

## **INFORMATIVE ANNEX EXTRAORDINARY GENERAL MEETING 12-03-2015**

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 2.320.223, 32 € included in the first chart of the Incomes comes from:

- Community fees charged in 2014.
- Bank Interest (net withholding tax) and other Financial Incomes.
- 75% of money collected regarding outstanding fees prior to 2012, which were provisioned as Bad Debt.
- Money collected in 2014 as surcharges for late payment by the Sub-communities. As agreed at the Committee Meeting held the 12<sup>th</sup> March 2013, in the event that any debt was recovered, the full 20% penalty was going to be passed to the General Community as an income for supporting the debt of the Sub-communities.

As a result, final Revenues are 74,527.33 € higher than budgeted.

### **II. Expenses**

The balance of the expense comparing the estimated 2014 budget with the real amount spent is of 2.230.575, 49 €. It means that there has been a surplus amounting 15.120, 50 € from the 2014 budget.

Therefore, the Final 2014 Result is a Surplus of 89.647, 83 €.

## **1 – GARDENING COMMUNAL AREAS:**

**Reconciliation 2014:** In line with the budget.

**Budget 2015:** The amount included is based on the contract signed in 2014 and for 4 years.

## **2 – GARDENING LOCAL AUTHORITY LAND:**

**Reconciliation 2014:** In line with the budget.

**Budget 2015:** This expenditure has been moved to the EUCC budget from 1-01-2015.

## **3 – GARDENING IMPROVEMENTS:**

**Budget 2015:** This is a new line created as per the agreement of the Committee related to the need to improve several garden areas along the Resort. The actions to be included in this expenditure will be discussed and agreed by the Committee in following meetings.

## **4 – IRRIGATION WATER FOR COMMUNAL AREAS:**

**Reconciliation 2014:** The amount included in the 2014 budget was based on the estimation provided by STV as they are the company in charge of the gardens and irrigation. As an estimated amount it can suffer variations as it depends on different factors such as the weather. The consumption in 2014 has been much higher than in previous years due to experiencing the hottest, driest year for about a hundred years. As an example, April 2014 has been the hottest April for 74 years, on average 4 degrees higher than normal. Also, there was a lack of rainfall which means that the areas had to be irrigated more often than in previous years. The length of each irrigation period and manual watering had to be increased to ensure the plants in general and new plants got off to a good start.

Below you can find a chart with the consumptions in 2013 versus 2014 by month. As you will see the total amount is 1.530 cubic meters lower in 2013 than in 2014. Also, you can see big difference in April and May 2014 where the irrigation was much higher than the same months in 2013.

Communal Areas		
Month	2013 cubic meters	2014 cubic meters
January	5.829,00	6.008,00
February		
March		
April	5.890,00	18.823,00
May	10.986,00	25.231,00
June	20.384,00	22.971,00
July	33.845,00	35.836,00
August	30.154,00	32.810,00
September	24.142,00	18.701,00
October	21.434,00	1.660,00
November	7.846,00	-
Diciembre	-	-
<b>Total cubic Meters</b>	<b>160.510,00</b>	<b>162.040,00</b>

**Budget 2015:** With the aim to get the most accurate estimation for the water cost in 2015, we have taken into account the estimation provided by STV. Again, it may suffer variations because of the weather.

	Square meters	Consumption
Communal Areas	155.000 m2	160.000 m3

May we add that the quality of the water purchased from ACUAMED also makes the irrigation better for the gardens in Hacienda Riquelme. Besides and due to several negotiation and management of Resortalia with the water supplier the cost of it is much cheaper from September 2014.

- Cost of the water from August 2012: **1, 092967 € + VAT (10%)** per cubic meter.
- Cost of the water from September 2014: **0, 91426720 € + VAT (10%)** per cubic meter.

## 5 – IRRIGATION WATER FOR LOCAL AUTHORITY LAND:

**Reconciliation 2014:** The amount included in the 2014 budget was based on the estimation provided by STV as they are the company in charge of the gardens and irrigation, and taking into account that the changes done in these areas might not be finished by the time the temperatures increase. This is mainly the reason of the over expense.

Even though the temperatures in 2014 have been much higher than in 2013, the total consumption in 2014 has been lower than in 2013. It has been mainly due to the changes carried out in several areas. As you will see in the chart below the total amount is 8.450 cubic meters lower in 2014 than in 2013.

Local Authority Land		
Month	2013 cubic meters	2014 cubic meters
January	1.944,00	1.500,00
February		
March		
April	1.473,00	4.706,00
May	2.747,00	6.308,00
June	5.096,00	5.743,00
July	7.229,00	4.683,00
August	7.539,00	4.957,00
September	6.036,00	2.862,00
October	5.358,00	175,00
November	1.962,00	-
Diciembre	-	-
<b>Total cubic Meters</b>	<b>39.384,00</b>	<b>30.934,00</b>

**Budget 2015:** This expenditure has been moved to the EUCC budget from 1-01-2015.

**6 – MAINTENANCE OF THE IRRIGATION SYSTEM:**

**Reconciliation 2014:** The amount included in the 2014 budget was based on the actual cost from 2013 as it is not possible to know exactly the decoders which will need to be replaced during the year. The under expense is due to the fact that some of the units replaced in 2014 were units left from 2013; therefore, there was no need to buy all the replaced units in 2014.

**Budget 2015:** This expenditure has been moved to the EUCC budget from 1-01-2015.

**7 – PLAGUE FUMIGATION:**

**Reconciliation 2014:** In line with the budget.

**Budget 2015:** The figure included is based on 12 payments of 604, 30 € + VAT (21%) plus the extra rat traps at the pump station for the annual amount of 300 € + VAT. The 5 years contract

arranged with the company Control Natural de Plagas in January 2012 did not include the CPI increase.

**8 – ELECTRICITY PATH LIGHTS, POOLS, FOUNTAINS & RITI´S.**

**Reconciliation 2014:** The under expense is mainly due to the negotiated tariff with IBERDROLA from early February 2014.

**Budget 2015:** Although the amount included in the budget should be in line with the real expenditure in 2014, it has been considered convenient to include a 3% increase due to the possible changes on the tariffs throughout 2015. It is not possible to include an accurate figure as the taxes and tariffs can always vary.

**9 - ELECTRICITY STREET & PERIMETER LAMPS & PUMP STATION.**

**Reconciliation 2014:** The over expense is mainly due to the electricity consumption of the pump station. 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. Please find below a chart comparing the electricity consumption in € in 2013 versus 2014.

Month	Electricity Costs 2013	Electricity Costs 2014	Difference
January	255,76	624,53	
February	259,76	552,07	
March	253,06	821,59	
April	253,06	701,81	
May	299,87	962,95	
June	441,55	1.126,29	
July	489,43	1.190,45	
August	865,25	1.100,06	
September	667,94	979,69	
October	559,40	778,39	
November	843,14	741,84	
Diciembre	567,07	Waiting for the invoice	
<b>Total in €</b>	<b>5.755,29</b>	<b>9.579,67</b>	<b>3.824,38</b>

**Budget 2015:** This expenditure has been reduced as the electricity consumption related to the street and perimeter lights has been moved to the EUCC budget from 1-01-2015. It is not possible to include an accurate figure as the taxes and tariffs can always vary.

**10 – REPLACE BULBS OF STREET & PERIMETER LAMPS & CHERRY PICKER:**

**Reconciliation 2014:** The amount included in the 2014 budget was based on the actual cost from 2013 as it is not possible to know exactly the breakages or bulbs which will need to be replaced during the year. The under expense is due to the fact that the expenditure in 2013 included the installation of new lamps. The real cost related to repairs in 2013 was of 2.851, 31 €. So nearly the same than in 2014.

**Budget 2015:** This expenditure has been moved to the EUCC budget from 1-01-2015.

**11 – RUBBISH COLLECTION AND CLEANING COMMUNAL AREAS:**

**Reconciliation 2014:** The budget for 2014 was based on the contract and new annex signed in January 2014. The under expenditure is due to the actual expense related to the recycling “Canon” in 2014 (*Recycling “Canon”: Tax which has to be paid based on the kilos of organic rubbish STV collects from the rubbish containers in the complex and which can not be recycled*). The amount included for this purposes for 2014 was of 8.000 €; however the real amount spent throughout the year was of 7.299, 42 €. Below we include a chart comparing the year 2013 versus 2014. As you can see the recycling done by the owners has improved. Thank you to all the owners for this.

Month	Recycling Costs 2013	Recycling Costs 2014	Difference
January	422,88	373,08	
February	421,47	421,65	
March	397,97	378,15	
April	555,93	478,21	
May	626,41	608,74	
June	684,97	555,45	
July	606,89	577,19	
August	1.097,03	996,68	
September	1.433,19	1.213,85	
October	684,24	618,17	
November	523,75	635,57	
December	405,20	442,68	
<b>Total in €</b>	<b>7.859,93</b>	<b>7.299,42</b>	<b>560,51</b>

**Budget 2015:** This expenditure has been moved to the EUCC budget from 1-01-2015.

## **12 – RUBBISH CONTAINERS MAINTENANCE:**

**Reconciliation 2014:** The amount included for 2014 was to carry out any necessary repairs of breakages which might happen throughout the year. Also, as per the new agreement with the rubbish collection company (STV) in January 2014 the annual preventive maintenance of every single group of containers is done by them with no cost for the Community. Only the parts and labour are paid when there is a breakage. The under expense is due to the fact that it is not known how many breakages might occur.

**Budget 2015:** This expenditure has been moved to the EUCC budget from 1-01-2015.

## **13 – SECURITY:**

**Reconciliation 2014:** The figure included in the 2014 budget was taking into account the new 3 years contract from January 2014. Then, the under expenditure is due to the following factors:

- **Dog service:** The service of the dog was removed from April 2014 as unanimously agreed by the Committee of the General Community. It represents a saving of 3.811, 50 € for 9 months from April to December 2014.
- **3% discount prompt payment:** The security company has applied a 3% discount for prompt payment. This discount was not taken into account when the 2014 budget was calculated.

**Budget 2015:** The amount included has been calculated taking into account the new 3 years contract from January 2014.

The contract includes the following service:

- A security guard 24 hours / 365 days.
- A security guard 8 hours / 365 days from 22:00 to 6:00
- A controller at the security gate 24 hours / 365 days.
- 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 2015.

#### **14 – SECURITY SYSTEM MAINTENANCE:**

**Reconciliation 2014:** In line with the budget.

**Budget 2015:** The amount included is based on the current 5 years contract. As agreed in the contract there is not CPI increase.

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

**Reconciliation 2014:** 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 2014 from 1<sup>st</sup> of the month. It started working a week later.

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.

Furthermore, and due to the all risk contract arranged with Atlantir, any repair or/and replacement carried out in 2014 was with no cost for the Community as in 2012 & 2013. Please find below the amounts involved in the repairs which meant a saving for the Community due to the type of contract.

- 2012: 15.130, 19 € + IVA
- 2013: 14.137, 95 € + IVA
- 2014: 13.895, 28 € + IVA

**Budget 2015:** The contract with the pool company finished the 31<sup>st</sup> December 2014. Due to this, a tender process took place and 6 different companies were invited to the process. After studying and comparing the offers received, the Committee of the General Community unanimously agreed to renew the contract with Atlantir for 3 more years. It would be an all risk contract as in previous years. Below you can find a chart comparing the costs of the previous contract versus the new contract.



		Atlantir Previous Contract	Atlantir new Contract
<b>19 pools</b>	Monthly Cost	11.101,98	10.961,23
	Annual Cost	133.223,76	131.534,79
<b>9 fountains</b>	Monthly Cost	863,44	1.191,05
	Annual Cost	10.361,24	14.292,62

The figure for the 2015 budget 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**

There will not be CPI increase the 2<sup>nd</sup> and 3<sup>rd</sup> year of the contract.

#### **16 – POOLS WATER CONSUMPTION:**

**Reconciliation 2014:** The over expense is related to the refilling of some of the pools which were emptied to carry out some repair works. Although there was an installation done so that the water from one pool could be moved to another one, there were 3 pools which had to get the water from the main supply.

**Budget 2015:** The new figure for 2015 is an estimated amount based on previous years consumptions. It can vary due to the evaporation, filtering times or breakages. It also includes the filling of the 4 pools which will be repaired in 2015 (*estimated amount of 4.270, 51 €*). See point 17.

#### **17 – POOLS TILES REPAIR:**

**Reconciliation 2014:** The amount included was with the aim to repair and replace missing tiles at the bottom of 8 pools in the complex. The over expense is due to the following factors:

- It was not expected to carry out any works in pool 4-1; however the small pool was in such bad stage that it had to be repaired. Cost: 268, 23 € VAT included.
- The cost to dig the 8 holes to build a manhole for the new valves to move the water from one pool to another was under estimated. The final cost was of 3.610, 64 €.

- The under estimation explained above was compensated with the cost of the pumps to move the water from one pool to another. The amount of 2.300 € VAT included was considered for this action, but finally the pool company did not need to arrange for this service.

**Budget 2015:** After a review of the current situation on the other 11 pools, the pool company has suggested that it would be necessary to arrange some works in 4 pools in the complex.

- Pool 2-1
- Pool 4-1
- Pool 4-2
- Pool 6-1

Because of their location, it would be very difficult to move the water from one pool to another due to the long way between them. Based on the experience of the works carried out in 2014, there would be a huge amount of water wasted and lost in the pipes. Therefore, the option considered is to empty them and get the new water from the water supplier (EMUASA). Below you can find a chart with the breakdown of the costs involved in the repairs.

	Materials & Labour	Water to refill them	Total
Pool 2-1	2.630,06 €	1.357,36 €	
Pool 4-1	2.845,39 €	1.350,07 €	
Pool 4-2	2.935,82 €	917,99 €	
Pool 6-1	2.782,40 €	645,10 €	
<b>Total</b>	<b>11.193,66 €</b>	<b>4.270,51 €</b>	<b>15.464,17 €</b>

The amount included in this line is of 11.193, 66 € related to the materials and labour. The cost of the water has already been taken into account in line 16 (Pools Water Consumption).

## 18 – CHANGE OF SAND IN POOLS:

**Budget 2015:** This is a new line created for 2015 due to the need to change the sand of the filters in the 19 pools in the complex. There are 19 big pools, a Jacuzzi and 5 small pools. It means 27 filters as some big pools have more than 1 filter. The tender to carry out this action in 2015 was included in the process of the pool maintenance contract. All the offers received included a proposal to change the sand. After reviewing the costs and comparing them, it was agreed to negotiate the

prices with Atlantir in order to get it done by them at a cheaper cost. The last offer received is of 40.551 € + VAT. Atlantir has reduced the cost of the sand per kilo from 0, 18 € to 0, 16 €, and also the cost of the labour from 15, 00 € to 10, 00 €.

Due to the small area between the top of the filters and the ceiling, one of the actions to carry out the change of the sand is to build manholes just over the filters so that the sand can be removed from outside. The final cost per manhole, after negotiating it with Atlantir, is of 200, 00 € + VAT (this is already included in the total amount mentioned above). This is a one off payment as when the sand needs to be changed in 7-8 years time again the manholes will be already built.

## **19 - ADMINISTRATOR:**

**Reconciliation 2014:** In line with the budget.

**Budget 2015:** The figure included in the 2015 budget is the same as in 2014.

## **20 – INSURANCE:**

**Reconciliation 2014:** When the 2014 budget was done the annual figure was increased in 60€ due to the new cover included in the policy related to the blocked pipes. Finally the increase only amounted to 27, 52 €. This is the reason of the under expense.

**Budget 2015:** The amount included in 2015 is the actual expense from 2014 because of the 3 years agreement with Mapfre.

## **21 – TV & BROADBAND:**

**Reconciliation 2014:** The under expenditure is due to the fact that A2Z did not applied the CPI increase in 2014.

**Budget 2015:** This expenditure has been reduced as the maintenance related to the TV and Internal telephone infrastructure has been moved to the EUCC budget from 1-01-2015. The figure included is only for the maintenance of the infrastructure of the Internet, and has been calculated based on the close 5 years contract the community arranged in 2011 with A2Z.

## 22 – GENERAL MAINTENANCE:

**Reconciliation 2014:** The estimated amount for 2014 was based on the actual expenses from previous years. The over expenditure is due to different tasks which were not expected when the budget was done. Below is a list of some of the expenses:

- a. General Maintenance.
- b. Pigeon traps.
- c. Pool signs.
- d. Materials for the works carried out by the maintenance man.
- e. Works related to the installation of a new water pipe and moving the water meter in pool 7-3 in phase 7.
- f. Repairs of several stone walls in the complex.
- g. Several repairs on the irrigation system in different areas of the Resort.
- h. Bulbs
- i. Padlocks and chains for the sport area.
- j. Inspections of the pipes with a camera.
- k. Batteries for the garage fobs.
- l. Installation of a new transmitting unit related to the security system.
- m. Installation of new SAI's
- n. Other small items.

**Budget 2015:** The estimated amount for 2015 has been based on the 2014 real expenditure. It will include similar tasks, materials and actions as in 2014 and other unexpected issues which may happen during the year. The fix items included are:

- a. General Maintenance – Labour & Materials.
- b. Pigeon Traps.
- c. Bulbs
- d. Inspections of the pipes with a camera.
- e. Pool signs.
- f. Other unexpected actions which might occur during 2015.

### 23 – MISCELLANEOUS EXPENSE:

**Reconciliation 2014:** The estimated amount for 2014 was based on the actual expenses from the previous year. List of expenses and amounts involved as follows:

Concept	Amount
Legal documents	160,93
Post	706,27
Furniture General Community (Benches)	1.361,25
Legal fees related to the claim against the Town Hall	8.456,27
Small materials different actions	1.260,95
AGM	3.206,50
Camera and others related to the security sysem	2.057,00
Website	256,98
Cats	398,05
Judicial Taxes Claim PW as Debtor	607,05
Video Conferencing	900,96
Water tests and related	1.103,52
Meal with STV	200,00
Pump for the fertirrigation system	1.784,74
Electrical repairs and related	483,71
E-shopping card for the Survey	225,00
Account Auditor	4.295,50
Security Gate Fire extinguishers maintenance	24,83
<b>Total Expense in 2014</b>	<b>27.489,51</b>

Furthermore, and as you will see, the information included in the chart of the 2014 reconciliation shows the amount of 25.523, 25 €. It is due to the agreement taken by the Committee related to the expenditure of the waterproof carried out in 2 lifts in 2013.

**Atlántico 4:** Due to several complaints and mobility issues from an owner in this block, it was agreed at the Committee Meeting the 17<sup>th</sup> April 2013 to carry out some waterproof works as a trial in order to investigate and find possible solutions for the lifts in the complex. The waterproof was carried out by the company Solradiant Group with a specific product.

**Indico 49:** Again and after several complaints from different owners in this block, it was agreed at the Committee Meetings the 19<sup>th</sup> June 2013 and 9<sup>th</sup> July 2013 to waterproof this lift shaft

with an inox metal box in order to find possible solutions for the lifts in the complex. This works were carried out by the company Aluminios Sucina.

In both cases the actions taken worked, as the current situation is that the lifts are working with no water in the lift shafts. It was felt that, as the 2 sub-communities that had their lifts waterproofed have now received money to cover this repair as part of the rectification claim, and that as many other sub-communities still have to pay to have this waterproofing carried out for their lifts from the claim monies received, it would be reasonable to ask that these two sub-communities do the same at this point.

**Budget 2015:** The amount included for 2015 is based on previous year actual costs. It includes fix items such as:

- g. Room for the AGM.
- h. Sworn translators for the AGM.
- i. Neutering cats.
- j. Website maintenance.
- k. Card e-shopping related to the annual surveys.
- l. Other unexpected actions which might occur during 2015.

The expenditure related to the Accounts Audit has been included in the budge as a separate line as you will see in point 24 below.

#### **24 – ACCOUNTS AUDIT:**

**Budget 2015:** It was unanimously agreed by the Committee to create a new line for this expense from now on instead of including it in the miscellaneous line.

#### **25 – DEBT PROVISION FROM 1-1-2011 TO 31-12-2011:**

**Reconciliation 2014:** 79.325,09 € were budgeted to be provisioned regarding 2011 debt as at 31.12.2013. Therefore, Bad Debt from 2008 to 2011 was totally provisioned for 194.290,35 €. 25.863,43 € have been recovered during 2014 from this debt, so the total amount provisioned as at 31.12.2014 is 168.426,92 €

## **26 – DEBT PROVISION FROM 1-1-2012 TO 31-12-2012**

**Budget 2015:** 2012 Debt is to be provisioned in 2015. Total amount as of 31.12.2014 is 133.917,54 €. 75% of this debt must be covered by the General Community, that is, 100.438,16 €. Please bear in mind this debt is only referred to houses. Debt coming from Garage spaces owned by Polaris World must be fully covered by each Sub-community, as per the decision taken by the Committee.

## **27 – DEBT PROVISION COMMERCIAL AREA FROM 1-1-2012 TO 31-12-2012:**

**Budget 2015:** As explained above, 2012 debt must be provisioned in 2015. The commercial area belonging to Polaris World has a debt amounting 27.669,43 € which is being fully provisioned by the General Community Budget.

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

**Reconciliation 2014:** Although there were no repairs carried out in 2014, the total amount of 250.000 € has been provisioned to be kept for future long term repairs and renewals.

**Budget 2015:** Due to the need to start taking some actions in several items at the General Community Level it is agreed to increase the amount in 2015 to 300.000 €.

## **29 – RESERVE FUND:**

**Reconciliation 2014:** There was no need to allocate any funds to the Reserve Fund since at the beginning of 2014 there were 379.603,15 € already provisioned. In addition, the 2013 Surplus has been added, totalizing 440.075,52 € as at 31.12.2014.

**Budget 2015:** The schedule Reserve Fund for 2015 according to the Statutes of the Community must be 383.274, 18 € (20% of the previous year 2014 budget). As explained above, there is no requirement to provide any additional amount.

### **III. Information regarding Financial Report Balances (Page 3)**

With the aim that the Income and Expenditure account chart, Balance Sheet (Assets & Liabilities), Reserve Fund available & Debt Provision Evolution which figures are included in pages 3<sup>rd</sup> & 4<sup>th</sup> of the Financial Report of the General Community, may be properly reviewed, capital letters have been placed before the concepts, so calculations are easier to be understood.

These letters are as follows:

**A** – P&L Balance. Total incomes in 2014.

**B** – P&L Balance. Total expenses in 2014.

**C** – P&L Balance. Final Result in 2014.

**D** - Balance Sheet - Assets. Shows the total amount owed to the General Community. First is what the commercial areas owe and second amount shows the amount transferred from Sub communities regarding Bad Debt balances provisions in the General Community (75% of total debt).

**E** - Balance Sheet – Assets. Total amount in Bank accounts and deposits. Cash availability.

**F** - Balance Sheet – Reserves & Liabilities. Reserve Fund as at 31.12.2014.

**G** - Balance Sheet – Reserves & Liabilities. Long Term Provisions as at 31.12.2014.

**H** - Balance Sheet – Reserves & Liabilities. Bad Debt currently provisioned referred to years 2008, 2009, 2010 & 2011.

**I** - Balance Sheet – Reserves & Liabilities. Balance of aggregated Sub communities' compensation account with General Community.

**J** - Balance Sheet – Reserves & Liabilities. Balance currently owed to Creditors as of 31.12.2014.

**K** - Available Reserve Fund chart. Resulting from the addition of Current Reserve Fund plus Surplus obtained in 2014.



**L** - Available Reserve Fund chart. 20% of 2014 Budget (excluding all provisions). Top-up Reserve Fund established in By-Laws.

**M** - Debt Provision Evolution. Initial Bad Debt Provisioned as at 1<sup>st</sup> Jan 2014. (Total amount and 75% belonging to General Community).