

Audited Financial Statements

**PIBC MANAGEMENT LIMITED**  
**dba PARADISE ISLAND BEACH CLUB**

December 31, 2020

# **PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB**

Audited Financial Statements

December 31, 2020

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# **NORONHA & CO.**

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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, 2020, 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, 2020, 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 'P' followed by a long horizontal stroke extending to the right.

May 31, 2021

Nassau, The Bahamas

**CHARTERED ACCOUNTANTS  
NORONHA & CO.**

**PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2020**

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		<u>\$</u>	<u>\$</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,322,428	1,329,196
Accounts receivables	6	70,222	59,547
Inventories	7	19,020	23,826
Other assets	8	125,460	108,507
Amount due from a related party	9, 22	2,550	2,129
<b>TOTAL CURRENT ASSETS</b>		<b>1,539,680</b>	<b>1,523,205</b>
<b>NON-CURRENT AASETS</b>			
Property, and equipment	10	1,072,811	1,172,807
<b>TOTAL NON-CURRENT AASETS</b>		<b>1,072,811</b>	<b>1,172,807</b>
<b>TOTAL ASSETS</b>		<b>2,612,491</b>	<b>2,696,012</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Maintenance fees received in advance	11	1,844,596	2,426,391
Accounts payable and accrued expenses	12	301,876	419,174
Amount due to a related party	13, 22, 24	82,555	82,939
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,229,027</b>	<b>2,928,504</b>
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a related party	13, 22, 24	17,227	99,648
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>17,227</b>	<b>99,648</b>
<b>TOTAL LIABILITIES</b>		<b>2,246,254</b>	<b>3,028,152</b>
<b>EQUITY/(DEFICIT)</b>			
Retained earnings (Accumulated deficit)		366,237	(332,140)
<b>TOTAL EQUITY (DEFICIT)</b>		<b>366,237</b>	<b>(332,140)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,612,491</b>	<b>2,696,012</b>

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

*Figures in brackets indicate deduction.*

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

  
 .....  
 James Martens

Chairman

May 31, 2021

Nassau, The Bahamas

  
 .....  
 David Rice

Elected Member

**PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB**

**STATEMENT OF COMPREHENSIVE INCOME**

**Year ended December 31, 2020**

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		\$	\$
<b>INCOME</b>			
Maintenance fees	11, 14	2,536,019	2,679,172
Energy surcharges	15	64,066	204,956
Credit cards	15	5,195	21,756
Minimart	23	36,000	33,000
Pool Bar		154,236	568,169
Interest		10,150	7,575
Default resale and rentals		50,244	254,199
Other		154,849	59,805
<b>TOTAL INCOME</b>		<b>3,010,759</b>	<b>3,828,632</b>
<b>DIRECT EXPENSES</b>			
Cost of sales		92,156	282,354
Salary and benefits	16	559,256	1,045,592
Utilities	17	312,872	427,181
Maintenance materials	18	292,233	487,908
Contracted services	19	71,156	117,251
Other supplies and materials	20	63,256	158,968
Saturday reception party		12,442	42,500
Uniforms		6,585	11,628
Replacement of amenities		1,049	5,920
<b>TOTAL DIRECT EXPENSES</b>		<b>1,411,005</b>	<b>2,579,302</b>
<b>OPERATING PROFIT</b>		<b>1,599,754</b>	<b>1,249,330</b>
<b>INDIRECT EXPENSES</b>			
Management compensation	21, 22	152,646	160,430
Insurance		147,038	144,879
Bad debts	6	120,545	132,946
Licenses and taxes		112,894	123,380
Depreciation	10	99,996	99,996
Advertising		44,387	84,437
Bank charges		55,181	68,619
Professional fees		55,002	66,219
Computer and IT services		41,508	54,799
Rent - Welcome Center	23	39,130	39,130
Office supplies and expenses		16,907	28,940
Vehicle maintenance		8,077	12,091
Loan interest	13, 22	7,195	10,679
Travel and entertainment		871	5,518
<b>TOTAL INDIRECT EXPENSES</b>		<b>901,377</b>	<b>1,032,063</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>698,377</b>	<b>217,267</b>

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, 2020**

	<u>Retained earnings</u> <u>(Accumulated</u> <u>deficit)</u> \$
Balance as at January 1, 2019	(549,407)
Total comprehensive income for the year	217,267
<b>Balance as at December 31, 2019</b>	<b>(332,140)</b>
Total comprehensive income for the year	698,377
<b>Balance as at December 31, 2020</b>	<b>366,237</b>

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, 2020**

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		\$	\$
<b>Net cash (used in) generated from operating activities</b>			
Total comprehensive income for the year		698,377	217,267
<b>Adjustments for</b>			
Depreciation of property and equipment	<b>10</b>	99,996	99,996
(Decrease) increase in bad debts	<b>6</b>	(127,835)	54,360
<b>Operating profit before working capital changes</b>		<b>670,538</b>	<b>371,623</b>
<b>Adjustment for working capital changes</b>			
Decrease in inventories		4,806	2,044
Decrease (increase) in accounts receivables		117,160	(38,281)
Increase in amount due from a related party		(421)	(2,129)
(Increase) decrease in other assets		(16,953)	1,960
(Decrease) increase in maintenance fees received in advance		(581,795)	163,696
Decrease in accounts payable and accrued expenses		(117,298)	(10,773)
Decrease in amount due to a related party		(82,805)	(79,321)
<b>Net cash (used in) generated from operating activities</b>		<b>(6,768)</b>	<b>408,819</b>
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(6,768)</b>	<b>408,819</b>
Cash and cash equivalents at the beginning of the year		1,329,196	920,377
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>1,322,428</b>	<b>1,329,196</b>

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, 2020

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## **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 1<sup>st</sup> 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.

There are no standards and amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2020 that have a material impact on the financial statements of the Club.

# **PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB**

Notes to Financial Statements

December 31, 2020

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## **3. NEW ACCOUNTING POLICIES**

**New standards and amendments that are effective for annual periods beginning on or after January 1, 2020**

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Club**

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Club.

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 operations 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.

### ***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.

# PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB

Notes to Financial Statements

December 31, 2020

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.

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.

# **PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB**

Notes to Financial Statements

December 31, 2020

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## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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, 2020, financial assets at FVTPL amounted to \$1,310,800 (2019: \$1,316,703).

### **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, 2020

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## 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.

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 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:

	<b>Life</b>	<b>Residual values</b>
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, 2020

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## **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 to 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

**PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
<b>5 Cash and cash equivalents</b>			
Cash at banks - current accounts	24	271,220	637,273
Short term deposits - Certificate of deposits	24	1,039,580	679,430
Cash in hand		6,600	7,700
Undeposited funds		5,028	4,793
		<u>1,322,428</u>	<u>1,329,196</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. (2019: 1.25%p.a.).

	<u>2020</u> \$	<u>2019</u> \$
<b>6 Accounts receivables</b>		
Account receivables - members	243,248	360,409
<u>Less: Provision for doubtful debts</u>	(173,026)	(300,862)
	<u>70,222</u>	<u>59,547</u>

The aging of accounts receivables - members is as follows:

	<u>2020</u> \$	<u>2019</u> \$
Past due but not impaired	70,222	59,547
Past due and impaired	173,026	300,862
	<u>243,248</u>	<u>360,409</u>

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

	<u>2020</u> \$	<u>2019</u> \$
Balance at beginning	300,862	246,502
Provision made during the year	120,545	132,946
Provision reversed during the year	(248,381)	(78,586)
Balance at end	<u>173,026</u>	<u>300,862</u>

<b>7 Inventories</b>		
Food	10,235	10,542
Beverages	15,785	20,284
	<u>26,020</u>	<u>30,826</u>
<u>Less: Provision for inventories</u>	(7,000)	(7,000)
	<u>19,020</u>	<u>23,826</u>

<b>8 Other assets</b>		
Prepayments	122,360	105,377
Staff loans	3,100	3,130
	<u>125,460</u>	<u>108,507</u>

**9 Amount due from a related party**

Due from a related party amounting to \$2,550 as at December 31, 2020 (2019: \$2,129) represents the amount due from the Club's management. This has been fully settled subsequently.



**PIBC MANAGEMENT LIMITED dba PARADISE ISLAND BEACH CLUB**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

**10 Property and equipment, net**

	<u>Leasehold improvements</u>			<u>Computers</u>	<u>Motor</u>	<u>Equipment</u>	<u>Total</u>
	<u>Exterior</u>	<u>Interior</u>	<u>Amenities</u>	<u>HW and SW</u>	<u>Vehicles</u>		
	\$	\$	\$	\$	\$		
<b><u>Cost</u></b>							
Balances at January 1, 2019	660,555	2,476,993	606,473	176,100	9,200	92,026	4,021,347
Additions	-	-	-	-	-	-	-
Balances at December 31, 2019	660,555	2,476,993	606,473	176,100	9,200	92,026	4,021,347
Additions	-	-	-	-	-	-	-
<b>Balances at December 31, 2020</b>	<b>660,555</b>	<b>2,476,993</b>	<b>606,473</b>	<b>176,100</b>	<b>9,200</b>	<b>92,026</b>	<b>4,021,347</b>
<b><u>Accumulated Depreciation</u></b>							
Balances at January 1, 2019	445,514	1,690,799	460,364	82,899	9,200	59,768	2,748,544
Charge for the year	8,403	70,493	13,470	3,572	-	4,058	99,996
Balances at December 31, 2019	453,917	1,761,292	473,834	86,471	9,200	63,826	2,848,540
Charge for the year	8,403	70,493	13,470	3,572	-	4,058	99,996
<b>Balances at December 31, 2020</b>	<b>462,320</b>	<b>1,831,785</b>	<b>487,304</b>	<b>90,043</b>	<b>9,200</b>	<b>67,884</b>	<b>2,948,536</b>
<b>Carrying value</b>							
<b>At December 31, 2020</b>	<b>198,235</b>	<b>645,208</b>	<b>119,169</b>	<b>86,057</b>	<b>-</b>	<b>24,142</b>	<b>1,072,811</b>
<b>At December 31, 2019</b>	<b>206,638</b>	<b>715,701</b>	<b>132,639</b>	<b>89,629</b>	<b>-</b>	<b>28,200</b>	<b>1,172,807</b>

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**11 Maintenance fees received in advance**

Maintenance fees received in advance as at December 31, 2020 amounted \$1,844,596 (2019: \$2,426,391).

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 \$2,536,019 (2019: \$2,679,172).

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>12 Accounts payable and accrued expenses</b>		
Accounts payable	241,417	209,770
Accrued expenses	60,459	209,404
	<u>301,876</u>	<u>419,174</u>

**13 Amount due to a related party**

In December 2016, a shareholder of the Club granted a loan in the amount of \$396,000 for a period of five years at 5% interest, with monthly payments in the amount of \$7,500. The purpose of the loan was to take advantage of the remaining available balance on the duty free concession which expired on November 19, 2017. This concession was in lieu of a special assessment. The Duty Free Concession was first extended to November 1, 2019 and by a letter dated March 2, 2021, the Bahamas Investment Authority granted a further extension until December 31, 2022.

Due to a related party as at December 31, 2020 amounted to \$99,782 (2019: \$182,587) of which the amount payable within a year and the amount payable after a year amounted to \$82,555 and \$17,227, respectively (2019: \$82,939 and \$99,648, respectively).

Loan interest paid during the year amounted to \$7,195 (2019: \$10,679).

**14 Maintenance fees**

Income from maintenance fees for the year amounted to \$2,536,019 (2019: \$2,679,172).

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

**15 Energy surcharge and credit card fee revenues**

The Club charges its members an energy charge of \$125 (2019: \$125) per week when members stay at the Club. The Club also charges a credit card fee of 2.75% (2019: 2.75%) for each credit card payment.

Energy surcharge and credit card fee revenues for the year amounted to \$64,066 and \$5,195, respectively (2019: \$204,956 and \$21,756, respectively).

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	<u>2020</u>	<u>2019</u>
	\$	\$
<b>16 Salary and benefits by department for the year are as follows:</b>		
Housekeeping	105,593	305,667
Maintenance	189,549	256,748
Administration	166,411	219,941
Pool bar	80,666	211,278
Vacation experience	12,562	39,790
Sales bonus and commission	4,475	12,168
	<u>559,256</u>	<u>1,045,592</u>
<b>Salary and benefits by expense for the year are as follows:</b>		
Salary	522,802	980,815
National insurance	19,628	41,438
Group insurance	13,526	12,589
Pension	600	600
Bonuses	2,700	10,150
	<u>559,256</u>	<u>1,045,592</u>
<b>17 Utilities</b>		
Total utilities for the year are as follows:		
Electricity	172,172	266,609
Water	74,252	91,921
CATV and internet	38,282	39,012
Telephone	28,166	29,639
	<u>312,872</u>	<u>427,181</u>
<b>18 Maintenance materials</b>		
Total maintenance materials for the year are as follows:		
Exterior	139,072	155,886
Interior	33,904	104,664
Maintenance at shut down	119,257	227,358
	<u>292,233</u>	<u>487,908</u>
<b>19 Contracted services</b>		
Total contracted services for the year are as follows:		
Security personnel	39,975	58,802
Fire fighting and security equipment	12,430	36,658
Garbage removal	13,734	14,622
Pest control	5,017	7,169
	<u>71,156</u>	<u>117,251</u>

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	<u>2020</u>	<u>2019</u>
	\$	\$
<b>20 Other supplies and materials</b>		
Total other supplies and materials for the year are as follows:		
Cleaning supplies	19,896	50,849
Laundry supplies	8,866	12,096
Inventory replacement - linen, towels, kitchen items	19,899	48,276
Consumables	13,738	41,907
Other	857	4,744
Decorations	-	1,096
	<u>63,256</u>	<u>158,968</u>

<b>21 Management compensation</b>		
Total management compensation for the year are as follows:		
Management salaries	<u>152,646</u>	<u>160,430</u>

<b>22 Related party balances and transactions</b>			
Related party balances and transactions are as follow:			
<b><u>Balances</u></b>	<b><u>Relationship</u></b>		
Amount due from a related party	Management	2,550	2,129
Amount due to a related party	Shareholder	99,782	182,587
		<u>          </u>	<u>          </u>
<b><u>Transactions</u></b>			
Management compensation	Management	152,646	160,430
Loan interest	Shareholder	7,195	10,679
		<u>          </u>	<u>          </u>

**23 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>2020</u>	<u>2019</u>
	\$	\$
Less than one year	39,130	39,130
2 - 5 years	117,440	156,570
Over 5 years	-	-
	<u>156,570</u>	<u>195,700</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 (2019: \$33,000) which was shown as Minimart Income in the statement of comprehensive income.

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**24 Financial 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

**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;

<b><u>As at December 31</u></b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash at banks - current accounts	271,220	637,273
Short term deposits - Certificate of deposits	1,039,580	679,430
Accounts receivables, net	70,222	59,547
	<b><u>1,381,022</u></b>	<b><u>1,376,250</u></b>

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.

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**24 Financial risk management (continued)**

**Liquidity risk (continued)**

A maturity analysis of the financial liabilities is as follows

	<b>Contractual cash flows</b>			
	<b>Carrying amount</b>	<b>1-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>At December 31, 2020</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities</b>				
Accounts payables	241,417	241,417	-	-
Accrued expenses	60,459	60,459	-	-
Interest bearing borrowing	99,782	82,555	17,227	-
	<b>401,658</b>	<b>384,431</b>	<b>17,227</b>	<b>-</b>

	<b>Contractual cash flows</b>			
	<b>Carrying amount</b>	<b>1-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>At December 31, 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities</b>				
Accounts payables	209,770	209,770	-	-
Accrued expenses	209,404	209,404	-	-
Interest bearing borrowing	182,587	82,939	99,648	-
	<b>601,761</b>	<b>502,113</b>	<b>99,648</b>	<b>-</b>

**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 its 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.

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**24 Financial risk management (continued)**

**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 \$1,039,580 (2019: \$679,430). As at December 31, 2020, interest rates on the cash held with banks are 0% - 1.25% (2019: 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 \$10,395 (2019: \$6,780) on the financial position and results of operations.

**25 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.

**26 Litigations and claims**

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

**27 Post-reporting date events**

The Club evaluated the impact of all subsequent events through May 31, 2021, which is the date the financial statements are available to be issued.

In March 2020, the World Health Organization declared a pandemic with regards to the global outbreak of the Novel Coronavirus 2020 (COVID-19), which resulted in Governments around the world issuing directives, and establishing quarantine measures in their respective jurisdictions, to help manage and control the spread of the virus. Subsequent to year-end, global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Club is closely monitoring its operation, investments and its liquidity and is actively working to minimize the impact of these declines. The Club's financial statements do not include adjustments to fair values that have resulted from these declines. In this regard, the Club does not anticipate that this pandemic will have a significant impact or lasting effect on the business, or have a material impact on its financial statements, in the foreseeable future.