

**ALTO CLUB ASSOCIATES
MINUTES OF THE 29th ANNUAL GENERAL MEETING
HELD AT THE THREE SWANS HOTEL, MARKET HARBOROUGH
MONDAY 12th OCTOBER 2020**

1 APOLOGIES

The Chairman had received apologies from a number of members but as, due to Government restrictions, no members had been able to attend the meeting, the Chairman did not intend to read these out.

2 CHAIRMAN'S WELCOME

Stephen Smith, Chairman of the Alto Club Associates ("ACA") Committee opened the meeting and explained that due to the exceptional circumstances of the COVID-19 outbreak, no members had been able to attend the AGM.

The Chairman reported that Monica Rosa ("MR"), the Club's on-site manager, was also unable to attend the meeting and had sent her apologies.

3 CHAIRMAN'S REPORT

The Chairman opened his report by thanking members for their continued support over the past 16 months since the last AGM in June 2019. Although the Club has been unable to hold a face to face AGM in 2020, the Committee appreciated members' feedback and the expression of thanks for the work the Club has done to support members, particularly in the last 9 months when the pandemic has dominated peoples' lives.

The Club completed the first phase of the bedroom refurbishment programme on budget and ahead of time, which enabled the Resort to open up the new rooms to members in January and February 2020. The second phase of the refurbishment to complete the remaining bedrooms will take place over the coming winter. The contracts for this work were placed long before the pandemic was a concern and there is very little to be gained by cancelling or postponing this work.

Throughout the period the Club had been taking action to reduce costs as a result of COVID-19. However, the Committee were constantly looking at ways to reduce costs and some progress had been made on this front prior to the outbreak of the pandemic. Specifically, the Committee had negotiated a new fee structure with the Club's Trustees which has resulted in the Club saving circa £3,500 pa. The new fee structure gives us a better cost and also the rises are linked to RPI over a fixed term.

The implementation of the TV and internet upgrade programme had now concluded with the addition of the Internet Protocol (IP) telephone system now working over the same infrastructure. This had resulted in savings on landlines and calls for the Club which again reduces the annual costs whilst improving services. In addition to these major items there have been numerous improvements and replacement of older kitchen white goods, air conditioning and the main fuse board in every apartment.

Prior to the pandemic the demand for rentals and exchanges was higher than forecast and up until the Club was forced to close temporarily the Resort was very busy. Monica and the onsite team did a great job helping both members and guests.

The feedback the Club received from guest questionnaires had remained excellent both prior to the temporary closure and since the Resort had re-opened. The Chairman was pleased to report that yet again the Club has achieved its RCI Gold Crown award. Since the Club re-opened on 4th July had been reduced compared to a “normal” year but had been much higher than either the Committee, Resort Solutions or the on-site team had expected. Pleasingly, despite the pandemic, the Club had continued to experience higher than expected demand for rental weeks and a number sales of both member-owned and Club-owned weeks. The Chairman appreciated that this may be of limited interest to those who had lost their time at Alto this year (including himself) but it did show there was a healthy demand for the Club’s apartments which boded well for the future once the current situation had passed. The Chairman was sure that all members looked forward to the time when they could enjoy Alto and all its surroundings once again.

A number of questions had been submitted by members in advance of the AGM. These questions and the answers had been included at Appendix I to the AGM minutes and therefore the Chairman did not intend to repeat that information in the main body of his report.

In line with the practice of the previous year, the minutes of the AGM would be distributed by email to those members for whom the Club held an email address and would only be posted to those members who had either not provided an email or had opted out of email communication. In line with this, the Committee would not be producing a printed Newsletter in 2020 but would be posting an electronic version on the Alto Resort page of the Resort Solutions’ website (www.resort-solutions.co.uk).

4 RE-ELECTION OF COMMITTEE MEMBER

Stephen Smith retired by rotation at the Annual General Meeting and offered himself for re-election.

5 TO RECEIVE THE AUDITED ACCOUNTS OF THE CLUB FOR THE YEAR ENDED 31st DECEMBER 2019

BR stated that the accounts of Alto Club Associates were included in the AGM pack which had been sent to members in advance of the meeting. The ACA accounts comprised the balance sheet of ACA, together with extracts from the accounts of Alto Management (U.K.) Limited (“the Company”), the entity through which all activities take place. The accounts of the Company were subject to audit by Berry Accountants and their unqualified audit opinion was set out on pages 6 and 7 of the accounts.

BR pointed out that the balance sheet of ACA was set out on page 4 of the accounts. The balance sheet comprised solely of the amount receivable from Alto Management (U.K.) Limited which represented the accumulated surplus of the Company.

BR pointed out that the surplus achieved by the Company for the year £105,335 (2018 - £69,985) had been added to ACA's Reserve Fund and that a transfer from the Reserve Fund to the Refurbishment Reserve of £105,815 had been made during the year.

Expenditure on refurbishment incurred in 2019 had amounted to £245,815 (2018 - £nil) and had included £55,604 on the balance of the building work and painting undertaken over the winter of 2018/2019. A further £35,368 had been spent on the improvements made to the TV and Internet infrastructure in the early part of 2019. A sum of just under £9,000 remained outstanding on this project, pending the successful installation of the new telephone system which had now been completed.

The fire in 41b and the subsequent works to deep clean, redecorate and refurbish, including the money spent on the bedrooms, which served as a proof of concept for the bedroom refurbishment project, had been paid out of the refurbishment fund at a cost of £13,731 (net of insurance recovery).

Works to upgrade and replace the main electrical boards in all of the Club's apartments had amounted to £10,405 and the deposit on the bedroom refurbishment project for 2019/20, including the bedroom floor tiles and the exterior painting planned for the winter was a further £130,706.

After the refurbishment expenditure, the net assets of the Club as at 31 December 2019 were represented by a balance of £98 on the Reserve Fund and £131,998 on the Refurbishment Reserve.

The Detailed Income and Expenditure Account of the Company was set out on page 8, whilst this did not form part of the Company's statutory accounts, it was provided to members as it gave far more detail than the statutory format. In broad terms, 2019 had been a very positive year for the Club with an increase in the net surplus from £69,985 in 2018 to £105,335 in 2019. This had been achieved on the back of stable revenues and a reduction in costs.

BR pointed out that Sales for the year were broadly in line with the prior year at £697,827. Maintenance fee income, which represented the vast majority of sales, was up some £2,866 or 0.5% at £619,473 (2017 £616,607).

2019 had seen the strong performance in terms of rental income of recent years continue with revenue from this source up from £67,587 in 2018 to £68,973 in 2019, an increase of 2%. To put this level of rental income in context, BR pointed out that as recently as 2014, the annual income from rentals had been as low as £11,952. Of the total rental income recognised in 2019, £16,500 was as a result of the bulk rental deal agreed with CLC (2018 - £14,745).

Income from sales of weeks had been broadly in line with 2018. An identical number of weeks had been sold but a change in sales mix meant that sales commissions had decreased by £450 (7.25%) from £6,200 in 2018 to £5,750 in 2019.

Moving on to Cost of Sales (which are largely non-UK expenses), BR stated that the first point he normally made when looking at costs incurred in euros was the movement in exchange rates between the two periods. However, in the case of 2019 and 2018, the foreign exchange rate used was broadly comparable across the two

periods: it being 1.13 to the pound in 2018 and 1.12 to the pound in 2019. The net impact of the change in the exchange rate over the two periods was to increase euro denominated costs by circa 0.9% in sterling terms.

Overall site costs in 2019 had decreased compared to 2018 by some £26,000 or 5.1% with significant savings in repairs and renewals, management services and office costs, and salaries.

Community fees and costs had increased by over £7,000 to £208,185. In addition to Community fees paid to FOAS, other items in this caption include the cost of the beach facility at O'Luis, water, electricity costs, insurance and property taxes. The community fees paid to FOAS were some £1,096 higher in 2019 due to a 1.7% increase in the underlying charges, which was partially off-set by a decrease in the amount paid for the beach facility due to the beach being closed for construction work for part of the season.

Water costs were in line with those recorded in 2018 at £15,104. Net electricity costs (after recharges) were up by £2,492 to £6,358, having decreased by £2,800 between 2017 and 2018.

Insurance costs were up by £2,300 compared with the prior year at £18,687 as an additional insurance policy was taken out to cover the cost of investigating the source of leaks and restoring the fabric of the buildings thereafter. This followed a series of three leaks which were discovered over the winter of 2018/2019.

Property taxes were some £947 higher than in 2018 at £40,400.

Expenditure on repairs and renewals had decreased by circa £11,500 to £86,037. In the prior year, there had been a significant increase in the level of expenditure on repairs and renewals; an increase of nearly £71,000. A major component of that increase had been the need to lift the tiles, re-waterproof and re-tile all the apartment balconies in Blocks A, B and C as well as some other minor building works in other blocks. This work had been carried out over the winter of 2018/2019 and just over €44,000 of the total costs had been included in the 2018 accounts. In addition, in 2018, nearly €15,000 had been spent on replacement air conditioning units and just under €16,000 on the painting of Block C. In 2019 the major items of expenditure were the replacement of the Airwell air conditioning units at a total cost of just under £43,000 and the materials required for the replacement of the wardrobes as part of the bedroom refurbishment project at a cost of £13,200.

In terms of the air conditioning replacement, circa £22,000 of the cost was incurred in the 10 months prior to the last Committee meeting on the ad hoc replacement of units as they failed. Following the Committee decision to replace all remaining Airwell units over the winter of 2019/2020, a further £20,500 was spent on actively replacing units prior to the end of 2019, with the remaining units replaced in the first few months of 2020 at a cost of just over €15,000.

Other major items of repair and renewals included €2,187 on new safes for the refurbished wardrobes, nearly €4,500 on new kitchen white goods and just under €3,000 on replacement balcony doors.

Management services and office costs had decreased by £13,778 to £35,474. The principal reason for this decrease was the fact that the costs in 2018 had included €12,500 for the cost of the long-overdue replacement of the old Clubshare maintenance van. Office costs had also decreased by just under £3,000 due to a combination of office refurbishment and equipment costs in 2018, which had not been repeated in 2019.

Wages and salaries had decreased from £62,692 in 2018 to £55,975 in 2019. One off costs of just under £11,900 were incurred in 2018. In 2019, this saving was off set to a certain extent by an increase in salary for MR, for taking on the additional responsibilities of Resort Manager and modest salary increases for other staff members.

Both Maid costs and Laundry and cleaning costs were broadly comparable with 2018 and had shown that the costs savings achieved in these areas by MR during 2018 had been sustained.

Moving on to administrative expenses which were largely incurred in the UK, BR pointed out that these costs had been well controlled and were all largely in line with or below the amounts incurred in the previous year. Overall administrative expenses were down by £6,166 or 5.4% compared to 2018.

Committee expenses appeared to have increased significantly in 2019, up by some £930 or 65%. This was due to two Committee members who had not submitted any significant expenses in 2018, submitting expense claims in 2019 which covered elements of both periods.

Trustee fees were some £3,000 lower in 2019 than in 2018 because the 2018 fees included additional charges for Powers of Attorney which were not required in 2019 and due to lower charges in respect of registering changes of ownership.

Bad debt costs had maintained the positive trend of recent years and decreased from £3,717 in 2018 to £2,582 in 2019. The level of bad debt expense in both 2018 and 2019 was well below the historical average and reflected an excellent collection rate of circa 99% in each of the two years under review.

The Company maintained its policy of fully providing against all potential bad debts.

After interest income and tax, the company recorded a net surplus for the year of £105,335, an increase of just over £35,000 or 50% on the prior year.

Moving on to the Balance sheet on page 9 of the accounts, BR pointed out that Debtors were explained in greater detail in note 4 to the accounts. BR pointed out that all maintenance fee debtors had been provided for and accordingly the balance sheet was prudently struck. Other debtors represented recoverable UK VAT.

BR pointed out that Cash at bank and in hand had decreased by approximately £170,000 to £561,623, due to the amounts spent on refurbishment during the year of £245,815 which were partially offset by the cash surplus generated for the year.

BR pointed out that Creditors were explained in greater detail in note 5 to the accounts. BR explained that fees received in advance from owners relating to

annual maintenance fees had decreased by nearly £40,000 to £404,196 and was shown as Trade Creditors. Advance payments of 2020 fees received before the year end were some £38,000 lower than advance payments of 2019 fees in the prior year. At least part of the reason for this was the popularity of the new fee free direct debit option.

BR pointed out that in accordance with previous years, the accumulated surpluses of the Company were shown as being payable to Alto Club Associates by virtue of the fact that the Company is a not for profit enterprise run for the benefit of the owners of Alto Club Associates. The amount due to Alto Club Associates had been increased by the surplus for the year of £105,335 but had been reduced by the amount spend on refurbishment, resulting in a year-end balance of £132,096, as explained in note 8 to the accounts.

Accruals and deferred income had increased by just over £9,000 from £38,263 at the end of 2018 to £47,407 at the end of 2019. This was principally due to an increase of just under £12,000 in deferred income relating to rentals with occupancy after the year end.

The accounts included disclosure of the company's capital commitments in respect of the remaining work on the bedroom refurbishment programme; a total cost of £157,021.

6 Re-appointment of Berry Accountants as Auditors

BR explained that item 6 was the re-appointment of Berry Accountants as Auditors to the Club.

7 Results of Voting and further questions

The Chairman announced the results of the voting:

Agenda item	Resolutions	For	Against	Void
4	Re-election of Stephen Smith	214	0	0
6	Re-appointment of Berry Accountants as Auditors	214	0	0

The Chairman announced that he had been duly re-elected to the Committee and Berry Accountants had been re-appointed as the Club's auditors.

The formal business of the AGM being complete, the Chairman addressed the questions which had been received from members in advance of the meeting as set out in Appendix I to these minutes.

The Chairman thanked all those members who had sent messages of thanks and support to the Committee, the Club and the on-site staff. The general level of support amongst the members for the Committee and the Club, had been very welcome and indicated that Clubshare would emerge from the current crisis with a strong and secure future.