



MANAGEMENT REPORT

D.R.H.P.

"BALAIA PARK"

2021

Dear Sirs,

We have the pleasure, in compliance with the law and regulations, to present the Management Report and the accounts for the year 2021 and the Program of Administration and Maintenance for the year 2023 of the D.R.H.P. with the denomination "Balaia Park", of which we are the Management Company.

1. The D.R.H.P. "Balaia Park"

The law changes introduced by Decree-Law n.º 37/2011, of March 10th, have not created a solution for the material impossibility of amending the constitutive titles of D.R.H.P. "Balaia Park" that was constituted under the terms of Decree-Law n.º 130/89, of April 18th, in order to make them compatible with the changes introduced by Decree-Law n.º 275/93, of August 5th, n.º 180/99, of May 22nd and n.º 37/2011, of March 10th, so we recommend that the representation and voting of the title holders of this D.R.H.P. in the next Title Holders Meeting continue to be made by assigning to each "right" one vote, for representation and voting purposes, according to the unanimous decision at the Title Holders Meeting held on May 13th, 1998.

In the year 2021 the Management Company, as part of its functions, continued with the normal administration and conservation of the D.H.R.P. accommodation units, as well as their equipment and furniture, and the facilities and equipment of common use of "Balaia Park", assuring the maintenance and cleaning of the accommodation units and the necessary repairs for the normal use of these same units.

2. "Maintenance Fees" accounts for the year 2021

As Management Company we have charged and collected the "Maintenance Fees" of 2021.

We remunerated the management of the D.R.H.P. according to the law, on the percentage of 20% of the value of the "Maintenance Fees".

The recognition of "Maintenance Fees" for presentation of accounts purpose is confined to those actually received, considering that it represents a fairly image of the financial position of the D.R.H.P..

As Management Company we have charged and collected the "Maintenance Fees" of 2021, for the amount of €408.587,21.

During the year 2021 the Management Company also received the amount of €83.435,30 from "Maintenance Fees" due for previous years, and the Management Company continues to make efforts for the effective collection of the overdue amounts. The



collection of the overdue "Maintenance Fees" originated also the collection of interest for the amount of €13.732,32.

The Management Company continues to make efforts to collect overdue amounts, with a growing focus on the risk management and the recovery of unpaid "Maintenance Fees", maintaining the contract with a company specialized in this area and with external lawyers who reinforce the work of the existing team.

Although part of the existing debt is difficult to collect due to lack of contacts, death of holders without heirs, or heirs who do not intend to keep the weeks, it is the objective of the Management Company to maintain debt recovery levels by increasing the level of resources involved, both internal and external.

The downward tendency in the revenue from the "Maintenance Fees" has been offset by debt recovery, which played an important role in sustaining DRHP expenditures, as can be seen in the table below.

Invoicing	2019 (Real)	2020 (Real)	2021 (Real)	2022 (Expected)
Annual M. Fees	416.282,56	398.671,00	408.587,21	356.849,70
M.Fees recovered (previous years)	13.883,73	70.562,00	83.435,30	26.572,94
Total invoiced	430.171,29	469.233,00	492.022,51	383.422,64

In compliance with article 30 n.º 1 of Decree-Law n.º 275/93 in its current wording, the "Reserve Fund" was strengthened with the amount of €19.680,91, corresponding to four percent of the "Maintenance Fees" received in the year.

Under the terms of "D.R.H.P." legislation we must submit to your examination and approval the accounts with the use of the "Maintenance Fees" for the year ended December 31st, 2021, showing a positive balance of €112.780,85, proposing that this value accrues to the "Reserve Fund" in accordance with article 30 n.º 2 of Decree-Law n.º 180/99, of May 22nd, in its current wording.

The revenues expected for 2021 were €435.000,00 and revenues of €492.022,51 were obtained, which represents €57.022,51 more.

A revenue of around € 44.000,00 was planned for the year 2021 from the use of the Reserve Fund, to be applied in works for the recovery and acquisition of new equipment. This was not used during the current year.

Several expenditure items became lower than the budgeted figures, due to the COVID-19 pandemic.

The expenditure item that shows a higher positive variation is maintenance and repairs, with less €25.074,19 and the costs with Intrum which didn't have any cost estimated and registered a cost in the amount of €17.377,14.

Considering the fluctuations of the various items, positive and negative, it is verified that the expenses were lower than the budgeted amounts by € 58.699,72.



In terms of staff costs, a total budget of €180.500,00 was foreseen and the cost amounted to €140.138,28 (€40.361,28 less), which was explained mainly by the difference in expenses with receptionists, cleaning and laundry and surveillance/security, lower than the budget by € 9.928,98, 23.305,08 and €4.824,48, respectively. This decrease in staff costs was due to the economic effects of the COVID-19 pandemic.

We present herewith the accounts with the use of the "Maintenance Fees" for the year ended December 31st, 2021, and we leave all supporting accounting data at the disposal of the title holders, in the Management Company office, in Algarve.

3. Program of Administration and Maintenance for the year 2023

According to the law we also include herewith the "Program of Administration and Maintenance for the year 2023" which was prepared based on the anticipated expenditure for that year.

The "Maintenance Fees" should correspond to the management charges and as a compensation of the administrating entity of the tourist development for the expenses to which it is subject. The management company decided that the increase to be applied to the maintenance fees in 2023 will be of 12.21% based on the IPC (Consumer Price Index) at 30/09/2022 (9.3%) and the 4% inflation forecast for 2023, considering that in 2022 maintenance fees were increased by 1.3%.

Therefore, we propose that the "Maintenance Fees" for the year 2023 are as follows, safeguarding the fact that they can be adjusted according to the inflation rate that may be determined:

2023 Week	Type of Apartments		
	T-0	T-1	T-2
1 to 12	242,00	311,00	393,00
13 to 17	267,00	342,00	432,00
18 to 21	279,00	358,00	452,00
22 to 25	292,00	374,00	471,00
26 to 35	304,00	389,00	491,00
36 to 39	292,00	374,00	471,00
40 to 44	267,00	342,00	432,00
45 to 52	242,00	311,00	393,00

Albufeira, 31st October 2022

Balvil - Gestão de Empreendimentos Turísticos, Lda.

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**ANNUAL ACCOUNTS WITH THE USE OF
THE MAINTENANCE FEES PAID BY THE D.R.H.P. TITLE HOLDERS OF
"BALAIA PARK"
2021**

(amounts in euros)

INCOME		2021
Maintenance fees.....		492 022,51
Interest.....		13 732,32
Other (Reserve Fund Use).....		0,00
TOTAL INCOME		505 754,83
EXPENSES		
Electricity.....		35 537,05
Water.....		7 821,45
TV/Internet		11 193,29
Wifi.....		0,00
Communication expenses.....		1 461,82
Insurance.....		1 979,11
Maintenance and repairs.....		29 925,81
Cleaning Materials.....		7 095,85
Other Services (incl. Surveillance/Security).....		9 825,28
Debit/Credit cards comissions.....		85,38
Municipal Property Tax.....		7 124,02
Other expenses		5 324,08
Intrum.....		17 377,14
Reserve Fund Use.....		0,00
		134 750,28
STAFF EXPENSES		
Receptionists.....		25 071,02
Administrative staff.....		24 659,69
Cleaning and Laundry.....		41 694,92
Swimming pool vigilant.....		9 355,36
Infrastructures / Garbage collection.....		7 505,50
Gardener.....		21 676,27
Surveillance/Security.....		10 175,52
		140 138,28
ADMINISTRATION (20%).....		98 404,51
RESERVE FUND (4%).....		19 680,91
TOTAL EXPENSES		392 973,98
		YEAR SURPLUS 112 780,85

D.R.H.P. "Balaia Park" Reserve Fund movements in the year 2021

Designation	Debit	Credit	Balance
Balance at 31.12.2020			144 130,85
Increase in the year 2021		19 680,91	163 811,76
Reserve Fund Use in the year 2021	0,00		163 811,76
Excedent of the year 2021		112 780,85	276 592,61
Balance at 31.12.2021			276 592,61

(amounts in euros)

Albufeira, 31st October 2022

Balvil - Gestão de Empreendimentos Turísticos, Lda.

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PROGRAM OF ADMINISTRATION AND MAINTENANCE

D.R.H.P.

"BALAIA PARK"

2023

In compliance with article 33 of Decree-Law n.º 275/93, of August 5th, updated by Decree-Law n.º 180/99, of May 22nd, Decree-Law n.º 22/2002, of January 31st and Decree-Law n.º 37/2011, of March 10, "Balvil – Gestão de Empreendimentos Turísticos, Lda.", Management Company of the D.R.H.P. "**Balaia Park**" hereby present the "Program of Administration and Maintenance" for the year 2023, in whose elaboration has made the best efforts to optimize financial, fiscal and human resources management, affordable with the amounts of D.R.H.P. "Balaia Park" "Maintenance Fees" established for the year.

For the implementation of this program it is important to mention that the exploration and administration entity, in order to be able to be compensated for the expenses with the services of touristic use and exploration to which the housing units, affected to the DRHP, are subjected, as well as contributions and taxes and any other expenses foreseen in the title of constitution and to be remunerated for its management, without thereby generating a deficit in the balance of the maintenance fees, considered that it is necessary that the periodic maintenance fee may vary according to the time of the year to which the D.R.H.P. right is reported and is thus proportional to the fruition of the facilities by the owner of the right. In this way, different values are proposed for the periodic maintenance fees taking into consideration the time of the year in which each week is held by the owner: this week may be in low, medium, medium-high, high or very high season.

Nevertheless, the value of the periodic maintenance fee can always be considered as a preferential value since it is intended only to cover the expenses incurred, not seeking to obtain any additional values, and the holders may enjoy in full the rights conferred upon them by their D.R.H.P. rights, during their stays.

Analyzing in detail the "Program of Administration and Maintenance" for the year 2023 we have:

1 - Estimate of Income

1.1 - It is estimated that the "Maintenance Fees" amount to receive in the year 2023 will be €410,000.00.

1.2 - It is estimated that amounts that could be received from the Mandatory Reserve Fund reach up to € 252,000.00, intended for the remodeling of apartments.

1.3 - It is estimated that interest in the amount of €5,000.00 will be received throughout 2023.

Thus, the total estimated income of the Program will be €667,000.00.



2 - Estimate of Expenses

2.1 - It is estimated that the electricity consumption this year will be €53,000.00.

2.2 - The annual value of water and sanitation consumption is estimated to be €8.000,00 (not including the swimming pool water consumption).

2.3 - The television and internet service (Wifi) is already provided by 250 MGB optical fiber, replacing the traditional coaxial cable, and it is estimated that the annual expenditure amounts to €25,000,00.

2.4 - Communication costs with D.R.H.P. Title Holders, in particular sending the invitation to the "General Meeting of Title Holders" and with the request of overdue payments, as well as other communication expenses with the holders of the DRHP, or other office expenses are estimated at €1,500.00.

2.5 - It is estimated that the annual insurance cost, maintaining the same degree of risk coverage, correspond to €2,400.00.

2.6 - It is expected on the level of conservation and repair of accommodation units an estimated cost of €40,000.00. They include the materials and services for the maintenance of the accommodation units, such as the cost with technical assistance and replacement of damaged equipment, purchase of paint for ordinary interventions in interior and outside painting of some units, and all the continued interventions units in the existing conditions at the date of its construction.

2.7 - The expenses with cleaning materials, where it is included the costs with hygiene, cleaning and comfort articles and with small cleaning equipment, are estimated at €6,000.00.

2.8 - The estimated fees to be considered with account compilation and audit services is €3,500.00.

2.9 - The estimated fees to be considered with services related to a collection agency are €9,000.00.

2.10 - Financial expenses with bank transferences and payments with credit cards, ordered by the owners to pay their "Maintenance Fees", are estimated at €200,00.

2.11 - It is estimated that the cost with I.M.I. - Municipal Property Tax related to the D.R.H.P., corresponds to the amount of €5,256.00.

2.12 - The budget for transportation is €3,200.00.

2.13 - The budget for other expenses is €3,700.00.

2.14 - It is also planned to renovate the apartments, including repaving the bedrooms and lounge, replacing the furniture in these areas. A total expenditure of €252,000.00 is estimated for the year 2023, also to be used from the Reserve Fund.



2.15 - Cost Estimate with Staff

This estimate includes the services to be provided by the Management Company and necessary to the normal functioning of the D.R.H.P. "Balaia Park", of which we highlight the following: reception, administrative services, cleaning and laundry, maintenance and support of the swimming pools, garbage collection services, gardening services and surveillance and security. It is not expected to have significant changes for the year 2023, being the amount budgeted for staff costs €153,700.00.

2.16 - The remuneration of the Management Company will continue to be based on the percentage of 20% on the value of "Maintenance Fees", on the estimated value of €82,000.00.

2.17 - The allocation to the Reserve Fund, established according to article 30 n.º 1 of Decree-Law n.º 275/93, of August 5th, in its present wording, will be calculated based on four percent of the value of the "Maintenance Fees", which amounts to €16,400.00.

Thus, the total estimated expenses considered under this Program will be €664,856.00.



3 - Balance Estimate of "Management Fees" 2023

The estimated surplus for the year is €2,144.00, as follows:

INCOME

Maintenance Fees	350,000.00
Estimated rescue of unreceived Maintenance Fees.....	60,000.00
Interest.....	5,000.00
Utilization of the Reserve Fund.....	252,000.00

TOTAL INCOME 667,000.00

EXPENSES

Electricity.....	53,000.00
Water.....	8,000.00
Fibre pack TV and Wifi	25,000.00
Communication expenses.....	1,000.00
Office expenses	500.00
Insurance.....	2,400.00
Maintenance and repairs	40,000.00
Cleaning materials	6,000.00
Auditing.....	3,500.00
Other services.....	9,000.00
Debit / Credit cards comissions.....	200.00
Municipal Property Tax (IMI).....	5,256.00
Transportation.....	3,200.00
Other expenses.....	3,700.00
Reserve Fund use.....	252,000.00

412,756.00

STAFF EXPENSES

Receptionists.....	30,000.00
Administrative.....	27,000.00
Cleaning and Laundry.....	55,000.00
Swimming pools vigilants.....	8,000.00
Infrastructures / Garbage collection.....	7,200.00
Gardeners.....	16,000.00
Security and Surveillance.....	8,500.00
Other expenses.....	2,000.00

153,700.00

ADMINISTRATION (20%).....	82,000.00
RESERVE FUND (4%).....	16,400.00

TOTAL EXPENSES 664,856.00

SURPLUS FOR THE YEAR: 2,144.00

Albufeira, 31st October 2022

Balvil - Gestão de Empreendimentos Turísticos, Lda.

The Management

Free translation

Victor José & Associados

Sociedade de Revisores
Oficial de Contas Lda.

REPORT AND OPINION OF THE STATUTORY AUDITOR

To the holders of the Real Rights of Periodic Habitation
Balaia Park,

In accordance with the law and our mandate, we hereby submit to you the Report and Opinion on the activity carried out by us and on the Balaia Park Real Rights of Periodic Habitation Financial Statements for the year that ended on 31 December 2021, which are the responsibility of the management company.

We verified with the regularity considered appropriate, the bookkeeping and respective supporting documentation and monitored compliance with the law and the statutes.

As a consequence of the work carried out, we issued this report and opinion.

In the scope of our functions we verified that:

- i. The rendering of accounts for the use of the management fees paid by the holders of the real rights of periodic habitation, was prepared in accordance with the legal provisions.
- ii. The policies and criteria adopted are appropriate.
- iii. The management report is sufficiently informative, highlighting the most significant aspects and the activity related to the DRHP.
- iv. The programme of administration and conservation DRHP "Balaia Park" for 2023 was prepared taking into consideration the provisions of art. 33 of decree law 275/93 of August 5.

Taking in account what has been referred to above, we are of the opinion that the title holders should give approval to:

- a) the management report and accounts for the year 2021 presented by the management company;
- b) the proposal of the management company for the application of the results contained in the aforementioned management report;
- c) the proposal for the maintenance fees for 2023 presented by the management company, and also;
- d) the programme of administration and conservation for the real rights of periodic habitation for 2023 presented by the managing company.

We also wish to express to the management company and its employees, with whom we have been in contact, our sincere appreciation for their cooperation.

Eduardo Roque do Rosado Rêgo – ROC Nº 1 285

Lisbon, 25 November 2022

Av. Antonio Augusto Aguiar, 19 – 3ª Dto. / 1050-012 Lisboa/ PORTUGAL
Tel (+351) 213 144 434/ Fax (+351) 213 149 292 / Email: info@victorjoseassociados.pt
www.victorjoseassociados.pt

Auditoria Fiscalidade Consultoria