

**St. Kitts & Nevis Sugar Industry
Diversification Foundation**

Separate Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)



Grant Thornton

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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 separate financial statements of the **St. Kitts & Nevis Sugar Industry Diversification Foundation**, which comprise the separate statement of financial position as of December 31, 2011 and the separate 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 separate financial statements present fairly, in all material respects, the financial position of the **St. Kitts & Nevis Sugar Industry Diversification Foundation** 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

Separate Statement of Financial Position

As of December 31, 2011

(expressed in Eastern Caribbean dollars)

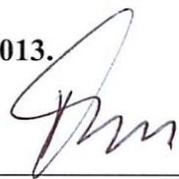
	2011 \$	2010 \$
Assets		
Current assets		
Cash (note 5)	67,503,873	20,021,610
Investment securities (note 6)	37,898,626	34,702,037
Accounts receivable (note 7)	2,357,207	1,908,166
Due from Government of St. Kitts & Nevis (note 8)	70,564,081	21,745,599
Loans receivable (note 9)	15,446,089	15,866,554
Total current assets	193,769,876	94,243,966
Non-current assets		
Investment in associate (note 11)	–	14,583,310
Investment in subsidiary (note 11)	26,401,838	–
Loans receivable (note 9)	5,138,894	21,033,798
Bond receivable (note 10)	10,000,000	10,000,000
Investment securities (Note 6)	8,064,600	–
Total non-current assets	49,605,332	45,617,108
Total Assets	243,375,208	139,861,074
Liabilities and Accumulated Fund		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	5,384,869	2,499,380
Other payables (note 13)	537,640	4,374,992
Total Current Liabilities	5,922,509	6,874,372
Accumulated fund	237,452,699	132,986,702
Total Liabilities and Accumulated Fund	243,375,208	139,861,074

The accompanying notes on pages 1 to 18 are an integral part of these financial statements.

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



Chairman



Councillor

St. Kitts & Nevis Sugar Industry Diversification Foundation

Separate Statement of Accumulated Fund

For the year ended December 31, 2011

(expressed in Eastern Caribbean dollars)

	Accumulated Fund \$
Balance at December 31, 2009	69,336,904
Comprehensive income for the year	<u>63,649,798</u>
Balance at December 31, 2010	132,986,702
Comprehensive income for the year	<u>104,465,997</u>
Balance at December 31, 2011	<u>237,452,699</u>

The accompanying notes on pages 1 to 18 are an integral part of these financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Separate 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 14)	5,544,577	2,367,372
	<u>238,446,193</u>	<u>156,147,489</u>
Expenditure		
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 & Nevis	14,000,000	18,017,506
Grant for purchase of electricity generator	11,645,282	–
Grant for Frigate Bay electricity upgrade	10,768,148	–
Donations (note 15)	10,012,575	14,992,623
Due diligence fees	7,889,737	5,686,497
Management fees	282,000	286,250
Professional fees	155,000	85,373
Consulting fees	141,871	108,000
Councillors' fees	96,000	96,000
VAT expenses	57,073	35
Corporate secretarial fee	18,000	9,000
Bank charges	2,129	1,715
Business license and permits	270	1,321
Printing expense	–	445
Other expense	–	10,405
Public relation fee	–	5,188
Travel and accommodation	–	93,823
Legal fees	–	51,882
	<u>133,980,196</u>	<u>92,497,691</u>
Surplus for the year	<u>104,465,997</u>	<u>63,649,798</u>
Other comprehensive income	–	–
Total comprehensive income for the year	<u>104,465,997</u>	<u>63,649,798</u>

The accompanying notes on pages 1 to 18 are an integral part of these financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Separate 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	104,465,997	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	–
Interest income	(5,544,577)	(2,367,372)
	121,334,850	61,282,426
Operating surplus before changes in working capital		
Increase in accounts receivables	(449,041)	(1,133,540)
Increase in due from Government of St. Kitts & Nevis	(48,818,482)	(14,827,038)
Increase in loans receivables	(5,131,017)	(26,741,722)
Increase in accounts payable and accrued liabilities	2,885,489	1,838,212
(Decrease)/increase in other payables	(3,837,352)	4,374,992
	65,984,447	24,793,330
Interest received	341,049	131,615
Net cash generated from operating activities	66,325,496	24,924,945
Cash flows from investing activities		
Interest received on investment securities	2,141,414	1,318,673
Interest received from bond receivable	600,000	179,526
Purchase of shares in subsidiary	(11,818,528)	(14,583,310)
Increase in investment securities	(9,766,119)	(10,167,986)
Purchase of bond	–	(10,000,000)
Net cash used in investing activities	(18,843,233)	(33,253,097)
Net increase/(decrease) in cash during the year	47,482,263	(8,328,152)
Cash at beginning of year	20,021,610	28,349,762
Cash at end of year (note 5)	67,503,873	20,021,610

The accompanying notes on pages 1 to 18 are an integral part of these financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(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.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these 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 financial statements of the Foundation have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements 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 Foundation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Changes in accounting policy

New and amended standards and interpretations effective in the current year

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 Foundation.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(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 1 January 2011 and not early adopted

- 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 Foundation 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 1 January 2013.

- 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 Foundation is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 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 Foundation 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.

2.3 Cash and cash equivalents

For the purpose of the 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.

2.4 Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Foundation will not be able to collect all

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ... *continued*

amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.5 Subsidiaries

The Foundation's investments in shares of subsidiaries are accounted for under the cost method as provided for under IAS 27, "Consolidated and Separate Financial Statements". The investments are carried at cost less any impairment in value. The Foundation recognizes dividends from a subsidiary in profit or loss when its right to receive the dividend is established.

Subsidiaries are all entities (including special purpose entities) over which the Foundation has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Foundation controls another entity. The Foundation also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Foundation's voting rights relative to the size and dispersion of holdings of other shareholders give the Foundation the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Foundation. They are deconsolidated from the date that control ceases.

Consolidated financial statements have also been prepared and reported on.

2.6 Revenue recognition

Contributions

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

Interest income

Interest income is recognised in the 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.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ... continued

2.7 Taxation

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

2.8 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the Foundation’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 statement of comprehensive income.

2.10 Financial instruments

Financial assets

The Foundation 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 other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ... *continued*

2.10 Financial instruments... *continued*

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Foundation's loans and receivables comprise cash, investment securities, accounts receivable, due from Government of St. Kitts & Nevis and loans receivables in the separate statement of financial position. Loans and receivables are carried at amortised cost using the effective interest method.

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.

Financial liabilities

The Foundation's financial liabilities are recognized initially on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. The Foundation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Included in this category are the Foundation's accounts payable and accrued liabilities and other payables.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ... *continued*

2.10 Financial instruments... *continued*

Offsetting financial instruments

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

2.11 Impairment of financial assets

The Foundation assesses at each statement of financial position 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 Foundation 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 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.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ... *continued*

2.11 Impairment of financial assets... *continued*

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.

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

3 Financial risk management

The Foundation'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 Foundation by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Councillors.

Foreign exchange risk

The Foundation 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 Foundation. The amount of the Foundation's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. The Foundation's financial assets which potentially expose the Foundation to concentrations of credit risk consist primarily of loans and receivables. The Foundation's exposure to credit risk is monitored on an ongoing 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:

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

- Cash and cash equivalents and term deposits are only placed with well-known reputable banks and financial institutions.
- Accounts receivable are primarily due from the Government of St. Kitts and Nevis, statutory bodies, certain Government departments and third parties with which the Foundation has an on-going relationship and knowledge of their credit history.

As at December 31, 2011, loans and receivables of \$2,569,448 (2010: \$Nil) were past due but not impaired.

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

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Credit risk...continued

The following table analyses the Foundation'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	67,503,873	—	—	—	67,503,873
Investment securities	45,963,226	—	—	—	45,963,226
Accounts receivable	2,357,207	—	—	—	2,357,207
Due from Government of St. Kitts & Nevis	—	70,349,025	215,056	—	70,564,081
Loans receivable	—	3,000,000	—	17,584,983	20,584,983
Bond receivable	—	—	10,000,000	—	10,000,000
As at December 31, 2011	115,824,306	73,349,025	10,215,056	17,584,983	216,973,370
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

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(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 Foundation's assets held for managing liquidity risk include cash, short term receivables and term deposits. At December 31, 2011 these assets totalled \$193,769,876 (2010: \$94,243,966) compared to total liabilities of \$5,922,509 (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 Foundation.

The table below analyses the Foundation's financial liabilities into relevant maturity groupings based on the remaining period at the 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	5,384,869	5,384,869
Other payables	537,640	537,640
	<hr/>	<hr/>
Total financial liabilities	5,922,509	5,922,509
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
	<hr/>	<hr/>
Total financial liabilities	6,874,372	6,874,372

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(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 Foundation'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 Foundation's financial assets and liabilities:

	Carrying value		Fair value	
	2011	2010	2011	2010
	\$	\$	\$	\$
Financial assets				
Cash	67,503,873	20,021,610	67,503,873	20,021,610
Investment securities	45,963,226	34,702,037	41,384,966	34,702,037
Accounts receivable	2,357,207	1,908,166	2,357,207	1,908,166
Due from Government St. Kitts & Nevis	70,564,081	21,745,599	70,564,081	21,745,599
Loans receivable	20,584,983	36,900,352	20,584,983	36,900,352
Bond receivable	10,000,000	10,000,000	10,000,000	10,000,000
	216,973,370	125,277,764	212,395,110	125,277,764
Financial liabilities				
Accounts payable and accrued liabilities	5,384,869	2,499,380	5,384,869	2,499,380
Other payables	537,640	4,374,992	537,640	4,374,992
	5,922,509	6,874,372	5,922,509	6,874,372

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

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(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 Foundation 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 Cash

	2011	2010
	\$	\$
Cash at bank	<u>67,503,873</u>	20,021,610

Cash is held in bank accounts at the 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 Foundation.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

6 Investment securities

	2011 \$	2010 \$
Loans and receivables		
<i>Fixed Deposits</i>		
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

7 Accounts receivable

	2011 \$	2010 \$
The Development Bank of St. Kitts and Nevis	2,357,207	1,857,207
Other	–	50,959
	2,357,207	1,908,166

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.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

8 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
	<u>70,564,081</u>	<u>21,745,599</u>

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

9 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
	<u>3,000,000</u>	<u>21,803,912</u>
Belmont Resorts Limited	16,615,624	14,791,681
	<u>19,615,624</u>	<u>36,595,593</u>
Less Non-current portion	(5,138,894)	(21,033,798)
Current portion	14,476,730	15,561,795
Interest receivable	969,359	304,759
	<u>15,446,089</u>	<u>15,866,554</u>

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 month period. This facility was subsequently converted to a grant pursuant to the Board of Councillors' resolution dated August 29, 2013.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

9 Loans receivable...*continued*

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, to assist with 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 and related party, in the amount of \$15,416,687 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 amounted to \$15,416,687. Interest income accrued during the year amounted 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.

10 Bond receivable

St. Christopher Air & Sea Ports Authority issued a ten year \$10,000,000 bond to the Foundation, \$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 and received during the year amounted to \$600,000 (2010: \$225,205).

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

11 Investment

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 acquired an additional 29.58% or 4,350,000 shares in BRL for \$11,818,528, thereby resulting in the Foundation owning 90% interest in BRL, and having majority voting shares.

	2011	2011	2010	2010
	Number	\$	Number of	\$
	of shares		shares	
Ownership shares	7,966,623	26,401,838	3,616,623	14,583,310

Movement in the shares during the year is as follows:

	Number of	\$
	shares	
Balance at December 31, 2010	3,616,623	14,583,310
Additional shares acquired during the year	4,350,000	11,818,528
Balance at December 31, 2011	7,966,623	26,401,838

12 Accounts payable and accrued liabilities

	2011	2010
	\$	\$
Marketing fees payable	5,072,822	2,419,380
Professional fees	191,400	80,000
Other payables	120,647	—
	5,384,869	2,499,380

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

13 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

14 Interest income

	2011	2010
	\$	\$
Term deposits	2,039,465	1,705,792
Treasury bills	1,597,019	–
Loans (note 9)	967,044	304,759
Bond (note 10)	600,000	225,206
Other bank deposits	341,049	131,615
	5,544,577	2,367,372

15 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 Program (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

16 Key management compensation

During the year, fees of \$96,000 (2010: \$96,000) were paid to the Board of Councillors.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to the Financial Statements

December 31, 2011

(expressed in Eastern Caribbean dollars)

17 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.