



**Financial Statements of
the National Housing
Development Trust**

**For the years ended
30 June 2007 and 2006**

National Housing Development Trust

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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 2007, and the income statement, cash flow statement and statement of changes in net assets for the year then ended as set out on pages 3 to 13 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

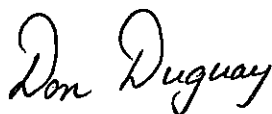
My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 2007, 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
30 June 2008

The National Housing Development Trust
Balance Sheet
As at June 30, 2007
(Expressed in Cayman Islands Dollars)

ASSETS	Note	2007	2006
<i>Current Assets</i>			
Cash and cash equivalents	2(e)	\$ 2,579,544	\$ 2,754,934
Accounts receivable		167,514	75,441
Materials inventory	3	13,758	154,214
Prepaid expenses		57,137	78,287
<i>Total Current Assets</i>		<u>2,817,953</u>	<u>3,062,876</u>
<i>Non-current Assets</i>			
Low-income housing properties	2(f) and 3	5,679,157	6,397,473
Fixed Assets	4 (a)	31,809	47,125
Land	4 (b)	2,370,000	2,370,000
<i>Total Non-current Assets</i>		<u>8,080,966</u>	<u>8,814,598</u>
TOTAL ASSETS		<u>10,898,919</u>	<u>11,877,475</u>
LIABILITIES and EQUITY			
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities		134,247	136,127
Current portion of bond payable	5	408,069	387,506
Deferred liability		243,658	215,372
<i>Total Current Liabilities</i>		<u>785,974</u>	<u>739,005</u>
<i>Non-current Liabilities</i>			
Bond Payable	5	10,908,058	11,316,127
Special Purpose Fund	6	30,800	30,800
<i>Total Non-current Liabilities</i>		<u>10,938,858</u>	<u>11,346,927</u>
EQUITY			
Retained Earnings		(4,343,419)	(3,338,457)
Contributed Capital		3,517,506	3,130,000
<i>Total Equity</i>		<u>(825,913)</u>	<u>(208,457)</u>
TOTAL LIABILITIES and EQUITY		<u>\$ 10,898,919</u>	<u>\$ 11,877,475</u>

Approved on behalf of the National Housing Development Trust on 30-June 2008:


 Leonard Ebanks
 Chairman of the Board


 Maxine Gibson
 Manager

The notes on pages 7 to 13 are an integral part of these financial statements.

The National Housing Development Trust
Income Statement
For the year ended June 30, 2007
(Expressed in Cayman Islands Dollars)

INCOME	Note	2007	2006
Rent, Strata and Interest	2(c)	\$ 726,036	\$ 657,393
Interest and Other Income		135,377	180,370
<i>Total Income</i>		<u>861,412</u>	<u>837,763</u>
EXPENSES			
Depreciation	2(f), 3 and 4	800,736	796,484
Interest on bonds		620,872	630,393
Personal emoluments		359,963	324,871
Property, content and vehicle insurance		149,533	105,982
Repairs and maintenance		78,929	44,561
Utilities		65,818	85,437
Office rent and parking		46,406	35,045
Bad debts		35,971	21,324
Audit and professional fees		38,000	45,322
Miscellaneous		38,799	22,677
Office maintenance		2,717	1,075
Office supplies		4,369	10,003
Travel		1,652	3,202
Community project		1,469	-
<i>Total Expenses</i>		<u>2,245,233</u>	<u>2,126,377</u>
Net (Deficit) from operations		(1,383,820)	(1,288,615)
Other Income/Expense			
Government Grants	7(a)	455,417	250,000
Recovery operations - hurricane		-	(39,989)
Loss due to abandoned project / damaged materials	3	(101,132)	(101,133)
Net Surplus from other		<u>354,285</u>	<u>108,878</u>
Net (Deficit)		<u>\$ (1,029,535)</u>	<u>\$ (1,179,737)</u>

The notes on pages 7 to 13 are an integral part of these financial statements.

The National Housing Development Trust
Statement of Cash Flows
For the year ended June 30, 2007
(Expressed in Cayman Islands Dollars)

	2007	2006
Cash flows from operating activities		
Net (deficit)	\$ (1,029,535)	\$ (1,179,737)
Add/(deduct) items not involving cash:		
Depreciation	800,736	796,484
Accrued vacation leave	8,450	5,951
Total	809,186	802,435
Operating (deficit) before working capital changes	(220,349)	(377,302)
(Increase)/decrease in:		
Receivables	(84,202)	98,753
Prepaid expenses	21,150	(71,396)
Accounts Payable & Accrued liabilities (except accrued vacation leave)	(4,381)	(96,792)
Deferred liability	28,286	23,729
Liability on trailers	-	(54,006)
Special Purpose fund	-	30,800
Cash used in operations	(259,496)	(446,214)
Investing Activities		
Decrease/(Additions) to:		
Low-income housing properties	86,827	(85,922)
Fixed Assets	(2,722)	(4,046)
	84,105	(89,968)
Financing Activities		
Proceeds from/(payment for):		
Bond payable	(387,506)	(201,368)
Capital Injection	387,506	-
	0	(201,368)
Increase in Cash and Cash Equivalents	(175,390)	(737,549)
Movement in Cash		
Balance 1 July	2,754,934	3,492,483
Increase (Decrease)	(175,390)	(737,549)
Balance at 30 June	<u>\$ 2,579,544</u>	<u>\$ 2,754,934</u>

The notes on pages 7 to 13 are an integral part of these financial statements.

The National Housing Development Trust
Statement of Changes in Net Assets
For the year ended June 30, 2007
(Expressed in Cayman Islands Dollars)

	CONTRIBUTED CAPITAL	ACCUMULATED SURPLUS/(LOSS)	TOTAL
June 30, 2006	\$ 3,130,000	\$ (3,338,457)	\$ (208,457)
Net Deficit during the year	-	(1,029,535)	(1,029,535)
Capital Injection (Note 7a)	387,506		387,506
Prior Year Adjustment (Note 11)	-	24,574	24,574
June 30, 2007	<u>\$ 3,517,506</u>	<u>\$ (4,343,419)</u>	<u>\$ (825,913)</u>

The notes on pages 7 to 13 are an integral part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2007

(expressed in Cayman Islands Dollars)

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).

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. Revenue is derived mainly from mortgage and rental of houses to the Caymanian public at an affordable price.

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

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2007

(expressed in Cayman Islands Dollars)

(continued)

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	2007	2006
CI dollar checking accounts	\$66,153	\$124,400
CI dollar petty cash	250	300
US dollar call account	45,647	46,838
CI dollar fixed deposit	2,467,494	2,583,396
Total	\$2,579,544	\$2,754,934

The US dollar balance of \$55,666.97 was translated at 0.82 at June 30, 2007.

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

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.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2007

(expressed in Cayman Islands Dollars)

(continued)

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, 2007:

	Housing Units for Rent		Materials Inventory	
	2007	2006	2007	2006
Opening Balance	\$7,747,857	\$7,674,639	\$154,214	\$281,565
2000-07 Additions	62,744	73,218		
Loss on damaged materials			(101,132)	(101,133)
Sale of materials			(39,324)	(26,218)
Total Cost	7,810,601	7,747,857		
Accumulated Depreciation	(2,131,444)	(1,350,384)		
Housing Property Book Value	<u>\$5,679,157</u>	<u>\$6,397,473</u>	<u>\$13,758</u>	<u>\$154,214</u>

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2007

(expressed in Cayman Islands Dollars)

(continued)

4. FIXED ASSETS

a. Fixed assets comprised of the following as of June 30, 2007:

	Computer Equipment	Furniture & Fixtures	Office & Telephone	Vehicle	Total
Costs					
Opening Balance	\$36,739	\$15,599	\$19,854	\$13,327	\$85,519
Acquisitions	2,722	-	-	-	2,722
Total	39,461	15,599	19,854	13,327	88,241
Accumulated Depreciation					
Opening balance	21,268	3,466	9,216	4,443	38,393
Depreciation during the year	9,933	800	3,974	3,332	18,039
Total	\$31,201	\$4,266	\$13,190	\$7,775	\$56,432
Net book value, June 30, 2007	<u>\$8,260</u>	<u>\$11,333</u>	<u>\$6,664</u>	<u>\$5,552</u>	<u>\$31,809</u>
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>

b. Land in the amount of \$2,370,000 is composed of the following:

Location	Block and Parcel	Cost
George Town South	14E 719	\$ 500,000
George Town Central	13E 166	560,000.00
West Bay North West	4C 585	560,000.00
South Sound	15C 28	750,000.00
Total		<u>\$ 2,370,000</u>

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2007

(expressed in Cayman Islands Dollars)

(continued)

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, 2007. 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.

Particulars	USD		CI at (0.82)	
	2006	2007	2006	2007
Amount Borrowed	14,500,000	14,272,723	11,890,000	11,703,633
Principal Repayments	(227,277)	(472,568)	(186,368)	(387,506)
Bond Balance	<u>14,272,723</u>	<u>13,800,155</u>	<u>11,703,632</u>	<u>11,316,127</u>
Current Portion of Bond	472,568	497,645	387,506	408,069
Long Term Portion	13,800,155	13,302,510	11,316,126	10,908,058

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, 2007, 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, 2007 the Trust received a monetary grant of CI\$455,417 and a Capital Injection of \$387,506 from the Cayman Islands Government
- 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. Details are shown on the next page.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2007
(expressed in Cayman Islands Dollars)

(continued)

<u>Department</u>	<u>Nature</u>	<u>Amount Paid</u>	<u>Amount Collected</u>
Computer Services	Computer service charge	\$7,356	
Lands & Survey	Land valuation, maps, etc	7,327	
Audit Office	Audit fees	36,935	
Environmental Dept		7,014	
CIG Prison	Purchase of Swings for Park	2,940	
National Recovery	Construction material sale		\$10,350
Internal & External Affairs	Building material sale		19,374
TOTAL		\$40,332	\$29,724

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, 2007 (6 months) was C\$22,904.

9. CONTINGENCIES

There is a legal action against the Trust versus Security Centre Limited in the amount \$13,000 for breach of contract. As at date of the certification of these financial statements, this matter is not yet settled.

10. 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)

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to Financial Statements

For the year ended June 30, 2007

(expressed in Cayman Islands Dollars)

(continued)

- 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 in to 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) 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.
- g) Staunch owes the NHDT \$36,720 on a contract to rebuild seven houses; however the Company was struck off the Company Registry in November 2007.

11. PRIOR YEAR ADJUSTMENT

Prior year adjustment in the amount of \$24,574 pertains to the following:

- a. A credit adjustment to record the receivable from Petro Tech Ltd for overpayment of \$3,250 for installation of hydrants and wells in August 2004.
- b. A credit adjustment in the amount of \$21,324 to correct the posting of prior year's bad debts expense to current year transaction.