

*Audited Financial Statements*

**PARADISE ISLAND BEACH CLUB**

Financial Statements for the Year Ended December 31, 2013

And Independent Auditors' Report

**PARADISE ISLAND BEACH CLUB**  
Financial Statements

Years ended December 31, 2013 and 2012

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# *Beneby & Company*

## *Chartered Accountants*

### **INDEPENDENT AUDITORS' REPORT**

#### *To the Shareholder of Paradise Island Beach Club:*

We have audited the accompanying financial statements of Paradise Island Beach Club, which comprise the statement of financial position as of December 31, 2013, and the statements of comprehensive income, changes in equity, and 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, 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 amount and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

#### *Matter of Emphasis*

The 2012 financial statements had a Disclaimer of Opinion from the previous auditors due to incomplete and incorrect accounting, resulting in the auditors not being able to obtain sufficient evidence to satisfy themselves on certain balances nor were they present to observe the physical inventory of the mini-mart and pool bar.

Management has taken corrective actions during 2013 and as a result the 2012 financial statements have been restated to reflect the corrected balances.

We did not audit the 2012 balances and have not provided an opinion on them.

***Basis for Qualified Opinion***

The company's inventories are carried in the statement of financial position at \$87,366.


We were appointed auditors subsequent to December 31, 2013 and as a result were not able to observe the inventory of the mini-mart and pool bar and the valuation of same.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Paradise Island Beach Club as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Beneby & Company***  
Chartered Accountants

October 8, 2014

A handwritten signature in cursive script, appearing to read "Beneby & Company", is written over a diagonal line that extends from the bottom left towards the top right.

# PARADISE ISLAND BEACH CLUB

## Statement of Financial Position

December 31, 2013 and 2012

(Expressed in Bahamian dollars)

	Note		2013	2012 (Restated)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5, 18	\$	1,335,995	1,130,777
Accounts receivable	6, 18		46,457	548,187
Inventories	7		87,366	83,531
Prepayments			12,969	2,103
Total current assets			1,482,787	1,764,598
<b>Non-current assets</b>				
Property and equipment, net	8		760,526	1,033,345
Total non-current assets			760,526	1,033,345
Total assets		\$	2,243,313	2,797,943
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	9, 18	\$	279,268	325,455
Due to related parties	16, 18		130,000	144,402
Total current liabilities			409,268	469,857
<b>Non-current liabilities</b>				
Maintenance fees paid in advance			1,941,700	1,945,848
Total non-current liabilities			1,941,700	1,945,848
<b>Equity</b>				
Accumulated surplus (deficit)			(107,655)	382,238
Total deficit			(107,655)	382,238
Commitments	18			
Total liabilities and equity		\$	2,243,313	2,797,943

See accompanying notes to financial statements.

These financial statements were approved by the Management Committee on October 8, 2014 and signed on behalf of the Management Committee by:

  
Jim Martens  
Nominated Member – Chairman

  
David Rice  
Elected Member

## PARADISE ISLAND BEACH CLUB

### Statement of Comprehensive Income

December 31, 2013 and 2012  
(Expressed in Bahamian dollars)

	Note	2013	2012 (Restated)
<b>Income</b>			
Maintenance fees		\$ 2,565,373	2,739,000
Energy surcharge revenue	10	170,395	167,688
Credit card revenue	10	33,903	37,287
Minimart revenue		568,990	332,550
Pool Bar revenue		514,305	420,951
Interest income	5	10,925	27,214
Internet revenue		12,330	-
Telephone revenue		2,180	4,030
Other income	17	243,094	85,618
<b>Total income</b>		<b>4,121,495</b>	<b>3,814,338</b>
<b>Direct expenses</b>			
Cost of sales		735,873	587,215
Salary and benefits	11	1,031,992	1,002,283
Utilities	12	563,588	483,123
Maintenance materials	13	255,788	260,707
Contracted services	14	97,536	99,387
Other supplies and materials	15	141,609	99,643
Saturday reception party		65,000	66,300
Uniforms		736	2,367
Replacement of amenities		1,935	1,619
<b>Total direct expenses</b>		<b>2,894,057</b>	<b>2,602,644</b>
<b>Operating profit</b>		<b>1,227,438</b>	<b>1,211,694</b>
<b>Indirect expenses</b>			
Management compensation	16	220,935	220,935
Licenses and taxes		135,472	122,201
Insurance		121,474	119,891
Loss on disposal of property and equipment		-	55,942
Bank charges		41,051	43,223
Professional fees		53,752	39,256
Rent expense - welcome center	17	39,140	39,140
Computer and IT services		90,045	30,514
Office supplies and expenses		37,797	24,027
Company vehicle		5,604	7,514
Travel and entertainment		8,077	5,542
Prior Period Adjustment		-	(154,591)
Bad debt expense	6	417,995	56,495
Depreciation	8	545,990	384,353
<b>Total indirect expenses</b>		<b>1,717,333</b>	<b>994,442</b>
<b>Net loss</b>		<b>\$ (489,894)</b>	<b>217,252</b>

See accompanying notes to financial statements.

**PARADISE ISLAND BEACH CLUB**

Statement of Changes in Equity

December 31, 2013 and 2012

(Expressed in Bahamian dollars)

		(Restated) Accumulated Deficit
Balance at December 31, 2011	\$	164,986
Net profit for the year		217,252
Balance at December 31, 2012		382,238
Fixed asset adjustment		1
Net loss for the year		(489,894)
Balance at December 31, 2013		(107,655)



## PARADISE ISLAND BEACH CLUB

### Statement of Cash Flows

December 31, 2013 and 2012

(Expressed in Bahamian dollars)

	Note	2013	2012
			(Restated)
<b>Cash flows from operating activities</b>			
Net loss for the year		\$ (489,894)	217,252
Adjustments:			
Depreciation	8	545,990	384,353
Prior year accounts receivable adjustment		192,106	-
Bad debt expense	6	417,995	56,495
Loss on disposal of property and equipment		-	55,942
Net cash from operations before changes in working capital		666,197	714,042
Increase in accounts receivable		(108,371)	(242,750)
Increase in inventories		(3,834)	(83,531)
Decrease in prepayments		(10,866)	6,446
(Decrease)/increase in accounts payable and accrued expenses		(46,187)	13,532
(Decrease)/increase in due to related parties		(14,402)	(11,125)
Increase in maintenance fees paid in advance		(4,148)	148,406
Decrease in tenant security deposit		-	(500)
Net cash provided by/(used in) operating activities		478,389	544,520
<b>Cash flows from investing activities</b>			
Additions to property and equipment	8	(273,171)	(1,131,858)
Net cash used in investing activities		(273,171)	(1,131,858)
Net (decrease)/increase in cash and cash equivalents		205,218	(587,338)
Cash and cash equivalents, beginning of year		1,130,777	1,718,115
Cash and cash equivalents, end of year	5	\$ 1,335,995	1,130,777

See accompanying notes to financial statements.

# PARADISE ISLAND BEACH CLUB

## Notes to Financial Statements

Years ended December 31, 2013 and 2012  
(Expressed in Bahamian dollars)

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### 1. General information

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” or “Founder Member”). The Founder Member is a wholly owned subsidiary of Paradise Island Beach Club Limited (“PIBCL” or “Landlord”) having its registered office at first floor, Cloughton House Shirley & Charlotte Street, Nassau, Bahamas.

The property on which the Club was developed was conveyed by PIDL to CIBC Trust 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 on two occasions until December 31, 2032 to accommodate a longer than anticipated sell-out. The trust was transferred from CIBC Trust to Butterfield Bank (Bahamas) Ltd. (formerly “Thorand Bank & Trust Ltd.”) on June 2, 2003. At the end of the trust period, the property will revert to Landlord.

The Club is a non-profit-making entity whose object 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 one week per year (out of possible fifty weeks) for a total of forty years. Each member is obligated to pay their annual member’s dues prior to being allowed to make a reservation to occupy a unit.

Under the Constitution of the Club (hereinafter referred to as “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 shall be members of the Club. PIBC Management Ltd. (“PIBCML”), incorporated on September 27, 2007, was formed to provide management services to the Club under an agreement dated November 14, 2007. PIBCML has assigned its rights and obligations under this agreement to Timeshare Management Bahamas Limited (“TMBL”) with effect from 2008. 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 PIBCML.

### 2. Basis of preparation

#### (a) *Statement of compliance*

These financial statements are prepared in accordance with the policies described below.

## 2. Basis of preparation, continued

### *(b) Basis of measurement*

These financial statements are prepared under the historical cost convention, except where otherwise disclosed.

### *(c) Functional and presentation currency*

These financial statements are presented in Bahamian dollars which is the functional and reporting currency of the Club. The Bahamian dollar is the prime currency of the country where Club operates.

### *(d) Use of estimates and judgment*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 6	Accounts receivable
Note 7	Inventories
Note 8	Property and equipment, net
Note 18	Financial instruments and associated risks

## 3. Summary of significant accounting policies

Following is a summary of the significant accounting policies which have been applied consistently by the Club in preparing these financial statements.

### *(a) Financial instruments*

#### Classification

Financial instruments include financial assets and financial liabilities. Financial assets that are classified as loans and receivables include cash held with banks, term deposits and accounts receivable. Financial liabilities that are not at fair value through profit or loss include accounts payable and accrued expenses and due to related parties.

#### Recognition

The Club recognizes financial instruments initially at the trade date, which is the date when it becomes a party to the contractual provisions of the instruments.

### 3. Summary of significant accounting policies, continued

#### *(a) Financial instruments, continued*

##### Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized.

Subsequent to initial recognition, financial assets and financial liabilities not at fair value through profit or loss are carried at amortized cost using the effective interest method, less, in the case of financial assets, impairment losses, if any.

##### Derecognition

The Club derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or it transfers the financial asset.

The Club derecognizes a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

#### *(b) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash held with banks including term deposits having maturity of three months or less.

#### *(c) Accounts receivable*

Accounts receivable are stated at amortized cost net of allowance for doubtful accounts.

#### *(d) Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the FIFO method and includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### *(e) 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.

### 3. Summary of significant accounting policies, continued

#### (e) Property and equipment, continued

Assets are capitalized during the year as determined by the Management Committee. The costs of the day-to-day servicing of property and equipment are recognized in the statement of 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 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 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.

#### (f) Impairment

##### Financial assets

Financial assets other than receivables, which are reviewed on a continuous basis, are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis. All impairment losses are recognized in the statement of income.

### 3. Summary of significant accounting policies, continued

#### *(f) Impairment, continued*

##### Financial assets

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

##### Non-financial assets

The carrying amounts of the Club's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of the asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use represents the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses are recognized in the statement of income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

#### *(g) Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term benefits if the Club has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

#### *(h) Revenue recognition*

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

#### *(i) Interest income*

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

### 3. Summary of significant accounting policies, continued

*(j) Expenses*

Expenses are recognized on the accrual basis.

*(k) Foreign currencies*

Transactions in foreign currencies are translated into Bahamian dollars at exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in such currencies at year-end date are translated at the rates prevailing at that date. Any differences arising on translation are recognized as exchange gains/losses in the statement of income.

*(l) Related parties*

A related party is a person or entity that is related to the entity that is preparing its financial statements ("Reporting Entity").

(a) A person or a close member of that person's family is related to a Reporting Entity if that person:

- (i) has control or joint control over the Reporting Entity;
- (ii) has significant influence over the Reporting Entity; or
- (iii) is a member of the key management personnel of the Reporting Entity or of a parent of the Reporting Entity.

(b) An entity is related to a Reporting Entity if any of the following conditions applies:

- (i) The entity and the Reporting Entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Reporting Entity or an entity related to the Reporting Entity. If the Reporting Entity is itself such a plan, the sponsoring employers are also related to the Reporting Entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### **3. Summary of significant accounting policies, continued**

#### *(m) Provisions*

Provisions are recognized when the Club has a present obligation (legal or constructive) as a result of a past event, it is probable that the Club will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### *(n) 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.

#### *(q) 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.

Pursuant to this rule, annual dues of such certificates are debited to the Founder Member account and net sale proceeds (after commission and other charges) and net proceeds from letting the unsold vacation certificates are credited to the Founder Member account.

### **4. Critical accounting judgments and key sources of estimation uncertainty**

Certain amounts included in or affecting the Club's financial statements and related disclosures must be estimated, requiring the Club's management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the Club's financial condition and results, and requires management's most difficult, subjective of complex judgments, often result of the need to make estimates about the effect of matters that are inherently uncertain.



## 5. Cash and bank balances

	2013	2012
		(Restated)
Cash on hand	\$ 3,000	3,000
Cash held with banks	1,332,995	1,127,777
Cash and cash equivalents	1,335,995	1,130,777
Total cash and bank balances	\$ 1,335,995	1,130,777

Term deposits having maturities of less than 3 months being part of cash held with banks and more than 3 months being part of term deposits earn interest rates between 1% to 2% per annum (2012 – 2.00% to 2.75% per annum).

## 6. Accounts receivable

	2013	2012
		(Restated)
Accounts receivable – members	\$ 857,252	728,481
Other receivables	328	20,728
Allowance for doubtful debts	(811,123)	(201,022)
	\$ 46,457	548,187

The ageing of accounts receivable – members is as follows:

	2013	2012
		(Restated)
Current	\$ 328	6,039
Past due but not impaired	24,769	521,420
Past due and impaired	832,483	201,022
	\$ 857,580	728,481

The movement in the allowance for doubtful debts was as follows:

	2013	2012
		(Restated)
Balance at January 1	\$ 201,022	152,812
Provision made during the year	610,101	56,495
Provision reversed during the year	-	(8,285)
Balance as at December 31	\$ 811,123	201,022

Subsequent to the year ended December 31, 2012, the Management Committee has implemented an active on-line rental program in an effort to address current maintenance fees on defaulted weeks and to provide potential buyers for such defaulted weeks.

## 7. Inventories

		2013	2012
Food items	\$	11,256	10,762
Beverage items		24,964	23,868
Disposal plastic and paper products		29,114	27,836
Other items		22,032	21,065
	\$	87,366	83,531

## 8. Property and equipment, net

	Leasehold Improvements			Computers	Vehicles	Equipment	Total *
	Exterior	Interior	Amenities	SW & HW			
<b>COSTS</b>							
December 31, 2011	\$ 371,039	832,323	350,082	57,567	9,200	41,104	1,661,315
Additions	20,046	1,031,905	30,060	48,497	-	1,350	1,131,858
Disposals	-	-	-	(57,254)	-	-	(57,254)
December 31, 2012	\$ 391,085	1,864,228	380,142	48,810	9,200	42,454	2,735,919
Additions	58,135	93,711	22,872	97,371	-	1,082	273,171
December 31, 2013	\$ 449,220	1,957,939	403,014	146,181	9,200	43,536	3,009,090
<b>ACCUMULATED DEPRECIATION</b>							
December 31, 2011	\$ 266,620	812,322	176,728	40,738	4,034	19,091	1,319,533
Depreciation	52,848	147,926	162,406	4,179	3,067	13,927	384,353
Disposal	-	-	-	(1,312)	-	-	(1,312)
December 31, 2012	\$ 319,468	960,248	339,134	43,605	7,101	33,018	1,702,574
Depreciation	84,031	378,086	53,880	21,434	1,391	7,168	545,990
December 31, 2013	\$ 403,499	1,338,334	393,014	65,039	8,492	40,186	2,248,564
<b>Net Book Value December 31, 2013</b>	<b>\$ 45,721</b>	<b>619,605</b>	<b>10,000</b>	<b>81,142</b>	<b>708</b>	<b>3,350</b>	<b>760,526</b>
<b>Net Book Value December 31, 2012</b>	<b>\$ 71,617</b>	<b>903,980</b>	<b>41,008</b>	<b>5,205</b>	<b>2,099</b>	<b>9,436</b>	<b>1,033,345</b>

## 9. Accounts payable and accrued expenses

		2013	2012
			(Restated)
Accounts payable	\$	191,076	208,369
Accrued expenses		88,192	117,086
	\$	279,268	325,455

## 10. Energy surcharge and credit card fee revenue

The Club charges its members an energy charge of \$100 (2012 - \$100) per week when members stay at the Club. The Club also charges credit card revenue at the rate of 4% for each credit card payment.

## 11. Salary and benefits

		2013	2012
			(Restated)
Vacation experience	\$	23,009	24,909
Housekeeping		285,408	275,276
Maintenance		205,108	253,995
Mini-mart		117,239	69,507
Pool bar		258,355	238,770
Administration		142,873	139,826
	\$	1,031,992	1,002,283

		2013	2012
			(Restated)
Salary	\$	966,071	937,767
National Insurance		49,551	48,146
Group Insurance		6,457	6,457
Pension		600	600
Bonuses		9,313	9,313
	\$	1,031,992	1,002,283

## 12. Utilities

		2013	2012
Electricity	\$	419,777	358,482
Water		89,415	83,432
CATV and internet		36,295	23,772
Telephone		18,101	16,105
Garbage collection		-	1,332
	\$	563,588	483,123

### 13. Maintenance materials

		2013	2012
Materials	\$	14,067	19,368
Exteriors		77,031	57,457
Interiors		23,121	15,009
Maintenance at shut down		141,569	168,873
	\$	255,788	260,707

### 14. Contracted services

		2013	2012
Security personnel	\$	54,946	55,563
Fire fighting and security equipment		16,174	25,683
Garbage removal		11,876	11,181
Pest control		14,540	6,960
	\$	97,536	99,387

### 15. Other supplies and materials

		2013	2012
Cleaning supplies	\$	34,356	(Restated) 27,681
Laundry supplies		40,367	29,834
Inventory replacement - linens, towels, kitchen items		58,583	35,186
Decorations		3,157	2,968
Other		5,146	3,974
	\$	141,609	99,643

### 16. Related party transactions

Related party balances and transactions are shown below. Balances due from and/to related parties are interest-free and are without stated terms of repayments.

		2013	2012
			(Restated)
<b>Balances</b>			
Due to Founder Member	\$	130,000	130,000
Due to TMB Ltd. (management company)		-	14,402
Net due to related parties	\$	130,000	144,402

## 17. Management Compensation

		2013	2012
Management fees	\$	200,000	200,000
Salary		13,650	13,650
Bonuses and incentives		5,500	5,500
Group Insurance		1,285	1,285
National Insurance		500	500
	\$	220,935	220,935

## 18. Lease commitments

On April 17, 2003, PIDL entered into a lease agreement with Marriott 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 term of 23 years. The property leased 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:

		2013	2012
Less than one year	\$	39,140	39,140
Two to five years		156,560	156,560
Over five years		313,120	352,260
	\$	508,820	547,960

A portion of the above premises was sub-leased to other tenants on a month to month lease basis. The Club earned rental income of \$4,200 during 2013 (2012 - \$8,050) which was included in other income.

## 19. Financial risk management

There are a number of risks that are identified and managed on an ongoing basis. Among these risks, the more significant are market, credit and liquidity. 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.

### (a) Market risk

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

The Company 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.

## 19. Financial risk management, continued

### Currency risk

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

### Interest rate risk

Interest rate risk refers to the risk of loss due to adverse movements 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 \$510,925 (2012 - \$527,940). As of December 31, 2013, interest rates on the cash held with banks are 1% to 2% per annum (2012 - 2.00% to 2.75%).

The Club believes that interest rate risk is minimal and a hypothetical 1% increase/decrease in the interest rate would have an impact of \$5,109 (2012 - \$5,280) on the financial position and results of operations.

### *(b) Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Club.

The Club's maximum exposure to credit risk is as follows:

		2013	2012
			(Restated)
Cash held with banks	\$	1,332,995	1,127,777
Accounts receivable, net		46,457	548,187
	\$	1,379,452	1,675,964

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

Cash at bank amounting to \$1,332,995 (2012 - \$1,127,777) was deposited with regulated financial institutions. Accordingly management considers this to bear minimal credit risk.

### *(c) Liquidity risk*

Liquidity risk is the risk that the Club will not be able to meet its financial obligations as they fall due. The Club's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and other commitments when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Club's reputation.

*(c) Liquidity risk, continued*

A maturity analysis of financial liabilities is as follows:

<b>At December 31, 2013</b>	Carrying amount	Contractual cash flows	On demand	1 – 12 months	1 – 5 years	More than 5 years
Due to related parties	\$ 130,000	130,000	130,000	-	-	-
Accounts payable and accrued expenses	279,268	279,268	279,268	-	-	-
	\$ 409,268	409,268	409,268	-	-	-

<b>At December 31, 2012 (Restated)</b>	Carrying amount	Contractual cash flows	On demand	1 – 12 months	1 – 5 years	More than 5 years
Due to related parties	\$ 144,402	144,402	144,402	-	-	-
Accounts payable and accrued expenses	325,455	325,455	325,455	-	-	-
	\$ 469,857	469,857	469,857	-	-	-

**20. Fair values of financial instruments**

The carrying values of financial assets and liabilities are considered to approximate their fair values due to the following reasons:

- (a) immediate or short-term maturity; and/or
- (b) interest rates approximate current market rates

The fair values of cash and cash equivalents, accounts receivables, accounts payable and accrued expenses are not considered to be materially different from their carrying values due to their short-term nature. Because of the interest-free nature and uncertainty surrounding the timing of the settlement of balances due to related parties, management is unable to estimate the fair value of these financial instruments.

**21. Capital management**

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.

## 22. Restatement of Financial Statements

A disclaimer of opinion was issued on the audited financial statements of the Company for the year ended December 31, 2012. The basis for the disclaimer was as follows:

1. The auditors were unable to substantiate all recorded balances as at January 1, 2011 or to determine if any other balances should have been recorded at that date;
2. The auditors were not appointed until after December 31, 2012 and thus did not observe the physical counting of the mini-mart inventory at January 10, 2013 and there was a disagreement in the accounting method used to record mini-mart's inventory;
3. The operations of the pool bar and mini-mart were not recorded on a gross basis to properly reflect revenue, cost of sales and operating expenses in the statement of income but were instead recorded via a series of "intercompany" accounts on a net basis;
4. Management determined a provision for bad debts relating to defaulted weeks and other receivables based on the estimated net realizable value of defaulted weeks taking into consideration the expected resale price less closing costs.

The Company being desirous of an audit opinion with limited or no qualifications agreed to take corrective measures to achieve its goal. The restated financial statements for the year ended December 31, 2012 is the culmination of correcting the issues identified and which were the basis for the previous year's disclaimer of opinion of audited financial statements.

The table below shows the effects of the restatement:

Statement of Financial Position	December 31, 2012	
	Restated	Original
Cash and cash equivalents	\$ 1,130,777	1,117,091
Property and equipment, net	1,033,346	5,205
Accounts payable and accrued expenses	325,455	294,223
Accumulated surplus/(deficit)	382,239	(496,789)
Replacement fund reserve deficit	-	(131,394)
	\$ 2,871,817	788,336
Statement of Income	December 31, 2012	
	Restated	Original
<b>Income</b>		
Maintenance fees	\$ 2,739,000	2,123,000
Food & beverage profit share	-	26,244
Minimart revenue	332,550	-
Pool bar revenue	420,951	-
<b>Direct Expenses</b>		
Cost of sales	587,215	-
Salaries	1,018,218	709,941
<b>Indirect Expenses</b>		
Bank charges	43,223	42,616
Office supplies and expenses	24,027	22,157
Company vehicle	7,514	5,908
Prior period adjustment	(154,600)	-
Depreciation	384,353	6,029



Statement of Changes in Equity		Restated	Original
Balance at December 31, 2011	\$	319,588	(159,466)
Net income/(loss)		62,652	(2,707)
Contributions from members		-	616,000
Replacement fund expenditure		-	(1,082,010)

In addition to the restatements due to the items identified above, the statements were restated also for the following items:

1. The Company accounted for a portion of the annual membership fees through equity. This has been changed to account for the full membership fee through the statement of income.
2. The Company accounted for fixed assets purchases through equity. This has been changed to accounting for fixed assets purchases through non-current assets.

The net effect of the restatements follows:

Net effect of changes in accounting policies	Adjustment
Increase in assets	1,041,827
Increase in liabilities	31,405
Increase in equity	1,010,422
Increase in income	1,343,257
Increase in direct expenses	895,492
Increase in indirect expenses	227,807
Increase in net income	219,958