



Financial Statements of

**National Housing
Development Trust**

**For the year ended
30 June 2006 and 2005**



Cayman Islands

National Housing Development Trust

CERTIFICATE OF THE AUDITOR GENERAL

To the Board Members and Shareholder of the National Housing Development Trust

I have audited the accompanying financial statements of the National Housing Development Trust ("the Trust"), which comprise the balance sheet as at 30 June 2006, and the income statement, statement of changes in net assets and cash flow for the year then ended as set out on pages 3 to 14 and in accordance with the Section 60(a) of the Public Management and Finance Law (2005 Revision).

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriated accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Housing Development Trust as of 30 June 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



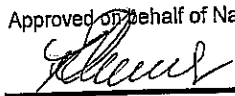
Dan Duguay, MBA, FCGA
Auditor General

Cayman Islands
14 April 2008

National Housing Development Trust
Balance Sheet
As at June 30, 2006
(Expressed in Cayman Islands Dollars)

	<u>Note</u>	2006	2005
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	2 (e)	\$ 2,754,934	\$ 3,492,483
Accounts receivable		75,441	174,194
Materials inventory	3	154,214	281,565
Prepaid expenses		78,287	6,892
Total Current Assets		3,062,876	3,955,134
<i>Non-current Assets</i>			
Low-income housing properties	2 (f) and 3	6,397,473	7,099,041
Fixed Assets	4	47,125	66,687
Land		2,370,000	2,370,000
Total Non-current Assets		8,814,598	9,535,728
TOTAL ASSETS		\$ 11,877,475	\$ 13,490,862
LIABILITIES and EQUITY			
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities		\$ 136,127	\$ 256,301
Current portion of bond payable	5	387,506	186,368
Deferred liability	10 (c)	215,372	191,643
Trailers liability	1	-	54,006
Total Current Liabilities		739,005	688,318
<i>Non-current Liabilities</i>			
Bond Payable	5	11,316,127	11,718,633
Special Purpose Fund	6	30,800	30,300
Total Non-current Liabilities		11,346,927	11,748,933
EQUITY			
Retained Earnings		(3,338,457)	(2,076,389)
Contributed Capital		3,130,000	3,130,000
Total Equity		(208,457)	1,053,611
TOTAL LIABILITIES and EQUITY		\$ 11,877,475	\$ 13,490,862

Approved on behalf of National Housing Development Trust on April 14, 2008:


Leonard Ebanks
Chairman of the Board


Maxine Gibson
Manager

The notes on pages 7 to 14 are an integral part of these financial statements.

National Housing Development Trust
Income Statement

For the year ended June 30, 2006
(Expressed in Cayman Islands Dollars)

INCOME	<u>Note</u>	2006	2005
Rent, Strata and Interest		\$ 657,393	\$ 404,971
Interest and Other Income		180,370	47,787
Total Income		837,763	452,758
EXPENSES			
Depreciation	2 (f), 3 and 4	796,484	590,435
Interest on loans		630,393	399,175
Personal emoluments		324,871	673,156
Property and content insurance		105,982	57,475
Utilities		85,437	16,153
Audit and professional fees		45,322	48,040
Repairs and maintenance		44,561	2,847
Office rent and parking		35,045	38,943
Miscellaneous		22,677	12,001
Bad debts		21,324	7,234
Office supplies		10,003	10,765
Travel		3,202	3,682
Office maintenance		1,075	5,026
Finance costs		-	178,950
Community project		-	57,762
Security services		-	18,728
Total Expenses		2,126,377	2,120,372
Net (Deficit) from operations		(1,288,615)	(1,667,614)
Other Income		-	2,151,362
Insurance proceeds - hurricane		250,000	800,000
Government Grants		250,000	2,951,362
Total Other Income		250,000	2,951,362
Other Expenses		-	2,098,068
Loss due to hurricane		39,989	1,160,761
Recovery operations - hurricane		101,133	177,828
Loss due to abandoned project / damaged materials	11 (f)	141,122	3,436,657
Total Other Expenses		108,878	(485,295)
Net Surplus/(Deficit) from other		108,878	(485,295)
Net (Deficit)		\$ (1,179,737)	\$ (2,152,909)

The notes on pages 7 to 14 are an integral part of these financial statements.

National Housing Development Trust
Statement of Changes in Net Assets

For the year ended June 30, 2006
(Expressed in Cayman Islands Dollars)

	CONTRIBUTED CAPITAL	ACCUMULATED SURPLUS/(LOSS)	TOTAL
June 30, 2005	\$ 3,130,000	\$ (2,076,389)	\$ 1,053,611
Net Loss during the year	-	(1,179,737)	(1,179,737)
Adjustment to Accumulated Surplus/(Loss)	-	(82,332)	(82,332)
June 30, 2006	<u>\$ 3,130,000</u>	<u>\$ (3,338,457)</u>	<u>\$ (208,457)</u>

The notes on pages 7 to 14 are an integral part of these financial statements.

National Housing Development Trust
Statement of Cash Flows
For the year ended June 30, 2006
(Expressed in Cayman Islands Dollars)

	2006	2005
Cash flows from operating activities		
Net (loss) surplus	\$ (1,179,737)	\$ (2,152,909)
Add/(deduct) items not involving cash:		
Depreciation	796,484	590,435
Accrued vacation leave	5,951	27,882
Loss due to hurricane	-	2,098,068
Total	<u>802,435</u>	<u>2,716,385</u>
Operating (loss)profit before working capital changes	(377,302)	563,476
(Increase)/decrease in:		
Receivables	98,753	(171,376)
Prepaid expenses	(71,396)	(5,043)
Increase/(decrease) in:		
Accounts Payable & Accrued liabilities (except accrued vacation leave)	(96,792)	11,955
Deferred liability	23,729	160,643
Liability on trailers	(54,006)	54,006
Special Purpose fund	30,800	30,300
	<u>(446,214)</u>	<u>643,961</u>
Cash (used)/ generated from operations		
Investing Activities		
Decrease/(Additions) to:		
Low-income housing properties	(85,922)	(1,037,278)
Fixed Assets	<u>(4,046)</u>	<u>(29,521)</u>
	(89,968)	(1,066,799)
Financing Activities		
Proceeds from/(payment for):		
Bond issuance	-	11,905,001
Loans payable	(201,368)	(8,824,062)
Capital Injection	<u>-</u>	<u>760,000</u>
	(201,368)	3,840,939
Increase in Cash and Cash Equivalents	<u>(737,549)</u>	<u>3,418,101</u>
Movement in Cash		
Balance 1 July	\$ 3,492,483	\$ 74,382
(Decrease)increase in the year	<u>(737,549)</u>	<u>3,418,101</u>
Balance at 30 June	<u>\$ 2,754,934</u>	<u>\$ 3,492,483</u>

The notes on pages 7 to 14 are an integral part of these financial statements.

1. ORGANIZATION AND OBJECTIVES

The National Housing Development Trust (the "Trust") was incorporated on September 29, 2003 as a not for profit company limited by guarantee and not having a share capital. The Trust's mission statement is to construct and provide affordable homes in planned communities, offer easier financing opportunities, and provide a management system that adds security, value and ownership that imparts a sense of pride in hard working Caymanians that earn less than thirty thousand dollars per annum (CIS\$30,000).

Effective November 1, 2005, the Community Development unit of the Trust was transferred back to the Cayman Islands Government. Most of the employees were transferred to the Ministry of Health and Human Services. The remainder of the employees formed the Temporary Trailer Management under the responsibility of the Cabinet Office.

On June 7, 2006, a special resolution of the Board of Directors amended the name of the Trust from The National Housing and Community Development Trust to National Housing Development Trust. On June 19, 2006, a Certificate of Incorporation on Change Name was issued by the Registrar of Companies to the Trust.

The Trust is a government owned company with its registered office situated at the Government Administration Building on Elgin Avenue, George Town, Grand Cayman and its office operation located at Elizabethan Square, George Town, Grand Cayman.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

These financial statements are prepared in accordance with International Public Sector Accounting Standards ("IPSAS") under the historical cost convention, and are expressed in Cayman Islands Dollars.

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 and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

c. Revenue Recognition

Income and expenses are recognized on the accrual basis of accounting.

NATIONAL HOUSING DEVELOPMENT TRUST**Notes to Financial Statements**

For the year ended June 30, 2006

(expressed in Cayman Islands Dollars)

(continued)

d. Financial instruments

Financial instruments are measured initially at cost, including transaction costs. The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using management's best estimates, taking into account current market conditions and the credit quality of the counterparties.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

e. Cash and cash equivalents

Cash and cash equivalents comprise of deposits held at call with banks maturing within 90 days.

Description	2006	2005
CI dollar checking accounts	\$ 124,400	\$ 768,303
CI dollar checking accounts – CDT	-	57,394
CI dollar petty cash	300	100
US dollar call account	46,838	1,660,842
CI dollar fixed deposit	2,583,396	1,005,844
Total	\$2,754,934	\$3,492,483

The US dollar balance of \$57,151.97 was translated at 0.8195265 at June 30, 2006.

f. Fixed assets and Low-income housing properties

Fixed assets and low-income housing properties are stated at cost less accumulated depreciation and any recognized impairment loss. Depreciation is charged as to write off the cost or valuation of asset over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Computer equipment	3
Furniture and fixtures	12
Office and telephone equipment	5
Vehicle	4
Low-income housing properties	10

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2006

(expressed in Cayman Islands Dollars)

(continued)

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

g. Foreign currency

Transactions involving foreign currencies are recorded at the exchange rate prevailing on the transaction date. All assets and liabilities originating in other currencies are translated at rates of exchange in effect at the balance sheet date. Gains and losses on exchange are credited or charged to the statement of income.

h. Government grants

The Trust is dependent upon annual operating grants from the Cayman Islands Government to meet its obligations.

i. Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of revenues and expenses as incurred. Pension contributions for eligible employees of the Trust are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board.

3. LOW-INCOME HOUSING PROPERTIES

The Trust holds housing units to provide housing to low income families at below market rental.

Low-income housing properties comprised the following as of June 30, 2006:

	Housing Units for Rent		Materials Inventory	
	2006	2005	2006	2005
Opening Balance	\$7,674,639	\$7,957,361	\$281,565	\$1,059,633
2005-06 Additions	73,218	1,037,278		
Loss on damaged materials			(101,133)	(778,068)
Sale of materials			(26,218)	
Write-off 20 houses		(1,320,000)		
Total Cost	7,747,857	7,674,639		
Accumulated Depreciation	(1,350,384)	(575,598)		
Housing Property Book Value	<u>\$6,397,473</u>	<u>\$7,099,041</u>	<u>\$154,214</u>	<u>\$281,565</u>

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2006

(expressed in Cayman Islands Dollars)

(continued)

4. FIXED ASSETS

Fixed assets comprised of the following as of June 30, 2006:

	Computer Equipment	Furniture & Fixtures	Office & Telephone	Vehicle	Total
Costs					
Opening Balance	\$34,657	\$15,599	\$19,854	\$13,327	\$83,437
Acquisitions	4,046	-	-	-	4,046
Transfer of CDT	-1,964				-1,964
Total	36,739	15,599	19,854	13,327	85,519
Accumulated Depreciation					
Opening balance	9,774	1,518	4,347	1,111	16,750
Depreciation during the year	11,549	1,948	4,869	3,332	21,698
Transfer of CDT	-55				-55
Total	\$21,268	\$3,466	\$9,216	\$4,443	\$38,393
Net book value, June 30, 2006	<u>\$15,471</u>	<u>\$12,133</u>	<u>\$10,638</u>	<u>\$8,884</u>	<u>\$47,125</u>
Net book value, June 30, 2005	<u>\$24,883</u>	<u>\$14,081</u>	<u>\$15,507</u>	<u>\$12,216</u>	<u>\$66,687</u>

5. BONDS PAYABLE

In October 2004, the Trust secured a bond issuance from Scotia Capital in the amount of US\$14.5 million at a fixed interest rate of 5.238%. This bond issuance was used in part to pay off the temporary bridging loan obtained in the year 30 June 2004. Bi-annual payments of US \$607,032 commenced on 28 April 2006 and the loan will be paid in full by October 2024. The bond issue has been guaranteed by the Cayman Islands Government. The bond payable balance was translated at 0.82 at June 30, 2006. As per wire instruction on the bond, payments are made to Sun Life Financial, Waterloo, Ontario, Canada. Details of the bond are shown on the next page.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2006

(expressed in Cayman Islands Dollars)

(continued)

Particulars	USD	CI at (0.82)
Amount Borrowed	14,500,000	11,890,000
Principal Repayments	(227,277)	(186,368)
Bond Balance	14,272,723	11,703,632
Current Portion of Bond	472,568	387,506
Long Term Portion	13,800,155	11,316,126

6. SPECIAL PURPOSE FUND

This fund represents monies used to assist persons who are not able to meet the required deposit for affordable homes operated by the Trust. As of June 30, 2006, this has a balance of \$30,800.

7. RELATED PARTY TRANSACTIONS

Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

- a) Grant income – During the fiscal year ended June 30, 2006 the Trust received a monetary grant of CI\$250,000 from the Cayman Islands Government (2005: CI\$800,000).
- b) Social services support payments – During the fiscal year ended June 30, 2006 the Trust received payments from the Cayman Islands Government Department of Children and Family Services of \$14,350.
- c) Cayman Islands Government department payments – During the fiscal year ended June 30, 2006 the Trust made payments to various Government departments for services received. These are broken down as follows:

<u>Department</u>	<u>Nature</u>	<u>Amount Paid</u>	<u>Amount Collected</u>
Computer Services	Computer service charge	\$235	
Lands & Survey	Land valuation, maps, etc	\$4,166	
Audit Office	Audit fees	\$35,931	
Internal & External Affairs	Building material sale		\$55,504
TOTAL		\$40,332	\$55,504

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2006
(expressed in Cayman Islands Dollars)

(continued)

8. CONTRACTUAL COMMITMENTS

The Trust has signed a lease agreement with Montpelier Properties (Cayman) Ltd. for the rental of their operating premises effective 1st January, 2006 for a period of two (2) years. The remaining contractual agreement as of June 30, 2006 (18 months) was CI\$71,682.

9. CONTINGENCIES

There are three (3) legal actions against or by the Trust with the net impact supposedly in favor of the Trust.

These matters are sensitive at this time and no further information is provided herein. They are however reported in the Auditor General's Management Letter to the Board.

10. CURRENT EVENTS

- a. At an extraordinary general meeting of the members of the Trust held on May 18, 2005, it was resolved that the appointment of the Chairman, all Directors and Officers of the company be revoked immediately. In August 2005, the Minister of Housing announced a new Board of Directors for the Trust.
- b. In September 2005, the Manager of the Trust was relieved of his duties. An interim manager was hired on January 3, 2006.
- c. On March 22, 2006, the Board of Directors passed a resolution that the ownership of the existing affordable homes located at both the West Bay and Windsor Park sites would not be transferable. Instead, a deferred liability has been set up for the amount held in trust.
- d. On June 7, 2006, the Trust accepted responsibility for the administration of the Government Guaranteed Home Assisted Mortgage Scheme (GGHAM) on behalf of the Cayman Islands Government for an annual income of CI\$182,390.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2006
(expressed in Cayman Islands Dollars)

(continued)

11. SUBSEQUENT EVENTS

- a) At a Board of Director's meeting held on the 31st January, 2008 a resolution was passed the 13 homes located on the Eastern Avenue property are to be demolished and new plans are to be drawn for the construction of new single and multi-family affordable homes.
- b) In November 9-10, 2007 an open house was held to introduce the new housing programs being offered by the Trust. These housing programs are:
 - i) Government Guaranteed Home Assisted Mortgage Scheme
 - ii) Build on your property
 - iii) New Affordable housing program
 - iv) Helping Hands (A mortgage ready counseling program)
- c) In December 2007, a deposit of \$ 140,700 was paid towards the purchase of 9.38 acres of land located on John McLean Drive, East End the total purchase price for this property was CI\$281,400. The balance is scheduled to be paid on or before 30th June, 2008.
- d) The Ministry of District Administration, Planning, Agriculture and Housing has confirmed that two (2) pieces of properties located in West Bay and Lower Valley will be vested to the Trust during the fiscal year of 2007 – 08. These properties are to be used for the construction of affordable homes with lots being at approximately 4,800 square feet.
- e) A submission was given to the Planning Department for the subdivision of the Fairbanks property into major parcels, A & B. Parcel A consisting of approximately 20 acres was further subdivided into 70 single & multi family housing lots with approximately 5 acres being left for future development. Parcel B which consisted of the Women's Prison and the Detention Centre with its surrounding property is to be transferred to the portfolio of Internal & External Affairs during the fiscal year of 2007 - 2008.
- f) On June 14, 2007 a Condemnation Board meeting was held at the Fairbanks storage room whereby the material in storage were assessed by Members who were representative of the Auditor General's Office, Planning Department, Ministry DAPAH and Board of Directors. At this meeting it was concluded that the material being held in storage would be disposed of due to salt water damage during Hurricane Ivan in September, 2004 and other materials not being in compliance with Planning Regulations for the construction of homes within the Cayman Islands.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2006
(expressed in Cayman Islands Dollars)

(continued)

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- g) In January 2008, a Deputy Manager/Finance Officer was employed at the Trust to assist with the growing services now being offered to the general public.
 - h) One of the legal matters for adverse possession of property owned by the NHDТ has been concluded on June 27, 2007 whereby the "Trust" shall provide accommodation in the form of housing on alternative property owned at the West Bay location for the duration of the person's life and the payment of a maximum of CI\$50.00 per month on his water bill.