
Sister Islands Affordable Housing Development Corporation



Annual Report

For the Year Ended 31 December 2021



Foreword by the Chairman

The 2021 financial period was a quiet year for SIAHDC as no contracts for houses for construction in the 2021 year were entered into, and no contracts for the year were approved in 2021, and therefore, due mainly to the effects of 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 build.
- 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 and Lands 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 2021.

Governance

The SIAHDC operates with a set of By-Laws established in 2006. Its board is responsible for governance and overseeing the effective performance of the company. The SIAHDC is led by its Chairman, who is then supported by the Chief Officer or his Representative and the Chief Financial Officer or his/her Representative for the time being, for the Ministry with responsibility for District Administration and also the other Directors that are appointed.

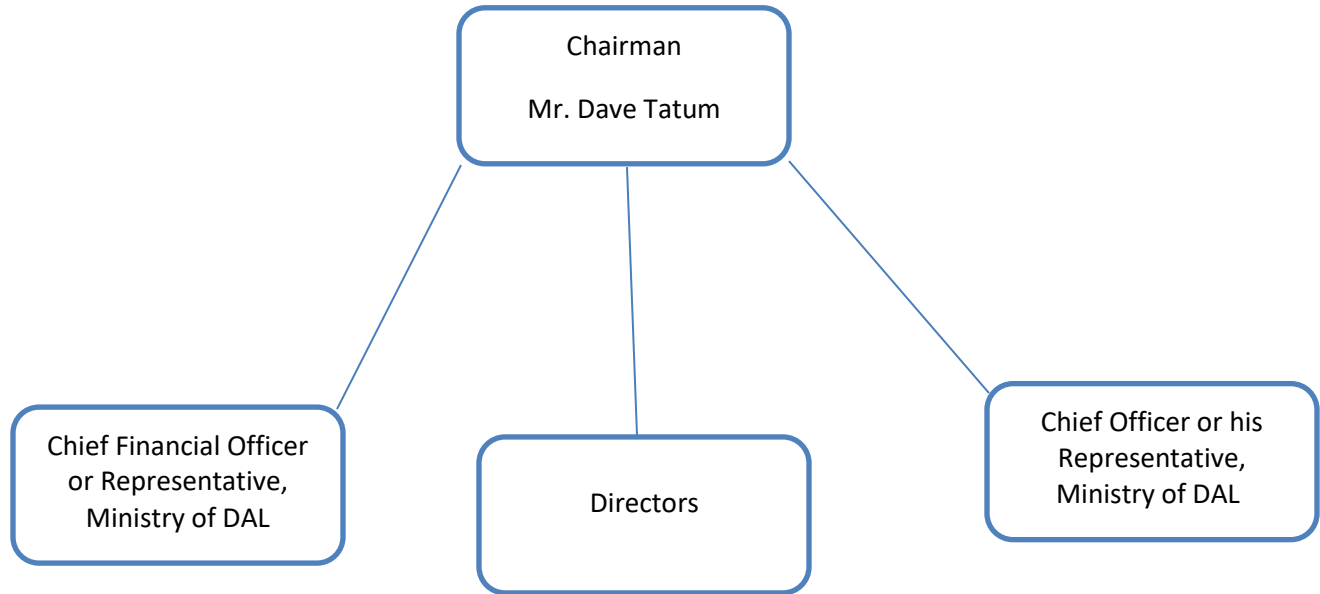


Although the Board meets regularly to consider key performance indicators affecting the health of the company and take corrective action as necessary, the impact of COVID restrictions made this extremely difficult and were no meetings held in the Year. The majority of SIAHDC's board members are retired 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 (Replaced by Mr. Dave Tatum)
- Mr. Larry Bryan (Resigned)
- Mr. Mark Tibbetts
- Mr. Justin Bodden (Resigned)
- Ms. Yvonne Walton (Resigned)
- Ms. Tanya Mortimer (Resigned)
- Ms. Leila Elizabeth Hurlstone
- Mr. Garfield Ritch
- Ms. Yvette Dilbert
- Mr. Robert Banks
- Mrs. Zanda McLean
- Chief Officer (Acting) or his Representative
- Chief Financial Officer or his/her Representative



2021 Highlights

Summary of the major developments of SIAHDC in the year to 31st December 2021 are outlined below:

- No major developments have occurred in 2021.

The SIAHDC was unable to meet the performance targets set out in the annual ownership agreement for financial year 2021 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 2021 was \$22 thousand which is \$131 thousand under the budgeted deficit of \$109 thousand. The decrease in deficit was due to a number of factors, including there being minimal operating costs as no buildings were constructed during the period. Operating cost of approximately \$46 thousand and which related to the general administrative functioning of the Corporation was offset by revenue from outputs purchased by Cabinet of an equal amount. The operating profit of \$22 thousand is reflective of revaluation gain which arose upon the reversal of previously recognized revaluation deficit on properties (lands) that were revalued in January 2021. These properties are stated at valuation and revalued every five (5) years as per Cayman Islands Government's policy.

Revenue

SIAHDC's sources of revenue are earned from the sale of housing units it produces; delivery of outputs to the Cayman Islands Government and interest income from fixed deposits held at Cayman National Bank.

Revenue for the year mainly comprised Outputs purchased from Cabinet however revenue from housing sales is anticipated to materialize within the foreseeable future given the planned construction of affordable houses in ensuing years.

Expenditure

The SIAHDC largest expenditure was on audit fees, rent and accounting 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.



A new Board was appointed post-election, in late 2021. With the technical assistance of the Ministry of District Administration & Lands, the new Board started active duty in early 2022 and meets frequently. The establishment of a formal policy and procedure and relative forms and templates, along with an expansion in the suite of options for location and style of houses, will see a re-launch of the programme. As such the new Board aims to meet its mandate during the 2022-23 budget cycle with these strategic and operational improvements.



Appendix 1 – Site Pictures





[Appendix 2 – Audited Financial Statements](#)

Sister Islands Affordable Housing Development Corporation



Annual Financial Statements
For the Year Ended
31 December 2021

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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 law, 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 2021.

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 2021;
- (b) fairly reflect the financial position as at 31 December 2021 and financial performance for the year ended 31 December 2021; 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. Dave Tatum
Chairman, on behalf of the Board of Directors
Date: 19 April 2021

Mr. Gary Robinson
Acting Chief Financial Officer
Date: 19 April 2021

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 2021 and the statement of financial performance, statement of cash flows and statement of changes in net worth for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 24.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2021 and its financial performance and its cash flows for the year ended 31 December 2021 in accordance with International Public Sector Accounting Standards (IPSAS).

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 states that the Corporation did not build or sell any houses in 2021 even though its primary objective is to promote affordable home ownership for the Caymanian public in the Sister Islands. 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 (IPSAS) 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, CPFA
Auditor General

19 April 2022
Cayman Islands

Sister Islands Affordable Housing Development Corporation
Statement of Financial Position
As at 31 December 2021
(Expressed in CIS'000)

	Description	Notes	Current Year 2021 Actual	Prior Period Year 2020 Actual
Assets:				
Current Assets:				
	Cash and Cash Equivalents	3	589	632
	Short Term Investments	3	256	256
	Accounts Receivable	4	28	-
	Interest Receivable		-	-
	Security Deposits	5	1	1
	Construction - in - Progress	6	-	-
	Total Current Assets		874	889
Non-Current Assets:				
	Property and Equipment	6	510	437
	Total Assets		1,384	1,326
Liabilities:				
Current Liabilities:				
	Trades Payables and Accruals		3	1
	Unearned Income	14	-	17
	Audit Fee Payable	7,13	48	48
	Total Current Liabilities		51	66
	Total Net Assets		1,333	1,260
Equity:				
Accumulated deficit				
	At the beginning of the year	15	(993)	(993)
	Profit/(Deficit) for the year	15	22	-
	At the end of the year		(971)	(993)
	Revaluation Reserve	6	51	-
	Capital Contribution		2,253	2,253
	Total Owner's Net Worth		1,333	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 2021
(Expressed in CI\$'000)

Description	Notes	Current Year 2021 Actual	Prior period Year 2020
Revenues:			
Outputs to Cabinet	8	45	39
Interest and Other Income	9	1	1
Housing Sales	10	-	-
Revaluation Gain	6	22	-
Total Revenues		68	40
Cost of Goods Sold:			
Subcontractor Expenses		-	-
Cost of Land	6,10	-	-
Other Construction Costs		-	-
Total Cost of Goods Sold:		-	-
Gross Profit		68	40
Expenses:			
Rent Expense	11	6	6
Audit Fees	7	25	25
Accounting and Professional fees		8	4
Janitorial services		2	2
Utilities	12	5	2
Depreciation	6	-	1
Total Expenses		46	40
Profit/(Deficit)		22	-

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 2021
(Expressed in C\$'000)

Description	Notes	Current Year 2021 Actual	Prior period Year 2020 Actual
Cash Flow from Operating Activities:			
Profit/(Deficit) for year		22	-
(Increase) in Accounts Receivable		(28)	56
Decrease/(Increase) in Interest Receivable		-	1
Decrease in Prepaid Expenses		-	-
Decrease in Construction - in - progress		-	-
Revaluation Gain	6	(22)	-
Increase/(Decrease) in Trade Payables and Accruals		(15)	17
Increase/(Decrease) in Audit Fee Payable		-	22
Net Cash Provided by Operating Activities		<u>(43)</u>	<u>96</u>
Cash Flow from/(used in) Investing Activities:			
Purchase of Furniture and Equipment		-	1
Net Cash Used in Investing Activities		<u>-</u>	<u>1</u>
Reconciliation of Movement in Cash to Cash at End of Year			
Net Cash Movement During the Year		(43)	97
Cash & Cash Equivalents at Beginning of Year		632	535
Cash & Cash Equivalents at the end of the Year	3	<u>589</u>	<u>632</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 2021
(Expressed in C\$'000)

	Accumulated (Deficit)	Revaluation Reserve	Contributed Capital	Total Net worth
Balance as at 1 January 2020	(993)	-	2,253	1,260
Deficit for the year	-	-	-	-
Balance at 31 December 2020	(993)	-	2,253	1,260
	Accumulated (Deficit)	Revaluation Reserve	Contributed Capital	Total Net worth
Balance as at 1 January 2021	(993)	-	2,253	1,260
Revaluation of Land	-	51	-	51
Profit for the year	22	-	-	22
Balance at 31 December 2021	(971)	51	2,253	1,333

The accompanying notes form an integral part of these financial statements

1. Establishment and principal activities

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

The main purpose of SIAHDC is to promote affordable home ownership on Cayman Brac and Little Cayman. Two properties are currently owned on Cayman Brac: Watering Place and West End with spaces for 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, and Lands which came into effect as at July 1, 2021 pursuant to the reorganization of Government Ministries following the April 2021 General Elections. Prior to the reorganization, SIAHDC worked closely with 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 2021 have not been early adopted by the Council

Certain new accounting standards have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the SIAHDC. The SIAHDC’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 2023. 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

2. Significant accounting policies (continued)

(b) Basis of preparation (continued)

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.

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. 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 2021.

(e) Budget amounts

The 2020/21 original budget was presented in the December 2020/2021 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.

(f) Reporting Period

The reporting period is the year ended 31 December. There was no change in the reporting period from the prior year.

2. Significant accounting policies (continued)

(g) 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.

(h) 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.

(i) 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 SLAHDG according to the agreed terms, a provision for bad debts is established.

(j) Property and equipment

Fixtures and Equipment

Fixtures 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 2021 (2020: \$Nil).

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 from 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 entity 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 from 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 entity, the stage of completion of the transaction at the reporting date can be measured reliably. SIAHDC recognizes Revenue from Cabinet equal to its net general and administration expenses if it does not produce any outputs or does not produce sufficient outputs in a given year.

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, short-term investments, 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 are disclosed when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

3. Cash and cash equivalents and short-term investments

The Corporation maintains bank accounts at Cayman National Bank. As at 31 December 2021 the following balances were held:

	Current Year Actual 31 December 2021 CIS'000	Prior Period Actual 31 December 2020 CIS'000
Operating Accounts	129	172
Fixed Deposits	460	460
Total	589	632

No restricted cash balances were held by the SIAHDC as at 31 December 2021.

The short-term investments of \$256,000 (2020: \$256,000) are fixed deposits with an original maturity of more than three months. SIAHDC holds the short-term investments with Cayman National Bank.

4. Accounts receivable

As at 31 December 2021, the SIAHDC had accounts receivable of \$28,000; (2020: \$Nil). The receivables are due from the Cabinet for Output funding.

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 and Equipment

Cost	Furniture & Fittings CIS'000	Land CIS'000	Construction in Progress CIS'000	Total Property and Equipment CIS'000
Balance as at 1 January 2020	2	437	-	439
Additions	-	-	-	-
Disposals / Transfers	-	-	-	-
Balance as at 31 December 2020	2	437	-	439
Additions	-	-	-	-
Revaluation of Land	-	73	-	73
Disposals / Transfers	-	-	-	-
Balance as at 31 December 2021	2	510	-	512

Accumulated Depreciation	Furniture & Fittings \$000 CIS'000	Land CIS'000	Construction in Progress CIS'000	Total Property and Equipment CIS'000
Balance as at 1 January 2020	1	-	-	1
Disposals	-	-	-	-
Depreciation	1	-	-	1
Balance as at 31 December 2020	2	-	-	2
Disposals	-	-	-	-
Depreciation	-	-	-	-
Balance as at 31 December 2021	2	-	-	2

Net Book Value of Property 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 2020	-	437	-	437
Net Book Value as at 31 December 2021	-	510	-	510

6. Property and Equipment (continued)

The following properties are currently owned by SIAHDC. The properties were revalued by an independent valuator on 26 November 2021 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 31st December 2021. The effective date of the valuation was 1 January 2021

Block/Parcel	Sq. Ft	Acre	As at 31 December 2020 CIS'000	As at 31 December 2021 CIS'000	Revaluation Surplus/ (Deficit) CIS'000
96E 277REM1	439,956	10.1	157,000	230,000	73,000
96E 284	38,176	0.8764	-	-	-
96E 540	37,126	0.8523	-	-	-
106E 48	4,356	0.1	4,500	4,800	300
106E 49REM1	1,742	0.04	-	-	-
106E 175	10,018	0.23	18,250	18,300	50
106E 194	11,364	0.26	22,500	22,500	-
106E 196	13,636	0.3032	26,500	26,500	-
106E 197	11,818	0.2697	23,500	23,500	-
106E 198	11,818	0.2734	24,000	24,000	-
106E 199	41,068	0.9428	-	-	-
106E 201	10,682	0.244	21,500	21,500	-
106E 205	32,234	0.74	-	-	-
106E 206	10,014	0.2297	20,000	20,000	-
106E 207	10,014	0.2297	20,000	20,000	-
106E 208	10,014	0.2295	20,000	20,000	-
106E 209	9,773	0.2256	19,500	19,500	-
106E 210	9,773	0.2247	19,500	19,500	-
106E 211	9,773	0.2241	19,500	19,500	-
106E 212	10,277	0.2331	20,500	20,500	-
			436,750	510,100	73,350

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.

\$22,100 of the revaluation gain is recorded in the statement of financial performance as a reversal of a previously recognized revaluation deficit. The remaining \$51,250 was recorded as a revaluation reserve in equity.

7. Audit Fees

This audit fee expenses of CI\$25,000 (2020: \$25,000), represents the audit fees due to the Office of the Auditor General for SIAHDC's 2021 audit. As of 31 December 2021, the audit fee payable to the Office of the Auditor General was \$48,235 (2020: \$47,725).

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 SIAHDC receives interest on fixed deposit accounts held at Cayman National Bank. For the year ended 31 December 2021, SIAHDC earned a total of \$220 (2020: \$1,499) from fixed deposits.

10. Housing Sales

The SIAHDC earns income by selling the houses it produces. During the 2021 fiscal year, there were zero houses sold (2020: zero houses sold). Houses are sold based on the cost to construct.

As at 31 December 2021, there were no units under construction (2020: 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 2021 through 31 May 2022.

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 2021 CIS'000	Prior Period Actual 31 December 2020 CIS'000
Electricity	4	1
Telephone	1	1
Total	5	2

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 2021, 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 2021.

The Board of Directors volunteer their services and are not compensated. During the year ended to 31 December 2021, the Board of Directors have made formal declarations of their interest as required by the Public Management and Finance Act (2020).

14. Unearned Revenue

The following amounts represent unearned income for the year. The SIAHDC derives its revenue through the outputs from Cabinet and housing sales. There were no sales in the year as there were no houses built in the year to 31st December 2021 and the revenue for the year was derived through outputs from Cabinet which covers the general management and administration of SIAHDC, and the interest income. Unearned Income as at 31st December 2021 is \$Nil (2020: \$17,130)

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 2022 and continue to deliver on the SIAHDC's mandates to build affordable homes for the Sister Islands residents.

15. Reconciliation and Comparison of Budget to Actual

The 2021 financial statements were prepared on a basis consistent with the 2021 Budget. The budget covers the fiscal period from 1 January 2021 to 31 December 2021.

The original budget was approved by the Legislative Assembly. There were no supplementary changes to the budget for the SIAHDC during the 2021 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	589	743	154
Short Term Investments	Short Term Investments	256		(256)
Interest Receivable	Interest Receivable	-	1	1
Accounts Receivable	Other Receivables	28		
Prepaid Expenses	Other Receivables	-		
Security Deposits	Other Receivables	1		
		<u>29</u>	<u>1</u>	<u>(28)</u>
Total Current Assets		874	745	(129)
Non-Current Assets:				
Furniture & Equipment	Plant Property & Equipment	-	-	-
Property Equipment	Plant Property & Equipment	510	262	(248)
Total Assets		1,384	1,007	(377)
Liabilities:				
Current Liabilities:				
Trades Payables and Accruals	Trade Payables	3		
Audit Fee Payable	Trade Payables	48		
		<u>51</u>	<u>43</u>	<u>8</u>
Total Current Liabilities		51	43	8
Total Net Assets		1,333	964	(369)

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the Year Ended 31 December 2021
(Expressed in Cayman Islands Dollars)

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)	(1,180)	(187)
Profit/(Deficit) for the year		22	(109)	(131)
At the end of the year	Accumulated Surplus / Deficit	(971)	(1,289)	(318)
Revaluation Reserve		51	-	(51)
Capital Contribution	Contributed Capital	2,253	2,253	-
Total Owner's Net Worth		1,333	964	(369)

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	45	75	(30)
Interest and Other Income	Investment revenue	1	2	(1)
Housing Sales	Other Goods and Services Revenue	-	390	(390)
Revaluation Gain		22	-	22
Total Revenues		68	467	(399)
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	8		
Supplies & Consumables	Supplies and Consumables	-		
Janitorial Services	Supplies and Consumables	2		

16. 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	5		
Other Misc Expenses	Supplies and Consumables	-		
Depreciation	Supplies and Consumables	-		
Total Expenses	Total Supplies and Consumables	46	576	(530)
Surplus/(Deficit)		22	(109)	(131)

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 for year		22	(109)	(131)
(Increase) in Accounts Receivable		(28)	-	28
(Increase) in Interest Receivable		-	-	-
Decrease in Prepaid Expenses		-	-	-
Decrease in Construction In Progress		-	-	-
Decrease in Land		(22)	60	82
Increase in Trade Payables and Accruals		(15)	-	15
Decrease in Audit Fee		-	-	-
Net Cash Provided by Operating Activities	Net Cash from Operating Activities	(43)	(49)	(6)
Net Cash Used in Investing Activities	Net Cash from Investing Activities	-	-	-
Reconciliation of Movement in Cash to Cash at End of Period				
Net Cash Movement During the Year	Net increase/(decrease) in and cash equivalents	(43)	(49)	(6)
Cash & Cash Equivalents at Beginning of Period	Cash & Cash Equivalents at Beginning of Period	632	792	160
Cash & Cash Equivalents at the end of the Period	Cash & Cash Equivalents at the end of the Period	589	743	154

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 and short-term investments

All investments were budgeted under the caption cash and cash equivalents which explains the \$154k lower than budgeted variance for cash and cash equivalents and the \$256k higher than budgeted variance for short-term investments. SIAHDC investment mix included funds with fixed maturity dates of 6 months which are classified as short-term investments

Accounts Receivable

Accounts receivable represents the balances due from Cabinet for Output Revenue. SIAHDC expected to receive all Output Revenue from Cabinet prior to year-end hence the \$28k budget variance.

Property and equipment

The \$248k budget variance is partially due to the revaluation gain as well as no houses were sold during the year

Total current liabilities

Current liabilities were \$8K higher than budgeted due to the unpaid audit fees.

Equity

There were no house sales during the year hence the anticipated losses on disposal did not materialize. This is the main reason for the \$131k favorable budget variance on retained earnings.

SIAHDC did not budget for a revaluation gain for the year hence the \$51k budget variance on the revaluation reserves

Statement of financial performance

Total Revenues

Total revenues were \$399K lower than budgeted as no houses were sold whereas the budget included the sale of 3 houses during the financial year. Pursuant to the 2021 revaluation exercise and in accordance with IPSAS 17, a gain on revaluation is reflected in Total Revenues to reverse revaluation losses that were booked to the Statement of Financial performance in previous years.

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

Statement of financial performance (continued)

Total Expenses

Cost of Goods sold and supplies and consumables were \$530K lower than budgeted as the variable cost associated with the construction of the 3 houses that were budgeted was not incurred. In addition, SIAHDC's budget for audit fees was also \$16k higher than the actual fee.

16. Financial Instruments Risk

The SIAHDC is exposed to a variety of financial risks including credit risk, exchange rate risk and liquidity risk. The Entity'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 (2021 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 2021, no provision for doubtful debts (2020: \$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 2021.