
Sister Islands Affordable Housing Development Corporation



Annual Financial Statements

For the Year Ended 30th June 2011

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Sister Islands Affordable Housing Development Corporation

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).

As Board of Directors, we are responsible for establishing and maintaining 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. However, the financial records covered a period under which the current Board of Directors did not serve as an oversight body. Therefore, we could not ensure appropriate internal controls were established and maintained throughout the fiscal year and as a result make no representations over the internal controls for the financial year ended 30 June 2011.

We are unable to 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 30th June 2011;
- (b) Fairly reflect the financial position as at 30th June 2011; 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. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

Mr. Sidney O. Ebanks
Chairman, on behalf of the Board of Directors

Date:

AUDITOR GENERAL'S REPORT

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

I was engaged to audit the accompanying financial statements of Sister Islands Affordable Housing Development Corporation for the year ended 30 June 2011 which comprise the statement of financial position as at 30 June 2011 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 4 to 19 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 conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management did not make any representations as required by International Auditing Standards (ISA 580) as to whether the statement of financial position, the statement of changes in net worth, the statement of financial performance, and the statement of cash flows are fairly presented and in full conformity with International Public Sector Accounting Standards and applied on a basis consistent with preceding years.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

4 April 2014
Cayman Islands

Sister Islands Affordable Housing Development Corporation

Statement of Financial Position

As at 30th June 2011

(Expressed in CI\$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Variance
Assets:						
Current Assets:						
1,008	Cash and Cash Equivalents	3	988	1,025	1,025	(37)
0	Accounts Receivable	4	85	0	0	85
1	Security Deposits	5	1	0	0	1
1	Prepayments	6	1	0	0	1
0	Construction-in-Progress	7	0	126	126	(126)
1,010	Total Current Assets		1,075	1,151	1,151	(76)
Non-Current Assets:						
635	Land	8	635	0	0	635
1,645	Total Assets		1,710	1,151	1,151	559
Liabilities:						
Current Liabilities:						
77	Accruals	9	115	0	0	(115)
77	Total Current Liabilities		115	0	0	(115)
1,568	Total Net Assets		1,595	1,151	1,151	444
Equity:						
(Accumulated Surplus)/Retained Earnings						
(129)	At the beginning of the period		(215)	0	0	(215)
(85)	Surplus(Deficit) for the year		27	(17)	(17)	44
(214)	At the end of the period		(188)	(17)	(17)	(171)
1,782	Capital contribution		1,783	1,168	1,168	615
1,568	Total Owners' Network		1,595	1,151	1,151	444
1,568	Total Owners' Network		1,595	1,151	1,151	444

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation

Statement of Financial Performance

For year ended 30th June 2011

(Expressed in CI\$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Variance
Revenues:						
66	Outputs to Cabinet	10	85	85	85	0
1	Interest and other Income	11	1	0	0	1
413	Housing Sales	12	0	0	0	0
480	Total Revenues		86	85	85	1
Cost of Goods Sold:						
454	Construction Materials	12	0	0	0	0
0	Subcontractor Expenses	12	0	0	0	0
6	Other Construction Costs	12	0	0	0	0
460	Total Cost of Goods Sold:		0	0	0	0
20	Gross Profit		86	85	85	1
Expenses:						
65	Staff Costs	13	31	67	67	36
7	Rent Expense	14	6	7	7	1
6	Loss on the sale of land	8	0	0	0	0
21	Audit Fees	15	17	0	0	(17)
2	Administration & Other Expenses	16	1	18	18	17
2	Official Travel	17	2	8	8	6
2	Utilities	18	2	3	3	1
105	Total Expenses		59	102	102	43
(85)	Surplus/(Deficit)		27	(17)	(17)	44

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation

Statement of Cash Flows
For year ended 30th June 2011

(Expressed in CI\$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Variance
Operating Activities:						
(85)	Surplus/(Deficit)		27	(17)	(17)	44
	Adjustments to reconcile surplus/(deficit) to net cash provided by Operating Activities					
6	Loss on the sale of land		0	0	0	0
11	(Increase)/decrease in Accounts Receivable		(84)	18	18	(102)
21	Increase in Accruals		37	0	0	37
(47)	Net Cash Provided by Operating Activities		(20)	1	1	(21)
Cash Flow From Investing Activities:						
134	Work-in-Progress		0	0	0	0
134	Net Cash Provided by Investing Activities		0	0	0	0
Reconciliation of Movement in Cash to Cash at End of Period						
87	Net Cash Movement		(20)	1	1	(21)
921	Cash & Cash Equivalents at Beginning of Period		1,008	1,024	1,024	(16)
1,008	Cash & Cash Equivalents at the end of the period	3	988	1,025	1,025	(37)

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation

Statement of Changes in Net Worth

For year ended 30th June 2011

(Expressed in CI\$'000)

	Accumulated Surplus	Contributed Capital	Other	Total
Balance as at 1 st July 2009	(129)	(845)	937	1,651
Capital Contribution	0	0	0	0
Surplus/(Deficit) for the Year	(85)	0	0	(85)
Balance at 30th June 2010	(214)	(845)	937	1,568

	Accumulated Surplus	Contributed Capital	Other	Total
Balance as at 1 st July 2010	(214)	(845)	937	1,568
Capital Contribution	0	0	0	0
Surplus/(Deficit) for the Year	27	0	0	27
Balance at 30th June 2011	(187)	(845)	937	1,595

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 30th June 2011

(Expressed in CI\$'000)

1. Establishment and principal activities

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

The main purpose of the organization 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 20-30 homes respectively.

The Sister Islands Affordable Housing Development Corporation aims to provide quality concrete construction freehold homes which are owned outright by the successful applicants. The Organization works closely with the Public Works Department and the Ministry of District Administration, Works, Land & Agriculture.

The main office is located at the Avistar Building III, Unit# 48, West End, Cayman Brac and correspondences may be sent to 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 Accounting Standards Board (IASB). 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.

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

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in CUS\$'000)

Significant accounting policies cont'd

(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.

(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.

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 were no changes to the accounting policies in 2010/2011.

(d) Budget amounts

The original budget amounts for the financial year are as presented in the 2010/2011 Annual Budget Statement and were approved by the Legislative Assembly. 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 30th June 2011.

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in CI\$'000)

Significant accounting policies cont'd

(f) Foreign currency translation

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 the accounting policies of the Government of the Cayman Islands, who is the sole shareholder, all fixed asset 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.

(j) Revenue recognition

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

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in C\$'000)

Significant accounting policies cont'd

(k) Expense

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.

(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 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.

(o) Employee Benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognized in the Operating Statement 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.

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

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in C1\$'000)

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 prepayments.

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 accounts payables and accrued expenses.

ii. Recognition

The Sister Islands Affordable Housing Development Corporation 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 Sister Islands Affordable Housing Development Corporation realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in C\$'000)

Significant accounting policies cont'd

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 obligation 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.

(r) Subsequent events

Post year-end events that provide additional information about the Sister Islands Affordable Housing Development Corporation's position at the balance sheet date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in C1\$'000)

3. Cash and Cash Equivalents

The Corporation maintains bank accounts at Cayman National Bank. As at 30th June 2011, the following balances were held:

Prior year actual	Current year actual
<u>30th June 2010</u>	<u>30th June 2011</u>
C1\$'000	C1\$'000
26 Operating accounts	5
<u>982 Fixed Deposit</u>	<u>983</u>
<u>1,008 Cash & Cash Equivalent</u>	<u>988</u>

No restricted cash balances were held by SIAHDC as at 30th June 2011.

4. Accounts Receivable

As at 30th June 2011, the SIAHDC had accounts receivable of \$85,000. This is in comparison to the prior year when the entity had no receivables. Refer to *Note 10 –Outputs to Cabinet*.

5. Security Deposits

The SIAHDC entered into a rent agreement with the UCCI (Brac Campus) for accommodations at \$500 per month. A refundable security deposit of \$500 was also paid (See *Note 14- Rent Expense*).

6. Prepayments

Rent was prepaid for the month of July 2011 (see *Note 14- Rent Expense*).

7. Construction in Progress

At the end of 2010/11, the value of these works remained unchanged in 2010/2011 from the 2009/2010 year.

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in CI\$'000)

8. Land

The following properties were vested with the Sister Island Development Corporation by the Cayman Islands Government for nil consideration.

Block/Parcel	Sq. ft.	Acre	Value
96E 51	1,785,960	41	\$ 266,500
106E 44	17,424	0.4	30,000
106E 48	4,356	0.1	5,000
106E 49 REM 1	1,742	0.04	-
106E 103	33,541	0.77	45,000
106E 141	219,542	5.04	285,000
106E 175	10,019	0.23	15,000
Total	286,624	6.58	\$646,500

The land transferred were part of the 41 acres at Block 96E Parcel 51. The present carrying value for land is therefore \$635,000.

9. Accruals

This amount represents the provision for audit fees due to the Office of the Auditor General as agreed under the engagement letter for the years 2006/07 through to 2010/11 as shown below:

Financial year	Fees Amount
2006/07	19,000
2007/08	15,000
2008/09	22,000
2009/10	21,000
2010/11	17,000
Total	94,000

In addition, SIAHDC made additional accruals of \$20,000 for outstanding salary an severance pay related costs.

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in CI\$'000)

10. 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. In accordance with that agreement, \$85,000 was earned during the 2010/11 fiscal year which was due and receivable as at June 2011 (2010:\$66,000).

11. Interest Income

The Corporation receives interest on fixed deposit accounts held at Cayman National Bank. For the year ended 30th June 2011, SIAHDC earned a total of \$658 from fixed deposits (2010:\$738).

12. Housing Sales

The Sister Islands Affordable Housing Development Corporation earns income by selling houses it produces. During the 2010/11 fiscal year, no houses were sold.

13. Staff Costs

SIAHDC had no fulltime employee for the year ended 30th June 2011. The staff costs are laid out as follows:

30th June 2010 CI\$'000	30th June 2011 CI\$'000
53 Basic Salary	25
1 Overtime	0
3 Government Pension Contribution	1
8 Employee Health Care	4
<u>65</u> Total	<u>31</u>

14. Rent Expense

The corporation is subject to a lease agreement with the UCCI (Brac Campus). The details of that agreement entails a monthly payment of \$500.00 This agreement, which covers the rental of office space is an operating lease as defined by International Public Sector Accounting Standards.

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in CI\$'000)

15. Audit fees

The SIAHDC incurred \$17,000 with respect to 2010/2011 audit fees as agreed in the annual engagement letter with the Office of the Auditor General. Refer to *Note 9- Accruals*.

16. Administration & Other Expenses

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

30 th June 2010	30 th June 2011
CI\$'000	CI\$'000
1 Food and dietary supplies	0
2 Office supplies	2
<u>3 Total</u>	<u>2</u>

17. Official Travel

This represents the cost of inter-island travel, training and accommodation related to travelling.

18. Utilities

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

30th June 2010	30th June 2011
CI\$'000	CI\$'000
1 Electricity	1
1 Telephone Charges	1
0 Water	0
<u>2 Total</u>	<u>2</u>

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2011

(Expressed in CI\$'000)

19. Related Party Transactions

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

The SIAHDC also periodically engages the services of other government departments of the Cayman Islands Government. Such services are provided at prevailing market prices on an arm's length basis. Services to the value of NIL was provided to other Cayman Islands Government departments during 2010/11.

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 30th June 2011, the Board of Directors failed to make formal declarations of their interest as required by the Public Management and Finance Law (2012) as well as generally accepted accounting practices.

Key Management personnel

No loans were made to key management personnel during the year.

20. Comparison of Budget to Actual

The 2010/11 Annual Accounts was prepared on a basis consistent with the 2010/11 Budget. The budget covers the fiscal period from 1st July 2010 to 30th June 2011.

The original budget was approved by the Legislative Assembly. There were no supplementary changes to the budget for the SIAHDC during the 2010/11 financial year.

The difference in planned expenditures of \$85,000 vs. actual expenditures of \$59,000 was primarily due lower staffing costs during the 2010/11. The positive variance in the planned financial position was primarily due to the land value exceeding the budget expectation by \$635,000 as at 30th June 2011.