

**Monte Carvoeiro Timeshare Resort
Minutes of the 2020 Annual General Meeting
Held on Thursday 8th October 2020 at 12 noon
At The Three Swans Hotel, Market Harbourough**

1. Introduction

Peter G Kennedy, Acting Chairman of Monte Carvoeiro Timeshare Resort Committee, opened the 2020 Annual General Meeting by explaining that due to the restrictions imposed by the UK Government it had not been possible for owners to attend the meeting in person.

2. Attendance and Apologies for absence

The Acting Chairman dispensed with the need to record attendance and apologies due to the restrictions which had been placed on attendance.

3. Acting Chairman's report

The Acting Chairman stated the situation at the Resort had not changed much since his letter which accompanied the AGM papers. Despite the severity of the COVID-19 pandemic the Resort remained in a relatively healthy financial position due to the hard work of all those involved in reducing on-site costs since March.

The Resort was fully closed from March 22, 2020 and from the middle of June, the on-site team carried out a review of our processes and a COVID-19 risk assessment in respect of the Resort to identify and reduce any risks to our owners, staff and guests.

The Resort had a 'soft' re-opening on July 11, 2020 and was now fully operational with all appropriate measures in place to ensure the health and wellbeing of staff and guests.

The Acting Chairman stated that the Resort had also applied for and received the "Clean and Safe" designation from the Portuguese Tourism authority based on the plans put in place to operate in a COVID-19 secure manner.

Planned works, before COVID-19, to replace the last remaining "old style" windows and patio doors had been completed as had the upgrade to the Wi-Fi system. Child proof gates had also been fitted to the pool side apartments. It was hoped that the Resort could look at some level of refurbishment in the apartments from the initial refurbishment back in 2010/11 during the winter of 2021/2022 but this would very much depend on how the situation with respect to COVID-19 played out over the next 12 months.

Previously the Acting Chairman had explained how the Committee were sympathetic to the idea of making a gesture to owners who had been unable to occupy their weeks, explaining any such gesture would be via a partial reduction in maintenance fees which would be credited to members' maintenance fee accounts.

This was still the case and would continue to apply to any owners whose weeks had fallen within the period when either the Resort was closed or the Foreign & Commonwealth Office advice had been against all but essential travel to Portugal. A partial maintenance fee credit would not be given to those owners who had retained usage of their weeks, either by travelling to the Resort and occupying their weeks or by banking their weeks with an exchange company or by arranging an internal exchange.

Despite the very difficult and unprecedented challenges the Resort has faced this year it continues to look resplendent and the Acting Chairman was pleased to confirm the Resort had retained the RCI Gold Crown award for 2020 giving testament to the hard work by all concerned.

On behalf of the owners, the Acting Chairman gave a vote of thanks to the team at Resort Solutions, Natalia and Valdemar at the Resort and fellow Committee members for the hard work they had done.

The Acting 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 2020 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 8 to 16) 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 £143,771, which was ahead of the surplus of £128,622 reported for the year ended 31 May 2019, despite making a provision for £41,518 in respect of maintenance fee credits to be apportioned to owners who had been affected by the COVID-19 shut down. The reported surplus was before the repayment of the final instalment of the loan from CLC of £85,800 which had been made during the year. A major factor in the reported surplus had been higher levels of revenue compared to the prior year.

The accounts for the year ended 31 May 2019 had translated euros into sterling at a rate of 1.14 to the pound; in 2020, the accounts had translated euros into sterling at a rate of 1.15 to the pound. The difference in exchange rates only accounted for less than a 1% decrease in the sterling equivalent of euro denominated costs between the two years.

In terms of the Resort balance sheet on page 2, the movements in tangible fixed assets was shown in greater detail in note 3. No additions were made in the year and fixed assets had been written down by an amount of £85,800, in line with the Resort's previous practice which was to depreciate fixed assets in line with the repayments made against the outstanding loan.

The loan was shown under creditors in notes 5 and 6. The total outstanding loan at 31 May 2019 of £85,000 had been repaid on 3rd June 2019 and, accordingly, the Resort was once again debt free.

The only other item in the top half of the balance sheet was the debtor of £185,279 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 7 and 8.

The surplus generated on operations of £143,771 had been added to the reserve fund.

Depreciation of £85,800 had been charged to the reserve fund in line with the repayment made on the CLC loan as previously outlined.

After the above movements in reserves, the Resort had made a transfer to the Refurbishment reserve of £59,000 (2019 - £13,368). The movement in the refurbishment reserve was shown in note 7 and showed a reserve balance of £185,000 at 31st May 2020.

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 £147,478 and cash payments to repay the outstanding loan to CLC of £85,800. 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 £61,963 for 2020 (2019 – a net decrease of £85,561), leaving a year end cash balance of £348,024.

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 increased by £74,177 to £723,385.

Maintenance fee income accounted for the largest element of revenue and this had increased by just under £56,000 (or 10.2%) from £549,516 to £605,334. This increase was driven by an increase in the number of weeks owned by CLC at the Resort between the two financial years.

2019 had been a very good year for rentals with income of £33,889. Initially 2020 had looked set to come in at a similar level but the impact of the COVID-19 outbreak had seen rentals fall to £25,626. Overall, this was still a good result and a very good one in the light of the fact that the Resort was closed for a little over 2 months of the year. As recently as 2016, the Resort's annual income from rentals had been only £17,000.

Income relating to the use of the Resort's inventory to back points in the RCI Next Generation Points Scheme had increased from £41,749 in 2019 to £45,565 in 2020, Resort Solutions had agreed a deal with RCI to utilise some of the Resort's unsold weeks to back points in the RCI Next Generation Points scheme which were no longer supported following the closure of another resort.

Income from sales of timeshare weeks was up slightly at £6,140 in 2020 compared to just £4,800 in 2019.

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 used to fund the cost of the Wi-Fi upgrades carried out during the year (see below).

The cost of sales which represented the costs of operating the Resort and had increased by £59,000 compared to 2019. Approximately £50,000 of this increase was in the area of repairs and renewals.

Community costs, which include Condominio fees, water, electricity, telephone, insurance, local property taxes and pool costs (including lifeguards) were down slightly on 2019 but were broadly comparable. Within this caption savings were realised in the areas of electricity and Condominio fees, principally due to lower occupancy as a result of COVID-19, but these were off-set by additional expenditure on the pool over the period, including the installation of new fencing, and higher property taxes.

The costs of repairs and renewals had increased from £36,412 in 2019 to £89,062 in 2020. The two main factors behind this increase was the spend of €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 significantly lower in 2020 compared to 2019. In 2019, significant items of expenditure included the purchase of 20 new terrace chairs, 6 new sunbeds, a new patio door for MC40, repair/replacement of air conditioning units, works on exterior painting and to prevent water infiltration and just over €3,000 on a new 48 port switch for the Wi-Fi system.

Management services and office costs were down by £13,869 compared to the prior year, largely due to a new van for the Resort being purchased in 2019 at a cost of circa €13,000.

A provision of £41,518 had been made in the 2020 accounts to represent the net savings realised by the Resort as a result of the closure due to COVID-19. This amount would be ring-fenced within the Resort accounts to fund the partial maintenance fee credit which would be offered to those owners who had been unable to use their weeks due to the Resort being closed or because travel restrictions were in place. The provision had been calculated 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 2020 for those areas. Accordingly, the provision should not have had a significant impact on the Resort's overall costs for 2020 since in theory, it merely represented the accumulated cost savings made elsewhere. The fact that in total the gross profit percentage recorded for 2020 (31.12%) was very similar to that for the year before (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 £6,905 or 7% compared to the prior year which reflected the reduction in the amounts paid for reception services during the period whilst the Resort was closed (a saving of just over £6,000 compared to the prior year).

The costs in respect of maids had decreased by £15,000 since 2019, largely due to the Resort being closed from 23rd March until the end of the financial year.

Laundry costs were higher by just over £2,000 or 8.6%, despite the Resort being closed for the last week of March and all of April and May. The reason for part of this increase was the change in supplier necessitated by the previous supplier going out of business. The new supplier charged a significantly higher price per kilo for laundry, equivalent to a per unit increase of 30.43%. Accordingly, to the end of March 2020, the laundry costs were some €5,800 or 34% ahead of the costs in the prior year. However, the costs for April and May were essentially zero and some €4,500 less than the prior year.

Administrative expenses were almost exactly in line with the prior year at £81,646. The detailed breakdown was provided on page 11 of the accounts and most costs were broadly consistent with the prior year.

The level of bad debts continued the trend of recent years and remained very low. The 2020 expense of £3,020 was slightly lower than that for 2019 and reflected a very healthy maintenance fee collection rate of 99.44% for the financial year.

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 £348,024, an increase of £61,963 on the balance at the end of the previous year end. Of the year end cash balance, £97,146 represented maintenance fees received in advance and described as trade creditors in note 5 to the accounts. The level of maintenance fees received in advance was down by nearly £33,000 compared to the prior year and reflected a lower level of maintenance fees paid for the next financial year. The primary driver of this was down to an increase in the number of owners opting to pay their fees by direct debit following the removal of the 5% administration charge.

The amount owed to the Resort in respect of the accumulated surplus of MCKUK (£185,279) was described as an amount due to associated undertaking in note 5 to the accounts and greater detail on how this balance was arrived at was given in note 9.

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:

“Dear owners

What a challenging year this has been. This unexpected pandemic led the Resort to put in place plans for a rapid closure which last from 21st March to the 11th July. Fortunately, we were able to put in place contingency plans including the negotiation of reduced fees for the services we contract in from Carvoeiro Club, principally maids, reception and gardening. This was only possible due to the Portuguese government scheme to support affected workers.

During the closure period the Carvoeiro Club reception was closed, we had no onsite housekeeping services and a minimum garden and pool service cover. During the Portugal lockdown period, Valdemar was requested to take holiday leave in April whilst I was also working on a part time basis.

Whilst keeping to a tight maintenance budget, we utilised the lockdown period by having Valdemar complete the painting of all the bathrooms and kitchens in both the T1’s and T2’s with the exception of those that were most recently refurbished.

Maintenance works that we were committed to prior to the COVID-19 pandemic included the upgrade in the WI-FI and supply of Fibre Optic Cable direct to the apartments. The poolside apartments were also fitted with a child proof pool gate in the garden area and whilst there was a delay, (from the contractor) in fitting some handrails on the stairs leading to the Pool W/C’s, these have been agreed to be fitted before the end of the year.

Apart from the temporary restrictions imposed due to the lock down, the demands from the local government health and safety with regards to tourism were many and together with Resort Solutions, the onsite team carried out a review of processes, a COVID-19 risk assessment in respect of the Resort to identify and reduce possible risks to both our owners, staff and guests.

In early July, the committee agreed to a “soft” re-opening of the Resort with effect from 11th July, 2020, the intention being to allow a gradual resumption of activities, experience in practice all the planning that was theoretically outlined and identify areas for potential improvement. By this time, the maid service was resumed, the lifeguard service commenced on July 10th through to September 30th, Valdemar took on the polyvalent duties and I filled in for housekeeping and reception service as and where necessary. During the August and September months and with occupancy running at 48% and 60% respectively, reception services were resumed under different opening/closing times. The Pool area was also completely re-arranged placing a reduced number of sunbeds and I can report that this operated really well under the half day booking system which we put in place. Owners and guests adhered exceptionally well to the new pool rules and regulations and there was always ample space for social distancing. Sunbeds were sanitized twice a day (on changeover), and 7 days a week.

Based on the plans that were put into place to operate in a COVID-19 secure manner and although this was not compulsory, Monte Carvoeiro also applied for and was granted the “Clean and Safe” designation from the Portuguese Tourism Board.

Restaurants and bars around the Monte Carvoeiro Square were closed for the best part of three months but are currently all open for business, we even have a new restaurant onsite called “The Square” run by Raquel Marques (chef) that has had nothing but excellent reviews from guests and the social media. This is in the former Stone Steak Restaurant which the owner has let out this year. The Pool Bar “Cascata” also opened and has mainly been run by Jessica (Jorge’s daughter)

this year. Cátia and Luis remain the friendly hosts of the Cocktail Garden, always a popular venue for the onsite guests and more. Elliott's & Tiffany's bar are also fully operational.

The Condomium Block "A" around the reception now has a further 2 shops vacant, the one next door to the reception and the former massage & spa belonging to Sofia who has since relocated to the GolfeMar resort. The same shop is currently under renovation works and will soon re-open as a hair dressing/beautician salon. The onsite supermarket continues to trade although the business has been severely affected by these unprecedented times. The Mama Mia Pizzeria owners are currently in the process of legalizing the merging of their shops with a view to extend the restaurant/pizzeria eating area.

Billy McNicholl is also currently onsite with his CLC member service co-host Tommy, albeit with reduced office hours. At the moment there is unfortunately no weekly Welcome meeting due to the Covid-19 restrictions.

Lastly, I am pleased to report that we qualified for the 2021 RCI Gold Crown status, a result obtained by all the hard work from the onsite team together with excellent management company and committee guidance.

Thank you to all who have contributed in making these difficult times so much easier to get through.

I wish you all the best in these difficult times. Please stay safe and healthy and I hope to see you all as soon as possible, back here in your beautiful holiday home from home."

6. Explanation regarding the Resolutions

The Acting Chairman 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 elect new Committee members following the retirement of Nick Bury, the previous Chairman. A nomination for the vacancy which had been created on the Committee had been received from Roger Gardiner.

7. Results of voting

BR announced the results of the voting on the resolutions as follows:

RESOLUTION	FOR	AGAINST	VOID
1. Accounts received	60	1	0
2. Re-appointment of Berry Accountants	60	1	0
3. Committee election – Roger Gardiner	60	1	0

Accordingly, the first two resolutions were carried and Roger Gardiner was duly elected to the Committee.

8. Election of Chairman

Article 7, clause 2 of the constitution requires the Owners to elect a Chairman from within the ranks of those elected to serve on the Committee. Peter G Kennedy had been serving as Acting Chairman during 2020 following the resignation of Nick Bury.

Peter G Kennedy was willing to stand for election as Chairman and as there were no other candidates he was accordingly elected as Chairman.

9. Question and answer session

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

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