

FINANCIAL STATEMENTS



NATIONAL HOUSING DEVELOPMENT TRUST

June 30, 2012



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**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 (2012 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 (2012 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 assets/equity for the financial year ended 30 June 2012.

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

- (a) completely and reliably reflect the financial transactions of National Housing Development Trust for the year ended 30 June 2012;
- (b) fairly reflect the financial position as at 30 June 2012 and performance for the year ended 30 June 2012;
- (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 of Auditing.

A handwritten signature in black ink, appearing to be "GAP", written over a vertical line.

George Anthony Powell  
Chairman  
National Housing Development Trust

A handwritten signature in black ink, appearing to be "JR", written over a vertical line.

Julio Ramos  
General Manager  
National Housing Development Trust

Date- January 30, 2014

Date- January 30, 2014

## AUDITOR GENERAL'S REPORT

### To the Board of Directors of the National Housing Development Trust

I have audited the accompanying financial statements of the National Housing Development Trust (the "Trust"), which comprise of the statement of financial position as at 30 June 2012 and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 27 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)*.

#### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, these financial statements present fairly, in all material respects, the financial position of the National Housing Development Trust as at 30 June 2012 and the results of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

### **Other Matters**

Section 41 (2) of the *Financial Regulation (2010 Revision)* prescribes that any contract with a value of two hundred and fifty thousand dollars or more shall be evaluated by a Central Tenders Committee. During the year, the Trust's Departmental Tenders Committee awarded multiple contracts totaling \$2.8 million for the construction of houses in Windsor Park, George Town. These construction projects were not submitted to the Central Tenders Committee for evaluation as breaking the project into multiple contracts resulted in the individual cost of each contract falling below the two hundred and fifty thousand dollars threshold.

The National Housing Development Trust obtained bonds in order to finance the development of the Affordable Housing Initiative program of the government. The full amounts of these bonds have been guaranteed by the Cayman Islands Government. The ability of the Trust to meet its bond obligations and capacity to sustain its operations are reliant on continuing Government support from the proceeds of capital injection and outputs sold to Cabinet.



Alastair Swarbrick, MA (Hons), CPFA  
Auditor General

30 January 2014  
Cayman Islands

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Statement of Financial Position**  
**As at 30 June 2012**  
(Expressed in Cayman Islands Dollars)

| 2010/11<br>Actual              |   | 2011/12<br>Actual | Final/Original<br>Budget | Variance<br>(Original<br>vs Actual) |                |
|--------------------------------|---|-------------------|--------------------------|-------------------------------------|----------------|
| \$000                          | Note                                    | \$000             | \$000                    | \$000                               |                |
| <b>Current Assets</b>          |   |                   |                          |                                     |                |
| 5,141                          | Cash and cash equivalents               | 2                 | 3,863                    | 7,572                               | 3,709          |
| 499                            | Trade and other receivables             | 3                 | 941                      | 335                                 | (606)          |
| 72                             | Prepayments                             |                   | 73                       | 24                                  | (49)           |
| <b>5,712</b>                   | <b>Total Current Assets</b>             |                   | <b>4,877</b>             | <b>7,931</b>                        | <b>3,054</b>   |
| <b>Non-Current Assets</b>      |   |                   |                          |                                     |                |
| 3,732                          | Property, plant and equipment           | 4                 | 14,397                   | 6,194                               | (8,203)        |
| 2,684                          | Inventory – New Proj Dev                |                   | -                        | -                                   | -              |
| 5,681                          | Work in process – New Proj Dev          | 4                 | 1,060                    | 6,377                               | 5,317          |
| <b>12,097</b>                  | <b>Total Non-Current Assets</b>         |                   | <b>15,458</b>            | <b>12,571</b>                       | <b>(2,887)</b> |
| <b>17,809</b>                  | <b>Total Assets</b>                     |                   | <b>20,334</b>            | <b>20,502</b>                       | <b>168</b>     |
| <b>Current Liabilities</b>     |   |                   |                          |                                     |                |
| 278                            | Payables and accruals                   | 5                 | 171                      | 47                                  | (124)          |
| 38                             | Employee entitlements                   | 6                 | 38                       | 5                                   | (33)           |
| 1,122                          | Current portion – Bonds payable         | 7                 | 1,148                    | 1,148                               | -              |
| <b>1,438</b>                   | <b>Total Current Liabilities</b>        |                   | <b>1,357</b>             | <b>1,200</b>                        | <b>(157)</b>   |
| <b>Non-Current Liabilities</b> |   |                   |                          |                                     |                |
| 20,510                         | Long term – Bonds payable               | 7                 | 19,362                   | 19,362                              | -              |
| 419                            | Deferred liabilities and other payables |                   | 500                      | 426                                 | (74)           |
| <b>20,929</b>                  | <b>Total Non-Current Liabilities</b>    |                   | <b>19,862</b>            | <b>19,788</b>                       | <b>(74)</b>    |
| <b>22,368</b>                  | <b>Total Liabilities</b>                |                   | <b>21,219</b>            | <b>20,988</b>                       | <b>(231)</b>   |
| <b>(4,558)</b>                 | <b>Net Assets</b>                       |                   | <b>(885)</b>             | <b>(486)</b>                        | <b>399</b>     |
| <b>Net Worth</b>               |   |                   |                          |                                     |                |
| 7,741                          | Contributed capital                     |                   | 12,808                   | 2,992                               | (9,816)        |
| (12,299)                       | Accumulated (deficits)                  |                   | (13,693)                 | 3,478                               | 10,215         |
| <b>(4,558)</b>                 | <b>Total Net Worth</b>                  |                   | <b>(885)</b>             | <b>(486)</b>                        | <b>399</b>     |

The accounting policies and notes on pages 8 - 27 form part of these financial statements.

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Statement of Financial Performance**  
**For the year ended 30 June 2012**  
(Expressed in Cayman Islands Dollars)

| 2010/11<br>Actual |  | 2011/12<br>Actual | Final/<br>Original<br>Budget | Variance<br>(Original vs<br>Actual) |
|-------------------|--|-------------------|------------------------------|-------------------------------------|
| \$000             | Note   | \$000             | \$000                        | \$000                               |
|                   | <b>Revenue</b>   | <b>8</b>          |                              |                                     |
| 550               | Outputs to Cabinet   | 658               | 671                          | 13                                  |
| 794               | Sale of goods and services   | 619               | 759                          | 140                                 |
| <b>1,344</b>      | <b>Total Revenue</b>   | <b>1,277</b>      | <b>1,430</b>                 | <b>153</b>                          |
|                   | <b>Expenses</b>  |                   |                              |                                     |
| 678               | Personnel costs  | 686               | 598                          | (88)                                |
| 640               | Supplies and consumables   | 1,011             | 374                          | (637)                               |
| 221               | Depreciation   | 44                | 601                          | 557                                 |
| 770               | Finance costs (overdraft interest)                                 | 930               | 1,775                        | 845                                 |
| 497               | Losses on disposal/revaluation of property,<br>plant and equipment | 13                | -                            | -                                   |
| <b>2,806</b>      | <b>Total Expenses</b>  | <b>2,671</b>      | <b>3,348</b>                 | <b>677</b>                          |
| <b>(1,462)</b>    | <b>(Deficit) for the period</b>                                    | <b>(1,394)</b>    | <b>(1,918)</b>               | <b>(524)</b>                        |

The accounting policies and notes on pages 8 - 27 form part of these financial statements.

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the year ended 30 June 2012**  
*(Expressed in Cayman Islands Dollars)*

|                                    | Contributed<br>Capital<br>\$000 | Accumulated<br>Surplus/(deficits)<br>\$000 | Total Net<br>Assets<br>\$000 | Final/Original<br>Budget<br>\$000 | Variance<br>(Original vs<br>Actual)<br>\$000 |
|------------------------------------|---------------------------------|--|------------------------------|-----------------------------------|--|
| <b>Balance at 01 July 2010</b>     |                                 |  |                              |                                   |  |
| Opening net worth                  | 6,554                           | (10,837)                                   | (4,284)                      | 561                               | 4,844  |
| Capital injection                  | 1,187                           | -  | 1,187                        | 1,939                             | 752  |
| (Deficit) for the period (2010/11) | -                               | (1,462)                                    | (1,462)                      | (1,921)                           | (459)  |
| <b>Balance at 30 June 2011</b>     | <b>7,741</b>                    | <b>(12,299)</b>                            | <b>(4,558)</b>               | <b>579</b>                        | <b>5,137</b>                                 |
| Capital injection                  | 5,067                           | -  | 5,067                        | 2,992                             | (2,075)                                      |
| (Deficit) for the (period 2011/12) | -                               | (1,394)                                    | (1,394)                      | (1,918)                           | (524)  |
| <b>Balance at 30 June 2012</b>     | <b>12,808</b>                   | <b>(13,693)</b>                            | <b>(886)</b>                 | <b>1,653</b>                      | <b>2,539</b>                                 |

The accounting policies and notes on pages 8 - 27 form part of these financial statements.



**NATIONAL HOUSING DEVELOPMENT TRUST**

**CASH FLOW STATEMENT**

For the year ended 30 June 2012

(Expressed in Cayman Islands Dollars)

| 2010/11<br>Actual<br>\$000                  | Note      | 2011/12<br>Actual<br>\$000 | Final/<br>Original<br>Budget<br>\$000 | Variance<br>(Budget vs<br>Actual)<br>\$000 |
|---|-----------|----------------------------|---------------------------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |           |                            |                                       |  |
| <i>Receipts</i>                             |           |                            |                                       |  |
| 310   |           | 78                         | 665                                   | 587  |
| 1,621                                       |           | 562                        | 898                                   | 336  |
| 2   |           | -                          | 5                                     | 5  |
| <i>Payments</i>                             |           |                            |                                       |  |
| (546)                                       |           | (786)                      | (589)                                 | 197  |
| (1,296)                                     |           | (1,075)                    | (739)                                 | 336  |
| (576)                                       |           | (903)                      | (906)                                 | (3)  |
| (12)  |           | -                          | -                                     | -  |
| <b>(496)</b>                                | <b>14</b> | <b>(2,124)</b>             | <b>(666)</b>                          | <b>1,458</b>                               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b> |           |                            |                                       |  |
| (17)  |           | (3,838)                    | (7,012)                               | (3,174)                                    |
| (5,532)                                     |           | 765                        | 453                                   | (312)                                      |
| <b>(5,549)</b>                              |           | <b>(3,073)</b>             | <b>(6,559)</b>                        | <b>(3,486)</b>                             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |           |                            |                                       |  |
| 8,083                                       |           | -                          | -                                     | -  |
| (1,014)                                     |           | (1,148)                    | (1,121)                               | 27   |
| 1,187                                       |           | 5,068                      | 2,992                                 | (2,076)                                    |
| <b>8,256</b>                                |           | <b>3,920</b>               | <b>1,871</b>                          | <b>(2,049)</b>                             |
| 2,211                                       |           | (1,278)                    | (5,354)                               | (4,076)                                    |
| 2,930                                       |           | 5,141                      | 6,926                                 | 1,785                                      |
| <b>5,141</b>                                |           | <b>3,863</b>               | <b>1,572</b>                          | <b>(2,291)</b>                             |

The accounting policies and notes on pages 8 - 27 form part of these financial statements.

## **NATIONAL HOUSING DEVELOPMENT TRUST**

### **Notes to the Financial Statements**

**For the year ended 30 June 2012**

(Expressed in Cayman Islands Dollars)

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#### **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.

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 30 June 2012 there were 49 loans processed of which 38 were approved.
- b) The Affordable Housing Initiative ("AHI") is designed to assist low income families to have their housing needs met. As of 30 June 2012 there were 80 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 Caymanian to construct affordable homes on their own property. As of 30 June 2012 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.

## NATIONAL HOUSING DEVELOPMENT TRUST

### Notes to the Financial Statements

For the year ended 30 June 2012

(Expressed in Cayman Islands Dollars)

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#### 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.

##### 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 presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget as required by IPSAS 24 including explanations of material difference between original budget and actual amounts.

The details and presentation of the Statement of Changes in Net Worth has been changed to show greater detail and to reflect changes in accounting policies and corrections of errors and omissions.

##### (b) Budget amounts

The original budget amounts for the financial year are as presented in the 2011/2012 Annual Budget Statement and approved by the Legislative Assembly on 27 June 2011. The Final Budget is those budget amounts approved in Supplementary Budget.

##### (c) Reporting period

The reporting period is the year ended 30 June 2012.

##### (d) Judgments and estimates

The preparation of financial statements is in conformity with International Public Sector Accounting Standards that 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 mortgage interest, strata fees and rental of houses to the Caymanian public. Revenue is recognised at fair value of services provided.

# NATIONAL HOUSING DEVELOPMENT TRUST

## Notes to the Financial Statements

For the year ended 30 June 2012

(Expressed in Cayman Islands Dollars)

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

#### (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.

#### (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. Leasehold Improvements are depreciated over the life of the office lease of 5 years ending Oct 28, 2012. Depreciation is charged as to write off the cost or valuation of asset over their estimated useful lives, using the straight-line method, on the following bases:

|                                | Years |
|--------------------------------|-------|
| Computer equipment             | 3     |
| Furniture and fixtures         | 12    |
| Office and telephone equipment | 5     |
| Vehicle                        | 5     |
| Low-income housing properties  | 50    |
| Leasehold improvements         | 5     |

Depreciation on the new AHI houses are 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 .

The gain or loss arising on the disposal or retirement of an asset is determined as difference between the sales proceeds and the carrying amount of the asset and is recognized as income.

## **NATIONAL HOUSING DEVELOPMENT TRUST**

### **Notes to the Financial Statements**

**For the year ended 30 June 2012**

(Expressed in Cayman Islands Dollars)

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

##### **(j) Property, plant and equipment (continued)**

###### **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.

###### **(k) 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.

###### **(l) Inventory assets**

This account consists of completed AHI Houses, for which have been allocated parcels, issued Certificate of Occupancy and now ready for sale. These have now been transferred to property, plant and equipment –AHI Houses.

###### **(m) 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 will be undertaken every 5 years.

###### **(n) Deferred liabilities**

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

###### **(o) 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 Board (the "Board").

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.

###### **(p) 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.

**NATIONAL HOUSING DEVELOPMENT TRUST**

**Notes to the Financial Statements**

**For the year ended 30 June 2012**

(Expressed in Cayman Islands Dollars)

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

**(p) Financial instruments (continued)**

**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.

**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.

**(q) 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 realised.

**(r) 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.

## NATIONAL HOUSING DEVELOPMENT TRUST

### Notes to the Financial Statements

For the year ended 30 June 2012

(Expressed in Cayman Islands Dollars)

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

##### (r) Foreign currency (continued)

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.

##### (s) Comparative figures

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

#### Note 2: Cash and cash equivalents

| 2010/11<br>Actual<br>\$000 | Description  | Currency     | Exchange<br>Rate | 2011/12<br>Actual<br>\$000 |
|----------------------------|--|--------------|------------------|----------------------------|
| 1                          | Cash on hand (Petty Cash)                                    | CI \$        | 1.00             | 1                          |
| 4,856                      | Bank Accounts held at Scotiabank and Bank<br>of Butterfield  | CI \$        | 1.00             | 3,578                      |
| 284                        | Fixed Deposits held with Scotiabank - (less<br>than 90 days) | US \$        | 0.82             | 284                        |
| <b>5,141</b>               | <b>TOTAL</b>   | <b>CI \$</b> | <b>1.00</b>      | <b>3,863</b>               |

Cash and cash equivalents include cash on hand; bank accounts and a fixed deposit 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 30 June 2012 and 30 June 2011.

#### Note 3: Trade 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.

**NATIONAL HOUSING DEVELOPMENT TRUST****Notes to the Financial Statements****For the year ended 30 June 2012**

(Expressed in Cayman Islands Dollars)

**Note 3: Trade and other receivables (continued)**

| <b>2010/11</b> | <b>Description</b>                         | <b>2011/12</b> |
|----------------|--|----------------|
| <b>Actual</b>  |  | <b>Actual</b>  |
| <b>\$000</b>   |  | <b>\$000</b>   |
| 1,106          | Debtors                                    | 1,821          |
| (607)          | Less: provision for doubtful debts         | (880)          |
| <b>499</b>     | <b>Total trade &amp; other receivables</b> | <b>941</b>     |

As at 30 June 2012 and 30 June 2011, the aging analysis of trade and other receivables is as follows:

| <b>2010/11</b> | <b>Description</b>         | <b>Gross</b>  | <b>Prior Year</b> | <b>Net</b>         |
|----------------|----------------------------|---------------|-------------------|--------------------|
| <b>Actual</b>  |                            | <b>Amount</b> | <b>Impairment</b> | <b>Receivables</b> |
| <b>\$000</b>   |                            | <b>\$000</b>  |                   | <b>\$000</b>       |
| 77             | Current                    | 34            | -                 | 34                 |
| 63             | Past due 1-30 days         | 187           | -                 | 187                |
| 98             | Past due 31-60 days        | (2)           | -                 | (2)                |
| 46             | Past due 61-90 days        | 22            | -                 | 22                 |
| 215            | Past due 90 days and above | 700           | -                 | 700                |
| <b>499</b>     | <b>Total</b>               | <b>941</b>    | <b>-</b>          | <b>941</b>         |

The amount of \$700K past due 90 days and above includes funds which are due from Cabinet for outputs delivered for 2011-12 and a portion of 2010-11. These were billed at the end of each quarter.

Changes in the provision for doubtful debts.

| <b>2010/11</b> | <b>Description</b>                         | <b>2011/12</b> |
|----------------|--|----------------|
| <b>Actual</b>  |  | <b>Actual</b>  |
| <b>\$000</b>   |  | <b>\$000</b>   |
| (323)          | Balance at 1 July                          | (607)          |
| (284)          | Additional provisions made during the year | (273)          |
| -              | Receivables written off during the period  | -              |
| <b>(607)</b>   | <b>Balance at 30 June</b>                  | <b>(880)</b>   |

As at 30 June 2012 and 30 June 2011, trade and other receivables are all due within one year from financial position date.



**NATIONAL HOUSING DEVELOPMENT TRUST**  
**CASH FLOW STATEMENT**  
**For the year ended 30 June 2012**  
*(Expressed in Cayman Islands Dollars)*

**Note 4: Property, plant and equipment**

As at 30 June 2012

|                                       | Land         | Buildings    | Leasehold Improvement | Furniture & Fixtures | Computer Equipment | Office & Tel Equipment | Vehicle   | Infrastructure | Total         |
|---------------------------------------|--------------|--------------|-----------------------|----------------------|--------------------|------------------------|-----------|----------------|---------------|
|                                       | \$000        | \$000        | \$000                 | \$000                | \$000              | \$000                  | \$000     | \$000          | \$000         |
| Cost                                  |              |              |                       |                      |                    |                        |           |                |               |
| At 01 July 2011                       | 3,608        | -            | 135                   | 39                   | 26                 | 30                     | 49        | -              | 3,887         |
| Additions                             | 209          | 6,077        | -                     | -                    | -                  | 4                      | -         | 4,420          | 10,710        |
| At 30 June 2012                       | 3,817        | 6,077        | 135                   | 39                   | 26                 | 34                     | 49        | 4,420          | 14,597        |
| Accumulated depreciation              |              |              |                       |                      |                    |                        |           |                |               |
| At 01 July 2011                       | -            | -            | 71                    | 14                   | 23                 | 16                     | 31        | -              | 155           |
| Depreciation 2012                     | -            | -            | 27                    | 3                    | 2                  | 5                      | 7         | -              | 44            |
| At 30 June 2012                       | -            | -            | 98                    | 17                   | 25                 | 21                     | 38        | -              | 199           |
| <b>Carrying value at 30 June 2012</b> | <b>3,817</b> | <b>6,077</b> | <b>37</b>             | <b>22</b>            | <b>1</b>           | <b>13</b>              | <b>11</b> | <b>4,420</b>   | <b>14,398</b> |

As at 30 June 2011

|                                       | Land         | Buildings | Leasehold Improvement | Furniture & Fixtures | Computer Equipment | Office & Tel Equipment | Vehicle   | Infrastructure | Total        |
|---------------------------------------|--------------|-----------|-----------------------|----------------------|--------------------|------------------------|-----------|----------------|--------------|
|                                       | \$000        | \$000     | \$000                 | \$000                | \$000              | \$000                  | \$000     | \$000          | \$000        |
| Cost                                  |              |           |                       |                      |                    |                        |           |                |              |
| At 01 July 2010                       | 3,817        | 1,597     | 135                   | 39                   | 24                 | 27                     | 37        | -              | 5,676        |
| Additions in 2011                     | -            | -         | -                     | 1                    | 2                  | 3                      | 12        | -              | 18           |
| Transfers                             | (209)        | -         | -                     | -                    | -                  | -                      | -         | -              | (209)        |
| Eliminate on Disposal 2011            | -            | (1,597)   | -                     | -                    | -                  | -                      | -         | -              | (1,597)      |
| At 30 June 2011                       | 3,608        | -         | 135                   | 40                   | 26                 | 30                     | 49        | -              | 3,888        |
| Accumulated depreciation              |              |           |                       |                      |                    |                        |           |                |              |
| At 01 July 2010                       | -            | 912       | 56                    | 11                   | 20                 | 12                     | 25        | -              | 1,036        |
| Depreciation 2011                     | -            | 188       | 16                    | 3                    | 3                  | 4                      | 6         | -              | 220          |
| Eliminate on Disposal 2011            | -            | (1,100)   | -                     | -                    | -                  | -                      | -         | -              | (1,100)      |
| At 30 June 2011                       | -            | -         | 72                    | 14                   | 23                 | 16                     | 31        | -              | 156          |
| <b>Carrying value at 30 June 2011</b> | <b>3,608</b> | <b>-</b>  | <b>64</b>             | <b>25</b>            | <b>3</b>           | <b>14</b>              | <b>18</b> | <b>-</b>       | <b>3,732</b> |

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**CASH FLOW STATEMENT**  
**For the year ended 30 June 2012**  
(Expressed in Cayman Islands Dollars)

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

Summary of work in process:

| 2010/11<br>Actual<br>\$000 | Description   | 2011/12<br>Actual<br>\$000 |
|----------------------------|---|----------------------------|
| -                          | Project Development - New Housing Project in East End     | -                          |
| 5,515                      | Project Development - New Housing Project in West Bay     | 530                        |
| 46                         | Project Development - New Housing Project in Windsor Park | -                          |
| 34                         | Project Development - Eastern Ave                         | 34                         |
| 6                          | Project Development - Fair Banks & Bodden Town            | 37                         |
| 80                         | Project Development - New Housing Project - Overhead Cost | 459                        |
| <b>5,681</b>               | <b>Total</b>  | <b>1,060</b>               |

Summary of additions for Buildings and Infrastructure during the year:

| Location     | Buildings<br>\$000 | Infrastructure<br>\$000 | Total<br>\$000 |
|--------------|--------------------|-------------------------|----------------|
| East End     | 673                | 1,038                   | 1,711          |
| West Bay     | 2,556              | 2,473                   | 5,029          |
| Windsor Park | 2,848              | 909                     | 3,757          |
| <b>Total</b> | <b>6,077</b>       | <b>4,420</b>            | <b>10,497</b>  |

The Buildings pertain to affordable low income property houses that are located in West Bay, Eastern Avenue and Windsor Park. The additions in 2012 relate to AHI houses that were constructed in Windsor Park and West Bay which have been completed and have received their Certificates of Occupancy. These were previously categorized as Work-in Process, but have now been transferred to Property, plant and equipment. The cost for the infrastructure works was also included in the Work-in-Process, but has now been transferred to Fixed Assets as the project has been completed.

The Legal Opinion issued in April 2011, concluded that structures completed between 2004 and 2005 were constructed in the absence of any building control regulation. This culminated in the inability to obtain the Certificates of Fitness for Occupancy required before any occupation of a completed new building can take place. The inability to comply with the Land Registration Legislation led to the purported sale of unregistered properties which are incapable of transfer of title and registration and which are, by normal Cayman Islands Building Codes, unfit for habitation. As a result these houses have been categorized as Impaired Assets. As at 30 June 2012 all of these impaired houses have been written off and a program has been put in place to have them demolished.

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2012**  
(Expressed in Cayman Islands Dollars)

**Note 5: Payables and accruals**

| 2010/11    | Description  | 2011/12    |
|------------|--|------------|
| \$000      |  | \$000      |
| 219        | Trade Payables   | 149        |
| 23         | Housing Rental Deposits                                  | 22         |
| 36         | Special Purpose Fund                                     | -          |
| <b>278</b> | <b>Total trade payables, accruals and other payables</b> | <b>171</b> |

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. The Special Purpose Fund relates to amount paid by the Community Development Trust when it became a separate department in 2005-06. This fund is used to assist new clients on mortgage and lease programs and has been reclassified as non-current liabilities in 2011-12.

As at 30 June 2012 and 30 June 2011, trade payables, accruals and other payables are all due within one year from financial position date.

**Note 6: Employee entitlements**

| 2010/11  | Description                        | 2011/12   |
|--|------------------------------------|-----------|
| \$000  |                                    | \$000     |
| <b>Current employee entitlements are represented by:</b>     |                                    |           |
| 20   | Annual Leave                       | 21        |
| 17   | Pension Liability                  | 17        |
| <b>37</b>  | <b>Total current portion</b>       | <b>38</b> |
| <b>Non-current employee entitlements are represented by:</b> |                                    |           |
| -  | Retirement and long service leave  | -         |
| <b>37</b>  | <b>Total employee entitlements</b> | <b>38</b> |

The retirement and long-service leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

**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.

**NATIONAL HOUSING DEVELOPMENT TRUST**

**Notes to the Financial Statements**

**For the year ended 30 June 2012**

(Expressed in Cayman Islands Dollars)

**Note 7: Bonds Payable (continued)**

| Description          | US \$         |               | CI \$ at (0.82) |               |
|----------------------|---------------|---------------|-----------------|---------------|
|                      | 2012<br>\$000 | 2011<br>\$000 | 2012<br>\$000   | 2011<br>\$000 |
| Amount borrowed      | 11,645        | 12,227        | 9,549           | 10,026        |
| Principal repayments | (612)         | (582)         | (502)           | (477)         |
| Bond balance         | 11,033        | 11,645        | 9,047           | 9,549         |
| Current portion      | 644           | 612           | 528             | 502           |
| Long term portion    | 10,389        | 11,033        | 8,519           | 9,047         |

**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 soft and hard costs of constructing homes to low-income Caymanians. Repayment for the first two years (2) years interest only paid monthly, followed by a nine (9) year equal amortizing term loan in equal bi-annual principal payments of KYD 310,000 amortized over nineteen (19) years (the "Amortization Period"), plus accrued interest, payable monthly in arrears. Unless extended by the Bank in writing, the Term Loan together with all accrued interest and other amounts payable by the Borrower to the Bank hereunder, is repayable in full on the eleventh (11<sup>th</sup>) anniversary date of acceptance of this Facility Letter (the "Maturity Date").

The Cayman Islands Government agreed to execute a Guaranty Agreement for the full amount of the Bond in order to induce Butterfield Bank to make the loan to National Housing Development Trust and thereby providing funds to finance the development of housing under the Affordable Housing Initiative of the Government. This Guaranty Agreement was signed by the Premier and dated 02 January 2010.

The initial Guaranty Agreement also included the first requested Draw-down of KYD\$2,000,000 with funds received by National Housing Development Trust on February 10, 2010. The second requested Draw-down dated 02 June, 2010 for an additional KYD\$2,000,000 was received on June 10<sup>th</sup>, 2010. The third Draw-down was for KYD\$4,000,000, received on 06 December 2011 and the fourth and final drawdown for KYD\$4,083,000 was received on 17 June 2011.

| Description          | US \$         |               | CI \$ at (0.83) |               |
|----------------------|---------------|---------------|-----------------|---------------|
|                      | 2012<br>\$000 | 2011<br>\$000 | 2012<br>\$000   | 2011<br>\$000 |
| Amount borrowed      | 14,500        | 14,500        | 12,083          | 12,083        |
| Amount drawn         | -             | 14,500        | -               | 12,083        |
| Principal repayments | (744)         | -             | (620)           | -             |
| Bond balance         | 13,756        | 14,500        | 11,463          | 12,083        |
| Current portion      | 744           | 744           | 620             | 620           |
| Long term portion    | 13,012        | 13,756        | 10,843          | 11,463        |

**NATIONAL HOUSING DEVELOPMENT TRUST**

**Notes to the Financial Statements**

**For the year ended 30 June 2012**

(Expressed in Cayman Islands Dollars)

**Note 8: Revenue**

| 2010/11<br>Actual | Revenue Description                        | 2011/12<br>Actual | Final/<br>Original<br>Budget | Variance<br>(Budget<br>vs Actual) |
|-------------------|--|-------------------|------------------------------|-----------------------------------|
| \$000             |  | \$000             | \$000                        | \$000                             |
| 550               | Outputs Sold to EXCO -                     | 658               | 671                          | 13                                |
| 418               | Income from Rental Property                | 295               | 320                          | 25                                |
| 233               | Income from Mortgage Property              | 219               | 269                          | 50                                |
| 58                | Strata Fees - Charges on Mortgage Property | 55                | -                            | (55)                              |
| 72                | Commitment Fee - GGHAM                     | 41                | 170                          | 119                               |
| 8                 | Interest on Cash Balances & Late Fees      | 6                 | -                            | (6)                               |
| 5                 | Miscellaneous Income                       | 3                 | -                            | (3)                               |
| <b>1,344</b>      | <b>Total Revenue</b>                       | <b>1,277</b>      | <b>1,430</b>                 | <b>143</b>                        |

As at 30 June 2012 and 30 June 2011, outputs sold to EXCO is as follows:

| 2010/11<br>\$000 | Description                  | 2011/12<br>\$000 |
|------------------|------------------------------|------------------|
| 142              | GGHAM Output 5               | 218              |
| 197              | AHI Output 4                 | 197              |
| 186              | Project Development Output 6 | 191              |
| 25               | BYOP Output 7                | 52               |
| <b>550</b>       | <b>Total</b>                 | <b>658</b>       |

As at 30 June 2012 and 30 June 2011, income from rental property by location is as follows:

| 2010/11<br>\$000 | Description               | 2011/12<br>\$000 |
|------------------|---------------------------|------------------|
| 268              | West Bay                  | 225              |
| 43               | East End                  | 44               |
| 107              | Windsor Park, George Town | 26               |
| <b>418</b>       | <b>Total</b>              | <b>295</b>       |

As at 30 June 2012 and 30 June 2011, income from mortgage property by location is as follows:

| 2010/11<br>\$000 | Description               | 2011/12<br>\$000 |
|------------------|---------------------------|------------------|
| 149              | West Bay                  | 143              |
| 79               | Windsor Park, George Town | 71               |
| 5                | East End                  | 5                |
| <b>233</b>       | <b>Total</b>              | <b>219</b>       |

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2012**  
(Expressed in Cayman Islands Dollars)

**Note 9: Personnel costs**

| 2010/11<br>Actual | Description                    | 2011/12<br>Actual | Final/Original<br>Budget | Variance<br>(Budget vs<br>Actual) |
|-------------------|--------------------------------|-------------------|--------------------------|-----------------------------------|
| \$000             |                                | \$000             | \$000                    | \$000                             |
| 550               | Salaries, wages and allowances | 538               | 474                      | (64)                              |
| 81                | Health care                    | 96                | 69                       | (27)                              |
| 44                | Pensions                       | 45                | 49                       | 4                                 |
| 3                 | Other personnel related costs  | 7                 | 6                        | (1)                               |
| <b>678</b>        | <b>Total Personnel Costs</b>   | <b>686</b>        | <b>598</b>               | <b>(88)</b>                       |

**Note 10: Supplies and consumables**

| 2010/11<br>Actual | Description                           | 2011/12<br>Actual | Final/Original<br>Budget | Variance<br>(Budget vs<br>Actual) |
|-------------------|---------------------------------------|-------------------|--------------------------|-----------------------------------|
| \$000             |                                       | \$000             | \$000                    | \$000                             |
| 52                | Lease of buildings                    | 386               | 52                       | (334)                             |
| 284               | Doubtful debt expense                 | 272               | 284                      | 12                                |
| 83                | Other Supplies and Consumables        | 163               | 83                       | (80)                              |
| 109               | Insurance                             | 108               | 110                      | 2                                 |
| 82                | Repairs and maintenance               | 55                | 82                       | 27                                |
| 30                | Utilities                             | 27                | 30                       | 3                                 |
| <b>640</b>        | <b>Total Supplies and consumables</b> | <b>1,011</b>      | <b>640</b>               | <b>(370)</b>                      |

The Lease of buildings contains an amount of \$338K representing the relocation cost for the clients who resided in the old AHI houses in Windsor Park. This exercise commenced in May 2011 and extended to July 2012.

**Note 11: Finance costs**

| 2010/11<br>Actual | Description                | 2011/12<br>Actual | Final/Original<br>Budget | Variance<br>(Budget vs<br>Actual) |
|-------------------|----------------------------|-------------------|--------------------------|-----------------------------------|
| \$000             |                            | \$000             | \$000                    | \$000                             |
| 22                | Bank charges               | 23                | 21                       | (2)                               |
| 748               | Interest on bonds payable  | 907               | 1,754                    | 847                               |
| <b>770</b>        | <b>Total finance costs</b> | <b>930</b>        | <b>1,775</b>             | <b>845</b>                        |

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2012**  
(Expressed in Cayman Islands Dollars)

**Note 11: Finance costs (continued)**

As at 30 June 2012 and 30 June 2011, interest on bonds payable is as follows:

| 2010/11    |   | 2011/12    |
|------------|---|------------|
| Actual     | Description                                 | Actual     |
| \$000      |   | \$000      |
| 519        | Bond interest payment to Sun Life Assurance | 494        |
| 229        | Bond interest payment to Butterfield Bank   | 413        |
| <b>748</b> | <b>Total</b>                                | <b>907</b> |

**Note 12: Gains / (losses)**

On May 2010, the Trust requested legal counsel to provide guidance to Trust and thus determine the commitment to our existing clients that occupy the AHI Houses that were constructed in 2004 & 2005. The legal Opinion was issued on April 2011, which stated that the inability to comply with the Land Registration Legislation led to the purported sale of unregistered properties which are incapable of transfer of title and registration and which are, by normal Cayman Islands Building Codes, unfit for habitation. As a result these houses have been categorized as Impaired Assets. A write off is made in stages of redevelopment of these properties.

There was no gain/loss reported in this period.

| 2010/11    |                                 | 2011/12  | Original /   | Variance (Budget |
|------------|---------------------------------|----------|--------------|------------------|
| Actual     | Description                     | Actual   | Final Budget | vs Actual        |
| \$000      |                                 | \$000    | \$000        | \$000            |
| 497        | Loss on impairment of buildings | -        | -            | -                |
| <b>497</b> | <b>Total gains/ (losses)</b>    | <b>-</b> | <b>-</b>     | <b>-</b>         |

**Note 13: Commitment**

| 2010/11                      |                                      | 1 year or | 1-5 Years | Over 5 | Total     |
|------------------------------|--------------------------------------|-----------|-----------|--------|-----------|
| Actual                       | Type                                 | less      | \$000     | Years  | \$000     |
| \$000                        |                                      | \$000     |           | \$000  |           |
| <b>Operating Commitments</b> |                                      |           |           |        |           |
| 47                           | Non-cancellable accommodation leases | 10        |           |        | 10        |
| <b>47</b>                    | <b>Total Commitments</b>             | <b>10</b> |           |        | <b>10</b> |

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2012**  
(Expressed in Cayman Islands Dollars)

**Note 13: Commitment (continued)**

The Trust has 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 October 01, 2012 with an option to renew for an additional five (5) years. Subsequent to the expired lease date the Trust has been operating on a month to month lease. As of January 30, 2014 there were ongoing negotiations with Bodwin Investment Ltd to renew the National Housing Development Trust Office lease.

**Note 14: Reconciliation of net cash flows from operating activities to surplus/ (deficit)**

| 2010/11      | Description   | 2011/12        |
|--------------|---|----------------|
| Actual       |   | Actual         |
| \$000        |   | \$000          |
| (1,462)      | (Deficit) from ordinary activities                            | (1,394)        |
|              | <b>Non-cash movements</b>                                     |                |
| 221          | Depreciation expense  | 44             |
| 123          | Increase in payables  | 27             |
| 15           | Increase in provisions relating to employee costs             | -              |
| 497          | (Gain)/losses on sale of property plant and equipment         | -              |
| (240)        | Increase in receivables – Cabinet                             | (658)          |
| 350          | Increase in receivables (net of provision for doubtful debts) | (143)          |
| <b>(496)</b> | <b>Net cash flows from operating activities</b>               | <b>(2,124)</b> |

**Note 15: Contingencies**

|                                     | Beginning |           |               |             | Ending    |
|-------------------------------------|-----------|-----------|---------------|-------------|-----------|
|                                     | Balance   | Additions | Disbursements | Adjustments | Balance   |
|                                     | \$000     | \$000     | \$000         | \$000       | \$000     |
| <b>Other Contingent Liabilities</b> |           |           |               |             |           |
| Security Centre Limited             | 12        | -         | -             | -           | 12        |
| <b>Total contingent liabilities</b> | <b>12</b> | <b>-</b>  | <b>-</b>      | <b>-</b>    | <b>12</b> |

There was a legal action against the Trust by the Security Centre Limited in the amount \$12K for breach of contract for work performed in August 2005.



**NOTE 16: 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 from outputs sold to Cabinet was below budget by \$13K representing a reduction in Government Budget. Revenue from sale of goods and services was \$140K below budget mainly due to the demolition of the WP houses and thereby resulting a decrease in clients as some of these clients moved on.

*Personnel costs*

Personnel costs were \$88K above budget due to restructuring of the Trust and the need to have increased directors and committee meetings. However in comparison to the previous year there is only a slight increase of \$8k.

*Supplies and consumable & finance cost*

Supplies and consumables & finance cost were \$208K below budget due to a decrease in property maintenance cost as the old affordable houses were demolished and directors' fees being budgeted in this category.

**Statement of financial position**

*Cash and cash equivalents*

The actual year-end cash balances were approximately \$3.7 million above budget mainly attributed to refunds from Central Government by way of equity injection for completed Infrastructure works for East End and West Bay. In 2011-12, these refunds have been utilized in financing the New Affordable Housing Project in other districts.

*Debtors and other receivables*

The actual year-end debtors and other receivables balances were \$606K above budget as the output billings were still outstanding at year-end.

*Property, Plant and Equipment*

Property, plant and equipment were \$2.9M higher than the original budget due to the completion of the Affordable Houses located in West Bay and Windsor Park.

*Payables and accruals*

Payables and accruals were \$124K higher than the original budget due to retention on Project Development Contractors.

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Notes to the Financial Statements**  
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**NOTE 16: Explanation of major variances against budget (continued)**

**Statement of cash flows**

*Cash from operating activities*

The decrease of \$1.5M cash on budget from operating activities is mainly attributed to the fact that no payments were received for the Cabinet Output billings for 2011-12. Also there was a reduction in cash received from client that are registered under the old affordable housing initiative program. It is further noted that due to the demolition works of the old houses, some of the clients moved on.

On the payment side, there was an increase in payments due to the payments made for the relocation of the Windsor Park clients, and there was an increased number of director's meetings following on the restructuring of the Trust.

*Cash from investing activities*

The decrease of \$3.5M cash on budget from investing activities is mainly attributed to higher budgeted cost for Project Development for the year. The project development is ongoing in the current year for both the West Bay and the Bodden Town Sites.

*Cash from financing activities*

The increase of \$2.1M cash from financing activities is due to the receipt of equity refund for infrastructure works.

**NOTE 17: Related party and key management personnel disclosures**

**Related party disclosure**

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 June 30, 2012 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 2011-12 was \$84.3K (2010-11: \$56.8K).

During the year, The Trust also has business transactions with registered companies in which members of the Board of Directors or their close family members have an interest. The total of such related party transactions for 2011-12 was \$234k (2010-11: \$429k).

**NOTE 17: Related party and key management personnel disclosures (continued)**

**Key management personnel**

There is one 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 2011-12 was \$106k (2010-11: \$95k). There were no loans made to key management personnel in 2011-12 (2010-11: \$7).

**NOTE 18: Events occurring after reporting date**

- a) In July 2012 a contract was given to Scott's Equipment for the earth works at the Bodden Town project. The contract sum was for \$928K. The contract was completed in November 2012 and had a cost savings of approximately \$300K. To date, \$613K has been paid and a balance of \$21K is remaining on retention.
- b) In December 2012, 10 contracts were signed to construct the first 10 houses in the Bodden Town Project. This comprised of eight 3-bedroom at \$114k each and two 2-bedroom at \$99.5K each for a total contract price of \$1.1M. These houses were completed on the relevant Building Control Unit Inspections passed as at September 2013.
- c) In January 2013 contracts for the second set of houses in the Bodden Town project was signed. This comprised of seven 3-bedroom at \$114k each and three 2-bedroom at \$99.5K each for a total contract price of \$1.08M. These houses were completed and the relevant Building Control Unit Inspections passed as at September 2013.
- d) The Trust issued 7 contracts on August 17, 2012, valued at \$627K for the construction of 7 additional Houses for the West Bay Affordable Housing Project. This comprised of one 3-bedroom at \$112k and five 2-bedroom at \$97.5K and one 1-bedroom which was upgraded to a 2bedroom. The project was completed in November 2012.
- e) In January 2013 the Trust issued a contract to Apex Engineering for the contract sum of \$18K for the installation of hurricane shutters for the 7 additional houses at the West Bay project. The contracted works was completed in February 2013.
- f) An infrastructure contract for the additional infrastructure for the West Bay Park Affordable Housing Redevelopment Project was awarded to ARCP on January 24, 2012 in the amount of CI\$54K. The work commenced in September 2012 and was completed in January 2013.
- g) The Old Housing site known as Fairbanks is located of Fairbanks Road. This property was not developed and has a land value of \$802k on NHDT's record. The land totaling 4.15 acres was vested to the Trust from Central Government and transferred on September 2012 to the Ministry of Community Affairs Gender and Housing.

## NATIONAL HOUSING DEVELOPMENT TRUST

### Notes to the Financial Statements

For the year ended 30 June 2012

(Expressed in Cayman Islands Dollars)

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#### NOTE 18: Events occurring after reporting date (continued)

- h) In July 2012 the NHDT retained the services of JEC Property Consultants to provide fair market valuation for the new AHI Houses located in the East End, Windsor Park and West Bay. In Windsor Park, the 26 AHI Houses were valued at \$4.48M, and the net book value at 30 June 2012 was \$2.56M. At Lighthouse Garden in West Bay the 29 Houses which were completed were valued at \$3.895M, with the net book value at June 2012 being \$2.85M. In East End 7 of the 12 houses were sold and the 5 houses which remain in the possession of the NHDT are valued at \$740K, with the net book value at 30 June 2012 being \$673K. Based on the timing of this exercise these values will be presented in the NHDT Financial Statements for the year 2012-13.
- i) In November 2013 the Trust retained the services of JEC Property Consultants to provide a market valuation exercise for the 20 Affordable Houses that were completed at the Bodden Town Housing site. These houses were valued at \$3.11m,. Based on the timing of this exercise these values will be presented in the NHDT Financial Statements for the year 2012-13.
- j) In March 2013 the NHDT retained the services of Integra Realty Resources (IRR) to provide fair market valuation for its land assets located in the East End, Windsor Park, West Bay, Bodden Town and Eastern Avenue. The total revalue confirmed was \$8.3M, with the book value at 30 June 2012 being \$3.8M. Based on the timing of this exercise these values will be presented in the NHDT Financial Statements for the year 2012-13.
- k) In October 2013 the National Housing Development Trust was appointed a new Board that consisted of eight individuals including local entrepreneurs, bankers, a Contractor, a property manager and a retired civil servant. One of these persons previously served as a director of the NHDT up to his re-appointment. The first Board Meeting with the newly appointed Board was held on October 27, 2013.

#### NOTE 19: Financial instrument risks

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 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.

**NATIONAL HOUSING DEVELOPMENT TRUST**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2012**  
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**NOTE 19: Financial instrument risks (continued)**

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 30 June 2012, 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 20: Appropriations used**

| Appropriation description  | Amount<br>Appropriated<br>\$000 | Appropriation<br>Used<br>\$000 | Variance<br>\$000 |
|--|---------------------------------|--------------------------------|-------------------|
| NHT 4 Administration of the Affordable Housing Initiative              | 197                             | 197                            | -                 |
| NHT 5 – Administration of Government Guaranteed Home Assisted Mortgage | 218                             | 218                            | -                 |
| NHT 6 – Administration of the Low Income Housing Scheme                | 191                             | 191                            | -                 |
| NHT 7 – Administration of Build on Your Own Property Initiative        | 52                              | 52                             | -                 |
| <b>TOTAL</b>   | <b>658</b>                      | <b>658</b>                     | <b>-</b>          |

**NOTE 21: Authorization date**

The 2012 Financial Statements for National Housing Development Trust is authorized for issue on January 30, 2014 by the Trust's Board of Directors.