



2020

Management Report

Board of Directors of the Asamblea de Propietarios de la PH
Bahía Playa Serena

CARLOS NIÑO
President

ARIEL SOLANO
Treasurer

LUZ ADRIANA CORREA DE TOLANI
Secretary

JAMES ROSSI
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ALFONSO SOARES
Vocal

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The path we walked together

Our management would not have been possible without the support of all of you, the owners of this residential complex and that of our valuable collaborators. Together we have experienced an exceptional year that was modified by the effects of a unique event such as the global pandemic caused by the SARS-CoV-2 coronavirus. However, we have achieved a satisfactory economic performance, some investments were made to recover infrastructure and it was possible to accumulate cash reserves, which could mitigate any unforeseen negative effects until final resolution of the national emergency.

FINANCIAL SUMMARY

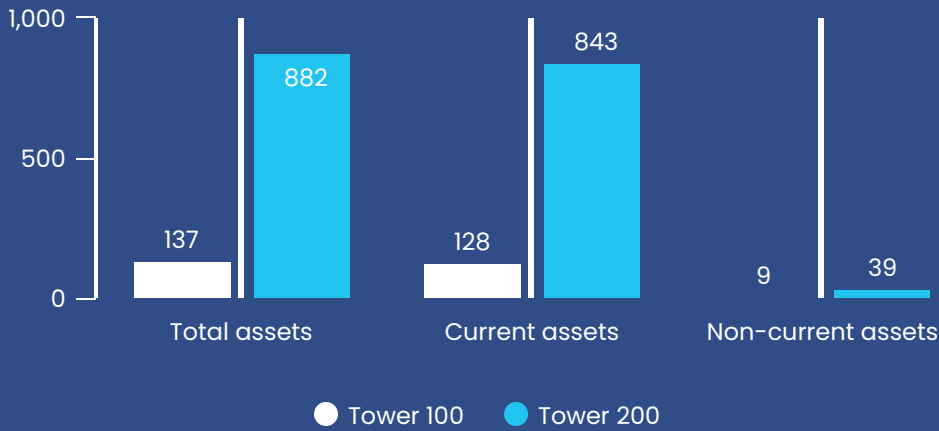


The Board of Director of the Asamblea de Propietarios de la PH Bahía Playa Serena established the objective of working, together with the administration and accounting department, with the purpose of being able to achieve the preparation of accounting records of the residential complex and, from there, financial statements that could be audited by Independent Public Accountants.

This objective was achieved, but with the limitations reported in note 2 of the audited financial statements that are attached to this management report.

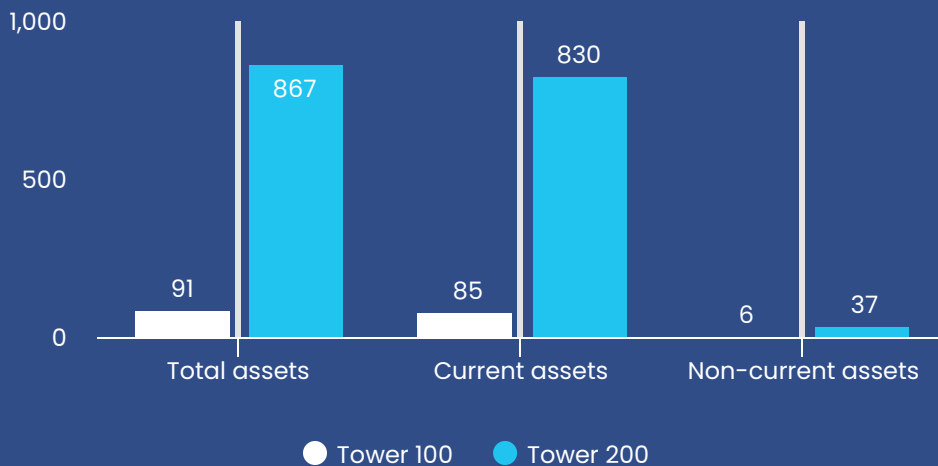
For illustrative purposes, the following sheets include additional relevant information on that financial information.

Year 2020



"This asset allocation is explained on the following pages"

Year 2019



FINANCIAL SUMMARY

All the financial information you need to be properly informed of the PH's financial aspects is included in:

1. Seven information bulletins, both in Spanish and English, distributed to all the community of owners. Those bulletins were issued in June, July, August, September, October, November and December 2020.
2. Audited financial statements of 2020 (in Spanish and English), included as separate information accompanying this management report. Those statements are compared versus those of 2019, and also include combined financial information on both towers; and
3. Budget of revenue and expenses for 2021 that is also included as separate information accompanying this management report.

The board of directors were always aware of the need for facilitating, with the community of owners, participative communication channels. Accordingly, those bulletins were created for the purpose of making the access to financial data much more democratic.

If you wish to be well informed we invite you to read all that documentation, and in case of doubts or questions, please feel free to contact the administration or accounting departments by using the email **Keyla.Coronado@phbahia.com** The personnel from those departments will gladly address your concerns or escalate complex issues to the relevant people from the board of directors of this PH.

At this point, it is necessary to develop an issue that has not been previously addressed in the financial information that has already been disclosed to you.

This is specifically about the analysis of the following summarized financial data:

Summary Statement of Financial Position			
YEAR 2020			
	Tower 100	Tower 200	Combined
Total current assets	127.999	843.057	958.171
Total non-current assets	8.819	39.324	15.776
Total assets	136.818	882.381	973.947
	Tower 100	Tower 200	Combined
Current liabilities	29.487	290.085	306.687
Non-current liabilities	57.736	30.683	56.052
Accumulated surplus	49.594	561.614	611.208
Total liabilities and accumulated surplus	136.818	882.381	973.947
Summary Statement of Income and Expenses			
YEAR 2020			
	Tower 100	Tower 200	Combined
Annual income from HOA	319.200	355.800	672.000
Other income	957	1.911	2.868
Total costs for the year	279.015	302.691	578.705
Net result	41.143	55.020	96.163



FINANCIAL SUMMARY

As per such information:

- The volume of assets and liabilities of Torre 200 is five (5) times and three (3) times higher than Torre 100's, respectively.
- The accumulated surplus (equity's equivalent) of Torre 200 is ten (10) times higher than Torre 100's.
- Annual revenue, by maintenance fees of Torre 200, is slightly higher (by approximately 11%) than Torre 100's, while its total costs also exceed those of Torre 100 by 8%.
- As an additional input, it is important to bear in mind that the activities of Torre 100 began in December 2011, while the activities of Torre 200 began in May 2014, which means that the period during which Torre 100 has been active exceeds the period of activity of Torre 200 by 29 months.



Considering this background, the following questions arise:

Why is the data not similar? What is the reason for that data disproportion, for similar volumes of revenue and costs?

While there is no conclusive information yet, the board of directors attribute those differences to the lack of accounting for 84 months (Torre 100) and 55 months (Torre 200).

There are two possible ways to solve the situation above:

1. The easiest way, but not necessarily the fastest way, would be the integration of both towers into a new juridical entity, where all the assets and liabilities would be an integral part of a new juridical-financial entity. In this manner, as there is no contingent liability with third parties, the new entity would offset possible assets or liabilities – excess or deficit – in favor of or against any of the towers.
2. The other option is to enhance a forensic accounting that will allow for recording the months not included in current accounting records; i.e., 84 months of accounting for Torre 100.

All the information above is relevant and, therefore, included in this management report. The future sale of two apartments of Torre 200 could put Torre 100 in a financial weakness situation versus the liquidity level that Torre 200 would have.

We encourage the owners to reflect on this issue, and we strongly suggest supporting the integration of both towers so that we can have one true community of owners. The integration would even add more simplicity to current administrative, accounting and juridical processes as the current situation of generating all the data and diligences based on two completely independent juridical entities would no longer be necessary.





FINANCIAL SUMMARY

There are two indicators that we consider additionally useful for financial analysis purposes as of December 31, 2020 and 2019, these are:

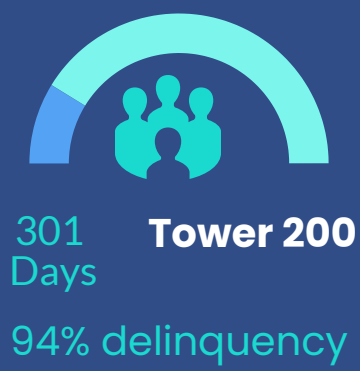
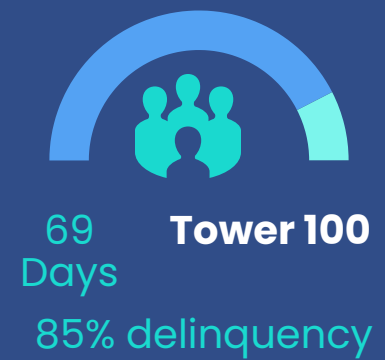
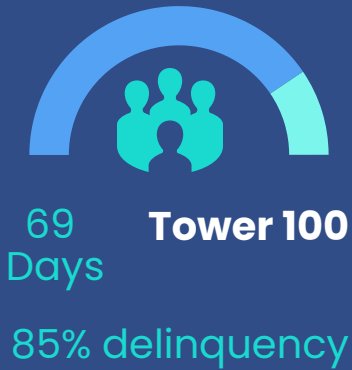
1. Default indicator: measures the volume of maintenance fees in arrears, over the total maintenance fees receivable, in this case.
2. Average collection period: it is the term, in days, that the PH takes on average to collect from the owners.

We consider it important to bring these indicators to the attention of the owners, since they speak of the financial health of the PH.

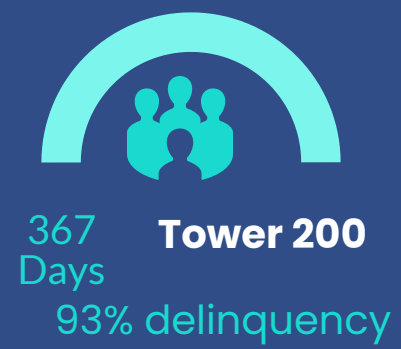
2020
1

2019
2

The average collection period is a ratio that indicates the number of days that the PH is delayed for the maintenance fees to become effective. The shorter the number of days, the faster we are collecting the maintenance bills owed by the owners.



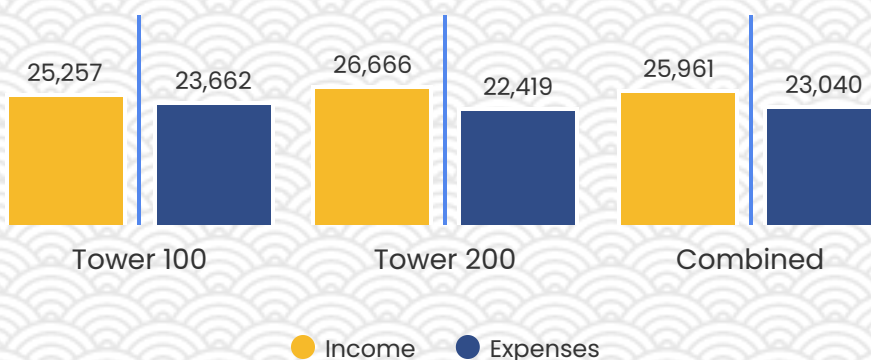
Delinquency is equal to the percentage of delinquent maintenance fees divided by the total maintenance fees receivable as of December 31, 2020



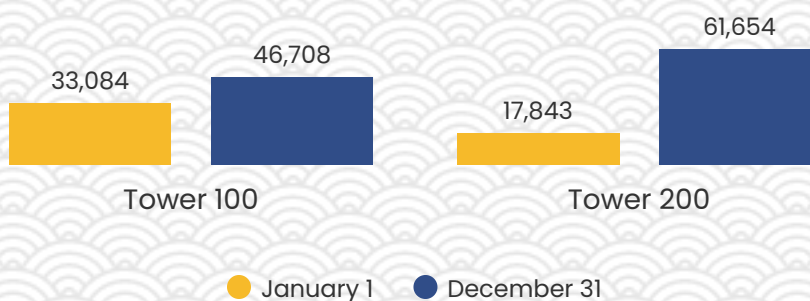
OTHER FINANCIAL DATA OF INTEREST



Average for the 12 months ended
December 31, 2020



Cash in bank at the beginning and end
of the year 2020



Additional remarks

Cash in bank

- Net cash increase.
- Control over expenses.
- Income has been stable.

Income

The average income for both towers is quite similar. Tower 200 with a favorable monthly trend of B / 1,409

Cash reserves

The cash reserve was planned as a liquidity risk mitigation mechanism during the pandemic.

TECHNOLOGY

The board of directors had been established for the purpose of digitally transforming the accounting and payroll areas. For these purposes, and after assuming control, a diagnosis process to assess the situation by that time was undertaken.

The assessment included the following components: people, processes and technology.



Conclusions reached as a result are as follows:

1. Processes: It has been evidenced that the nature of a good deal of processes is manual with no information hub, which implied dependence on information kept by each person outside a centralized depository of data.
2. People: The assessment allowed knowing the knowledge level of each party involved, even determining the need for replacements with more skilled resources.
3. Technology: The assessment allowed concluding that the entire hardware was obsolete and about to collapse both because of their aging and the conditions of physical components. In addition, there was no technical support or backup by the relevant IT trading companies for the software used.

Thus, the following action plan was established:

1. Processes: The corresponding actions were taken to identify the accounting software that best suits the PH needs. QuickBook was the tool selected; the version used is "Premier 2018". The annual cost for two users is B/. 2,003 that, compared versus the cost of previous software, allows for annual savings of same amount.
2. People: One of the directors volunteered to facilitate, during most of 2020, ongoing knowledge exchange on accounting and finance matters, including:
 - Ongoing advisory as to the selection and installation of different software required by the work team.
 - Ongoing advisory regarding bulletins to share information of interest for owners, both in Spanish and English.
 - Ongoing advisory during the process to create the chart of accounts and upload data, as well as for final review of accounting data recorded. This included the decision-making process of the solution raised due to lack of comprehensive accounting data.



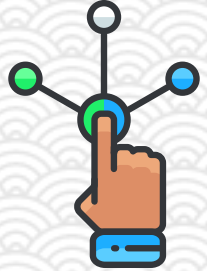
TECHNOLOGY

- Preparation of the financial statements, in Spanish and English. The work performed included the primary financial statements and notes thereto, and combined financial statements.
- Guidance for the accounting and administration personnel on the way to work with the external auditors' team. Follow-up calls and discussions with the partner responsible for works.
- Preparation of revenue and expenses budget of 2021.
- Preparation of management report of these board of directors, corresponding to 2020.

The daily knowledge exchange allowed for the transfer of knowledge desired. The board of directors wish and hope that the new knowledge and working methodology will be improved on an ongoing basis.

3.- Technology: The technological transformation was focused on:

- Changing computers used (laptops)
- Purchasing Microsoft 365 licenses.
- Purchasing bulleting design software.
- Purchasing emails under one domain @phbahia.com
- Using Don Web for bulk emailing purposes.
- Using Designrr™ for preparation of reports to the annual ordinary meeting.
- Assigning to all personnel email accounts with format name.lastname@phbahia.com
- Additionally, training on the use of QuickBook and on the use of Outlook was given to accounting.
- Additional training should be given during 2021 to master the use of: Excel, PowerPoint, Designrr™ and Word.



We feel very satisfied with the technological change achieved, and we hope that the community of owners has realized that today we have much more information, both as to quality and as to quantity is concerned. All of our accounting data are just a click away now.



OPERATIONS

Repair and maintenance works performed in 2020 have been sufficiently reported in the seven monthly bulletins distributed to the community of owners.

This time we would like to make reference to the most important ones to subsequently comment on the repair and maintenance works deferred until the cash flows will allow covering the relevant disbursements.

The most important works of the year were:

- Recovery of the lobby of Tower 100.
- Recovery of the semi-Olympic swimming pool.
- Full repair and replacement of the lighting circuit surrounding the parking area, artificial lagoon, swimming pools and perimeter fence opposite to the beach.
- Purchase of drinkable water pumps.
- Repair and starting-up of fire pump.



OPERATIONS

As reported in several bulletins, this residential compound requires various repairs that will require an important cash flow level. The board of directors instructed the administration and operations staff to do a full inventory of all those repairs. Two directors (one from each tower) were involved in this work. The administration has an Excel file containing the data obtained from this inventory. Such information includes:

- Description of the repair or type of work to be performed.
- Physical location of the residential compound.
- Estimated cost of works.
- For each item, specification as to whether it is an internal work, or a work that requires specialized labor.
- Weighting of work's significance.
- Work's complexity level.

In 2020, the operations management was affected by two important issues:

1. First of all, the pandemic. As all the community can remember, there was a suspension of economic activity for months, which hindered the execution of works because activities were limited to minimum indispensable tasks.
2. Secondly, and much more important for the future of this PH, underlying lack of liquidity over recent years. The community owns two apartments (owned by tower 200) that have not been sold. The price of these apartments, which had been already decreasing prior to the pandemic, has decreased even more due to the emergency situation nationwide. All the relevant information on this issue is available for you in the audited financial statements.



HUMAN TALENT

During the year ended December 31, 2020, no significant changes were recorded in the number of people working for this residential compound.

One person retired voluntarily and was immediately replaced with no impact on the service. All the personnel was provided with new uniforms and supplies last year.

Thanks to the voluntary cooperation of owners, we had a Christmas lunch in December with the participation of all the daytime duty employees. Our collaborators also received non-transferrable coupons to be used in a local supermarket.

We have recruited an English speaking person in accounting, so now there are two bilingual employees; James Holness and Jose Lasso

Finally, funds raised in December also allowed for providing economic aid to two employees.

To all cooperating owners

THANKS A LOT!.....



ACKNOWLEDGEMENT

We express our gratitude to all the owners who trusted in us and in our abilities. Fate put us in these positions; our period basically started when the national emergency began.

Since March 2020, we have not witnessed other situation but the one that we all have had to go through. We also hope that you will be able to forgive us if for any reason we went beyond our functions, particularly by the beginning of the national emergency as we had to learn to manage a completely atypical event.

Finally, particular mention is worth making of some owners from whom we have received different types of help this year.

Special thanks to:

Roland and Elizabeth Shirkey
Gary Trotter and Tom Petersen
Yotam and Sara Goldschlager
Álvaro and María Lourdes Piñeiro
Carlos Pinzón

Rudi and Elise Van Enoo
Sean Renwick
Steven Mark Hensel and Patrick Jennings
Edward and Leslie Anne Shacka
Lambert and Eira Koupal

Our gratitude to our colleagues on the Torre 200 board of directors for the trust they have placed and for the work done together.

Cristine Gerbaud

Ana Mercedes Briones

Roberto Heilbrom





CONCLUSION

Nueva Gorgona April 1, 2021

Dear Owners,

Thanks to goals achieved in 2020, the financial position of the Asamblea de Propietarios de la PH Bahía Playa Serena is stronger since the beginning of the pandemic.

We are proud of our employees' resilience and of the progress we have achieved in the internal process for the transformation of our PH.

Thank you all for your ongoing support,

Yours Truly,

Carlos Niño

Ariel Solano

Presidents and Treasurer of the Boards of Directors