

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

Financial Statements

**December 31, 2009**

(expressed in Eastern Caribbean dollars)

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the St. Kitts & Nevis Sugar Industry Diversification Foundation (the "Foundation"), which comprise the balance sheet as of December 31, 2009 and the statement of accumulated fund, statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 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' judgement, 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, these financial statements present fairly, in all material respects, the financial position of the St. Kitts & Nevis Sugar Industry Diversification Foundation as of December 31, 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants  
September 28, 2010  
Basseterre, St. Kitts

# St. Kitts & Nevis Sugar Industry Diversification Foundation

## Balance Sheet

As of December 31, 2009

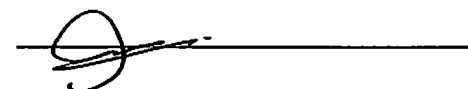
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(expressed in Eastern Caribbean dollars)

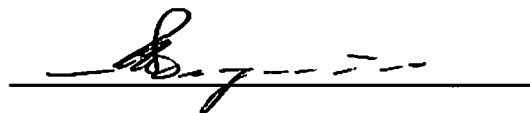
	2009 \$	2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	28,349,762	30,189,651
Term deposits (note 6)	24,152,210	-
Accounts receivable (note 7)	8,789,127	5,771,565
Loan receivable (note 8)	-	4,032,300
<b>Total current assets</b>	<b>61,291,099</b>	<b>39,993,516</b>
<b>Non-current assets</b>		
Loan receivables (note 8)	10,158,630	-
<b>Total assets</b>	<b>71,449,729</b>	<b>39,993,516</b>
<b>Liabilities and Accumulated Fund</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	2,112,825	1,599,638
<b>Accumulated fund</b>	<b>69,336,904</b>	<b>38,393,878</b>
<b>Total liabilities and accumulated fund</b>	<b>71,449,729</b>	<b>39,993,516</b>

The accompanying notes on pages 1 to 8 are an integral part of these financial statements.

Approved by the Board of Councillors on September 28, 2010.



Chairman



Councillor

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

## **Statement of Accumulated Fund**

**For the year ended December 31, 2009**

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(expressed in Eastern Caribbean dollars)

	<b>Accumulated Fund \$</b>
<b>Balance at December 31, 2007</b>	<b>14,278,210</b>
Comprehensive income for the year	<u>24,115,668</u>
<b>Balance at December 31, 2008</b>	<b>38,393,878</b>
Comprehensive income for the year	<u>30,943,026</u>
<b>Balance at December 31, 2009</b>	<b><u>69,336,904</u></b>

The accompanying notes on pages 1 to 8 are an integral part of these financial statements.

# St. Kitts & Nevis Sugar Industry Diversification Foundation

## Statement of Comprehensive Income

For the year ended December 31, 2009

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(expressed in Eastern Caribbean dollars)

	2009 \$	2008 \$
<b>Income</b>		
Contributions	52,972,324	36,043,386
Interest income	1,404,593	122,846
	<u>54,376,917</u>	<u>36,166,232</u>
<b>Expenditure</b>		
Processing fees	7,096,848	4,643,365
Project donations	6,348,150	1,750,000
Marketing fees	4,301,120	3,064,548
Agricultural Training for Employment Programme (ATEP)	2,056,450	974,784
Due diligence fees	1,776,600	795,335
Agricultural Resource Management- Erosion Prevention Management fees	243,000	222,750
Consulting fees	108,000	81,000
Councillors fees	96,000	114,500
Professional fees	16,000	13,785
Bank charges	1,540	1,136
General expenses	270	3,263
Courier services	-	43,919
Office expenses	-	701
	<u>23,433,891</u>	<u>12,050,564</u>
<b>Surplus for the year</b>	<u>30,943,026</u>	<u>24,115,668</u>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<u>30,943,026</u>	<u>24,115,668</u>

The accompanying notes on pages 1 to 8 are an integral part of these financial statements.

# St. Kitts & Nevis Sugar Industry Diversification Foundation

## Statement of Cash Flows

For the year ended December 31, 2009

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(expressed in Eastern Caribbean dollars)

	2009 \$	2008 \$
<b>Cash flows from operating activities</b>		
Surplus for the year	30,943,026	24,115,668
Increase in term deposits	(24,152,210)	-
Increase in accounts receivable	(3,017,562)	(5,723,065)
Increase in loan receivable	(6,126,330)	(4,032,300)
Increase/(decrease) in accounts payable and accrued liabilities	513,187	(1,729,514)
<b>Net cash used in operating activities</b>	<u>(32,782,915)</u>	<u>(11,484,879)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	(1,839,889)	12,630,789
<b>Cash - beginning of year</b>	<u>30,189,651</u>	<u>17,558,862</u>
<b>Cash - end of year</b>	<u>28,349,762</u>	<u>30,189,651</u>

The accompanying notes on pages 1 to 8 are an integral part of these financial statements.

# St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2009

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(expressed in Eastern Caribbean dollars)

## 1 Establishment of the Foundation

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 purpose of the Foundation is to research into the development of other industries to replace the sugar industry; to fund the development of these industries and to fund ongoing research and development to ensure the sustainability of these alternative industries.

## 2 Significant accounting policies

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

### a) Basis of preparation

The financial statements of the St. Kitts & Nevis Sugar Industry Diversification Foundation have been prepared in accordance with International Financial Reporting Standards (IFRS) and 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 judgement in the process of applying the Foundation’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### *(i) New and amended standards adopted by the Foundation*

The Foundation has adopted the following new and amended IFRSs as of January 1, 2009:

- IAS 1 (revised). ‘Presentation of financial statements’ – effective January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘nonowner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Foundation presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the statement of comprehensive income.

# St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2009

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(expressed in Eastern Caribbean dollars)

## 2 Significant accounting policies...*continued*

### a) Basis of preparation...*continued*

#### *(i) New and amended standards adopted by the Foundation...continued*

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the statement of comprehensive income.

### b) 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, net of any bank overdraft.

### c) 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 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.

### d) Revenue recognition

#### *Contributions*

The Foundation has been designated a special approved project for the purposes of the Government of St. Kitts and Nevis Citizenship by Investment Programme. Accordingly, persons making contributions at prescribed levels to the Foundation are eligible to apply for citizenship by investment. Contributions are recognised as income when applicants are approved for citizenship by the Government.

#### *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 based on actual purchase price. Interest income includes income earned on cash and cash equivalents and term deposits.



# St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2009

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(expressed in Eastern Caribbean dollars)

## 2 Significant accounting policies...*continued*

### e) Taxation

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

### f) Foreign currency translation

#### (i) *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.

#### (ii) *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 income and expenditure.

## 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, 2009.

# St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2009

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(expressed in Eastern Caribbean dollars)

## 3 Financial risk management...continued

### 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 their receivables. The Board does not believe that significant credit risk exists as of December 31, 2009. As at December 31, 2009 none of the Foundation's receivables are considered past-due or impaired.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability of funding through an adequate amount of committed credit facilities. The Board does not believe that significant liquidity risk exists as of December 31, 2009.

The table below analyses the Foundation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<b>As at December 31, 2009</b>				
Accounts payable and accrued liabilities	2,112,825	—	—	2,112,825
<b>As at December 31, 2008</b>				
Accounts payable and accrued liabilities	1,599,638	—	—	1,599,638

### 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.

# St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2009

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(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 and judgement that would materially affect the carrying amounts of assets and liabilities within the next financial year.

## 5 Cash and cash equivalents

	2009	2008
	\$	\$
Cash at bank	28,349,762	30,189,651

Cash is held in bank accounts at the St. Kitts-Nevis-Anguilla National Bank Limited and The Bank of Nova Scotia, and earns interest at rates ranging from 0% to 3% per annum (2008: 0% to 2%). The amounts held in these accounts are to facilitate the short term commitments and day-to-day operations of the Foundation.

## 6 Term deposits

	2009	2008
	\$	\$
Term deposits	23,000,000	–
Interest receivable	1,152,210	–
	24,152,210	–

All term deposits are held with St. Kitts-Nevis Anguilla National Bank Limited, mature on February 16, 2010 and carry a fixed rate of 5.75% per annum.

## 7 Accounts receivable

	2009	2008
	\$	\$
Due from Government		
– Citizenship by Investment Unit	8,065,459	5,771,565
Development Bank of St. Kitts and Nevis Limited	723,668	–
	8,789,127	5,771,565

# St. Kitts & Nevis Sugar Industry Diversification Foundation

## Notes to Financial Statements

December 31, 2009

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(expressed in Eastern Caribbean dollars)

### 7 Accounts receivable...continued

#### *Due from Government*

The amount due from Government includes a balance of \$7,764,866 which relates to approved citizenship applications for which the relevant funds had not yet been remitted to the Foundation at December 31, 2009 and an amount of \$300,593 representing an overpayment of due diligence fees to the Citizenship by Investment Unit.

#### *Development Bank of St. Kitts and Nevis*

By agreement dated August 14, 2008, the Foundation and the Development Bank of St. Kitts & Nevis Limited established an Agricultural Revolving Fund ("Fund") to provide loan capital to businesses operating in the medium-small and micro-agro enterprise sector of the St. Kitts & Nevis economy. At December 31, 2009, the net amount advanced by the Foundation to the Fund amounted to \$723,668.

### 8 Loan receivable

	2009	2008
	\$	\$
Loan due from Government	10,158,630	4,032,300
Less non-current portion	<u>(10,158,630)</u>	-
Current portion	-	<u>4,032,300</u>

The loan amount of \$4,032,300 due from the Government at December 31, 2008 was fully repaid during the current year.

A new loan in the amount of \$10,158,630 was advanced to the Government on December 15, 2009. The loan is repayable over a period of seven (7) years and carries an interest rate of 3% per annum.

### 9 Accounts payable and accrued liabilities

	2009	2008
	\$	\$
Due to Government		
– Citizenship Processing Unit - Processing	1,451,657	1,451,628
– Financial Services Department - Due diligence	-	132,300
Marketing fees	645,168	-
Professional fees	16,000	13,500
Federal Holding Ltd	-	2,210
	<u>2,112,825</u>	<u>1,599,638</u>

# St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2009

(expressed in Eastern Caribbean dollars)

## 10 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of business transactions are entered into with statutory bodies and other government entities in the normal course of business.

Included in accounts payable and accrued liabilities is the following amount due to Government:

	2009 \$	2008 \$
Due to Government		
– Citizenship Processing Unit - Processing	1,451,657	1,451,628
– Financial Services Department - Due diligence	–	132,300
	<u>1,451,657</u>	<u>1,583,928</u>

Included in accounts receivable is the following amount due from Government:

	2009 \$	2008 \$
Due from Government		
– Citizenship by Investment Unit	8,065,439	5,771,565
Development Bank of St. Kitts & Nevis Limited	723,688	–
	<u>8,789,127</u>	<u>5,771,565</u>

Included in cash is the following amount held with a Government controlled entity:

	2009 \$	2008 \$
St. Kitts-Nevis-Anguilla National Bank Limited		
– Cash and cash equivalents	28,349,762	30,188,727
– Term deposits	24,271,774	–
	<u>52,621,536</u>	<u>30,188,727</u>

# St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2009

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(expressed in Eastern Caribbean dollars)

## 10 Related party transactions...continued

Included in expenditure are the following transactions with related parties:

	2009 \$	2008 \$
<b>Expenditure</b>		
<i>Processing fees</i>		
Government departments:		
– Citizenship Processing Unit	7,096,848	4,643,365
<i>Due diligence fees</i>		
Government departments:		
– Financial Services Department	1,776,660	795,335
<i>Project donations</i>		
Government departments:		
– Department of Agriculture	3,446,362	1,316,262
– Department of Community Development - YES Programme	2,000,000	–
– Department of Sport - Sport Tourism Initiative	220,550	–
St. Kitts Tourism Authority - Air Lift Support	4,032,300	1,500,000
St. Christopher Air & Sea Port Authority - Airport Improvement	75,000	–
Development Bank of St. Kitts and Nevis Limited	–	250,000
	<u>18,647,720</u>	<u>8,504,962</u>
	2009 \$	2008 \$
<b>Finance charges</b>		
St. Kitts-Nevis-Anguilla National Bank Limited	<u>1,540</u>	<u>1,136</u>

### Key management compensation

During the year, fees of \$96,000 (2008: \$114,500) were paid to the Board of Councillors.