

Arcadia Yearly Report for 2015 - 2016

by Mete Tanis and the Control Board

Side, 12. July 2016

Summary of the fiscal year (1. July 2015 - 30. June 2016)

Financially it has been a difficult year to manage for our Property Manager (Mete Tanis) who took over from LotusM the 1. July 2015. The yearly budget was set much too low at the AGM 2015. LotusM left us with unpaid bills of 12.608 TL - much more than indicated at the AGM 2015. To make it worse some homeowners did not pay their fees timely. As a consequence our Property Manager (PM) could not pay staff and bills timely and a crisis arose in the beginning of 2016. The crisis was temporarily solved because some homeowners made a major voluntarily pre-payment to solve the liquidity problems.

The short and long term solution is to implement the following four steps:

1. Solve the temporarily liquidity problem by voluntarily pre-payments from homeowners
2. Increase the service fee from July 2016. This was approved at the AGM 2016 (17. May 2016)
3. Strengthen the procedure for debtors. This was approved at the AGM 2016 (17. May 2016)
4. Form the "Arcadia Management Board" (AMB) to obtain a closer partnership between our Property Manager and the Control Board.

Today all payments of staff, taxes, and bills are up to date and our financial situation is under control. However, we need to work intensively on collecting outstanding fees from some homeowners, and the Arcadia Management Board will not hesitate to use legal means to stabilize the situation.

Status at year start (1. July 2015)

Property Management (PM) was transferred from LotusM to SPM by Mete Tanis at 6. July 2015. Financial status at that time is documented in **Annex 1**.

Arcadia started out with a negative reserve of 6.645 TL.

Arcadia Status at Year Start in Turkish Lire

| | | |
|-----------------------------------|----------------|-----------------------------|
| + Cash in AKBANK & PM | 0 | When the new year started |
| + Advanced Payments | -431 | Minus belongs to owners |
| + Fees not collected | 784 | From last year |
| - Unpaid bills | -12.608 | From last year |
| Liquid money | -12.254 | Calculated liquidity |
| + Debts to be collected | 5.610 | From solicitor (D2x & D5) |
| - Loans to be paid back this year | 0 | From homeowners |
| Results at year start | -6.645 | Financial start at new year |

Unpaid bills from last year when this year started in TL

| NR. | Description of Expenditures | Year | TL | Paid | Category | CB |
|-----|----------------------------------|-------------|---------------|------|----------|----|
| 1 | Lotus Management fee | 2014 - 2015 | 2.310 | YES | Mgmt Fee | |
| 2 | Lotus Management fee | 2014 - 2015 | 1.440 | NO | Mgmt Fee | |
| 3 | Staff salariesfor June 2015 | 2014 - 2015 | 2.400 | YES | Staff | |
| 4 | Water bill paid by Frutz | 2014 - 2015 | 5.598 | YES | Water | |
| | ExtraStaff salariesfor June 2015 | 2014 - 2015 | 860 | YES | Staff | |
| | | | | | | |
| | | | 12.608 | | | |

During 2015 - 2016 we paid the old bills from LotusM time by payments from this year. So 11.168 TL from current payments was spent on last year's bills.

Payments this year (1. July 2015 - 30. June 2016)

Total payments this year was 137.185 TL (See **Annex 2**).

Of this amount 46.846 TL is pre-payments for next year and we have a minus 14.609 TL because of homeowners that have not paid all the requested fees. At the AGM 2016 a new procedure for debtors was approved giving the Arcadia managements more power to collect overdue fees. This procedure can be seen on our Internet homepage and is now being implemented, so we expect less overdue fees in the near future. Huge debts will not be accepted without consequences in the future.

In the middle of the year we were very low on liquidity and could hardly not pay our staff and creditors timely, so B1, B4, B6 and C1 made a huge advance payment voluntarily to help Arcadia. Also the Management asked all homeowners to pay the agreed Reserve Fee of 60 TL per apartment per month.

Expenditures this year (1. July 2015 - 30. June 2016)

The total sum of bills this year was 129.076 TL (See Annex 3).

Of this are Bills Paid 112.439 TL. But we also paid 11.168 TL for last year's bills, so we paid total bills of 123.607 TL from our Payments of 137.185 TL.

We have unpaid bills of 16.637 TL. Of this is 12.000 TL is for management fees and 4.637 TL is for new water- and electricity bills and staff overtime and accountant for social security. So because of prepayments we have been able to pay our bills in time even when some homeowners have not paid their service fees timely. So we close this year without old outstanding bills.

Budget follow up for this year (1. July 2015 - 30. June 2016)

The total income budget for this year was 106.020 TL (**See Annex 4**). The actual Payments were 137.185 TL and that is 31.165 TL over budget. As stated at the AGM 2016 the income budget for this year was much too low and that has been corrected for next year when the income budget is 126.480 TL. The income budget was compensated by voluntarily pre-payments from some homeowners.

The Expenditure budget for this year was 121.010. The actual spending (paid and unpaid bills) were 129.076 TL which is 8.866 over budget. A budget breakdown is here:

| | Budget Distribution | Staff | Garden | Pool | Internet | Electricity | Water | Repair | Mgmt Fee | Other | Investment |
|-------|-------------------------------|---------------|--------------|--------------|------------|--------------|--------------|--------------|---------------|------------|---------------|
| YEAR | Budget distribution | 72.600 | 4.050 | 3.850 | 920 | 5.300 | 4.200 | 4.890 | 12.000 | 400 | 12.800 |
| Month | Budget per MONTH | 6.050 | 337 | 321 | 77 | 442 | 350 | 408 | 1.000 | 33 | 1.067 |
| NOW | Budget until NOW | 72.600 | 4.050 | 3.850 | 920 | 5.300 | 4.200 | 4.890 | 12.000 | 400 | 12.800 |
| NOW | Expenditures NOW | 73.747 | 4.155 | 3.850 | 865 | 5.984 | 9.493 | 6.060 | 12.000 | 122 | 12.800 |
| NOW | Budget minus Expenditures NOW | -1.147 | -105 | 0 | 55 | -684 | -5.293 | -1.170 | 0 | 278 | 0 |

We can see that the single main problem is water bills. There are two explanations: 1) The private water company has increased the rates very much. 2) There is a leakage in our system that needs repair now.

Staff is also more expensive than budgeted. They all had a rise in salary of 100 TL per month and that was not in the budget.

Debts collected this year

Two cases was handed owner to our solicitor for debts collection

Case 1 is an ex-owner who shall pay us 1.893 TL. Unfortunately our solicitor has not been able to locate him, so we do not expect to get this money paid back to us.

Case 2 is a current homeowner. He has now paid 2.820 TL to our solicitor and we expect that money to be transferred to us within a short time.

Cash situation by now (30. June 2016)

Calculated cash by now is 13.578 TL. The actual cash gap is about 9.000 TL lower, and PM is looking through all expenditures to find forgotten bills paid or some payments that has been faulty reported. Until this gap is closed the Control Board will hold our PM responsible for documentation.

Arcadia Cash Now in Turkish Lire

| | | |
|---------------------------|---------------|----------------------------|
| Cash in AKBANT year start | 0 | When the new year started |
| Cash at PM at year start | 0 | If not all money is banked |
| Advanced Payments | 137.185 | This YEAR until now |
| Paid Bills from last year | -11.168 | Money out of bank |
| Paid Bills from this year | -112.439 | Money out of bank |
| AKBANK Interest | 0 | From bank statements |
| AKBANK Commission | 0 | From bank statements |
| Debts collected this year | 0 | From solicitor |
| Other | 0 | To be specified |
| Cash NOW in AKBANK & PM | 13.578 | Must be verified by CB |

NB: Actual cash at PM was later calculated to 4.473 TL.

Best Regards

Arcadia Management Board

Mete Tanis / Gerard F Van Krieken