

2023 PRESIDENTS ANNUAL REPORT – SENORIO DE ALOHA

Dear Fellow owners,

1. INTRODUCTION.

IF YOU INTEND TO VOTE DIRECTLY OR BY PROXY AT THE AGM PLEASE LOOK CLOSELY AT THE ATTACHED DEBTORS LIST. THERE ARE A NUMBER OF OWNERS WHO MAY NOT BE AWARE THEY HAVE SOME SMALL BALANCES OUTSTANDING.

If you appear on this list, you have time up until the morning of the AGM to settle your account & exercise your right to vote in person or by proxy. An updated Debtors list will be available on request on the morning of the AGM & will be used at the AGM to verify those property owners or their proxies eligible to vote.

AGM/EGM participation via Zoom, Teams, Skype etc is still only allowed in Catalunya, & therefore we must hold an in-person meeting.

It is important that you exercise your voting rights. The Administrator, President, & Vice-President should be elected by a majority of owners with a mandate to perform their duties in the best interests of the Community.

If you are not attending the AGM, please give a proxy to your representative, or the President or Administrator. The Agenda for the AGM indicates where a vote will be taken. You can indicate in your proxy form how you want to vote on each motion or, instruct your proxy holder.

2. SUMMARY OF PROGRESS IN 2023.

For the benefit of the relatively new owners & those not too familiar with our history, myself & Gerry Burke our VP, were elected in mid-2020.

The mandate was to turn around a community that had fallen into disrepair, accumulated significant debtors & creditors, & was involved in complex long term legal cases both as a plaintiff & defendant.

Between 2016-20, there had been a succession of Administrators, & lawyers. The paper trail covering the accounts, contracts, court cases, & many legal documents of the Community had been lost, or destroyed in a computer hard drive failure, & to cap it all there was less than €1,000 in the bank account.

In effect the Community was technically bankrupt. At the time I stated it could take up to 5yrs to make good the Community. What wasn't clear at the time was what it would cost & what skeletons from the past would emerge from the proverbial cupboard.

Well, each year the skeletons have kept coming, in the form of new legal challenges against the community, & so to have modern day challenges such as 'owner developers' who ride roughshod over laws & Community Rules in order to maximise their profits. With such history, there is no room for complacency, nor should we underestimate the challenges that still lie ahead.

Despite all the aforementioned, each year has brought progress & the monies you have invested are starting to show returns. There is evidence all around the community that we're on top of day-to-day maintenance, & contractors that carry out cleaning, gardening, equipment maintenance & other repairs are also more effective than in the past. On a deeper level, we have completed the first phase of infrastructure projects that were funded by the Cash Call. There is more to do but it's important to note there have been some key learnings which will serve us well when we embark on the continuation phases of these projects.

The attached detailed accounts demonstrate stability in the community finances. We are cash positive, & our 2023 expenditures balance with our budget. Spanish Community's, unlike regular businesses, do not get independently audited to international standards. As in the past Gerry our VP, a qualified chartered accountant, goes through the quarterly & annual accounts to ensure accuracy. Gerry will provide an overview of the financial well-being at the AGM, & you will be able to ask questions or table them via your proxy.

Overall feedback suggests the very important work behind the scenes to Administer the community has further improved. A good part of an Administrators time is spent chasing down late payers as well as long term debtors. A key metric of community health is the 'community fees collection rate'. For 2023 Adenjo achieved a satisfactory level of 92.49%, which in turn has enabled expenditures in line with the approved budget. The 7.51% uncollected money mainly consists of the inherited long-term debtors, plus the unpaid penalties that have been legally applied.

Another key metric is 'owner service'. On the whole, I think it fair to say that owners 'response times' continued to improve as did 'problem solving'. However, I have to point out that there has been a significant increase in owners reaching out to the administration because of the negative impact of numerous illegal reforms, & continuing anti-social behaviour including vandalism, the majority of which seems to stem from short-term rentals. These problems are creating an abnormal amount of extra work, & in combination with the significant inherited problems, it needs to be understood that this impacts on our overall efficiency including response times & ensuing actions. Combating these problems requires further adjustments to administration & security.

The Marbella property market has boomed in recent years & has carried Señorío along with it. 2023 saw a number of high value sales, & most certainly the visible & real improvements around the community, are helping valuations. However, there are a number of existential threats to maintaining the value of our investments & these hark back to the 'strength, stability & transparency' vision I talked about 2 years ago. I will touch on these themes further into this report, as well as at the AGM, & in the event that my term is extended I foresee the need to advance several key initiatives via specific EGM's during this year.

3. CASH CALL

On a community-wide level you will have witnessed various repairs including to the swimming pools & the water drainage problems in the gardens on top of the Donaña & Triana garages. On a personnel level some of you have had repairs to your 'water/irrigation damaged' terraces, & others have had ventilation installed in their storerooms to combat the humidity problems caused by floodwater. In the attachments you can see the full list of projects & their allocation from the €464k that was received from the €500k cash call. (Owners who didn't pay are still liable & penalties have been imposed).

I'm sure you all understand that buildings require timely repairs to core infrastructure. In Señorío's case this did not happen & those delayed necessary works became urgent & extensive, & hence why emergency funding had to be raised.

4. DEBTORS

As the majority of you will know, debtors have over the past 15yrs spiralled out of control, placing the community at significant risk. A key initiative in 2023 was to renew our efforts at the courts to advance proceedings against our debtors. I cannot say I'm pleased with the results because the truth of the matter is that the legal system in this country fails to function anywhere close to the efficiency it should.

Very positively, the total amount recovered by the efforts of Adenjo from the inherited 'historical debtors' (pre-2022 unpaid community fees) is €152,234. This has enabled us to pay down the old creditors to the community as follows.

5. CREDITORS

In 2020 the inherited Creditors exceeded €430k. Careful negotiations have enabled us to service the creditors from successful community fee debt recovery as mentioned above. Hence, we have paid creditors as follows:

Euros

SYMAN	20,911.04
COFER	51,061.73
HELP	12,809.13
FAIN	7,545.11
MULTIMALAGA	40,441.34
EX COMMUNITY LAWYERS	19,584.56

The main historic creditor is Pinturas JJ (the company that did a terrible job painting the Community between 2016-2018 & had the audacity to charge an extra €147.000, on top of the original €700.000+. which not evidenced by a contract). We are legally obliged to pay the current balance of €138k & are trying to agree an instalment payment plan with the Pinturas lawyer commensurate with our income & ongoing financial costs.

6. MAINTENANCE & SECURITY

In September 2022, we terminated our one-man vigilante security service with Cofer as it was not effective. At the time we also repurposed our HELP Concierge service, so rather than have a man at the main gate letting in anybody & occasionally patrolling the complex, we now have someone in & around the community carrying our various maintenance tasks & keeping an eye out for problems.

This system with HELP is working very successfully, & in response to a number of owners requests we have increased the number of personnel in order to operate this service 24hrs x 7 days a week. Whether it's painting the fire-doors in the garages, repairing the tiled walkways, re-plastering damaged walls inside the portals or major improvements to storage ventilation, we are getting much better value for our money than when we had a concierge & vigilante doing very little.

The use of HELP as a watchful eye over the community, especially at night, creates a better sense of security, & indeed many incidents throughout last summer were reported & dealt with. However, it's not the full solution, & many of you will recall that we committed back in 2022 to providing a comprehensive & fully costed security proposal for the 2023 AGM. This deadline was missed, & the proposal was not in fact ready until just before last Christmas. The multi-phase proposal combines an Access Control System along with replacing the current Intercoms system for which we can no longer source parts. The intention is to use the pending balance from the cash call to fund phase 1 perimeter security before summertime. Phases 2 & 3 will be funded from a future financing round that has yet to be determined but will be the subject of an EGM during the course of this year.

7. UTILITIES

Many owners are rightly concerned about the impact of the water shortages particularly on the pools. The situation changes almost weekly. Presently, the pools are open & we are optimistic they will remain so. I would also draw your attention to the water savings since we carried the repairs & upgrades to the pools in 2023. In 2022 our water bill was €70k & had been around that number for some time. In 2023, our water bill was almost €48k less at €22k (68% reduction). Whilst rates are rising with the shortages, we expect the repair costs to the pools to have paid for themselves within 4 years.

Electricity savings. We engaged an external electricity consultant & reduced our year on year electricity bill from €53k to €40k, a saving of 24%. The electricity market has been competitive again, & if you haven't yet done so, you should shop around for the best deals.

8. 2024 BUDGET

At a time of continuing inflation, we make every effort to get value & save where possible. We are seeing costs increases from sub-contractors but have been able to offset some of these from the big savings on utilities. We have proposed a 6% increase in fees because we think it absolutely necessary to maintain the aggressive maintenance program now in place & to change some sub-contractors either to save more money or as with the elevator company to guarantee a more reliable service.

9. FCC CONSTRUCCIONES S.A -LEGAL CASE

In 2004/5 the Community sued the General Contractor FCC, who built Señorío. The case has gone back & forwards through the courts many times but over the years the information provided to owners only via AGM's was very limited despite the presence of the prosecuting lawyer Mr F. Urquia. The last such occasion was the 2019 AGM when Mr Urquia reminded us that "justice in Spain is unfortunately, very slow but we are awaiting the court, which is expected to be positive for the interests of the community".

So slow in fact, the hearing after 2018 happened only in November 2023, & the decision of the judge was only communicated to us by Mr Urquia towards the end of February & it wasn't positive at all. Adenjo & I met with Mr Urquia in March to try & understand the ramifications & the options available. What transpired were revelations completely unknown to us & never communicated in the 2020 change of Presidents & Administration, nor at any point thereafter by Mr Urquia despite a number of requests from Meridional & Adenjo. The complexity & confused explanations necessitated that we requested Mr Urquia to provide a written report detailing what happened between a judgement made in 2010 up to the final hearing in November 2023. This report has already been delayed twice & so at this moment we are none the wiser. With Adenjo & myself playing no role in this long running legal action, we have asked Mr Urquia to attend the AGM & explain directly to owners what has transpired.

In the meantime, we have started to assess the implications to the Community. This involves having to carry out the works that FCC failed to do under contract, as well as repairing the damage caused by the absence of those original works. These centre around the garages of Mezquita, Alhambra & Giralda (lesser repairs were carried out under the last cash call to Donaña & Triana). They will have significant impact on the timing of other works around the community & need very careful evaluation by Victor, Adenjo & external specialists. We anticipate it will take 2-4 months for us to be in a position to present detailed proposals covering all of the infrastructure projects & a dedicated EGM will be required.

10. REFORMS

Reforms are weighing heavily on the community & have created a huge amount of extra work for Victor, Adenjo & myself. Basically, there are two types of reforms:

a) An owner that wants to modernise their property. Perfectly understandable as modern technics & materials become available & owners want to upgrade their properties.

b) An owner who's a professional developer. They buy a property, invest in a total reform of the entire property in order to maximise their profit via a sale on completion of the reform.

In the case of **a)** owners often are ill-informed about both the Community Rules & Spanish legal norms, & at times can be wrongly advised by their builders. These owners are more amenable to working with Victor & Adenjo to do the legal thing but nevertheless they often overstep the line particularly when it comes to the external features of their reforms. We actively encourage cooperation with the Administration to bring about the best outcome for the owner & the Community.

In the case of **b)** the Owner/Developer's goal is profit. They know the tricks of the trade; they have nondescript licenses from the Town Hall & abuse the Community Rules & Spanish legal norms. They are reluctant to allow Victor to inspect their work in order for him to ensure there's no damage or impact to communal systems & property. The reality is they will bear no consequences for breaching the integrity of the Community architecture & symmetry. The consequences of non-compliance or work that negatively impacts community engineering systems, will be borne by an unsuspecting new owner.

There is of course the correct argument that legitimate property modifications enhance a community & increase valuation.

The alternative argument is that illegal modifications can result in the community looking more like a gypsy camp & can lower the cachet & valuations of the Community. With this in mind, we have reached out to all owners & requested copies of their building licenses & access to their properties in order to ensure a mutually beneficial outcome.

Unfortunately, many of you have had to suffer from illegal reforms going on for months next to you & you are aware that many owner/developers are simply thoughtless & uncooperative. This was why in January an EGM was held to approve legal action against an illegal reform where there were at least 7 breaches of the community rules & Spanish legal norms.

Our intention is to pursue legal action against reforms where owners do not cooperate with the Administration or uphold rules.

11. RENTALS

In 2023, there were significant problems with both short-term & some long-term rental tenants.

Many of the same problems happen in other popular rental communities, & there's a growing trend to ban short-term rentals, particular those partnering with Airbnb. In Spain, Regional & local councils are also starting to take action, in part to protect the housing market for local people & workers, & also in consideration of the criminal & anti-social elements.

I believe it's now necessary for us to become more pro-active on this issue. The implementation of a system of Access Control will help improve matters but this needs to go hand in hand with robust enforceable Community Rules, & better efforts by Landlords/Agents to play their part to ensure good tenant behaviour. New Community Rules are now in draft form & need owner input to ensure they harmonise between the interests of rental & non-rental owners.

In the past Gloria's Unica company operating out of her Triana apartment, enjoyed a large influence on Señorío's rentals. I've recently had cordial meetings with Gloria & having built a multi-location sales/rental business she's now in the process of downsizing in order to focus on exclusive residential sales. With an intention to sell her Triana property & exit rentals, it's timely for other experienced Señorío landlords to help shape the new rules governing this aspect of the Community.

12. VOLUNTEERS FOR WORKING COMMITTEES

Frankly, I was very disappointed when all but one of the 6 volunteers from the last AGM backed down for various personal reasons. Honestly speaking, I can't handle the breadth of work in this community with only the support of Gerry from the owner's side. Nearly all well-run communities have volunteers with assigned responsibilities. After weighting up the problems of Señorío I have asked for volunteers at the last 2 AGM's.

You might think you pay enough in fees that we shouldn't need volunteers, but this isn't the case. The Administration team is fully engaged with both the day to day issues & the significant inherited problems. New problems such as the unchecked reforms, various forms of anti-social behaviour, & wider problems such as NAÔ Pool Club are best served by some volunteers who can view these matters from an owner's perspective & work together with our professional staff to come up with appropriate solutions.

Being a volunteer doesn't necessarily necessitate living in the community or indeed having a specialist knowledge. Examples of volunteer roles in other communities include: Recreation (pools, padel, tennis, gym); Gardens; Reforms; Rentals; Maintenance; Security; amongst others. It's important to make clear that I'm not in favour of a 'Management Committee' that only serves to validate the work of the administration & President. I'm talking about volunteers that will sit with the Administrator, President, & On-Site Manager etc & have a functional role to help get things done. I will ask again at the AGM, although anyone interested can reach out directly at any time.

13. NAÔ POOL CLUB

IN 2023 NAÔ got bigger, bolder, more popular, more successful. The core operation of a 'pool music club' continues to be non-compliant with their business license. The extent of the anti-social behaviour spill-over from the club has been off the scales. The impact to the neighbourhood is becoming more severe each summer, & at some point one can't help but feel the impact will have more consequences to the value of the neighbourhood. Owners in Giralda & Alhambra will now have to contend with a new entrance that NAÔ are currently constructing directly across from our garage gates.

Undoubtedly, there are serious people running this enterprise & they have high level influence in many quarters.

In conjunction with other communities, we are making legal efforts to protect the common interests of our residential rights. At the same time, we recognise the negligence of the Town Hall to fulfil their duties & responsibilities, & major efforts are being made to bring them to account.

Owners in all the affected communities including Señorío remain complacent in playing their part. The Community has an official complaint against NAÔ but it's nowhere near as impactful on the Town Hall as when ten's or hundreds of owners submit individual objections. I read a social media post that said painting the community would increase its value. If owners really do care about the value of their properties, they should be prepared to go to the police station & submit a report against NAÔ.

In summary, 2023 was a year of real progress right across the community. We utilised a blended approach of repairing the 'quick fixes' & selectively trying to solve the big inherited problems. The newer problems such as reforms & rentals are a distraction but have to be dealt with as we see the negative effect all around us of previous years of complacency.

We look forward to seeing those of you who can attend the AGM. For this who can't, please provide a proxy to ensure you're represented.

With regards

John Riley - President SdA.