PARADISE ISLAND BEACH CLUB

Financial Statements for the Year Ended December 31, 2014

And Independent Auditorsô Report

PARADISE ISLAND BEACH CLUB
Financial Statements

Years ended December 31, 2014 and 2013

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, 2014, 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 auditorsô 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 entityọs 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 entityọs 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.

Basis for Qualified Opinion

The companyọs inventories are carried in the statement of financial position at $87,366 at December 31, 2013.

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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beneby & Company
Chartered Accountants

April 15, 2015

PARADISE ISLAND BEACH CLUB
Statement of Financial Position

December 31, 2014 and 2013
(Expressed in Bahamian dollars)

	Note		2014	2013
Assets				
Current assets				
Cash and cash equivalents	5, 18	$	1,089,292	1,335,995
Accounts receivable	6, 18		81,122	46,457
Inventories	7		107,959	87,366
Prepayments			7,173	12,969
Total current assets			1,285,546	1,482,787
Non-current assets				
Property and equipment, net	8		989,265	760,526
Total non-current assets			989,265	760,526
Total assets		$	2,274,811	2,243,313
Liabilities and equity				
Current liabilities				
Accounts payable and accrued expenses	9, 18	$	166,440	279,268
Due to related parties	16, 18		130,000	130,000
Total current liabilities			296,440	409,268
Non-current liabilities				
Maintenance fees paid in advance			1,985,979	1,941,700
Total non-current liabilities			1,985,979	1,941,700
Equity				
Accumulated surplus (deficit)			(7,608)	(107,655)
Total deficit			(7,608)	(107,655)
Commitments	18			
Total liabilities and equity		$	2,274,811	2,243,313

See accompanying notes to financial statements.

These financial statements were approved by the Management Committee on April 15, 2015and signed on behalf of the Management Committee by:

James Martens
Nominated Member ï Chairman

David Rice
Elected Member

PARADISE ISLAND BEACH CLUB

Statement of Comprehensive Income

December 31, 2014 and 2013
(Expressed in Bahamian dollars)

	Note		2014	2013
Income				
Maintenance fees		$	2,547,840	2,565,373
Energy surcharge revenue	10		248,399	170,395
Credit card revenue	10		31,368	33,903
Minimart revenue			758,704	568,990
Pool Bar revenue			508,251	514,305
Interest income	5		14,543	10,925
Internet revenue			17,273	12,330
Telephone revenue			2,177	2180
Other income	17		267,135	243,094
Total income			4,395,690	4,121,495
Direct expenses				
Cost of sales			855,397	735,873
Salary and benefits	11		1,112,670	1,031,992
Utilities	12		684,219	563,588
Maintenance materials	13		317,169	255,788
Contracted services	14		102,735	97,536
Other supplies and materials	15		186,434	141,609
Saturday reception party			42,500	65,000
Uniforms			2,875	736
Replacement of amenities			15,171	1,935
Total direct expenses			3,319,170	2,894,057
Operating profit			1,076,520	1,227,438
Indirect expenses				
Management compensation	16		220,000	220,935
Licenses and taxes			127,097	135,472
Insurance			166,999	121,474
Loss on disposal of property and equipment			-	-
Bank charges			52,524	41,051
Professional fees			36,971	53,752
Rent expense - welcome center	17		39,130	39,140
Computer and IT services			33,205	90,045
Office supplies and expenses			61,773	37,797
Company vehicle			7,006	5,604
Travel and entertainment			6,547	8,077
Bad debt expense	6		125,225	417,995
Depreciation	8		99,996	545,990
Total indirect expenses			976,473	1,717,332
Net loss		$	100,047	(489,894)

See accompanying notes to financial statements.

PARADISE ISLAND BEACH CLUB

Statement of Changes in Equity

December 31, 2014 and 2013

(Expressed in Bahamian dollars)

		Accumulated Deficit
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)
Net income for the year		100,047
Net Balance at December 31, 2014		(7,608)

See accompanying notes to financial statements.

PARADISE ISLAND BEACH CLUB
Statement of Cash Flows

December 31, 2014 and 2013
(Expressed in Bahamian dollars)

	Note		2014	2013
Cash flows from operating activities				
Net loss for the year		$	100,047	(489,894)
Adjustments:				
Depreciation	8		99,996	545,990
Prior year accounts receivable adjustment			-	192,106
Bad debt expense	6		125,225	417,995
Loss on disposal of property and equipment			-	-
Net cash from operations before changes in working capital			325,268	666,197
Increase in accounts receivable			(159,890)	(108,371)
Increase in inventories			(20,593)	(3,834)
Decrease in prepayments			5,796	(10,866)
(Decrease)/increase in accounts payable and accrued expenses			(112,828)	(46,187)
(Decrease)/increase in due to related parties			-	(14,402)
Increase in maintenance fees paid in advance			44,279	(4,148)
Decrease in tenant security deposit			-	-
Net cash provided by/(used in) operating activities			82,032	478,389
Cash flows from investing activities				
Additions to property and equipment	8		(328,735)	(273,171)
Net cash used in investing activities			(328,735)	(273,171)
Net (decrease)/increase in cash and cash equivalents			(246,703)	205,218
Cash and cash equivalents, beginning of year			1,335,995	1,130,777
Cash and cash equivalents, end of year	5	$	1,089,292	1,335,995

See accompanying notes to financial statements.

1. General information

Paradise Island Beach Club (ñthe Clubò) is a forty-four unit timeshare resort located on Paradise Island, Bahamas which was developed in 1984 by Paradise Island Development Ltd. (ñPIDLò or ñFounder Memberò). The Founder Member is a wholly owned subsidiary of Paradise Island Beach Club Limited (ñPIBCLò or ñLandlordò) having its registered office at first floor, Claughton 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 ñThorand Bank & Trust Ltd.ò) 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 memberôs dues prior to being allowed to make a reservation to occupy a unit.

Under the Constitution of the Club (hereinafter referred to as ñthe Constitutionò), 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. (ñPIBCMLò), 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 (ñTMBLò) 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 the 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 19	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.

3. Summary of significant accounting policies, continued

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.

(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.

3. Summary of significant accounting policies, continued

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

(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 Clubõs 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 assetõs 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 assetõs 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 membersô 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 goods are delivered to guests.

3. Summary of significant accounting policies, continued

(i) Interest income

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

(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 (ñReporting Entityò).

(a) A person or a close member of that personôs 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).

3. Summary of significant accounting policies, continued

(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).

(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 Clubós financial statements and related disclosures must be estimated, requiring the Clubós 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 ñcritical accounting estimateò is one which is both important to the portrayal of the Clubós financial condition and results, and requires managementós most difficult, subjective of

4. Critical accounting judgments and key sources of estimation uncertainty continued

complex judgments, often result of the need to make estimates about the effect of matters that are inherently uncertain.

5. Cash and bank balances

		2014	2013
Cash on hand	$	9,900	3,000
Cash held with banks		1,080,292	1,332,995
Cash and cash equivalents		1,089,292	1,335,995
Total cash and bank balances	$	1,089,292	1,135,995

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 (2013 ï 1.00% to 2.00% per annum).

6. Accounts receivable

		2014	2013
Accounts receivable ï members	$	1,244,233	857,252
Other receivables		1,349	328
Allowance for doubtful debts		(1,164,460)	(811,123)
	$	81,122	46,457

The ageing of accounts receivable ï members is as follows:

		2014	2013
Current	$	1,349	328
Past due but not impaired		79,773	24,769
Past due and impaired		1,164,460	832,483
	$	1,245,582	857,580

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

		2014	2013
Balance at January 1	$	811,123	201,022
Provision made during the year		353,337	610,101
Provision reversed during the year		-	-
Balance as at December 31	$	1,164,460	811,123

Subsequent to the year ended December 31, 2014, 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

		2014	2013
Food items	$	13,909	11,256
Beverage items		30,849	24,964
Disposal plastic and paper products		35,976	29,114
Other items		27,225	22,032
	$	107,959	87,366

8. Property and equipment, net

		Leasehold Improvements			Computers			
		Exterior	Interior	Amenities	SW & HW	Vehicles	Equipment	Total
COSTS								
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
Additions		61,335	213,168	32,288	21,944	-	-	328,735
December 31, 2014	$	510,555	2,171,107	435,302	168,125	9,200	43,536	3,337,825
ACCUMULATED DEPRECIATION								
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
Depreciation		8,403	70,493	13,470	3,572	708	3,350	99,996
December 31, 2014	$	411,902	1,408,827	406,484	68,611	9200	43,536	2,348,560
Net Book Value December 31, 2014	**$**	**98,653**	**762,280**	**28,818**	**99,514**	**-**	**-**	**989,265**
Net Book Value December 31, 2013	**$**	**45,721**	**619,605**	**10,000**	**81,142**	**708**	**3,350**	**760,526**

9. Accounts payable and accrued expenses

		2014	2013
Accounts payable	$	82,602	191,076
Accrued expenses		83,838	88,192
	$	166,440	279,268

10. Energy surcharge and credit card fee revenue

The Club charges its members an energy charge of $100 (2013 - $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

		2014	2013
Vacation experience	$	25,109	23,009
Housekeeping		259,986	285,408
Maintenance		262,265	205,108
Mini-mart		180,554	117,239
Pool bar		233,487	258,355
Administration		151,269	142,873
	$	1,112,670	1,031,992

		2014	2013
Salary	$	1,035,171	966,071
National Insurance		42,327	49,551
Group Insurance		15,072	6,457
Pension		600	600
Bonuses		19,500	9,313
	$	1,112,670	1,031,992

12. Utilities

		2014	2013
Electricity	$	479,379	419,777
Water		141,516	89,415
CATV and internet		43,515	36,295
Telephone		19,809	18,101
	$	684,219	563,588

13. Maintenance materials

		2014	2013
Materials	$	12,513	14,067
Exteriors		130,481	77,031
Interiors		29,669	23,121
Maintenance at shut down		144,506	141,569
	$	317,169	255,788

14. Contracted services

		2014	2013
Security personnel	$	60,753	54,946
Fire fighting and security equipment		15,456	16,174
Garbage removal		12,486	11,876
Pest control		14,040	14,540
	$	102,735	97,536

15. Other supplies and materials

		2014	2013
Cleaning supplies	$	28,312	34,356
Laundry supplies		33,933	40,367
Inventory replacement - linens, towels, kitchen items		111,935	58,583
Decorations		3,846	3,157
Other		8,408	5,146
	$	186,434	141,609

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.

		2014	2013
Balances			
Due to Founder Member	$	130,000	130,000
Net due to related parties	$	130,000	130,000

17. Management Compensation

	2014	2013
Management fees	$220,000	200,000
Salary	13,200	13,650
Bonuses and incentives	1,463	5,500
Group Insurance	5,588	1,285
National Insurance	1,841	500
	$242,092	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 Clubǿs commitments on this operating lease are as follows:

		2014	2013
Less than one year	$	39,140	39,140
Two to five years		156,560	156,560
Over five years		273,980	313,120
	$	469,680	508,820

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 $3,750 during 2014 (2013 - $4,200) 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 Clubǿs 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 Companyꞌs 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 Clubꞌs interest rate risk arises from its cash held with banks including term deposits. The interest rate exposure at the reporting date is $919,039 (2013 - $510,925). As of December 31, 2014, interest rates on the cash held with banks are 1% to2% per annum (2013 – 1% to 2%).

The Club believes that interest rate risk is minimal and a hypothetical 1% increase/decrease in the interest rate would have an impact of $9,190 (2013-$5,109) 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 Clubꞌs maximum exposure to credit risk is as follows:

		2014	2013
Cash held with banks	$	1,079,392	1,332,995
Accounts receivable, net		81,122	46,467
	$	1,160,514	1,379,452

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 $1,079,392 (2013 - $1,332,995) 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 Clubꞌs 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 Clubꞌs reputation.

19. Financial risk management, continued

(c) Liquidity risk, continued

A maturity analysis of financial liabilities is as follows:

At December 31, 2014		Carrying amount	Contractual cash flows	On demand	1 ï 12 months	1 ï 5 years	More than 5 years
Due to related parties	$	130,000	130,000	130,000	-	-	-
Accounts payable and accrued expenses		166,440	166,440	166,440	-	-	-
	$	296,440	296,440	296,440	-	-	-

At December 31, 2013		Carrying amount	Contractual cash flows	On demand	1 ï 12 months	1 ï 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	-	-	-

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 Clubôs 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.