

Audited Financial Statements

PIBC MANAGEMENT LIMITED
dba PARADISE ISLAND BEACH CLUB

December 31, 2022

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Audited Financial Statements

December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Opinion

We have audited the financial statements of PIBC Management Limited dba Paradise Island Beach Club ("the Club"), which comprise the statement of financial position as at December 31, 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Club as at December 31, 2022, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Club in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Club or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Club's financial reporting process.

To the Shareholders of

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Club's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Club to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

To the Shareholders of

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

A handwritten signature in black ink, consisting of a large, stylized initial 'R' followed by a long horizontal line extending to the right.

May 10, 2023

Nassau, The Bahamas

**CHARTERED ACCOUNTANTS
NORONHA & CO.**

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB
STATEMENT OF FINANCIAL POSITION
December 31, 2022


	<u>Note</u>	<u>2022</u> \$	<u>2021</u> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5, 23	2,035,091	1,920,063
Accounts receivables	6, 23	95,718	105,112
Inventories	7	39,286	23,737
Other assets	8	141,646	140,243
Amount due from a related party	9, 21	323	499
TOTAL CURRENT ASSETS		<u>2,312,064</u>	<u>2,189,654</u>
NON-CURRENT ASSETS			
Property, and equipment	10	872,819	972,815
TOTAL NON-CURRENT ASSETS		<u>872,819</u>	<u>972,815</u>
TOTAL ASSETS		<u>3,184,883</u>	<u>3,162,469</u>
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Maintenance fees received in advance	11	2,019,880	2,039,245
Accounts payable and accrued expenses	12, 23	423,115	438,001
TOTAL CURRENT LIABILITIES		<u>2,442,995</u>	<u>2,477,246</u>
EQUITY			
Retained earnings		741,888	685,223
TOTAL EQUITY		<u>741,888</u>	<u>685,223</u>
TOTAL EQUITY AND LIABILITIES		<u>3,184,883</u>	<u>3,162,469</u>

The notes to financial statements form an integral part of these Financial Statements.

Approved and signed for and on behalf of the Management Committee;

.....

Michael Patoka
Appointed Member

.....

Patrick Delaney
Elected Member

May 10, 2023

Nassau, The Bahamas

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2022

	<u>Note</u>	<u>2022</u>	<u>2021</u>
		\$	\$
INCOME			
Maintenance fees	11, 13	2,489,290	2,390,708
Energy surcharges	14	189,639	155,825
Credit cards	14	22,912	9,824
Minimart	22	36,000	36,000
Pool Bar		512,076	401,789
Interest		10,445	10,795
Default resale and rentals		351,120	278,914
Other		73,159	30,036
TOTAL INCOME		3,684,641	3,313,891
DIRECT EXPENSES			
Cost of sales		261,251	200,192
Salary and benefits	15	942,895	789,820
Utilities	16	404,386	372,220
Maintenance materials	17	547,135	372,648
Contracted services	18	107,558	87,733
Other supplies and materials	19	122,404	100,366
Saturday reception party		54,575	30,779
Replacement of amenities		10,826	4,128
TOTAL DIRECT EXPENSES		2,451,030	1,957,886
OPERATING PROFIT		1,233,611	1,356,005
INDIRECT EXPENSES			
Management compensation	20, 21	170,065	154,654
Insurance		164,560	145,942
Provision for bad debts	6	88,480	7,106
Bad debts		100,470	-
Licenses and taxes		202,476	249,453
Depreciation	10	99,996	99,996
Advertising		64,770	61,753
Bank charges		79,015	91,280
Professional fees		67,668	76,640
Computer and IT services		43,122	64,948
Rent - Welcome Center	22	39,130	39,130
Office supplies and expenses		32,217	22,023
Vehicle maintenance		13,911	8,769
Loan interest	21	-	2,329
Meeting / AGM expenses		9,667	11,510
Travel and entertainment		1,399	1,486
TOTAL INDIRECT EXPENSES		1,176,946	1,037,019
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		56,665	318,986

The notes to financial statements form an integral part of these Financial Statements.

Figures in brackets indicate deduction.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2022

	<u>Retained earnings</u>
	\$
Balance as at January 1, 2021	366,237
Total comprehensive income for the year	318,986
Balance as at December 31, 2021	685,223
Total comprehensive income for the year	56,665
Balance as at December 31, 2022	741,888

The notes to financial statements form an integral part of these Financial Statements.

Figures in brackets indicate deduction.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB
STATEMENT OF CASH FLOWS
Year ended December 31, 2022

	<u>Note</u>	<u>2022</u> \$	<u>2021</u> \$
Net cash (used in) generated from operating activities			
Total comprehensive income for the year		56,665	318,986
Adjustments for			
Depreciation of property and equipment	10	99,996	99,996
Decrease in bad debts provision	6	(56,828)	(27,718)
Operating profit before working capital changes		99,833	391,264
Adjustment for working capital changes			
Increase in inventories	7	(15,549)	(4,717)
Decrease (increase) in accounts receivables	6	66,222	(7,172)
Decrease in amount due from a related party	9, 21	176	2,051
Increase in other assets	8	(1,403)	(14,783)
(Decrease) increase in maintenance fees received in advance	11	(19,365)	194,649
(Decrease) increase in accounts payable and accrued expenses	12, 23	(14,886)	136,125
Decrease in amount due to a related party		-	(99,782)
Net cash generated from operating activities		115,028	597,635
Increase in cash and cash equivalents		115,028	597,635
Cash and cash equivalents at the beginning of the year		1,920,063	1,322,428
Cash and cash equivalents at the end of the year	5	2,035,091	1,920,063

The notes to Financial Statements form an integral part of these Financial Statements.
Figures in brackets indicate deduction.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

PIBC Management limited dba Paradise Island Beach Club (“the Club”) is a forty-four unit timeshare resort located on Paradise Island, Bahamas which was developed in 1984 by Paradise Island Development Ltd., (“PIDL” and “Founder Member”). The Founder Member is a wholly owned subsidiary of Paradise Island Beach Club Limited (“PIBCL” or “Landlord”) having its registered office at 1st Floor, Cloughton House, Shirley and Charlotte Street, Nassau, The Bahamas.

The property on which the Club was developed was conveyed by PIDL to CIBC Trust Company Bahamas Ltd to be held in trust until December 31, 2028 as assurance for purchasers of timeshare units that the property could not be encumbered. The term of the trust was extended until December 31, 2032 to accommodate a longer than anticipated sell-out. The trust was transferred from CIBC Trust Company Bahamas Ltd to Butterfield Bank (Bahamas) Ltd (formally “Thorand Bank & Trust Ltd”) on June 2, 2003. At the end of the trust period, the property will revert to the Landlord.

The Club is a non-profit making entity whose objective is to secure for the members’ joint rights of use of the timeshare units.

PIDL sold vacation certificates for each of the forty-four units which gave the purchaser/member the right to occupy a unit for a week per year (out of possible fifty (50) weeks) for a total of 40 years. Each member is obligated to pay their annual members’ fees prior to being allowed to make a reservation to occupy a unit.

Under the Constitution of the Club (“the Constitution”), the affairs of the Club shall be managed by a Management Committee of 5 individuals, 3 of whom are nominated by the Founder Member and 2 of whom shall be members of the Club. PIBC Management Limited incorporated on September 27, 2007, was formed to provide management services to the Club under an agreement dated November 14, 2007. The Club operates a mini-mart, restaurant and pool-bar, all of which are located on the premises of the Club. All relevant business and trade licenses are in the name of the Club.

2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND BASIS OF PREPARATION

The Club’s audited financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are expressed in Bahamian Dollars (“\$”), the functional currency of the Club.

3. NEW ACCOUNTING POLICIES

New and amended IFRS Accounting Standards that are effective for the current year

The Club has yet to apply a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022, as these amendments have not had any material impact on the disclosures or on the amounts reported in these financial statements.

3. NEW ACCOUNTING POLICIES (continued)

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The Club has yet to adopt the amendments to IFRS 3 Business Combinations in the current or future years.

Amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract)

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Club has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

3. NEW ACCOUNTING POLICIES (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Club has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

IFRS 17 (including the June 2020 and - Insurance Contracts December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Management Committee does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Club in future periods.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

1. NEW ACCOUNTING POLICIES (continued)

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments should be applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The Management Committee of the Club anticipate that the application of these amendments may have an impact on the Club's financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

3. NEW ACCOUNTING POLICIES (continued)

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors— Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error;
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Management anticipates that all relevant pronouncements will be adopted in the Club’s accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Club’s financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of financial statements

The financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements* (Revised 2007) and have been prepared on a historical cost basis. The Club has elected to present the statement of comprehensive income in one statement.

Management’s use of judgments and estimates

The Club uses accounting estimates and assumptions in the preparation of these financial statements. Although these estimates are based on management’s best knowledge of current events and transactions, actual results may ultimately differ from those estimates. The effect of any changes in estimates will be recorded in the Club’s financial statements when determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Under the current system of taxation in The Bahamas, the Club is exempt from paying income taxes.

On January 1, 2015, The Value Added Tax (VAT) Bill and Regulations became effective in The Commonwealth of the Bahamas. The Club is registered under the provision of the Value Added Tax Act 2014 on December 15, 2014. The Club's Tax Identification Number (TIN) is 100481026.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive operations.

Non-monetary items are measured at historical cost and are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The Club does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on financial assets at fair value through profit or loss from the fluctuations arising in the market prices of the instruments. Such fluctuations are included in net realized and unrealized gain or loss on financial asset at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprises of cash at banks and short term deposits with a bank and are subject to an insignificant risk of changes in value.

Financial assets and financial liabilities at fair value through profit and loss (FVTPL)

Classification

Assets

The Club classifies its financial assets based on both the Club's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis.

Financial liabilities

Financial liabilities are recognized when the Club becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

The Club's financial liabilities include accounts payable and accrued expenses and amount due to a related party, which are measured at amortized cost using the effective interest method. Discounting, however, is omitted where the effect of discounting is immaterial.

Recognition, derecognition and measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Club has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

As of December 31, 2022, financial assets at FVTPL amounted to \$2,024,078 (2021: \$1,907,759).

Impairment of financial assets

The Club assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Annual maintenance fee and maintenance fee in advance

The Management Committee determines annual maintenance fee for members to contribute in order to support operations of the Club. These dues are received in advance and are recorded as maintenance fee in advance. Maintenance fee in advance is recorded as revenue in the year it relates to.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The Management Committee has taken a policy decision not to capitalize the capital expenditure of the Club. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive income as incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property and equipment, and are recognized in the statement of comprehensive income.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amounts substituted for cost, less its residual value.

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the items of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated depreciation rate of property and equipment are as follows:

	Life	Residual values
Leasehold Improvements:		
Exterior	5	\$0
Interior	3	\$30,000
Amenities	2	\$10,000
Computer Hardware & Software	3	\$10,000
Vehicles	3	\$0
Office Equipment	3	\$0

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted, if appropriate.

Related party transactions

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence.

Related parties include the shareholders, top management, and a related company (Parent, subsidiary or an Associate) as they have the ability to affect the financial or operating policies of the Club through the presence of control or significant influence.

PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is comprised primarily of members' annual maintenance, maid service revenue, electricity surcharge, telephone, credit card and internet revenue. Revenue is recognized when the services are provided and the goods are delivered to guests.

Annual maintenance fees are billed in advance for the year in which they are due. Maintenance fees collected in advance are shown as maintenance fees paid in advance at the reporting date and recognized as revenue in the following year.

Interest income

Interest income is accrued on a daily basis using the effective interest rate method.

Sale of re-possessed units

Under rule 8A of the Constitution, any and every vacation certificate forfeited to the Club for non-payment of dues shall be held by the Founder Member on behalf of the Club upon trust to subsequently sell the same. The Club will be the beneficiary of the net proceeds of sale of every such vacation certificate and the Founder Member shall be entitled to pay the usual commission to any person affecting such sale. The Founder Member will be entitled to let the premises to which such vacation certificate relates, and the Club will be the beneficiary of the net proceeds of such lettings. The Club will be responsible for the annual dues in respect to all such vacation certificates.

The Club in accordance with the 1995 Amended Constitution is responsible for the payment of maintenance fees on all Defaulted Weeks.

Expenses

All expenses are recognized in the statement of comprehensive income on an accrual basis

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022

	<u>Note</u>	<u>2022</u> \$	<u>2021</u> \$
5. CASH AND CASH EQUIVALENTS			
Cash at banks - current accounts	24	969,901	864,027
Short term deposits - Certificate of deposits	24	1,054,177	1,043,732
Cash in hand		9,600	6,600
Undeposited funds		1,413	5,704
		<u>2,035,091</u>	<u>1,920,063</u>

Certificate of deposits having maturities less than 3 months have been classified as cash and cash equivalents and are held at Fidelity Bank (Bahamas) Limited and earn interest at the rate of 1.25%p.a. (2021: 1.25%p.a.).

	<u>2022</u> \$	<u>2021</u> \$
6. ACCOUNTS RECEIVABLES		
Account receivables - members	184,198	250,420
<u>Less: Provision for doubtful debts</u>	<u>(88,480)</u>	<u>(145,308)</u>
	<u>95,718</u>	<u>105,112</u>

The aging of accounts receivables - members is as follows:

	<u>2022</u> \$	<u>2021</u> \$
Past due but not impaired	95,718	105,112
Past due and impaired	88,480	145,308
	<u>184,198</u>	<u>250,420</u>

The movement in the provision for doubtful debts is as follows:

	<u>2022</u> \$	<u>2021</u> \$
Balance at beginning	145,308	173,026
Provision made during the year	88,480	7,106
Provision reversed during the year	(145,308)	(34,824)
Balance at year-end	<u>88,480</u>	<u>145,308</u>

7. INVENTORIES

Food	13,738	9,898
Beverages	32,548	20,839
	46,286	30,737
<u>Less: Provision for inventories</u>	<u>(7,000)</u>	<u>(7,000)</u>
	<u>39,286</u>	<u>23,737</u>

8. OTHER ASSETS

Prepayments	141,594	140,168
Staff loans	52	75
	<u>141,646</u>	<u>140,243</u>

9. AMOUNT DUE FROM A RELATED PARTY

Due from a related party as at December 31, 2022 amounted to \$323 (2021: \$499) represented the amount due from the Club's management. This had been fully settled in 2023.

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NOTES TO FINANCIAL STATEMENTS

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10. Property and equipment

	Leasehold improvements			Computers	Motor		
	Exterior	Interior	Amenities	HW and SW	Vehicles	Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
<u>Cost</u>							
Balances at January 1, 2021	660,555	2,476,993	606,473	176,100	9,200	92,026	4,021,347
Additions	-	-	-	-	-	-	-
Balances at December 31, 2021	660,555	2,476,993	606,473	176,100	9,200	92,026	4,021,347
Additions	-	-	-	-	-	-	-
Balances at December 31, 2022	660,555	2,476,993	606,473	176,100	9,200	92,026	4,021,347
<u>Accumulated Depreciation</u>							
Balances at January 1, 2021	462,320	1,831,785	487,304	90,043	9,200	67,884	2,948,536
Charge for the year	8,403	70,493	13,470	3,572	-	4,058	99,996
Balances at December 31, 2021	470,723	1,902,278	500,774	93,615	9,200	71,942	3,048,532
Charge for the year	8,403	70,493	13,470	3,572	-	4,058	99,996
Balances at December 31, 2022	479,126	1,972,771	514,244	97,187	9,200	76,000	3,148,528
Carrying value							
At December 31, 2022	181,429	504,222	92,229	78,913	-	16,026	872,819
At December 31, 2021	189,832	574,715	105,699	82,485	-	20,084	972,815

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11. MAINTENANCE FEES RECEIVED IN ADVANCE

Maintenance fees received in advance as at December 31, 2022 amounted \$2,019,880 (2021: \$2,039,245).

The Management Committee determines annual maintenance fee for members to contribute in order to support operations of the Club. These dues are received in advance and are recorded as maintenance fees received in advance under current liabilities in the statement of financial position.

Maintenance fee income for the year amounted to \$2,363,250 (2021: \$2,390,708).

	<u>2022</u>	<u>2021</u>
	\$	\$
12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES		
Accounts payable	258,034	244,981
Accrued expenses	165,081	193,020
	<u>423,115</u>	<u>438,001</u>

13. MAINTAENANCE FEES

Income from maintenance fees for the year amounted to \$2,363,250 (2021: \$2,390,708).

The Management Committee determines annual maintenance fee for members to contribute in order to support operations of the Club.

14. ENERGY SURCHARGE AND CREDIT CARD FEE REVENUES

The Club charges its members an energy charge of \$125 (2021: \$125) per week when members stay at the Club. The Club also charges a credit card fee of 2.75% (2021: 2.75%) for each credit card payment.

Energy surcharge and credit card fee revenues for the year amounted to \$189,639 and \$22,912, respectively (2021: \$55,825 and \$9,824, respectively).

	<u>2022</u>	<u>2021</u>
	\$	\$
15. SALARY AND BENEFITS BY DEPARTMENT FOR THE YEAR		
Housekeeping	269,006	191,244
Maintenance	234,148	219,054
Administration	231,283	195,392
Pool bar	144,998	132,321
Vacation experience	40,910	33,507
Sales bonus and commission	22,550	18,302
	<u>942,895</u>	<u>789,820</u>

Salary and benefits by expense for the year are as follows:

Salary	876,114	711,238
National insurance	36,240	28,417
Group insurance	15,341	30,915
Pension	600	2,250
Bonuses	14,600	17,000
	<u>942,895</u>	<u>789,820</u>

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December 31, 2022

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
16. UTILITIES		
Total utilities for the year are as follows:		
Electricity	218,186	200,002
Water	88,315	99,076
CATV and internet	52,544	42,010
Telephone	45,341	31,132
	<u>404,386</u>	<u>372,220</u>
17. MAINTENANCE MATERIALS		
Total maintenance materials for the year are as follows:		
Exterior	186,176	136,023
Interior	85,911	72,471
Maintenance at shut down	275,048	164,154
	<u>547,135</u>	<u>372,648</u>
18. CONTRACTED SERVICES		
Total contracted services for the year are as follows:		
Security personnel	63,500	50,102
Fire fighting and security equipment	20,579	17,591
Garbage removal	16,311	15,330
Pest control	7,168	4,710
	<u>107,558</u>	<u>87,733</u>
19. OTHER SUPPLIES AND MATERIALS		
Total other supplies and materials for the year are as follows:		
Cleaning supplies	37,538	38,746
Laundry supplies	9,745	8,304
Inventory replacement - linen, towels, kitchen items	32,449	22,798
Consumables	34,531	23,484
Decorations	3,311	4,600
Other	4,830	2,434
	<u>122,404</u>	<u>100,366</u>
20. MANAGEMENT COMPENSATION		
Total management compensation for the year are as follows:		
Management salaries	<u>170,065</u>	<u>154,654</u>

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		<u>2022</u>	<u>2021</u>
		\$	\$
21. RELATED PARTY BALANCES AND TRANSACTIONS			
Related party balances and transactions are as follows:			
<u>Balances</u>	<u>Relationship</u>		
Amount due from a related party	Management	323	499
Amount due to a related party	Management	2,760	-
		<u> </u>	<u> </u>
<u>Transactions</u>			
Management compensation	Management	170,065	154,654
Loan interest	Shareholder	-	2,329
		<u> </u>	<u> </u>

22. LEASE COMMITMENTS

On April 17, 2003, PIDL entered into a lease agreement with Marriot Ownership Resorts (Bahamas) Ltd., in its capacity as the Founder Member of the Club for and on behalf of the Club and its members effective January 1, 2003 for a period of 23 years. The leased property is to be used for the benefit of the members of the Club which now serves as the Welcome Centre. The Club's commitments on this operating lease are as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Less than one year	39,130	39,130
2 - 5 years	117,390	156,250
	<u>156,520</u>	<u>195,380</u>

A portion of the above property has been sub-leased to other tenants on month-to-month lease basis on October 1, 2019 at a monthly rental of \$3,000. The Club earned rental income of \$36,000 during the year (2021: \$36,000) which was shown as Minimart Income in the statement of comprehensive income.

23. FINANCE RISK MANAGEMENT

Overview

The Club has exposure to the following risks from its use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk

The Club's financial risk management policies are established and reviewed regularly to identify and analyze the risks faced by the Club, to set appropriate risk limits and controls, and monitor risks and adherence to limits. The Club presents qualitative information about its exposure to risk and the objectives, policies and processes for measuring and managing these risks. Further, quantitative disclosures are included throughout this note.

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December 31, 2022

23. FINANCE RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Club if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Club's cash held with banks and receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

<u>As at December 31</u>	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
Cash at banks - current accounts	969,901	864,027
Short term deposits - Certificate of deposits	1,054,177	1,043,732
Accounts receivables, net	95,718	105,112
	<u>2,119,796</u>	<u>2,012,871</u>

Cash at banks was deposited with regulated financial institutions. Accordingly, management considers this to bear minimal credit risk.

Management actively monitors the aging of receivables and establishes a provision as circumstances warrant. The Club does not anticipate any losses in excess of the provision for doubtful accounts as a result of this exposure.

Liquidity risk

Liquidity risk' is the risk that the Club will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Club's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meets its liabilities and other commitments when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Club's operations.

A maturity analysis of the financial liabilities is as follows

	Contractual cash flows			
	Carrying amount	1-12 months	1-5 years	More than 5 years
<u>At December 31, 2022</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Financial liabilities				
Accounts payables	258,034	258,034	-	-
Accrued expenses	165,081	165,081	-	-
Interest bearing borrowing	-	-	-	-
	<u>423,115</u>	<u>423,115</u>	<u>-</u>	<u>-</u>

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23. FINANCE RISK MANAGEMENT (continued)

	Contractual cash flows			
	Carrying amount	1-12 months	1-5 years	More than 5 years
<u>At December 31, 2021</u>	\$	\$	\$	\$
Financial liabilities				
Accounts payables	382,643	382,643	-	-
Accrued expenses	55,358	55,358	-	-
	438,001	438,001	-	-

Market risk

Market risk is the risk that future changes in market conditions such as foreign exchange rates and interest rates will impact the Club's income or the value of holding it financial instruments. The objective of market risk management is to manage and control its market risk within acceptable parameters whilst optimizing the return on risk.

The Club is not exposed to significant price risk as it does not invest in any equities and has minimum exposure to currency and interest rate risks.

Currency risk

All of the Club's financial assets and liabilities are denominated in Bahamian dollars or in US dollars, and therefore, the Club is not exposed to any significant currency risk.

Interest rate risk

Interest rate risk refers to the risk of loss due to adverse movement in interest rates. The Club's interest rate risk arises from its cash held with banks including term deposits. The interest rate exposure at the reporting date is \$1,054,177 (2021: \$1,043,732). As at December 31, 2022, interest rates on the cash held with banks are 0% - 1.25% (2020: 0% - 1.25%).

The Club believes that interest rate risk is minimal and a hypothetical 1% increase/decrease in the interest rate would have an impact of \$10,542 (2021: \$10,437) on the financial position and results of comprehensive income.

24. CAPITAL MANAGEMENT POLICY

The Club's main objectives when managing its capital are to safeguard its ability to continue as a going concern, to maintain adequate liquidity to meet obligations and to keep the property in an acceptable state of repair.

25. LITIGATION AND CLAIMS

There were no litigations and claims against the Club as at the reporting date.

26. POST-REPORTING DATE EVENTS

The Club evaluated the impact of all subsequent events through May 10, 2023, which is the date the financial statements are available to be issued. There were no adjusting or non-adjusting events that need to be disclosed or reflected in the financial statements.

Independent Auditors' Report pages 1 through 3.