

MANAGEMENT REPORT
T.R. (Timeshare Rights)
"CLUBE ALBUFEIRA"
2021

Dear Sirs,

In compliance with the law and regulations, we have the pleasure to present the accounts and the management report for the year 2021 and the Programme of Administration and Maintenance for the year 2023 of Timeshare Rights (T.R) with the denomination "**Clube Albufeira**", of which we are the management company.

1. The Timeshare Rights of "Clube Albufeira"

The management company, complying with the programme of administration and maintenance for the year 2021, proceeded with the conservation and repair plan of which the expenses are common to all accommodation units; that includes painting, the renewal of furniture, home appliances, mattresses, curtains, equipment and electrical maintenance.

In 2021, as foreseen in the Administration and Conservation Programme, the renovation works in apartments of Block T were completed.

2. "Maintenance Fees" accounts for the year 2021

As management company, during 2021, we have billed and collected Maintenance Fees amounting to € 1.421.984,65.

In accordance with the law, we remunerated management of the T.R. on 20% of the value of the "Maintenance Fees".

The accounts presented are based on "Maintenance Fees" effectively received, as this represents a more appropriate image of the financial position of the T.R.

It was possible to recover Maintenance fees relating to previous years amounting to € 212.184,24 that corresponds to €224.915,25 (VAT included). This represents a decrease compared to 2020 (€ 284.956,84). However, it still demonstrates that an effort has been made in debt recovery. In 2019 the total recovered was of €117.463,09. The table below represents the values recovered annually.

	2021		2020	
	Values without VAT	Values with VAT	Values without VAT	Values with VAT
2015	16 345,44	17 326,17	35 837,22	37 987,45
2016	19 827,81	21 017,48	43 011,28	45 591,96
2017	24 925,33	26 420,85	45 288,38	48 005,68
2018	27 591,42	29 246,91	55 945,30	59 302,02
2019	39 415,72	41 780,66	104 874,66	111 167,14
2020	84 078,52	89 123,23		
Total	212 184,24	224 915,29	284 956,84	302 054,25

The management company is maintaining its best efforts in fee collection with growing focus on risk management and debt recovery resourcing to a specialised company as well as through external legal workforce and its own team.

Although part of the existing debt is of difficult collection, either due to lack of updated contact details, deceased title owners without heirs, or heirs that simply do not wish to own the titles, the management company is determined to maintain current levels of debt recovery and will be increasing internal and external resources on this front.

The annual fees revenue reduction trend has been addressed with debt recovery and this has proved fundamental for the sustainability of DRHP spending, as can be verified below.

Invoicing	2020 (Actuals)	2021 (Actuals)	2022 (Forecast)
Annual fees	1 449 723,04	1 421 984,65	1 252 679,00
Recovery of annual fees in arrears	284 956,84	212 184,24	130 000,00
Total Invoicing	1 734 679,88	1 634 168,89	1 382 679,00

In compliance with article 30 nr 1 of Decree-Law nr 275/93 of 5th August in its current wording, the "Reserve Fund" was reinforced with the amount of €65.367,32 (sixty-five thousand three hundred and sixty-seven euros and thirty-two cents), corresponding to four percent of the "Maintenance Fees", net of VAT, collected during the year in the recovery of fees for the years 2015, 2016, 2017, 2018 and 2019 and 2020.

Under the terms of "T.R." legislation we submit to your examination and approval the accounts on the use of the "Maintenance Fees" for the year ended on December 31 2021, showing a positive balance of €262.665,10 (two hundred and sixty two thousand six hundred and sixty five euros and ten cents) and proposes the transfer of this amount to the "Reserve Fund" in accordance with article 30 nr 2 of Decree-Law No. 180/99, of 22nd May, in its current wording, after Accounts Approval at the General T. R. Owners Meeting.

Considering the values forecasted in the budget for 2021 and values presented in the accounts for that same period (values NET of VAT), we observe that the revenue increased around 2.7% (plus €43.390,37) and that expenditure decreased in relation to budgeted expenditure in €173.940,29 (-10,46%). Similar to what happened in 2020, occupancy levels in 2021 were considerably lower due to the COVID-19

Pandemic. There was a decrease in most costs, being the most representative electricity, water and swimming pool maintenance. On the other hand, there is a positive variation on collection costs by contracting of a specialized debt collection company and additional staff. This cost amounts to €65.788,23 and enabled the increase in revenue with debt recovery that was considered to be irrecoverable.

However, due to the reduction in fee collection, the 2022 fee increase of 1.3%, the increase in energy costs and inflation rates, will consequently forecast negative results for this year. Due to the current situation, the budget structure will be adjusted in 2023 with the main objective of levelling revenue collection with expenditure.

We present, annexed to this document, the accounts of the use of the "Periodic Pecuniary Benefits or Maintenance Fees" for the year that ended 31 December 2021. All supporting accounting documents and data can be accessed and consulted by title holders at the Management Company's office in Algarve.

3. Administration and Maintenance Programme for the year 2023

The maintenance fees act as a counterpart to management costs and as compensation for the expenses to which the management company is subject to. The management company decided that for 2023, the increase of the maintenance fees will be 12,21% based on the Consumer Price Index established at 30/09/2022 (9.3%) and inflation forecast of 4% for 2023, taking into consideration that in 2022 the fee increase was 1.3%

Therefore, we propose that the values of the Periodic Pecuniary Fees – Maintenance fees, for 2023 are as follows:


	2023		
	Low season	Mid-season	High Alta
Studio - T-0	252,59€	263,79€	278,72€
Apartment T-1 / V-1	316,30 €	330,32€	349,02€
Apartment T-2 / V-2	378,71€	395,51€	417,89€
Apartment T-2 D	403,35€	421,25€	445,08€

Low season – weeks 1 to 12 and 45 to 52

Mid-season – weeks 13 to 21 and 40 to 44

High season – weeks 22 to 39

Clube Albufeira, Gestão Imobiliária e Turística, Lda.

Management


**ANNUAL ACCOUNTS OF THE USE OF
THE MAINTENANCE FEES PAID BY THE T.R. TITLE HOLDERS OF
"CLUBE ALBUFEIRA"
2020**

REVENUE	2021
Maintenance Fees	1.421.984,65
Recovery of Maintenance Fees not collected in previous years.....	212.184,24
Financial gain	39.888,21
Reserve Fund – use.....	<u>78.054,55</u>
TOTAL REVENUE	<u>1.752.111,65</u>
EXPENDITURE	
Electricity.....	69.088,47
Water.....	27.842,89
Maintenance and Conservation.....	79.138,53
Insurance	7.475,85
Swimming Pool Maintenance.....	23.055,36
Garden Maintenance.....	32.864,45
Cleaning and Hygiene	100.226,29
Security	32.130,18
Reception costs	29.166,64
Legal fees	65.788,23
Communications.....	24.016,22
Fees	2.600,00
Financial expenses	684,04
Tax (IMI, AIMI)	41.716,21
Other expenditure	23.672,39
Reserve Fund – use	<u>78.054,55</u>
	637.520,30
STAFF COSTS	
Cleaning	137.564,07
Reception.....	125.997,26
Maintenance	116.074,89
Security	17.758,38
Gardens	23.778,98
Administrative	29.046,87
Swimming pools.....	5.533,22
Rubbish collection	<u>3.968,59</u>
	468.442,63
ADMINISTRATION (20%).....	326.836,67
RESERVE FUND (4%).....	65.367,32
	 TOTAL <u>1.489.446,55</u>
	 ANNUAL RESULT <u>262.665,10</u>

Movements Reserve Fund DRHP Clube Albufeira 2021 fiscal year			
Description	Debit	Credit	Balance
Reserve Fund balance at 31.12.2020			363 275,40
Usage - 2021	78 054,55		285 220,85
Reinforcement from financial year 2021		65 367,32	350 588,17
Positive financial result from 2021 accounts		262 665,10	613 253,27
Reserve Fund balance at 31.12.2021			613 253,27
Usage forecast (2022)	250 000,00		363 253,27
Reserve Fund balance at 31.12.2021			363 253,27

Albufeira, 21 October 2022

Clube Albufeira, Gestão Imobiliária e Turística, Lda.
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