



Annual Report

2016

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CYPRUS LAND DEVELOPMENT CORPORATION

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

Chairman: Andreas Frangos

Vice chairman: Tasos Koukounis

Members: Panikos Argyrides
Onisiforos Iordanou
Andreas Constantinou
Pantelis Livadiotis
Michalakis Michael
Stelios Papastylianou
Antonis Roussakis

Yiannakis Ioannou (until 17/7/2016)

Marios Schizas (until 30/9/2016)

Deputy General Director: Maria Kyriakidou

Independent Auditor: Auditor General of the Republic

Legal Counsel: Kakkouras & Panayides LLC

Bankers: Housing Finance Corporation

Bank of Cyprus Public Company Ltd

Hellenic Bank Public Company Ltd

Cyprus Cooperative Bank Ltd

Offices:

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P.O. Box: 23928, 1687 Nicosia
Tel.: 22427000, Fax: 22513143
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CYPRUS LAND DEVELOPMENT CORPORATION

10 May 2018

The Hon.
Constantinos Petrides
Minister of Interior

Dear Minister,

I have the honour to submit the Annual Report and Financial Statements of the Cyprus Land Development Corporation for the year ended 31/12/2016, as well as the Report of Messrs. HMI & PARTNERS LTD who carried out the audit of the Financial Statements.

The aforementioned Reports are submitted according to the provisions of the Cyprus Land Development Corporation Law 42/80, Articles 27(2), 27(3) and 28(1).

During the year under review, the Corporation continued to promote the disposal of residential stock and the systematic monitoring of proceeds by purchasers.

Simultaneously, the Corporation implements the Primary Residence Protection Scheme which was approved by the Council of Ministers on 28.12.2015, and pursuant to receiving the approval of the European Commission, has been in operation since 1.10.2016 for a period of 4 years.

The Scheme provides for the subsidy by the Cyprus Land Development Corporation of part of payments associated with mortgage loans. The grant shall not exceed 60% of the aforesaid payments, with maximum amount of €10,000,- per year for a period of 3 years.

The Board of Directors, the administration, and the personnel of the Corporation shall continue to work consistently for settlement of all of the Corporation's outstanding issues and always be at the disposal of the Government for the implementation of any housing scheme assigned to them.

Sincerely,

Andreas Frangos
Chairman of the Board of Directors

ANNUAL REPORT OF THE CYPRUS LAND DEVELOPMENT CORPORATION FOR 2016

Formation and Responsibilities

The Corporation was established pursuant to the Cyprus Land Development Corporation Law No.42/80 and constitutes a body of the Public Service sector. It is under the authority of the Ministry of Interior and it is administered by its Board of Directors which consists of nine members appointed by the Council of Ministers. The term of service of the Board lasts for a period of 30 months.

The aim of the Corporation is to assist medium and low-income individuals and families to acquire their own residence.

In accordance with the Law and in order to promote the objectives of its establishment, the Cyprus Land Development Corporation may expropriate land in order to separate plots or construct residences purporting to accommodate families with medium or low-income.

Housing Schemes of the Cyprus Land Development Corporation

Housing Scheme for Medium-Income Individuals/Households

The Council of Ministers, exercising the powers granted to it by Article 2 of the Cyprus Land Development Corporation Law 42 of 1980, determines the beneficiaries of the Medium-Income Housing Scheme.

The income criteria based on the latest review are as follows:

1. For singles up to €22.000 per year
2. For families with no children up to €40.000 per year
 - For families with one or two children, the annual gross income to be increased by €4.000 per child.
 - For families with three or more children, the annual gross family income to be increased by €6.000 per child.

Other criteria are also taken into consideration for the assessment of the applications of beneficiaries such as movable and immovable property, housing conditions of the family, composition etc.

During the year under review, the Housing Scheme for Low Income Individuals/Households was suspended. Since June 2013, following a drastic reduction in prices, the Corporation began to offer prefabricated housing units through the Housing Scheme for Medium-Income Individuals/Households after implementing amendments to this scheme which concerned:

- (i) Reduction of advance payment to 10% of the value of the property.
- (ii) The remainder of the value of the property remains with the Corporation for as long as the applicant requires to secure a loan by any Credit Institution. This period shall not

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exceed the applicant's/purchaser's 70th year, while the repayment period shall be determined by his/her age.

- (iii) For the first 3 years from the date of execution of the Contract, the outstanding balance is credited with the European Central Bank interest rate of + 2,75%. It is noted that this provision was implemented from 1/7/2013 and for a period of three years for all purchasers who had outstanding balance with the Corporation.
- (iv) A credible guarantor is required. (The guarantor is requested to provide details of his/her financial situation, income etc., as well as his/her obligations towards third parties).
- (v) With the issuance of title deeds and prior to a period of three years from the date of execution of the Contract, the purchasers shall be advised to contact the various Credit Institutions for the repayment of the balance and the simultaneous transfer of the title under their name.

By implementing the aforesaid Scheme, the Corporation managed to allocate the majority of its stock and by the end of 2016, 31 residential units remained available throughout Cyprus. The units consist of: 14 prefabricated, 3 under construction and 14 used.

On 1/1/2018 the available units are 31 (12 prefabricated and 19 used). The increase in available used units is due to the fact that a large number of purchasers have been unable to meet their contractual obligations resulting in returning to the Corporation the property they purchased.

Due to the new economic data that emerged as a result of the economic crisis, as per governmental instructions, all development programs were suspended. During the year under review, the Corporation continued the construction of four three-bedroom residential units in the Municipality of Livadia which were completed in December 2016.

Simultaneously, it continued the final receipts for procurement projects completed in previous years and promoted the issuance of separate title deeds at an intensive pace. There remain 3 complexes across Cyprus for which separate titles have not been issued and 5 complexes lacking the issuance of a number of titles.

Due to the suspension of the construction projects, the Board of Directors in November 2014, assigned temporarily to 14 employees of the Corporation duties at the Service for the Displaced Persons to cover urgent needs.

Primary Residence Protection Scheme

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The Board of Directors of the Cyprus Land Development Corporation was summoned by the Minister of Interior to prepare a scheme to protect the primary residence of individuals who have received a residential loan by mortgaging their residence and are unable to repay it.

The Primary Residence Protection Scheme was submitted to the Council of Ministers at the meeting dated July 30th, 2014. The Council of Ministers decided to approve the basic principles governing the Primary Residence Protection Scheme and to entrust its implementation to the Cyprus Land Development Corporation (Decision No. 77.351).

The final scheme was approved by the Council of Ministers on 28.12.2015 and after receiving the approval of the European Commission came into force on 1.10.2016.

The Scheme provides for the subsidy by the Cyprus Land Development Corporation of part of payments associated with mortgage loans. The grant shall not exceed 60% of the aforesaid payments, with maximum amount of €10.000,- per year for a period of 3 years.

Natural persons entitled to participate in the Scheme:

- (a) have received a residential loan by mortgaging their primary (permanent) residence; or
- (b) have received a business loan to finance small businesses by mortgaging their or their spouse's primary residence.

The candidates ought to:

1. Complete the procedures provided by the Central Bank on the basis of the Directive on Arrears Management of 2015, as amended or replaced from time to time, regarding the restructuring of loans including the mediation procedure with the Financial Commissioner.
2. Refer to an Insolvency Practitioner with a view to establish a Personal Repayment Plan in accordance with the Insolvency of Natural Persons (Personal Repayment Plans and Debt Relief Orders) Law of 2015 [N. 65 (I) / 2015], as amended or replaced from time to time.
3. The Annual Gross Income of the candidate and his/her family not to exceed:

Families with no children	€22.000
For each additional child plus	€2.000
Single-parent families with 1 child	€20.000
For each additional child plus	€2.000
Families with person or persons with disabilities	€33.000
Singles	€13.000
Singles with disabilities	€21.500

4. The estimated market value of the primary residence not to exceed the maximum amount of **€250.000** and the amount of the outstanding loan not to exceed the maximum amount of **€300.000** which are differentiated according to the following table:

	Estimated market value	Loan Amount
Families with no children	€200.000	€240.000

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For each additional child plus	€10.000	€12.000
Families with person or persons with disabilities	€250.000	€300.000
Singles	€150.000	€180.000
Singles with disabilities	€180.000	€216.000

5. The total estimated value of immovable property of the applicant and his/her family to not exceed in total the amount of €100.000 (the main residence of the applicant and his/her family is excluded from the estimation of the total value of immovable property provided that its estimated market value does not exceed the maximum amount of €250.000).

6. The candidate to be a permanent resident or to lawfully reside in the Republic of Cyprus for the last ten (10) years.

As far as concerned business loans, the annual turnover of the business not to exceed the amount of €250.000 and to employ up to 4 staff members.

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OTHER OPERATIONS

CONTRACTS OF SALE

During the year under review, six (6) Sale Contracts of a total value of €680.800 were signed.

BUDGET 2016

The Budget 2016 of the Cyprus Land Development Corporation was approved by its Board of Directors at the Board meeting held on July 16th, 2015 (Decision No. 9/15) and it was circulated to the Ministry of Interior to be presented to the Council of Ministers. Following its approval by the Council of Ministers on 22.10.2015 (Decision No 79.604) it was sent to the House of Representatives where in February 2016 it was passed by Law [Law 3 (II) / 2016] and published in the Government Gazette of the Republic No. 4300 dated 10.2.2016.

The Budget of CLDC for the financial year 2016 provides for revenue of €7.836.700; the amount of €3.774.200 to mainly derive from proceeds from sale of residences and plots and €4.062.500 from other income. The Corporation's expenditure for 2016 is budgeted at €5.036.324; out of which the amount of €220.000 is to be allocated to finance construction projects and the amount of €359.579 is to be used for loan servicing.

Based on the revised Budget prepared during the preparation of the Budget for 2017, revenue is estimated to amount to €9.019.100, €4.817.200 of which is to derive from proceeds from sale of residences and apartments.

FINANCIAL REPORT

The Corporation's turnover in 2016 amounted to €680.800, while the annual surplus before tax amounted to €1.097.248.

The annual revenue of 2016 amounted to €9.121.572 and the expenditure amounted to €2.767.006. Out of the total revenue, the amount of € 6.100.202 derived from advance payments, instalments, and repayments of residential plans.

Out of the Corporation's total expenditure, the amount of €401.187 was allocated to Capital Expenditure, while Administrative Expenses amounted to €2.012.449.