

MANAGEMENT REPORT
T.R. (Timeshare Rights)
"CLUBE ALBUFEIRA"
2022

Dear Sirs,

We have the pleasure, in accordance with the regulations and laws in force, to present the accounts and management report for the year 2022, as well as the Programme of Administration and Maintenance for the year 2024, 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 2022, 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, it was stated that administration and conservation work had been completed in Block T rather than Block X due to an oversight.

In 2022, as foreseen in the Administration and Conservation Programme, renovation works were carried out as follows:

Block T – 14 apartments – the works included the following:

- Painting of all apartments including walls, ceilings, interior doors and wardrobes
- Demolition of upper floors balconies masonry benches in compliance with health and safety regulations
- Repair of damaged kitchen cupboards
- Repair work in WCs
- Replacement of windows
- Replacement of beds and mattresses
- Replacement of decoration items including wall pictures, curtains, blinds, etc
- Replacement of outdoor furniture
- Replacement of indoor and outdoor lighting fixtures
- Replacement of electricity fixtures
- Floor replacement
- Polishing of all marble surfaces
- Replanting of new plants in the flowerbeds

The following works were also carried out:

- Installation of safety railings in upper floor balconies in Blocks U, W and V
- Installation of metal trellis in Block T
- Upgrade of Wi-fi network
- Upgrade of CCTV surveillance system



2. "Maintenance Fees" accounts for the year 2022

As management company, during 2021, we have billed and collected Maintenance Fees.

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

The accounts shown are based on "Maintenance Fees" effectively received, as this reflects a more accurate picture of the T.R.'s financial situation.

It was possible to recover Maintenance fees payments relating to previous years amounting to €160.919,97 that corresponds to €170.575,17 (VAT included). This represents a decrease compared to 2021 (€212.184,24). However, it still demonstrates that an effort has been made in debt recovery.

| | 2022 | | 2023 | |
|--------------|--------------------|-------------------|--------------------|-------------------|
| | Values without VAT | Values with VAT | Values without VAT | Values with VAT |
| 2015 | 5 387,41 | 5 710,65 | 16 345,44 | 17 326,17 |
| 2016 | 7 282,35 | 7 719,29 | 19 827,81 | 21 017,48 |
| 2017 | 9 948,65 | 10 545,57 | 24 925,33 | 26 420,85 |
| 2018 | 13 212,82 | 14 005,59 | 27 591,42 | 29 246,91 |
| 2019 | 15 277,18 | 16 193,81 | 39 415,72 | 41 780,66 |
| 2020 | 27 785,95 | 29 453,11 | 84 078,52 | 89 123,23 |
| 2121 | 82 025,61 | 86 947,15 | | |
| Total | 160 919,97 | 170 575,17 | 212 184,24 | 224 915,29 |

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

During 2021 and 2022 and due to increased resources allocated to debt collection, the recovery of debt was quite evident. However, the current trend will be of a decrease in the amounts recovered. The existing debt is of difficult collection, due to lack of updated contact details, deceased title owners without heirs, or heirs that simply do not wish to own the titles. Analysis to the evolution of management fees invoicing during this period and debt recovery in previous years between 2020 and 2022 shows a clear decrease in invoicing and as a consequence a decrease of DRHP total revenue.

| Invoicing | 2021 (Actuals) | 2022 (Actuals) | 2023 (Forecast) |
|------------------------------------|---------------------|---------------------|---------------------|
| Annual fees | 1 421 984,65 | 1 211 390,95 | 980 000,00 |
| Recovery of annual fees in arrears | 212 184,24 | 160 919,97 | 120 000,00 |
| Total Invoicing | 1 634 168,89 | 1 372 310,92 | 1 100 000,00 |

To ensure that the DRHP result is marginally positive, the management company has increased its debt collection activity and implemented measures to reduce expenses. However, due to the increase in inflation in 2022, the management company was not able to secure a net profit in 2022, and it was actually negative in €123.831,73 (one hundred and twenty-three thousand, eight hundred and thirty-one euros and seventy-three cents). In compliance with article 30 nr 1 of Decree-Law nr 275/93 of 5th August in its current wording, the "Reserve Fund" was reduced in the amount of €123.831,73 (one hundred and twenty-three thousand, eight hundred and thirty-one euros and seventy-three cents)

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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 2022, showing a negative balance of €123.831,73 (one hundred and twenty-three thousand, eight hundred and thirty-one euros and seventy-three cents) and proposes the transfer of this negative balance 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 2022 and values presented in the accounts for that same period (values NET of VAT), we notice that

- The total revenue for 2022 totalled 1.372,310,92 and the revenue forecast for 2022 was of 1.555,307,25. The difference results in the already mentioned difficulties in debt collection despite all collection efforts carried out by the management company.
- The total costs, despite the 8% inflation rate in 2022, amounted to 1.762.344,25 against the 1.800.053,75 forecasted in the 2022 budget.

The management company was able to reduced costs by leveraging synergies with another resort owned by the Group.

The accounts for the use of the "Periodic Pecuniary Benefits or Maintenance Fees" for the fiscal year ending 31 December 2022 are attached to this document. Title holders can access and consult all supporting accounting documents and data at the Management Company's offices in Algarve.

3. Administration and Maintenance Programme for the year 2024

The maintenance fees act as a counterbalance to management costs and as compensation for the expenses incurred by the management company. The management company determined that the maintenance fees will increase by 5.73% in 2024 (Annual average rate of the last 12 months – October – (INE – Statistics Portugal).

Therefore, we propose that the values of the Periodic Pecuniary Fees – Maintenance fees, for 2024 are as follows:

| | 2024 | | |
|---------------------|------------|------------|-----------|
| | Low season | Mid-season | High Alta |
| Studio - T-0 | 267,06€ | 278,90€ | 294,69€ |
| Apartment T-1 / V-1 | 334,42 € | 349,25€ | 369,02€ |
| Apartment T-2 / V-2 | 400,41€ | 418,16€ | 441,83€ |
| Apartment T-2 D | 426,47€ | 445,38€ | 470,8€ |

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

Scudro Luzio Tomé Polso
Ana Bachaery

**ANNUAL ACCOUNTS OF THE USE OF
THE MAINTENANCE FEES PAID BY THE T.R. TITLE HOLDERS OF
"CLUBE ALBUFEIRA"
2022**

the amounts indicated are in euros.

| REVENUE | 2022 | |
|---|---------------------|---------------------|
| | Actuals | Budgeted |
| Maintenance Fees | 1.211.390,95 | 1.455.307,25 |
| Recovery of Maintenance Fees not collected in previous years..... | 160.919,97 | 100.000,00 |
| Financial gain | 0,00 | 0,00 |
| Reserve Fund – use..... | 247.098,31 | 250.000,00 |
| TOTAL REVENUE | 1 638 512,52 | 1 805 307,25 |
| EXPENDITURE | | |
| Electricity..... | 127.345,04 | 85.000,00 |
| Water..... | 29.577,77 | 30.000,00 |
| Maintenance and Conservation..... | 131.728,12 | 170.000,00 |
| Insurance | 7.475,88 | 8.000,00 |
| Swimming Pool Maintenance..... | 20.682,84 | 30.000,00 |
| Garden Maintenance..... | 36.589,92 | 40.000,00 |
| Cleaning and Hygiene | 277.803,29 | 150.000,00 |
| Security | 23.768,52 | 50.000,00 |
| Reception costs | 40.350,97 | 20.000,00 |
| Legal fees | 47.733,12 | 25.000,00 |
| Communications..... | 23.656,56 | 2.500,00 |
| Fees | 2.724,09 | 3.250,00 |
| Financial expenses | 769,01 | 5.000,00 |
| Tax (IMI, AIMI) | 39.386,39 | 41.100,00 |
| Other expenditure | 4.866,19 | 500,00 |
| Reserve Fund – use | 247.098,31 | 250.000,00 |
| | 1.061.596,02 | 910.350,00 |
| STAFF COSTS | | |
| Cleaning | 32.880,67 | 160.000,00 |
| Reception..... | 116.690,23 | 150.000,00 |
| Maintenance | 103.844,91 | 100.000,00 |
| Security | 0,00 | 0,00 |
| Gardens | 30.359,60 | 25.000,00 |
| Administrative | 52.497,29 | 46.430,00 |
| Swimming pools..... | 19.102,99 | 25.000,00 |
| Rubbish collection | 3.378,95 | 10.000,00 |
| | 358.754,64 | 516.430,00 |
| ADMINISTRATION (20%)..... | 287.099,40 | 311.061,45 |
| RESERVE FUND (4%)..... | 54.894,19 | 62.212,30 |
| | | |
| TOTAL | 1.762.344,25 | 1.800.053,75 |
| | | |
| ANNUAL RESULT | -123.831,73 | 5.253,50 |

Movements Reserve Fund DRHP Clube Albufeira 2022 fiscal year

| Description | Debit | Credit | Balance |
|---|--------------|---------------|-------------------|
| Reserve Fund balance at 31.12.2021 | | | 613.253,27 |
| Use of reserve fund - 2022 | 247.098,31 | | 366.154,96 |
| Reinforcement from financial year 2022 | | 54.894,19 | 421.049,15 |
| Financial result from 2022 accounts | 123.831,73 | | 297.217,42 |
| Reserve Fund balance at 31.12.2022 | | | 297.217,42 |

Albufeira, 22 November 2023

Clube Albufeira, Gestão Imobiliária e Turística, Lda.

Management

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