

**Monte Carvoeiro Timeshare Resort
Minutes of the 2021 Annual General Meeting
Held on Thursday 18th November 2021 at 12 noon
At The Three Swans Hotel, Market Harborough**

1. Introduction

Peter G Kennedy, Chairman of Monte Carvoeiro Timeshare Resort Committee, opened the 2021 Annual General Meeting and welcomed the owners who had travelled to attend the meeting. The Chairman introduced the top table as Committee members David Arthur, Roger Gardiner and Guy Mantel and from Resort Solutions, Brad Revell ("BR"). Committee member Catherine Blair was unable to attend the meeting and had sent her apologies.

2. Attendance and Apologies for absence

The Chairman reported that apologies for absence had been received from Phil and Lesley Gleaves, Susan J Lewis, Dan and Catherine Blair. The meeting was attended by 13 owners representing 17 weeks.

3. Chairman's report

The Chairman reported that unfortunately, Natalia Green ("NG"), the resort manager, had been unable to make the trip over for the AGM but she passed on her good wishes to the owners. NG had provided a report which BR would read out later in the meeting.

It has been a strange 20 months since everyone's daily lives had been thrown into turmoil as a result of the Covid-19 pandemic and the Resort had faced a number of challenges.

It was encouraging that owners were once again able to meet in person with fewer restrictions, albeit parts of the UK were moving at a slower rate.

As owners would be aware, travel restrictions introduced in March 2020 had meant a large number of owners had been unable to visit the resort during 2020 and indeed for a significant part of 2021. However, traveling had become relatively easier as the year had progressed and that had been reflected in increasing levels of occupancy at the Resort with occupancy at 80% as recently as the second week in November.

Those owners impacted by travel restrictions in 2020 and up to the end of our financial year of May 2021 (and had not been able to travel, exchange or rent their weeks) had already received a maintenance fee credit on their account, derived from the excellent cost savings made on the Resort during that period.

It is the intention of your Committee to use the same qualifying criteria, even though the cost savings have not been as great due to higher occupancy, for those owners who did not travel up to the end of September 2021. The Chairman hoped that these calculations would be finalised and the credits applied in the early part of 2022.

As mentioned in the Chairman's letter that accompanied the AGM notice papers, the Resort was in excellent condition, both decoratively and financially as can be seen by the accounts presented to the owners in the AGM papers.

The Committee was very grateful to the many owners who had paid their current maintenance fees on time and to those who took up the Direct Debit option going forward. The Resort had achieved a maintenance fee collection rate in excess of 99% which given that maintenance fees were the Resort's principal source of income, was invaluable to the Resort's future.

Those owners and guests who had visited the Resort this year had given very positive feedback in all aspects.

The Committee had started the process of looking at the first 14 apartments which had been initially refurbished with a view to updating the internal furnishings and refreshing the appearance of these apartments during the winter of 2022/23.

A further piece of good news was that the Resort has retained its RCI Gold Crown award once again and the Chairman put on record his grateful thanks to Natalia, Valdemar and the wider onsite staff for their hard work during very difficult times.

The Chairman also thanked his fellow Committee members for their continued support and the team at Resort Solutions under BR's leadership.

The Chairman asked if there were any questions on the contents of his report.

Mr Abbot asked who the Trustees were.

BR replied that the Resort Trustees were First National Trust Company ("FNTC") and that this had been the case since Resort Solutions became involved in the management of the Resort back in 2009. Prior to that date certain members of the Committee had acted as directors of the Portuguese property owning company, Porterreno.

The Chairman then passed over to BR for the financial report.

4. Financial report

BR referred to the accounts of Monte Carvoeiro Resort for the year ended 31 May 2021 which had been circulated to members as part of the AGM papers.

As in previous years the accounts comprised the balance sheet of Monte Carvoeiro Resort (on page 2) as the controlling party of Monte Carvoeiro UK Limited together with extracts from the accounts of Monte Carvoeiro UK Limited on pages 7 to 17) which is the UK company through which all activities take place.

BR was pleased to report that the Resort had generated a surplus for the year of £107,228, which was down on the surplus of £143,771 reported for the year ended 31 May 2020. The main factor behind the reduced surplus was the COVID-19 pandemic which reduced income by £51,841 compared to the prior year and required a provision of £168,996 (£41,518) to be made in respect of maintenance fee credits due to owners who had been affected by the associated travel restrictions.

The accounts for the year ended 31 May 2020 had translated euros into sterling at a rate of 1.15 to the pound; in 2021, the accounts had translated euros into sterling at a rate of 1.10 to the pound. The difference in exchange rates accounted for an increase of 4.5% in the sterling equivalent of euro denominated costs between the two years.

In terms of the Resort balance sheet on page 2, the only item in the top half of the balance sheet was the debtor of £292,507 due from Monte Carvoeiro UK Limited which represented the accumulated surpluses of that company.

The movements in the bottom half of the balance sheet were best examined by reference to notes 4 and 5 on page 5 of the accounts.

The surplus generated on operations of £107,228 had been added to the reserve fund and the Resort had made a transfer to the Refurbishment reserve of £107,500 (2020 - £59,000). The

movement in the refurbishment reserve was shown in note 4 and showed a reserve balance of £292,500 at 31st May 2021.

The Resort's accounts included a consolidated statement of cash flows on page 3 which reflected the combined cash flows of both the Resort and Monte Carvoeiro UK Limited. The cash flow statement showed net cash from operations of £218,172. After taking into account some minor amounts for interest received and corporation tax paid, the Resort and Company had experienced a net increase in cash of £218,190 for 2021 (2020 – a net increase of £61,963), leaving a year end cash balance of £566,214. BR pointed out that the year-end cash position was inflated due to the provision made for maintenance fee credits in the 2021 accounts. These amounts were sitting as maintenance fee credits in owners' accounts and were treated as maintenance fees received in advance in respect of the financial year ending 2022 in the financial statements (trade creditors in note 6 on p. 16). This explained the large increase in trade creditors from £97,146 in 2020 to £222,641 in 2021. These credits represented a timing difference which would unwind in the following financial year due to maintenance fee receipts being lower by an equivalent amount.

BR then moved on to the extracts from the accounts of Monte Carvoeiro UK Limited and the detailed income and expenditure account on page 10.

Turnover for the year had decreased by £51,841 to £671,544.

Maintenance fee income accounted for the largest element of revenue and this had decreased by just over £3,800 (or 0.6%) from £605,334 to £601,529.

Looking back to pre COVID-19 days, the Resort had generated rental income of £33,889 in the year ended 31st May 2019. Whilst the first 9 months of the year ended 31st May 2020 had started well, the impact of the COVID-19 outbreak on the last three months of that financial year had seen rentals fall to £25,626. The year ended 31st May 2021 had seen uncertainty concerning overseas travel affect all of the financial year, together with significant stretches of time when travel was actually forbidden. It was therefore not surprising that rental income had fallen to £8,776 for the year.

Income relating to the use of the Resort's inventory to back points in the RCI Next Generation Points Scheme had stayed relatively stable at £45,873 (2020 - £45,565).

Income from sales of timeshare weeks was down from £6,140 in 2020 to just £1,200 in 2021.

2020 had seen a one-off income in respect of €30,000 (just over £26,000) of surplus funds within Porterreno which were repatriated to Monte Carvoeiro UK Limited as a part repayment of amounts owed by Porterreno to Monte Carvoeiro UK Limited. As Monte Carvoeiro UK Limited had previously written down these amounts owed to zero, the part repayment was treated as income in 2020. This income was not repeated in 2021.

The cost of sales which represented the costs of operating the resort and had decreased by £40,614 compared to 2020, despite the provision for COVID-19 maintenance fee credits increasing by over £127,000 to just under £169,000.

Community costs, which include Condominio fees, water, electricity, telephone, insurance, local property taxes and pool costs (including lifeguards) were down by £38,857 compared to 2020. Within this caption savings were realised in the areas which were either linked directly to occupancy (e.g. water and electricity down by £6,650 and £15,650 respectively on the prior year) or in areas where management had been able to negotiate reduced costs due to a reduced level of service being required due to COVID-19 (e.g. pool costs and lifeguards, down by £7,500 and Comunidad fees, down by £5,500).

Due to the COVID-19 pandemic, efforts had been made to avoid unnecessary expenditure in 2021, which resulted in a decrease in repairs and renewals costs from £89,062 in 2020 to £28,292. In

2020, significant expenditure had been incurred (€28,243) on the installation of fibre optic cabling and new Wi-Fi hubs in all of the apartments and the replacement of the remaining original windows and terrace doors with new double-glazed units at a total cost of €51,452. Adjusting for these two items, the underlying level of repairs and replacement expenditure was broadly comparable year on year. In 2021, significant items of expenditure included £7,327 on air conditioning service and repairs, £3,720 on interior painting and £3,162 on trimming palm trees around the Resort.

Management services and office costs were down by £1,832 compared to the prior year, at £12,352, largely due to no expenditure being incurred in connection with staff travel plus a general overall level of office expenditure.

A provision of £168,996 (2020 - 41,518) had been made in the 2021 accounts to represent the net savings realised by the Resort as a result of the reduced occupancy at the Resort due to the COVID-19 travel restrictions. This amount, together with the amount provided for in the previous year, had been allocated across those owners who had not been able to travel to their weeks due to the COVID-19 travel restrictions in the period from the start of the pandemic until 31st May 2021. The amounts per week which had been allocated to owners had been communicated in a letter from the Chairman which had been sent to owners along with the 2021/2022 maintenance fees on 26th April 2021.

The provision had been calculated in the same manner as the prior year, by comparing the costs incurred in areas where savings had been made due to COVID-19 with the amounts that had been included in the budget for those areas. Accordingly, the provision should not have had a significant impact on the Resort's overall costs for 2021 since, in theory, it merely represented the accumulated cost savings made elsewhere. The fact that in total the gross profit percentage recorded for 2021 (31.86%) was very similar to that for the previous two years (2020 – 31.12%, 2019 - 32.37%) provided a level of assurance that the calculation of net cost savings had been carried out in a fair and reasonable manner.

Salaries were down by £13,487 or 14.8% compared to the prior year which reflected the reduction in the amounts paid for reception services during the year. In total reception costs were down £15,662 compared to 2020, a figure which was already some £6,000 lower than 2019 due to the closure of the Resort for the last two months of the year ended 31st May 2020. Partially offsetting this reduction was the fact that the sterling equivalent cost of the salaries paid to Natalia and Valdemar (the only two staff directly employed by the Resort) had increased by £2,175 due to the deterioration in the exchange rate between the two years. As previously noted, neither Natalia or Valdemar had qualified for the Portuguese equivalent of the furlough scheme.

The costs in respect of maids had decreased by £36,000 since 2020, due to reduced occupancy at the Resort due to the COVID-19 travel restrictions. This came on top of a reduction of £15,000 in maid costs between 2020 and 2019.

Laundry costs were down by nearly £17,000 or 66%, due to the significantly reduced Resort occupancy during the year.

Administrative expenses were up by just over £25,000 at £106,732 compared to the prior year. The detailed breakdown was provided on page 11 of the accounts and showed that, with the exception of bad debts and the profit on foreign exchange, most costs were broadly consistent with the prior year.

The level of bad debt expense increased by just over £5,000 to £8,312. Over the previous five years the level of bad debt expense had varied between the low point of £3,020 in the year ended 2020 and a high point of £8,357 in the year ended 2018. Set in this context, the level of bad debt expense was not out of line with previous experience albeit was towards the upper end of the range.

In 2020, the level of administrative expenses had been reduced by a large foreign currency gain of £26,915. In 2021, the level of gain (which represented translation gains on year end cash balances plus any areas when Resort Solutions had been able to secure foreign currency at a rate in excess of the budgeted rate), had been only £6,145, thus accounting for circa £20,800 of the apparent increase in administrative expenses.

Moving on to the Balance Sheet on page 12 of the accounts, BR pointed out that Debtors comprised recoverable VAT and prepayments, both of which were largely unchanged from the prior year.

Cash at bank and in hand at the year-end stood at £566,214, an increase of £218,000 on the balance at the end of the previous year end. Of the year end cash balance, £222,641 (2020 - £97,146) represented maintenance fees received in advance and described as trade creditors in note 6 to the accounts. As previously explained, the level of maintenance fees received in advance was up significantly due to the application of maintenance fee credits relating to COVID-19 travel restrictions.

The amount owed to the Resort in respect of the accumulated surplus of MCVK (£292,507) was described as an amount due to associated undertaking in note 6 to the accounts and greater detail on how this balance was arrived at was given in note 9.

BR asked if there were any questions on the accounts.

There were none.

5. Management Report

Natalia Green (“NG”) would normally have attended the AGM in her role as Resort Manager but had not been able to travel. NG had submitted a report which was read by BR as follows:

“Good afternoon, ladies and gentlemen.

Apologies for my absence this year and all being well, I look forward to being with you again in 2022.

The beginning of the year started of course with the strict Covid- 19 lockdown in place. The Resort was practically empty or very little occupancy from January to mid-May. Fortunately, similar to the year before, our services company, Carvoeiro Club, were co-operative in helping us keep the costs down subject to the Portuguese government ruling on contracted “staff furlough”.

During this time, Valdemar was able to paint the interior of the T2 apartments that were due to undergo the next refurbishment program and some that were in need of a freshen up. It took him quite a long time to get through them all as a “one man band” but the end result was well worth it; those apartment interiors now looking fresh and clean. I am also pleased to report that the new stair rails were placed in front of the Pool W/C areas and Jorge’s Pool Bar.

The busy season took off very suddenly around July 17th and it was all systems go from thereon. The Resort continued to adhere to the Covid-19 secure measures and similar to 2020, maintained the procedure of using fewer pool sunbeds based on a half day booking system. This worked very well the year before, however due to increased occupancy levels this year, the system often caused a few disruptions. The contracted pool lifeguard was onsite from June to September and despite the few hardships with managing pool bookings, executed his duties very well.

The onsite restaurant and bar square was a much sought-after venue this year. I am sure that every restaurant and bar owner will agree that this has been one of their best seasons ever. The area was buzzing in the Summer and with live music twice a week in the square, people were queuing outside the restaurants for their evening meal or late-night tipple. Similarly, Jorge’s Pool

Bar and Mama Mia Pizzeria were also popular with guests this year and both owners were very pleased with the season's outcome. The Pool Bar has only just recently closed and with the Resort currently operating on such high occupancy levels, Arie has decided to keep the onsite Mama Mia Pizzeria open for a while longer.

The Resort continues to look in good form and well maintained, we have proudly been awarded the RCI Gold Crown status for 2022 and for this a very big thanks to all of my excellent onsite team and management at Resort Solutions. I am really looking forward to planning the next phase of refurbishment early next year, hopefully to update the interior furniture and fitting package of the first 14 apartments to be refurbished but also as and where necessary, to repair and refresh any maintenance work required on kitchens and bathrooms.

For those owners whom I have seen in 2021, the highlight has certainly been welcoming you back to your "home from home" resort. Do make use of our Winter Special Offer for rentals until the end of March 2022 – get two weeks for the price of one week's Maintenance Fee and enjoy some of our warm winter sun. I sincerely hope to see a lot more you back at the Resort next year. On behalf of the Monte Carvoeiro Committee, thank you owners for all your support along what has been a rather challenging journey.

Stay safe and sending my very best wishes from Sunny Portugal."

6. Explanation regarding the Resolutions

BR explained that there were three resolutions in the AGM papers.

The first resolution was to receive the audited accounts of Monte Carvoeiro UK Limited and the Resort in accordance with the constitution.

The second resolution was to re-elect Berry Accountants as the auditors of Monte Carvoeiro UK Limited.

The third resolution was to re-elect Catherine Blair as a Committee member, it being the turn of Catherine to seek re-election following the end of her term of office.

7. Results of voting

The Chairman announced the results of the voting on the resolutions as follows:

RESOLUTION	FOR	AGAINST	VOID
1. Accounts received	97	0	0
2. Re-appointment of Berry Accountants	97	0	0
3. Committee election – Catherine Blair	97	0	0

Accordingly, the first two resolutions were carried and Catherine Blair was duly re-elected to the Committee.

8. Question and answer session

The formal business of the AGM being complete, the Chairman asked if there were any further questions.

Mr Abbot asked if Brexit had affected the Resort in any way.

BR replied that the biggest impact had been on the value of sterling which had fallen significantly against the euro in the wake of the Brexit referendum in 2016 and had stayed at a relatively low level until quite recently when it had hit a level of around 1.18 to 1.19 against the euro. DA indicated that it was no longer possible to use certain TV streaming services such as Sky GO in Europe but others such as Netflix remained unaffected.

Mr Green expressed his thanks to NG and the team on site, as well as to the Committee, for their hard work in navigating the Resort through these difficult times and ensuring it still remained an extremely attractive place to holiday. Thanks were also expressed by the owners present to BR and the team at Resort Solutions.

There being no further questions, the Chairman thanked those owners present for attending the meeting and the wider ownership for the support they had shown the Resort over the last 20 months and declared the meeting closed at 12.37pm.