



Reports and Group Financial Statements
for the year ended 31st December, 2016

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Directors and Other Information

DIRECTORS	Chris J. Gordon Chris Beenham Anthony V. Dyson Christine M. Gouldby Terry R. A. Groves Ron D. A. J. Kuijt Nigel L. V. Meares Paul R. Molitor (resigned 19 May 2017)	
SECRETARY	P. M. Broomhead	
AUDITORS	Deloitte Chartered Accountants Deloitte & Touche House Earlsfort Terrace Dublin 2 Republic of Ireland	
SOLICITORS	Quality Solicitors Hill & Abbot Threadneedle House 9-10 Market Road Chelmsford Essex CM1 1XH United Kingdom Teresa Xufre Advogados Rua Quinta da Correeira Lote 42 - C1 Apartado 2404 8200 – 353 Albufeira Portugal	Dickinson Cruickshank Ramsey Masonic Buildings Water Street Ramsey Isle of Man IM8 1RD British Isles
BANKERS	Allied Irish Bank 9 Terenure Road East Rathgar Dublin 6 Ireland	Lloyds PO Box 111 Peveril Buildings Peveril Square Isle of Man IM99 1JJ British Isles
REGISTRARS	First National Trustee Company Limited First Names House Victoria Road Douglas Isle of Man, IM2 4DF British Isles	
REGISTERED OFFICE	First Names House Victoria Road Douglas Isle of Man, IM2 4DF British Isles	

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company for 2016 will be held at St. James' Court, A Taj Hotel, 54 Buckingham Gate, London, SW1E 6AF on Friday 8th September 2017, commencing at 6:00pm to conduct the following business of the Company:

ORDINARY BUSINESS

1. To receive the Group Financial Statements, together with the Directors' Report and the Independent Auditors' Report thereon, for the financial year ended 31 December 2016.
2. To re-appoint Deloitte, Chartered Accountants, as Auditors, to hold office until the conclusion of the next general meeting at which Financial Statements are laid before the Company, and to authorise the Directors to fix their remuneration.
3. To re-elect Anthony V. Dyson who retires by rotation, in accordance with Article 63 and, being eligible, individually offers himself for re-election.
4. To re-elect Nigel L. V. Meares who retires by rotation, in accordance with Article 63 and, being eligible, individually offers himself for re-election.

SPECIAL BUSINESS

To consider the following Special Resolutions;

- (A) That Article 105 of the Articles of Association of the Company be deleted and the following substituted: Any notice to be given to or by any person pursuant to these Articles shall be in writing and may be sent by email to the Member at the Member's email address except that a notice calling a meeting of the Directors need not be in writing
- (B) That Article 106 of the Articles of Association of the Company be deleted and the following substituted: The Club may give any notice to a Member either personally or by sending it by post in a prepaid envelope at his address in the Club's register of members or by leaving it at that address, or by email sent to any email address of the Member and in cases where a Member has died and his personal representatives have not yet exercised the rights conferred on them by Article 21 to have some person registered in place of the deceased Member or a Member is bankrupt any notice required or authorised to be served shall be sufficiently served if addressed to the deceased or bankrupt Member (whether or not the Club has notice of death or bankruptcy) at his address in the Club's register of members and served in any of the foregoing methods or sent to his last known email address
- (C) That Article 108 of the Articles of Association of the Company be deleted and the following substituted: Proof that an envelope containing a notice was properly addressed, prepaid and posted (by first class post or air mail) shall be conclusive evidence that the notice was given. A Notice, shall be deemed to be given at the expiration of 48 hours after the envelope containing it was posted and any notice so sent by email shall be deemed to have been given at the expiration of 24 hours after the email containing it was sent and in proving such service it shall be sufficient to prove that such email was emailed to the Member's email address.

By Order of the Board
P. M. Broomhead
Secretary.

19th May 2017

Registered Office
First Names House,
Victoria Road, Douglas, Isle of Man,
IM2 4DF, British Isles.

- Note 1. A member entitled to be present and vote at the meeting may appoint a proxy to attend and, but only in the case of a poll, vote instead of him. A proxy need not be a member of the Company and the appointment of a proxy will not preclude a member from attending and voting at the meeting. A form of proxy accompanies this Notice.
- Note 2. To be valid forms of proxy must be deposited at Frist National Trustee Company Limited, First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF, British Isles not later than forty-eight hours before the time appointed for holding the Annual General Meeting.
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Chairman's Statement

Overview

2016 was a year when we focused on three important tasks:

- i) Planning and preparing for the major capital investment in the clubhouse and pool areas;
- ii) completing the final 13 villas, still to be refurbished, and planning roll out of the new design to the 91 villas currently furnished in the 'old' style; and
- iii) on a day to day basis, Jorge and his team proceeded with their strategy of continuous improvement. Examples being further improvement in our food and beverage services, adding value by partnering with VDL car rental and improving our day to day maintenance and repairs.

In last year's statement I raised concerns about the potential impact of a Brexit vote and the risk that currency volatility might impact on our financial projections. Following the UK referendum result, your Board made the decision to delay commencement of the club development project for a year based on this risk. This proved to be a wise decision, as the pound dropped in value to the euro. New membership sales in the second half dropped 15% on our projections at that time. Indeed we saw 30% less weeks being bought by UK residents in the back half of 2016, in comparison to the same period in 2015. I am pleased to inform you, however, that UK sales are now back to normal and performing well again in the first four months of 2017.

In terms of Algarve tourism, 2016 was once again a record year. Highlights include: overnight stays +9%, an 11.9% increase on foreign visitors and 7.6 million travelers through Faro airport, which was an amazing 18.5% up on 2015. The much needed enhancement of the airport will be completed shortly, which will, I am sure, be a relief to us all.

Financial Statements 2016

With an operating profit, excluding tax and other adjustments, of €797,947 for the year, 2016 was an encouraging 20.5% up on the previous year. Our income at €5,981,824 was up 4.3% on 2015.

Financial highlights included rental commissions of nearly €350k, about 10% better than the last year. Another department with over 10% growth was food and beverage with its contribution to our profits of €73,491. The decision to partner car rental company VDL was warmly welcomed by you, our members, with a significant number deciding to take advantage of the excellent value and service offered by them. The benefit is that commissions to the club have risen from €6k to €38k pa. It would only need a small improvement in 2017 for commissions to cover the refurbishment of an extra villa per year.

With regard to membership sales, in spite of the drop in UK member sales in the back half of the year, with 288 weeks sold we still beat the previous year by 10 weeks. Profit on sales of club weeks was nearly €150k up 67.5%. Resale commission had a decline of 22% on the year, due in part to the fall of sales to UK residents in July, August and September.

We employed an extra member of staff in our second year of running the minimarket and were still able to maintain profits at the previous year's level. We also increased costs on repairs and maintenance by €115k. This extra money was used to improve standards in a number of areas but in particular replacing some obsolete air conditioning units.

2016 Review

As I have already said, Jorge and his colleagues have implemented on a continuous basis improvements across a wide range of service areas. I would therefore like to take this opportunity, on your behalf, to thank all who work at Four Seasons Fairways for the hard work, dedication and good nature which they show, whilst providing us with wonderful holiday experiences.

2016 saw us introduce a vastly improved wifi facility. New routers and a high speed fibre optic structure allows us all to have a much better user experience with our now essential iPhones and other devices. No longer do I need to sleep on the left side of the bed as the right side now gets a signal as well!

Chairman's Statement (continued)

In the year we appointed both project managers and an interior designer to work with us on our major capital investment programme. Alongside our architect, they have provided excellent support in developing the plans for our clubhouse and pool project. With the investment in both club and villas, we have made a decision to support this funding by increasing marketing expenditure to further increase sales of both membership and rentals. A major change will be the appointment of a PR and Social Media agency. This agency will work alongside Dengun, our local agency partner, who work for us on our digital activity and the website.

The increase in strategic and marketing planning, the reviewing of finances, and the large amount of project planning has meant that all your directors have committed significant time to support Jorge and his management team throughout the year. In particular I would like to thank our Vice Chairman Terry Groves, who leads the Development Project and Chris Beenham who is Chairman of the Audit Committee and has ably supported the planning teams. Last but not least Ron Kuijt who serves on 2 committees and, with many years' experience as a senior hotelier, provides wise counsel to Jorge as and when needed.

We were so pleased to get 50 members replying to the past Chairman's letter asking for volunteers to help the club in some way in the future. A number have helped us informally already. Two have been invited to join committees, one Audit the other Marketing. Thanks to all who replied and, as they already know, we will be keeping their information on file should we need appropriate support in the future.

Outlook

I am writing this statement at the beginning of May. Trading has been good so far and membership sales to the end of April are in line with those of last year when we were selling exceptionally well. Given that post the UK election negotiations will commence in earnest with the EU, we need to be aware that this may again have some impact on future membership sales to UK residents due to currency fluctuation. However, I think it's unlikely either rental or other forms of income will see much volatility during the negotiating period. We have learnt lessons from last year's slip in sales post the Brexit vote, which should help us mitigate potential problems.

It is a very exciting time for us all as we move forward with the club upgrade. However, as Jorge recently stated in our club bulletin:

"It is going to be a challenging seven months while the changes are carried out, inevitably causing disruption to those members staying with us in that period. We have put some measures in place to reduce the inconvenience as much as possible. These include a smart marquee to act as a temporary clubhouse. It will have a bar, comfortable seating and some dining facilities. As always, we are certain of your understanding and co-operation during this important transformation period. No doubt once this challenging time is over, the new benefits will more than compensate for the disruption. The improvements will sustain the future of the club and our members' investment in the years to come." I will be staying for several weeks over the period of work and look forward to meeting many of you in the Marquee.

We have €2 million set aside for this capital project and, in addition, will be refurbishing the 91 remaining villas over the next 5 to 7 years. Funds for the capital expenditure on the villas will come from the surplus operating profit we make annually. The more each of us uses and spends in the club, or takes advantage of other services, such as car rental, the quicker the villa programme will be completed!

Finally some thanks. First to all members who have given their time to speak or write to me, expressing your views. It is important when you are chairman of a members club to hear from members, it gives a valuable perspective. To Jorge a very big thanks for leading us through this important period of change, whilst maintaining his drive to continuously improve standards always with a positive and collaborative approach.

We have so much to look forward to at Fairways, which will only enhance the wonderful holiday experience which we all already enjoy.

Chris Gordon
Chairman
19th May 2017

Directors' Report

for the year ended 31st December, 2016

Your directors have pleasure in submitting their report on the activities and financial statements of the group for the financial year ended 31 December 2016.

Principal activity

Four Seasons Fairways Limited is a private limited company incorporated in the Isle of Man. Its registered address is noted on page 2. The sole activity of the group, which is unchanged since the previous financial year, is to provide a Club through which members obtain occupancy rights and entitlements to use the Club facilities.

Registered Number

The registered number is 34821C.

Financial statements and results

The results of the group's activity during the financial year to 31 December 2016 and the state of its affairs at that date are set out in the consolidated statement of income and retained earnings and consolidated balance sheet on pages 7 and 8.

Given the economic climate and the market in which the group operates, the directors consider the results and financial position to be satisfactory.

Subsequent Events

There have been no significant events affecting the company since the financial year end.

Directors and secretary

The directors who served at any stage throughout the financial year are as follows:

Chris J. Gordon
Chris Beenham
Anthony V. Dyson
Christine M. Gouldby
Terry R. A. Groves
Ron D. A. J. Kuijt
Nigel L. V. Meares
Paul R. Molitor
Frank E. Sowman (resigned 20 May 2016)

Statement of Directors' responsibilities

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

The directors at the date of approval of this report confirm that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Corporate governance

The directors support the principles of good governance and in this regard they have formalised procedures and have established audit and remuneration committees.

The directors regularly review key business risks in addition to the financial risks facing the group.

Auditors

Our Auditors, Deloitte, being eligible, have expressed their willingness to continue in office as auditors of the company in accordance with section 12(2) of the Isle of Man Companies Act 1982.

19th May 2017

Registered Office:
First Names House,
Victoria Road,
Douglas,
Isle of Man, IM2 4DF,
British Isles.

By Order of the Board
P. M. Broomhead,
Secretary.

Independent Auditors' Report

to the Members of Four Seasons Fairways Limited

We have audited the financial statements of Four Seasons Fairways Limited for the financial year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income and Retained Earnings, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Section 15 of the Companies Act, 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 31 December 2016 and of the group's surplus for the financial year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Isle of Man Companies Acts, 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the company and that proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the books of account and returns; or
- we have not received all the information and explanations which to the best of our knowledge and belief, are necessary for the purpose of our audit.

Deloitte
Chartered Accountants
Dublin, Ireland

19th May 2017

Consolidated Statement of Comprehensive Income and Retained Earnings for the year ended 31st December, 2016

	Notes	2016 €	2015 €
Turnover			
Management fees		5,126,760	4,986,218
Other income		2,444,625	2,479,675
Total Turnover		7,571,385	7,465,893
Operating expenses		(5,106,078)	(5,104,104)
Administration and general expenses		(1,025,220)	(1,112,291)
Resort buildings – depreciation		(937,207)	(937,207)
Resort development assets – depreciation		(167,403)	(124,942)
Resort buildings - villa refurbishment and renovation		(978,515)	(872,773)
Deficit for financial year before taxation		(643,038)	(685,424)
Taxation	3	(409,407)	(587,206)
Deficit for financial year before transfers from reserves	4	(1,052,445)	(1,272,630)
Transfer from capital reserves	15	1,100,121	1,062,149
Transfer from sinking funds	16	978,515	872,773
Surplus for financial year after transfers from reserves		1,026,191	662,292
Transfers to sinking funds	16	(1,020,000)	(650,000)
Retained surplus for financial year		6,191	12,292

All recognised gains and losses are included in the profit and loss account and all arose from continuing activities.

Consolidated Balance Sheet

as at 31st December, 2016

	Notes	2016 €	2015 €
FIXED ASSETS			
Resort land and buildings	5	28,309,029	29,224,800
Other tangible assets	7	375,678	355,719
		<u>28,684,707</u>	<u>29,580,519</u>
CURRENT ASSETS			
Stocks	9	126,266	138,366
Debtors	10	820,522	946,153
Cash at bank and in hand	11	5,701,951	5,263,560
Sinking funds' assets	12	1,164,009	1,309,886
		<u>7,812,748</u>	<u>7,657,965</u>
CREDITORS			
(Amounts falling due within one financial year)	13	(5,380,970)	(5,069,554)
NET CURRENT ASSETS			
		<u>2,431,778</u>	<u>2,588,411</u>
NET ASSETS			
		<u><u>31,116,485</u></u>	<u><u>32,168,930</u></u>
CAPITAL AND RESERVES			
Called-up share capital	14	3	3
Share premium account	14	142	142
Capital redemption reserve fund		142	142
Capital reserves	15	28,684,707	29,576,030
Sinking funds	16	1,164,009	1,309,886
Profit & loss reserve	14	1,267,482	1,282,727
MEMBERS' FUNDS			
		<u>31,116,485</u>	<u>32,168,930</u>

The financial statements were approved by the Board of Directors on 19 May 2017 and signed on its behalf by:

C. Gordon
Director

C. Beenham
Director

Company Balance Sheet

as at 31st December, 2016

	Notes	2016 €	2015 €
FIXED ASSETS			
Occupancy rights	6	28,309,029	29,224,800
Financial fixed asset	8	605,000	605,000
		<u>28,914,029</u>	<u>29,829,800</u>
CURRENT ASSETS			
Stocks	9	74,294	95,188
Debtors	10	375,602	538,126
Cash at bank and in hand	11	4,493,930	4,601,064
Sinking funds' assets	12	1,164,009	1,309,886
		<u>6,107,835</u>	<u>6,544,264</u>
CREDITORS (Amounts falling due within one financial year)	13	<u>(5,349,806)</u>	<u>(5,393,726)</u>
NET CURRENT ASSETS		<u>758,029</u>	<u>1,150,538</u>
NET ASSETS		<u><u>29,672,058</u></u>	<u><u>30,980,338</u></u>
CAPITAL AND RESERVES			
Called-up share capital	14	3	3
Share premium account	14	142	142
Capital redemption reserve fund		142	142
Capital reserves	15	28,684,707	29,576,030
Sinking funds	16	1,164,009	1,309,886
Profit & loss reserve	14	(176,945)	94,135
MEMBER'S FUND		<u><u>29,672,058</u></u>	<u><u>30,980,338</u></u>

The financial statements were approved by the Board of Directors on 19 May 2017 and signed on its behalf by:

C. Gordon
Director

C. Beenham
Director

Consolidated Statement of Changes in Equity for the financial year ended 31st December, 2016

	Called up Share Capital €	Share Premium €	Capital Redemption Reserve Fund €	Capital Reserves €	Sinking Fund €	Profit & Loss Reserve €	Total €
At 1 JANUARY 2016	3	142	142	29,576,030	1,309,886	1,282,727	32,168,930
Deficit for the financial year before transfer from reserves							
Transfer from capital reserves				(1,100,121)		(1,052,445)	(1,052,445)
Transfer from sinking funds					(978,515)	1,100,121	
Transfer to sinking funds					1,020,000	978,515	
Current year realisation				21,436		(1,020,000)	
Transfer from resort development fund				187,362	(187,362)	(21,436)	
At 31 December 2016	3	142	142	28,684,707	1,164,009	1,267,482	31,116,485
In respect of prior financial year:							
At 1 JANUARY 2015	3	142	142	30,310,437	1,940,237	1,190,599	33,441,560
Deficit for the financial year before transfer from reserves							
Transfer from capital reserves				(1,062,149)		(1,272,630)	(1,272,630)
Transfer from sinking funds					(872,773)	1,062,149	
Transfer to sinking funds					650,000	872,773	
Transfer to other reserves				(79,836)		(650,000)	
Transfer from resort development fund				407,578	(407,578)	79,836	
At 31 December 2015	3	142	142	29,576,030	1,309,886	1,282,727	32,168,930

Company Statement of Changes in Equity

for the financial year ended 31st December, 2016

	Called up Share Capital €	Share Premium €	Capital Redemption Reserve Fund €	Capital Reserves €	Sinking Fund €	Profit & Loss Reserve €	Total €
At 1 JANUARY 2016	3	142	142	29,576,030	1,309,886	94,135	30,980,338
Deficit for the financial year before transfer from reserves						(1,329,716)	(1,329,716)
Transfer from capital reserves				(1,100,121)		1,100,121	
Transfer from sinking funds					(978,515)	978,515	
Transfer to sinking funds					1,020,000	(1,020,000)	
Transfer to other reserves				21,436			21,436
Transfer from resort development fund				187,362	(187,362)		
At 31 December 2016	3	142	142	28,684,707	1,164,009	(176,945)	29,672,058
In respect of prior financial year:							
At 1 JANUARY 2015	3	142	142	30,310,437	1,940,237	477,044	32,728,014
Deficit for the financial year before transfer from reserves						(1,747,676)	(1,747,676)
Transfer from capital reserves				(1,062,158)		1,062,158	
Transfer from sinking funds					(872,773)	872,773	
Transfer to sinking funds					650,000	(650,000)	
Transfer to other reserves				(79,836)		79,836	
Transfer from resort development fund				407,578	(407,578)		
At 31 December 2015	3	142	142	29,576,030	1,309,886	94,135	30,980,338

Consolidated Statement of Cash Flows

for the year ended 31st December, 2016

	2016 €	2015 €
Deficit for financial year before transfers from reserves	(1,052,445)	(1,272,630)
Depreciation and realisation	1,083,174	1,091,081
Interest received	(4,931)	(5,236)
Decrease/(increase) in debtors	125,631	(269,772)
Decrease/(increase) in stocks	12,100	(24,620)
Increase in creditors	311,416	332,294
Net cash flows from operating activities	<u>474,945</u>	<u>(148,883)</u>
Cash flows from investing activities		
Interest received	4,931	5,236
Net cash flows from investing activities	<u>4,931</u>	<u>5,236</u>
Cash flows from financing activities		
Purchase of tangible fixed assets	(187,362)	(407,578)
Disposal of tangible fixed assets	53,224	53,224
Net cash flows from financing activities	<u>(187,362)</u>	<u>(354,354)</u>
Net increase/(decrease) in cash and cash equivalents	292,514	(498,001)
Cash and cash equivalents at beginning of financial year	6,573,446	7,071,447
Cash and cash equivalents at end of financial year	<u><u>6,865,960</u></u>	<u><u>6,573,446</u></u>

Notes to the Financial Statements

for the year ended 31st December, 2016

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with Isle of Man statute and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its wholly owned subsidiary undertaking, both of which present financial statements made up to 31 December 2016. Intra group transactions, including revenues and profits, are eliminated on consolidation and all revenues and profits relate to external transactions only.

Going Concern

The directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. Thus they will continue to adopt the going concern basis of accounting in the preparation of the financial statements.

Turnover

Management fees are recognised in the period to which they relate

Other income is recognised on a receivable basis with the exception of food, beverage, and golf income which is accounted for on a cash receipts basis.

Financial Fixed Asset

Shares in subsidiary are stated at cost less provision for any permanent diminution in value.

Tangible Fixed Assets and Sinking Funds

Tangible fixed assets are stated at cost less accumulated depreciation.

The group's freehold land is not depreciated.

The group's resort buildings, including original fixtures and fittings and villa equipment, are depreciated at an annual rate of 2%, calculated to write off their original cost, less any residual value, in equal annual instalments over the expected useful life of the buildings. An amount equivalent to the annual charge for this depreciation is transferred from capital reserve to profit and loss account.

The cost of refurbishment of resort buildings and the renewal of fixtures and fittings and villa equipment is charged to the profit and loss account as incurred.

The Villa Refurbishment and Renovation Fund funds the cost of refurbishing villas at the group's resort, on an ongoing basis, including replacing fixtures and fittings and villa equipment. Additions to the fund are by way of transfer from the profit and loss account. When the relevant costs are charged to the profit and loss account, appropriate transfers are made from the fund to the profit and loss account.

The Resort Development Fund funds the cost of specific capital projects designed to maintain and improve the standard of the resort and its facilities. Additions to the fund are by way of transfer from the profit and loss account. Transfers from the fund are made to a capital reserve in respect of capital projects financed by the fund. The capital reserve is released to the profit and loss account in amounts equivalent to the annual depreciation charge relating to such capital expenditure.

Other tangible fixed assets are depreciated at annual rates calculated to write-off their cost, less any residual value, in equal annual instalments over their expected useful lives.

Occupancy Rights

Occupancy rights held by the company are amortised on the same basis as the related resort buildings are depreciated.

Financial Instruments

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through the Statement of Income and Retained Earnings, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at the market rate of interest for a similar instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements (continued) for the year ended 31st December, 2016

Financial Instruments (continued)

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled, or expires.

Balances are classified as payable or receivable within one year if payment or receipt is due within one year or less. If not, they are presented as falling due after more than one year. Balances that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing stocks to their present location and condition. Net realisable value is comprised of the actual or estimated selling price less all costs to be incurred in selling.

Currencies

The financial statements are denominated in euro. Transactions in other currencies are recorded at average exchange rates throughout the financial year. Monetary assets and liabilities denominated in other currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on settlement or translation are dealt with in the profit and loss account.

Taxation

Taxation, including foreign tax incurred, property tax and the portion of value-added tax payable relating to the funding of operating costs, is charged to the profit and loss account and that relating to sinking funds' expenditure and resort development capital expenditure is accounted for as part of such expenditure.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the accounting policies and the notes to the financial statements.

Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the company's financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below;

Useful economic lives of fixed assets

The annual depreciation of fixed assets is sensitive to changes in the estimated useful life and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on economic utilisation, technological advancements and the physical condition of the asset.

Impairment of debtors

The directors make an assessment at the end of each financial year of whether there is objective evidence that a debtor is impaired. When assessing impairment of debtors and other amounts receivable, the directors consider factors including the age profile of outstanding amounts receivable, recent correspondence and historical experience in cash collectors from debtors.

Notes to the Financial Statements (continued)

for the year ended 31st December, 2016

3. TAXATION	2016 €	2015 €
Deficit for the financial year before taxation	<u>(643,038)</u>	<u>(685,424)</u>
Deficit for the financial year before taxation multiplied by the standard rate of corporation tax in Isle of Man of 0% (2015: 0%)	-	-
Foreign corporation tax	(32,442)	239,050
Foreign value added tax	335,379	237,037
Property taxes	106,470	111,119
	<u>409,407</u>	<u>587,206</u>
4. DEFICIT FOR YEAR BEFORE TRANSFERS FROM RESERVES	2016 €	2015 €
The deficit for the financial year before transfers from reserves is stated after charging:		
Directors' fees	-	-
Key management compensation	573,816	493,696
Auditors' remuneration	39,500	39,500
Depreciation	1,104,610	1,062,149
	<u>1,717,926</u>	<u>1,635,345</u>
5. RESORT LAND AND BUILDINGS	2016 €	2015 €
Group:		
Cost:		
At 1st January	48,318,922	48,398,758
Realisation	21,436	(79,836)
At 31st December	<u>48,340,358</u>	<u>48,318,922</u>
Depreciation:		
At 1st January	19,094,122	18,156,915
Charge for financial year	937,207	937,207
At 31st December	<u>20,031,329</u>	<u>19,094,122</u>
Net Book Value:		
At 31st December	<u>28,309,029</u>	<u>29,224,800</u>

The cost of resort land and buildings represents the amount charged to the group by the developer of its resort, at Quinta do Lago, Algarve, Portugal, in respect of land, buildings, fixtures, fittings and villa contents up to the date of handover, 14 November 1995, together with the cost of subsequent additions to land and buildings. The realisation during the financial year represents an adjustment of certain costs capitalised during the resort's development phase.

Notes to the Financial Statements (continued)

for the year ended 31st December, 2016

6. OCCUPANCY RIGHTS	2016	2015
	€	€
Company:		
Cost:		
At 1st January	48,318,922	48,398,758
Realisation	21,436	(79,836)
At 31st December	<u>48,340,358</u>	<u>48,318,922</u>
Amortisation:		
At 1st January	19,094,122	18,156,915
Charge for year	937,207	937,207
At 31st December	<u>20,031,329</u>	<u>19,094,122</u>
Net Book Value:		
At 31st December	<u>28,309,029</u>	<u>29,224,800</u>

Cost represents amounts charged to the company for a right of occupancy granted to it by its wholly owned subsidiary undertaking, in respect of the group's resort. The realisation during the financial year represents an adjustment of certain costs referred to at Note 5.

7. OTHER TANGIBLE ASSETS

Group:	Resort Development
	€
Cost:	
At 1st January, 2016	2,894,300
Additions	187,362
At 31st December, 2016	<u>3,081,662</u>
Depreciation:	
At 1st January, 2016	2,538,581
Charge for financial year	167,403
At 31st December, 2016	<u>2,705,984</u>
Net Book Value:	
31st December, 2016	<u>375,678</u>
31st December, 2015	<u>355,719</u>

8. FINANCIAL FIXED ASSET

Company:	2016	2015
	€	€
Investment in subsidiary undertaking	<u>605,000</u>	<u>605,000</u>

At 31 December 2016, the company held the entire issued share capital of Min Leach-Propriedades e Turismo Lda, a company registered in Portugal, which is the registered owner of the group's resort land and buildings. All of the group's resort operations were transferred to the subsidiary undertaking, with effect from 3 January 2011.

Notes to the Financial Statements (continued)

for the year ended 31st December, 2016

9. STOCKS

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Membership weeks	74,294	95,188	74,294	95,188
Food and beverage	36,112	30,616	-	-
Miscellaneous	1,431	1,193	-	-
Mini Market	14,429	11,369	-	-
	<u>126,266</u>	<u>138,366</u>	<u>74,294</u>	<u>95,188</u>

There are no material differences between the replacement cost of stock and the balance sheet amount.

10. DEBTORS

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Trade debtors	140,806	109,188	7,260	-
Management fees receivable	10,825	36,738	10,825	36,739
Management fees with administration agent	317,436	459,867	317,436	459,867
Prepayments and accrued income	83,528	215,360	40,081	41,520
Tax Receivable	267,927	125,000	-	-
	<u>820,522</u>	<u>946,153</u>	<u>375,602</u>	<u>538,126</u>

11. CASH AT BANK AND IN HAND

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Balances at bank and in hand	6,865,960	6,573,446	5,657,939	5,910,950
Amount due to sinking funds (Note 12)	(1,164,009)	(1,309,886)	(1,164,009)	(1,309,886)
Cash and bank balances	<u>5,701,951</u>	<u>5,263,560</u>	<u>4,493,930</u>	<u>4,601,064</u>

12. SINKING FUNDS' ASSETS

	2016	2015
	€	€
Group and Company:		
Amount due from general funds (Note 11)	<u>1,164,009</u>	<u>1,309,886</u>

13. CREDITORS

(Amounts falling due within one financial year)

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Trade creditors	852,793	867,642	-	-
Accruals	1,082,401	1,070,409	156,805	131,254
Management fees in advance	3,340,369	3,030,020	3,298,587	3,030,020
Taxation and social insurance	105,407	101,483	69,100	69,100
Amount due to subsidiary undertaking	-	-	1,825,314	2,163,352
	<u>5,380,970</u>	<u>5,069,554</u>	<u>5,349,806</u>	<u>5,393,726</u>

Notes to the Financial Statements (continued)

for the year ended 31st December, 2016

14. CALLED-UP SHARE CAPITAL

	2016		2015	
	Authorised €	Issued €	Authorised €	Issued €
2 Ordinary Shares of Stg £1 each	3	3	3	3
100 Redeemable Preference Shares of Stg £1 each	142	142	142	142
	<u>145</u>	<u>145</u>	<u>145</u>	<u>145</u>

The issued ordinary share capital is held in trust for the company's members.

Profit & loss reserve represents cumulative profits and losses, less other adjustments.

15. CAPITAL RESERVES

Group and Company	Total €	Members' capital contributions €	Transfers from resort development fund €
Balances at beginning of financial year	29,576,030	29,224,800	351,230
Transfer from resort development fund (Note 16)	187,362	-	187,362
Transfer to profit and loss account	(1,100,121)	(937,207)	(162,914)
Transfer from profit and loss reserve	21,436	21,436	=
Balances at end of financial year	<u>28,684,707</u>	<u>28,309,029</u>	<u>375,678</u>

On admission to membership of the company, other than by way of transfer, each member subscribed a non-refundable capital contribution. All such contributions were taken to a capital reserve. An amount equivalent to the annual depreciation charge in respect of the group's resort buildings is transferred each year from this reserve to the profit and loss account.

Transfers are made to a capital reserve, from the resort development fund (Note 16), in relation to any capital expenditure financed by the fund. The capital reserve is released to the profit and loss account on the same basis as the related capital expenditure is depreciated.

Notes to the Financial Statements (continued)

for the year ended 31st December, 2016

16. SINKING FUNDS

Group and Company:	Total €	Villa Refurbishment & Renovation Fund €	Resort Development Fund €	Project Silver €
Balances at beginning of year	1,309,886	165,319	224,567	920,000
Transfer from profit and loss account	1,020,000	1,020,000	-	-
	<u>2,329,886</u>	<u>1,185,319</u>	<u>224,567</u>	<u>920,000</u>
Transfer to profit and loss account	(978,515)	(978,515)	-	-
Transfer to capital reserve	(187,362)	-	(124,962)	(62,400)
Balances at end of financial year	<u>1,164,009</u>	<u>206,804</u>	<u>99,605</u>	<u>857,600</u>

The transfer to profit and loss account of €978,515 (2015: €872,773) represents an amount equivalent to the costs.

The transfer to capital reserve of €187,362 (2015: €407,578) represents an amount equivalent to capital expenditure during the financial year financed by the resort development fund.

17. COMPARATIVE AMOUNTS

In the current financial year, some prior financial year figures have been restated for comparative purposes.

18. CAPITAL COMMITMENTS

At 31 December 2016, the group and the company had authorised and contracted for capital expenditure of €102,000 (2015: €107,870).

19. CORPORATE STATUS

The company is a public limited company, limited by guarantee and having a share capital, incorporated in the Isle of Man, with Registered Number 34821C. The company's issued share capital is held in trust for the members of the company, each of whom has guaranteed to contribute a maximum of Stg£10 in the event of the company being wound-up. Under its Memorandum and Articles of Association the company is prohibited from declaring dividends or distributing its income in any way.

Notes to the Financial Statements (continued)
for the year ended 31st December, 2016

20. FINANCIAL INSTRUMENTS

The carrying values of the group and company's financial assets and liabilities are summarised by category below

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Financial Assets				
Measured at undiscounted amounts				
receivable				
-Trade and other debtors (Note 10)	820,522	946,153	375,602	538,126
	<u>820,522</u>	<u>946,153</u>	<u>375,602</u>	<u>538,126</u>
Financial Liabilities				
Measured at undiscounted amount				
payable				
-Trade and other creditors (Note 13)	5,380,970	5,069,552	5,349,806	5,393,726
	<u>5,380,970</u>	<u>5,069,552</u>	<u>5,349,806</u>	<u>5,393,726</u>

Supplementary Information for Members
(not covered by the Independent Auditors' Report)

Detailed profit and loss account
for the year ended 31st December, 2016

	Schedules	2016 €	2015 €
INCOME			
Management fees		5,126,760	4,986,218
Rental income and commissions		346,771	315,970
Profit on sales of club weeks		149,888	89,478
Surplus on food and beverage trading	1	73,491	8,600
Resale commissions net of expenses		100,739	128,272
Car hire commissions		38,498	6,514
Interest receivable		4,931	5,236
Recovery of fees arrears of suspended members		17,120	39,793
Miscellaneous income		93,566	127,680
Surplus on mini market	3	30,060	32,641
		<u>5,981,824</u>	<u>5,740,402</u>
EXPENSES			
Villa expenses	4	994,615	978,656
Repairs and maintenance	5	877,083	762,848
Gardens and grounds expenses	6	208,567	226,050
Administration and general expenses	7	1,025,220	1,112,291
Deficit from miscellaneous trading activities	2	18,978	18,727
Bad debt recovery		-	(15,555)
Provision for bad debts		21,167	53,702
Provision for impairment of club weeks		32,175	39,273
Marketing expenses	8	418,063	417,313
Electricity and water		391,476	384,684
Security		142,219	138,635
Laundry		138,839	110,264
Infrastructures		163,447	160,296
Sporting and children's activities		109,888	103,720
Taxation		409,407	587,206
		<u>4,951,144</u>	<u>5,078,110</u>
OPERATING SURPLUS		1,030,680	662,292
Resort depreciation and refurbishment	9	(2,083,125)	(1,934,922)
DEFICIT FOR YEAR BEFORE TRANSFERS FROM RESERVES		(1,052,445)	(1,272,630)
Transfers from reserves	10	2,078,636	1,934,922
SURPLUS FOR YEAR AFTER TRANSFERS FROM RESERVES		1,026,191	662,292
Transfers to sinking funds		(1,020,000)	(650,000)
RETAINED SURPLUS FOR YEAR		<u><u>6,191</u></u>	<u><u>12,292</u></u>

Supplementary Information

for the year ended 31st December, 2016

SCHEDULE 1: FOOD AND BEVERAGE TRADING

	2016	2015
	€	€
Sales	928,291	839,943
Cost of sales	(246,047)	(238,033)
Gross profit	<u>682,244</u>	<u>601,910</u>
Overheads: -		
Salaries and related costs	514,455	507,092
Uniforms	2,707	1,909
Printing and stationery	18	43
Cleaning and paper supplies	11,070	11,579
China, glassware and cutlery	3,571	4,152
Kitchen fuel	26,843	24,424
Music and entertainment	30,325	29,285
Food and beverage supplies	2,168	2,434
Statutory health inspection	2,504	850
Miscellaneous	15,092	11,542
	<u>608,753</u>	<u>593,310</u>
Surplus for year	<u><u>73,491</u></u>	<u><u>8,600</u></u>

Supplementary Information
for the year ended 31st December, 2016

SCHEDULE 2: (DEFICIT) FROM MISCELLANEOUS TRADING ACTIVITIES

	2016 €	2015 €
Golf :-		
Receipts	717,846	721,792
Costs	(736,754)	(741,160)
Deficit	<u>(18,908)</u>	<u>(19,368)</u>
Telephone :-		
Receipts	4,507	5,718
Costs	(15,702)	(16,066)
Deficit	<u>(11,195)</u>	<u>(10,348)</u>
Miscellaneous :-		
Receipts	12,408	11,783
Costs	(1,283)	(794)
Surplus	<u>11,125</u>	<u>10,989</u>
Total Deficit	<u><u>(18,978)</u></u>	<u><u>(18,727)</u></u>

SCHEDULE 3: MINI MARKET

	2016 €	2015 €
Sales	221,377	204,342
Cost of sales	(143,606)	(133,603)
Gross profit	<u>77,771</u>	<u>70,739</u>
Overheads		
Payroll and related costs	47,208	37,329
Uniforms	150	527
Miscellaneous	353	242
Gross profit	<u>47,711</u>	<u>38,098</u>
Surplus for year	<u><u>30,060</u></u>	<u><u>32,641</u></u>

Supplementary Information
for the year ended 31st December, 2016

SCHEDULE 4: VILLA EXPENSES

	2016	2015
	€	€
Salaries and related costs	875,562	864,982
Cleaning and guest supplies	30,159	29,673
Replacement furniture and small equipment	9,826	2,521
Linen	13,748	11,833
China, glassware and cutlery	8,744	10,695
TV Licence/satellite subscription	16,526	16,526
Uniforms, printing and stationery	7,356	6,859
Miscellaneous	32,694	35,567
	<u>994,615</u>	<u>978,656</u>

SCHEDULE 5: REPAIRS AND MAINTENANCE

	2016	2015
	€	€
Salaries and related costs	486,621	459,124
Pool equipment and chemicals	35,895	30,649
General maintenance	58,193	29,927
Clubhouse maintenance	162,764	147,360
Electrical	34,993	10,230
Plumbing	10,846	5,284
Pump room maintenance	2,565	6,816
Paint and varnish	50,084	37,000
Miscellaneous	35,122	36,458
	<u>877,083</u>	<u>762,848</u>

Supplementary Information
for the year ended 31st December, 2016

SCHEDULE 6: GARDENS AND GROUNDS EXPENSES

	2016	2015
	€	€
Salaries and related costs	33,566	79,293
Other costs	175,001	146,757
	<u>208,567</u>	<u>226,050</u>

SCHEDULE 7: ADMINISTRATION AND GENERAL EXPENSES

	2016	2015
	€	€
Salaries and related costs	584,328	570,540
Printing and stationery	59,631	59,947
Telephone and postage	5,330	1,093
Travelling expenses	29,633	43,366
Credit card commissions	10,173	12,656
Insurance	69,163	62,069
Legal and professional fees	115,063	162,332
Bank charges	7,909	8,486
Computer services	22,097	40,006
Company secretarial and statutory administration	22,415	43,574
Management fees – administration costs	55,390	74,563
Audit fees	40,000	40,000
Currency adjustments	(24,468)	(35,123)
Miscellaneous	28,556	28,782
	<u>1,025,220</u>	<u>1,112,291</u>

Supplementary Information
for the year ended 31st December, 2016

SCHEDULE 8 : MARKETING EXPENSES

	2016 €	2015 €
Marketing		
Salaries and related costs	<u>73,570</u>	<u>61,126</u>
Other Expenditure		
Printing, stationery and postage	45	733
Resort advertising	90,698	108,290
Resort internet	380	180
Club bulletins	4,450	-
Miscellaneous	724	620
Travel market	2,144	665
	<u>98,441</u>	<u>110,488</u>
Members' discounts		
Car rental	15,536	18,252
Spa services	3,845	2,943
Golf green fees	27,828	29,713
Food and beverage	198,843	194,791
	<u>246,052</u>	<u>245,699</u>
Total Marketing Expenditure	<u><u>418,063</u></u>	<u><u>417,313</u></u>

Supplementary Information
for the year ended 31st December, 2016

SCHEDULE 9 : RESORT DEPRECIATION AND REFURBISHMENT

	2016	2015
	€	€
Resort buildings – depreciation	937,207	937,207
Resort development assets - depreciation	167,403	124,942
Resort buildings - villa refurbishment and renovation	978,515	872,773
	<u>2,083,125</u>	<u>1,934,922</u>

SCHEDULE 10 : TRANSFERS FROM RESERVES

	2016	2015
	€	€
Release of members' capital contributions	937,207	937,207
Release of resort development fund reserve	162,914	124,942
Release of sinking fund	978,515	872,773
	<u>2,078,636</u>	<u>1,934,922</u>



