Sister Islands Affordable Housing Development Corporation



Annual Financial Statements

For the Year Ended 30 June 2015

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Sister Islands Affordable Housing
Development Corporation

P.O. Box 141
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Statement of Responsibility for the Financial Statements

These financial statements have been prepared by the Sister Islands Affordable Housing Development Corporation (SIAHDC) in accordance with the provisions of the Public Management and Finance Law, (2013 Revision). The financial statements comply, in all material respects, with generally accepted accounting practice as defined in 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, (2013 Revision).

As the Board of Directors, 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, 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 Equity for the financial year ended 30 June 2015.

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 30 June 2015;
(b) Fairly reflect the financial position as at 30 June 2015 and financial performance for the year ended 30 June 2015; and
(c) Comply with International Public Sector Accounting Standards under the responsibility of International Public Sector Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Sidney O Ebanks

Mr. Sidney Ebanks
Chairman, on behalf of the Board of Directors
Date: 26/1/16

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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

I have audited the accompanying financial statements of The Sister Islands Affordable Housing Development Corporation, which comprise the statement of financial position as at 30 June 2015 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 17 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 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 Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor'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 on the auditor's judgment, 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 control 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, the financial statements present fairly, in all material respects, the financial position of The Sister Islands Affordable Housing Development Corporation as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



Garnet Harrison, CPA, CA
Acting Auditor General

26 January 2016
Cayman Islands

Sister Islands Affordable Housing Development Corporation
Statement of Financial Position
For the year ended 30 June 2015
(Expressed in CI$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Budget vs Actual Variance
	Assets:					
	Current Assets:					
926	Cash and Cash Equivalents	**3**	734	1,094	1,094	(360)
-	Accounts Receivable	**4**	-	142	142	(142)
1	Security Deposits	**5**	1	-	-	1
116	Housing to be Sold	**6,11**	259	-	-	259
1,043	**Total Current Assets**		**994**	**1,236**	**1,236**	**(242)**
	Non-Current Assets:					
707	Land	**7**	652	624	624	28
1,750	**Total Assets**		**1,646**	**1,860**	**1,860**	**(214)**
	Liabilities:					
	Current Liabilities:					
30	Trades payables	**8**	37	128	128	(91)
-	Payroll Liabilities		2	-	-	2
19	Deferred revenue		19	-	-	19
49	**Total Current Liabilities**		**58**	**128**	**128**	**(70)**
1,701	**Total Net Assets**		**1,588**	**1,732**	**1,732**	**(144)**
	Equity:					
	(Accumulated Surplus)/Retained Earnings					
(448)	At the beginning of the period		(552)	(361)	(361)	(191)
(104)	Surplus/(deficit) for the year		(58)	(160)	(160)	102
(552)	At the end of the period		(610)	(521)	(521)	(89)
2,253	Capital Contribution		2,198	2,253	2,253	(55)
1,701	**Total Owner's Net Worth**		**1,588**	**1,732**	**1,732**	**(144)**
1,701	**Total Owner's Net Worth**		**1,588**	**1,732**	**1,732**	**(144)**

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 30 June 2015
(Expressed in CI$'000)

Prior Year Actual		Description	Notes	Current Year Actual	Original Budget	Revised Budget	Budget vs Actual Variance
	Revenues:						
55		Outputs to Cabinet	**9**	72	72	72	-
1		Interest and Other Income	**10**	1	0	0	(1)
-		Housing Sales	**11**	337	792	792	455
56	**Total Revenues**			**410**	**864**	**864**	**454**
	Cost of Goods Sold:						
-		Construction Materials	**11**	-	781	781	781
-		Subcontractor Expenses	**11**	337	-	-	(337)
23		Other Construction Costs	**11**	16	-	-	(16)
23	**Total Cost of Goods Sold:**			**353**	**781**	**781**	**428**
33	**Gross Profit**			**57**	**83**	**83**	**26**
	Expenses:						
55		Staff Costs	**12**	56	53	53	(3)
6		Rent Expense	**13**	6	-	-	(6)
25		Audit Fees	**14**	20	-	-	(20)
3		Accounting Consulting Fees	**15**	5	30	30	25
1		Janitorial Services	**15**	1	-	-	(1)
3		Utilities	**16**	3	-	-	(3)
-		Advertising		3	-	-	(3)
4		Other Misc. Expenses	**15**	4	-	-	(4)
40		Write-off of WIP Asset	**17**	17	-	-	(17)
137	**Total Expenses**			**115**	**83**	**83**	**(32)**
(104)	**Surplus/(Deficit)**			**(58)**	**-**	**-**	**58**

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 30 June 2015
(Expressed in CI$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Budget vs Actual Variance
	Cash Flow from Operating Activities:					
(104)	Surplus/(Deficit)		(58)	-	-	58
74	(Increase)/decrease in Accounts Receivable		-	736	736	736
(21)	Increase/(decrease) in liabilities		9	113	113	104
19	Increase/(decrease) Deferred Revenue		-	-	-	-
(32)	Net Cash Provided by Operating Activities		**(49)**	**849**	**849**	**898**
	Cash Flow from Investing Activities:					
(116)	Housing to be Sold		(143)	-	-	(143)
156	Construction - in - Progress		-	-	-	-
40	Net Cash Provided by Investing Activities		**(143)**	**-**	**-**	**(143)**
	Cash Flow from Financing Activities:					
-	Equity Injection		-	-	-	-
-	Net Cash Provided by Financing Activities		**-**	**-**	**-**	**-**
	Reconciliation of Movement in Cash to Cash at End of Period					
8	Net Cash Movement During the Year		(192)	849	849	(1,041)
918	Cash & Cash Equivalents at Beginning of Period		926	490	490	436
926	**Cash & Cash Equivalents at the end of the Period**	**3**	**734**	**1,339**	**1,339**	**(605)**

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 30 June 2015
(Expressed in CI$'000)

	Accumulated Surplus/(Deficit)	Contributed Capital	Total Net worth
Balance as at 1 July 2013	(448)	2,253	1,806
Contributed capital	-	-	-
Surplus/(deficit) for the year	(104)	-	(104)
Balance at 30 June 2014	**(552)**	**2,253**	**1,701**
Balance as at 1 July 2014	(552)	2,253	1,701
Contributed capital	-	-	-
Capital Withdrawal	-	(55)	(55)
Surplus/(deficit) for the year	(58)	-	(58)
Balance at 30 June 2015	**(610)**	**2,198**	**1,588**

The accompanying notes form an integral part of these financial statements

1. Establishment and principal activities

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

The main purpose of SIAHDC is to promote affordable home ownership on Cayman Brac and Little Cayman. Two properties are currently owned on Cayman Brac: Watering Place and West End with spaces for 15 homes and 20-40 homes respectively.

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.

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

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"). The significant accounting policies adopted by the SIAHDC in these financial statements are as follows:

(a) Basis of preparation

The Financial Statements of the SIAHDC are presented in Cayman Islands Dollars and comply with International Public Sector Accounting Standards for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluations of assets. As at 30 June 2015, there were no assets held at revalued amounts.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period and in the prior period.

(b) 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 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.

Significant accounting policies cont'd

(c) 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.

(d) Budget amounts

The financial statements show comparison of actual amounts with amounts in the original and final budget. Explanations of material differences between original budget and actual amounts are provided as required by IPSAS 24. There was no change to the accounting policies in 2014/2015.

The original budget amounts for the financial year are as presented in the 2014/2015 Annual Budget Statement and were approved by the Legislative Assembly on June 25, 2014. The budget was prepared based on the accrual accounting concept and the going concern basis.

(e) Reporting Period

The reporting period is the year ended 30 June 2015.

(f) 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. Gains and losses arising on translation are included in the statement of Financial Performance.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(h) 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 debt is established.

(i) Property, plant and equipment/depreciation

In keeping with the accounting policies of the Government of the Cayman Islands, which is the sole shareholder, all property plant and equipment purchases under CI$1,000 are immediately expensed. Property, Plant and Equipment are stated at cost less accumulated depreciation and amortization and any impairment losses.

Depreciation is charged to the statement of Financial Performance on a straight-line basis based on the estimated useful life of the Asset.

Significant accounting policies cont'd

(j) Revenue recognition

Revenue is recognized at the point the SIAHDC meets the obligations to the purchaser. Revenue from housing sales is recognized at the point of sale.

(k) Expense

Expenses are recognized when incurred under the accrual basis of accounting. In addition, an expense is recognized for the consumption of the fair value of contributed goods and services received.

(l) Operating lease

Lease payments are recognized as an expense on a straight-line basis over the lease term.

(m) Construction in Progress

This account consists of costs incurred or attributable to bringing the asset to the 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 SIAHDC houses are completed, the infrastructure costs will be allocated by parcel.

(n) Land

Land was acquired from the Government at no cost and is recorded at fair market value at the date of acquisition. A revaluation of the land was done as at 30 June 2014.

(o) Employee Benefits

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

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

Significant accounting policies cont'd

(p) Financial Instruments

i. 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 favorable or an equity instrument of another enterprise. Financial assets are comprised of cash and cash equivalents and accounts 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 payroll liabilities.

ii. Recognition

The SIAHDC recognizes 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 or liabilities are recognized in the statement of Financial Performance.

iii. 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.

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

(q) 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 30 June 2015, the following balances were held:

Prior Year Actual 30 June 2014		Current Year Actual 30 June 2015
CI$'000		CI$'000
323	Operating accounts	281
603	Fixed Deposit	453
926	**Cash and cash equivalent**	**734**

No restricted cash balances were held by the SIAHDC as at 30 June 2015.

4. Accounts receivable

As at 30 June 2015, the SIAHDC had accounts receivable of zero (2013/14: zero).

5. Security deposits

The SIAHDC entered into a rent agreement with the University College of the Cayman Islands (Brac Campus) for accommodations (See Note 14- Rent Expense) in 2010. A rent deposit of $500 was paid 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. Construction in Progress

For the year ended 30 June 2015 the SIAHDC constructed four housing units at the West End site to be sold. As at 30 June 2015 two housing unit remained unsold and were transferred from construction in progress to Housing to be sold in the 2014/15 financial year.

7. Land

The following properties were vested with the SIAHDC by the Cayman Islands Government for nil consideration. Property revaluation was completed by the department of land and survey on October 10, 2014.

Block/ Parcel	Sq. ft.	Acre	Value
96E 277REM1	439,956	10.1	$140,000
96E 284	38,176	0.8764	$ 6,000
96E 525	10,167	0.2334	$ 28,000
96E 526	10,001	0.2296	$ 27,500
96E 532	10,014	0.2299	$ 27,500
96E 536	10,010	0.2298	$ 27,500
96E 537	10,014	0.2299	$ 27,500
96E 538	10,014	0.2299	$ 27,500
96E 539	10,023	0.2301	$ 27,500
96E 540	37,126	0.8523	$ 2,350
106E 48	4,356	0.1	$ 5,000
106E 49REM1	1,742	0.04	$ -
106E 175	10,018	0.23	$ 17,000

Block/ Parcel	Sq. ft.	Acre	Value
106E 194	11,364	0.26	$ 25,000
106E 196	13,636	0.3032	$ 30,000
106E 197	11,818	0.2697	$ 26,000
106E 198	11,818	0.2734	$ 26,000
106E 199	41,068	0.9428	$ -
106E 201	10,682	0.244	$ 23,500
106E 205	32,234	0.74	$ 5,000
106E 206	10,000	0.2297	$ 22,000
106E 207	10,000	0.2297	$ 22,000
106E 208	10,000	0.2295	$ 22,000
106E 209	9,773	0.2256	$ 21,500
106E 210	9,773	0.2247	$ 21,500
106E 211	9,773	0.2241	$ 21,500
106E 212	10,227	0.2331	$ 22,500
Total value of land			**$ 651,850**

Block 106E Parcel 49REM1, the land register indicates that this parcel provides a 16 feet Vehicular Right of Way to block 106E Parcels 48, 177 & 178. It comprises a small gravel road of poor quality. This implies that it has a restricted use, and therefore, it only has a nominal value. No value is listed in the valuation report produced by the Lands & Survey Department.

Block 106E Parcel 199 is an asphalt road, which provides access to sub-divided plots. This implies that it has a restricted use, and therefore, it only has a nominal value. No value is listed in the valuation report produced by the Lands & Survey Department.

8. Trade Payables

This amount represents mainly the Audit Fees payable to the Office of the Auditor General of CI$21,000 and Other Professional fees due as of 30 June 2015.

9. 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.

10. Interest income

The Corporation receives interest on fixed deposit accounts held at Cayman National Bank. For the year ended 30 June 2015, SIAHDC earned a total of $877 from fixed deposits.

11. Housing to be sold

The SIAHDC earns income by selling the houses it produces. During the 2014/15 fiscal year, there were three houses sold. These houses were valued based on the cost to construct.

As at the end of 30 June 2015, there were two completed units to be sold. The units 96E 526 and 96E 525 will be sold for $129,900 and $129,452 respectively.

12. Staff costs

SIAHDC had one full time employee for the year ended 30 June 2015. The staff costs are laid out as follows:

Prior Year Actual 30 June 2014 CI$'000		Current Year Actual 30 June 2015 CI$'000
35	Basic Salary	35
4	Pension Contribution	4
16	Employee Health Care	17
55	**Total**	**56**

13. Rent Expense

The Corporation is subject to a lease agreement with the University College of the Cayman Islands (UCCI-Brac Campus). The details of that agreement entail a monthly payment of $500. This agreement, which covers the rental of office space, is an operating lease as defined by International Public Sector Accounting Standards.

14. Audit fees

The SIAHDC incurred $20,000 with respect to audit fees for fiscal 2014-15 as agreed in the engagement letter with the Office of the Auditor General.

15. Expenses

SIAHDC has expenses related to the Administration and day to day running of the Corporation. These expenses are detailed as below:

Prior Year Actual 30 June 2014 CI$'000		Current Year Actual 30 June 2015 CI$'000
3	Accounting Consulting Fees	5
1	Janitorial Services	1
4	Other Misc. Expenses	4
8	**Total**	**10**

16. Utilities

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

Prior Year Actual 30 June 2014 CI$'000		Current Year Actual 30 June 2015 CI$'000
1	Electricity	1
2	Telephone	2
3	**Total**	**3**

17. Write-off of work in progress asset

The amount written down for other construction costs recognized as an expense in the statement of Financial Performance that would not be recovered as at 30 June, 2015 was $16,982 (2013/14: CI$40,000).

18. 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 of $22,600 were provided to SIAHDC by other Cayman Islands Government departments during 2014/15, of which $20,000 was paid to the Office of the Auditor General.

18. Related party transactions cont'd

Due to the uniqueness and design of the SIAHDC operations, SIAHDC relies on the Board of Directors. The Directors offer their services through the Board and Committee meetings. These services are provided free of charge.

During the year end 30 June 2015, Key Management along with the Board of Directors have made formal declarations of their interest as required by the Public Management and Finance Law (2013) as well as generally accepted accounting practices.

Key Management personnel

No loans were made to key management personnel during the year. The entity had one full time clerical employee during the course of the year.

19. Comparison of Budget to Actual

The 2014/15 Annual Accounts were prepared on a basis consistent with the 2014/15 Budget. The budget covers the fiscal period from 1 July 2014 to 30 June 2015.

The original budget was approved by the Legislative Assembly. There were no supplementary changes to the budget for the SIAHDC during the 2014/15 financial year.

The difference in planned expenditures of $864,000 vs. actual expenditures of $468,000 is due to only four units being produced for the fiscal 2014/2015 year instead of the six units initially budgeted for.

20. Subsequent Events

No events materially affecting these financial statements occurred after 30 June 2015.