



BUDGET EXPLANATION ANNUAL GENERAL MEETING GENERAL COMMUNITY 08.02.2022

The information below is an explanation of the different lines of the 2021 budget reconciliation and the new approved 2022 budget of the General Community of HRGR.

Incomes

The amounts included in the first lines of the chart, "**Income**", come from:

- 2021 Community fees.
- National Consortium compensation related to the rain damages in September 2019.
- 40% of the 2017 PW debt recovered from the Liquidators.

Nothing has been budgeted to be recovered in 2022.

Expenses

Balance for actual Expenditures amounted to 2.011.860, 34 € in 2021.

The final Expenditure Budget Reconciliation shows a Surplus of 57.134, 31 €.

1. GARDENING COMMUNAL AREAS:

Reconciliation 2021: 5+3 years contract signed in January 2018. The under expense is due to the CPI that was not of application in 2021. There was also a refund of -4.989, 02 € coming from the wrong calculation of the CPI in 2019 & 2020.

Budget 2022: The amount included for 2022 is based on:

- From January & October 2022: 5+3 years contract signed in January 2018.
- November & December 2022: new proposal including landscaping works due to the lack of water the community is facing. It is subject to be approved in October 2022.



2. GARDENING IMPROVEMENTS:

Reconciliation 2021: The expense includes:

- Red gravel.
- Removal of grass and placement of gravel.

Budget 2022: The amount of 10.000 € has been budgeted for 2022 as in previous years.

3. IRRIGATION WATER FOR COMMUNAL AREAS:

Reconciliation 2021: The water consumption in 2021 has not been what was estimated and expected. This is not because irrigation has not been necessary, but because of the water restrictions that Hacienda Riquelme and other resorts in the area have suffered.

The chart below shows the trends of the water consumptions per month since 2018.

CG CONSUMPTION IN CUBIC METERS (m3)				
Month	2018	2019	2020	2021
January	180,00	1.276,00	380,00	-
February	363,00	2.713,60	-	464,00
March	1.208,00	6.466,40	2.025,60	1.108,00
April	6.566,00	2.802,40	476,80	990,40
May	21.489,00	14.660,00	4.500,00	1.143,20
June	22.865,00	26.304,80	13.918,40	11.637,93
July	29.868,00	41.828,00	13.224,00	16.104,96
August	22.389,00	15.529,60	18.621,60	26.157,10
September	11.010,00	5.660,00	16.954,40	9.597,10
October	4.157,00	1.934,40	2.506,40	8.275,71
November	133,00	565,60	425,60	-
December	470,00	-	-	-
Total	120.698,00	119.740,80	73.032,80	75.478,41

Budget 2022: Although the figure included in the budget for 2022 is an estimate as in previous years, uncertainty over water shortages and restrictions make it completely impossible to know whether what is included will be close to reality by the end of the year. In any case, the amount included is the estimated amount of water that HR would need to be able to maintain the gardening areas.



4. IRRIGATION SYSTEM MAINTENANCE:

Reconciliation 2021: The expense in 2021 includes:

- Replacement of faulty electrical parts.
- Repair of pumps, valves, etc.
- New decoders and solenoids.

Budget 2022: The irrigation system is already 14 years old; it is therefore normal that there are more and more component failures every year. It is not possible to predict what is going to break and when so it is necessary to have an amount always ready for unexpected breakages. For 2022 the same amount budgeted in 2021 will be kept. Having water and being able to irrigate will certainly be an essential factor in spending on this line in 2022.

5. PEST CONTROL:

Reconciliation 2021: There was a new contract with Control Natural de Plagas agreed in January 2021 to deal with rats, mosquitoes and other similar pests. This heading in the budget includes other services related to the pest control. The chart below shows the services and annual costs in 2021.

Service	Cost 2021
CNP Pest control and mosquitoes	13.976,03
Falconry (Pigeon traps)	4.613,73
Cats (Food and treatments)	743,12
Wasp nests and honeycomb removal	820,34
Total	20.153,22

Budget 2022: The main figure included in this item comes from the current 5-year contract agreed with the company "Control Natural de Plagas" in January 2021. The breakdown of costs is shown below.



Service	Cost 2022
CNP Pest control and mosquitoes	13.976,23
Falconry (Pigeon traps)	4.138,20
Cats (Food and treatments)	1.200,00
Wasp nests and honeycomb removal	600,00
Total	19.914,43

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

Reconciliation 2021: The chart below shows the electricity trends from 2017 to 2021 classified by type of item (contract). Where it states Pools and Path lights, the meter controls both items.

Item	Annual cost 2017	Annual cost 2018	Annual cost 2019	Annual cost 2020	Annual cost 2021
Path lights	1.595,46	1.515,96	889,79	1.764,54	980,19
Pools & Path lights	113.030,31	154.785,93	144.365,17	124.722,46	125.886,48
Gate House	8.841,08	9.837,57	9.203,39	7.771,12	5.841,19
Total	123.466,85	166.139,46	154.458,35	134.258,12	132.707,86

The annual expenditure in 2021 is remarkably close to the budgeted amount. This would not have been the case, and there would have been a large overspend, if we had stayed with Iberdrola as energy costs have soared up in price this year in Spain as well as other countries. The Resort President and the self-management team managed to change all the contracts from General Community to Hola Luz through the company Mariposa Energy.

Budget 2022: Despite having moved all the contracts for the General Community to a supplier with cheaper tariffs (Hola Luz), the continued increase in the cost per kW in 2022 will not help to reduce electricity costs. Therefore, for 2022 we have considered an amount 22% higher than the actual expense in 2021.

7. ELECTRICITY PUMP STATION.

Reconciliation 2021: The water restriction in 2021 is the only reason of the under expense in this line. In previous years the Community used to pay an average of 10.000 € to 12.000 € per year. However, in 2021 it has gone down to less than half of the budgeted amount. The chart with the trends is shown below.



Item	Annual cost 2017	Annual cost 2018	Annual cost 2019	Annual cost 2020	Annual cost 2021
Irrigation	411,72	472,72	478,92	459,84	403,42
Pump Station	11.615,20	10.906,65	11.195,67	10.714,93	4.666,78
Total	12.026,92	11.379,37	11.674,59	11.174,77	5.070,20

Budget 2022: The water restrictions are also affecting the electricity consumptions of the pump station. Therefore, a reduction of the amount budgeted for 2022 is shown under this item. It is in line with the actuals in 2021 even though the expense could be much lower if the community only has to pay for the electricity company fixed costs.

8. SECURITY:

Reconciliation 2021: The expense in 2021 is based on 7 months (from January to July) of the previous 3 years contract plus 5 months of the new 3 years contract agreed the 31.07.2021.

Budget 2022: The figure for 2022 is based on the new 3-years contract. The service is as described below.

- A security guard patrolling 24 hours / 365 days.
- A security guard at the security gate 24 hours / 365 days.
- A car for 12 months.

An increase of the 1,5% of the CPI has been taken into consideration from 01.07.2022.

9. SECURITY SYSTEM MAINTENANCE:

Reconciliation 2021: The expense in 2021 is based on 7 months (from January to July) of the previous 3 years contract plus 5 months of the new 3 years contract agreed the 31.07.2021.

Budget 2022: The figure for 2022 is based on the new 3-years contract. An increase of the 1,5% of the CPI has been taken into consideration from 01.07.2022.



10. POOLS MAINTENANCE:

Reconciliation 2021: In line with the budget.

Budget 2022: The figure for the 2022 budget is based on the 5-years contract agreed in December 2017. There is not CPI increase.

11. POOLS WATER CONSUMPTION:

Reconciliation 2021: The over expense in 2021 is due to the repairs carried out early in the year when the pool maintenance company had to empty 3 pools and refill them again.

Budget 2022: The figure for 2022 remains as the estimated for 2021 as there are not expected repairs which require to empty the pools.

12. SELF - ADMINISTRATION:

Reconciliation 2021: You will see from the budget schedules that the original budget for self admin 2021 "staff" was estimated at 121,000 euros. The actual spend during the year ended up at over 148,000 euros.

Initial and ongoing set up and admin costs have also been higher than originally budgeted for. Originally the estimate was for 26,000 euros to be spread over 3 years. Actual spend was 35,000 and has all been charged in year 2021.

The overriding factor has been the significant amount of extra work due to the "obstructive" stance taken by Resortalia over the transition and handover. There was also an element of "underestimation" of ongoing support requirements of the new structure, both accounting and resort / building management.

Also, what must be taken into consideration is that 2021 would have been the first year of new charges from Resortalia and their tender was for nearly 293,000 euro's including a Resort Manager, legal, audit and extra insurance support.



- **Extra staff costs:**

Initially we recruited Victoria to help us catch up with the financial records not provided by Resortalia. During this period it became apparent that we needed permanent extra help across all areas and have now recruited Fayza. These additional staff costs are in the year "actuals" and included in the 2022 budget.

- **One off costs:**

These include....

Office refurbishment 7.673, 82 €

Computer equipment 4.268, 95 €

Initial cleaning, software...

These costs are in the year 2021 but excluded from the 2022 budget which is set at 12,500 € and will be allocated under the miscellaneous heading.

Budget 2022: The amount included are the wages and taxes for the workers of the self-administration.

13. INSURANCE:

Reconciliation 2021: The reasons for the under expense in this line are:

- Due to the lack of information related to the files logged prior to 31.12.2020, the insurance broker did not have to manage old files.
- Most of the actions related to the management of the insurance files for 2021 was done by the self-admin team, therefore there was not a charge from the insurance broker for this task.
- The premium of the policy was reduced based on the excess applied to water claims in private apartments, all the General Community claims, and building claims for damages.



Budget 2022: Based on what is established in the Statutes of the General Community, Statutes of the Buildings and Statutes of the EUCC, there must be an individual insurance policy for each entity. Therefore, for 2022 the amount under this line is for:

- Civil liability insurance General Community areas. Generali.
- Gate House. Allianz.
- Damages General Community areas. Allianz.
- Civil liability insurance for Directors and Officers (RP, PP & BP). Generali.

Each building must do their own insurance and has to be within their own budget.

14. MAINTENANCE TELEPHONE & INTERNET:

Reconciliation 2021: In line with the budget.

Budget 2022: The current contract signed in 2016 finishes the 8.06.2022; therefore, the amount budgeted is for the 6 remaining months of the contract. A2Z has informed that they are not interested in offering a global contract since their company has moved now to AVATEL. Therefore, any owners wanting to have internet or telephone service will have to arrange a private and individual contract with the company they wish before then.

So from June, if owners come to HR and wish to have internet or telephone service they will have to arrange for their own contracts in advanced.

There will be a separate communication to all the owners to inform them of the change prior to the end of the contract.

15. WEBSITE:

Reconciliation 2021: The expense under this line is the maintenance of the HRGR Owners Website.

Budget 2022: In 2022, in addition to the maintenance of the website, an amount has been considered for the incident reporting and management application (URBIT). The cost per user is 0,45€.



16. GENERAL MAINTENANCE & MISCELLANEOUS:

Reconciliation 2021: This line includes the general maintenance and materials such as bulbs, mortar, polymer, oil for hinges, small electric parts, bank commissions, etc.

Budget 2022: For 2022 the amount has been increased due to the different unexpected issues that may arise in 2022.

17. DISINFECTION AND MATERIALS DUE TO COVID:

Reconciliation 2021: The expense under this heading includes the following:

- Hydro-alcohol and disinfectant for the pools.
- Extra security guard to control the Covid measures in pools.
- Disinfection of the pool surrounds.
- Pool water analysis.
- Buildings disinfection.

Budget 2022: The budgeted amount for 2022 is an estimation based on the measures that the Community might need to take for the usage of the pools during the summer months.

18. REGULAR LEGAL RETAINER & AUDIT:

Reconciliation 2021: The expense comes from the contract with IMONT for the regular legal retainer and audit of the 2020 accounts.

Budget 2022: The amount included for the year 2022 is an estimation based on the agreed contract with MS-Legal Services in Cartagena with the cost of 100 € + VAT per hour.

19. SPECIALIST LEGAL:

Reconciliation 2021: Although no amount was taken into account for this line in 2021, it has been necessary to engage MS-Legal Services to represent the Community in the PW liquidation process, as it was not until April 2021 that the Community was a party to the proceedings.



Budget 2022: The figure for the 2022 budget is for specialist legal representation of the community on different cases such as the Liquidation process with PW, review of the Statutes, etc.

20. DEBT PROVISION (75% 2018 & 2019 apartments debt):

Reconciliation 2021 – Debt from 1-1-2018 to 31-12-2018: The amount budgeted related to the 75% of the 2018 debt as of 31.12.2020 was of 74.060, 82 €.

There is a difference in the amount to be finally provisioned of 3.952, 74 €. The final figure (75% of the 2018 debt as of 31.12.2021) was of 70.108, 08 €.

Budget 2022 – Debt from 1-1-2019 to 31-12-2019: The amount to be provisioned by the General Community related to the 75% of the 2019 debt as of 31.12.2021 is of 72.091, 25 €.

The amounts above are only for the debt related to apartments. The debt from garages owned by Polaris World have to be fully covered by the corresponding Building.

21. DEBT PROVISION COMMERCIAL AREA (2018 & 2019):

Reconciliation 2021 – Debt from 1-1-2018 to 31-12-2018: The commercial area owned by Polaris World has a debt of 81.164, 00 € related to 2018. This amount has been fully provisioned by the General Community Budget in 2021.

Budget 2022 – Debt from 1-1-2019 to 31-12-2019: The commercial area owned by Polaris World has a debt of 81.164, 00 € related to 2019. This amount is being fully provisioned by the General Community Budget in 2022.

22. REPAIRS PROVISIONS (including repainting):

Reconciliation 2021: The chart below shows the breakdown of the repairs and renewals carried out in 2021.



Repair & Renewal works 2021	Expense
Pool repairs mosaics and other repairs	35.028,45
Management salty water pumps at the bottom of Phase 6	3.872,00
Solar Path lights test	180,46
Pathways & manholes	14.790,95
Broken pipes (water & gas)	28.034,85
Sport area repairs and maintenance	22.423,55
Gravel around buildings	16.963,34
Roof mail boxes	7.787,56
Office refurbishment and other office set up expenses	35.393,75
Total 2021	164.474,91

The items included in heading 23 of this report were also expenses in 2021.

Budget 2022: For 2022, the net amount budgeted is 135.300,00 €. The estimated breakdown is shown below.

Expected repairs & renewals in 2022	Estimated
Pathways & manholes	40.000,00
Solar Path lights	15.000,00
Broken pipes (water & gas)	30.000,00
Sport area repairs and maintenance	5.000,00
Gravel around buildings	10.000,00
Residual painting repairs	30.000,00
Anniversary function	5.000,00
Miscellaneous	15.000,00
Estimated 2022	150.000,00

With the aim to finance the scheduled works in 2022, the amount of 200.000 € has been released.

23. DEPRECIATION CHARGE:

Reconciliation 2021: The façade painting program and the pool surrounds project have been included to be depreciated during the next 7 years. The total spent in 2021 has been:

- Façade painting program: 498.070, 86 €
- Pool surrounds project: 39.464.77 €
- Pool fences: 4.048, 22 €



Total: 541.583, 85 €

The annual cost for 2021 has been 350.100, 05 €. It is the depreciation charge related to year 4 of the amortization plan.

Budget 2022: The amounts included for 2022 are:

- Façade painting final liquidation: 155.630, 20 €
- Swimming pools surrounds: 92.020, 00 €
- LED street lights / Solar panels pool pumps: 135.000, 00 €

Total: 382.650, 20 €, and the annual cost of these expenses will be 54.664, 31 € over the years 2022 to 2028.

Therefore, the amount to be included for 2022 is:

- 2022 depreciation charge: 54.664, 31 €
- 2021 depreciation charge (year 4): 96.780, 35 €
- 2020 expense (year 3): 91.125, 23 €
- 2019 expense (year 2): 89.343, 69 €
- 2018 expense: (year 1): 72.850, 78 €

Total amount to be budgeted in 2022: 404.764, 36 €

RESERVE FUND

Reconciliation 2021: There was no need to allocate any funds to the Reserve Fund.

Budget 2022: The schedule Reserve Fund for 2022 according to the Community Statutes unity must be 20% of the previous year (2021) budget excluding Provisions.

As with previous budgets, there is a combined release of provisions held to smooth out the fees and again enable a zero increase.

A total release of 253.000 this year. Repairs 200.000, Legal 20.000 and General reserve 33.000.

The schedule shows the provisions retained, which are still well above that legally required. They will continue to be monitored but it is unlikely to be repeated next year at that level of release.