

Prime Blue 3

ANNUAL REPORT 2017

Prime Blue 3 is a holiday resort in Mavişehir (the blue city) established in 2013. Mavişehir, Didim, is highly valued for its proximity to the Aegean Sea and the beautiful sunsets. Prime Blue 3 is a complex with 56 apartments, situated 300 meters from the beach.

Prime Blue 3, Aydın

Prime Blue 3

Mersindere mh
Arguan Caddesi, Sokak 3625
09270 Didim

Facebook: Prime Blue 3
PrimeBlue3Board@gmail.com

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All owners
of Prime
Blue 3 want
the
complex to
have a
friendly
family-like
atmosphere
as well as
luxury
feeling in
our
common
areas and
keeping an
elegant
facade

To the co-ownership

Strategic development

In the beginning of the year 2017 the largest challenge was our finances due to lack of payment from many owners. At the same time we were forced to changing the electrical suppliers, that was a very costly operation.

Because of the critical financial situation in 2016, the maintenance fee was raised from 2.000 ₺ in 2016 to 2.500 ₺ for 2017.

In order to obtain maintenance fee from all owners the Board decided to increase the communication with all owners through frequent newsletter in English, Turkish and Norwegian.

Further the Board decided to take the risk that all our owners would pay their outstanding maintenance fee from 2016 as well as their maintenance fee for 2017, and put that as an expected income into the budget for 2017.

With this calculated risk the Board decided to cover the costs of changing the electrical suppliers within the budget, instead of asking owners for funds specifically for changing the meters.

The former Board had made a contract with Vision, and that made our costs changing the meters lower as Vision took on the work concerning all formalities and official paperwork that was needed done.

The pool was in a bad state, as there had been no funds to make necessary repairs. The former Board emphasized the importance of repairing and maintaining the pool strongly when the new Board was given authority in the AGM in October 2016. The Board has followed that advice and gave priority to repairing the outdoor pool.

The Board also decided to look into how the safety of PB3 could be improved, as the camera surveillance had not been working and routines were lacking.

Priorities 2017

1. Increased communications with the owners
2. Dialogue with the builder – represented by Prestige
3. Changing the electrical suppliers
4. Improving the pool, and the pool area

5. Improving the garden areas
6. Looking into security issues

Financial headlights

Income

Maintenance fee was set to 2.500 ₺ per year, counting from 01st of January to 31st of December.

On the 31st of December 2016, as we were about to enter the financial year of 2017, PB3 had 32.243 ₺ outstanding maintenance fee. The situation was critical as we entered the financial year 2017, as we had a lot of major tasks ahead of us before the summer season 2017 would set in.

The situation was as follows:

Status per 31st of December 2016	
Owners that owes the co-ownership of PB3 between 500 -1000 ₺	2
Owners that owes the co-ownership of PB3 1000 ₺	1
Owners that owes the co-ownership of PB3 between 1000 - 2000 ₺	3
Owners that owes the co-ownership of PB3 2000 ₺	7
Owners that owes the co-ownership of PB3 more than 2000 ₺	3

The Board decided to be speak clearly about the situation, and also make it clear that if anybody had difficulties paying their maintenance fee we would allow partial payment, or help owners to sell their apartments if they could not afford to have an apartment in PB3 for what it actually costs. The danger of not being able to maintain the property was imminent. In that case all our owners were risking heavy decrease in property value.

As the year went by, we also sent out reminders about paying the maintenance fee, as well as this was a topic in many of our newsletter because of the critical situation.

By the end of May, we had received some of the outstanding payments, as well as much of the payment for 2017. But we had still 15.000 ₺ to collect for 2017, and 11.000 ₺ to collect for 2015 and 2016.

The Board asked Vision for assistance, and they followed up the dialouge with many of the non-payers on behalf of the Board.

By the end of the year we had received maintenance fee for 2015, 2016 and 2017 from all owners but 2 companies that are owners of apartments in PB3. In order to manage our obligations to pay our staff their salary in the beginning of 2018, the Board of directors paid their maintenance fee for 2018 in December 2017.

Expenditure

PB 3 spent 85.547 ₺ in 2017 for payroll, accountant, solicitor and management of the Complex. The first half of 2017 our staff were employed through Vision, but in order to save money the Board took on the employers liability from July 2017.

PB3 spent 24.999 ₺ on electric issues in 2017, including changing the electrical suppliers and electricity for the communal areas.

Changing the camera surveillance costed us 14.000 ₺ as all the cameras and cables were damaged and the recorder and monitor were not usable.

We spent 10.200 ₺ for water to communal areas as the water bill from 2016 had not been paid as part of a discussion between Prestige and the Board.

Chemicals for the pool costed us 7.057 ₺, and general repairs 9.360 ₺.

Insurances for buildings and employers (from July-Dec) gave an expense of 9.164 ₺ in 2017.

We bought new sunbeds and mattresses and repaired the umbrellas for 7.257 ₺.

3.449 ₺ was spent to improve the garden areas.

Management highlights

In the beginning of 2017, the selected management company, Vision, made some changes in the staff working for PB3. From new years on, Salih Bük started in PB3 as our caretaker in 100 % position as a caretaker and gardener, and Ahmet Usta in 100 % position as a night guard and cleaner.

The Board had communicated that we were not pleased with the way things in PB3 had been followed up on a daily basis, and from the 1st of February Vision employed a highly competent person to take care of all complexes Vision had a contract with, and we got an improved situation with Samantha Brown Gordeumel as our contact in Vision.

Increased communications with the owners

In order to get all owners on board, and developing a common understanding for the co-ownership, the Board decided to increase the communication. The largest amounts of our owners come from Norway, next we have owners with a family background from Turkey and then other nationalities as British, Swedish and Danish.

The dialogue was mainly done through:

- Regularly newsletters in English, Turkish and Norwegian
- Encouraging owners to send ideas and suggestions on e-mail to the Board
- Encouraging owners to become members of Facebook-group Prime Blue 3
- Held meeting with owners in April and July
- Checking out interest for common barbeque or common work-groups

Dialogue with the builder – represented by Prestige

As many of our owners had been displeased with Prime when it comes to the reality of PB3 versus the prospect that was presented to us at the time of buying apartments, the Board decided to continue the dialogue that the former Board had started. The dialogue with Prestige who owns Prime that built Prime Blue 3, was in 2017 focused on:

- The mess and dirt in the basements of House A
- Not sufficient drainage of the buildings, that again causes humidity
- Electricity that was left on the old system of owners cards
- The common well water, use and payment

Prestige looked into the matter of drainage, but found unfortunately a non-efficient solution that costed us money and our caretaker hard work to remove.

As for the electrical cards Prestige believed that they over years had been cheated for income as the electrical cables had been illegally fixed and electricity stolen from them. When we had a fire in one of our fuseboxes, it seemed to document Prestiges claims, and we let the owners themselves continue the dialogue with Prestige about the private electric cards.

We made an agreement for paying the well-water, and Prestige for paying the maintenance fee and the agreement was carried out accordingly.

Changing the electrical suppliers

We learned that dealing with public offices and matters need much attention, and in the period with changes in the electrical supplysystem we could not have managed without Vision who take care of the matter on daily basis through out the spring. But, we managed to make the changes with minor difficulties and trouble for our owners.

We had a fire beginning in one of the fuseboxes, and when electricians were called we discovered a dangerous mess in the fuseboxes.

The Board initiated the following when it comes to electrical issues:

- Frequent information to owners when development in the case
- Made an agreement with Prestige about payment as they took the expenses upfront
- Vision had a tight contact with the electrical company AYDEM during the process
- Took photos of all the old meters
- Kept all the old meters
- Guidance when it came to changing private meters
- Made most of the paperwork upfront to save time in offices for owners
- Changed fuseboxes and all the cabling to, and also locked the fuseboxes

Improving the garden areas

Before the spring set in, we decided to grown lawn where that would be possible, and to plant more in order to keep the soil from running into the pool- and pump system when heavy rain. Secondly we wanted the grounds to look more exclusive. The following was done:

- Filling up soil and sowing grass
- Bought a lawnmower and a cutter
- Built a pergola and moved the grapes that was destroying the facade
- Laid stone underneath the pergola
- Bought more long-lasting plants
- Gave our caretaker education and guidance in gardening

Improving the pool, and the pool area

Prime Blue 3 is a smaller complex than the other complexes, and intended to be a bit more exclusive. The Board wanted that our owners should get more of that feeling, and in addition to the improvements of the garden, we gave priority to the pool area.

The improvements of the pool area consisted of:

- Changed the outdoor shower and improved the shower area
- Drained around the pool
- Bought 30 new thick mattresses for the sunbeds
- Repaired the umbrellas
- Bought a used and repaired pump for the pool
- Drained the pump-room and montaged the pump higher
- Changed lightbulbs in the outdoor pool
- Bought new improved the grails around the pool
- Sealed the tiles where needed
- Repaired damaged pool banisters
- Acquired a music system
- Gave our caretaker education in handling the pool

Looking into security issues

Some owners had adressed their worry for the security of their apartments as the security surveillance system did not work. The Board followed that up. Addressing the whole safety issue at the complex of Prime Blue 3. The most important safety for us are the presence of our employees. But, also the following improvements were done:

- Changed the camera surveillance, bought new recorder and monitor
- Helped the ones that had asked for extra locks on their balconies
- Changed locks on all gates and bought keys for our owners
- Locked away extra keys for the apartments
- Bought a flexible pump and pumped upp all dirty water from the indoor pool
- Cleaned up the indoor pool and basements of House A that had been influenced by the enorous rainstorms in 2016
- Handled the humidity issue in the basements of House A
- Secured aeration in both basements
- Built a storage depo for renting in the basement of House A
- Repaired the caretaker apartment after severe damages
- Bought and montaged fire extinguisher in all entrances
- Bought, and montaged lifebuoy at the pool
- Recquired first aid kit, montaged outside the caretaker apartment

The Board made in 2017, together with Vision, a plan for daily maintenance and gardening. We also bought tools and equipments for the caretaker to ease the work that was needed done.

Our caretaker threw away rubbish, cleaned and painted the walls and ceiling in the basements of House A.

Finally, after special requests from our Turkish owners we installed a common Turkish TV-system in House A.

Evaluating the use of a management company

The Board did receive some inquiries about whether to use a management company or not. We had experienced during 2017 the effect of having such a company onboard, but the owners main concern was the expenses associated with the use of a management company like Vision. With that background, the Board looked into PB3 accounting with and without a management company and made the following comparision:

The historical figures from the periode without a management company looked like this:

No agreement with management company (based on expences for 2015/2016)	
Expences we had before agreement with Vision (NB - not index regulated to 2017-level of turkish lira):	
Expences for lawyer	14 400
Follow up sick of leave and vacations	
Following through tasks to be done	
Meeting with different companues (the municipality/notariusPrestige etc)	
Aqcuring quotes from buliders etc	
Collection of outstanding maintenance fee	
Translation of necessary papers	1 500
Accounting - continues following up	4 500
Responsibilities as an employer (education, insurance, safety etc)	1 000
Arranging th AGM	4 500
Saliries to the employees	38 400
Payroll	3 722
Insurance employees(SGK)	14 900
KDV for buying services from lawyer etc(15,2%) Total (MVA)	12 604
Total expenditure per year	95 526

The historical figures with a management company (Vision) looked like this:

Agreement with Vision (based on the expences for 2016/2017)	
Expences after having agreement with Vision (2017 turkish lira level):	
VISION (according to our agreement so far)	28 000
Expences for lawyer	
Follow up sick of leave and vacations	
Following through tasks to be done	
Meeting with different companues (the municipality/notariusPrestige etc)	
Aqcuring quotes from buliders etc	
Collection of outstanding maintenance fee	
Translation of necessary papers	
Accounting - continues following up	
Responsibilities as an employer (education, insurance, safety etc)	
Arranging th AGM	
Saliries to the employees	38 400
Payroll	3 722
Insurance employees(SGK)	14 900
KDV(15,2%) Total includes Vision (VAT 15,2 %) for buying services	12 898
Total expenditure per year	97 920

This comparison was shown and discussed at the AGM that was held on the 4th of October in 2017. As the minutes confirm, the majority wanted to continue spending money on a management company like Vision, and were very pleased with all the work that had been done.

The AGM was held the 4th of October 2017. The accountant keeps the formal protocol from the meeting. All papers handed out in the meeting had been sent owners on email after the meeting.

The following Board members were elected for 2018:

- Eva Milde (A1-4), as Chairman of the Board
- Mehmet Toraman (B2-9), as Board member
- Said el-Dabbas (B3-2), as Board member

As controllers the following owners were elected for 2018:

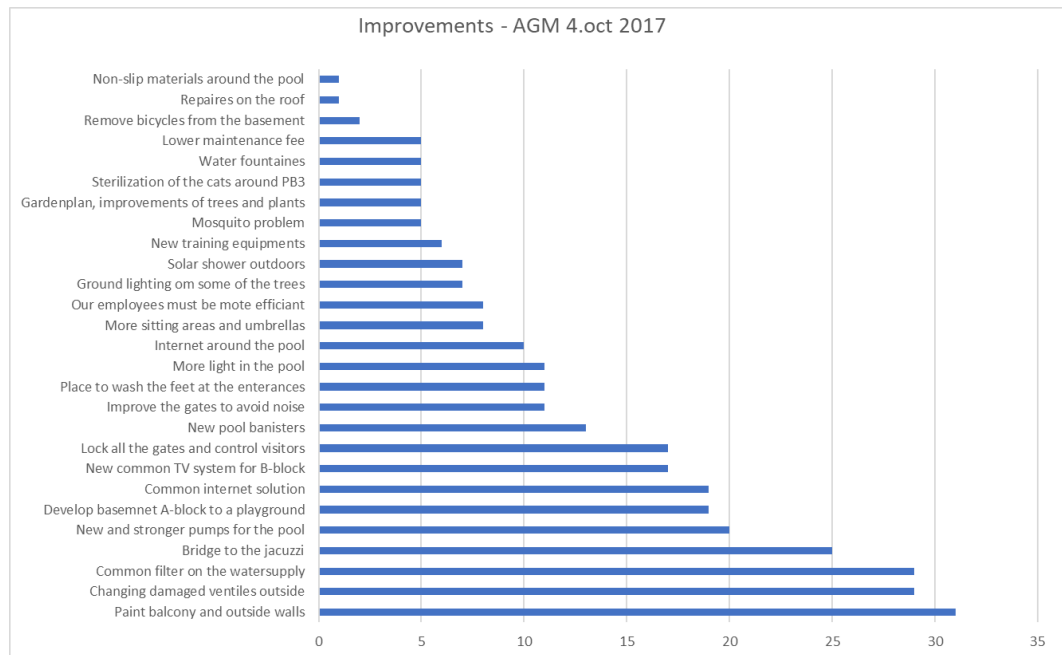
- Ragnhild Christoffersen (B3-5)
- Mehmet HilmliCanpolat (A1-2)

The AGM decided the following for 2018:

- Increase Maintenance fee to 2750 TL

At AGM the Board also asked the owners which improvements that was of importance to them.

The result was as follows:



The priority was set on maintaining the outside areas, and make an effort to do something with the sandy water in our taps. Further improvements for the pool, a stronger pump, bridge over to the Jacuzzi, repairing the banisters, developing the basement underneath A1 as a playground, common internet solution if possible, more control over who's got access to our grounds, and new TV-system also for House B.

Not all of this is possible to make during the first coming year, and we need to built up funds in order to implement the larger maintenance tasks.

A perspective on the future

The Board of directors in Prime Blue 3 is first and foremost pleased that we took the risk when it came to obtaining enogh funds to carry out all the improvements. It could not have been accomplished without all our owners following their obligations.

For the future it might be some worries about the financial situation. It seemsthat some owners think they can withhold the maintenance fee if they are not pleased, or until they get what they want, or ask for. For a co-ownership this is not possible. How to make improvements without funds? We need to have the finences paid upfront, and that is why the limit for paying the maintenance fee is set to the 1st of April each year.

We see that the following is necessary for the years to come:

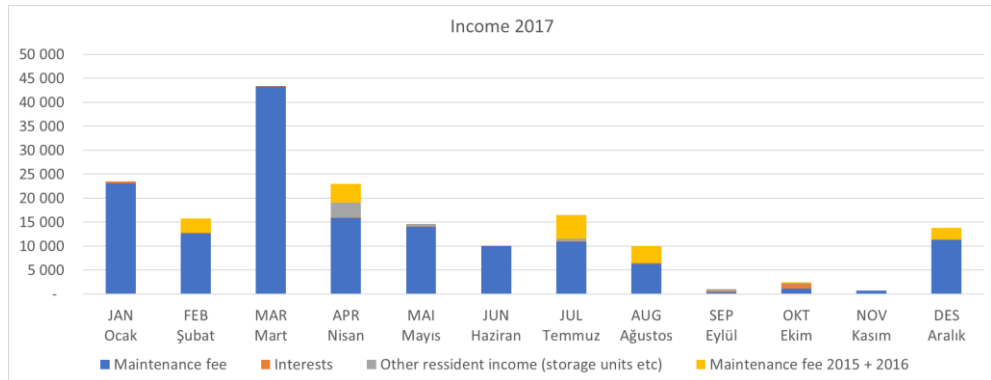
- Collecting maintenance from all the owners
- Take legal actions towards nonpayers
- Continue to employ Salih and Ahmet directly, avoiding VAT on purchasing services
- Spend money on the buildings and the common areas to secure our values
- Make our staff do most of the needed improvements instead of buying services
- Using a management company which secure that we follow the law and rules, and who are skilled at getting quotes, negotiate price and securing the quality of work done

Eva Milde
Chairman of Board of Directors
Prime Blue 3
15. januar 2018

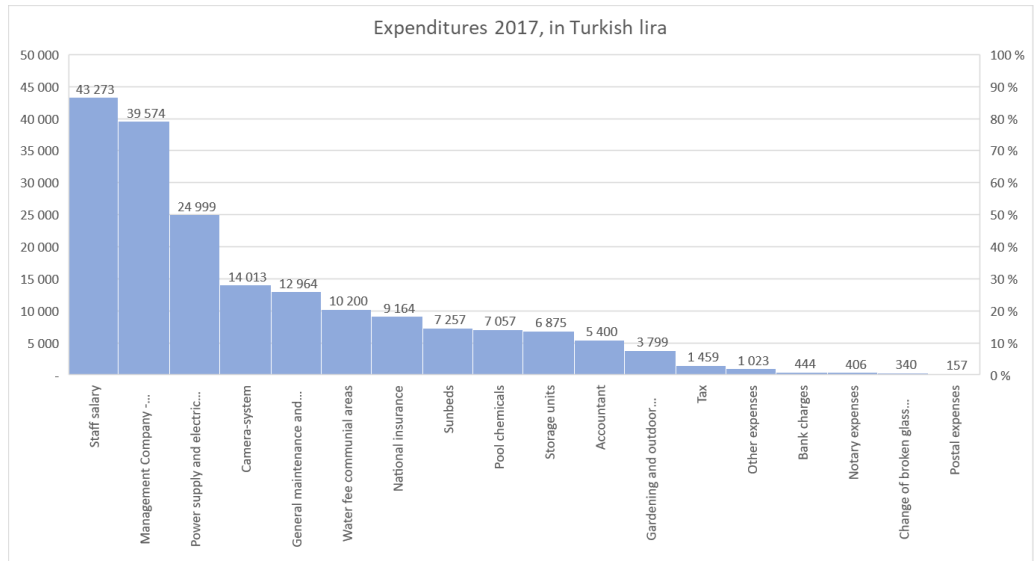
Financial summary

Prime Blue 3 managed to get most of their funding paid in 2017, which made it possible to make a lot of improvements as we received in 2017 maintenance fee from earlier years to spend, as well as 2017.

This graphs below shows how the income and the expenditure of PB3 was during the year.



PB3 was in danger of not being able to pay salary to employees or obligations to the management company and the accountant if not three owners (members of the Board) had paid the maintenance fee for 2018 in December 2017. This shows how vulnerable the financial situation for Prime Blue 3 is. With a small amount of owners PB3 become very dependant on each and everyone to pay their maintenance fee as long as the level of maintenance fee is kept on this low level.



It costs a lot to run a holiday sites like Prime Blue 3 at the level of quality the owners of PB3 expects. Still it does not require a large amount of yearly fees from each owner. With a strict control over all expenses the site has been well kept each year, and in 2017 extra efforts and spending have been made to make the site a beautiful site.

Income statement Prime Blue 3	
Income	2017
Maintenance fee	149 644
Interests	2 507
Other resident income (storage units etc)	4 700
Maintenance fee 2015 + 2016	18 166
Net Income	175 016
Debt collection	-
Gross profit	175 016 €
Expences	2017
MANAGEMENT COMPANY incl staff salary	66 274
STAFF SALARY - from July	19 273
TAX	1 459
ACCOUNTANT FEE	2 700
GLASS EXPENCES	340
POSTL EXPENSES	157
INFORMATION MATERIAL	2 030
NATIONAL INSURANCE	9 164
NOTARY EXPENSES	406
BANK CHARGES	444
ELECTRIC EXPENSES	6 235
POWER SUPPLY	15 140
ELECTRIC MATERIALS	3 623
WATER FEE Communal areas	10 200
CAMERA-SYSTEM	14 013
DAILY MAINTENANCE	429
POOL CHEMICALS	7 057
GARDENEN EXPENSES	3 449
GENERAL MAINTENANCE AND REPAIRS	9 360
CLEANING PRODUCTS	200
SUN BEDS	7 257
BASEMENT BLOCK A	944
STORAGE UNITS TO RENT OUT	6 875
OTHER EXPENSES	1 023
MARBLEWORKS	350
Total expenditure	188 403 €
Revenues	-13 387
Financial expenses	0
Income before tax	-13 387
Tax	0
Net income	-13 387 €

It might be questioned if the co-ownership of Prime Blue 3 has a realistic understanding of the costs it takes to run a holiday resort like Prime Blue 3. Work labour is cheap compared to Europe, but it is not free. And goods are getting more expensive as the inflation in Turkey increases.

It is highly recommended to build up funds for necessary larger repairs or maintenance in the future.

Accounting

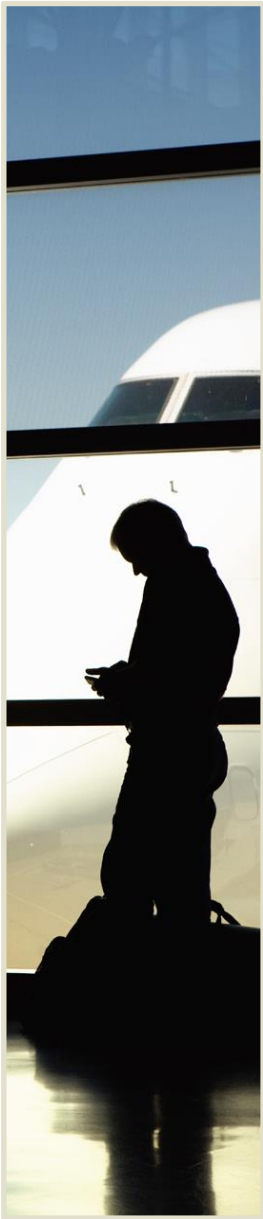
Through out 2017 Prime Blues accountant have been Oguz Kepenekci.

Balance sheet

- Prime Blue 3 has no dept
- The accounting was balanced as required
- Prime Blue 3 had at the end of the year no equity

Income statement

- Income for the year 2017 was 175.016 ₺
- Expenses for the year 2017 was 188.403 ₺
- The result for 2017 a deficit of -13.387 ₺



Most of our owners travel to Didim from abroad as Prime Blue 3 is a holiday resort with co-owners from several different countries using Prime Blue 3 as a second home

The auditors comments

Lars Johan Clemedson and Ragnhild Christophersen were inspectors for 2017

1.1 Inspectors opinion

The inspectors for the year 2017 had no comments except for appreciating the major effort being done from the Board of directors and the management company Vision.

1.2 Moments that should be taken into account

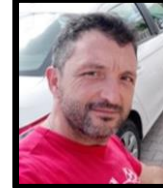
The inspectors commented on the need to rise the management fee for 2018, as there are several maintenance tasks ahead.

Our co-workers

Throughout 2017 Prime Blue 3 has been relying on the efforts from the following persons:



Samantha Gorduemel
Operations Manager, Vision
Tlf.+90 530 175 1000
E-mail:
samantha.visioncomplex@gmail.com



Salih Bük
Caretaker and
gardener
Tlf.
+90 5056354837



Ahmet Usta
Nightguard
Tlf.
+ 90 532 251 05 31

Information about our complex

Prime Blue 3

Mersindere mh
Arguan Caddesi, Sokak 3625
09270 Didim

Website: www.primeblue3.com

Facebook: Prime Blue 3

