



**NATIONAL HOUSING
DEVELOPMENT TRUST**



**ANNUAL REPORT
2021**



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.



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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 2021 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 year ending December 31, 2021.

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

Message from the General Manager

As General Manager of the National Housing Development Trust, I am proud to present the Annual Report for 2021. 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 2021. The financial statements were audited by the Office of the Auditor General and received 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.



Mr. Julio Ramos
General Manager, NHDT

“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.”



Introduction

This Annual Report for the National Housing Development Trust (the NHDT) for the period January 1 to December 31, 2021 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



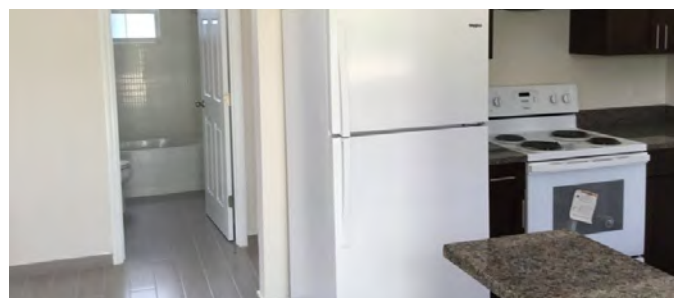
Assistance to
help house
people



Associated
facilities and
amenities



Loans and
advances and
the giving of
guarantees



Introduction

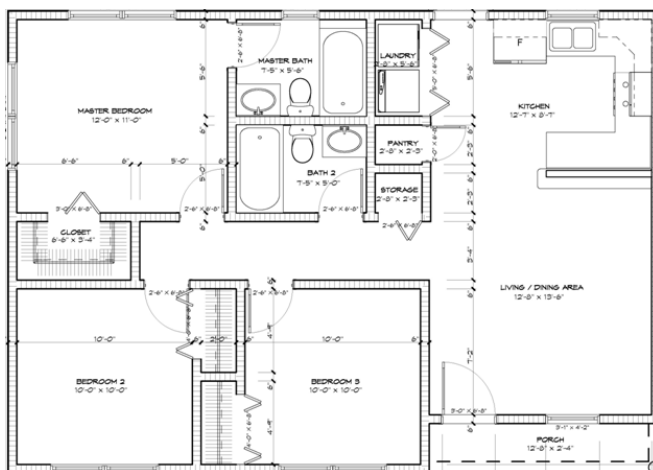
To meet its statutory responsibilities, the NHDT operates three distinct programs

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.



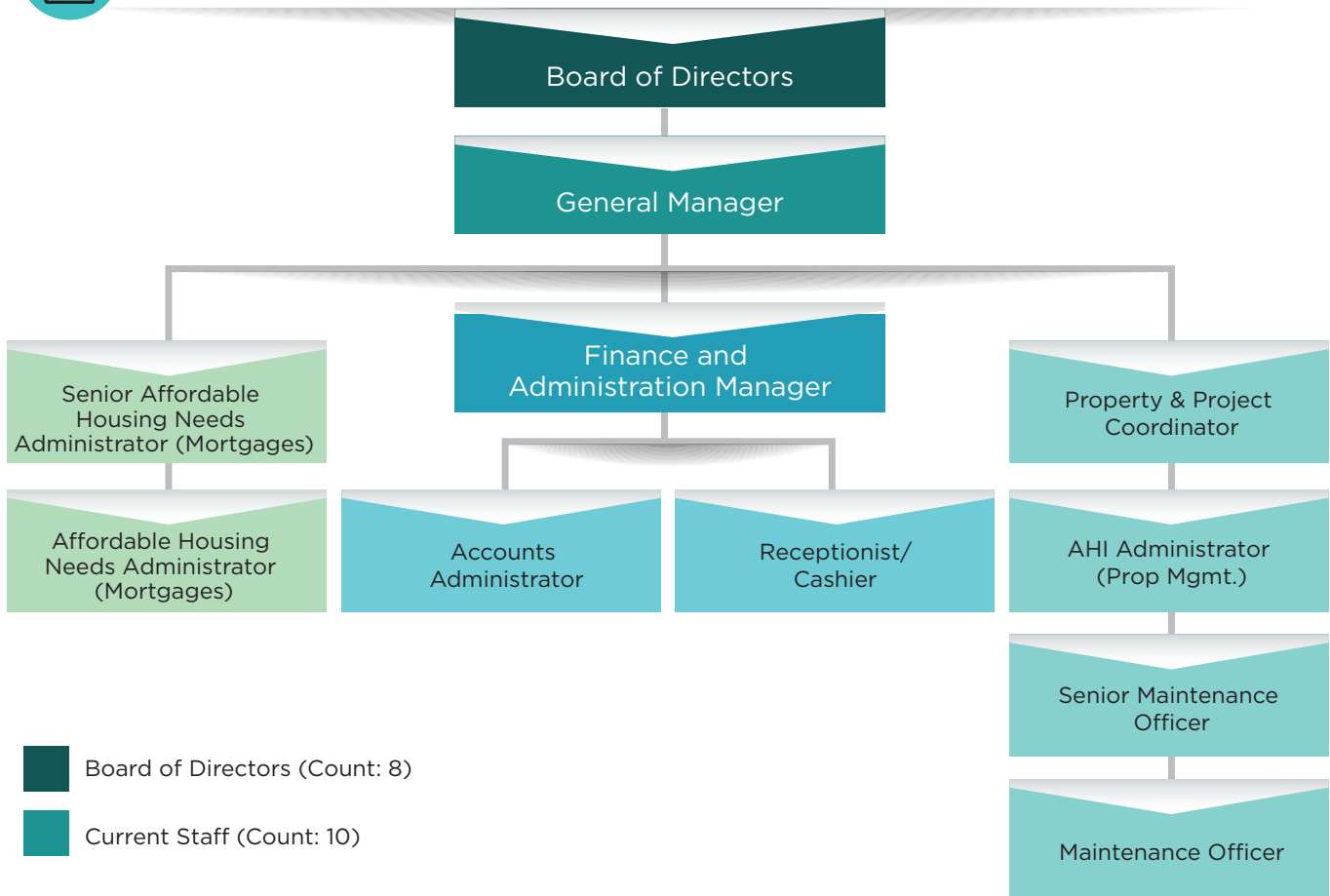


Organization Overview

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:

213
Housing Applications
Processed



\$65K
Total Value
of Mortgages
Issued

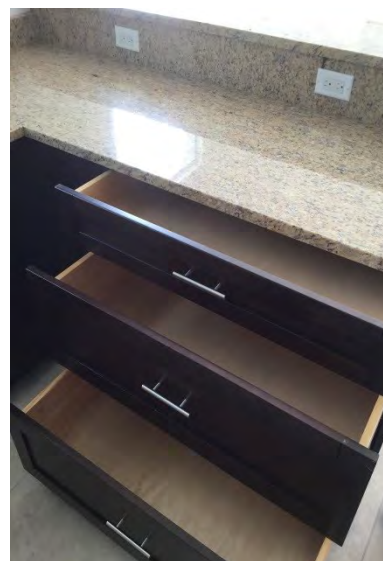
Financial and Operational Highlights



FINANCIAL HIGHLIGHTS:

FINANCIAL PERFORMANCE	2021 \$000's
REVENUE	921
LESS: COST OF GOODS SOLD	113
GROSS PROFIT/(LOSS)	808
LESS: OPERATING EXPENSES	1,607
NET SURPLUS/(DEFICIT)	(799)

FINANCIAL POSITION	31 December 2021 \$000's
ASSETS	30,850
LESS: LIABILITIES	3,601
NET WORTH	27,249





NATIONAL HOUSING
DEVELOPMENT TRUST

Audited 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 National Housing Development Trust in accordance with the provisions of the *Public Management and Finance Act (2020 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 Act (2020 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 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 National Housing Development Trust for the year ended 31 December 2021;
- (b) fairly reflect the financial position as at 31 December 2021 and performance for the year ended 31 December 2021;
- (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.



.....
Geoffrey Ebanks
Chairman
National Housing Development Trust

Date April 29, 2022



.....
Julio Ramos
General Manager
National Housing Development Trust

Date April 29, 2022

AUDITOR GENERAL'S REPORT

To the Board of Directors of the National Housing Development Trust

Opinion

I have audited the financial statements of the National Housing Development Trust (the "Trust"), which comprise the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net worth and statement of cash flows 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 8 to 29.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust 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.

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 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.

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

Management is responsible for the preparation and fair presentation 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.

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) 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

30 April 2022
Cayman Islands

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Financial Position
As at 31 December 2021
(Expressed in Cayman Islands Dollars)

Prior Year			Current Year Actual	Original Budget	Variance (Budget vs. Actual)
\$000		Note	\$000	\$000	\$000
	Current Assets				
937	Cash and cash equivalents	2	364	4,007	3,643
1,859	Trade receivables	3	4,725	357	(4,368)
4	Prepayments	1(i)	2	-	(2)
156	Inventory Assets	1(m)	156	1,735	1,579
2,956	Total Current Assets		5,247	6,099	852
	Non-Current Assets				
19,372	Property, plant and equipment	4	25,603	22,973	(2,630)
-	Other Non-Current Assets		-	-	-
19,372	Total Non-Current Assets		25,603	22,973	(2,630)
22,328	Total Assets		30,850	29,072	(1,778)
	Current Liabilities				
147	Payables and accruals	5	304	187	(117)
204	Employee entitlements	6	242	14	(228)
820	Current portion – Bonds Payable	7	864	864	-
1,171	Total Current Liabilities		1,410	1,065	(345)
	Non-Current Liabilities				
2,731	Long term – Bonds Payable	7	1,867	1,867	-
284	Deferred Liabilities	1(o)	324	297	(27)
3,015	Total Non-Current Liabilities		2,191	2,164	(27)
4,186	Total Liabilities		3,601	3,229	(372)
18,142	Net Assets		27,249	25,843	(1,406)
	Net Worth				
38,335	Contributed capital	8	43,317	51,403	8,086
8,355	Revaluation Surplus	8	13,326	4,399	(8,927)
(28,548)	Accumulated (deficits)	8	(29,394)	(29,960)	(566)
18,142	Total Net Worth		27,249	25,842	(1,407)

The accounting policies and notes on pages 8 -28 form part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Financial Performance
For the year ended 31 December 2021
(Expressed in Cayman Islands Dollars)

Prior Year Actual \$000			Current Year Actual \$000	Original Budget \$000	Variance (Budget vs. Actual) \$000
	Revenue	Note			
675	Outputs to Cabinet	9	675	675	-
193	Sale of goods and services	9	184	280	96
247	House Sales	9	62	2,044	1,982
1,115	Total Revenue		921	2,999	2,078
	Cost of Goods Sold				
391	Cost of House Sales	9	113	2,453	2,340
724	Gross Profit		808	546	262
	Expenses				
854	Personnel costs	10	811	846	35
341	Supplies and consumables	11	350	388	38
265	Depreciation	4	271	226	(45)
371	Financing Expense	12	175	175	-
-	Losses on disposal of property, plant and equipment		-	-	-
1,831	Total Expenses		1,607	1,635	28
(1,107)	Deficit for the period		(799)	(1,089)	(290)

The accounting policies and notes on pages 8 - 28 form part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Changes in Net Worth
For the year ended 31 December 2021
(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 31 December 2019	30,313	(27,441)	8,473	11,345	15,263	3,918
Capital Injection	8,022			8,022	8,022	-
(Deficit) for the Year 2020		(1,107)		(1,107)	(1,270)	(163)
Revaluation Surplus transfer to				-	-	-
Accum. Surplus				-		-
Prior Period Adjustment			(118)	(118)		118
Balance at 31 December 2020	38,335	(28,548)	8,355	18,142	22,015	3,873
Capital Injection	4,982			4,982	5,000	18
(Deficit) for the Year 2021		(799)		(799)	(1,090)	(291)
Revaluation Surplus transfer to			4,971	4,971		
Accum. Surplus				-		
Prior Period Adjustment		(47)		(47)		-
Balance at 31 December 2021	43,317	(29,394)	13,326	27,249	25,925	1,324

The accounting policies and notes on pages 8 - 28 form part of these financial statements.

NATIONAL HOUSING DEVELOPMENT TRUST
Statement of Cash Flows
For the year ended 31 December 2021
(Expressed in Cayman Islands Dollars)

Prior Year Actual \$000		Note	Current Year Actual \$000	Original Budget \$000	Variance (Budget vs Actual) \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Receipts</i>					
-	Outputs to Cabinet		1,836	675	(1,161)
158	Sale of goods and services - third party		169	280	111
247	House sales - Inventory		-	-	-
<i>Payments</i>					
(739)	Personnel costs		(775)	(835)	(60)
(261)	Suppliers		(323)	(399)	(76)
(371)	Interest paid		(175)	(175)	-
(14)	Other payments		-	-	-
(980)	Net cash flows generated from (used in) operating activities	12	732	(454)	(1,186)
CASH FLOWS FROM INVESTING ACTIVITIES					
(199)	Purchase of property, plant and equipment		(154)	(3,500)	(3,346)
122	Proceeds from sale of non-current assets		65	(2,453)	(2,518)
-	Investment – Low Income Housing Properties		(1,409)	2,044	3,453
(77)	Net cash flows used in investing activities		(1,498)	(3,909)	(2,411)
CASH FLOWS FROM FINANCING ACTIVITIES					
(7,592)	Payments on bonds payable		(820)	(820)	-
8,022	Equity investment		1,013	4,013	3,000
430	Net cash flows from financing activities		193	3,193	3,000
Net increase/(decrease) in cash and cash equivalents					
(627)			(573)	(1,170)	(597)
1,564	Cash and cash equivalents at beginning of period/year		937	5,179	4,242
937	Cash and cash equivalents at end of period/ year	2	364	4,009	3,645

The accounting policies and notes on pages 8 – 28 form part of these financial statements

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in Cayman Islands Dollars)

Description and principal activities

The National Housing Development Trust (the “Trust”) 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 of the Cayman Islands.

National Housing Development Trust offers several programs:

- a) The Government Guaranteed Home Assistance Mortgage (GGHAM) - The Cayman Islands Government (CIG), working along with local banks, provides 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 2021, there were no new loans processed as the program agreement expired in 2012 and remains to be re-initiated to facilitate new mortgages. The Trust continues to provide administration for the portfolio of 325 mortgages issued between 2007-2012.
- b) The Affordable Housing Initiative (“AHI”) is designed to assist low-income families in having their housing needs met. As of 31 December 2021, there was one registered client under The tenancy agreement that purchased the house that they occupied under the Affordable Housing Initiative program.
- c) The Affordable Housing Initiative (“AHI”) is also designed to provide low-income families with the opportunity of homeownership. As of 31 December 2021, there were 86 Affordable Houses sold to families under the Affordable Housing Initiative program.
- d) The Build on Your Own Property (“BYOP”) is an option for a person to own their own home if they have their own land. The National Housing Development Trust assists Caymanians to construct affordable homes on their own property. As of 31 December 2021, there was no client that achieved homeownership under the Build on Your Own Property Program.

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, George Town, Grand Cayman.

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.

Note 1: Significant accounting policies

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 Trust. The Trust's assessments 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,

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

recognizing, and measuring financial instruments to replace those in *IPSAS 29, Financial instruments: Recognition and Measurement*.

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.

Based on our assessment, it is anticipated that these standards will not be applicable to the Trust in future periods; however, we will reassess *IPSAS 41, Financial Instruments*, more fully closer to the effective date of adoption.

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

(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 for land and buildings, which are included in Property, Plant, and Equipment. These items are stated at fair value. These Financial Statements are rounded to the nearest thousand.

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. The accounting policies have been consistently applied to all the years presented.

(b) Budget amounts

The original budget amounts for the financial year are as presented in the two-year 2020 & 2021 Ownership Agreement and approved by the Legislative Assembly on 8th November 2019. The Final Budget reflects changes to the original budget and the amounts are approved in the Supplementary Budget. There was no change to the original budget during the financial year.

(c) Reporting period

The financial statements are prepared for the 12 months from 1 January 2021 to 31 December 2021 with comparative figures for the 12-month period from 1 January 2020 to 31 of December 2020.

(d) Judgments and estimates

The preparation of financial statements in conformity with the *IPSAS* require 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 recognized in the reporting period and in any future periods that are affected by those revisions.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(e) Revenue

Revenue is recognized in the accounting year in which it is earned. Revenue received but not yet earned at the end of the reporting year is recognized as a liability (unearned revenue). The Trust derives its revenue from outputs to cabinet, mortgage interest, strata fees, donations, sale of homes, and rental of houses to the Caymanian public at fair value of services provided.

Revenue is recognized based on contract prices of affordable homes.

(f) 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.

(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 recognized 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 recognized expenditure paid in advance of receiving goods or services have been recognized as a prepayment in these financial statements.

(j) Other receivables –Build Your Own Property (BYOP)

Other receivables-BYOP are amounts advanced by the Trust for properties under construction for specific clients approved under the BYOP. The Trust disburses funds as the construction project progresses and accumulates all funds in this account. Under the programme, the Trust is entitled to be reimbursed through bridge financing arranged with the lending institutions once the properties are completed and approved for occupancy by the Planning Department.

In addition, the Trust charges interest to the Client at the agreed market rate (prime + 1%) are recorded as miscellaneous income under sales of goods and services.

(k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognized impairment loss. 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 year in which the asset is acquired.

Asset Revaluation

Property (buildings and Land) were revalued by Bould Consulting the exception of road formation, road structure works and Land improvement which are carried at historical cost.

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

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.

Depreciation is charged as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Computer equipment	3
Furniture and fixtures	12
Office and telephone equipment	5
Vehicle	5
Other Plant & Equipment	8
Road Formation Works	50
Road Structure	20
Low-income housing properties	10 - 50
Leasehold improvements	Over the unexpired period of lease or useful life of the improvement

Depreciation on the new AHI houses started 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.

(l) 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.

(m) 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 current assets for the actual cost related to each project that are recorded as property plant and equipment. When the Affordable Housing Initiative (AHI) houses are complete, then a reclass from the Work in Progress is made to the relevant inventory account. The Trust objective is to complete projects within approximately an eighteen (18) month period.

(n) Inventory assets

AHI Houses

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 that are held as rental property or lease-to-own are held in property, plant, and equipment –AHI Houses.

Land

Inventory assets also consist 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

NATIONAL HOUSING DEVELOPMENT TRUST

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in Cayman Islands Dollars)

are measured at the fair value on acquisition. The fair value of the land is based on the first valuation carried out on acquisition.

Note 1: Significant accounting policies (continued)

(o) Land

Land is acquired from the government at no cost and is recorded at fair market value at the date of acquisition. A revaluation of this asset is undertaken every 5 years.

(p) Deferred liabilities

Payments/ accrued amounts made by purchasers on their mortgage principal are recorded as deferred liabilities.

(q) Employee benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave, and other similar benefits are recognized 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. The Silver Thatch Pensions is governed by a board of trustees who appoint agents to handle administration, management and investment functions. Intertrust is the plan administrator, Saxon Pensions is the Client Services Agent and Coutts Cayman is the Investment Manager.

(r) 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.

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 recognizes financial assets and financial liabilities on the date it becomes a 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 recognized 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.

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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.

Note 1: Significant accounting policies (continued)

De-recognition

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

(s) 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 will not require an outflow of resources. Contingent assets are disclosed if it is probable that the benefits will be realized.

(t) 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 recognized 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 the 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

2020 Actual \$000	Description	Currency	Exchange Rate	2021 Actual \$000
1	Cash on hand (Petty Cash)	CI \$	1	1
936	Bank Accounts held at other financial institutions (<i><u>Scotia Bank & Trust Cayman Ltd and Butterfield Bank Cayman Ltd</u></i>)	CI \$	1	364
937	TOTAL	CI \$	1	364

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 2020 and 31 December 2021.

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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 a review of specific debtors. Expected losses have been determined based on the analysis of the Trust's losses in previous periods.

Note 3: Trade receivables and other receivables

2020 Actual \$000	Description	2021 Actual \$000
2,049	Debtors	4,922
77	Other Receivable	76
(267)	Less: provision for doubtful debts	(273)
1,859	Total trade & other receivables	4,725

As at December 31, 2021, the aging analysis of trade receivables is as follows:

	Gross Receivables	Gross Receivables
	2020 Actual \$000	2021 Actual \$000
Current	28	(2)
Past due 1-30 days	2	1
Past due 31-60 days	2	-
Past due 61-90 days	4	4
Past due 90 and above	2,013	4,919
Total	2,049	4,922

Changes in the provision for doubtful debts

2020 Actual \$000	Description	2021 Actual \$000
(182)	Balance as at 1 January	(267)
(90)	Additional provisions made during the year	(6)
5	Receivables written off during the year	-
(267)	Balance as at 31 December	(273)

As at 31 December 2021 and 31 December 2020, trade and other receivables are due within one year from financial position date. Approximately \$267K had been provided up to 31 December 2020 (2020:\$267K). These balances relate to client receivables for the new AHI houses that were allocated under Tenancy Arrangements.

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Note 4: Property, plant and equipment

	<i>Land</i>	<i>Buildings</i>	<i>Leasehold Improvement</i>	<i>Furniture & Fixtures</i>	<i>Computer Equipment</i>	<i>Office & Tel Equipment</i>	<i>Vehicle</i>	<i>Other Plant & Equipment</i>	<i>Land Improvement</i>	<i>Road Formation Works</i>	<i>Road Structure</i>	<i>Work in Progress</i>	<i>Total</i>
Cost	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 31 Dec 20	12,187	4,434	135	45	23	42	67	-	885	1,349	1,136	196	20,499
Additions	-	-	-	-	1	-	-	166	-	-	-	1,534	1,701
Revaluation	5,423	(566)	-	-	-	-	-	-	-	-	-	-	4,857
Impairment loss 2021	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	(50)	(161)	-	-	-	-	-	-	-	-	-	-	(211)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 Dec 21	17,560	3,707	135	45	24	42	67	166	885	1,349	1,136	1,730	26,846

Accumulated Depreciation

Balance as at 31 Dec 20	-	147	135	40	19	36	48	-	-	214	488	-	1,127
Depreciation Expense 2021	-	154	-	1	2	2	13	7	-	27	57	-	263
Eliminate on Disposal 2021	-	(147)	-	-	-	-	-	-	-	-	-	-	(147)
Balance as at 31 Dec 21	-	154	135	41	21	38	61	7	-	241	544	-	1,243
Net Book value 31 Dec 20	12,187	4,287	-	5	4	5	19	-	885	1,135	648	196	19,372
Net Book value 31 Dec 21	17,560	3,553	-	4	3	4	6	159	885	1,108	592	1,730	25,603

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

- a) The Trust obtained the services of Bould Consulting to conduct independent valuation of the NHDT Properties, at the direction of the Cayman Islands Government as part of the routine five year property valuation exercise. The scope of work for the required exercise was property consultants to provide an independent value and reporting of a fair market valuation for the NHDT Properties in the District of East End, Bodden Town, Windsor Park, and West Bay. The valuation undertaken was for the Affordable Houses that remain registered under the NHDT and also the portions of lands that are developed and undeveloped. As part of this exercise, the valuation also included a valuation assessment of infrastructure and road formation throughout the various affordable housing sites.
- b) The outcome of the valuation required a revaluation adjustment in property, plant, and equipment that are stated at revalued amounts less accumulated depreciation. The specific adjustments were netted as an increase in assets revalued for land and affordable houses for the total sum of \$4.9m. The breakdown of these by location are reported in the schedule that follows this note.
- c) In accordance with accounting policy, 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.

Land Asset	2020	Adjustments during the Year			2021
		Additions (Land Purchase)	Revaluation Adjustment	Disposal of Land	
West Bay Land (Blk4C/P585)	1,625	-	2,130	-	3,755
Windsor Park Land (Blk14E/P719)	793	-	56	(50)	799
Eastern Ave Land (Blk13E/P166)	2,785	-	2,227	-	5,012
East End Land (Blk72B/P149)	1,088	-	(177)	-	911
Lighthouse Land (Blk4B/P673)	1,278	-	145	-	1,423
Bodden Town Land (Blk43A/P56)	534	-	97	-	631
George Town Land (Blk20E/P213R3)	3,500	-	700	-	4,200
North Side Land- Blk 49C/P12&15	585	-	244	-	829
Total	12,188	-	5,421	(50)	17,560

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- 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. 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.

Note 4: Property, plant and equipment (continued)

- e) Road Formation is the category of our 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 Districts are as follows;

Asset	Bodden Town \$000	East End \$000	West Bay \$000	Windsor Park \$000	Grand Total \$000
Formation works	219	385	292	453	1,349

- f) Road Structure is the category of our 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 the district is as follows;

Asset	Bodden Town \$000	East End \$000	West Bay \$000	Windsor Park \$000	Grand Total \$000
Road Structure	214	282	458	182	1,136

Buildings:

Asset - Affordable Houses	2020 Actual \$000 (As Restated)	Additions (Affordable Houses) \$000	Revaluation Adjustment\$ 000	Disposal of Land (Affordable House Sales) \$000	2021 Actual \$000
West Bay	1,777	-	(135)	(161)	1,481
Windsor Park	2,512	-	(420)	-	2,092
East End	145	-	(12)	-	133
Total	4,434	-	(566)	(161)	3,707

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The Buildings pertaining to affordable low-income property houses are located in West Bay, East End, and

Note 5: Trade payables, accruals, and other payables

2020 Actual \$000	Description	2021 Actual \$000
138	Trade Payables	288
9	Housing Rental Deposits	17
147	Total trade payables, accruals and other payables	305

Windsor Park. During the financial year, 1 home previously held as property, plant, and equipment from the Windsor Park location was purchased by a client. At December 31, 2021, there were 17 homes held as lease to own and 12 held as rental properties.

Note 4: Property, plant and equipment (continued)

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 with the NHDT.

Trade payables, accruals and other payables are all due within one year from financial position date.

Note 6: Employee entitlements

2020 Actual \$000	Description	2021 Actual \$000
	Current employee entitlements are represented by:	
173	Accrued Salary	179
18	Annual Leave	30
13	Health Insurance & Pension Liability	33
204	Total employee entitlements	242

Note 7: Bonds payable

Scotiabank Bond

In October 2004, the Trust secured funding in the form of a bond 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 bond issue has been guaranteed by the Cayman Islands Government. The bond 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.

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Scotiabank Bond	Reported in the Notes of the Audited Financials			
Particulars	USD		CI at (0.82)	
	2020 (\$000)	2021 (\$000)	2020 (\$000)	2021 (\$000)
Principal- Beginning of Year	5,280	4,330	4,330	3,551
Principal repayments	(950)	(1,000)	(779)	(820)
Bond balance at the end of the year	4,330	3,330	3,551	2,731
Current portion	1,000	1,053	820	864
Long term portion	3,330	2,277	2,731	1,867

Note 7: Bonds payable (continued)

Butterfield Bond

In August 2009, the Trust secured a bond issuance 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 3.25%).

This bond issuance is to provide 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 Bond. This Guaranty Agreement was signed by the Premier and dated 2nd January 2010. As laid out in the Guaranty Agreement the Bond balloon payment commitment of \$6.8m balance was fully settled on June 20, 2020.

Butterfield Bond	Reported in the Notes of the Audited Financials			
Particulars	USD		CI at (0.82)	
	2020 (\$000)	2021 (\$000)	2020 (\$000)	2021 (\$000)
Principal- Beginning of Year	8,309	-	6,813	-
Principal repayments	(8,309)	-	(6,813)	-
Total paid at the end of the year	-	-	-	-
Current portion	-	-	-	-
Long term portion	-	-	-	-

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Total NHDT - Bonds (Scotiabank & Butterfield)	Reported in the Notes of the Audited Financials			
Particulars	USD		CI at (0.82)	
	2020 (\$000)	2021 (\$000)	2020 (\$000)	2021 (\$000)
Bond balance – beginning of year	4,330	3,330	3,551	2,731
Current portion	1,000	1,053	820	864
Long term portion	3,330	2,277	2,731	1,867

Note 8: Network

The Network for the NHDT is made up of contributed capital that is accumulated from equity injection from the Cayman Islands Government for the ongoing Bond Commitments that are reported as loans and Project Refund for the Affordable Housing Projects. As at 31 December 2021 and 31 December 2020, the increase in contributed capital totaled \$4.9m increase on year was for \$1m bond commitment and \$3.9 for project refund.

The Revaluation Surplus is net accumulation that that record gains from Asset Valuation and Adjustments for Assets when they are disposed. The most notable increase are reported every five years when a revaluation exercise of the NHDT's lands and affordable houses is completed. In contrast there are routine adjustments of disposal of properties that record houses sales that is only limited to cost of construction of these houses, as the disposals of land and road and infrastructure are subsidized by the CIG by way of equity injections for projects.

As at 31 December 2021 and 31 December 2020, the net increase in revaluation surplus totaled \$4.9m increase for gain on property valuation of \$4.8m for revalued affordable house and adjustment of \$260k loss recorded as elimination of disposal for sale an affordable house.

The accumulated deficits are the routine accumulation of deficits year on year. As at 31 December 2021 and 31 December 2020, there is a net difference on year on year of \$846 that is for the 2021 reported financial performance and a \$47k loss that previously was recorded as 2019 re-statement as prior year adjustment, however not recorded in the NHDT's general ledger.

2020 Actual \$000 (As Restated)	Net Worth Description	2021 Actual \$000	Variance (Prior Year vs. Actual)
\$000		\$000	\$000
38,335	Contributed capital	43,317	(4,982)
8,355	Revaluation Surplus	13,326	(4,971)
(28,548)	Accumulated (deficits)	(29,394)	846
18,142	Total Net Worth	27,249	(9,107)

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Note 9: Revenue

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

House Sale - Cost of Goods Sold represents the cost of the AHI houses sold from inventory.

2020 Actual \$000 (As Restated)	Revenue Description	2021 Actual \$000	Final/Original Budget \$000	Variance (Budget vs. Actual) \$000
675	Outputs Sold to EXCO -	675	675	-
108	Income from Rental Property	108	124	16
65	Income from Mortgage Property	55	63	8
247	Income from Sale of AHI Houses	62	2,044	1,982
2	Strata Fees - Charges on Mortgage Property	4	-	(4)
18	Miscellaneous Income	16	18	2
-	Other Income	1	75	75
1,115	Total Revenue	921	2,999	2,079
391	Cost of Goods Sold - AHI Houses	113	2,453	2,340
724	Gross Profit	808	546	(261)

During the year ended 31 December 2020 and 31 December 2021, outputs sold to EXCO is as follows:

2020 Actual \$000	Description	2021 Actual \$000
240	AHI Output 4	240
231	GGHAM Output 5	231
187	Project Development Output 6	187
17	BYOP Output 7	17
675	Total	675

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Note 9: Revenue (continued)

As at 31 December 2021 and 31 December 2021, income from the mortgaged properties by location is as follows:

2020 Actual \$000	Description	2021 Actual \$000
22	West Bay	15
35	Windsor Park, George Town	32
8	East End	8
65	Total	55

As at 31 December 2021 and 31 December 2020, income from rental property by location is as follows:

2020 Actual \$000	Description	2021 Actual \$000
55	West Bay	55
-	East End	-
53	Windsor Park, George Town	53
108	Total	108

Note 10: Personnel Costs

2020 Actual \$000	Description	2021 Actual \$000
618	Salaries, wages and allowances	524
140	Health care	157
50	Pension	72
26	Leave	12
20	Other personnel related costs	46
854	Total Personnel Costs	811

Note 11: Supplies and consumables

2020 Actual \$000	Description	2021 Actual \$000
90	Doubtful debt expense	7
40	Repairs and maintenance	109
45	Insurance	48
46	Lease of buildings	47
96	Other Supplies and Consumables	118
24	Utilities	22
341	Total Supplies and consumables	351

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Note 11: Supplies and consumables (continued)

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 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 12: Finance Costs

2020 Actual \$000	Description	2021 Actual \$000
209	Interest Payment to Scotia Bank	175
162	Interest Payment to Butterfield Bank	-
371	Total Finance Costs	175

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

2020 Actual \$000	Description	2021 Actual \$000
(1,107)	Deficit for the year	(799)
	Non-cash movements	
90	Provision for doubtful expense	7
265	Depreciation Expense	271
123	Loss on sale of property, plant and equipment	4,035
(722)	Increase in receivables (Net of Provision for doubtful debts)	(2,866)
107	Increase (decrease) in other receivables - BYOP	-
(2)	Increase in prepaid expense	(2)
147	Decrease in inventory	-
(8)	Decrease in accounts payable and accrued expenses	157
115	Increase in employee entitlements	(38)
-	Increase in bond Liability	-
12	Increase in deferred Liabilities	(27)
(980)	Net cash flows generated from (used in) operating activities	738

Note 14: Contingencies

	Beginning Balance	Additions	Disbursements	Ending Balance
Contingent Liabilities				
Security Center Limited	12	-	-	12

Note 14: Contingencies (continued)

There was 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. Attempts were made to obtain an update from the Security Centre Limited on this matter, however there was no response.

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 \$2M below budget and approximately \$194k on prior and this is mainly attributed the delayed construction projects that were affected by the pandemic. The sale of goods and services were slightly below budget based on prior year and this is attributed to one tenant purchasing their house.

Cost of Sales

Cost of House Sales was \$2.3M below budget and this is attributed to not completing the planned affordable housing project and the sale of houses within the financial year.

Personnel costs

Personnel cost was \$35K below budget and 46K below prior year. The variance on budget is attributed to the Project Supervision that was carried out internally as oppose to contracting externally. In addition to this the provisions based on finalized position taken on the the job valuations were significantly lower on prior year.

Supplies and consumables

Supplies and consumables were \$38K below budget and over by \$12K on prior year. The variance is mainly attributed to the maintenance of the Affordable Houses and ongoing maintenance on houses under tenancy arrangement. It is worth noting that for 2020 the NHDT was limited to maintenance due to lockdown.

Finance Cost

Finance Expense decreased by \$196k in 2021 as one of the two bonds was fully settled mid-year on Jun 2020. There was no variance on actual vs budget as this was correctly reported and provided for in the budget.

Statement of Financial Position

Cash and cash equivalents

The Cash and cash equivalents were appromitately \$3.6M below budget and approximately \$573K on prior year. The significant variance is due not completing the plan projects and sale of the houses during the financial year.

Note 15: Explanation of major variances against budget (continued)

Debtors and other receivables

Trades receivables is over by \$4.4M on budget and this is mainly due to uncollected Outputs to the CIG for the 2021 and also equity injection billing for the reporting period that was received in Jan 2022. The level of delinquency with the AHI Clients remains constant in comparison to previous periods as the Clients paid up the commitments for the reporting period.

Property, Plant, and Equipment

Property, plant and equipment have increased 2.6M on budget and 6.2M on prior year and this is mainly attributed to project-related costs and the property valuation exercise that was carried out on land and the affordable houses. Project-related costs are reported the working in process and are transferred to inventory once completed.

Payables and accruals

There is an increase on accounts payable of \$117k on budget and \$157k year-end and this is mainly due to project construction balances due to Contractors.

Employee entitlements

Employee Entitlement is overby \$228k budget and slightly over of \$38k on year-end. The balance due is attributed to accrued employee compensation that was accrued from the Job evaluation exercise and subsequently paid with the first quarter of 2022.

Current Portion – Bonds Payable

There is no variance on budget and prior year on the current bonds payables, as the \$820 was adequately provided for in the budget and consistently reported accordingly.

Statement of Cash Flows

Cash from operating activities

There is a positive variance on Net Cash Flow for Operating Activities of \$1.2M against Budget and \$248k on prior year and this is mainly attributed for inflows of funds for prior year Outputs that were received in 2021.

Cash from investing activities

The negative variance of \$2.6M for Net Cash Flow in Investing Activities is due to lower project cost with the equivalent sale of investment that was affected due to the incompleteness of the projects in 2021.

Cash from financing activities

The net effect on cash flows from financing activities on budget is due to equity injection for project refunds that were not refunded in 2021, however received in Jan 2022.

Note 16: Related party and key management personnel disclosures

The Trust is a government company from which it 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, 2020, 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 director's fees. The total Board and Directors Fees and Committees fees paid out for 2021 was \$36.5K (2020 \$19.4K). The decrease in the fees year on year is due to the suspension of meetings during the year due to the COVID-19 restrictions.

Key management personnel

There is two full-time equivalent personnel considered at the senior management level. The total remuneration includes regular salary, allowances, pension contributions, and health insurance contributions.

Note 15: Related party and key management personnel disclosures (continued)

Total remuneration for senior management in 2021 was \$238K (2020 \$240K). There were no loans made to key management personnel in 2021 (2020: \$0). There were no transactions with Government entities that could be reliably measured.

Note 17: Subsequent Events

Board Restructure

The NHDT was appointed a new board consisting of nine members, of which six were new appointments and three were returning members. The first general Board Meeting was held on December 2, 2021, with a series of subcommittee meetings carried out in January and April of 2022.

Further Project Development - Additional Houses

With its continued trend of affordable project development and the increase in demand for affordable houses, the Trust undertook the process of submitting plans for seven additional houses to be constructed at the East End Affordable Housing Site. As of yearend 2020, earthworks were completed for the project, and the coordination of infrastructure and construction of the houses was carried out in the early part of 2021.

In April 2021, construction got started with 10 Affordable Houses in the district of East End and Boddan Town. As of December 31, 2021, the houses were approximately 95%. The NHDT continues its effort to have these houses completed and allocated to prospective homeowners within the end quarter of 2022.

The planning process for approximately 85 additional houses with new designs continues to be undertaken for the undeveloped portion of the Light House Garden Site in West Bay and the newly acquired property on the North Side and as a continued extension to the East End Site. The earthworks and road works have already started on these sites and have the earthworks and partial infrastructure works carried out in the new site in West Bay.

In addition to this, the NHDT will also be carrying out three build on your own property project for applicants that are currently going through the vetting process with the banks and the Trust.

Note 17: Subsequent events continued

COVID – 19 Impact

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. On January 30, 2020, the WHO declared the outbreak a Public Health Emergency of International Concern. World governments' efforts to contain the spread of the coronavirus, often referred to as the COVID-19, have significantly impacted many businesses globally and the local economy. While the situation continued to evolve rapidly, the full impact is unknown as this pandemic has called on countries to develop policies to suppress the virus spread. This unprecedented event caused disruption across the world as it continues to affect business and consumer activities worldwide.

Construction Cost

The effects of COVID-19 have delayed the NHDT approximately one year with its project development of constructing affordable houses within its various sites. With the unanticipated shortage of material, there has been a significant cost increase in local construction materials. Within the first quarter of 2022, the NHDT undertook the services of a quantity surveyor to provide a Bill of Quantities and cost estimates for the four new house designs that reflected an estimated cost of \$240 to \$260 cost per square foot. The current market rate has an average of \$260k to \$280k, inclusive of the preliminary and contingency estimates.

Employee Compensation

The 2019 delayed employee compensation review exercise has recently been resolved with the approval of Employee Earnings to be matched as per the evaluation report that the Portfolio of Civil Services undertook. The outcome of the exercise resulted in a total of \$178k compensation for nine employees for the period June 1, 2019, to December 31, 2021. The employees' compensation is now matched to the recommendations and is consistently in line with the CIG's revised salary scale.

Note 18: Financial instrument risks

The National Housing Development Trust (NHDT) 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.

Interest Rate Risk

NHDT is subject to interest rate risk on the cash placed with a local bank that 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 the counterparty will default on its contractual obligations resulting in a financial loss to the NHDT. Financial assets that potentially expose the NHDT to credit risk comprise the development of property investments, house construction, cash equivalents and accounts receivable. The

Note 18: Financial instrument risks continued

NHDT is exposed to the 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 two financial institutions located in the Cayman Islands, which management and the Board consider them 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 the 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 2021 provision, for doubtful debts have been made for these accounts in the amount of \$6.5k for the movement in the accounts receivables.

The carrying amount of financial assets recorded in the financial statements represent 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 the NHDT is unable to meet its payment obligations associated with the financial liabilities when they fall due. The ability of the NHDT to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the NHDT on 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 the Cayman Islands Government would fund any shortfalls.

Note 19: Compliance with the Public Authorities Act, 2020

The Trust is required to comply with the Public Authorities Act, 2020, (the "PAL"). Amongst other matters, Section 39 (2) of the PAL requires that where a public authority has surplus cash reserves for a period of more than ninety days, the surplus shall be paid to core government unless otherwise directed by Cabinet, after written consultation with the Board. Cabinet has approved the exemption of public authorities from paying over surplus cash reserves as at 31 December 2021.

Section 39 (3) of the PAL also requires that a public authority pay dividends in accordance with the formulae established by the Minister of Finance and Economic Development (the "Ministry") after written consultation with the Board unless otherwise directed by Cabinet.

The Ministry has advised the Trust that it will not be required to pay a dividend out of its surplus as at 31 December 2021 because its operations are not self-sustaining. Going forward, the Trust may be required to pay a dividend in accordance with the Government's policy for the payment of annual dividends unless the Trust continues to satisfy the exemption criteria noted under the policy.

Note 20: Authorization date

These Financial Statements for the National Housing Development Trust were authorized for issue on April 30, 2022 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 (2021 Revision) is detailed below.



OUTPUTS / PURCHASE AGREEMENT

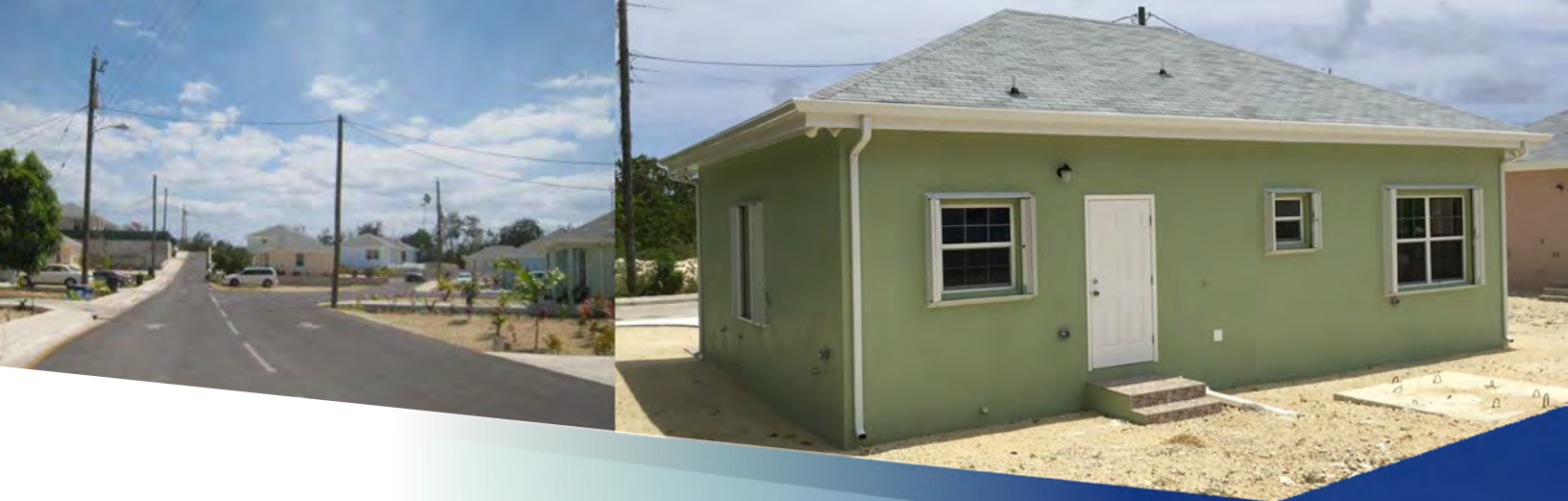
ITEM #	PURCHASE AGREEMENT OF NHDT OPERATIONAL OUTPUTS	2021 \$000's
NHT 4	Administer the lease of the Affordable Housing Initiative (AHI) Program and provide support services to low income Caymanian families.	240
NHT 5	Administer the lease of the Government Home Assisted Mortgage (GGHAM) Program and provide support services to low income Caymanian families.	231
NHT 6	Administer the New Affordable Housing Initiative (AHI) Program which provides support services to low income Caymanian families.	187
NHT 7	Administer the Build On Your Own Property Program which provides assistance and support to low income Caymanian families.	17
Total Outputs - Purchase Agreement for Operations		\$675

Appendix 1:



CAPITAL/OWNERSHIP AGREEMENT

ITEM #	NHDT- BOND COMMITMENTS & PROJECT DEVELOPMENT	2021 \$000's
1	NHDT - Equity Injection - Bond Repayment Sunlife Assurance (Bond Maturity to 2024)	1,013
2	NHDT - Equity Injection - Bond Repayment Butterfield Bank (Balloon Pymt of \$6.8m due Jun 2021)	0
3	NHDT - Equity Injection EI57 - NHDT Project Dev for Affordable Housing Sites	3,987
	Total Outputs - Capital/Ownership Agreement	5,000



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 Health, 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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