

**SANDYPORT HOMEOWNERS ASSOCIATION LIMITED**

**Unaudited Financial Statements for the  
Year Ended December 31, 2009  
And Independent Accountants' Report**

# **SANDYPORT HOMEOWNERS ASSOCIATION LIMITED**

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To the Board of Directors  
**Sandypport Homeowners Association  
Limited**

We have reviewed the accompanying statement of financial position of Sandypport Homeowners Association Limited as at December 31, 2009 and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

June 10, 2010  
Nassau, Bahamas

*ACS Accounting Consulting Services Ltd*  
Chartered Accountants

# SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

(Incorporated under the Laws of the Commonwealth of The Bahamas)

Statement of Financial Position


As At December 31, 2009

(Expressed in Bahamian dollars)

	2009	2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 56,840	\$ 68,640
Accounts receivable, net (Note 5)	404,040	342,932
Due from Sandypport Development Company Ltd.(Note 4)	-	250
Prepayments and Deposits	24,441	24,441
	<u>485,321</u>	<u>436,263</u>
<b>Fixed Assets (Note 6)</b>	-	545
	<u>\$ 485,321</u>	<u>\$ 436,808</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 214,880	\$ 100,235
Deferred income	177,680	155,018
	<u>392,560</u>	<u>255,253</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
Authorized, issued and fully paid:		
5,000 ordinary shares at \$1.00 each	5,000	5,000
Capital reserve fund (Note 7)	55,727	55,727
Retained Earnings (Note 8)	32,034	120,828
	<u>92,761</u>	<u>181,555</u>
	<u>\$ 485,321</u>	<u>\$ 436,808</u>

Approved on behalf of the Board:

  
Director

  
Director

See accompanying notes. See Independent Accountants' Report page 1.

## SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

### Statement of Comprehensive Income

Year ended December 31, 2009  
(Expressed in Bahamian dollars)

	2009	2008
<b>REVENUE</b>		
Maintenance fees	\$ 1,979,712	\$ 1,893,425
Water and meters income	282,042	294,721
Security fees (Note 4)	147,537	233,243
Miscellaneous income	382	3,730
	<u>2,409,673</u>	<u>2,425,119</u>
<b>DIRECT EXPENSES</b>		
Security expenses (Note 9)	746,192	689,822
Water and meters	424,151	313,149
Gardening expenses (Note 11)	342,012	328,830
Painting expenses (Note 10)	293,577	319,983
Maintenance of common areas (Note 12)	135,523	206,899
Garbage removal	18,662	25,573
	<u>1,960,117</u>	<u>1,884,256</u>
<b>Gross Profit</b>	<u>449,556</u>	<u>540,863</u>
<b>OPERATING EXPENSES</b>		
Salaries, benefits and insurance contributions	267,834	181,153
Electricity	101,030	96,284
Professional fees	77,223	25,934
Office and computer expenses	33,491	24,250
Insurance	15,101	24,306
Telephone and pager	13,451	12,843
Other (Note 13)	11,326	68,950
Rent	10,657	-
Overdraft interest and bank charges	7,693	7,025
Depreciation (Note 6)	545	1,444
Provision for doubtful accounts	-	27,246
Real property tax	-	10,732
	<u>538,351</u>	<u>480,166</u>
<b>NET COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>	<u>\$ (88,794)</u>	<u>\$ 60,697</u>

See accompanying notes. See Independent Accountants' Report page 1.

## SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

### Statement of Changes In Shareholders' Equity

Year ended December 31, 2009  
(Expressed in Bahamian dollars)

	Share Capital	Capital Reserve Fund	Retained Earnings	Total
<b>Balance at December 31, 2007</b>				
As previously reported	\$ 5,000	\$ 55,727	\$ 325,262	\$ 385,989
Prior period Adjustments (Note 8)	-	-	(265,131)	(265,131)
<b>As restated</b>	5,000	55,727	60,131	120,858
<b>Comprehensive Net Income</b>	-	-	60,697	60,697
<b>Balance at December 31, 2008</b>	5,000	55,727	120,828	181,555
<b>Comprehensive Net Loss</b>			(88,794)	(88,794)
<b>Balance at December 31, 2009</b>	\$ 5,000	\$ 55,727	\$ 32,034	\$ 92,761

See accompanying notes. See Independent Accountants' Report page 1.

## SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

### Statement of Cash Flows

Year ended December 31, 2009  
(Expressed in Bahamian dollars)

	2009	2008
<b>CASH PROVIDED BY (USED IN):</b>		
<b>Cash flows from operating activities</b>		
Comprehensive Net (loss) income for the year	\$ (88,794)	\$ 60,697
Adjustment to reconcile net (loss) income to cash (used in) provided by operating activities:		
Provision for doubtful accounts	-	27,246
Depreciation (Note 6)	545	1,444
<b>Cash (used in) provided by operations before changes in operating assets and liabilities</b>	<b>(88,249)</b>	<b>89,387</b>
(Increase) decrease in operating assets		
Accounts receivables	(61,108)	61,367
<b>Increase (decrease) in operating liabilities</b>		
Accounts payable and accrued expenses	114,645	(105,786)
Deferred income	22,662	-
<b>Net Cash (used in) provided by Operating Activities</b>	<b>(12,050)</b>	<b>44,968</b>
<b>Cash flows from financing activity</b>		
Due from Sandyport Development Company Ltd.	250	-
<b>Net Cash provided by Financing Activity</b>	<b>250</b>	<b>-</b>
<b>Net (Decrease) increase in cash and cash equivalents</b>	<b>(11,800)</b>	<b>44,968</b>
Cash and cash equivalents, beginning of year	68,640	23,672
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 56,840</b>	<b>\$ 68,640</b>

See accompanying notes. See Independent Accountants' Report page 1.

# SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

Notes to Financial Statements

Year ended December 31, 2009

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## 1. GENERAL

Sandyport Homeowners Association Limited ("the Company") was incorporated under the laws of the Commonwealth of The Bahamas on May 25, 1990.

The Registered Office is located at the offices of Kendal Wright, Attorney-At-Law Chambers Equity House, Mount Royal Avenue North, P. O. Box SS19014, Nassau, Bahamas.

The principal activities of the Company are to provide maintenance and security services to the residents of Sandyport. Effective October 1, 2001 the responsibility for property maintenance was transferred to the Company from Sandyport Development Company Limited.

As at December 31, 2009 the Company had 61 employees (2008-56).

## 2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning January 1, 2009.

At the date of approval of these financial statements, The IASB has issued amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 5, IFRS 8, IFRS 9, IAS 1, IAS 7, IAS 16, IAS 17, IAS 19, IAS 20, IAS 23, IAS 24, IAS 27, IAS 28, IAS 29, IAS 31, IAS 32, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41, IFRIC 14, IFRIC 15, IFRIC 16, IFRIC 17, IFRIC 18 and IFRIC 19, which is not yet effective.

The Directors anticipate that the relevant adoption of these Standards and Interpretations in future periods will have no impact on the financial statements of the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Bahamian dollar is the Company's measurement and reporting currency because its capital and a majority of its transactions are denominated in that currency.

The following is a summary of the significant accounting policies:

### Cash and cash equivalents

Cash and cash equivalents include cash at bank and fixed deposit which is subject to an insignificant risk of change in value.



# SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

Notes to Financial Statements

Year ended December 31, 2009

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## Accounts Receivable

Accounts receivable are stated at cost less provision for doubtful accounts and any impairment losses. Management records provisions when in their opinion amounts are irrecoverable based on historical performance and solvency of the customer.

## Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on the straight-line basis to write-off assets over their estimated useful lives as follows:

Vehicles (Golf Carts)	-	3 years
Computer equipment	-	3 years

## Deferred Income

Deferred Income represents maintenance fees billed to the homeowners in advance.

## Related parties

Related parties consist of companies with common directorships, which the principal shareholder has significant influence are treated as related parties of the Company. All related party transactions and balances are shown in the financial statements as such.

## Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the monthly maintenance fee charged to the homeowners. This fee is based on each property's square footage and owners of empty lots are charged a flat fee.

## Income and expense recognition

Income and expenses are recorded on an accrual basis of accounting.

## Impairment of assets

An assessment is made at each financial position date to determine whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognized on an asset in prior years may no longer exist, the asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to revaluation increment of the said asset.

A previously recognized impairment is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years.

# SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

Notes to Financial Statements

Year ended December 31, 2009

## 4. RELATED PARTY BALANCES AND TRANSACTIONS

These amounts represent reimbursements for services rendered by the Company to the Sandyport Development Company Limited, and Sandyport Beaches Resort Limited, regarding security, gardening and other maintenance personnel 's wages. Other than this, there are no other cash transactions carried out between the Company and its related parties.

These amounts are invoiced monthly on normal commercial terms.

Related party balances and transactions were as follows:

	2009	2008
<b>Accounts receivable:</b>		
Sandyport Development Company Limited	\$ -	\$ 250
<b>Revenues:</b>		
Security fees		
Sandyport Beaches Resort Limited	\$ 43,568	\$ 92,071
Sandyport Development Company Limited	103,969	141,172
	<u>\$ 147,537</u>	<u>\$ 233,243</u>

## 5. ACCOUNTS RECEIVABLE-NET

Accounts receivables is comprised as follows:

	2009	2008
Accounts Receivable	\$ 505,623	\$ 448,963
Other Receivables	10,908	6,460
Less: Provision for doubtful accounts	(112,492)	(112,492)
	<u>\$ 404,040</u>	<u>\$ 342,932</u>

The movement in provision for doubtful accounts is as follows:

Balance, beginning of year	\$ 112,492	\$ 85,246
Add: provision made during the year	-	27,246
Less: amounts written off during the year	-	-
Balance, end of year	<u>\$ 112,492</u>	<u>\$ 112,492</u>

The ageing of receivable are as follows:

Current	\$ 182,421	\$ 76,225
31 to 60 days	68,386	104,004
61 to 90 days	22,404	85,462
Over 90 days	232,412	183,272
Balance, end of year	<u>\$ 505,623</u>	<u>\$ 448,963</u>

# SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

Notes to Financial Statements

Year ended December 31, 2009

## 6. FIXED ASSETS

The movement of fixed assets during the year is as follows:-

	Computer Equipment	Vehicle (Golf Carts)	Total
<b>Cost</b>			
Balance at December 31, 2007	\$ 2,177	\$ 6,000	\$ 8,177
Additions	-	-	-
Disposals	-	-	-
Balance at December 31, 2008	2,177	6,000	8,177
Additions	-	-	-
Disposals	-	-	-
Balance at December 31, 2009	2,177	6,000	8,177
<b>Accumulated Depreciation</b>			
Balance at December 31, 2007	\$ 1,088	\$ 5,100	\$ 6,188
Depreciation	544	900	1,444
Disposal	-	-	-
Balance at December 31, 2008	1,632	6,000	7,632
Depreciation	545	-	545
Disposal	-	-	-
Balance at December 31, 2009	\$ 2,177	\$ 6,000	\$ 8,177
<b>Net book value</b>			
As at December 31, 2009	\$ -	\$ -	\$ -
As at December 31, 2008	\$ 545	\$ -	\$ 545

## 7. CAPITAL RESERVE FUND

This amount represents a reserve established in order to provide for major capital replacements to the residence common areas.

## 8. PRIOR PERIOD ADJUSTMENT

During the year Management determined that Accounts Receivable was overstated by \$134,554, Deposits and Prepayments were understated by \$24,441 and Deferred Income was understated by \$155,018 as at December 31, 2007.

Consequently, beginning balances as January 1, 2008 for Accounts Receivables was decreased by \$134,554, Deposits and Prepayments increase by \$24,441 and Deferred Income was increased by \$155,018, as a result, Retained Earnings decreased by \$265,131.

	2,009	2,008
<b>9. Security expenses</b>		
Wages	\$ 661,714	\$ 557,480
Security maintenance	48,682	27,756
Golf carts	27,831	41,820
Uniforms	6,565	7,466
Guard Dog Security	1,400	55,300
	\$ 746,192	\$ 689,822

**SANDYPORT HOMEOWNERS ASSOCIATION LIMITED**  
Notes to Financial Statements

Year ended December 31, 2009

	2009	2008
<b>10. Painting expenses</b>		
Wages	\$ 129,819	\$ 141,456
Painting contractors	112,750	73,850
Paint and supplies	51,008	104,677
	<u>\$ 293,577</u>	<u>\$ 319,983</u>

	2009	2008
<b>11. Gardening expenses</b>		
Wages	\$ 281,958	\$ 269,140
Garden supplies	48,898	39,942
Extermination	6,862	8,585
Gas	4,293	11,163
	<u>\$ 342,012</u>	<u>\$ 328,830</u>

	2009	2008
<b>12. Maintenance of common areas</b>		
Sewerage plant maintenance	\$ 42,955	\$ 37,934
Swimming pool	33,064	25,152
Cleaning and repairs	21,136	8,447
Sewerage farms	15,459	21,517
Roads and lights	8,944	6,205
Tennis courts	6,640	30,734
Supplies and tools	2,716	15,490
Repairs	2,378	7,660
Trenching	1,130	50,200
Playground	1,101	3,560
	<u>\$ 135,523</u>	<u>\$ 206,899</u>

	2009	2008
<b>13. Other Expenses</b>		
Charitable Contribution	\$ 3,960	\$ 13,799
Medical Expenses	3,739	2,178
Flags, Signs Decorations	3,005	3,473
Meals and Entertainment	546	-
Freight	76	1,127
Miscellaneous	-	48,373
	<u>\$ 11,326</u>	<u>\$ 68,950</u>

# SANDYPORT HOMEOWNERS ASSOCIATION LIMITED

Notes to Financial Statements

Year ended December 31, 2009

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## 14. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of risks including credit risk, liquidity risk, foreign currency risk, and cash flow interest risk arising in the normal course of the Company's business activities.

The Company does not have any written risk management policies and guidelines. Management monitors the financial risks of the Company and takes such measures as considered necessary from time to time to minimize such financial risks.

**Liquidity Risk** - Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Company monitors and maintains a level of bank balances deemed adequate to finance its operations. The Company deposits cash with financial institutions of good standing.

**Credit Risk** - Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Company performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

The Company has no significant concentration of credit risks with any single counterparty or group counterparties.

**Interest rate risk** - Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate.

Demand deposits and term deposits are the only significant interest-bearing assets and liabilities. Accordingly, the Company's income and operating cash flow are substantially independent of changes in market interest rates.

**Corporate risk management** - The Company manages their capital to ensure that they will be able to continue as going concern while maximizing the return to homeowners through the optimization of the debts and equity balance. The Company's overall strategy remains unchanged from 2008.

The capital structure of the Company consists of debt, cash and equity attributable to equity holders comprising of share capital, capital reserve fund and retained earnings.

## 15. SUBSEQUENT EVENT

On January 2, 2010, the homeowners of Sandyport Homeowners Association Limited took over the ownership and management of the affairs of the Company.