



BUDGET EXPLANATION ORDINARY GENERAL MEETING 29.01.2020

In order to clarify any doubts related to the Financial Information of the General Community provided by Resortalia, we have considered convenient to include a detailed explanation of each item.

I. Incomes

The amount of 1.983.865, 62 € included in the first chart of the Incomes comes from:

- Community fees charged in 2019.
- Other Non-budgeted Incomes, as follows:
 - Collected surcharges transferred from sub-communities coming from debt recovered already provisioned during the previous years (older than 4 years).
 - 75% of the total debt recovered during 2019, which was provisioned during the latest years (older than 4 years).
 - Other revenues from financial and insurance compensations.

II. Expenses

Balance for actual Expenditures amounted to 1.910.694, 10 € in 2019.

The final Expenditure Budget Reconciliation shows a Surplus of 73.171,52 €.

1 – GARDENING COMMUNAL AREAS:

Reconciliation 2019: The over expense is due to the CPI increase from 1st February 2019. When the budget was calculated it was considered a 1, 5% increase; however, and based on their workers agreement plus the CPI, the total increase has been higher than 5%.

Budget 2020: The amount included is based on the new contract with STV from 31st January 2018. As the real increase will not be known until February, it is not possible to have an accurate %. Therefore, the included amount has considered the increased applied in 2019 based on the following:

- CPI.



- Workers agreement.

2 – GARDENING IMPROVEMENTS:

Reconciliation 2019: The amount spent in 2019 comes from the following:

- New Melia trees in Phase 2.
- Bark and top soil.
- Supply wood stake for the trees.
- Replacement of Melia and Tipuana trees.
- Supply pinus and reconditioning the soil.
- Planting Suculentas and add beige pebbles on the small fountains.

Budget 2020: As in previous years, the amount of 10.000 € has been taken into account.

3 – IRRIGATION WATER FOR COMMUNAL AREAS:

Reconciliation 2019: The amount included in the 2019 budget was based on the estimation provided by STV, as they are the company in charge of the gardens and irrigation within the Resort. As this was an estimated amount, it can therefore be susceptible to suffer variations as the estimate depends on different factors such as the weather. The consumption in 2019 has been lower than the original estimation.

Below you can find a chart with the monthly consumptions in 2018 versus 2019. As you will see, the total is 1.526 cubic meters lower in 2019 than in 2018.

Month	2018 cubic meters	2019 cubic meters	Difference
January	180	1.153	
February	363	2.485	
March	1.208	5.661	
April	6.566	2.183	
May	21.489	14.909	
June	22.865	28.061	
July	29.868	45.022	
August	22.389	12.103	
September	11.010	5.660	
October	4.157	1.934	
November	133	-	
December	470	-	
Total	120.698	119.172	- 1.526



The actual consumption as of 31-12-2019 means that there has been a saving of 35.828 m³ (43.074, 70 €) in 2019 compared with the amount budgeted for the year.

Budget 2020: As in previous years and with the aim of receiving the most accurate estimation for the water cost in 2020, STV was asked for the estimation for the irrigation during the year. However, and based on the actual expenditure from 2019 it has been considered convenient to reduce the estimated amount as shown in the chart below.

Irrigation - General Community Areas	
Square Meters	150.000 m ²
Estimation provided by STV	153.000 m ³
Cost in € VAT included Estimation from STV	183.946,35 €
2020 considered budget based on actual consumption from previous years	163.000,00 €

4 – IRRIGATION SYSTEM MAINTENANCE:

Reconciliation 2019: The over expenditure in this item is mainly due to the unexpected breakages. Below you can find a breakdown of the actual expense.

- The renewal of the contract with NSN. This is the company in charge of the maintenance of the irrigation system software. There is 3 years contract.
- Replacement of decoders and solenoids.
- Replacement of programmers.
- Valve repairs in different areas in the Resort.
- Replacement of irrigation timers.
- Etc.

Budget 2020: The amount considered in this item for 2020 is based on the high level of breakages that happened in 2019. As the Resort is getting mature, all the installations, including the irrigation system, are getting older and the possibility of breakages increase in a high percentage.



5 – PEST CONTROL:

Reconciliation 2019: The main reason of the over expense was due to the extra treatment against mosquitoes that had to be done in October 2019. A breakdown of the total expense is included below:

- Mosquito Fumigation and pest control: 7.792, 92 € VAT included.
- Extra treatment against mosquitoes: 864, 55 € VAT included.
- Wasp's nests and honeycomb removal: 186, 84 € VAT included.
- Pigeon traps: 4.138, 20 € VAT included. At the moment there are 6 traps in different buildings in HR. Since February 2018, the company removes the pigeons once a week.
- Cats (food and vet treatments): 1.322.74 € VAT included.

Budget 2020: The main figure included in this item comes from the current 4-year contract signed with the company "Control Natural de Plagas" in January 2017. The amount for the new budget has taken the following actions into consideration:

- 20% of the total 4-year contract for the amount of **7.792, 88 € VAT** included was spread over 4 years from a budget point of view. Then, the amount included in 2019 was **1.948,22 €** VAT included and the same amount would be included in 2020.
- **12 payments of 649, 41 €** VAT included related to the mosquito treatment and rat-traps.
- Cat food and neutering actions for the amount of **1.200 €** VAT included.
- Pigeon traps (6 units in different buildings of the complex and 1 visits per week to remove the trapped pigeons) for the annual amount of **4.138,20 €** VAT included.
- Wasp's nests and honeycomb removal for the estimated amount of **600 €**.

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

Reconciliation 2019: The amount included in 2019 was an estimation based on previous years' electricity consumption. As can be seen the actual expense in 2019 has been lower than the consumption in 2018.

The chart below with the electricity costs in 2015, 2016, 2017, 2018 & 2019 shows the electricity trends and the difference per item. The breakdown is done based on the contracts. Where it states Pools and Path lights, it means that the meter controls both items. Where it states



only pools, it means that the meter controls just pools. There is only one meter in HR, which does not control path lights and only control one pool, 7-2 in Phase 7.

	Item	Annual Cost 2015	Annual Cost 2016	Annual Cost 2017	Annual Cost 2018	Annual Cost 2019	Difference
1	Pathlights	938,92	1.343,78	1.595,46	1.515,96	889,79	- 626,17
2	Pool 7-2	1.937,40	2.083,70	4.665,49	5.565,89	6.440,72	874,83
3	Pools and Pathlights	103.916,47	109.266,66	108.364,82	149.220,04	137.924,45	- 11.295,59
4	Riti's - Telecom	393,26	414,65	411,72	472,72	478,92	6,20
5	Others	8.646,41	8.138,45	8.841,08	9.837,57	9.203,39	- 634,18
	Total	115.832,46	121.247,24	123.878,57	166.612,18	154.937,27	- 11.674,91

Budget 2020: The amount included for 2020 is based on the actual expense in 2019.

7 - ELECTRICITY PUMP STATION.

Reconciliation 2019: Although ACUAMED provides the water at such pressure that the use of pumps is usually not necessary; there is still some electricity consumption. It is related to the high temperatures and the need of irrigation of the plants. For 2019, there was still the added problem with the supplier as the pressure of the water was as lower as in 2018 or even worst. It was due to the new protocol for irrigation and from ACUAMED and the procedure in place to get water. Please find below a chart comparing the electricity consumption in € in 2015, 2016, 2017, 2018 & 2019.

Month	2015 cost electricity consumption	2016 cost electricity consumption	2017 cost electricity consumption	2018 cost electricity consumption	2019 cost electricity consumption	Difference
January	671,47	690,16	651,67	710,78	845,02	
February	688,76	654,15	643,43	773,00	660,53	
March	751,13	890,79	685,78	526,54	791,41	
April	693,50	648,41	997,26	700,60	852,45	
May	873,93	1.047,81	1.285,21	874,88	761,14	
June	1.421,37	1.522,58	2.038,92	1.178,48	1.123,19	
July	1.645,00	1.489,04	1.337,76	1.316,73	1.215,23	
August	1.463,72	1.786,43	1.262,18	1.273,37	1.907,65	
September	872,92	1.611,48	1.329,43	1.085,76	974,64	
October	878,51	1.011,41	686,20	845,29	700,28	
November	583,14	632,79	697,36	881,63	726,97	
December	736,29	802,26		739,59	637,16	
Total in €	11.279,74	12.787,31	11.615,20	10.906,65	11.195,67	289,02

As can be seen the expense was under budget in 2019.



Budget 2020: The amount included for 2020 is an estimation coming from previous years' consumption.

8 – SECURITY:

Reconciliation 2019: There is an over expense of 145, 19 €.

Budget 2020: The new figure is based on the current 4-years contract and with the service 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.

There is an increase this year of 1, 5% due to the CPI and 2% due to the new workers agreement signed in November 2017 to be applied in 2018, 2019 & 2020.

9 – SECURITY SYSTEM MAINTENANCE:

Reconciliation 2019: There is an over expense of 364, 58 €.

Budget 2020: The figure included in the new budget is based on the current contract signed in July 2017 plus 1, 5% increase due to the CPI.

10 – POOLS MAINTENANCE:

Reconciliation 2019: In line with the budget.

Budget 2020: The figure for the 2020 budget is based on the 5-years contract agreed in December 2017. The increase is as established in the contract. The new amount will be the same with no CPI increase during the following years 2021 & 2022.

11 – POOLS WATER CONSUMPTION:

Reconciliation 2019: As can be seen in the chart below there is a difference between the consumption in 2018 compared with 2019. The higher consumptions are related to those pools that



were emptied in 2019 in order to carry our repairs in their mosaics, steps, etc., marked in yellow. It did not affect the pools where the water could be moved from other pools to refill once the work finished such as 1-1 and 5-2.

The figure for 2019 was an estimated amount based on the actual expense from 2018. As in previous years it varied due to the evaporation, filtering times and breakages.

Pool	2016	2017	2018	2019	Difference
P 1-1	2.217,22	3.713,16	5.246,91	3.762,52	- 1.484,39
P 1-2	1.050,07	1.892,87	1.947,32	2.099,42	152,10
P 1-3	3.704,54	3.534,87	3.379,67	4.432,93	1.053,26
P 2-1	1.677,50	2.266,41	1.805,83	1.371,31	- 434,52
P 2-2	1.954,22	6.104,60	3.153,01	1.505,18	- 1.647,83
P 2-3	4.463,07	2.771,06	3.113,64	3.339,71	226,07
P 3-1	2.293,69	1.193,19	879,90	3.230,42	2.350,52
P 3-2	1.713,00	1.645,53	1.680,07	2.349,43	669,36
P 4-1	2.066,25	2.176,84	2.504,84	3.965,50	1.460,66
P 4-2	1.595,41	1.375,41	1.470,71	2.067,68	596,97
P 5-1	3.887,60	2.192,69	2.314,07	3.543,67	1.229,60
P 5-2	2.837,07	2.219,13	2.008,31	1.713,02	- 295,29
P 5-3	2.161,73	2.011,41	1.677,63	2.700,99	1.023,36
P 6-1	1.607,05	990,11	993,00	2.186,47	1.193,47
P 6-2	1.998,28	1.720,99	2.050,47	1.139,09	- 911,38
P 7-1	2.276,98	1.972,15	1.997,19	1.209,68	- 787,51
P 7-2	1.710,67	1.418,62	1.850,10	1.380,21	- 469,89
P 7-3	1.578,02	1.333,86	1.308,77	1.398,12	89,35
P 7-4	2.446,96	2.686,03	2.966,28	767,93	- 2.198,35
Others	374,05	509,80	499,28	389,95	- 109,33
Total	43.613,37	43.728,73	42.847,00	44.553,23	1.706,23

Budget 2020: The new figure for 2020 is an estimated amount based on the actual expense from 2019 plus the cost to refill the pools due to the repairs to be carried out in 2020. The action to move water from one pool to another in order to save water consumption has been considered. However, only 2 pools might take advantage of this operation.

As in previous years it can vary due to the evaporation, filtering times or breakages.

12 - ADMINISTRATOR:

Reconciliation 2019: The amount included for the 2019 budget included 1% increase based on the agreement signed in 2018.

Budget 2020: There is an increase of 1% in 2020 based on the agreement signed in 2018.



13 – INSURANCE:

Reconciliation 2019: In line with the budget.

Budget 2020: The 3-year agreement with Mapfre was due for renewal the 31.12.19. Therefore, the Community started a tender process and different Insurance Companies and Brokers were invited to the process. Following the opening of the bids, comparison and discussions of the Board, finally the decision was to renew with Mapfre for one more year at the cost of 69.938, 96 €.

14 – MAINTENANCE TELEPHONE & INTERNET:

Reconciliation 2019: A2Z did not apply the 1, 2 % CPI increase expected for 2019. This is the reason of the under expenditure in this line.

Budget 2020: The figure for the 2020 budget is based on the 6-year contract with A2Z signed the 8th June 2016. It also includes a 1, 5 % CPI increase. In addition, since the costs for TV, Internet and Telephone had been incorrectly changed from a split of 2/3rd in the EUCC budgets and 1/3rd in General Community budget to 50/50 split; it has now been adjusted to the correct proportion. It is also shown in the EUCC Budget.

15 – WEBSITE:

Reconciliation 2019: The amount included for 2019 was an estimated figure for the new website.

Budget 2020: For year 2020 the amount included is an estimation based on the actual expenditure in 2019.

16 - GENERAL MAINTENANCE & MISCELLANEOUS EXPENSE:

Reconciliation 2019: Last year it was considered convenient to put together the General Maintenance and Miscellaneous lines.

The estimated amount for 2019 was based on the actual expenses from previous years taking into account General Maintenance and Miscellaneous. The breakdown of the expenses is shown in the point below.



Concept	Amount
Sworn Translator and Room for the AGM	3.003,80
Postal Cost, copies, payment to the Tax Office, etc	3.356,71
Fire Extinguisher Maintenance General Community	60,59
Labour maintenance man	13.009,92
Materials (includes bulbs for the buildings, waste pumps, mortar, etc)	2.048,08
Hand rail for disable people and pool nets	900,57
General Repairs	2.319,74
Annual Survey	420,00
Electric materials	1.728,97
Repairs on the security system due to electricity issue - claimed to the insurance	4.233,79
Other items	635,38
Total	31.717,55

Besides, attached to this document you will see the expenditure ledger where will find all the expenditures in detail.

Budget 2020: The amount included in the 2020 budget comes from the actual expenditure in 2019 plus some other expenditures. Items listed below.

- Labour for the maintenance man.
- Material for general repairs.
- Bulbs.
- Small items.
- Breakages not covered by the insurance policy of the General Community.
- Postal costs.
- Others.

17 – ACCOUNTS AUDIT:

Reconciliation 2019: The over expenditure is due to the CPI increase that was not taken into account when the 2019 budget was calculated.

Budget 2020: The amount included for the year 2020 is the actual expenditure for 2019 plus 1, 5% CPI increase.



18 – LEGAL FEES PROVISION:

Reconciliation 2019: This item is an estimation based on the possible legal cases against debtors or any other claims that the Community may face throughout the year.

Budget 2020: The amount included for 2020 is for any possible legal fees.

19 – DEBT PROVISION:

Reconciliation 2019 debt from 1.01.2016 to 31.12.2016: 70.387,31 € was budgeted to be provisioned regarding 75% of the 2016 debt as at 31.12.2018.

However, the final amount to be provisioned is in fact 64.836,42 €, as 5.550,89 € initially identified as of the end of 2018 has been recovered in 2019.

Budget 2020 debt from 1.01.2017 to 31.12.2017: 2017 Debt is to be provisioned in 2020. 75% of total debt to be provisioned by the General Community is 72.254,46 €.

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.

20. – DEBT PROVISION COMMERCIAL AREA:

Reconciliation 2019 debt from 01.01.2016 to 31.12.2016: The commercial area belonging to Polaris World has a debt amounting to 75.716,36 € related to 2016 which has been fully provisioned by the General Community Budget in 2019.

Budget 2020 debt from 01.01.2017 to 31.12.2017: The commercial area belonging to Polaris World has a debt amounting to 79.428,56 € related to 2017 which is being fully provisioned by the General Community Budget.



21 – PROVISION LONG TERM REPAIRS & RENEWALS (including repainting)

Reconciliation 2019: Below you can find a chart with the breakdown of the long term repairs and renewals undertaken in 2019.

Long Term Repairs & Renewals	Expenditure
Façade painting	513.727,71
Pool repairs mosaics	70.459,81
Pool pavement and fences	111.678,11
Pathways repairs & general pavement repairs	52.000,00
Pathlights	4.540,53
Pipes repairs	16.294,14
Stone walls	962,50
Sport area	3.786,13
Total	773.448,93

'Facade Painting' and 'Pool pavement and fences' items are scheduled to be depreciated during the coming 7 years.

As a result, 2019 expenditure shown in the Reconciliation is 148.043,11 €.

Another 14.037,50 € has also been provisioned related to the unspent amount in the 'Stone walls' item to reach the 15K € initially budgeted for 2019.

Budget 2020: The net amount budgeted for 2020 is 896.688, 39 € as agreed by the Board. This takes into account several actions to be taken throughout the year and related to the items included below:

Project	2020
Façade painting	535.000,00
Pool repairs mosaics	54.512,08
Pool pavement	131.166,31
Pool fences	20.010,00
Pathways repairs & general pavement repairs	50.000,00
Pathlights underground cable	5.000,00
Broken pipes includes irrigation, gas, drinkable water, fire system, etc	25.000,00
Electricity boxes	10.000,00
Phase 6 pumps / Sala de bombas Fase 6 (Salty water)	45.000,00
Gravel around buildings	16.000,00
Sport area maintenance	5.000,00
Total	896.688,39



The amount included in the 2020 Budget is 210.512, 08 € belonging to the expenditures to be financed this year. The other items (painting and pool pavements & fences) are included in the Depreciation program, same as done for previous years.

22 – DEPRETATION CHARGE:

Reconciliation 2019: As explained above, the façade painting program and the pool surrounds project have been included to be depreciated during the next 7 years. The cost of the CCTV System was already spread over 3 years (from 2017 to 2019) and it has been also included (this is the last year).

The amount to be included in 2019 is 198.896,98 €.

Budget 2020: The amount budgeted for 2020 is 260.219,65 €.

23 - RESERVE FUND

Reconciliation 2019: There was no need to allocate any funds to the Reserve Fund

Budget 2020: There is no requirement to provide any additional amounts at the moment.