

PARAGON PROPERTIES LIMITED
(Formerly J'LYN LIMITED)

Financial Statements
(Unaudited)
December 31, 2022

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COMPILATION REPORT TO SHAREHOLDER(S) OF PARAGON PROPETRIES LIMITED (Formerly J'LYN LIMITED)

On the basis of information provided by the directors I have compiled, in accordance with the International Standard on Related Services applicable to compilation engagements, the statement of financial position of PARAGON PROPERTIES LIMITED (formerly J'LYN Limited) as of December 31, 2022 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended. The directors are responsible for these financial statements. I have not audited or reviewed these financial statements and accordingly express no opinion or assurance thereon.

The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Emphasis of Matter

As described in Note 3 to the financial statements, the Company's reported results as of and for the year ended December 31, 2021 were materially modified to account for the issuance of a loan to the Company to fund a property acquisition. These adjustments have been accounted for retrospectively and the corresponding figures have been restated to conform to this change.



Chartered Accountant

June 21, 2024
Nassau, Bahamas

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Financial Position
As at December 31
(Expressed in Bahamian dollars)

		2022	2021
	Notes	\$	Restated*
			\$
ASSETS			
Current Assets			
Prepaid expenses and other assets		21,424	9,859
Short-term loan receivable	5	-	32,722
Total current assets		<u>21,424</u>	<u>42,581</u>
Non-current Assets			
Mortgage receivable	6	99,855	144,506
Investment properties	7	4,557,531	2,052,645
Fixed assets	8	54,186	25,226
Total non-current assets		<u>4,711,572</u>	<u>2,222,377</u>
TOTAL ASSETS		<u>4,732,996</u>	<u>2,264,958</u>

Continued

The accompanying notes are an integral part of these financial statements. The financial statements are unaudited and should be read in conjunction with the Compilation Report on page 1.

* Certain amounts shown here do not correspond to the 2021 financial statements and reflect adjustments made, refer to note 3.

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Financial Position
As at December 31
(Expressed in Bahamian dollars)

		2022	2021
		\$	Restated* \$
LIABILITIES & EQUITY	Notes		
Current Liabilities			
Bank overdraft	4	423,215	431,505
Accounts payable and other liabilities	9	38,830	43,628
Total current liabilities		<u>462,045</u>	<u>475,133</u>
Non-current Liabilities			
Mortgages on investment properties	10	1,435,735	850,381
Total non-current liabilities		<u>1,435,735</u>	<u>850,381</u>
Total liabilities		<u>1,897,780</u>	<u>1,325,514</u>
Equity			
Share capital	11	20	20
Shareholder funding	13	1,297,673	503,016
Retained earnings		1,537,523	436,408
Total equity		<u>2,835,216</u>	<u>939,444</u>
TOTAL LIABILITIES & EQUITY		<u>4,732,996</u>	<u>2,264,958</u>

The financial statements were approved by Director and Shareholder, Franklyn A. Butler, on June 21, 2024



Franklyn A. Butler
 Director

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PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Statement of Comprehensive Income For the year ended December 31 (Expressed in Bahamian dollars)

	Notes	2022 \$	2021 Restated* \$
Revenues			
Rental income	12	152,000	66,000
Less: Realtor commissions		(7,040)	(7,500)
Net rental income		<u>144,960</u>	<u>58,500</u>
Operating Expenses			
Repairs and maintenance		28,383	18,818
Insurance expense		28,772	19,705
Professional fees		14,312	4,500
Bank charges		1,685	2,519
Real property tax		22,164	5,044
Utilities		4,038	-
Donations		4,200	-
Depreciation	8	10,458	-
Other		413	2,879
Total expenses		<u>114,425</u>	<u>53,465</u>
Net operating income		<u>30,535</u>	<u>5,035</u>
Other Income/(Expenses)			
Net gains from fair value adjustments on investment properties	7	1,106,018	-
Proceeds from insurance claim		32,908	-
Interest income	6	12,412	14,446
Less: Interest expense	4, 10	(80,758)	(52,275)
Net other income/(expenses)		<u>1,070,580</u>	<u>(37,829)</u>
Net Comprehensive Income/(Loss)		<u><u>1,101,115</u></u>	<u><u>(32,794)</u></u>

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PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Statement of Changes in Equity For the year ended December 31 (Expressed in Bahamian dollars)

		Share Capital	Shareholder Funding	Retained Earnings	Total Equity
	Notes	\$	\$	\$	\$
Balance at January 1, 2021		20	518,963	469,202	988,185
Net comprehensive loss		-	-	(32,794)	(32,794)
Net decrease in shareholder funding	13	-	(15,947)	-	(15,947)
Balance at December 31, 2021 (restated*)		20	503,016	436,408	939,444
Balance at January 1, 2022		20	503,016	436,408	939,444
Net comprehensive income		-	-	1,101,115	1,101,115
Net increase in shareholder funding	13	-	794,657	-	794,657
Balance at December 31, 2022		20	1,297,673	1,537,523	2,835,216

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PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Statement of Cash Flows

For the year ended December 31

(Expressed in Bahamian dollars)

	Notes	2022 \$	2021 Restated* \$
Cash flows from operating activities			
Net comprehensive income/(loss) for the year		1,101,115	(32,794)
Adjustments to reconcile net comprehensive income/(loss) to net cash from operating activities:			
- Depreciation of fixed assets	8	10,458	-
- Net gain from fair value adjustments on investment properties	7	(1,106,018)	-
Net cash flows from net comprehensive income/(loss) before changes in operating assets and liabilities		5,555	(32,794)
- Net (increase)/decrease in prepaid expenses and other assets		(11,565)	1,436
- Net (decrease)/increase in accounts payable and other liabilities		(4,798)	20,806
Net cash used in operating activities		(10,808)	(10,552)
Cash flows from investing activities			
Decrease in short-term loan receivable		32,722	108,242
Decrease in mortgage receivable		44,651	49,192
Purchase of investment property	7	(724,500)	(357,214)
Subsequent expenditure on investment property	7	(674,368)	(36,529)
Purchase of fixed assets	8	(39,418)	(7,496)
Net cash used in investing activities		(1,360,913)	(243,805)
Cash flows from financing activities			
Proceeds from bank loans	10	643,123	329,634
Repayment of bank loans	10	(57,769)	(26,932)
Increase/(decrease) in shareholder funding		794,657	(15,947)
Net cash from financing activities		1,380,011	286,755
Net increase in cash and cash equivalents		8,290	32,398
Cash and cash equivalents, beginning of year		(431,505)	(463,903)
Cash and cash equivalents, end of year		(423,215)	(431,505)

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PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited)

December 31, 2022

1. General

J'LYNN Limited, (the "Company") was incorporated under the laws of the Commonwealth of The Bahamas in 2011 and serves as an asset holding structure for its shareholder(s), who contribute capital to the entity on an ongoing basis to facilitate desired transactions. Its primary asset class is real estate investments (land and housing units for rent). In November 2020 the Company made application to the Registrar General and was approved for a name change from J'LYNN Limited to Paragon Properties Limited.

2. Summary of Significant Accounting Policies

The accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

The financial statements have been prepared in accordance with a modified basis of International Financial Reporting Standards (IFRS), as it does not include all the disclosure requirements of IFRS.

The financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the measurement of investment property at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgments and estimates that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The financial statements provide comparative information in respect of the previous period, which has been restated due to correction of an error. Refer to note 3. The error only impacts the year ended December 31, 2021, therefore the opening balances for that period have not been presented.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, current account balances with banks (including overdrafts) and fixed deposits with original contractual maturities of three months or less.

(c) Investment property

Investment property includes property held for long-term rental yields or for capital appreciation or both and is not owner-occupied. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is initially recognized at cost, including related transaction costs and where applicable, borrowing costs. After initial recognition, investment property is subsequently measured at fair value, if the fair value is reliably determinable, in accordance with International Accounting Standard (IAS) 40. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier.

Neither land nor buildings are depreciated. The Company's policy is to have its investment property portfolio appraised by independent professional valuers every two to three years.

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited)

December 31, 2022

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Changes in fair values are recognized in the statement of comprehensive income. Investment properties are derecognized when they have been disposed.

Where the Company disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain/(loss) from fair value adjustment on investment property. Related transaction costs are recorded in the statement of comprehensive income as selling costs.

If an investment property becomes owner-occupied, it is reclassified as a fixed asset. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

(d) Fixed assets

Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, where applicable, borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

- Furniture & fixtures: 5 years
- Generators: 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

(e) Income and expense recognition

Revenue is recognized on an accrual basis once the Company has the right to receive consideration, it is probable that an economic benefit will flow to the Company and the amount of revenue can be measured reliably.

Rental income is earned on the residential rental properties (see note 12), except for Sea La Vie which is being renovated. The Company makes payments to agents for services in connection with arranging leases. These fees are expensed on payment as realtor commissions and deducted from rental income in the statement of comprehensive income.

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited) December 31, 2022

(e) Income and expense recognition (continued)

Interest income is earned from short-term loans and long-term mortgages to individuals and companies. Such interest is measured using the amortized cost model.

3. Prior Period Error

The 2021 compiled and unaudited financial statements inadvertently excluded the following transactions related to financing the acquisition of the Star Estates property:

- Loan disbursement to the shareholder from Commonwealth Bank to fund the acquisition;
- Loan costs paid by the shareholder; and
- Loan payment by the shareholder for December 2021 (blended principal and interest).

The overall effect of the changes on the statement of financial position is reflected below.

	Reported as at December 31, 2021	Loan Disbursement	Loan Costs	Loan Payment	Restated as at December 31, 2021
	\$	\$	\$	\$	\$
Assets					
Asset line items not affected by prior period error	212,313	-	-	-	212,313
Investment properties	2,044,753	-	7,892	-	2,052,645
Total Assets	2,257,066	-	7,892	-	2,264,958
Liabilities					
Liability line items not affected by prior period error	475,133	-	-	-	475,133
Mortgages on investment properties	522,152	329,634	-	(1,405)	850,381
Total liabilities	997,285	329,634	-	(1,405)	1,325,514
Equity					
Share capital	20	-	-	-	20
Shareholder funding	821,998	(329,634)	7,892	2,760	503,016
Retained earnings	437,763	-	-	(1,355)	436,408
Total equity	1,259,781	(329,634)	7,892	1,405	939,444
Total Liabilities & Equity	2,257,066	-	7,892	-	2,264,958

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited) December 31, 2022

The overall effect of the changes on the statement of comprehensive income is reflected below.

	Reported for the year ended December 31, 2021 \$	Loan Payment \$	Restated for the year ended December 31, 2021 \$
Net operating income	5,035	-	5,035
Other Income/(Expenses)			
Interest income	14,446	-	14,446
Less: Interest expense	(50,920)	(1,355)	(52,275)
Net other expenses	(36,474)	(1,355)	(37,829)
Net Comprehensive Loss	(31,439)	(1,355)	(32,794)

4. Cash and Cash Equivalents

The Company has an overdraft facility with Scotiabank (Bahamas) Limited, which is secured with investment properties owned by the Company. The overdraft limit is \$475,000 (2021: \$475,000). Overdraft interest expense totaling \$22,345 (2021: \$23,262) is recognized in the statement of comprehensive income in interest expense.

5. Short-term Loan Receivable

As at year-end, the Company had no short-term loan receivable outstanding (2021: \$32,722). Interest income on the loan was waived in the current and prior year.

6. Mortgage Receivable

In September 2019, the Company loaned \$200,000 to a non-affiliate company. The mortgage has a term of five years and accrues interest at a rate of 10% per annum. Upon drawdown, there were thirteen interest-only payments totaling \$1,667 per month. The remaining forty-seven payments will comprise monthly blended payments totaling \$4,755. Interest income on the mortgage during the year was \$12,412 (2021: \$14,446).

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited) **December 31, 2022**

7. Investment Properties

The Company's investment property portfolio is comprised of the following:

		2022	2021
		\$	\$
Vacant Land	Location		
Hooper's Bay Lot 8	Exuma, Bahamas	92,183	92,183
Hooper's Bay Lot 9	Exuma, Bahamas	92,183	92,183
Jacaranda	Nassau, Bahamas	156,079	156,079
		<u>340,445</u>	<u>340,445</u>
Residential Rental Property			
Charlottesville TH6	Nassau, Bahamas	635,000	480,164
Star Estates	Nassau, Bahamas	740,000	393,714
Sandyport Coral Beach	Nassau, Bahamas	1,320,000	838,322
Sea La Vie	Nassau, Bahamas	1,292,086	-
		<u>3,987,086</u>	<u>1,712,200</u>
Commercial Real Estate			
Faith Avenue	Nassau, Bahamas	230,000	-
Total		<u>4,557,531</u>	<u>2,052,645</u>

The movement in investment properties is summarized as follows:

	2022	2021
	\$	\$
Balance, beginning of year	2,052,645	1,658,902
Purchases	724,500	357,214
Subsequent expenditure	674,368	36,529
Net gains on fair value adjustments	1,106,018	-
Balance, end of year	<u>4,557,531</u>	<u>2,052,645</u>

Certain of the Company's investment properties were valued by independent professionally qualified valuers who hold a recognized relevant professional qualification and have experience in the locations where the properties are held. Management relies on these reports to determine the appropriate fair value adjustments. Valuation reports were obtained for the Sandyport Coral Beach, Faith Avenue, Star Estates and Charlottesville TH properties. Valuation reports were not obtained for the vacant lands and Sea La Vie, which is currently being renovated.

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited) **December 31, 2022**

8. Fixed Assets

	Furniture & Equipment	Generators	2022
	\$	\$	\$
Cost			
Balance, January 1, 2022	21,496	3,730	25,226
Purchases	-	39,418	39,418
Balance, December 31, 2022	21,496	43,148	64,644
Accumulated depreciation			
Balance, January 1, 2022	-	-	-
Depreciation	7,099	3,359	10,458
Balance, December 31, 2022	7,099	3,359	10,458
Net book value, December 31, 2022	14,397	39,789	54,186
	Furniture & Equipment	Generators	2021
	\$	\$	\$
Cost			
Balance, January 1, 2021	14,000	3,730	17,730
Purchases	7,496	-	7,496
Balance, December 31, 2021	21,496	3,730	25,226
Accumulated depreciation			
Balance, January 1, 2021	-	-	-
Depreciation	-	-	-
Balance, December 31, 2021	-	-	-
Net book value, December 31, 2021	21,496	3,730	25,226

9. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are comprised of the following:

	2022	2021
	\$	\$
Security deposits on rental properties	14,100	7,000
Unearned rental income	13,900	16,333
Professional fees payable	8,842	7,000
Accrued construction costs	-	13,295
Overdraft interest payable	1,988	-
	38,830	43,628

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited) December 31, 2022

10. Mortgages on Investment Properties

Sandyport Coral Beach

In August 2020, the Company entered into a loan agreement for \$550,000 with Scotiabank (Bahamas) Limited. The loan was used to finance the acquisition of the Sandyport Coral Beach residential rental property. There is a fixed monthly principal payment of \$2,321. The interest rate on the loan is the Bahamian Dollar Prime Lending Rate plus 0.25% (or 4.50%) and is paid monthly. Interest expense on the loan during the year was \$24,008 (2021: \$27,658).

Star Estates

In November 2021, the Company entered into a loan agreement for \$342,757 with Commonwealth Bank Limited. The loan was used to finance the acquisition of the Star Estates apartment complex. There is a blended monthly payment of principal and interest totaling \$2,760. The interest rate on the loan is the Bahamian Dollar Prime Lending Rate plus 0.25% (or 4.50%). Interest expense on the loan during the year was \$16,671 (2021: \$1,355).

Sea La Vie

In April 2022, the Company entered into a loan agreement for \$630,000 with Royal Bank (Bahamas) Limited. The loan was used to finance the acquisition of the Sea La Vie residential rental property in Vista Marina. There is a blended monthly payment of principal and interest totaling \$3,901. The interest rate on the loan is the Bahamian Dollar Prime Lending Rate (or 4.25%). Interest expense on the loan during the year was \$17,734 (2021: \$nil).

The outstanding loan balances as at December 31 for each property are as follows:

	2022	2021
	\$	\$
Sandyport Coral Beach	494,304	522,152
Star Estates	324,907	328,229
Sea La Vie	616,524	-
	<u>1,435,735</u>	<u>850,381</u>

11. Share Capital

The Company's authorized share capital is \$5,000 and is comprised of 5,000 ordinary shares with a par value of \$1.00 each. Twenty (20) shares are issued and fully paid.

PARAGON PROPERTIES LIMITED (Formerly J'LYN LIMITED)

Notes to Financial Statements - (Unaudited) December 31, 2022

12. Rental Income

Charlottesville TH6

The three-year lease term, which expired on August 31, 2022, was renewed for an additional three years to August 31, 2025. The total rental payments under the current lease agreement is \$56,000 per annum, payable tri-annually in advance. The total rental payments under the previous lease agreement were \$53,000 per annum, payable quarterly.

Sandyport Coral Beach

In December 2021, the Company entered a two-year lease to rent its Sandyport property for \$7,500 per month. The lease expires on December 19, 2023.

Star Estates

The Star Estates apartment complex houses four (4) rental units, all of which were leased by the Company in the fourth quarter of 2022 on month-to-month tenancies for \$1,600 per month each.

The Company does not earn rental income from any other properties.

The future rental income committed as of December 31 under these operating leases is estimated to be as follows:

	2022	2021
	\$	\$
No later than 1 year	207,800	143,000
Later than 1 year and no later than 5 years	93,333	216,333
	<u>301,133</u>	<u>359,333</u>

13. Shareholder Funding

Occasionally, the shareholder injects capital (cash transactions) into the Company or uses personal resources to satisfy liabilities on behalf of the Company (non-cash transactions). Both transactions are recognized as an increase in shareholder funding in the statement of changes in equity.

Likewise, the Company may use its cash to pay for the personal expenses or investment activities of the shareholder. These transactions are recognized as a reduction in shareholder funding in the statement of changes in equity.