Sister Islands Affordable Housing Development Corporation



Annual Report

For the Year Ended 31 December 2018



Foreword by the Chairman

The 2018 financial period was another successful year for SIAHDC as contracts for a further three (3) houses for construction were completed, all sold in the year 2018. The Board takes the lead on setting the values and strategic direction in delivering the highest standards of customer service while meeting the accountability and transparency requirements of the Cayman Islands Government.

Many factors beyond the control of SIAHDC influence its deliverables, with the main one being the number of eligible individuals that approach the company to purchase a house. Cayman Brac's population of about 2000 has held steady with very little change over the past 4 decades; this limits the potential for housing growth at SIAHDC, although it has maintained a steady delivery of 2 to 4 houses per year, and is on target for the coming year. Currently, Little Cayman's population has limited need with a population of about 200.

We as board members feel great satisfaction when a home has been completed and handed over to the new home owner. We feel we have positively influenced the standard of living for many Sister Islands residents through this programme where they are able to provide a clean and safe environment for their families to live and grow.

Strategic Statements

Strategic Goals

- To become a well-structured, efficiently managed organization that is fair and prudent in its processing and selection of eligible applicants for the affordable homes offered by the company.

- To identify the housing needs of Caymanians in the Sister Islands and to continue developing affordable homes to meet these needs and which will contribute to the economic development of the Sister Islands.



Objectives

- Where necessary, to seek out additional funding for future development of affordable housing that have been identified as an imperative need in the economic development of the Sister Islands.
- To continue a close working relationship with the local construction industry in the Sister Islands.
- To develop new homes for the households in the Sister Islands community.
- To ensure that the Sister Islands Affordable Housing Development Corporation is managed in an efficient and prudent manner.

Vision

SIAHDC's vision is to be recognised as one of the best social housing development businesses in the Cayman Islands, providing high quality affordable built houses as great homes for Cayman Brac and Little Cayman communities.

Values that will characterise our work and daily activities

- **Integrity** - SIAHDC as a Government Company will work to the highest ethical standards as it provides affordable housing service to the communities of Cayman Brac and Little Cayman.
- **Diversity** - SIAHDC will promote equality and fair treatment for all, treating its customers and stakeholders with decency and respect.
- **Openness** - SIAHDC will be open about its work and share information with all its stakeholders.
- **Accountability** - SIAHDC will be accountable to its stakeholders and will work with them to meaningfully influence our priorities.
- **Clarity** - SIAHDC will be consistently clear about its vision, values and strategy.
- **Excellence** - SIAHDC will aspire to be the best in providing quality customer services and standards of performance.



Establishment and Principal Activities

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

- The main purpose of SIAHDC is to promote affordable home ownership on Cayman Brac and Little Cayman. Two properties are currently owned in Cayman Brac: Watering Place and West End Communities. Four (4) homes have been built in Watering Place with space for 13 more homes to be built and twenty one (21) homes have been built in West End with space for 20-40 more homes to be built.

- The SIAHDC aims to provide quality concrete construction freehold homes which are owned outright by the successful applicants. SIAHDC works closely with the Public Works Department and the Ministry of District Administration, Tourism & Transport to ensure the aim is met.

- SIAHDC operates under the parameters of the Public Management Finance Law and Regulations (Revision 2018), and follows very closely the Ministry of District Administration, Tourism and Transport Procurement Policy, inclusive of ensuring value for money with the public tendering.

- The financial statements are prepared in accordance with International Public Sector Accounting Standards. See appendix 2 for the audited financial statements for the year ended 31 December 2018.

Governance

The SIAHDC operates with a set of By-Laws established in 2006. Its ten member board is responsible for governance and overseeing the effective performance of the company. The SIAHDC is led by its Chairman, who is then supported by the Chief Officer or his Representative and the Chief Financial Officer or her Representative for the time being, for the Ministry with responsibility for District Administration and also seven (7) other Directors appointed by the Chairman.

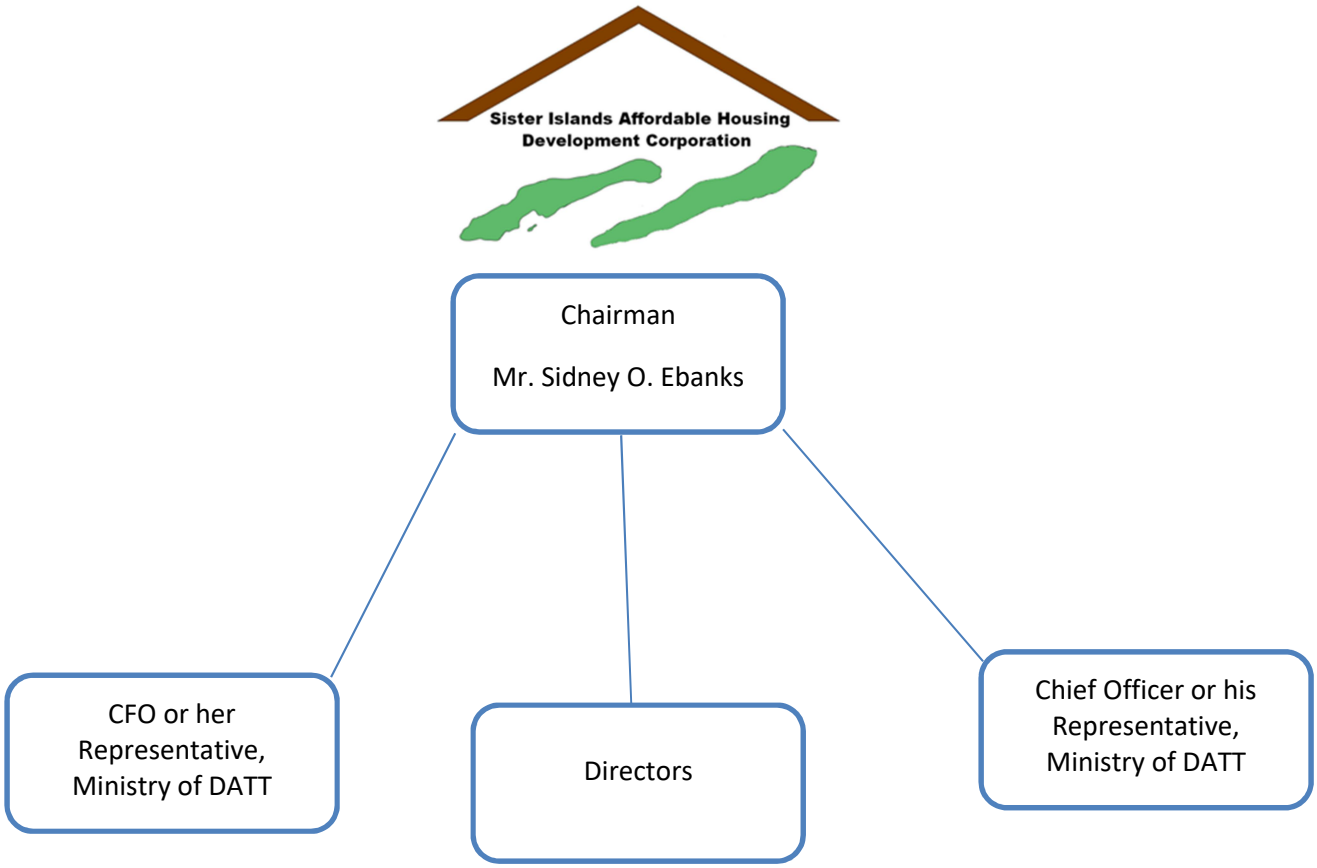


The Board meets regularly to consider key performance indicators affecting the health of the company and take corrective action as necessary. The majority of SIAHDC's board members are retired members of the Cayman Brac community. They are appointed with varying background inclusive of economics, accounting, banking, administration, architectural design, law, project management, and construction skills.

Board members are not compensated for their service in compliance with the By-Laws.

For this period the Board was comprised of the following directors:

- Mr. Sidney O. Ebanks
- Mr. Larry Bryan
- Ms. Martha Scott
- Mrs. Marlyn Fay Scott
- Mr. Mark Tibbetts
- Mr. Justin Bodden
- Mrs. Thelma Galbraith (resigned March 2018)
- Ms. Yvonne Walton (appointed September 2018)
- Ms. Tanya Mortimer (appointed September 2018)
- Mr. Stran Bodden, Chief Officer or his Representative
- Mrs. Neyka Webster, Chief Financial Officer or her Representative



2018 Highlights

Summary of the major developments of SIAHDC are outlined below:

- October to November 2017 – Site levelling and fill commenced on Houses 19, 20, and 21.
- November 2017 to April 2018 – Timeline from construction to completion of Houses 19, 20, and 21.
- April 2018 – Handover of houses 19, 20, and 21 to the successful applicants.

The SIAHDC has met the performance targets set out in the annual ownership agreement for financial year 2018 and continues to meet the objectives for which it was expected.



Risk Management

As an affordable housing provider, SIAHDC considers all of its current activities to fall within its core business. Key challenges facing SIAHDC include those associated with limited population growth and relatively stagnant economic activity of Cayman Brac and Little Cayman. Tender Procurement Policy for Goods and Services, Cash Management Policy, Internal and External Audit compliances, and the employment of qualified professional support services contractors, all form part of the controls in place to ensure that current and emerging risks are managed.

Operational risks are reviewed regularly for all key areas of the business.

Key strategic goals for managing risk are as follows:

A. Ensure that SIAHDC's Board Members have regular training on risk management and that there is a culture of constructive and open challenge within the boardroom.

B. SIAHDC shall promote practices across the Corporation that establish an appropriate risk management within the day to day activities and culture of the Board.

C. Ensure Hazard Management Plan/Disaster Plans are adhered to.

Financial Performance and Analysis

The Corporation was audited by the Office of the Auditor General and received an Unqualified Opinion (clean opinion).



Profit for the Year

The audited deficit for the year ended 31 December 2018 was $151 thousand which is $66 thousand over the budgeted deficit of $85 thousand. The increase in deficit was due to a number of factors, including the increase of construction costs, unexpected costs that arose during the year in relation to termite remediation on a home and the increase in audit fees due to external auditors being engaged through the Office of the Auditor General.

Revenue

SIAHDC's sources of revenue are earned from selling housing units it produces; delivery of outputs to the Cayman Islands Government and interest income from fixed deposits held at Cayman National Bank. There was a small variance in the revenue of $75,000 from the delivery of outputs to Government. In addition, SIAHDC earned approximately $3 thousand in interest income from fixed deposits held at Cayman National Bank.

Revenue is not expected to grow for the foreseeable future since there is no expectation of an increase in number of houses sold or additional funding from Government through outputs.

Expenditure

The SIAHDC largest expenditure was on audit fees, rent and accounting and professional fees, all of which were budgeted and expected expenses.

Forward Looking

SIAHDC will continue with the housing delivery of 2 to 4 units each financial year.

SIAHDC will also look to expand its housing programme by carrying out feasibility studies to review the potential of a Retiree Housing market in Cayman Brac for Senior Citizens. The feasibility studies will have to be completed in order to determine if the above mentioned housing programme is the right fit for SIAHDC's business model.

Sister Islands Affordable Housing Development Corporation

Appendix 1 – Site Pictures











Appendix 2 – Audited Financial Statements

Sister Islands Affordable Housing Development Corporation



Annual Financial Statements

For the Year Ended

31 December 2018

Sister Islands Affordable Housing Development Corporation

P.O. Box 141
Cayman Brac KY2-2101
Telephone: 948-8177 Email: siahdc@candw.ky

Statement of Responsibility for the Financial Statements

These financial statements have been prepared by the Sister Islands Affordable Housing Development Corporation (SIAHDC) in accordance with the provisions of the *Public Management and Finance Law, (2018 Revision)* and International Public Sector Accounting Standards.

The Board of Directors accepts responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law, (2018 Revision).*

As the Board of Directors and Chief Financial Officer, we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorized by law, and properly record the financial transactions of the Sister Islands Affordable Housing Development Corporation.

As the Board of Directors and Chief Financial Officer, we are responsible for the preparation of the Sister Islands Affordable Housing Development Corporation's financial statements and for the judgments made in them.

The financial statements fairly present the statement of financial position, statement of financial performance, statement of cash flows and statement of changes in net worth for the financial year ended 31 December 2018.

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

(a) completely and reliably reflect the financial transactions of the Sister Islands Affordable Housing Development Corporation for the year ended 31 December 2018;
(b) fairly reflect the financial position as at 31 December 2018 and financial performance for the year ended 31 December 2018; and
(c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

The Office of the Auditor General, conducts an independent audit and expresses an opinion on the accompanying financial statements, which is carried out by its agent. The Office of the Auditor General and its agent have been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Mr. Sidney Ebanks
Chairman, on behalf of the Board of Directors
Date: 27 May 2019

Mrs. Neyka Webster
Chief Financial Officer
Date: 27 May 2019



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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Sister Islands Affordable Housing Development Corporation

Opinion

I have audited the financial statements of the Sister Islands Affordable Housing Development Corporation (the "Corporation"), which comprise the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 25.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2018 and its financial performance and its cash flows for year ended 31 December 2018 in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. In rendering my audit opinion on the financial statements of the Corporation, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

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 IPSAS 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.



AUDITOR GENERAL'S REPORT (continued)

Those charged with governance are responsible for overseeing the Corporation'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 Corporation 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation 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 Law (2018 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

27 May 2019
Cayman Islands



Sister Islands Affordable Housing Development Corporation
Statement of Financial Position
As at 31 December 2018
(Expressed in CI$'000)

Description	Notes	Current Year 2018 Actual	Prior Period 2017 (As restated Note 15)
Assets:			
Current Assets:			
Cash and Cash Equivalents	3	861	800
Accounts Receivable	4	19	-
Interest Receivable		1	-
Security Deposits	5	1	1
Prepaid Expenses		4	-
Construction - in - Progress	6	-	178
Total Current Assets		**886**	**979**
Non-Current Assets:			
Furniture & Equipment	6	2	2
Land	6,15	437	497
Total Assets		**1,325**	**1,478**
Liabilities:			
Current Liabilities:			
Trades Payables and Accruals		2	12
Audit Fee Payable	7	38	30
Total Current Liabilities		**40**	**42**
Total Net Assets		**1,285**	**1,436**
Equity:			
Accumulated deficit			
At the beginning of the year/period	15	(817)	(825)
Surplus/(deficit) for the year/period	15	(151)	8
At the end of the year/period		(968)	(817)
Capital Contribution		2,253	2,253
Total Owner's Net Worth		**1,285**	**1,436**

The accompanying notes form an integral part of these financial statements



Sister Islands Affordable Housing Development Corporation
Statement of Financial Performance
For the Year Ended 31 December 2018
(Expressed in CI$'000)

Description	Notes	Current Year 2018 Actual	Prior period (18 months) 2017 (As restated Note 15)
Revenues:			
Outputs to Cabinet	**8**	75	108
Interest and Other Income	**9**	3	1
Housing Sales	**10**	359	214
Total Revenues		**437**	**323**
Cost of Goods Sold:			
Subcontractor Expenses		449	214
Cost of Land	**6,15**	60	40
Other Construction Costs		20	-
Total Cost of Goods Sold:		**529**	**254**
Gross (Loss)/Profit		**(92)**	**69**
Expenses:			
Staff Costs		-	-
Rent Expense	**11**	8	9
Audit Fees	**7**	38	30
Accounting and Professional fees		7	9
Supplies & Consumables		-	2
Janitorial Services		2	3
Utilities	**12**	3	4
Advertising		-	3
Other Misc Expenses		1	1
Depreciation	**6**	-	-
Total Expenses		**59**	**61**
(Deficit)/Surplus	**15**	**(151)**	**8**

The accompanying notes form an integral part of these financial statements



Sister Islands Affordable Housing Development Corporation
Statement of Cash Flows
For the Year Ended 31 December 2018
(Expressed in CI$'000)

Description	Notes	Current Year 2018 Actual	Prior period (18 months) 2017 (As restated Note 15)
Cash Flow from Operating Activities:			
(Deficit)/Surplus for year/period		(151)	8
(Increase)/Decrease in Accounts Receivable		(19)	36
(Increase) in Interest Receivable		(1)	-
(Increase) in Prepaid Expenses		(4)	-
Decrease in Construction - in - progress		178	29
Decrease in Land	15	60	40
(Decrease) in Trade Payables and Accruals		(10)	(1)
Increase in Audit Fee Payable		8	5
Net Cash Provided by Operating Activities		**61**	**117**
Cash Flow from/(used in) Investing Activities:			
Purchase of Furniture and Equipment		-	(2)
Net Cash Used in Investing Activities		-	**(2)**
Reconciliation of Movement in Cash to Cash at End of Year/Period			
Net Cash Movement During the Year/Period		61	115
Cash & Cash Equivalents at Beginning of Year/Period		800	685
Cash & Cash Equivalents at the end of the Year/Period	3	**861**	**800**

The accompanying notes form an integral part of these financial statements



Sister Islands Affordable Housing Development Corporation
Statement of Changes in Net Worth
For the Year Ended 31 December 2018
(Expressed in CI$'000)

	Accumulated (Deficit)	Contributed Capital	Total Net worth
Balance as at 1 July 2016 (Restated Note 15)	(825)	2,253	1,428
Surplus for the period (Restated Note 15)	8	-	8
Balance at 31 December 2017 (Restated Note 15)	**(817)**	**2,253**	**1,436**

	Accumulated (Deficit)	Contributed Capital	Total Net worth
Balance as at 1 January 2018	(817)	2,253	1,436
Deficit for the year	(151)	-	(151)
Balance at 31 December 2018	**(968)**	**2,253**	**1,285**

The accompanying notes form an integral part of these financial statements



Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the Year Ended 31 December 2018
(Expressed in Cayman Islands Dollars)

1. Establishment and principal activities

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

The main purpose of SIAHDC is to promote affordable home ownership on Cayman Brac and Little Cayman. Two properties are currently owned on Cayman Brac: Watering Place and West End with spaces for 13 homes and 20-40 homes respectively.

The SIAHDC constructs quality concrete construction freehold homes which are sold outright to the successful applicants. SIAHDC works closely with the Public Works Department and the Ministry of District Administration, Tourism & Transport.

The main office is located at the Avistar Building III, Unit# 48, West End, Cayman Brac and the mailing address is P.O. Box 141, Cayman Brac KY2-2101.

2. Significant accounting policies

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board ("IPSASB").

(b) Basis of preparation

The financial statements have been prepared on the basis of historic cost modified for the revaluation of assets and the accounting policies have been consistently applied to all the years presented.

The financial statements are prepared on the going concern basis and are presented in Cayman Islands Dollars (CI) which is the functional currency.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2018 have not been early adopted by the Council

Certain new accounting standards have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Council. The Council's assessment of the impact of these new standards are set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 will not have a significant impact on the SIAHDC's financial statements. This will be assessed more fully closer to the effective date of adoption.

2. Significant accounting policies (continued)

(b) Basis of preparation (continued)

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that IPSAS 42 will not have a significant impact on the SIAHDC's financial statements, but this will be assessed more fully closer to the effective date of adoption.

(c) Use of estimates

The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expense during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

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

(d) Changes in Accounting Policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so. There was no change to the accounting policies during the year ended 31 December 2018.

(e) Budget amounts

The 2018/19 original budget was presented in the December 2017 Annual Budget Statement and approved by the Legislative Assembly. There were no amendments to the original budget.

Explanations of material differences between original budget and actual amounts are provided as required by IPSAS 24 in Note 14.

(f) Reporting Period

The Public Management and Finance (Amendment) section 2 (c) was passed on 15 October 2015 to reflect a change in the annual reporting date from 30 June to 31 December. The prior period amounts presented in the financial statements are for an 18 month period and therefore are not entirely comparable to the current year actuals for the 12 month period. IPSAS 1.66 allows for the financial statements to be presented for a period longer or shorter than one year when an entity's reporting date changes.

2. Significant accounting policies (continued)

(g) Foreign currency translation

Financial assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statement date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Financial gains and losses arising on translation are included in the statement of financial performance.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and fixed deposits with an original maturity of three months or less.

(i) Accounts receivable

Accounts receivable are recognized initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collected by the SIAHDC according to the agreed terms, a provision for bad debts is established.

(j) Property, plant and equipment

Fixtures and Equipment

Fixtures and equipment are stated at historical cost less accumulated depreciation. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the statement of financial performance in the period in which the asset is acquired.

Depreciation is expensed on a straight-line basis at rates stipulated below to allocate the cost or valuation of an item of property and equipment; less any estimated residual value, over its estimated useful life.

Asset Type	**Estimated Useful Life**
Fixtures and Equipment	3 Years
Land	No depreciation is charged on land

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year end. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and its value for use in service.

2. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Construction in Progress

Construction in Progress represents housing construction projects which are not yet completed at the period end date. No depreciation is charged on work in progress assets which are not available for use. There was no constructions in progress at 31 December 2018.

Land

Land was acquired from the Cayman Islands Government at no cost and recorded as a non-exchange transaction at the fair value at the date of acquisition. SIAH has elected to re-measure the land using the revaluation model every 3-5 years in accordance with IPSAS 17 *Property, plant and equipment*. If the carrying amount of the land increases as a result of a revaluation the increase is directly credited to the revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the land previously recognized in surplus or deficit. If the carrying amount decreases as a result of a revaluation, the decrease is recognized in surplus or deficit. The decrease is debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in relation to land.

Upon the sale of a house, construction in progress and land are transferred to inventory at current carrying value and the corresponding revenue and cost of sales recognized in the statement of financial performance.

(k) Revenue recognition

The SIAHDC derives its revenue through the outputs from Cabinet and housing sales. Revenue is recognized at the fair value of consideration received or receivable.

(i) Housing Sales

Revenue from housing sales are revenue from exchange contracts. Revenue is recognized when significant risk and rewards of ownership have been transferred to the purchaser, revenue can be reliably measured, it is probable that the economic benefits will flow to the entity and the cost incurred in respect of each transaction can be reliably measured. The land is distributed at nil cost and no revenue is recognized.

(ii) Outputs from Cabinet

Revenue received from Cabinet are recognized as revenue from exchange service contracts. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits or service potential will flow to the entity, the stage of completion of the transaction at the reporting date can be measured reliably and the costs incurred for the transaction and the and the costs to complete.



2. Significant accounting policies (continued)

(l) Expenses

Expenses are recognized when incurred on the accrual basis of accounting. In addition, an expense is recognized for the consumption of the estimated fair value of contributed goods and services received and when an estimate can realistically be made.

(m) Operating lease

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are recognized as expenses on a straight-line basis over the lease term.

(n) Financial Instruments

The SIAHDC is party to financial instruments as part of its normal operations.

a. Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments under conditions that are potentially favorable or an equity instrument of another enterprise. Financial assets are comprised of cash and cash equivalents, accounts receivable and interest receivable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavorable. Financial liabilities are comprised of trade payables and accruals and audit fee payable.

i. Recognition

The SIAHDC recognizes financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument.

ii. Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

Financial liabilities are subsequently measured at amortized cost, being the amount at which the liability was initially recognized less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

iii. De-recognition

A financial asset is derecognized when the SIAHDC realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial

2. Significant accounting policies (continued)

(n) Financial Instruments (continued)

iii. De-Recognition (continued)

liability is derecognized when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(o) Provisions and Contingencies

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

3. Cash and cash equivalents

The Corporation maintains bank accounts at Cayman National Bank. As at 31 December 2018 the following balances were held:

	Current Year Actual 31 December 2018	Prior Period Actual 31 December 2017
	CI$'000	**CI$'000**
Operating Accounts	154	94
Fixed Deposits	707	706
Total	**861**	**800**

No restricted cash balances were held by the SIAHDC as at 31 December 2018.

4. Accounts receivable

As at 31 December 2018, the SIAHDC had accounts receivable of $18,750; (2017: Nil). This represents the fourth quarter settlement of the revenue received from Cabinet. Settlement of the revenue occurs 20 days subsequent to quarter end as set out in the purchase agreement. No provision for doubtful debts has been recorded.

5. Security deposits

The SIAHDC entered into a rent agreement with the University College of the Cayman Islands (Brac Campus) for accommodations (See Notes 11 & 13) in 2010. A rent deposit of $500 was paid

5. Security Deposits (continued)

over to the Landlord, an amount which is refundable upon vacating the premises or the agreement coming to an end. Similarly, a deposit was paid over to Cayman Brac Power and Light of $500 as required in their standard contract for the supply of electricity. Security deposits remained unchanged at $1,000.

6. Property, Plant and Equipment

Cost of Property, Plant and Equipment

	Furniture & Fittings CI$'000	Land CI$'000	Construction in Progress CI$'000	Total Property and Equipment CI$'000
Balance as at 1 July 2016	-	537	-	537
Additions	2	-	178	180
Disposals / Transfers	-	(40)	-	(40)
Balance as at 31 December 2017	**2**	**497**	**178**	**677**
Additions	-	-	-	-
Disposals / Transfers	-	(60)	(178)	(238)
Balance as at 31 December 2018	**2**	**437**	**-**	**439**

Accumulated Depreciation	Furniture & Fittings $000 CI$'000	Land CI$'000	Construction in Progress CI$'000	Total Property and Equipment CI$'000
Balance as at 1 July 2016	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	-	-	-
Balance as at 31 December 2017	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	-	-	-
Balance as at 31 December 2018	-	-	-	-

	Furniture & Fittings CI$'000	Land CI$'000	Construction in Progress CI$'000	Total Property and Equipment CI$'000
Net Book Value as at 31 December 2017	**2**	**497**	**178**	**677**
Net Book Value as at 31 December 2018	**2**	**437**	**-**	**439**

6. Property, Plant and Equipment (continued)

The following properties are currently owned by SIAHDC. The properties were revalued by an independent valuator on 23 May 2016 in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors. The valuation was performed for the financial year ended 30 June 2016.

Block/Parcel	Sq. Ft	Acre	As at 31 December 2017 (restated)	As at 31 December 2018	Revaluation Surplus/ (Deficit)
			CI$'000	CI$'000	CI$'000
96E 277REM1	439,956	10.1	157,000	157,000	17,000
96E 284	38,176	0.8764	-	-	(6,000)
96E 537	10,014	0.2299	20,000	Sold	-
96E 538	10,014	0.2299	20,000	Sold	-
96E 539	10,023	0.2301	20,000	Sold	-
96E 540	37,126	0.8523	-	-	(2,350)
106E 48	4,356	0.1	4,500	4,500	(500)
106E 49REM1	1,742	0.04	-	-	-
106E 175	10,018	0.23	18,250	18,250	1,250
106E 194	11,364	0.26	22,500	22,500	(2,500)
106E 196	13,636	0.3032	26,500	26,500	(3,500)
106E 197	11,818	0.2697	23,500	23,500	(2,500)
106E 198	11,818	0.2734	24,000	24,000	(2,000)
106E 199	41,068	0.9428	-	-	-
106E 201	10,682	0.244	21,500	21,500	(2,000)
106E 205	32,234	0.74	-	-	(5,000)
106E 206	10,014	0.2297	20,000	20,000	(2,000)
106E 207	10,014	0.2297	20,000	20,000	(2,000)
106E 208	10,014	0.2295	20,000	20,000	(2,000)
106E 209	9,773	0.2256	19,500	19,500	(2,000)
106E 210	9,773	0.2247	19,500	19,500	(2,000)
106E 211	9,773	0.2241	19,500	19,500	(2,000)
106E 212	10,277	0.2331	20,500	20,500	(2,000)
			496,750	**436,750**	**(22,100)**

Block 96E 284, 96E540 and 106E 205 are designated for public use and cannot be sold or developed. Due to the restricted use, the parcels are valued at zero. Parcel 106E 49REM1 provides a 16 feet Vehicular Right of Way to block 106E Parcels 48 and Parcel 106E 199 is a roadway linking Connor Drive, Brown Road and Leroy Tibbetts Drive and due to restricted uses the parcels are valued at zero.

7. Audit Fees

This amount, a total of CI$38,000 represents the Audit Fee Payable to KPMG of CI$35,000 and to the Office of the Auditor General of CI$3,000 as of 31 December 2018.

8. Outputs to Cabinet

The SIAHDC provides general management and administration of affordable housing for the Cayman Islands Government. These services are based on terms outlined in the Annual Purchase Agreement.

9. Interest and Other Income

The Corporation receives interest on fixed deposit accounts held at Cayman National Bank. For the year ended 31 December 2018, SIAHDC earned a total of $2,793 (2017: $1,627) from fixed deposits.

10. Housing Sales

The SIAHDC earns income by selling the houses it produces. During the 2018 fiscal year, there were three houses sold (2017: two houses sold). These houses were sold based on the cost to construct.

As at 31 December 2018, there were no units under construction (2017: three units under construction).

11. Lease Rental

The SIAHDC entered into a lease agreement with the University College of the Cayman Islands (UCCI-Brac Campus). The current lease is for two years from 1 June 2018 through 31 May 2020.

Lease payments under the operating lease are recognized as expenses on a straight-line basis over the lease term. The future obligations of the existing lease are $6,000 payable over the next 12 months and $2,500 payable during the period greater than 1 year but less than 5 years.

12. Utilities

The following amounts were charged to the utilities account for the fiscal year:

	Current Year Actual 31 December 2018 CI$'000	Prior Period Actual 31 December 2017 CI$'000
Electricity	1	2
Telephone	2	2
Total	**3**	**4**

13. Related party transactions

SIAHDC is a wholly government company from which it derives a major source of revenue through the process of Output Funding. SIAHDC management personnel transact with other government departments and entities on a regular basis.

The SIAHDC also periodically engages the services of other departments of the Cayman Islands Government. Such services are provided at prevailing market prices on an arm's length basis. Services provided to SIAHDC by other Cayman Islands Government departments during 2018, are as follows;

The Office of the Auditor General	$3,000
University College of the Cayman Islands	$6,000

SIADHC received services-in-kind in the form of office and project management services and procurement assistance services by the Cayman Islands Government. These services are designated as non-exchange transactions under IPSAS 23 - Revenue from Non-Exchange Transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. No expenses have been recorded for services-in-kind for the year ended 31 December 2018.

The Board of Directors volunteer their services and are not compensated. During the year ended to 31 December 2018, the Board of Directors have made formal declarations of their interest as required by the Public Management and Finance Law (2018) as well as generally accepted accounting practices.



14. Reconciliation and Comparison of Budget to Actual

The 2018 financial statements were prepared on a basis consistent with the 2018 Budget. The budget covers the fiscal period from 1 January 2018 to 31 December 2018.

The original budget was approved by the Legislative Assembly. There were no supplementary changes to the budget for the SIAHDC during the 2018 financial year.

Statement of financial position actual against budget

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CI$'000	Approved Budget CI$'000	Budget vs Actual Variance CI$'000
Current Assets				
Cash and Cash Equivalents	Cash and Cash Equivalents	861	877	16
Interest Receivable	Interest Receivable	1	3	2
Accounts Receivable	Other Receivables	19		
Prepaid Expenses	Other Receivables	4		
Security Deposits	Other Receivables	1		
		24	40	16
Total Current Assets		**886**	**920**	**34**
Non-Current Assets:				
Furniture & Equipment	Plant Property & Equipment	2	-	(2)
Land	Plant Property & Equipment	437	459	22
Total Assets		**1,325**	**1,379**	**54**
Liabilities:				
Current Liabilities:				
Trades Payables and Accruals	Trade Payables	2		
Audit Fee Payable	Trade Payables	38		
		40	55	15
Total Current Liabilities		**40**	**55**	**15**
Total Net Assets		**1,285**	**1,324**	**39**



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

Statement of financial position actual against budget (continued)

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CI$'000	Approved Budget CI$'000	Budget vs Actual Variance CI$'000
Equity:				
(Accumulated Deficit)				
At the beginning of the period		817)	(844)	27
Deficit for the year		(151)	(85)	(66)
At the end of the period	Accumulated Surplus / Deficit	(968)	(929)	(39)
Capital Contribution	Contributed Capital	2,253	2,253	-
Total Owner's Net Worth		**1,285**	**1,324**	**(39)**

Statement of financial performance actual against budget

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CI$'000	Approved Budget CI$'000	Budget vs Actual Variance CI$'000
Revenues:				
Outputs to Cabinet	Sale of Services to Cabinet	75	75	-
Interest and Other Income	Investment revenue	3	1	(2)
Housing Sales	Other Goods and Services Revenue	359	360	1
Total Revenues		**437**	**436**	**(1)**
Cost of Goods Sold:				
Subcontractor Expenses	Supplies and Consumables	449		
Cost of Land	Supplies and Consumables	60		
Other Construction Costs	Supplies and Consumables	20		
Expenses:				
Rent Expense	Supplies and Consumables	8		
Audit Fees	Supplies and Consumables	38		
Accounting and Professional Fees	Supplies and Consumables	7		
Janitorial Services	Supplies and Consumables	2		

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

Statement of financial performance actual against budget (continued)

Financial Statement (FS) Caption	Approved Budget Caption	FS Actual CI$'000	Approved Budget CI$'000	Budget vs Actual Variance CI$'000
Utilities	Supplies and Consumables	3		
Other Misc Expenses	Supplies and Consumables	1		
Depreciation	Supplies and Consumables	-		
Total Expenses	**Total Supplies and Consumables**	**588**	**521**	**(67)**
Surplus/(Deficit)		**(151)**	**(85)**	**(66)**

Statement of cash flows actual against budget

Financial Statement Caption	Approved Budget Caption	Current year Actual CI$'000	Approved Budget CI$'000	Budget vs Actual Variance CI$'000
Cash Flow from Operating Activities:				
Deficit for year		(151)		
(Increase) in Accounts Receivable		(19)		
(Increase) in Interest Receivable		(1)		
(Increase) in Prepaid Expenses		(4)		
Decrease in Construction In Progress		178		
Decrease in Land		60		
(Decrease) in Trade Payables and Accruals		(10)		
Increase in Audit Fee		8		
Net Cash Provided by Operating Activities	Net Cash from Operating Activities	61	20	(41)
Reconciliation of Movement in Cash to Cash at End of Period				
Net Cash Movement During the Year	Net increase/(decrease) in and cash equivalents	61	20	(41)
Cash & Cash Equivalents at Beginning of Period	Cash & Cash Equivalents at Beginning of Period	800	857	57
Cash & Cash Equivalents at the end of the Period	Cash & Cash Equivalents at the end of the Period	**861**	**877**	**16**

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

Statement of cash flows actual against budget (continued)

The statement of cash flows is presented in the budget using the direct method whereas in the financial statements it is presented using the indirect method and is therefore not directly comparable.

Explanation of major budget variance

Explanations for major variances for the SIADHC performance against the budget are as follows:

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents were $16k lower than budgeted due to construction costs such as fill for land site costs, project management fees and other administrative fees being higher than expected. In addition, unbudgeted termite remediation costs were incurred on previously constructed homes.

Property, plant and equipment

The variance of $22k in comparison to budget is due to the prior year restatement to record the land impairment.

Total current liabilities

Current liabilities were $15k lower than budgeted due to audit fees payable for 2015-16 and 2016-17 being over accrued.

Statement of financial performance

Total Expenses

Total supplies and consumables were $67K higher than budgeted due to construction costs such as unplanned termite remediation costs incurred for previously constructed homes, fill for land site costs, project management fees and other administrative fees being higher than expected.

15. Correction of prior period error

During the year ended 31 December 2018 a valuation of the land held by SIAHDC as at 30 June 2016 performed by an independent valuator was located. However, in the previously issued financial statements SIAHDC had booked to a prior valuation performed as at 10 October 2014. This updated valuation indicated that the land held had devalued from the 10 October 2014 valuation resulting in the land being overstated by CI$45,000 and CI$59,600 as at December 31, 2017 and June 30, 2016 respectively. The following financial statement line items for the year ended 31 December 2017 were affected by this error:

Statement of Financial Position

2017	As Originally Reported CI$'000	As Adjusted CI$'000	Effect of Change CI$'000
Non-Current Assets:			
Land	542	497	(45)
Total Assets	1,523	1,478	(45)
Accumulated deficit:			
At the beginning of the period	(765)	(825)	(60)
(Deficit)/income for the period	(7)	8	15
	(772)	(817)	(45)
Total Net Worth	**1,481**	**1,436**	**(45)**

Statement of Financial Performance

2017	As Originally Reported CI$'000	As Adjusted CI$'000	Effect of Change CI$'000
Cost of Goods Sold:			
Cost of land	55	40	(15)
Total Cost of Goods Sold	269	254	(15)
(Deficit)/Surplus	**(7)**	**8**	**15**

15. Correction of prior period error (continued)

Statement of Cash Flows

2017	As Originally Reported CI$'000	As Adjusted CI$'000	Effect of Change CI$'000
Cash flow From Operating Activities			
(Deficit)/income for the period	(7)	8	15
Land transferred with housing sales	55	40	(15)

Statement of Changes in Net Worth

2017	As Originally Reported CI$'000	As Adjusted CI$'000	Effect of Change CI$'000
Accumulated Surplus/(Deficit) at 1 July 2016	(765)	(825)	(60)
(Deficit)/income for the period ended 31 December 2017	(7)	8	15
Accumulated Surplus/(Deficit) 31 December 2017	**(772)**	**(817)**	**(45)**

16. Financial Instruments Risk

The SIAHDC is exposed to a variety of financial risks including credit risk, exchange rate risk and liquidity risk. The Entity's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2018 Revision).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the SIAHDC. Financial assets which potentially expose the SIAHDC to credit risk comprise cash and cash equivalents and receivables from exchange transactions.

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

The SIAHDC is also exposed to a significant concentration of credit risk in relation to receivables from exchange transactions which are due from the Cayman Islands Government. No credit limits

16. Financial Instruments Risk (continued)

Credit risk (continued)

have been established. As at 31 December 2018, no provision for doubtful debts (2017: $0) has been made on these receivables as management considers these debts to be recoverable in full. The carrying amount of financial assets recorded in the financial statements represents the SIAHDC's maximum exposure to credit risk. No collateral is required from debtors

Exchange rate risk

The SIAHDC does not have significant exposure to currency exchange rate risk as no foreign currency transactions exist.

Liquidity risk

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

The SIAHDC maintains substantial cash balances held in bank accounts and short term deposits which enables SIAHDC to meet its payment obligations as they are due.

17. Subsequent Events

As at 27 May 2019, the date these financial statements were approved and available to be issued no subsequent events materially affecting these financial statements had occurred.