

SEÑORIO DE ALOHA – Financial Report to the 2023 AGM

INTRODUCTION

At last year's AGM, the following were the key observations on the financial position of the Community then;

The Community was relying on extended credit from a number of suppliers to remain solvent and to be in a position to pay our day to day expenses. There had been no fees increase for a number of years and our income was insufficient to meet outgoings for ordinary expenses in any of the recent years, when account of taken of the fact that 10%+ of owners were not paying their fees. The Covid 19 pandemic was a contributory factor to this situation.

Significant additional funding was also required to carry out building and repair works which were urgently needed to meet legal requirements for swimming pool safety and also to repair terraces, garages, store rooms etc which were in a state of disrepair.

In order to address these problems, the owners agreed at the AGM to a 15% increase in fees with effect from Quarter Three 2022 and also to contribute to a 'Cash Call' of €500,000 to commence the process of carrying out the major necessary building repairs.

What has happened since to the Finances?

The short term cash flow position of Community has stabilised, thanks to the fees increase and receipt of the Cash Call proceeds. Adenjo advise that currently approximately 90% of owners are compliant in the prompt payment of fees and that the collection rate on the cash call was approximately 85%. Adenjo are working hard to collect all of the fees due, whether more recent or of longstanding.

We have paid off some old creditors (Cofer) during the year but the situation in relation to the Pinturas debt of €138k has moved to our disadvantage as they have got a court order in relation to the debt. Also, we have also been the subject of a court order by a company called Multimalaga to the extent of approximately €50k and this debt was unknown to us and had not been included in our books. These two items plus another debt of c.€20k on legal fees confront us with a serious problem.

These matters are under negotiation but will undoubtedly lead to significant payments by us sometime this year and they will require an injection of funds by owners as we do not have the cash to meet these payments.

Owners are aware that significant progress has been made with the aforementioned building repair works. As at the end of December 2022, we had expended €240k of the cash call monies and approximately another €80k has been committed since. The remaining monies collected from the cash call are being held pending the outcome of the long running case against the building company FCC, where we are claiming damages in relation to defective works on garages insulation.

THE NUMBERS

Attached are summary schedules of the Income and Expenditure and Statement of Financial position as at 31 December 2022. These are based on the figures included in the papers from Adenjo with some adjustments which are explained in the schedules.

The overall situation is that while the position has improved with the fees increase and the cash call, we now have the problem of the old creditors who are seeking payment. The community is adequately funded for Phase One of the building works but there are further works which ideally should be done sooner rather than later but which would require additional funding also. This is dealt with in more detail elsewhere in the AGM papers.

Gerry Burke

Vice President

Chartered Accountant

14 March 2023