

Monte Carvoeiro Resort

Questions and comments received for the AGM

The following summarises the questions and comments received from owners in advance of the AGM and the Committee's response to them. Where multiple questions have been received along similar lines, we have collated the questions together.

Question: When do the Committee expect to be in a position to finalise the partial maintenance fee credit due to owners affected by the COVID-19 outbreak as outlined in the Acting Chairman's letters to owners of April 20, 2020 and August 6, 2020?

Response: At the time of writing to owners in April and August, the Committee hoped and expected that the restrictions on owners' ability to visit the Resort would have been lifted by now. This hope had been boosted by the lifting of the travel restrictions to Portugal by the UK Government on 20th August 2020. However, the subsequent re-imposition of travel restrictions and the increase in the number of cases during September and October meant that the Foreign Office advice against travel to Portugal was likely to remain in place for the time being.

In order to finalise the calculation of any partial maintenance fee credit, the Committee would require a reasonable degree of certainty over two key figures; the number of weeks affected and the quantum of cost savings which the Resort had been able to achieve. Whilst the current situation persisted, both figures were not capable of being determined with any accuracy, as the Committee could not predict when travel restrictions might be lifted.

The Resort accounts to 31 May 2020, included a provision of £41,518 in respect of the cost savings which had been achieved against the Resort's budget in respect of COVID-19 from the beginning of the outbreak until the end of the financial year. Since that time, the Committee had reviewed the Resort's management accounts from 1st June 2020 to 31st August 2020 and were pleased to report that the savings achieved for that period were broadly consistent with those achieved to 31st May 2020.

However, since the Resort has re-opened the rate of cost savings has declined and this is expected to continue as the support offered by the Portuguese Government to Carvoeiro Clube, upon whom the Resort relies for many of its key services, is set to decline significantly. Accordingly, whilst it is not possible to make any accurate prediction of what the eventual cost savings might be, the Committee are confident that savings have been made and will be available to be shared amongst the owners who have been affected.

The Committee's intention is to finalise the extent of the partial maintenance fee credit as soon as it is possible to do so. This should be the earlier of the ending of the travel restrictions imposed as a result of COVID-19 or the next financial year end (31 May 2020).

For clarity, the Committee's position is that as long as the UK government's advice relating to travel to Portugal remains unchanged, we will continue to regard UK members as unable to travel (unless they have chosen to at their own risk),

notwithstanding the fact that the Resort is actually open to guests. At the point at which the UK Government amends the advice against all non-essential travel, owners' weeks will no longer qualify for any credit.

Other questions have been received in respect of the detail of the calculation of the partial maintenance fee credit which the Committee believe were addressed in the letters of April 20 and August 6, 2020.

One owner questioned what would happen in respect of owners who had successfully managed to claim their maintenance fees back from their travel insurance. Unfortunately, the Committee have no way of knowing which owners may have been able to claim successfully through their travel insurance and so it is possible that some owners may receive both a partial maintenance fee credit on top of insurance proceeds which they have already received. The owner concerned pointed out that this might represent insurance fraud. This is essentially a legal point on which the Committee are not in a position to comment. However, if such an action would constitute fraud, our understanding is that the fraud would be on the part of the owner who had claimed an amount on their insurance which subsequently proved to be in excess of the loss suffered, and not on the part of the Resort or Committee.

Question: I have received a full refund from other travel related companies, why can I not get a full refund of my maintenance fees?

Response: The Committee believe that they have already answered this question in the Acting Chairman's letter to owners of April 20, 2020.

The key issue here is that Monte Carvoeiro Timeshare Resort is not a travel or accommodation company, it is a collective, not for profit organisation representing all the timeshare owners at Monte Carvoeiro. As such, there is no pot of money or organisation standing behind the Resort other than the timeshare owners themselves. It is therefore to the owners that the Resort must look at times such as these. Maintenance fees due from owners represent well over 80% of the Resort's income and many of the costs that we face remain the same, irrespective of whether the apartments are occupied or not. It would simply not be possible for the Resort to refund 100% of the maintenance fees paid by owners who have been affected and for the Resort to remain a viable entity, capable of providing holidays in the years to come.

One owner has questioned why greater efforts were not made to reduce staff costs. As explained in the Acting Chairman's letter of April 20, the two members of staff employed directly by the Resort did not qualify for the support scheme offered by the Portuguese Government. Accordingly, the only option available to us would have been to make the staff concerned redundant. Given that the Resort was re-open by early July, this would have been an extremely short-sighted decision and would not be the action of an organisation looking to ensure continuity of service. The Committee are 100% confident that they made the right decision in this respect. We are also grateful to note that we have been supported in this decision by far more owners than have complained about not reducing staff costs.

For the avoidance of doubt, we were able to reduce the Resort's costs in respect of such services as Reception, maid service and gardening, since the staff in these areas are employed by Carvoeiro Clube and did qualify for the Portuguese Government scheme.

Question: **Why could owners not be offered an alternative week from the Resort's stock of unsold weeks at an alternative time of the year?**

Response: The answer to this question has a number of facets. Firstly, there are simply insufficient unsold weeks for all owners who have been affected to receive a week in exchange. The Resort's unsold weeks currently number circa 346. The weeks which have been affected by COVID-19 to the end of August alone were already in excess of that number.

The second factor is that the vast majority of the Resort's unsold weeks are in the off-peak winter season with relatively few in the shoulder season and hardly any in the peak summer season. Unfortunately to date, all of the owners affected by the COVID-19 outbreak have been in the shoulder or peak season and the Committee do not believe the offer of a replacement week in January or February would have been an adequate exchange for most of those owners.

The third factor is that the unsold weeks are a source of revenue for the Resort. To the extent that weeks were rented free to owners, the Resort's rental income would have been adversely affected and the Committee would have been forced to increase maintenance fees as a result.