St. Kitts & Nevis Sugar Industry Diversification Foundation

Consolidated Financial Statements
December 31, 2011
(expressed in Eastern Caribbean dollars)

Grant Thornton

An instinct for growth™

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INDEPENDENT AUDITORS' REPORT

To the Board of Councillors of the
St. Kitts & Nevis Sugar Industry Diversification Foundation

We have audited the accompanying consolidated financial statements of the **St. Kitts & Nevis Sugar Industry Diversification Foundation and its subsidiaries**, which comprise the consolidated statement of financial position as of December 31, 2011 and the consolidated statements of accumulated fund, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we 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 auditors' 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 auditors consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **St. Kitts & Nevis Sugar Industry Diversification Foundation and its subsidiaries** as of December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants
December 20, 2013
Basseterre, St. Kitts

St. Kitts & Nevis Sugar Industry Diversification Foundation

Consolidated Statement of Financial Position

As of December 31, 2011

(expressed in Eastern Caribbean dollars)

	2011 $	2010 $
Assets		
Current assets		
Cash (note 6)	**67,840,795**	20,021,610
Investment securities (note 7)	**37,898,626**	34,702,037
Accounts receivable (note 8)	**2,718,077**	1,908,166
Due from Government of St. Kitts & Nevis (note 9)	**70,564,081**	21,745,599
Loans receivable (note 10)	**3,000,000**	15,866,554
Deferred costs (note 11)	**4,317,119**	–
Total current assets	**186,338,698**	94,243,966
Non-current assets		
Investment in associate (note 5)	–	14,583,310
Loans receivable (note 10)	–	21,033,798
Bond receivable (note 12)	**10,000,000**	10,000,000
Investment securities (Note 7)	**8,064,600**	–
Property under construction (note 13)	**41,681,571**	–
Property, plant and equipment (note 14)	**30,142,128**	–
Goodwill (note 5)	**1,969,300**	–
Total non-current assets	**91,857,599**	45,617,108
Total assets	**278,196,297**	139,861,074
Liabilities and Accumulated Fund		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	**14,587,561**	2,499,380
Due to related party (note 16)	**4,536,809**	–
Deferred revenue (note 17)	**14,873,915**	–
Loans payable (note 18)	**2,199,726**	–
Other payables (note 19)	**537,640**	4,374,992
Total current liabilities	**36,735,651**	6,874,372
Equity		
Accumulated fund	**238,616,597**	132,986,702
Non-controlling interest	**2,844,049**	–
Total equity	**241,460,646**	132,986,702
Total liabilities and equity	**278,196,297**	139,861,074

The accompanying notes on pages 1 to 27 are an integral part of these consolidated financial statements.

Approved by the Board of Councillors on December 20, 2013.

Chairman **Councillor**

St. Kitts & Nevis Sugar Industry Diversification Foundation

Consolidated Statement of Equity

For the year ended December 31, 2011

(expressed in Eastern Caribbean dollars)

	Accumulated Fund $	Non-controlling Interest $	Total Equity $
Balance at December 31, 2009	69,336,904	–	69,336,904
Comprehensive income for the year	63,649,798	–	63,649,798
Balance at December 31, 2010	132,986,702	–	132,986,702
Balance acquired as a result of acquisition of subsidiary (note 5)	–	3,283,076	3,283,076
Comprehensive income for the year	105,629,895	(439,027)	105,190,868
Balance at December 31, 2011	**238,616,597**	**2,844,049**	**241,460,646**

The accompanying notes on pages 1 to 27 are an integral part of these consolidated financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2011

(expressed in Eastern Caribbean dollars)

	2011 $	2010 $
Income		
Contributions	**232,901,616**	153,780,117
Interest income (note 20)	**5,544,577**	2,367,372
	238,446,193	156,147,489
Expenses		
Operating expenses (note 21)	**133,227,853**	91,748,254
General and administrative expenses (note 23)	**4,494,007**	749,437
Selling and marketing expenses (note 24)	**384,344**	–
Depreciation (note 14)	**264,266**	–
	138,370,470	92,497,691
Surplus before the gain on previously held equity investment	**100,075,723**	63,649,798
Gain on previously held equity investment (note 5)	**5,115,145**	–
Surplus for the year	**105,190,868**	63,649,798
Other comprehensive income	–	–
Total comprehensive income for the year	**105,190,868**	63,649,798
Attributable to:		
Non-controlling interest	**(439,027)**	–
The Foundation	**105,629,895**	63,649,798
Total comprehensive income for the year	**105,190,868**	63,649,798

The accompanying notes on pages 1 to 27 are an integral part of these consolidated financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Consolidated Statement of Cash Flows

For the year ended December 31, 2011

(expressed in Eastern Caribbean dollars)

	2011 $	2010 $
Cash flows from operating activities		
Surplus for the year	**105,190,868**	63,649,798
Items not affecting cash:		
Grant for purchase of electricity generator	**11,645,282**	–
Grant for Frigate Bay electricity upgrade	**10,768,148**	–
Gain on previously held equity interests	**(5,115,145)**	–
Depreciation	**264,266**	–
Interest expense	**203,000**	–
Interest income	**(5,544,577)**	(2,367,372)
	117,411,842	61,282,426
Operating surplus before changes in working capital		
Increase in accounts receivables and prepayments	**(353,320)**	(1,133,540)
Increase in due from Government of St. Kitts & Nevis	**(47,221,463)**	(14,827,038)
Decrease/(increase) in loans receivables	**12,453,966**	(26,741,722)
Increase in deferred costs	**(4,075,307)**	–
Decrease in due to related party	**(12,024,559)**	–
Increase in accounts payable and accrued liabilities	**6,700,056**	1,838,212
Increase in deferred revenue	**12,732,720**	–
(Decrease)/increase in other payables	**(3,837,352)**	4,374,992
	81,786,583	24,793,330
Interest received	**341,049**	131,615
Net cash generated from operating activities	**82,127,632**	24,924,945
Cash flows from investing activities		
Interest received in investment securities	**2,140,832**	1,318,673
Interest received from bond receivable	**600,000**	179,526
Increase in investment securities	**(11,362,556)**	(10,167,986)
Increase in property under construction	**17,323,726**	–
Purchase of property and equipment	**(26,074,456)**	–
Purchase of shares in associate	–	(14,583,310)
Purchase of bond	–	(10,000,000)
Net cash used in investing activities	**(17,372,454)**	(33,253,097)
Cash flows from financing activities		
Decrease in loan payable	**(7,359,113)**	–
Net increase/(decrease) in cash during the year	**57,396,065**	(8,328,152)
Net cash consideration paid during the acquisition	**(9,576,880)**	–
Cash at beginning of year	**20,021,610**	28,349,762
Cash at end of year (note 6)	**67,840,795**	20,021,610

The accompanying notes on pages 1 to 27 are an integral part of these consolidated financial statements.

(expressed in Eastern Caribbean dollars)

1 Establishment and principal activity

The St. Kitts & Nevis Sugar Industry Diversification Foundation (the "Foundation") was established on September 15, 2006, pursuant to Section 4 of the Foundations Act 2003 of the Federation of Saint Christopher and Nevis, and commenced operations on December 13, 2007.

The founder of the Foundation is the National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited. The purpose of the Foundation is to support the Government of St. Kitts & Nevis in its efforts to diversify the national economy, maintain economic stability in St. Kitts & Nevis following the closure of the sugar industry and to support the development of new and existing industries, projects, undertakings or enterprises in St. Kitts & Nevis. The Foundation may also grant assistance to individuals and institutions that qualify for such assistance under its policies and regulations.

The Foundation is an entity designated by the Government of St. Kitts and Nevis as qualifying for its Citizenship by Investment Program. Accordingly, persons making contributions at prescribed levels to the Foundation are eligible to apply for St. Kitts and Nevis citizenship.

During the year ended December 31, 2011 the Foundation acquired majority voting interest in Belmont Resorts Limited.

The consolidated financial statements as at and for the year ended December 31, 2011 comprise the Foundation and its subsidiary, Belmont Resorts Limited (together referred to as the "Group"). Belmont Resorts Limited (BRL) has 100% shareholding in Belmont Construction Limited (BCL) and Belmont Management Company Limited (BMC). The principal activities of the Foundation's subsidiaries are property development and property management, respectively, of the Kittitian Hill Resort in Whitegate, St. Kitts.

This is the Group's first consolidated financial statements as the subsidiary was only acquired in 2011. The comparative figures for 2010 represent the financial position and performance of the Foundation.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies … *continued*

2.1 Basis of preparation… *continued*

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and the related effect on the consolidated financial statements.

2.2 Changes in accounting policy

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011 and not early adopted

Certain new and amended standards and interpretations to existing standards have been published that became effective during the current financial year. None of these pronouncements had a significant impact on the accounting policies or financial disclosures of the Group.

- IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2013.

- IFRS 10, ‘Consolidated financial statements’ builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10’s full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after January 1, 2013.

- IFRS 12, ‘Disclosures of interest in other entities’ includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12’s full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies … *continued*

2.2 Changes in accounting policy… *continued*

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011 and not early adopted…continued

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

- Amendment to International Accounting Standards (IAS) 1, 'Financial statement presentation' regarding other comprehensive income which becomes effective on annual periods beginning July 1, 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess the amendment's full impact and intends to adopt amendment to IAS 1 no later than the accounting period beginning on January 1, 2013.

There are no other IFRSs that are not yet effective that would be expected to have a material impact on the Group.

2.3 Consolidation

The Group financial statements consolidate those of the parent entity and its subsidiaries as of December 31, 2011. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies … *continued*

2.4 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

2.5 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies … *continued*

2.6 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks, and other short term highly liquid investments with maturities at acquisition of three months or less.

2.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the Group's activities. Revenue is recognised as follows:

Contributions
Contributions are recognised as income when applicants are approved for citizenship by the Government of St. Kitts and Nevis.

Land sales
Revenues are recognised on land sales when the risks and rewards of ownership have been transferred to the buyer and the Group has no further substantial acts to complete under the contract – generally, this is on the transfer of land title.

Sale of Villas and cottages
Revenues are recognised on the sales of villas and cottages when the risks and rewards of ownership have been transferred to the buyer and when the buyer has taken effective control of the real estate – generally, this will be when the buyer has taken possession of the property.

Interest income
Interest income is recognised in the consolidated statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method. Interest income includes income earned on cash and cash equivalents, term deposits and loans receivable.

2.8 Taxation

In accordance with section 64 of the Foundations Act 2003, the Foundation is not subject to assessment or liable to any tax in the Federation of Saint Christopher and Nevis.

The Foundation's subsidiary is also exempt from taxation for a period of 20 years on its normal trading income, expiring October 12, 2030, and therefore no tax credit, or related deferred tax asset, arises in respect of the loss for the year.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies … *continued*

2.9 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Eastern Caribbean dollars, which is the Group's presentation and functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are reported at the exchange rates prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the consolidated statement of comprehensive income.

2.10 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

The Group classifies its financial assets in the following categories at initial recognition: loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

(expressed in Eastern Caribbean dollars)

2.10 Financial instruments… *continued*

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's loans and receivables comprise cash, investment securities, accounts receivable, due from Government of St. Kitts & Nevis and loans receivables in the consolidated statement of financial position.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Held-to-Maturity Financial Assets. These financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Foundation's management has the positive intention and ability to hold to maturity. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the held-to-maturity investments is recognized as part of "Interest income" in the statement of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the statement of comprehensive income. Gains or losses are recognized in profit or loss when the held-to-maturity financial assets are derecognized or impaired, as well as through the amortization process.

Included in this category is the Foundation's bond receivable.

Classification and subsequent measurement of financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Included in this category are the Group's accounts payable and accrued liabilities and other payables.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies … *continued*

2.10 Financial instruments… *continued*

Offsetting financial instruments… continued

liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below highest quality grade level and
- Economic condition of the country.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies … *continued*

2.11 Impairment of financial assets… *continued*

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

2.12 Events after the reporting date

Post year-end events that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. Management seeks to minimise potential adverse effects on the financial performance of the Group by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Councillors.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures. Such transactions are primarily in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976. The Board does not believe significant foreign exchange rate risk exists at December 31, 2011.

Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Group. The amount of the Group's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. The Group's financial assets which potentially expose the Group to concentrations of credit risk consist primarily of loans and receivables. The Group's exposure to credit risk is monitored on an on-going basis by the Board of Councillors; and though there is no formal risk grading system, the following measures are observed so as to minimize and mitigate credit risk to acceptable levels:

- Cash and cash equivalents and term deposits are only placed with well-known reputable banks and financial institutions.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

- Accounts receivable are primarily due from the Government of St. Kitts and Nevis, statutory bodies, certain Government departments and third parties with which the Group has an on-going relationship and knowledge of their credit history.

- Investment securities are only placed with well-known reputable banks and financial institutions.

- The bond receivable is due from the St. Christopher Air and Sea Ports Authority which is owned by the Government of St. Kitts and Nevis with which the Group has an on-going relationship.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

As at December 31, 2011 and 2010, no loans and receivables were past due but not impaired.

The Group's exposure to credit risk is concentrated in St. Kitts and Nevis.

The following table analyses the Group's credit risk exposure at their carrying amounts as categorised by the industry sectors of the counterparties.

	Financial Institutions $	Government of St. Kitts & Nevis $	Statutory Bodies $	Others $	Total $
Cash	**67,840,795**	**–**	**–**	**–**	**67,840,795**
Investment securities	**45,963,226**	**–**	**–**	**–**	**45,963,226**
Accounts receivable	**2,718,077**	**–**	**–**	**–**	**2,718,077**
Due from Government of St. Kitts & Nevis	**–**	**70,564,081**	**–**	**–**	**70,564,081**
Loans receivable	**–**	**3,000,000**	**–**	**–**	**3,000,000**
Bond receivable	**–**	**–**	**10,000,000**	**–**	**10,000,000**
As at December 31, 2011	**116,522,098**	**73,564,081**	**10,000,000**	**–**	**200,086,179**
Cash	20,021,610	–	–	–	20,021,610
Term deposits	34,702,037	–	–	–	34,702,037
Accounts receivable	1,857,207	–	50,959	–	1,908,166
Due from Government of St. Kitts & Nevis	–	21,264,383	481,216	–	21,745,599
Loans receivable	–	22,108,671	–	14,791,681	36,900,352
Bond receivable	–	–	10,000,000	–	10,000,000
As at December 31, 2010	**56,580,854**	**43,373,054**	**10,532,175**	**14,791,681**	**125,277,764**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, short term receivables and marketable securities and the ability of funding through an adequate amount of committed credit facilities.

The Group's assets held for managing liquidity risk include cash, short term receivables and term deposits. At December 31, 2011 these assets totalled $182,021,579 (2010: $94,243,966) compared to total liabilities of $21,861,736 (2010: $6,874,372). The Board of Councillors strives to ensure an adequate balance between the availability of liquid resources, its liabilities and the projects and donations to which it has committed the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year $	Total $
As at December 31, 2011		
Financial liabilities		
Accounts payable and accrued liabilities	**14,587,561**	**14,587,561**
Due to related parties	**4,536,809**	**4,536,809**
Loans payable	**2,199,726**	**2,199,726**
Other payables	**537,640**	**537,640**
Total financial liabilities	**21,861,736**	**21,861,736**
As at December 31, 2010		
Financial liabilities		
Accounts payable and accrued liabilities	2,499,380	2,499,380
Other payables	4,374,992	4,374,992
Total financial liabilities	6,874,372	6,874,372

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Fair value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. With the exception of cash, none of the Group's financial assets and liabilities are traded in a formal market. Estimated fair values are assumed to approximate their carrying values.

The table below summarises the carrying amounts and fair values of the Group's financial assets and liabilities:

	Carrying value		Fair value	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Financial assets				
Cash	**67,840,795**	20,021,610	**67,840,795**	20,021,610
Investment securities	**45,963,226**	34,702,037	**41,384,996**	34,702,037
Accounts receivable	**2,718,077**	1,908,166	**2,718,077**	1,908,166
Due from Government St. Kitts & Nevis	**70,564,081**	21,745,599	**70,564,081**	21,745,599
Loans receivable	**3,000,000**	36,900,352	**3,000,000**	36,900,352
Bond receivable	**10,000,000**	10,000,000	**10,000,000**	10,000,000
	200,086,179	125,277,764	**195,507,949**	125,277,764
Financial liabilities				
Accounts payable and accrued liabilities	**14,587,561**	2,499,380	**14,587,561**	2,499,380
Due to related parties	**4,536,809**	–	**4,536,809**	–
Loans payable	**2,199,726**	–	**2,199,726**	–
Other payables	**537,640**	4,374,992	**537,640**	4,374,992
	21,861,736	6,874,372	**21,861,736**	6,874,372

As of December 31, 2011 and 2010, all the financial assets of the Group are located in the Federation of St. Kitts & Nevis

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal to the related actual results.

The Councillors believe there are no significant estimates or judgments that would materially affect the carrying amounts of assets and liabilities within the next financial year.

5 Acquisition of Belmont Resorts Limited

Pursuant to agreements dated August 20, 2010, the Foundation purchased 3,616,623 shares representing 60.42% of the issued shares of BRL at EC$4.03 per share amounting to $14,583,310.

Further, Terra Forma International Corporation (TFIC), the remaining 39.58% shareholder of BRL, and the Foundation, by agreement dated August 20, 2010 mutually agreed that 1,416,623 of the ordinary shares acquired by the Foundation shall be subject to a suspension of voting rights for any decision relating to the day to day operations of the BRL, which resulted in the Foundation having a 36.75% voting rights interest. In addition, the Foundation granted to TFIC, an option to purchase shares from the Foundation in accordance with and upon conditions set forth in a Share Option Agreement dated August 20, 2010. The option must be exercised within five years from the execution of the Share Option Agreement or prior to 2015. The share price will be EC$6.16 per share where the option is exercised during the period of 3 years from the effective date of the agreement; and EC$6.16 per share together with interest compounded at a rate of 15% per annum, prorated daily on the basis of a 360 day year, where the option is exercised during the period from the expiration of the first phase to the option expiry date.

On July 18, 2011, the Foundation purchased an additional 29.58% or 4,350,000 shares in BRL for $11,818,528, thereby resulting in the Foundation owning 90% of the total shares of BRL.

The Group has elected to measure the non-controlling interest at proportionate interest in identifiable net assets.

(expressed in Eastern Caribbean dollars)

5 Acquisition of Belmont Resorts Limited *...continued*

Details of the purchase consideration, the fair value of the assets acquired and liabilities assumed at the acquisition date are as follows.

	2011 $
Assets	
Cash	**2,241,648**
Accounts receivables	**456,591**
Property under construction	**59,005,297**
Property, plant and equipment	**4,331,938**
Deferred costs	**241,812**
Liabilities	
Accounts payable and other liabilities	**(5,388,125)**
Deferred revenue	**(2,141,195)**
Due to related parties	**(16,561,368)**
Loan payable	**(9,355,839)**
Total identifiable net assets at fair value	**32,830,759**

The fair value of the acquired assets and liabilities are equal to their carrying value except for the value of land included in property under construction, and property, plant and equipment. The fair value adjustment in respect of land resulted in an increase of $27,515,327.

Goodwill was recognized as a result of the acquisition as follows:

	2011 $
Cash consideration	**11,818,528**
Fair value of previously held equity interest	**19,698,455**
Fair value of non-controlling interest measured at proportionate interest in identifiable net assets (10%)	**3,283,076**
Total consideration transferred	**34,800,059**
Total identifiable net assets at fair value	**(32,830,759)**
Goodwill	**1,969,300**

(expressed in Eastern Caribbean dollars)

5 Acquisition of Belmont Resorts Limited *…continued*

Gain on previously held equity investment

The book value of the Foundation's previously held interest amounted in Belmont Resorts Limited amounted to $14,583,310, however as at acquisition date the fair value of this interest was $19,698,455 resulting in a gain of $5,115,145.

Goodwill

Goodwill arising from the acquisition is attributable to the expected future profitability of the acquired business and its general economic impact on St. Kitts.

6 Cash

	2011 $	2010 $
Cash at bank	**67,834,795**	20,021,610
Cash in bank	**6,000**	–
	67,840,795	20,021,610

Cash is held in bank accounts at the FirstCaribbean International Bank, St. Kitts-Nevis-Anguilla National Bank Limited and The Bank of Nova Scotia, earning interest at rates ranging from Nil to 3% per annum (2010: Nil to 3%). The amounts held in these accounts are to facilitate the short term commitments and day-to-day operations of the Group.

(expressed in Eastern Caribbean dollars)

7 Investment securities

	2011 $	2010 $
Loans and receivables		
Fixed Deposits		
Twenty three (23) fixed deposits with one (1) year term at the St. Kitts-Nevis Anguilla National Bank Limited, all maturing on February 16, 2012 bearing interest at a rate of 5.75% per annum (2010: 5.75%)	**25,721,044**	24,322,500
Fifteen (15) year term deposit at The Development Bank of Saint Kitts and Nevis maturing on August 4, 2026 with no interest	**8,064,600**	–
One (1) year term deposit at The Bank of Nova Scotia maturing on March 15, 2012 bearing interest at a rate of 4% per annum (2010: 4%)	**5,639,487**	5,345,486
One (1) year term deposit at The Development Bank of Saint Kitts and Nevis maturing on July 21, 2012 bearing interest at a rate 3% per annum (2010: 3%)	**2,575,411**	2,500,000
One (1) year term deposit at The Development Bank of Saint Kitts and Nevis maturing on January 24, 2012 bearing interest at a rate of 3% per annum	**1,500,000**	–
One (1) year term deposit at The Development Bank of Saint Kitts and Nevis maturing on September 21, 2012 bearing interest at a rate of 3% per annum (2010: 3%)	**1,030,000**	1,000,000
	44,530,542	33,167,986
Less Non-current portion	**(8,064,600)**	–
Current portion	**36,465,942**	33,167,986
Interest receivable	**1,432,684**	1,534,051
	37,898,626	34,702,037

8 Accounts receivable

	2011 $	2010 $
The Development Bank of St. Kitts and Nevis	**2,357,207**	1,857,207
Other	**360,870**	50,959
	2,718,077	1,908,166

(expressed in Eastern Caribbean dollars)

8 Accounts receivable*...continued*

By agreement dated August 14, 2008, the Foundation and The Development Bank of St. Kitts & Nevis established the Agricultural Revolving Fund ("Fund") to provide loan capital to assist farmers and persons interested in starting small to medium size farms. At December 31, 2011, the net amount advanced by the Foundation to the Fund totaled $2,357,207 (2010: $1,857,207) with no interest and has no fixed terms of repayment.

9 Due from Government of St. Kitts & Nevis

	2011 $	2010 $
Due from Citizenship by Investment Unit (i)	**38,504,617**	21,264,383
Due from Ministry of Finance (ii)	**31,844,408**	–
Due from Financial Services Regulatory Commission (iii)	**215,056**	481,216
	70,564,081	21,745,599

i) The amount due from Government's Citizenship by Investment Unit amounts to $38,504,617 (2010: $21,264,383) which relates to approved citizenship applications for which the relevant funds had not yet been remitted to the Group.

ii) Amount due from Ministry of Finance relates to the Treasury bills that matured on December 30, 2011. The Treasury Department continues to hold the proceeds on behalf of the Group.

iii) The amount due from the Financial Services Regulatory Commission represents over-payment of due diligence fees.

10 Loans receivable

	2011 $	2010 $
Government of St. Kitts and Nevis		
Nevis Island Administration	**3,000,000**	–
Ministry of Public Works	–	10,158,630
Ministry of Finance	–	11,645,282
	3,000,000	21,803,912
Belmont Resorts Limited	–	14,791,681
	3,000,000	36,595,593
Less Non-current portion	–	(21,033,798)
Current portion	**3,000,000**	15,561,795
Interest receivable	–	304,759
	3,000,000	15,866,554

(expressed in Eastern Caribbean dollars)

10 Loans receivable*...continued*

Ministry of Public Works

A loan in the amount of $10,158,630 was advanced to the Ministry of Public Works on December 15, 2009 for the purpose of assisting with the Frigate Bay electricity sub-station upgrade. The loan is repayable over a period of seven (7) years and carries an interest rate of 3% per annum. The interest for the first 12 months is payable at the end of the said 12 months period. This facility was subsequently converted to a grant pursuant to the Board of Councillors' resolution dated August 29, 2013.

Ministry of Finance

On March 3, 2010, the Foundation granted a loan to the Ministry of Finance in the amount of EC$11,645,282 to purchase generators in connection with the expansion of the power plant at Needsmust. The loan is interest free and to be repaid within twelve months but in any event, no later than fifteen (15) months from the date of disbursement. This facility was subsequently converted to a grant pursuant to the Board of Councillors' resolution dated August 29, 2013.

Nevis Island Administration

On June 10, 2011, the Foundation granted a loan to Nevis Island Administration in the amount of $3,000,000. The loan was granted to assist in the construction of the Nevis Performing Arts Centre. The loan is interest free with no fixed repayment terms.

Belmont Resorts Limited ("BRL")

On August 20, 2010, the Foundation granted a loan to BRL, a real estate development company, in the amount of EC$14,791,681 at interest rate of 5% repayable in twenty four (24) equal installments commencing twelve (12) months after the first disbursement of the loan. The loan was granted in five (5) installments during the period August 2010 to January 2011. The final instalment of $625,006 was granted in January 2011. As at December 31, 2011, the loan balance amounts to $15,416,687. Interest income accrued during the year amounting to $967,044.

On September 30, 2011, the subsidiary received a loan in the amount of $1,198,937 to assist in its day-to-day operations. The loan is interest free with no fixed repayment terms.

The above balances were eliminated during the business combination.

(expressed in Eastern Caribbean dollars)

11 Deferred costs

	2011 $	2010 $
Stamp duty	**2,569,994**	–
Sales commission	**1,747,125**	–
	4,317,119	–

Deferred costs consist of commission paid to sales agents for the sale of cottages and/or villas and stamp duty.

12 Bond receivable

St. Christopher Air & Sea Ports Authority issued a ten year $10,000,000 bond to the Group, $5,000,000 on July 31, 2010 and $5,000,000 on September 1, 2010. The bond is repayable on July 22, 2020 and carries an interest rate of 6% per annum payable monthly. Interest earned during the year amounted to $600,000 (2010: $225,205).

13 Property under construction

	Land $	Assets Under Construction $	Total $
Year ended December 31, 2011			
Balance as at acquisition date of BRL	36,329,920	463,970	36,793,890
Additions in the year	–	4,887,681	4,887,681
Cost and closing net book amount	**36,329,920**	**5,351,651**	**41,681,571**

(expressed in Eastern Caribbean dollars)

14 Property, plant and equipment

	Freehold land $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicles $	Construction in progress $	Total $
Year ended December 31, 2011							
Balance as at acquisition date of BRL	3,360,080	134,149	67,246	7,693	157,503	15,866,666	19,593,337
Additions in the year	–	48,688	597,812	93,982	220,545	13,091,640	14,052,667
Reversal of capitalized costs	–	–	–	–	–	(3,239,610)	(3,239,610)
Depreciation during the year	–	(53,850)	(108,157)	(21,784)	(80,475)	–	(264,266)
Closing net book amount	3,360,080	128,987	556,901	79,891	297,573	25,718,696	30,142,128
At December 31, 2011							
Cost	3,360,080	233,027	665,058	101,675	417,048	25,718,696	30,495,584
Accumulated depreciation	–	(104,040)	(108,157)	(21,784)	(119,475)	–	(353,456)
Net book amount	**3,360,080**	**128,987**	**556,901**	**79,891**	**297,573**	**25,718,696**	**30,142,128**

(expressed in Eastern Caribbean dollars)

15 Accounts payable and accrued liabilities

	2011 $	2010 $
Marketing fees payable	**5,072,822**	2,419,380
Trade payables	**3,559,966**	–
Stamp duty payable	**2,612,974**	–
Lease payable	**919,294**	–
Accrued liabilities	**681,585**	–
Property tax and social security payable	**426,088**	–
Other payables	**403,069**	–
Guaranteed return option	**385,063**	–
Convertible fees payable	**335,300**	–
Professional fees	**191,400**	80,000
	14,587,561	2,499,380

16 Related party transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties can arise by way of common ownership, common directors and management. The outstanding balances of related party transactions are as follows:

	Relationship	2011 $	2010 $
Due to related party			
Terra Forma International Corp. (TFIC)	Shareholder	**4,536,809**	–

Transactions with TFIC pertain to reimbursable expenses and cash advances provided to the Company to assist in working capital needs. The balances are unsecured, non-interest bearing and have no fixed terms of repayment.

(expressed in Eastern Caribbean dollars)

16 Related party transactions *...continued*

Key management compensation

During the year, salaries and related benefits of $774,846 (2010: $96,000) were paid and accrued to key members of management allocated as follows:

	2011 $	2010 $
Salaries and allowances	**598,454**	–
Social security	**38,892**	–
Board of Councillors' fees	**96,000**	96,000
Board of Directors' fees	**41,500**	–
	774,846	96,000

17 Deferred revenue

	2011 $	2010 $
Payment received in advance	**12,555,670**	–
Reservation deposits	**2,318,245**	–
	14,873,915	–

18 Loans payable

	2011 $	2010 $
Sedona Resorts Management Inc.	**1,321,726**	–
ECL Investments Ltd.	**675,000**	–
	1,996,726	–
Interest payable	**203,000**	–
	2,199,726	–

(expressed in Eastern Caribbean dollars)

18 Loans payable *...continued*

Sedona Resorts Management Inc.

On December 24, 2010, the Company signed a promissory note to Sedona Resorts Management Inc., a real estate management company, in the amount of $1,350,000 at an interest rate of 10% commencing on May 1, 2011. There are no fixed terms of repayment. As at December 31, 2010, the Company only used EC$1,321,726 of the agreed loan amount.

ECL Investments Ltd.

On May 21, 2010, the Company obtained a loan of $675,000 from ECL Investments Ltd., to finance the ongoing operations of the Company. The loan was secured by Terra Forma International Corp. The loan carries an interest rate based on the six - month US$ Libor plus 600 basis points. The loan is to be repaid one year after the disbursement date.

19 Other payables

	2011 $	2010 $
Henley and Partners	**537,640**	–
Able Engineering Limited	–	2,886,673
Anselm La Touche Limited	–	945,168
Dominion Capital Partners Inc.	–	543,151
	537,640	4,374,992

20 Interest income

	2011 $	2010 $
Term deposits	**2,039,465**	1,705,792
Treasury bills	**1,597,019**	–
Loans	**967,044**	304,759
Bond	**600,000**	225,206
Other bank deposits	**341,049**	131,615
	5,544,577	2,367,372

(expressed in Eastern Caribbean dollars)

21 Operating expenses

	2011 $	2010 $
Citizenship processing fees	**59,449,543**	40,632,144
Marketing fees	**19,462,568**	12,419,484
Budget support grant to the Government of St. Kitts and Nevis	**14,000,000**	18,017,506
Grant for purchase of generator	**11,645,282**	–
Grant for Frigate Bay electricity upgrade	**10,768,148**	–
Donations (note 22)	**10,012,575**	14,992,623
Due diligence fees	**7,889,737**	5,686,497
	133,227,853	91,748,254

22 Donations

	2011 $	2010 $
Saint Kitts Tourism Authority (SKTA)	**4,704,350**	6,865,615
Youth Empowerment Skills (YES) Training Program	**1,738,704**	4,000,000
Agricultural Resource Management (ARM) Project	**1,239,562**	1,092,182
Capisterre Farm Project	**973,277**	199,870
Skills Training and Entrepreneurial Program (STEP)	**828,527**	–
Agricultural Training for Employment Programme (ATEP)	**300,511**	1,526,844
Sports Tourism Project	**127,644**	110,658
St. Christopher National Trust	**100,000**	–
Youth Empowerment Skill Entrepreneur Fund Grant (YESEF)	**–**	1,000,000
Ministry of International Trade - Shanghai Expo 2010	**–**	197,454
	10,012,575	14,992,623

(expressed in Eastern Caribbean dollars)

23 General and administrative expenses

	2011 $	2010 $
Payroll (note 25)	**1,171,441**	–
Professional fees	**729,048**	85,373
Guaranteed return option	**452,682**	–
Rent and lease	**302,615**	–
Developer fee	**296,348**	–
Management fees	**282,000**	286,250
Travel and accommodation	**227,075**	93,823
Consulting fees	**141,871**	108,000
Escrow fee	**109,731**	–
Staff expense	**103,010**	–
Councillors' fees	**96,000**	96,000
Office supplies and stationery	**86,110**	–
VAT expense	**66,549**	–
Repairs and maintenance	**58,408**	–
Membership and subscription	**46,691**	–
Utilities	**46,370**	–
Property tax	**46,310**	–
Donations and sponsorship	**45,168**	–
Board member fee and expenses	**41,500**	–
Other expenses	**38,702**	26,394
Bank charges	**30,259**	1,715
IT maintenance and support	**26,043**	–
Insurance	**20,565**	–
Custom duties	**14,155**	–
Meals and entertainment	**7,869**	–
Recruitment expense	**7,487**	–
Legal fees	–	51,882
	4,494,007	749,437

24 Selling and marketing expenses

	2011 $	2010 $
Advertising	**358,928**	–
Marketing	**25,416**	–
	384,344	–

(expressed in Eastern Caribbean dollars)

25 Payroll

	2011 $	2010 $
Salaries	**920,839**	–
Wages	**179,119**	–
Social security	**71,483**	–
	1,171,441	–

26 Commitments

The Group leases its land from Whitegate Development Corporation, under an operating lease agreement. Lease payments of $234,713 are due monthly for a period of thirty five (35) years and commenced on February 2008, with two (2) years lease-free period, under the terms of the lease agreement.

The minimum lease payments due under this agreement are as follows:

	2011 $	2010 $
Not later than one year	**234,713**	–
Later than one year and not later than five years	**1,173,566**	–
Later than five years	**6,102,545**	–
	7,510,824	–

27 Subsequent events

On July 5, 2013, a Transaction Agreement (the "Agreement") was entered into between the Foundation, Belmont Resorts Limited, Terra Forma International Corp. and REP Caribbean Development Corp. (REPCDC). Under the terms of the agreement REPCDC shall pay the Foundation an aggregate amount in cash equal to US$20,000,000 in consideration for the sale of the Foundation's shares in BRL and all indebtedness owed by BRL to the Foundation. Payment is scheduled to be made over a period ending March 31, 2016.