



National Housing Development Trust

Financial Statements

For the Year Ended 30 June 2008

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National Housing Development Trust

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National Housing Development Trust
Financial Statements
30 June 2008

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements have been prepared by the National Housing Development Trust of the Cayman Islands in accordance with the provisions of the Public Management and Finance Law, (2005 Revision). The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards and International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law, (2005 Revision).

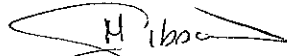
To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2008 and performance for the financial year ended 30 June 2008; and
- (c) comply with generally accepted accounting practice.



Mr. Leonard Ebanks
Chairman
National Housing Development Trust

Date: 10/12/08



Maxine Gibson
General Manager
National Housing Development Trust

Date: Dec 10, 2008



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 2008, and the income statement, cash flow statement and statement of changes in net assets for the year then ended as set out on pages 4 to 15 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 and 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 and 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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

A handwritten signature in cursive script that reads "Dan Duguay".

Dan Duguay, MBA, FCGA
Auditor General

Cayman Islands
12 December 2008

The National Housing Development Trust
Balance Sheet
As at June 30, 2008
(Expressed in Cayman Islands Dollars)

ASSETS	Note	2008	2007
<i>Current Assets</i>			
Cash and cash equivalents	2(e)	\$ 1,832,296	\$ 2,579,544
Accounts receivable		356,498	167,514
Materials inventory	3	9,758	13,758
Prepaid expenses		50,174	57,137
<i>Total Current Assets</i>		<u>2,248,726</u>	<u>2,817,953</u>
<i>Non-current Assets</i>			
Low-income housing properties	2(f) and 3	4,912,957	5,679,157
Fixed Assets	4 (a)	46,862	31,809
Land	4 (b)	2,726,576	2,370,000
<i>Total Non-current Assets</i>		<u>7,686,395</u>	<u>8,080,966</u>
TOTAL ASSETS		<u>9,935,121</u>	<u>10,898,919</u>
LIABILITIES and EQUITY			
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities		131,003	134,247
Current portion of bond payable	5	429,724	408,069
Deferred liability		268,032	243,658
<i>Total Current Liabilities</i>		<u>828,759</u>	<u>785,974</u>
<i>Non-current Liabilities</i>			
Bond Payable	5	10,478,334	10,908,058
Special Purpose Fund	6	30,800	30,800
<i>Total Non-current Liabilities</i>		<u>10,509,134</u>	<u>10,938,858</u>
EQUITY			
Retained Earnings		(5,420,278)	(4,343,419)
Contributed Capital		4,017,506	3,517,506
<i>Total Equity</i>		<u>(1,402,772)</u>	<u>(825,913)</u>
TOTAL LIABILITIES and EQUITY		<u>\$ 9,935,121</u>	<u>\$ 10,898,919</u>

Approved on behalf of the National Housing Development Trust on Dec 12, 2008 2008:


 Leonard Ebanks
 Chairman of the Board


 Maxine Gibson
 Manager

The notes on pages 8 to 15 are an integral part of these financial statements.

The National Housing Development Trust
Income Statement
For the year ended June 30, 2008
(Expressed in Cayman Islands Dollars)

INCOME	Note	2008	2007
Rent, Strata and Interest	2(c)	\$ 689,624	\$ 726,036
Interest and Other Income		<u>153,103</u>	<u>135,377</u>
<i>Total Income</i>		<u>842,727</u>	<u>861,413</u>
EXPENSES			
Depreciation	2(f), 3 and 4	799,044	800,736
Interest on bonds		587,464	620,872
Personal emoluments		445,481	359,963
Property, content and vehicle insurance		124,368	149,533
Repairs and maintenance		98,613	78,929
Utilities		44,624	65,818
Office rent and parking		54,925	46,406
Bad debts		51,766	35,971
Audit and professional fees		38,000	38,000
Miscellaneous		86,266	38,799
Office maintenance		0	2,717
Office supplies		8,762	4,369
Travel		10,729	1,651
Community project		<u>4,576</u>	<u>1,469</u>
<i>Total Expenses</i>		<u>2,354,618</u>	<u>2,245,233</u>
Net (Deficit) from operations		(1,511,891)	(1,383,820)
Other Income/Expense			
Funds from Outputs	7(a)	456,000	455,417
Loss due to abandoned project / damaged materials	3	<u>(4,000)</u>	<u>(101,132)</u>
Net Surplus from other		<u>452,000</u>	<u>354,285</u>
Net (Deficit)		<u>\$ (1,059,891)</u>	<u>\$(1,029,535)</u>

The notes on pages 8 to 15 are an integral part of these financial statements.

The National Housing Development Trust
Statement of Cash Flows
For the year ended June 30, 2008
(Expressed in Cayman Islands Dollars)

	2008	2007
Cash flows from operating activities		
Net (deficit)	\$ (1,059,891)	\$ (1,029,535)
Add/(deduct) items not involving cash:		
Depreciation	799,044	800,736
Accrued vacation leave	6,644	8,450
Total	805,688	809,186
Operating (deficit) before working capital changes	(254,202)	(220,349)
(Increase)/decrease in:		
Receivables	(195,558)	(84,202)
Prepaid expenses	6,963	21,150
Increase/(decrease) in:		
Accounts Payable & Accrued liabilities (except accrued vacation leave)	(45,305)	(4,381)
Deferred liability	24,374	28,286
Cash used in operations	(463,728)	(259,496)
Investing Activities		
Decrease/(Additions) to:		
Low-income housing properties	(344,065)	86,827
Fixed Assets	(31,386)	(2,722)
	(375,451)	84,105
Financing Activities		
Proceeds from/(payment for):		
Bond payable	(408,069)	(387,506)
Capital Injection	500,000	387,506
	91,931	0
Increase in Cash and Cash Equivalents	(747,248)	(175,390)
Movement in Cash		
Balance 1 July	2,579,544	2,754,934
Increase (Decrease)	(747,248)	(175,390)
Balance at 30 June	\$ 1,832,296	\$ 2,579,544

The notes on pages 8 to 15 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, 2008
(Expressed in Cayman Islands Dollars)

	CONTRIBUTED CAPITAL	ACCUMULATED SURPLUS/(LOSS)	TOTAL
June 30, 2007	\$ 3,517,506	\$ (4,343,419)	\$ (825,913)
Net Deficit during the year		(1,059,891)	(1,059,891)
Capital Injection (Note 7a)	500,000		500,000
Prior Year Adjustment		(16,967)	(16,967)
June 30, 2008	<u>\$ 4,017,506</u>	<u>\$ (5,420,277)</u>	<u>\$ (1,402,771)</u>

The notes on pages 8 to 15 are an integral part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST
NOTES TO FINANCIAL STATEMENTS
For the year ended 30 June 2008

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 (CI\$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 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	2008	2007
CI dollar checking accounts	\$105,623	\$66,153
CI dollar petty cash	475	250
US dollar call account	46,713	45,647
CI dollar fixed deposit	1,679,485	2,467,494
Total	\$1,832,296	\$2,579,544

The US dollar balance of \$56,966.77 was translated at 0.82 at June 30, 2008.

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.

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, 2008:

	Housing Units for Rent		Materials Inventory	
	2008	2007	2008	2007
Opening Balance	\$7,810,601	\$7,747,857	\$13,758	\$154,214
2007-08 Additions	16,511	62,744		
Loss on damaged materials	-		(4,000)	(101,132)
Sale of materials				(39,324)
Total Cost	7,827,112	7,810,601	9,758	
Accumulated Depreciation	(2,914,155)	(2,131,444)		
Housing Property Book Value	<u>\$4,912,957</u>	<u>\$5,679,157</u>	<u>\$9,758</u>	<u>\$13,758</u>

4. **FIXED ASSETS**

a. Fixed assets comprised of the following as of June 30, 2008:

	Computer Equipment	Furniture & Fixtures	Office & Telephone	Vehicle	Total
Costs					
Opening Balance	\$41,099	\$13,961	\$19,854	\$13,327	\$88,241
Acquisitions	2,290	1,518	3,778	23,800	31,386
Total	43,389	15,479	23,632	37,127	119,627
Accumulated Depreciation					
Opening balance	31,201	4,266	13,190	7,775	56,432
Depreciation during the year	5,902	1,269	4,187	4,975	16,333
Total	\$37,103	\$5,535	\$17,377	\$12,750	\$72,765
Net book value, June 30, 2008	<u>\$6,286</u>	<u>\$9,944</u>	<u>\$6,255</u>	<u>\$24,377</u>	<u>\$46,862</u>
Net book value, June 30, 2006	<u>\$8,260</u>	<u>\$11,333</u>	<u>\$6,664</u>	<u>\$5,552</u>	<u>\$31,809</u>

b. Land in the amount of \$2,726,576 is composed of the following:

Location	Block and Parcel	Cost
George Town South	14E 719	\$500,000.00
George Town Central	13E 166	560,000.00
West Bay North West	4C 585	560,000.00
South Sound	15C 28	802,030.00
East End	74B 150	304,546.00
Total		<u>\$ 2,726,576</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, 2008. 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)	
	2007	2008	2007	2008
Amount Borrowed	14,272,723	13,800,155	11,703,633	11,316,127
Principal Repayments	(472,568)	(497,645)	(387,506)	(408,069)
Bond Balance	<u>13,800,155</u>	<u>13,302,510</u>	<u>11,316,127</u>	<u>10,908,058</u>
Current Portion of Bond	497,645	524,054	408,069	429,724
Long Term Portion	13,302,510	12,778,456	10,908,058	10,478,334

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, 2008, 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, 2008 the Trust received a Capital Injection of \$500,000 from the Cayman Islands Government
- b) Social services support payments -- During the fiscal year ended June 30, 2008 the Trust received payments from the Cayman Islands Government Department of Children and Family Services of \$23,680.85.

- c) Cayman Islands Government department payments – During the fiscal year ended June 30, 2008 the Trust made payments to various Government departments for services received. Details are shown on the next page.

<u>Department</u>	<u>Nature</u>	<u>Amount Paid</u>
Computer Services	Computer service charge	\$17,753
Lands & Survey	Land valuation, maps, etc	31,839
Audit Office	Audit fees	72,219
Environmental Dept	Garbage Fees	18,456
Treasury Department	Bad Debt collection service	1,426
Government Inform. Service	Marketing services	5,176
Post Office	Annual Box rental fee	100
TOTAL		\$146,969

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. This contract expired on the 31st December, 2008 whereby the Trust is now in operating on a month by month lease agreement.

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) In November 9-10, 2008 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)

- b) In December 2008, 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.
- c) 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 2008 – 09. These properties are to be used for the construction of affordable homes with lots being at approximately 4,800 square feet.
- d) 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 2008 - 2008.
- e) Staunch owes the NHDT \$36,720 on a contract to rebuild seven houses; however the Company was struck off the Company Registry in November 2008.

11. FINANCIAL RISK MANAGEMENT

The National Housing Development Trust (NHDT) is exposed to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The NHDT'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 CIG Financial Regulations.

Interest Rate Risk

The NHDT is subject to interest rate risk on the cash placed with a local bank which attracts interest. A late fee of \$15.00 is charged to Tenants on late payments on accounts receivable and not late interest payments. The NHDT is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and short term fixed deposits which are available on demand. The total interest earned during the year ended 30 June 2008 was \$99k (2007: \$127k)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the NHDT. Financial assets which potentially expose the NHDT to credit risk comprise development of property investments, house construction, cash and cash equivalents and accounts receivable.

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

The NHDT is also exposed to a significant concentration of credit risk in relation to accounts receivables, all of which are due from persons who have a lease or mortgage agreement with the NHDT. The maximum amount of these accounts varies with a month to month payment of \$699.00 or \$579.00 for both the rental and mortgage accounts with the total cost of the homes being stated as \$69,900 and \$56,900 respectively for mortgages. There are a total of 101 homes that are included in this project. As at 30 June 2008 and 2007, provision for doubtful debts has been made for these accounts are considered to be impaired and Board consider these debts to be unrecoverable in full.

The carrying amount of financial assets recorded in the financial statements represents the NHDT's maximum exposure to credit risk. In the case of the mortgage accounts the collateral for these accounts is the home itself and for the rental no collateral is required from the NHDT's debtors.

Liquidity Risk

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

The ability of the NHDT to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the NHDT in a timely basis and from proceed of capital injection that is received from the Cayman Islands Government. In the event of being unable to collect its outstanding debts, it is expected that Government would fund any shortfalls the NHDT's would have with its own cash flows. As at 30 June 2008 and 2007, all of the financial liabilities of the NHDT were payable when due.

12. FINANCIAL INSTRUMENTS – FAIR VALUES

As at 30 June 2008 and 2007, the carrying value of cash and cash equivalents, accounts receivable, work in progress, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities.

Fair values estimates are made at a specific point in time, based on market conditions and the information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.