NATIONAL HOUSING
DEVELOPMENT TRUST

# ANNUAL REPORT
# 2016 - 2017
(18 months)

# Mandate and Mission

The mandate of the National Housing Development Trust (NHDT) of the Cayman Islands is to construct and provide **affordable homes** in planned communities to Caymanians in the low- and middle-income categories.

Our mission is to support this mandate by providing **financing opportunities** and a **management system** that adds security, value, and ownership that imparts a sense of pride in hard-working Caymanians in need of such support.

NATIONAL HOUSING
DEVELOPMENT TRUST

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# Message from the Minister

The National Housing Development Trust is a key organization within the Cayman Islands Government that enhances the lives of many Caymanian families through the provision of safe and affordable housing opportunities.

I am pleased to present this annual report for the 18 months ending 31 December 2017 to Parliament as required by the Public Management and Finance Act.

**Hon. Johany S. "Jay" Ebanks, MP**
Ministry of Planning, Agriculture, Housing,Infrastructure,
Transport & Development (PAHITD)
Cayman Islands Government

# Foreword by the Board Chairperson

On behalf of the Board of Directors, I am pleased to present the Annual Report for the National Housing Development Trust for the eighteen months ending December 31, 2017.

I hereby acknowledge the protracted delay in the provision of this report and would like to thank the members of the recently appointed Board for their dedication and dynamism in ensuring that we make transformative changes to reflect the new direction of the Trust.

**Mr. Andrew McBean**
Chairperson of the Board of Directors

NATIONAL HOUSING DEVELOPMENT TRUST

# Message from the General Manager

As General Manager of the National Housing Development Trust, I am proud to present the Annual Report for the eighteen months ending December 31, 2017. The reporting period was challenging yet it was prosperous as the NHDT assisted families in achieving the dream of homeownership.

The continued improvements on the NHDT's processes and controls were key in delivering the housing programs as there were increased Affordable Housing Initiative (AHI) house sales to tenants and new applicants. The efficient administration of the Government Guarantee Home Assisted Mortgage (GGHAM) program has and continues to be a success, in so much that the program is being re-introduced to assist new applicants.

Looking ahead, the NHDT will continue to improve its customer service, reinforce its internal processes and refine its approach in providing housing opportunities to Caymanian families.

Included in this annual report is the NHDT's financial report for the 18 months ending December 31, 2017. The financial statements were audited by the Office of the Auditor General and receievd an opinion without any qualifications. This was an excellent achievement by the management and staff of the NHDT.

On behalf of the NHDT, I wish to thank the Ministry of PAHI, prior Ministries and the Board for their continued support. I also want to express my gratitude to my fellow employees for their dedicated efforts and service to the public. I wish to express my appreciation to the affordable housing tenants, applicants and the wider community for their patience and continued support.

**"Looking ahead, the NHDT will continue to improve its customer service, reinforce its internal process, and refine its approach in providing housing opportunities to Caymanian families."**

**Mr. Julio Ramos**
General Manager, NHDT


# Introduction

This Annual Report for the National Housing Development Trust (the NHDT) for the period 1 July 2016 to 31 December 2017 was prepared in accordance with the reporting requirements of section 52 of the Public Management and Finance Act (as revised) (the 'PMFA') and Public Authorities Act as revised (PAA).

The NHDT is a government owned not-for-profit company, registered under section 80 of the Cayman Islands Companies Act (2001 Revision) to provide the following outputs:

- Housing
- Accommodations
- Assistance to help house people
- Associated facilities and amenities
- Loans and advances and the giving of guarantees

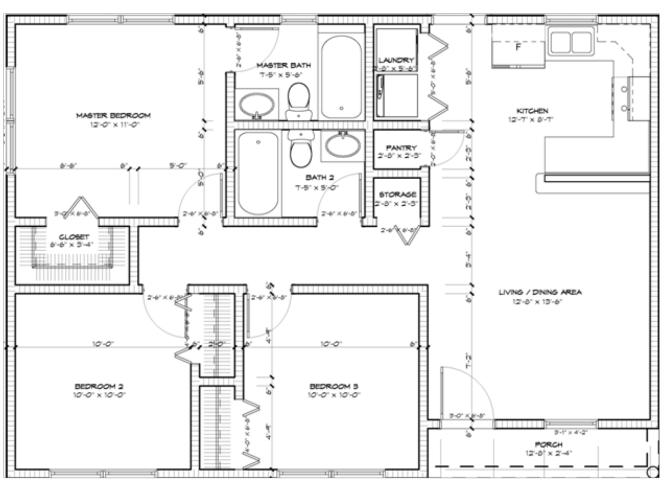

To meet its statutory responsibilities, the NHDT operates three distinct programs

**1. AFFORDABLE HOUSING INITIATIVE (AHI) PROGRAM** in which-affordable homes are constructed and sold to low-to medium-income Caymanians who qualify under criteria set by the Board of Directors.

**2. GOVERNMENT GUARANTEED HOME ASSISTED MORTGAGE (GGHAM) PROGRAM** in which the NHDT acts as an administrator and loan processing agent on behalf of the Cayman Islands Government.

**3. BUILD ON YOUR OWN PROPERTY (BYOP) PROGRAM,** which provides bridge financing, is offered to Caymanians for the construction of homes on the clients' own property, and a local banking institution then refinances the mortgage loan.

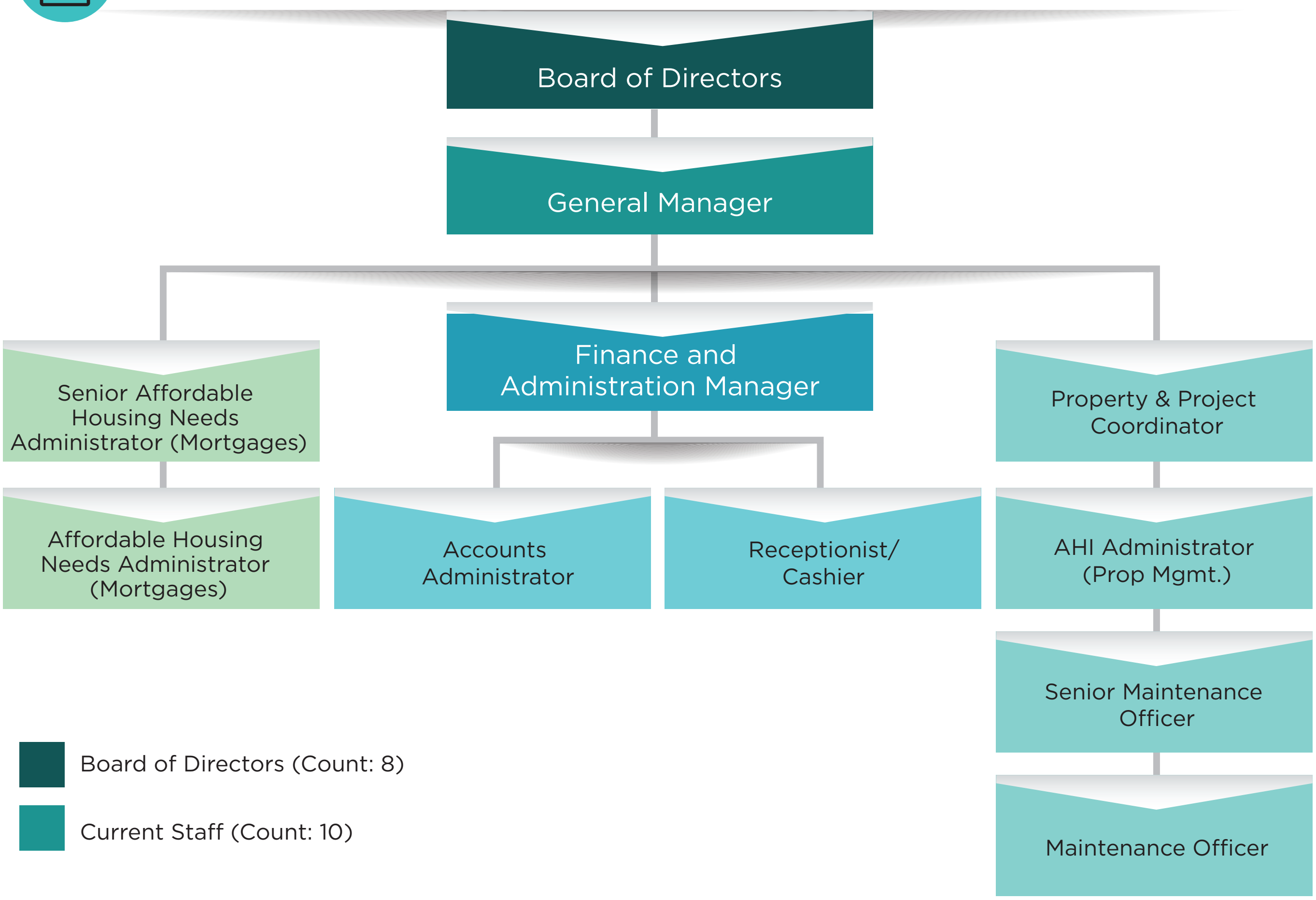
Management operates the NHDT with the objective of increasing the number of houses available to low- and medium-income Caymanians across all districts. This makes home ownership more affordable and promotes communities where families can thrive and be successful. In carrying out its responsibilities, the NHDT not only provides benefits for private individuals, but also contributes to the local economy by providing local developers with more opportunities. In support of these goals, the NHDT builds long-term relationships with local contractors for the development of new homes. To ensure that the Government Guaranteed Home Assisted Mortgage Program is managed efficiently and prudently. Management also operates the lease portfolio and counsels clients as an additional service.




# Organization Overview

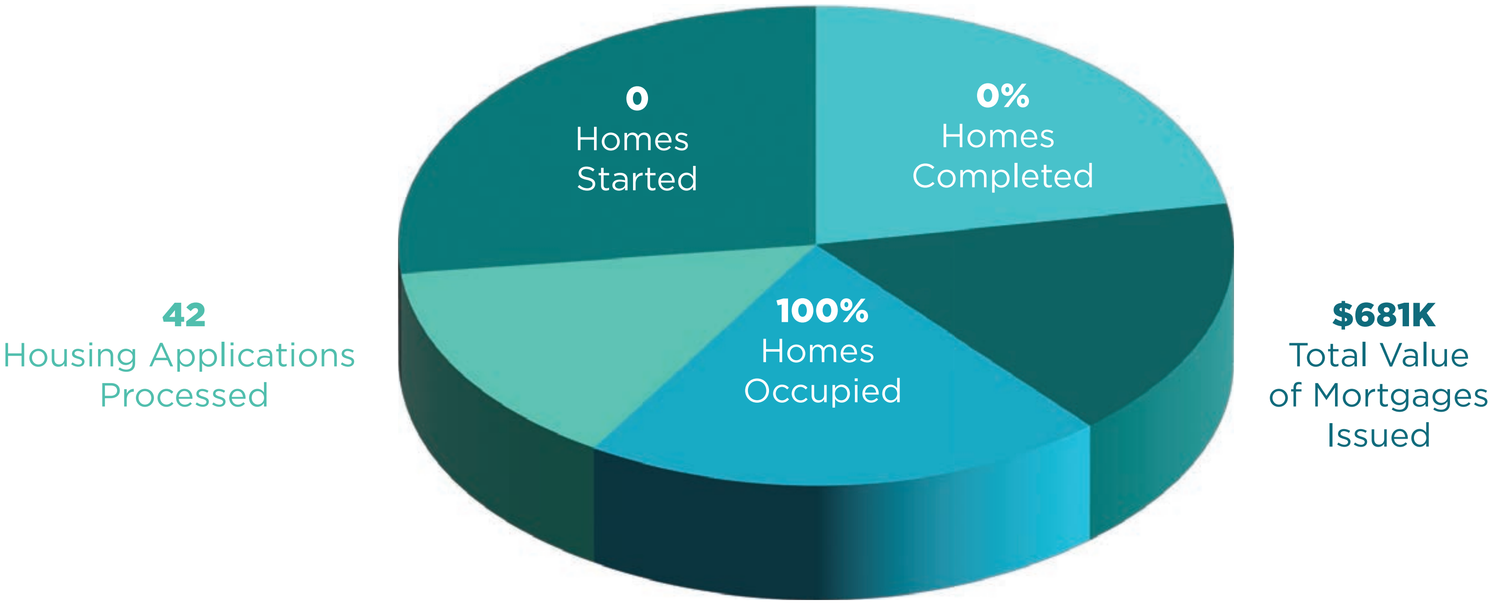
The NHDT is governed by a Board of Directors that is responsible for setting the organization's strategic direction, approving its operational plans and company policies, and overseeing the work of the NHDT's General Manager and staff.

## ORGANIZATION CHART:



# Financial and Operational Highlights

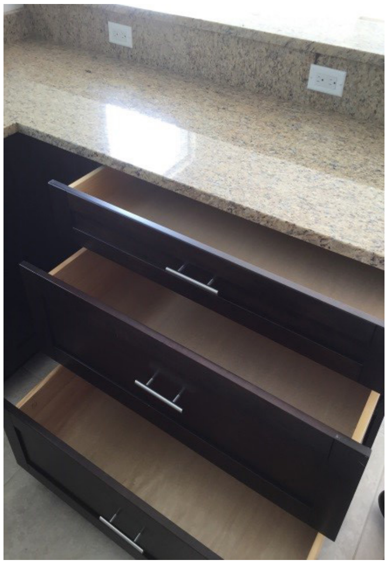
## OPERATIONAL HIGHLIGHTS:



## FINANCIAL HIGHLIGHTS:

| OPERATING STATEMENT | 2016-2017 (18 months) $000's |
|---|---|
| REVENUE | 1,999 |
| LESS: COST OF GOODS SOLD | (911) |
| GROSS PROFIT/(LOSS) | 1,088 |
| LESS: OPERATING EXPENSES | 2,853 |
| NET SURPLUS/(DEFICIT) | (1,765) |

| BALANCE SHEET | December 31, 2017 $000's |
|---|---|
| ASSETS | 20,228 |
| LESS: LIABILITIES | 14,164 |
| NET WORTH | 6,064 |



NATIONAL HOUSING
DEVELOPMENT TRUST

# Audited Financial Statements for the 18 Month Period Ended 31 December 2017

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NATIONAL HOUSING DEVELOPMENT TRUST

## NATIONAL HOUSING DEVELOPMENT TRUST

### STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the National Housing Development Trust in accordance with the provisions of the *Public Management and Finance Law (2017 Revision).*

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 (2017 Revision).*

As Chairman and General Manager, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the National Housing Development Trust.

As Chairman and General Manager, we are responsible for the preparation of the National Housing Development Trust financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of financial performance, cash flow statement and statement of changes in net worth for the financial period ended 31 December 2017.

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

(a) completely and reliably reflect the financial transactions of the National Housing Development Trust for the period ended 31 December 2017;
(b) fairly reflect the financial position as at 31 December 2017 and performance for the period ended 31 December 2017;
(c) comply with International Public Sector Accounting Standards under the responsibility of the International Public Sector Accounting Standards Board.

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.

| | |
|---|---|
| George Anthony Powell | Julio Ramos |
| Chairman | General Manager |
| National Housing Development Trust | National Housing Development Trust |
| Date -April 30, 2018 | Date- April 30, 2018 |

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# AUDITOR GENERAL'S REPORT

**To the Board of Directors of the National Housing and Development Trust**

**Opinion**

I have audited the financial statements of the National Housing and Development Trust (the "Trust"), which comprise the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the 18 month period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 27.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 31 December 2017 and its financial performance and its cash flows for the 18 month period from 1 July 2016 to 31 December 2017 in accordance with International Public Sector Accounting Standards.

**Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Trust in accordance with the International 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.

**Other Matter**

The National Housing Development Trust financed the development of the Affordable Housing Initiative program of the government through long-term debt. The full amounts of these debts have been guaranteed by the Cayman Islands Government. The ability of the Trust to meet its debt obligations and capacity to sustain its operations are reliant on continuing Government support from the proceeds of capital injection and outputs sold to Cabinet.

The National Housing Development Trust does not have any Public Liability Insurance in place for homes which were deemed to be unfit. This exposes the Trust and the Cayman Islands Government to significant risk of potential liabilities which would have an adverse effect on operations of the Trust.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of the financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR GENERAL'S REPORT (continued)

In preparing the financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

**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 Trust'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 Trust'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 Trust 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)(ii) of the Public Management and Finance Law (2017 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

30 April 2018
Cayman Islands

**NATIONAL HOUSING DEVELOPMENT TRUST**
**Statement of Financial Position**
**As at 31 December 2017**
**(Expressed in Cayman Islands Dollars)**

| Prior Year Actual $000 | | Note | Current Period Actual $000 | Final/Original Budget $000 | Variance (Budget vs Actual) $000 |
|---|---|---|---|---|---|
| | **Current Assets** | | | | |
| 5,787 | Cash and cash equivalents | 2 | 6,052 | 2,719 | (3,333) |
| 197 | Trade receivables | 3 | 652 | 126 | (526) |
| 13 | Prepayments | | 18 | 39 | 21 |
| 583 | Inventory Asset | 1(m) | 488 | 2,925 | 2,437 |
| **6,580** | **Total Current Assets** | | **7,210** | **5,809** | **(1,401)** |
| | **Non-Current Assets** | | | | |
| 13,935 | Property, plant and equipment | 4 | 13,002 | 13,741 | 739 |
| - | Work in Progress | 4 | 16 | 1 | (15) |
| **13,935** | **Total Non-Current Assets** | | **13,018** | **13,742** | **724** |
| **20,515** | **Total Assets** | | **20,228** | **19,551** | **(677)** |
| | **Current Liabilities** | | | | |
| 91 | Payables and accruals | 5 | 146 | 125 | (21) |
| 57 | Employee entitlements | 6 | 17 | 49 | 32 |
| 1,270 | Current portion – Bonds Payable | 7 | 1,322 | 1,322 | - |
| **1,418** | **Total Current Liabilities** | | **1,485** | **1,496** | **11** |
| | **Non-Current Liabilities** | | | | |
| 14,473 | Long term – Bonds Payable | 7 | 12,503 | 12,502 | (1) |
| 117 | Payables | 1(o) | 176 | 173 | (3) |
| **14,590** | **Total Non-Current Liabilities** | | **12,679** | **12,675** | **(4)** |
| **16,008** | **Total Liabilities** | | **14,164** | **14,171** | **7** |
| **4,507** | **Net Assets** | | **6,064** | **5,380** | **(684)** |
| | **Net Worth** | | | | |
| 22,872 | Contributed capital | | 26,225 | 25,775 | (450) |
| 4,528 | Revaluation Surplus | | 4,399 | 496 | (3,903) |
| (22,893) | Accumulated surpluses/(deficits) | | (24,560) | (20,891) | 3,669 |
| **4,507** | **Total Net Worth** | | **6,064** | **5,380** | **(684)** |

The accounting policies and notes on pages 8 - 25 form part of these financial statements.

## NATIONAL HOUSING DEVELOPMENT TRUST
**Statement of Financial Performance**
**For the period ended 31 December 2017**
**(Expressed in Cayman Islands Dollars)**

| Prior Year Actual $000 | | | Current Period Actual $000 | Final/Original Budget $000 | Variance (Budget vs Actual) $000 |
|---|---|---|---|---|---|
| | **Revenue** | | | | |
| 581 | Outputs to Cabinet | **8** | 871 | 871 | - |
| 275 | Sale of goods and services | | 337 | 625 | 288 |
| - | Other Income | | 108 | - | (108) |
| 2,729 | House Sales | **8** | 683 | - | (683) |
| **3,585** | **Total Revenue** | | **1,999** | **1,496** | **(503)** |
| | **Cost of Goods Sold** | | | | |
| 3,954 | Cost of House Sales | **8** | 911 | - | (911) |
| **(369)** | **Gross Profit / (Loss)** | | **1,088** | **1,496** | **408** |
| | **Expenses** | | | | |
| 715 | Personnel costs | **9** | 1,013 | 1,104 | 91 |
| 524 | Supplies and consumables | **10** | 526 | 709 | 183 |
| 241 | Depreciation | **4** | 282 | 225 | (57) |
| 723 | Financing Expense | **11** | 1,032 | 1,191 | 159 |
| **2,203** | **Total Expenses** | | **2,853** | **3,229** | **376** |
| **(2,572)** | **Deficit for the period** | | **(1,765)** | **(1,733)** | **32** |

The accounting policies and notes on pages 8 - 25 form part of these financial statements.

**NATIONAL HOUSING DEVELOPMENT TRUST**
**Statement of Changes in Net Worth**
**For the period ended 31 December 2017**
**(Expressed in Cayman Islands Dollars)**

| | Contributed Capital $000 | Accumulated Surplus/(deficits) $000 | Revaluation Surplus $000 | Total Net worth $000 | Final/Original Budget $000 | Variance (Budget vs Actual) $000 |
|---|---|---|---|---|---|---|
| **Balance at 30 June 2015** | 20,436 | (21,169) | 5,378 | **4,645** | 2,947 | (1,698) |
| Capital Injection | 2,436 | - | - | **2,436** | 2,439 | 3 |
| Deficit for the year | - | (2,572) | - | **(2,572)** | (1,305) | 1,267 |
| Revaluation Surplus transfer to Accum. Surplus | - | 846 | (850) | **(4)** | (320) | (316) |
| Prior Period Adjustment | - | 2 | - | **2** | - | (2) |
| **Balance at 30 June 2016** | **22,872** | **(22,893)** | **4,528** | **4,507** | **3,761** | **(746)** |
| Capital Injection | 3,353 | - | - | **3,353** | 3,354 | 1 |
| Deficit for the period | | (1,765) | | **(1,765)** | (1,735) | 30 |
| Revaluation Surplus transfer to Accum. Surplus | - | 129 | (129) | **-** | - | - |
| Prior Period Adjustment | - | (31) | - | **(31)** | - | 31 |
| **Balance at 31 December 2017** | **26,225** | **(24,560)** | **4,399** | **6,064** | **5,380** | **(684)** |

The accounting policies and notes on pages 8 - 25 form part of these financial statements.

## NATIONAL HOUSING DEVELOPMENT TRUST
### Statement of Cash Flows
### For the period ended 31 December 2017
(Expressed in Cayman Islands Dollars)

| Prior Year Actual $000 | | Note | Current Period Actual $000 | Final/ Original Budget $000 | Variance (Budget vs Actual) $000 |
|---|---|---|---|---|---|
| | **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| | ***Receipts*** | | | | |
| 531 | Outputs to Cabinet | | 511 | 871 | 360 |
| 280 | Sale of goods and services - third party | | 328 | 625 | 297 |
| 2,727 | House Sales - Inventory | | 683 | - | (683) |
| | ***Payments*** | | | | |
| (717) | Personnel costs | | (1,052) | (1,107) | (55) |
| (518) | Suppliers | | (425) | (880) | (455) |
| (723) | Interest paid | | (1,032) | (961) | 71 |
| **1,580** | **Net cash flows from/(used in) operating activities** | **13** | **(987)** | **(1,452)** | **(465)** |
| | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| (16) | Purchase of property, plant and equipment | | (179) | (1,505) | (1,326) |
| 4 | Net Movement in Capital Assets | | (4) | - | 4 |
| **(12)** | **Net cash flows from investing activities** | | **(183)** | **(1,505)** | **(1,322)** |
| | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| (1,236) | Payments on Bonds Payable | | (1,918) | (1,918) | - |
| 2,436 | Equity Investment | | 3,353 | 3,354 | 1 |
| **1,200** | **Net cash flows from financing activities** | | **1,435** | **1,436** | **1** |
| 2,768 | **Net increase in cash and cash equivalents** | | 265 | (1,521) | (1,786) |
| 3,019 | Cash and cash equivalents at beginning of period | | 5,787 | 4,240 | (1,547) |
| **5,787** | **Cash and cash equivalents at end of period** | **2** | **6,052** | **2,719** | **(3,333)** |

The accounting policies and notes on pages 8 – 25 form part of these financial statements.

**Description and principal activities**

The National Housing Development Trust (the "Trust or NHDT") was incorporated on September 29, 2003 as a not for profit company by guarantee without share capital. The Trust provides affordable housing to Caymanian citizens.

National Housing Development Trust offers several programs:

a) The Government Guaranteed Home Mortgage Assistance (GGHAM) - The Cayman Islands Government (CIG), working along with local banks, provide mortgage funding to persons who cannot qualify for a traditional mortgage from a commercial bank and who are unable to accumulate the required 5-20% required for acquiring a mortgage. As of 31 December 2017 there were no loans processed.

b) The Affordable Housing Initiative ("AHI") is designed to assist low income families to have their housing needs met. As of 31 December 2017 there were 33 registered clients under the Affordable Housing Initiative.

The build on your own property ("BYOP") is an option for a person owning their own home if they have their own land. The National Housing Development Trust assists Caymanians to construct affordable homes on their own property. This program has been put on hold.

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 Cayman Centre, Bldg E Unit 4, Dorcy Drive, Grand Cayman.

**Note 1: Significant accounting policies**

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Note 1: Significant accounting policies (continued)**

**(a) Basis of preparation**
The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis, except land and buildings being stated at fair value.

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.

**(b) Budget amounts**
The original budget amounts for the financial year are as presented in the 2016/2017 Ownership Agreement and approved by the Legislative Assembly on 25 June 2016. The Final Budget is those budget amounts approved in Supplementary Budget.

**(c) Reporting period**
The reporting period is the 18 month period ended 31 December 2017.

**(d) Judgments and estimates**
The preparation of financial statements in conformity with International Public Sector Accounting Standards requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. 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 may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period they are determined and in any future periods that are affected by those revisions.

**(e) Revenue**
Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability (unearned revenue).

The Trust derives its revenue from outputs to cabinet, mortgage interest, strata fees, donations, sale of goods and services, sale of homes and rental of houses to the Caymanian public. Revenue is recognised at fair value of goods and services provided.

**(f) Expenses**
Expenses are recognised 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.

**Note 1: Significant accounting policies (continued)**

**(g) Operating leases**
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 the operating leases are recognised as an expense on a straight-line basis over the lease term.

**(h) Cash and cash equivalents**
Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months at the date of acquisition.

**(i) Prepayments**
The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment in these financial statements.

**(j) Property, plant and equipment**
Property, plant and equipment is stated at cost less accumulated depreciation and any recognized impairment loss, except for low – income housing properties which are stated at revalued amounts less accumulated depreciation and any recognised 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:

| | |
|---|---|
| Computer equipment | 3 |
| Furniture and fixtures | 12 |
| Office and telephone equipment | 5 |
| Vehicle | 5 |
| Road formation works | 50 |
| Road structure | 20 |
| Low-income housing properties | 50 |
| Leasehold improvements | 5 |

Depreciation on the new AHI houses is recognized upon the issuance of the Certificate of Occupancy, which signals the point at which they are available for use. At this point they are in the location and condition necessary for them to be operating in the manner intended by Management, as outlined in IPSAS 17.

In accordance with IPSAS 17, when an item of property, plant, and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:
(a) Restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount or
(b) Eliminated against the gross carrying amount of the asset.

**Note 1: Significant accounting policies (continued)**

**(k) Disposals**
Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

**(l) Work in progress**
This account consists of costs incurred attributable to bringing the asset condition necessary for it to be capable of operating in the manner intended by management. It is categorized as non-current assets for the actual cost related to each project. When the Affordable Housing Initiative (AHI) houses are complete then a reclass will be made to the relevant property, plant and equipment. The NHDT's objective is to complete projects within approximately an eighteen (18) month period.

**(m) Inventory assets**
**AHI Houses- Bodden Town**
This account consists of completed AHI Houses, for which have been allocated parcels, issued Certificate of Occupancy and held specifically for re-sale. Homes are valued at lower of cost and net realizable value. Houses which are held as rental property or lease-to-own are held in property, plant and equipment –AHI Houses.

**Land-Bodden Town**
Inventory assets also consists of land lots held for transfer on sale of the completed AHI houses held in inventory. In accordance with IPSAS 12, where inventory is acquired as a non-exchange transaction, the costs are measured at the fair value on acquisition. The fair value of the land is based on the first valuation carried out on acquisition.

**(n) Land**
Land is acquired from the government at no cost and is recorded at fair market value at the date of acquisition. A revaluation exercise was undertaken on March 7, 2013. A revaluation of this asset will be undertaken every 5 years.

**(o) Deferred liabilities**
Payments/ accrued amounts made by purchasers on their mortgage principal are recorded as deferred liabilities.

**(p) Employee benefits**
Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees of the Trust are paid to the Silver Thatch Pension Fund and administered by the Silver Thatch Pension Plan.

**Note 1: Significant accounting policies (continued)**

**(p) Employee benefits (cont'd)**

Silver Thatch Pensions is governed by a board of trustees who appoint agents to handle administration, management and investment functions. Intertrust are the plan administrators, Saxon Pensions are the Client Services Agent and Coutts Cayman are the Investment Managers.

**(q) Financial instruments**

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, trade and accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

***Classification***

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents and receivables.

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 unfavourable. Financial instruments comprise of accounts payable and accrued expenses, employee entitlements and long – term debt.

***Recognition***

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the Statements of Financial Performance.

***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 amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

***De-recognition***

A financial asset is derecognized when the Trust realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expired.

**(r) Contingent liabilities and assets (including guarantees)**

Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may, but probably

**Note 1: Significant accounting policies (continued)**

**(r) Contingent liabilities and assets (including guarantees - continued)**
will not, require an outflow of resources. Contingent assets are disclosed if it is probable that the benefits will be realised.

**(s) Foreign currency**
Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

At the end of the reporting period the following exchange rates are to be used to translate foreign currency balances:

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate at year end date;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and
- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

**Note 2: Cash and cash equivalents**

| 2016/17 Actual $000 | Description | Currency | Exchange Rate | 2016/17 Actual $000 |
|---|---|---|---|---|
| 1 | Cash on hand (Petty Cash) | CI $ | 1 | 1 |
| 5,786 | Bank Accounts held at other financial institutions ***Scotia Bank & Trust Cayman Ltd and Bank of Butterfield*** | CI $ | 1 | 6,051 |
| **5,787** | **TOTAL** | **CI $** | | **6,052** |

Cash and cash equivalents include cash on hand; bank accounts in the name of the Trust maintained at the Scotiabank & Trust (Cayman) Limited and Butterfield Bank (Cayman) Limited. No restricted cash balances were held by the Trust at 31 December 2017 and 30 June 2016.

**Note 3: Trade receivables and other receivables**

At year end all overdue receivables have been assessed and appropriate provisions were made. The provision for doubtful debts has been calculated based on expected losses for the Trust and review of specific debtors. Expected losses have been determined based on analysis of the Trust's losses in previous periods.

**Note 3: Trade receivables and other receivables**

| 2015/16 Actual $000 | | 2016/17 Actual $000 |
|---|---|---|
| 306 | Debtors | 783 |
| (109) | Less: provision for doubtful debts | (131) |
| **197** | **Total trade & other receivables** | **652** |

**As at December 31, 2017 the aging analysis of trade and other receiveables is as follows:**

| | Gross Receiveables 30-Jun-16 | Gross Receiveables 31-Dec-17 |
|---|---|---|
| Current | 20 | 603 |
| Past due 1-30 days | 154 | 36 |
| Past due 31-60 days | 12 | 7 |
| Past due 61-90 days | 11 | 6 |
| Past due 90 and above | 109 | 131 |
| **Total (Gross)** | **306** | **783** |

**Changes in the provision for doubtful debts.**

| | | |
|---|---|---|
| **2015/16 Actual $000** | **Description** | **2016/17 Actual $000** |
| (65) | Balance at 1 July 2016 | (109) |
| (44) | Additional provisions made during the year | (22) |
| **(109)** | **Balance at 31 December 2017** | **(131)** |

As at 31 December 2017 and 30 June 2016, trade and other receivables are due within one year from financial position date.

Approximately $109K had been provided up to 30 June 2016, and therefore $22K further expense was required for the current period. These balances relate to client receivables for the New AHI houses.

### Note 4: Property, plant and equipment

| | *Land* | *Buildings* | *Leasehold Improvement* | *Furniture & Fixtures* | *Computer Equipment* | *Office & Tel Equipment* | *Vehicle* | *Land Improvement* | *Road Formation Works* | *Road Structure* | *Work in Progress* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Balance as at 30 June 16** | 5,891 | 5,695 | 135 | 40 | 24 | 36 | 17 | 727 | 1,218 | 1,136 | - | 14,919 |
| Additions | - | - | - | - | - | - | - | 157 | - | - | 16 | 173 |
| Additions (Note: Re-evaluation) | - | - | - | - | 6 | - | - | - | - | - | - | 6 |
| Impairment loss 2016/17 | - | - | - | - | (14) | (6) | - | - | - | - | - | (20) |
| Disposals | (156) | (401) | - | 2 | - | - | - | - | - | - | - | (555) |
| Transfers | - | (308) | - | - | - | - | - | - | - | - | - | (308) |
| **Balance as at 31 Dec 17** | **5,735** | **4,985** | **135** | **42** | **16** | **30** | **17** | **884** | **1,218** | **1,136** | **16** | **14,214** |
| **Accumulated Depreciation** | | | | | | | | | | | | |
| **Balance as at 1 July 2016** | **-** | **449** | **135** | **30** | **22** | **35** | **1** | **-** | **95** | **217** | **-** | **984** |
| Depreciation Expense 17 | - | 150 | - | 3 | 1 | 1 | 5 | | 37 | 85 | - | **282** |
| Impairment loss 17 | - | | - | - | | | - | - | - | - | - | **-** |
| Eliminate on Disposal 17 | - | (32) | - | - | (13) | (8) | - | - | - | - | - | **(53)** |
| Transfer | - | (18) | - | - | - | - | - | - | - | - | - | **(18)** |
| **Balance as at 31 Dec 17** | **-** | **549** | **135** | **33** | **11** | **28** | **6** | **-** | **132** | **303** | **-** | **1,196** |
| | | | | | | | | | | | | |
| **Net Book value 30 June 16** | **5,891** | **5,246** | **-** | **10** | **2** | **1** | **16** | **727** | **1,123** | **919** | **-** | **13,935** |
| **Net Book value 31 Dec 17** | **5,735** | **4,436** | **-** | **9** | **5** | **2** | **11** | **884** | **1,086** | **834** | **16** | **13,018** |

**Note 4: Property, plant and equipment (continued)**

a) In July 2012 the NHDT retained the services of JEC Property Consultants an independent valuer to provide fair market valuation for the new AHI Houses located in the East End, Windsor Park and West Bay. AHI Houses recorded in property, plant and equipment are stated at revalued amounts less accumulated depreciation. In accordance with IPSAS 17, when an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

b) The NHDT land located at Eastern Avenue was valued at $1.81M by JEC Property Consultants under its current zoning as high density residential, but was valued at $3M when categorized as commercial. The high density residential value is being used in our report at December 31, 2017.

c) In March 2013 the NHDT retained the services of Integra Realty Resources (IRR) an independent valuer to provide fair market valuation for its land assets located in the East End, Windsor Park, West Bay and Bodden Town. Land recorded in property, plant and equipment are recorded at the revalued amounts.

d) The Depreciated Replacement Cost and the Sales Comparison Approach were used to derive the Open Market Value. For the AHI Houses and the Sales Comparison Approach used for the AHI Land. Major assumptions for the AHI Houses are that no encumbrances or encroachments exist, that the buildings are structurally sound, and that the land is free from any defects. For the AHI Land it was assumed that apart from being cleared and filled, the land is undeveloped and only the land value was included.

e) Land Improvements Asset refers to the cost of developmental improvements made to land located at Bodden Town site. These include clearing and filling of the site.

f) Road Formation is the category of Road Asset which relates to the preparation for the road structure along with the installation of utility mains and other formative works. These have been depreciated using a useful life of 50 years. The break-down by district is as follows:

| Asset | Bodden Town | East End | West Bay | Windsor Park | Grand Total |
|---|---|---|---|---|---|
| Formation works | 219,503 | 385,043 | 291,557 | 321,742 | 1,217,845 |

g) Road Structure is the category of Road Asset which refers to the physical road structures including paved roadways. These have been depreciated using a useful life of 20 years. The break-down by district is as follows:

| Asset | Bodden Town | East End | West Bay | Windsor Park | Grand Total |
|---|---|---|---|---|---|
| Road Structure | 213,701 | 282,646 | 458,054 | 181,805 | 1,136,206 |

## Note 4: Property, plant and equipment (continued)

**Buildings:**

| 2015/16 Actual $000 | Location | 2016/17 Actual $000 |
|---|---|---|
| 3,085 | West Bay | 2,652 |
| 2,494 | Windsor Park | 2,333 |
| 116 | East End | - |
| **5,695** | **Total** | **4,985** |

The Buildings pertain to affordable low income property houses that are located in West Bay, East End and Windsor Park. During the financial year, 2 homes previously held as property, plant and equipment from the West Bay location were purchased by clients in addition to 1 home from East End. At December 31, 2017, there were 19 homes held as lease to own and 14 held as rental properties.

## Note 5: Trade payables, accruals and other payables

| 2015/16 Actual $000 | | 2016/17 Actual $000 |
|---|---|---|
| 55 | Trade Payables | 138 |
| 36 | Housing Rental Deposits | 8 |
| **91** | **Total trade payables, accruals and other payables** | **146** |

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. The Housing rental deposits are advance payments made by clients on lease agreements between the NHDT.

As at 31 December 2017 and 30 June 2016, trade payables, accruals and other payables are all due within one year from financial position date.

## Note 6: Employee entitlements

| 2015/16 Actual $000 | | 2016/17 Actual $000 |
|---|---|---|
| | **Current employee entitlements are represented by:** | |
| 11 | Annual Leave | 17 |
| 46 | Pension Liability | - |
| **57** | **Total employee entitlements** | **17** |

## Note 7: Long Term Debts and their current portion

### Scotiabank Senior Note

In October 2004, the Trust secured funding in the form of a senior note issuance from Scotia Capital in the amount of US$14.5 million at a fixed interest rate of 5.238%. Bi-annual payments of US $607,032 commenced on April 28, 2006 and the loan will be paid in full by October 2024. The senior note issue has been guaranteed by the Cayman Islands Government. The senior note payable balance was translated at 0.82 at the financial year end reporting period. As per wire instruction on the bond, payments are made to Sun Life Financial, Waterloo, Ontario, Canada.

| Scotiabank Senior Note | | | | |
|---|---|---|---|---|
| | USD | | CI at (0.82) | |
| Particulars | 2017 | 2016 | 2017 | 2016 |
| Principal - Beginning of Year | 8,243 | 8,995 | 6,759 | 7,376 |
| Principal repayments | (1,205) | (752) | (988) | (617) |
| Bond balance | 7,038 | 8,243 | 5,771 | 6,759 |
| Current portion | 856 | 793 | 702 | 650 |
| Long term portion | 6,182 | 7,450 | 5,069 | 6,109 |

### Butterfield Bond

In August 2009, the Trust secured a loan from Butterfield Bank (Cayman) Ltd in the amount of KYD$12,083,000 at the Applicable Margin per annum above the Butterfield Bank Cayman Islands Dollar Base Rate (currently 4.25%).

This loan provided long term financing to finance the costs of constructing homes to low-income Caymanians. Repayments are being made in equal bi-annual principal payments of KYD 310,000, plus accrued interest.

The Cayman Islands Government agreed to execute a Guaranty Agreement for the full amount of the loan. This Guaranty Agreement was signed by the Premier and dated 02 January 2010.

| Butterfield Loan | | |
|---|---|---|
| | CI at (0.82) | |
| Particulars | 2017 | 2016 |
| Principal- Beginning of Year | 8,983 | 9,603 |
| Principal repayments | (930) | (620) |
| Bond balance | 8,053 | 8,983 |
| Current portion | 620 | 620 |
| Long term portion | 7,433 | 8,363 |

### Note 7: Long Term Debts and their current portion (continued)

| Total NHDT - Bonds (Scotiabank & Butterfield) | | | | | |
|---|---|---|---|---|---|
| | USD | | | CI at (0.82) | |
| Particulars | 2017 | 2016 | | 2017 | 2016 |
| Bond balance | 16,859 | 19,198 | | 13,824 | 15,742 |
| Current portion | 1,612 | 1,549 | | 1,322 | 1,270 |
| Long term portion | 15,246 | 17,649 | | 12,502 | 14,472 |

### Note 8 : Revenue

| 2015/16 Actual $000 | Revenue Description | 2016/17 Actual $000 | Final/Original Budget | Variance (Budget vs Actual) |
|---|---|---|---|---|
| 581 | Outputs Sold to EXCO | 871 | 871 | - |
| 131 | Income from Rental Property | 180 | 330 | 150 |
| 95 | Income from Mortgage Property | 113 | 295 | 182 |
| 2,729 | Income from Sale of AHI Houses | 683 | - | (683) |
| 32 | Strata Fees - Charges on Mortgage Property | 32 | - | (32) |
| 1 | Interest on Cash Balances & Late Fees | 1 | - | (1) |
| 16 | Miscellaneous Income | 12 | - | (12) |
| - | Other Income | 108 | - | (108) |
| **3,585** | **Total Revenue** | **1,999** | **1,496** | **(503)** |
| 3,954 | Cost of Goods Sold - AHI Houses | 911 | - | (911) |
| **(369)** | **Gross Profit/ (Loss)** | **1,088** | **1,496** | **407** |

Income from sale of AHI Houses represents sale of homes held in inventory and is made up of payments made by clients for the AHI Houses at the Bodden Town location.

**Note 8 : Revenue (continued)**

Cost of Goods sold represent the cost of the the AHI Houses sold from inventory.

As at 31 December 2017 and 30 June 2016, outputs sold to EXCO is as follows:

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| 146 | AHI Output 4 | 218 |
| 231 | GGHAM Output 5 | 347 |
| 204 | Project Development Output 6 | 281 |
| - | BYOP Output 7 | 25 |
| **581** | **Total** | **871** |

As at 31 December 2017 and 30 June 2016, income from rental property by location is as follows:

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| 64 | West Bay | 100 |
| 7 | East End | - |
| 61 | Windsor Park, George Town | 79 |
| **132** | **Total** | **179** |

As at 31 December and 30 June 2016, income from mortgage property by location is as follows:

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| 37 | West Bay | 48 |
| 58 | Windsor Park, George Town | 65 |
| - | East End | - |
| **95** | **Total** | **113** |

**Note 9: Personnel costs**

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| 536 | Salaries, wages and allowances | 733 |
| 115 | Health care | 189 |
| 65 | Pension | 72 |
| (3) | Leave | 9 |
| 2 | Other personnel related costs | 10 |
| **715** | **Total Personnel Costs** | **1,013** |

## Note 10: Supplies and consumables

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| 45 | Doubtful debt expense | 22 |
| 274 | Repairs and maintenance | 211 |
| 76 | Insurance | 78 |
| 45 | Lease of buildings | 68 |
| 67 | Other Supplies and Consumables | 117 |
| 17 | Utilities | 30 |
| **524** | **Total Supplies and consumables** | **526** |

The Trust signed a lease agreement with Bodwin Investments Ltd. for the rental of National Housing Development Trust operating premises in the amount of $41,250 (US dollar) annually, effective 01 October 2007 for a period of five (5) years. This contract expired on the 01 October 2012 and the option to renew for an additional five (5) years was not affected. The Trust now operates on a month by month rental.

## Note 11: Finance Costs

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| 2 | Bank charges | 3 |
| 721 | Interest on bonds payable | 1,032 |
| **723** | **Total Finance Costs** | **1,035** |

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| 378 | Interest Payment to Scotia Bank | 497 |
| 343 | Interest Payment to Butterfield Bank | 535 |
| **721** | **Total Interest on Bonds Payable** | **1,032** |

## Note 12: Prior Year Adjustment

The Trust made adjustment on Prior Year Income totaling $31,658. This comprised of an adjustment for accrued interest on Scotia Bank Bond and on accrued liability for house rentals.

**Note 13: Reconciliation of net cash flows from operating activities to surplus/ (deficit)**

| 2015/16 Actual $000 | Description | 2016/17 Actual $000 |
|---|---|---|
| **(2,572)** | **Deficit from ordinary activities** | **(1,765)** |
| | **Non-cash movements** | |
| (2) | Prior period adjustments | (31) |
| (8) | (Gain)/losses on sale of property plant and equipment | - |
| 45 | Provision for doubtful expense | 22 |
| 241 | Depreciation expense | 282 |
| (59) | Increase in receivables (net of provision for doubtful debts) | (477) |
| (11) | Increase in prepaid expense | (4) |
| 3,954 | Decrease in Inventory | 911 |
| (8) | Increase in payables & Employe Entitlements | 75 |
| **1,580** | **Net cash flows from/(used in) operating activities** | **(987)** |

**Note 14: Contingencies**

| | Beginning Balance | Additions | Disbursements | Adjustments | Ending Balance |
|---|---|---|---|---|---|
| **Contingent Liabilities** | | | | | |
| Security Center Limited | 12 | - | - | - | 12 |
| | | | | | |
| **Total contingent liabilities** | **12** | **-** | **-** | **-** | **12** |

There was a legal action against the Trust by the Security Centre Limited in the amount $12,000 for breach of contract for work performed in August, 2005. The case is currently inactive and the amount is not reflected in the statement of financial position.

**NOTE 15: Explanation of major variances against budget**

Explanations for major variances for the Trust's performance against the original / final budget are as follows:

**Statement of financial performance**

*Revenue*

Revenue was $503k above budget mainly due to the fact that the sale of the Bodden Town houses are now categorized as inventory sales. Also, in order to be IPSAS compliant the sale of the AHI homes previously held as Prpeerty Plant and Equipment were transferred to inventory and included in inventory sales.

**NOTE 15: Explanation of major variances against budget (continued)**

**Statement of financial performance**

*Personnel costs*
Personnel costs were $91k below budget as one staff thet resigned was not replaced.

*Supplies and consumable & finance cost*
Supplies and consumables were $183k below budget as there were no major costs for remedial work of AHI houses as in previous years.

**Statement of financial position**

*Cash and cash equivalents*
The actual year-end cash balances were approximately $3.33M above budget mainly attributed to fact that the expected sale of the Bodden Town houses were realized, but the projected prject development was not done.

*Inventory Asset*
Inventory Assets were $2.437M below budget because new AHI houses were not constructed during the period as had been expected.

*Debtors and other receivables*
The actual year-end debtors and other receivables balances were $526k above budget as output billings to Government were still outstanding at year-end. We also experience some level of delinquency with our AHI clients.

*Property, Plant and Equipment*
Property, plant and equipment were $724k below the original budget as some clients took advantage of their option to purchase their AHI houses.

**Statement of cash flows**

*Cash from operating activities*
Cash used by operating activities being below budget by $465K is mainly attributed to the fact that there were savings in payments for remedial work on vacant AHI Houses.

*Cash from investing activities*
Cash used by investing activities being below budget by $1.322M is mainly attributed to the fact that the projected expenditure on new projects was not realized.

*Cash from financing activities*
The cash from financing activities was on budget.

**NOTE 16: Related party and key management personnel disclosures**

The Trust is a government company and derives a major source of its revenue from Cabinet through Output funding. The Trust and its key management personnel transact with other government entities on a regular basis.

These transactions were provided free of cost during the financial year ended December 31, 2017 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Due to its uniqueness and set up of the Trust, the operation of the Trust relies on the Board of Directors. The Directors offer their services through Board and Committee Meetings, for which they earn directors fees. The total Board and Directors Fees and Committees fees paid out for 2016-17 was $10.7K (2015-16 $5.8K)

During the year, the Trust had no business transactions with registered companies in which members of the Board of Directors or their close family members have an interest. There were transactions with Government entities which totalled $195k.

**Key management personnel**

There are two full-time equivalent personnel considered at the senior management level. The total remuneration includes: regular salary, allowances, pension contributions and health insurance contributions. Total remuneration for senior management in 2016-2017 was $297K (2015-16 $198k) . There were no loans made to key management personnel in 2015-16 (2014-15: $0). There were no transactions with Government entities which could be reliably measured.

**NOTE 17: Events occurring after reporting date**

The NHDT commenced the construction of 16 additional AHI houses on the Bodden Town Site after 31st December 2017. Due diligence on the selected eight (8) pre-approved contractors was completed and the contracts were signed on Monday, February 26, 2018 with a 5% mobilization given and the other 5% due when material is placed on the property.

**NOTE 18: Financial instrument risks**

The Trust is exposed to a variety of financial risks including interest rate risk, credit risk and liquidity risk. 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.

**NOTE 18: Financial instrument risks (continued)**

***Interest Rate Risk***
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.

***Credit Risk***
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the NHDT. Financial assets which potentially expose NHDT to credit risk comprise development of property investments, house construction, cash equivalents and accounts receivable. NHDT is exposed to potential loss that would be incurred if the counterparty to the bank balances failed to discharge its obligation to repay. All bank balances are with three financial institutions located in the Cayman Islands which management and the Board considers being financially secure and well managed.

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 agreements with NHDT. The maximum amount of these accounts varies with a month to month payment of $699 or $579 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. As at 31 December 2017, provisions for doubtful debts have been made for these accounts.

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

***Liquidity Risk***
Liquidity risk is the risk that NHDT is unable to meet its payment obligations associated with the financial liabilities when they fall due. The ability of NHDT to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to NHDT in a timely basis and from proceeds of capital injection that are received from the Cayman Islands Government. In the event of being unable to collect its outstanding debt, it is expected that Government would fund any shortfalls.

**NOTE 19: Authorization date**

The Financial Statements relating to the 18 month period ended 31st December 2017 for National Housing Development Trust is authorized for issue on 30th April 2018 by the Trust's Board of Directors.

# Appendix 1:

# Ownership Performance reporting and Statement of Outputs delivered to Cabinet

Information about specific financial transactions required to be included in the Ownership Agreement by the Public Management and Finance Act (2020 Revision) is detailed below.

## OUTPUTS / PURCHASE AGREEMENT

| ITEM # | PURCHASE AGREEMENT OF NHDT OPERATIONAL OUTPUTS | 2016-2017 $000's |
|---|---|---|
| NHT 4 | Administer the lease of the Affordable Housing Initiative (AHI) Program and provide support services to low income Caymanian families. | 218 |
| NHT 5 | Administer the lease of the Government Home Assisted Mortgage (GGHAM) Program and provide support services to low income Caymanian families. | 347 |
| NHT 6 | Administer the New Affordable Housing Initiative (AHI) Program which provides support services to low income Caymanian families. | 281 |
| NHT 7 | Administer the Build On Your Own Property Program which provides assistance and support to low income Caymanian families. | 25 |
| | **Total Outputs - Purchase Agreement for Operations** | **$871** |

# Appendix 1:

## CAPITAL/OWNERSHIP AGREEMENT

| ITEM # | NHDT- BOND COMMITMENTS & PROJECT DEVELOPMENT | 2016-2017 $000's |
|---|---|---|
| 1 | NHDT - Equity Injection - Bond Repayment Sunlife Assurance (Bond Maturity to 2024) | 1,493 |
| 2 | NHDT - Equity Injection - Bond Repayment Butterfield Bank (Balloon Pymt of $6.8m due Jun 2020) | 1,385 |
| 3 | NHDT - Equity Injection EI57 - NHDT Project Dev for Affordable Housing Sites | 475 |
| | **Total Outputs - Capital/Ownership Agreement** | **3,353** |


# Appendix 2:

## List of acronyms and abbreviations

| ACRONYM | DESCRIPTION |
|---|---|
| AHI | Affordable Housing Initiative Program |
| BYOP | Build Your Own Property Program |
| GGHAM | Government Guaranteed Home Assisted Mortgage Program |
| HECH | Ministry of Heath, Environment, Culture and Housing |
| IFRS | International Financial Reporting Standards |
| IPSAS | International Public Sector Accounting Standards |
| NHDT | National Housing Development Trust |
| PAA | Public Authorities Act |
| PLAHI | Ministry of Planning, Agriculture, Housing & Infrastructure |
| PMFA | Public Management and Finance Act |

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