

## **INFORMATIVE ANNEX ORDINARY GENERAL MEETING 31-01-2017**

In order to clarify any doubts related to the Financial Information of the General Community provided by Resortalia, we have considered convenient including a detailed informative summary of each line.

### **I. Incomes**

The amount of 1.870.312, 16 € included in the first chart of the Incomes comes from:

- Community fees charged in 2016.
- Bank Interest (net withholding tax) and other Financial Incomes.
- Surcharges collected from Debtors during 2016 attached to fees already provisioned, that is, from arrears previous to 2013, according to the decision agreed at the Board Meeting held the 12<sup>th</sup> March 2013 when it was decided that, in the event that any debt provisioned were recovered, the full 20% penalty would be passed to the General Community as an income for supporting the debt of the Sub-communities.
- Insurance compensations.
- 75% of money recovered from Debtors regarding outstanding fees prior to 2013, which were provisioned as Bad Debt previous to 2016.

As a result, final Revenues are 32.536, 98 € higher than scheduled.

### **II. Expenses**

Balance for actual Expenditures amounts 1.919.640, 70 € in 2016. It means that there has been a Loss amounting 81.865, 52 € from the 2016 budget.

Therefore, the Final 2016 Result shows a final Loss amounting 49.328, 54 €.

## 1 – GARDENING COMMUNAL AREAS:

**Reconciliation 2016:** In line with the budget.

**Budget 2017:** The amount included is based on the 4 years contract signed in 2014 and taking into account the 1, 6% CPI increase in 2017.

## 2 – GARDENING IMPROVEMENTS:

**Reconciliation 2016:** It includes:

- Red gravel for the areas around buildings.
- New Shrubs such as Oleander for different areas.

**Budget 2017:** The amount included is to take the necessary improvement actions in different areas of the General Community. The areas and actions will be decided by the Board during the year.

## 3 – IRRIGATION WATER FOR COMMUNAL AREAS:

**Reconciliation 2016:** The amount included in the 2016 budget was based on the estimation provided by STV as they are the company in charge of the gardens and irrigation, less the estimated 10.000 cubic meters saving provided by a member of the Board (Phase 4 President) due to the deep testing and adjustment of the irrigation system STV carried out early 2016. As an estimated amount it can suffer variations as it depends on different factors such as the weather. The consumption in 2016 has been higher than the estimation.

Below you can find a chart with the consumptions in 2015 versus 2016 by month. As you will see the total amount is 27.186 cubic meters higher in 2016 than in 2015.

Month	2015 cubic meters	2016 cubic meters	Difference
January	-	3.464	
February	403		
March	1.160		
April	2.974		
May	23.754	19.725	
June	34.748	33.178	
July	45.629	42.550	
August	27.263	36.113	
September	7.530	23.901	
October	6.349	4.725	
November	982	-	
December	548	-	
<b>Total</b>	<b>151.340</b>	<b>178.526</b>	<b>27.186</b>

You can see a remarkable difference in the first 4 months of 2016 due to the test of the system, and in August and September 2016 where the Resort and the Murcia Region experienced a huge increase on the temperatures.

**Budget 2017:** With the aim to get the most accurate estimation for the water cost in 2017, the estimation provided by STV was taken into account. At the meeting it was said and agreed that based on STV new estimations, they had considered that it is possible to reduce the initial estimation in 15.000 €. Again, it may suffer variations because of the weather.

Irrigation - General Community Areas	
Square Meters	150.000 m2
Estimation provided by STV	178.000 m3
Cost in € VAT included	214.604,07 €
Extra Saving considered	15.000,00 €
<b>Final Cost for the 2017 Budget</b>	<b>199.604,07 €</b>

**4 – IRRIGATION SYSTEM MAINTENANCE:**

**Reconciliation 2016:** The over expenditure in this line is mainly due to the unexpected breakages at the pump station. Below you can find a breakdown of the actual expense.

- The 3 years contract with NSN (TORO) related to the maintenance of the software and computer system that controls all the irrigation for the total amount of 6.048, 79 €. This is just one off payment so there will not be charges related to that in 2017 & 2018.

- Decoders: 1.416, 14 €
- Repairs at the pump station: 6.159, 27 €.
- Valves repair: 2.293 €
- Repair of the Bypass with the Golf Course irrigation system: 701, 68 €

**Budget 2017:** The amount included in this line for year 2017 is for any decoders that need to be purchased and also any possible breakages of the irrigation system or pumps at the pump station.

## 5 – PEST CONTROL:

**Reconciliation 2016:** The under expense is due to the fact that the amount provisioned for the cats management team was not used in a 100%.

**Budget 2017:** The 5 years contract with the company Control Natural de Plagas for the pest control finished the 31<sup>st</sup> December 2016. Therefore, there was a tender process where 4 different companies were invited. After reviewing the proposals and the costs, the Board decided to renew with CNP for the following 4 years. Therefore, the figure included for the year 2017 includes the actions listed below:

- 20% of the total 4 years contract for the amount of **7.792, 88 € VAT** included is going to be spread over 4 years from a budget point of view. Then, the amount included in 2017 will be **1.948, 22 € VAT** included.
- **12 payments of 649, 41 € VAT** included related to the mosquito treatment and traps for the rats.
- Cat food and neutering actions for the amount of **1.200 € VAT** included.
- Pigeon traps (6 units in different buildings of the complex and 3 visits per week to remove the trapped pigeons) for the annual amount of **7.695, 60 € VAT** included.

## 6 – ELECTRICITY PATH LIGHTS, POOLS, FOUNTAINS & RITI´S.

**Reconciliation 2016:** As every year, the amount included is an estimation based on previous years´ electricity consumptions plus a 3% for possible electricity increase in the cost. We include below a chart with an example of an increase affecting 2016 expenditure.

	Cost 2015	Cost 2016	Difference
<b>Power invoiced per KW</b>	0,125279	0,135903	0,010624
<b>Consumptions per KW</b>	0,189666	0,204524	0,014858

Then, the **1.939, 81 €** over expenditure in 2016 is mainly due to the change on the electricity rates.

Below we also include a chart with the electricity costs in 2016 vs 2015 so that you can see the difference per item. The breakdown is done based on the contracts. When it says Pools and Path lights, it means that the meter controls both items. When it says only pools, it means that the meter controls just pools. For your information there is only a pool in HR which does not share the meter with any other item. It is pool 7-2 in Phase 7.

Item	Annual cost 2015	Annual cost 2016	Difference
<b>Path lights</b>	938,92	1.343,78	404,86
<b>Pools</b>	1.937,40	2.083,70	146,30
<b>Pools and Path lights</b>	103.916,47	109.266,66	5.350,19
<b>Telecom</b>	393,26	414,65	21,39
<b>Others</b>	8.646,41	8.138,45	- 507,96
<b>Total</b>	<b>115.832,46</b>	<b>121.247,24</b>	<b>5.414,78</b>

**Budget 2017:** The amount included for 2017 is the actual expense in 2016 plus an increase of the 3% due to the possible change on the tariffs throughout 2017. It has also taken into account a saving of 5.000 € due to the expected change of the path lights in 2017.

**7 - ELECTRICITY PUMP STATION.**

**Reconciliation 2016:** Although ACUAMED provides the water at such pressure that the use of the pumps is usually not necessary; there is still some electricity consumption. It has also relation to the high temperatures and the need of irrigation. For 2016, there was an added problem with the supplier as the pressure of the water was lower than ever before. It was due to the fact that the demand of water from the clients was higher than the available resource. Please find below a chart comparing the electricity consumption in € in 2015 versus 2016.

Month	2015 cost electricity consumption	2016 cost electricity consumption	Difference
January	671,47	690,16	
February	688,76	654,15	
March	751,13	890,79	
April	693,50	648,41	
May	873,93	1.047,81	
June	1.421,37	1.522,58	
July	1.645,00	1.489,04	
August	1.463,72	1.786,43	
September	872,92	1.611,48	
October	878,51	1.011,41	
November	583,14	632,79	
December	736,29	802,26	
<b>Total in €</b>	<b>11.279,74</b>	<b>12.787,31</b>	<b>1.507,57</b>

**Budget 2017:** The amount included for 2017 is the actual expense in 2016 plus an increase of the 3% due to the possible change on the tariffs throughout 2017. This might also suffer variations based on the irrigation of the green areas.

## 8 – SECURITY:

**Reconciliation 2016:** The figure included in the 2016 budget was taking into account the 3 years contract from January 2014. The main reason of the over expenditure is the change of the staff from May 2016. Prior May, there used to be controllers at the security gate and vigilants patrolling with the car; however, and due the Law, it was necessary to upgrade all the staff to vigilants so that they could comply with all their duties without incurring in legal issues.

**Budget 2017:** The 3 years contract with Vigilant (Security Company) finished the 31<sup>st</sup> December 2016. However, and due to different aspects on the real needs of the Resort about security, it has been extended for 6 more months (until 30-6-2017). Then, the budget for 2017 has been calculated based on the old contract. It means that there might be some difference when the 2017 year closes.

Below is a description of the current service:

- A security guard 24 hours / 365 days patrolling.
- A security guard 8 hours / 365 days from 22:00 to 6:00 patrolling.
- A security guard 24 hours / 365 days at the security gate.

- A car 12 months.

Also, the 3% discount for prompt payment has been deducted from the annual amount so the owners can take advantage of this in their annual fees in 2017.

## **9 – SECURITY SYSTEM MAINTENANCE:**

**Reconciliation 2016:** In line with the budget.

**Budget 2017:** The 5 years contract with Vigilant (Security Company) finished the 1<sup>st</sup> December 2016. However, and due to different aspects on the real needs of the Resort about security, it has been extended for 6 more months (until 30-6-2017). Then, the budget for 2017 has been calculated based on the old contract. It means that there might be some difference when the 2017 year closes.

## **10 – POOLS & FOUNTAINS MAINTENANCE:**

**Reconciliation 2016:** This figure is calculated based on:

- Annual maintenance of 19 pools.
- Maintenance of the main fountain at the entrance of the complex from May to October (6 months).

The under expense is due to the fact that the main fountain was not working in May and October.

The company in charge of the service does not charge the Community for the small fountains which are currently disconnected even when they check them.

**Budget 2017:** The figure for the 2017 budget is based on the 3 years contract agreed in January 2015 and includes the following:

- All risk maintenance of 19 pools: **131.534, 79 € VAT included**
- All risk maintenance of the fountain at the main entrance of the Complex during 6 months (from May to October). **1.444, 01 € VAT included**

It does not include CPI increase.

## 11 – POOLS WATER CONSUMPTION:

**Reconciliation 2016:** The main reason of the under expenditure is due to the fact that the water to fill in pools 7-2 & 7-3, following the repair works, was considered in the 2016 budget. However, the water could be moved from one pool to another and as a consequence there was a saving.

**Budget 2017:** The new figure for 2017 is an estimated amount based on the actual expense from 2016 less 4.000 € as it is not expected to have to empty any pool for repairs. As in previous years it can vary due to the evaporation, filtering times or breakages.

## 12 – DIFFERENTE POOLS REPAIR:

**Reconciliation 2016:** The amount included was with the aim to repair and replace missing tiles at the bottom of 6 pools in the complex amongst others. The under expense is due to the following factors:

- There were 8 handrails installed in different pools instead of 6 as initially agreed.
- The cost of the new infrastructure for pool 6-2 was higher due to an issue with the connection of the pipe at the pump room. More materials and labour was needed.

**Budget 2017:** It is not planned to carry out any repair works in the pools in HR this current year as several actions have already been taken in all of them since year 2014.

## 13 - ADMINISTRATOR:

**Reconciliation 2016:** In line with the budget.

**Budget 2017:** The figure included in the 2017 budget includes the CPI increase. (1,6 %).

## 14 – INSURANCE:

**Reconciliation 2016:** In line with the budget.



**Budget 2017:** Due to the finishing of the 1 year agreement with MAPFRE, a tender process took place inviting different insurance companies. Only 5 of them presented a proposal being MAPFRE the cheapest one. They were prepared to keep the same cost in 2018 and 2019 than in 2017 if the claims do not go over the 70% of the annual net cost.

Furthermore, they have increased the general cover on the 2 items below:

- **Communal furniture:** The amount covered for previous years was of 6.879, 50 € increased to 30.000 €.
- **Blockage pipes:** The cover was of 600 € per claim to unblock a waste blockage pipe; increased to 1.500 € per claim, per year.

Then, the figure for 2017 is based on the new 3 years agreement with Mapfre.

## 15 – MAINTENANCE TELEPHONE & INTERNET:

**Reconciliation 2016:** The previous 5 years contract with A2Z finished the 8<sup>th</sup> June 2016. Then, the amount included for the year 2016 was an estimation based on the previous contract as it was not known yet the details of the new one. Therefore, the over expenditure is due to the new contract with A2Z from 8<sup>th</sup> June 2016. It does not mean a real increase, as the line budget for the TV and Broadband in the EUCC budget is lower than estimated. Below you can see a chart with the figures taking into account all the service offered by A2Z.

	General Community Telephone and Internet maintenance	EUCC TV & Broadband maintenance	Total
<b>2016 Budget</b>	73.732,20	148.090,68	221.822,88
<b>Actual expenditure in 2016</b>	93.106,70	125.741,41	218.848,11
<b>2017 Budget</b>	109.993,30	109.993,30	219.986,60
Annual saving with the new contract of 1.836, 28 €			

**Budget 2017:** The new figure for the 2017 budget is based on the new 6 years contract with A2Z signed from 8<sup>th</sup> June 2016. In the chart included above you can see the amounts and explanation on the change of figure. It also includes a 1,6% CPI increase.

## 16 – GENERAL MAINTENANCE:

**Reconciliation 2016:** The estimated amount for 2016 was based on the actual expenses from previous years. Below is a list of some of the expenses. Also and attached to this annex you can find the ledger of this account with all expenditures in detail.

- a. General Maintenance.
- b. Materials for the works carried out by the maintenance man.
- c. Bulbs.
- d. Metallic shelving for the security files.
- e. Nest wasps removal.
- f. Gates for electricity cupboards in communal areas to replaced broken ones.
- g. Other small items.

**Budget 2017:** The amount included in the 2017 budget is the actual expenditure from 2016 plus 2.500 € subject to be agreed by the Board.

The fix items included are:

- a. General Maintenance – Labour & Materials.
- b. Bulbs
- c. Other unexpected actions which might occur during 2017.

## 17 – MISCELLANEOUS EXPENSE:

**Reconciliation 2016:** The estimated amount for 2016 was based on the actual expenses from the previous year. Attached to this annex you can find the ledger of this account with all expenditures in detail. The under expenditure is mainly due to the fact that some of the costs that used to be allocated to this line have now been moved to independent lines for the corresponding item.

**Budget 2017:** The amount included for 2017 is based on previous year actual costs plus 4.000 € subject to be agreed by the Board. It includes fix items such as:

- a. Room for the AGM.
- b. Sworn translators for the AGM.
- c. Website maintenance.
- d. Card e-shopping related to the annual surveys.
- e. Other unexpected actions which might occur during 2017.

**18 – ACCOUNTS AUDIT:**

**Reconciliation 2016:** The amount included did not take into account the annual increase of the Auditor Fee.

**Budget 2017:** The amount included for the year 2017 is the actual expenditure from 2016 plus the CPI increase.

**19a. FLOODING EXTRAORDINARY EXPENSES PROVISION:**

**Reconciliation 2016:** The heavy rains in December 2016 caused some damages Has incurred in an estimated expenditure of 116.587, 13 €.

**19.b INSURANCE COMPENSATION FLOODING PROVISION:**

**Reconciliation 2016:** The reason of this line in negative is that it is expected to recover this money from either the Insurance Company or the Consortium, considering that Consortium would not pay the 21% VAT.

**20 – LEGAL FEES PROVISION:**

**Reconciliation 2016:** This line was created in 2016 with the aim to cover the expenditures related to legal issues. Below you can find a breakdown of the costs included:

Costs related to the Translators, Lawyers and Notary for different meetings in January 2016	4.282,61
Costs related to the process for the agreement with PW	60.500,00
Costs related to court process	4.207,45
Certificate of the Statutes	36,36
Taxes for the Building at the main entrance	10.000,00
<b>Total</b>	<b>79.026,42</b>

**Budget 2017:** The amount included for 2017 is for any possible legal fees.

**21a. – DEBT PROVISION FROM 1-1-2013 TO 31-12-2013:**

**Reconciliation 2016:** 92.679,74 € were budgeted to be provisioned regarding 75 % of 2013 debt as at 31.12.2015.

However, 26.761,53 € have been recovered during 2016 from this debt, and another 21.463,09 € coming from previous years' debts already provisioned.

Therefore, actual debt from 2008 to 31<sup>st</sup> Dec. 2013 is fully provisioned as at 31.12.2016 amounting 244.084,14 €.

#### **21b. – DEBT PROVISION FROM 1-1-2014 TO 31-12-2014:**

**Budget 2017:** 2014 Debt is to be provisioned in 2017. 75% of total debt to be provisioned by the General Community is 86.414,41 €.

Please bear in mind this is the debt corresponding to apartments. Debt coming from Garage spaces owned by Polaris World must be fully covered by each Sub-community, as per the decision taken by the Board.

#### **22a. – DEBT PROVISION COMMERCIAL AREA FROM 1-1-2013 TO 31-12-2013:**

**Reconciliation 2016:** The commercial area belonging to Polaris World has a debt amounting 91.072,07 € related to 2013 which has not been paid and which is being fully provisioned by the General Community Budget. However, an agreement has been signed and all debt prior to 31-12-2013 has been compensated. Therefore, the provision has been used to write off this debt.

#### **22b. – DEBT PROVISION COMMERCIAL AREA FROM 1-1-2014 TO 31-12-2014:**

**Budget 2017:** The commercial area belonging to Polaris World has a debt amounting 92.096,24 € related to 2014 which is being fully provisioned by the General Community Budget.

#### **23 – PROVISION LONG TERM REPAIRS & RENEWALS (including repainting)**

**Reconciliation 2016:** The expenditure in 2016 is related to several works carried out on the General Community such as the painting of iron works, painting of the façade 1 meter below the sill

of some buildings where the repair works were finished, etc. Below we include a chart with a breakdown of the costs.

Facades Painting 1 meter below the sill	126.491,26
Iron Works	286.648,27
Perimeter Fence	38.103,10
Others	12.127,72
Architect	21.967,53
<b>Total</b>	<b>485.337,88</b>

As the initial balance as of 1<sup>st</sup> January 2016 for those works was 439.854, 66 € and the budgeted amount for 2016 was 220.000 €, the final amount once deducted 2016 expenses is 174.516, 78 € to be added to 2017.

**Budget 2017:** The amount budgeted for 2017 is 584.516, 78 € as agreed by the Board taking into account several actions to be taken during the year and related to:

- Painting / repair of the 1m strip at the bottom of the blocks. This work started already in 2015, continued in 2016 and will be finished in 2017.
- Painting the whole façade of 16 buildings in 2017. This task will continue the following years.
- Licence for the painting.
- Path lights.
- Others.

The breakdown of this item will be:

- 314.708, 16 € included in the 2017 budget.
- 174.516, 78 € coming from existing Long Term Repairs Fund as of 1-1-2017.
- 95.291, 84 € coming from existing reserves.

### **RESERVE FUND**

**Reconciliation 2016:** There was no need to allocate any funds to the Reserve Fund since at the beginning of 2016 there were 532.202,85 € already provisioned.

**Budget 2017:** The schedule Reserve Fund for 2017 according to the Statutes of the Community must be 276.804,67 € (20% of the previous year 2016 budget excluding Provisions). As explained above, there is no requirement to provide any additional amount.