDC as although two (2) contracts for houses for construction in the 2020 year were entered into, and two contracts for the year were approved in 2019, due to the COVID pandemic, no construction was undertaken. 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 four (4) decades; this limits the potential for housing growth at SIAHDC, although it has tried to maintain a steady delivery of two (2) to four (4) houses per year, and hope to be on target for the coming year. Currently, Little Cayman's population has limited need with a population of about two hundred (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.



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.



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 thirteen (13) more homes to be built and twenty one (21) homes have been built in West End with space for twenty to forty 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 Act and Regulations (Revision 2020), 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 year ended 31 December 2020.

Governance

The SIAHDC operates with a set of By-Laws established in 2006. Its ten (10) 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 her Representative for the time being, for the Ministry with responsibility for District Administration and also seven (7) other Directors appointed by the Chairman.

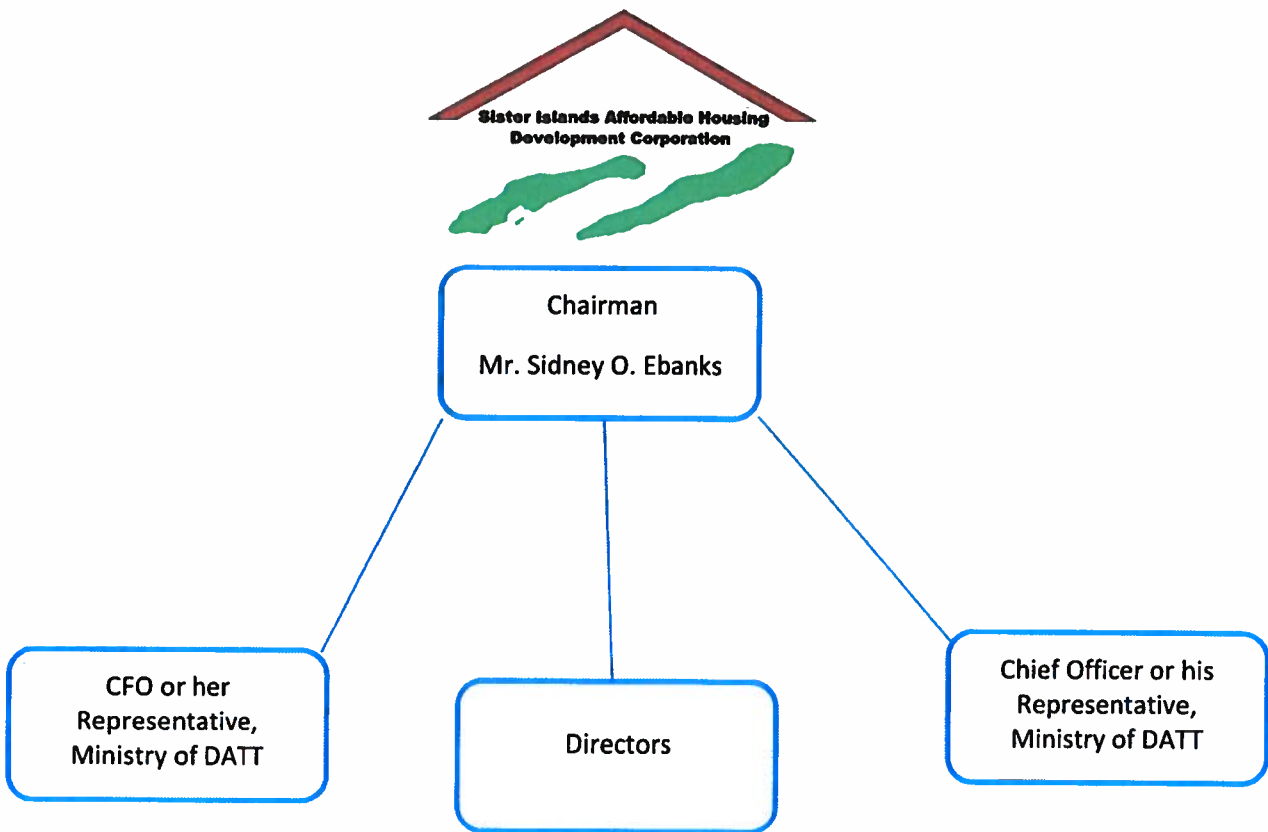


Although the Board meets regularly to consider key performance indicators affecting the health of the company and take corrective action as necessary, the impact of COVID restrictions made this extremely difficult and were no meetings held in the Year. The majority of SIAHDC's board members are retired 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
- Mr. Mark Tibbetts
- Mr. Justin Bodden
- Ms. Yvonne Walton
- Ms. Tanya Mortimer
- Mr. Stran Bodden, Chief Officer or his Representative
- Mrs. Neyka Webster, Chief Financial Officer or her Representative



2020 Highlights

Summary of the major developments of SIAHDC in the year to 31st December 2020 are outlined below:

- No major developments have occurred in 2020.

The SIAHDC was unable to meet the performance targets set out in the annual ownership agreement for financial year 2020 due to the COVID pandemic restrictions but will continue to meet the objectives for which it was expected in the coming year.



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).



Profit for the Year

The audited profit for the year ended 31 December 2020 was \$Nil which is \$98 thousand under the budgeted deficit of \$98 thousand. The decrease in deficit was due to a number of factors, including no construction of buildings, and the decrease in audit fees due to the change of using external auditors and the audit being conducted through the Office of the Auditor General.

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. SIAHDC earned approximately \$1 thousand 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 in the coming year with the housing delivery of two (2) to four (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.



Appendix 1 – Site Pictures





Appendix 2 – Audited Financial Statements

Sister Islands Affordable Housing Development Corporation



*Financial Statements
For the Year Ended
31 December 2020*

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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 Act, (2020 Revision)* and 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 Act, (2020 Revision)*.

As the Board of Directors and Chief Financial Officer, 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 act, and properly record the financial transactions of the Sister Islands Affordable Housing Development Corporation.

As the Board of Directors and Chief Financial Officer, we are responsible for the preparation of the Sister Islands Affordable Housing Development Corporation'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 net worth for the financial year ended 31 December 2020.

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

- (a) completely and reliably reflect the financial transactions of the Sister Islands Affordable Housing Development Corporation for the year ended 31 December 2020;
- (b) fairly reflect the financial position as at 31 December 2020 and financial performance for the year ended 31 December 2020; and
- (c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

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.

Mr. Sidney Ebanks
Chairman, on behalf of the Board of Directors
Date: 29-Mar-21

Mrs. Neyka Webster
Chief Financial Officer
Date: 29-Mar-21

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 2020 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 23.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2020 and its financial performance and its cash flows for the year ended 31 December 2020 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 Ethics 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.

Emphasis of Matter

I draw attention to note 14 of the financial statements which describes unearned revenue of \$17,000 in the statement of financial position. The amount deferred represents income billed but not earned by the Authority for services to be done in relation to the construction and sales of houses, the core aspect of their operations. The Authority has not constructed or sold houses for both the 2019 and the 2020 financial years ended. My opinion is not modified in respect of this matter.

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 and fair presentation 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 GENERAL'S REPORT (continued)

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's 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) of the *Public Management and Finance Act (2020 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
Auditor General

29 March 2021
Cayman Islands

Sister Islands Affordable Housing Development Corporation
Statement of Financial Position
As at 31 December
2020

(Expressed in C\$'000)

	Description	Notes	Current Year 2020 Actual	Prior Period Year 2019 Actual
Assets:				
	Current Assets:			
	Cash and Cash Equivalents	3	888	791
	Accounts Receivable	4	-	56
	Interest Receivable		-	1
	Security Deposits	5	1	1
	Construction - in - Progress	6	-	-
	Total Current Assets		889	849
	Non-Current Assets:			
	Furniture & Equipment	6	-	1
	Land	6,15	437	437
	Total Assets		1,326	1,287
Liabilities:				
	Current Liabilities:			
	Trades Payables and Accruals		1	1
	Unearned Income	14	17	-
	Audit Fee Payable	7	48	26
	Total Current Liabilities		66	27
Total Net Assets			1,260	1,260
Equity:				
	Accumulated deficit			
	At the beginning of the year	15	(993)	(968)
	Profit/(Deficit) for the year	15	-	(25)
	At the end of the year		(993)	(993)
	Capital Contribution		2,253	2,253
Total Owner's Net Worth			1,260	1,260

The accompanying notes form an integral part of these financial statements.

Sister Islands Affordable Housing Development Corporation
Statement of Financial Performance
For the Year Ended 31 December 2020
(Expressed in C\$'000)

Description	Notes	Current Year 2020 Actual	Prior period Year 2019
Revenues:			
Outputs to Cabinet	8	39	56
Interest and Other Income	9	1	7
Housing Sales	10	-	-
Total Revenues		40	63
Cost of Goods Sold:			
Subcontractor Expenses		-	-
Cost of Land	6,15	-	-
Other Construction Costs		-	38
Total Cost of Goods Sold:		-	38
Gross Profit		40	25
Expenses:			
Staff Costs		-	-
Rent Expense	11	6	6
Audit Fees	7	25	25
Accounting and Professional fees		4	11
Supplies & Consumables		-	1
Janitorial services		2	2
Utilities	12	2	3
Advertising		-	-
Other Misc Expenses		-	2
Depreciation	6	1	-
Total Expenses		40	50
Profit/(Deficit)	15	-	(25)

The accompanying notes form an integral part of these financial statements.

Sister Islands Affordable Housing Development Corporation
Statement of Cash Flows
For the Year Ended 31 December 2020
(Expressed in C\$'000)

Description	Notes	Current Year 2020 Actual	Prior period Year 2019 Actual
Cash Flow from Operating Activities:			
Profit/(Deficit) for year		-	(25)
Decrease/(Increase) in Accounts Receivable		56	(37)
Decrease/(Increase) in Interest Receivable		1	-
Decrease in Prepaid Expenses		-	4
Decrease in Construction - in - progress		-	-
Decrease in Land	15	-	-
Increase/(Decrease) in Trade Payables and Accruals		17	(1)
Increase/(Decrease) in Audit Fee Payable		22	(12)
Net Cash Provided by Operating Activities		<u>96</u>	<u>(71)</u>
Cash Flow from/(used in) Investing Activities:			
Purchase of Furniture and Equipment		<u>1</u>	<u>1</u>
Net Cash Used in Investing Activities		<u>1</u>	<u>1</u>
Reconciliation of Movement in Cash to Cash at End of Year			
Net Cash Movement During the Year		97	(70)
Cash & Cash Equivalents at Beginning of Year		791	861
Cash & Cash Equivalents at the end of the Year	3	<u>888</u>	<u>791</u>

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 Year Ended 31 December 2020
(Expressed in C\$'000)

	Accumulated (Deficit)	Contributed Capital	Total Net worth
Balance as at 1 January 2019	(968)	2,253	1,285
Deficit for the year	(25)	-	(25)
Balance at 31 December 2019	(993)	2,253	1,260
	Accumulated (Deficit)	Contributed Capital	Total Net worth
Balance as at 1 January 2020	(993)	2,253	1,260
Profit for the year	-	-	-
Balance at 31 December 2020	(993)	2,253	1,260

The accompanying notes form an integral part of these financial statements.

1. Establishment and principal activities

The Sister Island Affordable Housing Development (“SIAHDC”) (“Corporation”) 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 13 homes and 20-40 homes respectively.

The SIAHDC constructs quality concrete construction freehold homes which are sold outright to 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

(a) Statement of Compliance

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”).

(b) Basis of preparation

The financial statements have been prepared on the basis of historic cost modified for the revaluation of assets and the accounting policies have been consistently applied to all the years presented.

The financial statements are prepared on the going concern basis and are presented in Cayman Islands Dollars (CI) which is the functional currency.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2020 have not been early adopted by the Corporation

Certain new accounting standards have been published that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the Corporation. The Corporation’s assessment of the impact of these new standards are set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 will not have a significant impact on the SIAHDC’s financial statements. This will be assessed more fully closer to the effective date of adoption.

2. Significant accounting policies (continued)

(b) Basis of preparation (continued)

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that IPSAS 42 will not have a significant impact on the SIAHDC's financial statements, but this will be assessed more fully closer to the effective date of adoption.

(c) 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, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expense during the year. 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.

(d) Changes in Accounting Policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so. There was no change to the accounting policies during the year ended 31 December 2020.

(e) Budget amounts

The 2020/21 original budget was presented in the December 2019 Annual Budget Statement and approved by the Legislative Assembly. There were no amendments to the original budget.

Explanations of material differences between original budget and actual amounts are provided as required by IPSAS 24 in Note 15.

2. Significant accounting policies (continued)

(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. Financial gains and losses arising on translation are included in the statement of financial performance.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and fixed asset 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 debts is established.

(i) Property, plant and equipment

Furniture and Equipment

Furniture and equipment are stated at historical cost less accumulated depreciation. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the statement of financial performance in the period in which the asset is acquired.

Depreciation is expensed on a straight-line basis at rates stipulated below to allocate the cost or valuation of an item of property and equipment; less any estimated residual value, over its estimated useful life.

Asset Type	Estimated Useful Life
Fixtures and Equipment	3 Years
Land	No depreciation is charged on land

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year end. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and its value for use in service.

2. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Construction in Progress

Construction in Progress represents housing construction projects which are not yet completed at the period end date. No depreciation is charged on work in progress assets which are not available for use. There was no construction in progress at 31 December 2020.

Land

Land was acquired from the Cayman Islands Government at no cost and recorded as a non-exchange transaction at the fair value at the date of acquisition. SIAHDC has elected to re-measure the land using the revaluation model every 3-5 years in accordance with IPSAS 17 *Property, plant and equipment*. If the carrying amount of the land increases as a result of a revaluation the increase is directly credited to the revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the land previously recognized in surplus or deficit. If the carrying amount decreases as a result of a revaluation, the decrease is recognized in surplus or deficit. The decrease is debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in relation to land.

Upon the sale of a house, construction in progress and land are transferred to inventory at current carrying value and the corresponding revenue and cost of sales recognized in the statement of financial performance.

(k) Revenue recognition

The SIAHDC derives its revenue through the Outputs to Cabinet and housing sales. Revenue is recognized at the fair value of consideration received or receivable.

(i) Housing Sales

Revenues from housing sales are revenue from exchange contracts. Revenue is recognized when significant risk and rewards of ownership have been transferred to the purchaser, revenue can be reliably measured, it is probable that the economic benefits will flow to the Corporation and the cost incurred in respect of each transaction can be reliably measured. The land is distributed at nil cost and no revenue is recognized.

(ii) Outputs to Cabinet

Revenue received from Cabinet are recognized as revenue from exchange service contracts. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits or service potential will flow to the Corporation, the stage of completion of the transaction at the reporting date can be measured reliably and the costs incurred for the transaction and the and the costs to complete.

2. Significant accounting policies (continued)

(l) Expenses

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

(m) Operating lease

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

(n) Financial Instruments

The SIAHDC is party to financial instruments as part of its normal operations.

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. Financial assets are comprised of cash and cash equivalents, accounts receivable and interest 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 and audit fee payable.

i. Recognition

The SIAHDC recognizes financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument.

ii. Measurement

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

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

iii. 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

2. Significant accounting policies (continued)

(n) Financial Instruments (continued)

iii. De-Recognition (continued)

liability is derecognized when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

3. Cash and Cash Equivalents

The Corporation maintains bank accounts at Cayman National Bank. As at 31 December 2020 the following balances were held:

	Current Year Actual 31 December 2020 CIS'000	Prior Period Actual 31 December 2019 CIS'000
Operating Accounts	172	77
Fixed Deposits	716	714
Total	888	791

No restricted cash balances were held by the SIAHDC as at 31 December 2020.

4. Accounts Receivable

As at 31 December 2020, the SIAHDC had accounts receivable of \$Nil; (2019: \$56,250).

5. Security Deposits

The SIAHDC entered into a rent agreement with the University College of the Cayman Islands (Brac Campus) for accommodations (See Notes 11 & 13) in 2010. A rent deposit of \$500 was paid over to

5. Security Deposits(continued)

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. Property, Plant and Equipment

Cost of Property, Plant and Equipment

	Furniture & Fittings CIS'000	Land CIS'000	Construction in Progress CIS'000	Total Property and Equipment CIS'000
Balance as at 1 January 2019	2	437	-	439
Additions	-	-	-	-
Disposals / Transfers	-	-	-	-
Balance as at 31 December 2019	2	437	-	439
Additions	-	-	-	-
Disposals / Transfers	-	-	-	-
Balance as at 31 December 2020	2	437	-	439

	Furniture & Fittings \$000 CIS'000	Land CIS'000	Construction in Progress CIS'000	Total Property and Equipment CIS'000
Balance as at 1 January 2019	1	-	-	1
Disposals	-	-	-	-
Depreciation	-	-	-	-
Balance as at 31 December 2019	1	-	-	1
Disposals	-	-	-	-
Depreciation	1	-	-	1
Balance as at 31 December 2020	2	-	-	2

Net Book Value of Property, Plant and Equipment

	Furniture & Fittings CIS'000	Land CIS'000	Construction in Progress CIS'000	Total Property and Equipment CIS'000
Net Book Value as at 31 December 2019	1	437	-	438
Net Book Value as at 31 December 2020	-	437	-	437

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
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6. Property, Plant and Equipment (continued)

The following properties are currently owned by SIAHDC. The properties were revalued by an independent valuator on 23 May 2016 in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors. The valuation was performed for the financial year ended 30 June 2016.

Block/Parcel	Sq. Ft	Acre	As at 31 December 2019 CIS'000	As at 31 December 2020 CIS'000	Revaluation Surplus/ (Deficit) CIS'000
96E 277REM1	439,956	10.1	157,000	157,000	17,000
96E 284	38,176	0.8764	-	-	(6,000)
96E 537	10,014	0.2299	Sold	Sold	-
96E 538	10,014	0.2299	Sold	Sold	-
96E 539	10,023	0.2301	Sold	Sold	-
96E 540	37,126	0.8523	-	-	(2,350)
106E 48	4,356	0.1	4,500	4,500	(500)
106E 49REM1	1,742	0.04	-	-	-
106E 175	10,018	0.23	18,250	18,250	1,250
106E 194	11,364	0.26	22,500	22,500	(2,500)
106E 196	13,636	0.3032	26,500	26,500	(3,500)
106E 197	11,818	0.2697	23,500	23,500	(2,500)
106E 198	11,818	0.2734	24,000	24,000	(2,000)
106E 199	41,068	0.9428	-	-	-
106E 201	10,682	0.244	21,500	21,500	(2,000)
106E 205	32,234	0.74	-	-	(5,000)
106E 206	10,014	0.2297	20,000	20,000	(2,000)
106E 207	10,014	0.2297	20,000	20,000	(2,000)
106E 208	10,014	0.2295	20,000	20,000	(2,000)
106E 209	9,773	0.2256	19,500	19,500	(2,000)
106E 210	9,773	0.2247	19,500	19,500	(2,000)
106E 211	9,773	0.2241	19,500	19,500	(2,000)
106E 212	10,277	0.2331	20,500	20,500	(2,000)
			436,750	436,750	(22,100)

Block 96E 284, 96E540 and 106E 205 are designated for public use and cannot be sold or developed. Due to the restricted use, the parcels are valued at zero. Parcel 106E 49REM1 provides a 16 feet Vehicular Right of Way to block 106E Parcels 48 and Parcel 106E 199 is a roadway linking Connor Drive, Brown Road and Leroy Tibbetts Drive and due to restricted uses the parcels are valued at zero.

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7. Audit Fees

This amount, a total of CI\$25,000, represents the Audit Fee Payable to the Office of the Auditor General as of 31 December 2020.

8. 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.

9. Interest and Other Income

The Corporation receives interest on fixed deposit accounts held at Cayman National Bank. For the year ended 31 December 2020, SIAHDC earned a total of \$1,499 (2019: \$6,909) from fixed deposits.

10. Housing Sales

The SIAHDC earns income by selling the houses it produces. During the 2020 fiscal year, there were zero houses sold (2019: zero houses sold). Houses are sold based on the cost to construct.

As at 31 December 2020, there were no units under construction (2019: zero units under construction).

11. Lease Rental

The SIAHDC entered into a lease agreement with the University College of the Cayman Islands (UCCI-Brac Campus). The current lease is for one year from 1 June 2020 through 31 May 2021.

The future obligations of the existing lease are \$2,500 payable over the next 5 months.

12. Utilities

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

	Current Year Actual 31 December 2020 CIS'000	Prior Period Actual 31 December 2019 CIS'000
Electricity	1	1
Telephone	1	2
Total	2	3

13. 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 provided to SIAHDC by other Cayman Islands Government departments during 2020, are as follows;

The Office of the Auditor General	\$25,000
University College of the Cayman Islands	\$6,000

SIADHC received services-in-kind in the form of office and project management services and procurement assistance services by the Cayman Islands Government. These services are designated as non-exchange transactions under IPSAS 23 - Revenue from Non-Exchange Transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. No expenses have been recorded for services-in-kind for the year ended 31 December 2020.

The Board of Directors volunteer their services and are not compensated. During the year ended to 31 December 2020, the Board of Directors have made formal declarations of their interest as required by the Public Management and Finance Act (2020) as well as generally accepted accounting practices.

14. Unearned Income

The following amounts represent unearned income for the year. The SIAHDC derives its revenue through the Outputs to Cabinet and Housing Sales. There were sales in the year as there were no houses built in the year to 31 December 2020 and the revenue for the year was derived through Outputs from Cabinet which covers the general management and administration of SIAHDC, limited expenses for the year, and the interest income. Unearned Income as at 31 December 2020 is CI\$17,130 (2019: \$Nil).

The SIAHDC last completed and sold houses in 2018. Since then the Ministry has been liaising with the Lands & Survey Department to transfer land designated for the road to Crown in order to allow for paving of the road, installation of the electricity poles and division of 8 house lots at the West End site. The Ministry plans to complete this process in 2021 and continue to deliver on the SIAHDC's mandates to build affordable homes for the Sister Islands residents.

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15. Reconciliation and Comparison of Budget to Actual

The 2020 financial statements were prepared on a basis consistent with the 2020 Budget. The budget covers the fiscal period from 1 January 2020 to 31 December 2020.

The original budget was approved by the Legislative Assembly. There were no supplementary changes to the budget for the SIAHDC during the 2020 financial year.

Statement of financial position actual against budget

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CIS'000	Approved Budget CIS'000	Budget vs Actual Variance CIS'000
Current Assets				
Cash and Cash Equivalents	Cash and Cash Equivalents	888	792	(96)
Interest Receivable	Interest Receivable	-	-	-
Accounts Receivable	Other Receivables	-	-	-
Prepaid Expenses	Other Receivables	-	-	-
Security Deposits	Other Receivables	1		
		<u>1</u>	<u>2</u>	<u>1</u>
Total Current Assets		889	794	(95)
Non-Current Assets:				
Furniture & Equipment	Plant Property & Equipment	-	-	-
Land	Plant Property & Equipment	437	322	(115)
Total Assets		1,326	1,116	(210)
Liabilities:				
Current Liabilities:				
Trades Payables and Accruals	Trade Payables	18		
Audit Fee Payable	Trade Payables	48		
		<u>66</u>	<u>43</u>	<u>(23)</u>
Total Current Liabilities		66	43	(23)
Total Net Assets		1,260	1,073	(187)

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
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15. Reconciliation and Comparison of Budget to Actual (continued)

Statement of financial position actual against budget (continued)

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CIS'000	Approved Budget CIS'000	Budget vs Actual Variance CIS'000
Equity:				
(Accumulated Deficit)				
At the beginning of the year		(993)	(1,082)	(89)
Profit/(Deficit) for the year		-	(98)	(98)
At the end of the year	Accumulated Surplus / Deficit	(993)	(1,180)	(187)
Capital Contribution	Contributed Capital	2,253	2,253	-
Total Owner's Net Worth		1,260	1,073	(187)

Statement of financial performance actual against budget

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CIS'000	Approved Budget CIS'000	Budget vs Actual Variance CIS'000
Revenues:				
Outputs to Cabinet	Sale of Services to Cabinet	39	75	36
Interest and Other Income	Investment revenue	1	2	1
Housing Sales	Other Goods and Services Revenue	-	390	390
Total Revenues		40	467	427
Cost of Goods Sold:				
Subcontractor Expenses	Supplies and Consumables	-	-	-
Cost of Land	Supplies and Consumables	-	-	-
Other Construction Costs	Supplies and Consumables	-	-	-
Expenses:				
Rent Expense	Supplies and Consumables	6	-	-
Audit Fees	Supplies and Consumables	25	-	-
Accounting and Professional Fees	Supplies and Consumables	4	-	-
Supplies & Consumables	Supplies and Consumables	1	-	-
Janitorial Services	Supplies and Consumables	2	-	-

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Notes to the Financial Statements
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15. Reconciliation and Comparison of Budget to Actual (continued)

Statement of financial performance actual against budget (continued)

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CIS'000	Approved Budget CIS'000	Budget vs Actual Variance CIS'000
Utilities	Supplies and Consumables	2	-	-
Other Misc Expenses	Supplies and Consumables	1	-	-
Depreciation	Supplies and Consumables	-	-	-
Total Expenses	Total Supplies and Consumables	40	565	525
Surplus/(Deficit)		-	98	98

Statement of cash flows actual against budget

Financial Statement Caption	Approved Budget Caption	Current year Actual CIS'000	Approved Budget CIS'000	Budget vs Actual Variance CIS'000
Cash Flow from Operating Activities:				
Profit/ (Deficit) for year		-	(97)	(97)
Decrease in Accounts Receivable		56	-	(56)
(Increase) in Interest Receivable		1	-	(1)
Decrease in Prepaid Expenses		-	-	-
Decrease in Construction In Progress		-	-	-
Decrease in Land		-	48	48
Increase in Trade Payables and Accruals		17	3	(14)
Increase in Audit Fee		22	-	(22)
Net Cash Provided by Operating Activities	Net Cash from Operating Activities	96	(46)	(142)
Net Cash Used in Investing Activities	Net Cash from Investing Activities	1	-	(1)
Reconciliation of Movement in Cash to Cash at End of Period				
Net Cash Movement During the Year	Net increase/(decrease) in and cash equivalents	97	(46)	(143)
Cash & Cash Equivalents at Beginning of Period	Cash & Cash Equivalents at Beginning of Period	791	838	47
Cash & Cash Equivalents at the end of the Period	Cash & Cash Equivalents at the end of the Period	888	792	(96)

15. Reconciliation and Comparison of Budget to Actual (continued)

Statement of cash flows actual against budget (continued)

The statement of cash flows is presented in the budget using the direct method whereas in the financial statements it is presented using the indirect method and is therefore not directly comparable.

Explanation of major budget variance

Explanations for major variances for the SIADHC performance against the budget are as follows:

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents were \$96k higher than budgeted due to no construction costs during the year and there were no sales of properties in the year.

Property, plant and equipment

Property, plant and equipment were higher than budgeted as a result of property that is owned by SIAHDC.

Total current liabilities

Current liabilities were \$23K higher than budgeted due to audit fees payable for 2019 still payable, and the Unearned Income of \$17K.

Statement of financial performance

Total Revenues

Total revenues were \$427K lower than budgeted due to no sales of houses whereas the budget has allowed for the sale of 3 houses during the financial year.

Total Expenses

Total supplies and consumables were \$525K lower than budgeted due to no construction costs of houses whereas the budget has allowed for the construction of 3 houses during the financial year.

16. Financial Instruments Risk

The SIAHDC is exposed to a variety of financial risks including credit risk, exchange rate risk and liquidity risk. The Corporation's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2018 Revision).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the SIAHDC. Financial assets which potentially expose the SIAHDC to credit risk comprise cash and cash equivalents and receivables from exchange transactions.

The SIAHDC is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well managed.

The SIAHDC is also exposed to a significant concentration of credit risk in relation to receivables from exchange transactions which are due from the Cayman Islands Government. No credit limits have been established. As at 31 December 2020, no provision for doubtful debts (2019: \$0) has been made on these receivables as management considers these debts to be recoverable in full. The carrying amount of financial assets recorded in the financial statements represents the SIAHDC's maximum exposure to credit risk. No collateral is required from debtors.

Exchange rate risk

The SIAHDC does not have significant exposure to currency exchange rate risk as no foreign currency transactions exist.

Liquidity risk

Liquidity risk is the risk that the SIAHDC is unable to meet its payment obligations associated with its financial liabilities when they are due.

The SIAHDC maintains substantial cash balances held in bank accounts and short term deposits which enables SIAHDC to meet its payment obligations as they are due.

17. Subsequent Events

No events materially affecting these financial statements occurred after 31 December 2020.