

Cabana Beach Share Block Proprietary Limited

Registration No. 1965/004874/07



Annual Report

for the year ended 31 December 2019

Cabana Beach Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2019

COMPANY INFORMATION

Registration number: 1965/004874/07
Registered address: Palazzo Towers West
Montecasino Boulevard
Fourways
2055
Postal address: Private Bag X200
Bryanston
2021

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The following supplementary information does not form part of the annual financial statements and is unaudited:

- Detailed Levy Fund Operating Statement 25 - 26

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The annual financial statements have been audited as required by Section 30(2)(b)(1) of the South African Companies Act 71, of 2008. Mr Warren Whiteboy CA(SA), in his capacity as financial manager of Cabana Beach Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

Cabana Beach Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2019

My fellow shareholders, I am delighted to report on the 2019 year for our share block. Cabana Beach Resort ("Cabana Beach") is an iconic property on the uMhlanga beachfront. The property remains greatly sought-after, and this can be seen by the high occupancy all year-round. Shareholders and guests enjoy their holiday experience with friendly and helpful staff, all while overlooking the beautifully manicured grounds and the Indian Ocean, right on its doorstep.

Our guests are able to unwind and relax or be entertained with many energetic activities on offer. There is always something taking place and the tailored entertainment programme is designed to not only to keep children busy and occupied, but includes an element of learning so that a child while on holiday, has a memory of fun and excitement whilst having gained new knowledge. Our entertainment team is run by Mr Iain Moolman who is a tremendous asset to our resort and resort family.

Cabana Beach has again received many accolades and this past year has been a phenomenal year. In-house surveys show that owners and guests are very happy, and the financials show that the share block is financially very sound. Your board and management team are always ready and willing to take on new ideas and further improve our "home-away-from-home" experience. I am proud to say that all shareholders and guests receive a great product to enjoy.

Occupancy

2019 achieved a phenomenal occupancy of 93.3%, being an increase on the 92.5% recorded in 2018. This result is not only a testament to the popularity of the resort, but also an acknowledgment from shareholders that the product and its facilities are meeting the needs of the timeshare market.

Financial results for the year ended 31 December 2019

I refer shareholders to the statement of comprehensive income set out on page 13 which reflects the income and expenditure of the Company in a summarised format. The traditional detailed levy fund operating statement is set out on pages 25 to 26 and is presented as supplementary information. I will however refer to the detailed levy fund operating statement when commenting on the financial results for the year. The statement of comprehensive income for the year ended 31 December 2019 reflects total income, including net finance income of R78.416m (2018: R75.013m) and total expenditure of R56.016m (2018: R60.298m). The levy surplus for the year after taxation was R20.474m (2018: R12.812m) and was transferred to the reserve for property, plant and equipment which now stands at R60.481m (2018: R51.975m). A more detailed review of the income and expenditure variances follows:

Income

Total other income for the year included parking revenue, the unclaimed surplus on the sale of repossessed units as well as rental revenue. Rental pool and short-term income declined year-on-year due to the number of weeks placed in the rental options decreasing on prior year. Interest income increased by 9% against prior year due to additional funds being invested and at higher interest rates. This was achievable due to the delay in capital purchases.

Expenditure

Total expenditure for the year decreased by 7%. The loss of R7m due to a fraud was recognised during 2018. Most of the funds have been recovered from the employee and the insurers (refer note 17 on page 23). The adjusted increase in expense, excluding the above mentioned fraud, amounts to 5% year-on-year.

Rooms expenses:

Rooms expense increased by 6.1%, mainly due to the increases in Guest Entertainment and the replacement of Operating Equipment in the rooms.

Administration and general:

Expenditure decreased by R8.4m year on year mainly due to the fraud reported in 2018. Insurance excess was R274k higher in 2019 as compared to 2018 due to storm damage to rooms. Marketing increased by 80% year on year due to loyalty programme points earned by guests. Vehicles expenses was significantly higher due to the vehicle hire when the resort vehicle had been sent in for repairs.

Electricity, water and refuse:

Expenses recorded a 24% increase overall. Generator fuel was R120k higher compared to 2018 due to load shedding. Refuse was 18% higher than the prior year due to an increase in the prescribed minimum wage.

Repairs and maintenance:

Expenses increased by 31% year-on-year. Significant increases were identified in major repairs and maintenance for plant aircon service, winter service, water storage tank installation and recoating of bathtubs. Buildings was 64% higher than 2018 due to the cost of signage, Wi-Fi AP and shop repair.

Corporate charges:

Expenses reflected a decrease of 205% year-on-year mainly due to the derecognition of the CSOS Ombudsman provision that had been raised in prior years.

Management fee:

This fee remained flat on prior year in terms of the new management agreement.

Cabana Beach Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2019

Statement of the financial position

The statement of financial position which is detailed on page 14, together with the related notes thereto, reflects the financial position of Cabana Beach Share Block Proprietary Limited. The reserve for property, plant and equipment has increased to R60.481m (2018: R51.975m), while cash and cash equivalents increased to R79.898m (2018: R73.613m). Levies receivable increased to R514k (2018: R301k) whilst levies received in advance increased to R21.276m (2018: R20.726m). I take this opportunity to thank all shareholders who pay their levy obligations timeously. These funds are invested at favourable rates to benefit the share block and all shareholders.

Capital expenditure

Capital expenditure during 2019 increased to R17.619m against the expenditure of R5.288m spent in 2018. The following major capital expenditure was incurred during the year:

Lift Refurb	R3,638,396
Linen Room refurb	R3,504,774
Cooling tower Towers	R1,428,306
Restaurant Refurb	R 941,667
Lift landing furniture	R 677,392
Pool loungers	R 672,690
Beds	R 658,068
GM Quarters	R 558,219
Surveillance system - cameras	R 466,298
Heat pumps	R 459,191
Wooden poles, brackets and pergolas	R 254,503
Lift Interior	R 221,180

2021 Levy budget

As is the case each year, levies for the following year are approved at the August Board meeting. The Directors have resolved not to increase levies, thereby keeping the 2021 levy the same as 2020. Furthermore, for the weeks affected by the lockdown period, the Directors resolved to offer shareholders an option to either continue banking their week in exchange for 100% SunSwop points, or unbank their week and receive a 25% credit against their 2020 levy account.

Resort update

The borehole continues to be of great benefit to our property and it has greatly reduced municipal water consumption and created exceptional savings. The yield is still excellent and since the installation of a water filtration system, is suitable and safe for drinking. Grey water from backwashing the system as part of the ongoing maintenance programme and is used around the property for irrigation and washing vehicles.

The new restaurant, BelléZAR has been completed and has since received great reviews. The beach café style restaurant offers a great variety of food types at value-for-money prices, from breakfast to dinner. The deck space is ideal for dolphin watching, lazy afternoon drinks or just a relaxing getaway to enjoy the spectacular views. The venue has become a popular destination for both in-house guests and patrons from the promenade.

The new family pool shopfronts have been replaced with bronze aluminum windows, giving the area a new and fresh look, whilst maintaining the Mediterranean character of the building. The lifts have been completed and the feedback from guest on both the look and feel and ride experience has been very positive. A swimming pool marshal is on duty at the family swimming pool during holiday periods to monitor and control behavior for safety of all. The swimming pool marshal is not a life guard, so please continue to look after yourselves and your children while in the swimming pool area.

Your board is currently discussing several changes and new designs for the resort. There is still a lot to consider and discuss however, the process is underway to confirm the best design for all. These ideas include newly renovated lift lobbies, the refurbishing of both pools, a new walkway, the painting of the building and the refurbishment of the rooms. The primary focus will be on the outdoor guest experience to ensure the resort pools and grounds remain world class. The proposed designs and discussions have been exciting, and I am looking forward to the changes to come. More projects are being discussed and I am sure Mr Olivier will elaborate at the AGM.

SunSwop and RCI Affiliation

As mentioned in the 2018 annual report, RCI became affiliated with our team at SunSwop and took over the exchange service process from Interval International. This has proved to be very successful and the SunSwop team has been amazing during this transitional process. RCI continues to provide international exchange resort options and provides a greater number of local exchange options for members.

Vacation Ownership Association of South Africa (VOASA)

For new owners and as a reminder, VOASA is a self-regulatory member-based trade association for the shared vacation ownership industry in South Africa. It exists to protect consumer rights and commit to ongoing growth in the timeshare industry, in a positive and organized manner. Our share block remains a member of VOASA with Mr Anthony Ridl representing our share block on the VOASA board.

Cabana Beach Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2019

General

The development of Oceans uMhlanga came to a grinding halt in 2018 with no clear indication as to when work will commence again. The actual completion date also remains unconfirmed. Our property, together with the other properties along the lower strip of uMhlanga, still suffer from dust and the uncertainty of the Oceans uMhlanga project. I welcome you all to attend our AGM at 14h00 on 28th October 2020, to be held at the resort. Should you find yourself unable to attend, please complete and return the form of proxy enclosed in the annual report on page 5 and your proxy to vote will be recorded for the meeting.

Conclusion

Our iconic building stands strong and proud because of the people who look after her and keep her well maintained. For that, I thank our managing agent, Southern Sun Resorts/Tsogo Sun, for their attention to detail, efficient service, passion for our resort offering, friendliness and for always striving to go the extra mile for our shareholders and guests. The dedication and commitment is phenomenal and I thank the team very much for maintaining the good standard of Cabana Beach. I extend my appreciation to my fellow Directors Messrs Dickson, Fritz, More, Ramsarup, Ridl and Van Rooyen, for their time, energy, professionalism and guidance this past year.

We have accomplished great things. I wish you all a prosperous year ahead.



A handwritten signature in black ink, which appears to read 'W. Liebenberg'.

William ("Bill") Liebenberg

CHAIRMAN

Notice is hereby given to the shareholders of the Company that the Annual General Meeting ("AGM") of the Company will be held on **Wednesday, 28 October 2020 at 14h00 at Cabana Beach Resort, 10 Lagoon Drive, uMhlanga** for the purposes of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions set out hereunder, and considering any other matters raised by shareholders at the AGM.

1. Receipt and adoption of annual financial statements and reports

Ordinary resolution 1: Resolved as an ordinary resolution to receive and adopt the annual financial statements of the Company for the financial year ended 31 December 2019, together with the reports of the Directors, the independent auditors thereon, and further to receive the reports of the audit committee, the social and ethics committee, contained in the annual report of the Company for the financial year ended 31 December 2019, and tabled at the meeting at which this resolution was proposed.

2. Appointment of auditors

Ordinary resolution 2: Resolved as an ordinary resolution upon the recommendation of the Board that BDO South Africa Inc. ("BDO") be and are hereby appointed as independent auditors of the Company until the conclusion of the next AGM of the Company.

3. Election of Directors

The Board is limited by the memorandum of incorporation ("MOI") to not less than three (3) and not more than seven (7) Directors in number. **It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the timesharers be received by no later than 14h00 on Monday, 26 October 2020 at the registered office of the Company or email address. Nominations must be in writing with the name of the proposer and seconder and be accompanied by the acceptance of such nomination by the nominee and their curriculum vitae ("CV").**

Ordinary resolution 3.1: Resolved as an ordinary resolution that Ms Anthea Dickson who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.2: Resolved as an ordinary resolution that Mr Roy Fritz who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.3: Resolved as an ordinary resolution that Mr William Liebenberg who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.4: Resolved as an ordinary resolution that Mr Robert More who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.5: Resolved as an ordinary resolution that Mr Ajith Ramsarup who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.6: Resolved as an ordinary resolution that Mr Anthony Ridl who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.7: Resolved as an ordinary resolution that Mr Johannes van Rooyen who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

4. Appointment of audit committee

Ordinary resolution 4.1: Resolved as an ordinary resolution that Ms Anthea Dickson be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

Ordinary resolution 4.2: Resolved as an ordinary resolution that Mr Ajith Ramsarup be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

Ordinary resolution 4.3: Resolved as an ordinary resolution that Mr Anthony Ridl be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

5. Approval of insured value of property

Ordinary resolution 5: Resolved as an ordinary resolution the recommended insured value of the property, as tabled at the meeting at which this resolution was proposed, be and is hereby approved.

6. Non-executive Directors' fees

Special resolution 1: Resolved as a special resolution that R8,000 (Vat payable, to the extent applicable to this remuneration) payable to the non-executive Directors of the Company for their services as Directors of the Company and as members of the sub-committees, per meeting or cluster of meetings, in respect of the period from 29 October 2020 until the next AGM of the Company, and tabled at the meeting at which this resolution was proposed, be and is hereby approved.

The reason for and effect of this special resolution:

In terms of Section 66(8) of the South African Companies Act 71, of 2008, the Company may pay remuneration to its Directors for their service as Directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by the shareholders within the previous two (2) years. Section 66(12) requires that any particular Director appointed to more than one (1) committee of the Company, be calculated only once. Directors will be entitled to be paid attendance fees/emoluments in respect of the above period.

Subject to the provisions of the Companies Act 71, of 2008, no business shall be transacted at any AGM unless a quorum of shareholders is present at the time when the meeting proceeds to business. The quorum at any AGM shall be no less than three (3) shareholders present, holding at least five percent (5%) of the share capital and voting rights, personally or by proxy, and who are entitled to be exercised at the meeting.

In the event of a quorum not being present within half-an-hour of the appointed time for the meeting to begin, the AGM will be automatically adjourned for one (1) business day, to Thursday, 29 October 2020 and if at such adjourned meeting a quorum is not present within half-an-hour of the start time, the shareholders there present in person or by proxy shall be deemed to constitute the necessary quorum.

For an ordinary resolution to be adopted by shareholders at the AGM, it must be supported by more than fifty-percent (50%) of the voting rights in favour of such a resolution. For a special resolution to be adopted by shareholders at the meeting, it must be supported by more than sixty-percent (60%) of the voting rights in favour of such a resolution.

The record date for determining shareholder's voting rights is 15 October 2020.

Any shareholder entitled to attend and vote, is entitled to appoint a proxy to attend, vote and speak in his/her stead, and such proxy need not be a shareholder of the Company. **Forms of proxy should be forwarded to reach the registered office of the Company, for the attention of the company secretary, by no later than 14h00 on Monday, 26 October 2020. A form of proxy is enclosed on page 5 for this purpose.**

By order of the Board
Southern Sun Secretarial Services Proprietary Limited
27 July 2020

Cabana Beach Share Block Proprietary Limited
 Registration Number: 1965/004874/07
 ("the Company")

Registered Office
 Palazzo Towers West
 Montecasino Boulevard
 Fourways, 2055

Private Bag X200
 Bryanston, 2021
 Telephone: (031) 561 2204
 Facsimile: (031) 561 7334

Email: Resorts.companysecretarialservices@tsogosun.com

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Wednesday, 28 October 2020 at 14h00 at Cabana Beach Resort, 10 Lagoon Drive, uMhlanga.**

Form of proxy

I/We, being the shareholder/s of ordinary shares in the Company,
 with right of use of unit, week, hereby appoint:

1., or failing him/her,
2., or failing him/her,
3. The chairman of the AGM.

As my/our proxy to vote for me/us on my/our behalf at the AGM of the Company, to be held on the above-mentioned date and at any adjournment thereof as follows:

	In Favour Of	Against	Abstain
Ordinary resolution 1: Receipt and adoption of annual financial statements and reports - Year ended 31 Dec 2019			
Ordinary resolution 2: Appointment of auditors			
Ordinary resolution 3: Election of Directors			
3.1 Anthea Dickson			
3.2 Roy Fritz			
3.3 William Liebenberg			
3.4 Robert More			
3.5 Ajith Ramsarup			
3.6 Anthony Ridl			
3.7 Johannes van Rooyen			
Ordinary resolution 4: Appointment of audit committee			
4.1 Anthea Dickson			
4.2 Ajith Ramsarup			
4.3 Anthony Ridl			
Ordinary resolution 5: Insured value of property			
Special resolution 1: Non-executive Directors' fees			

Signed at this day of 20.....

Signature assisted by (where applicable)

Unless otherwise instructed, specifically as above, the form of proxy will vote, as the appointee deems fit.

Any alteration or correction made to this form of proxy (excluding the deletion of alternatives and excluding the deletion of singular/plural alternatives) must be initialled by the signatory/ies. **Documentary evidence establishing the authority of a person signing this form of proxy in an appointee/representative capacity (e.g. on behalf of a company, close corporation, body corporate or trust) must be attached to this form, failing which the proxy will be invalid.**

The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so. Any shareholder entitled to attend and vote, is entitled to appoint a proxy to attend, vote and speak in his/her stead and such proxy need not be a shareholder of the Company.

Forms of proxy should be forwarded to reach the registered office of the Company, for the attention of the company secretary, by no later than 14h00 on Monday, 26 October 2020.

Cabana Beach Share Block Proprietary Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2019

The Directors and management are responsible for the preparation, integrity and fair presentation of the annual financial statements of Cabana Beach Share Block Proprietary Limited. The annual financial statements presented on pages 13 to 24 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the South African Companies Act 71, of 2008.

The Directors and management are also responsible for maintaining the Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Directors and management have the responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position, financial performance and cash flows of the Company to enable the Directors to ensure that the annual financial statements comply with the relevant legislation. The Directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the Company at year-end.

The going concern basis has been adopted in preparing the annual financial statements. Based on the cash flow forecasts, available cash resources and the other measures the Company has taken, the Directors and management are of the opinion that the Company has sufficient resources to continue operations as a going concern in a responsible and sustainable manner in the foreseeable future.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the COVID-19 pandemic on the Company's operations and liquidity was considered. The Directors have assessed the cash flow forecasts together with the other actions taken or proposed by management and are of the view that the Company has sufficient liquidity to meet its obligations and to counteract possible losses that may result from the COVID-19 impact on the Company's operations in the next financial year.

While the Company supports government's efforts to safeguard the health of citizens, the prolonged lockdown has had and will continue to have a devastating impact on the South African economy in general and the Southern African travel and tourism industry and its employees. No industry can survive extended periods without revenue. We welcome the recent announcement by President Cyril Ramaphosa of the move to risk level 3 and appeal to government to continue to open the economy as quickly as possible, with due regard for safety.

The Company's external auditors, BDO South Africa Incorporated ("BDO"), audited the annual financial statements and their report is presented on pages 11 and 12.

Approval of annual financial statements

The annual financial statements set out on pages 13 to 24 were approved by the Board of Directors on 27 July 2020 and are signed by:



WH Liebenberg
Chairman



AB Ramsarup
Director (chairman - audit committee)

Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of Cabana Beach Share Block Proprietary Limited that for the year ended 31 December 2019, the Company has filed all required returns and notices in terms of the South African Companies Act 71, of 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.



MJ Mahloele
For Southern Sun Secretarial Services Proprietary Limited

Cabana Beach Share Block Proprietary Limited

Report of the Audit Committee for the Year Ended 31 December 2019

The audit committee has pleasure in submitting this report, as required by Section 94 of the South African Companies Act 71, of 2008. The audit committee is an independent statutory committee appointed by the shareholders at each Annual General Meeting ("AGM").

1. Members of the audit committee

The members of the audit committee comprise three independent non-executive Directors being Ms Anthea Dickson, Mr Ajith Ramsarup (Chairman) and Mr Anthony Ridl.

2. Frequency of meetings

The audit committee met twice during the financial year under review. Provision is made for additional meetings to be held, when and if necessary.

3. Attendance

The external auditors, in their capacity as auditors to the Company, attended and reported to the meetings of the audit committee. Relevant senior managers attended the meeting by invitation.

4. Duties of the audit committee

The work of the audit committee during the year focused on:

- 4.1 Evaluating the independence and effectiveness of, and the fees and terms of engagement of, the external auditors;
- 4.2 Ensuring that the appointment of the auditor complies with the provision of the South African Companies Act and any other legislation relating to the appointment of auditors;
- 4.3 Approving of external audit and internal audit plans;
- 4.4 Determining, subject to the provisions, the nature and extent of any non-audit services that the auditor may provide to the Company;
- 4.5 Reviewing of prospective accounting standard changes;
- 4.6 Evaluating financial reporting procedures;
- 4.7 Reviewing of and recommending to the Board for approval of the annual financial statements;
- 4.8 Assessing of the internal control environment, particularly in relation to the system on internal financial controls; and
- 4.9 Performing such other oversight functions as may be determined by the Board.

5. Independence of external auditors

The audit committee has satisfied itself that the external auditor is independent of the Company, as set out in Section 94(8) of the South African Companies Act 71, of 2008. Requisite assurance was provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.



AB Ramsarup

Chairman

27 July 2020

Cabana Beach Share Block Proprietary Limited

Report of the Social and Ethics Committee

The social and ethics committee ("the committee") of Cabana Beach Share Block Proprietary Limited is a statutory committee which is governed by the South African Companies Act, guided by King IV, and includes all other responsibilities allocated to it by the board.

Role of the committee

The committee ensures that the resorts' energy, water, and waste management programmes are:

- effective;
- ensures good corporate citizenship;
- monitors employee engagement and development; and
- ensures that health and public safety remains a focus.

Social and economic development

The committee assists its local community through various initiatives. This year we identified four pillars that we focused on and wish to do so in the future namely youth, the aged, abused or abandoned animals and lastly the environment. These are sustainable initiatives where we have seen a difference since our involvement.

Youth

Waterloo Primary School has been a key focus area for many years. The resort continues to support the school and assisted in repairs of water drinking stations. Volunteers from the area continue to support the pupils and school through a reading programme and wherever else possible.

Aged

The committee supported Pro Deo Care Group who provides care and assistance to the aged. They supply home based care, equipment and clinic services to individuals who do not have the financial or physical support.

Abused / Abandoned Animals

The resort homes 3 cats through the Feral Cat Association as part of a rehabilitation program. We hope to adopt a few more cats in the coming year as we sadly lost two beloved cats of ours.

Environment

The committee strives to achieve its goals to make a difference in the local community. Local beach cleanup events are arranged by the resort and third party organisations in the community. The resort has adopted the slogan "Take 3 For the Sea", an Australian based initiative to change behavior and pick up waste where ever you are.

Other

In support of the local community Cabana Beach Resort has started its very own market whereby local marketers can sell or display their goods. By this we not only offer support to these vendors but also offer a unique experience to our guests.

Corporate citizenship - CSI/sustainability

The committee has a strong regard for corporate citizenship which highlights its social, cultural and environmental responsibility and sustainability. Local CSI initiatives are not only supported through donations of time and written-off operating equipment, but training and guidance in order for the initiatives supported, to better sustain themselves.

Environmental health & public safety

The committee ensures that the resort's energy, water and waste programmes are effective and contribute towards its goal of sustainability.

The organisational resilience management system ("ORMS"), implemented by Southern Sun Resorts throughout all its properties, is a comprehensive management system that records plans and systems relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the effects on the business. The committee is proud that it continues to excel in this area. The Tsogo Crisis Call Centre is available to all properties in the Tsogo Sun Group, to assist with immediate assistance relating to guest & resort emergencies.

Guest relations & correspondence

Guest feedback is of utmost importance. For this reason, the electronic eGuest satisfaction survey system is carefully managed, monitored and individually responded to on a daily basis. Other forms of feedback are derived from social media platforms such as Facebook, google reviews and TripAdvisor. The resort won numerous awards including TripAdvisor Travellers Choice 2019 - Best Family Hotel in South Africa, RCI Gold Crown 2019 and Lilizela. We are proud to report that we have maintained our four-star status issued by the Tourism Grading Council of South Africa.

Labour, employment relations, training & BBBEE

Cabana Beach Resort complies with the Labour Relations Act of South Africa. All employees are treated equally and employee engagement is monitored. Management assists in developing, maintaining and improving employee relationships through communication, performance management, processing grievances and/or disputes. Staff at the resort are continuously trained and further developed where possible. Cabana Beach Resort is linked to the BBBEE rating of the Tsogo Sun Group, which is a level one BBBEE contributor.

Strategic plans

A legal matter involves an objection to the change in the municipal category rating imposed by the eThekweni Municipality. The property rating category was changed from a residential category to a commercial category. This objection process is ongoing.

BelléZAR Beach Café opened its doors towards the last quarter of the year. They continue to make improvements to the venue and they are receiving positive reviews and feedback from both our owners and local supporters. BelléZAR is a welcomed enhancement to the property.

Composition and functioning

The committee comprises Mr. Barend Olivier and the following Directors: Mr. Robert More, Mr. Roy Fritz and Mr. John Van Rooyen. Additional board members are invited to attend meetings and resort staff assist wherever possible. The committee meets twice a year and holds comprehensive meetings.

Activities of the committee

The committee is focused on ensuring that the resort's environmental programme has a strong approach to energy, water and waste management. Energy and water consumption is monitored by a live system that updates management before wastage may occur. Any abnormal activities that would deviate from the targets set are highlighted immediately. Many initiatives are in place and the sinking of the borehole has contributed immensely. The waste management programme at Cabana Beach Resort is controlled by Don't Waste Services and is also tracked through a live system. Waste separation and recycling is of key importance. Guests and staff are continuously encouraged and reminded that their contribution to good environmental practices can impact largely on this programme.

Employees are the resorts' most valuable asset and there is a sustained effort in training and developing the employees. The training programme is run by Tsogo Sun Academy and it is not only offered to make staff more proficient in their current roles, but to also inspire them to grow further with new and exciting responsibilities.

Barend Olivier
CHAIRMAN

Cabana Beach Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2019

The Directors present their annual report of the Company for the year ended 31 December 2019.

1 Business activity

The Company owns the land and buildings known as Cabana Beach Resort which are utilised by the shareholders on a timeshare basis with respective shareholders' time interest being apportioned through the issue of shares according to share block regulations. These regulations provide for the following:

1. Shares are issued in predefined blocks which are linked by a use agreement relating to specific units during specific weeks of the year;
2. Linked to the respective share blocks, are obligations on the share block shareholders to make loans to the Company; and
3. Obligations on share block shareholders to contribute levies to enable the Company to defray its expenditure.

2 Financial results

The financial results of the Company are set out in the attached annual financial statements.

In accordance with the provisions of the Share Blocks Control Act, and in common with other timeshare operations in South Africa, the Company has, since its inception as a share block company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and major repairs to property, plant and equipment have been charged against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R20,474,495 (2018: R12,812,487) was transferred to the reserve for property, plant and equipment.

No dividends have been declared during the year and none are recommended (2018: R Nil).

3 Share capital

The authorised and issued share capital has remained unchanged.

4 Insurance

The resort buildings and their contents are insured at current replacement values under an all-risk policy. In addition, Sasria (Riot) cover has been arranged for the sum insured. The Company does not insure personal belongings of the individual timesharers.

The Company does not guarantee the provision of alternative accommodation in the event of a disaster and does not take out insurance for this.

5 Directors and secretary

The Directors in office during the year under review and at the date of this report are:

AL Dickson *	
RP Fritz ^	
WH Liebenberg	Chairman
RA More ^	
AB Ramsarup *	
AN Ridl *	(Alternate MN Ridl - appointed 9 May 2019)
JPF van Rooyen ^	Appointed 11 September 2019
DP Viljoen ^	Retired 11 September 2019

* Audit committee members

^ Social and ethics committee members

The secretary of the Company is Southern Sun Secretarial Services Proprietary Limited, whose business and postal addresses are:

Business:

Palazzo Towers West
Montecasino Boulevard
Fourways
2055

Postal:

Private Bag X200
Bryanston
2021

Cabana Beach Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2019

6 Management

The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited.

7 Material events after year-end and going concern

Covid-19 status and action plan

Since implementation of the national lockdown on 27 March 2020, the Company has been in close communication with its employees, suppliers and tenants in order to arrive at mutually sustainable operating solutions during these extraordinarily difficult times. The Company has implemented the following steps to reduce costs and preserve cash:

- **Reduction of payroll burden:** The Company has implemented the temporary layoff of employees and has had to materially reduce pay for all levels, including executive management. The Company will continue to operate on skeleton staffing levels until demand returns. In addition, employee recruitments and training have been placed on hold while salary increases and accrued bonus settlements have been deferred. In order to alleviate the cash flow burden on both the Company and its employees, applications have been submitted for: UIF TERS grants; pension and medical aid fund contribution holidays for a period of three months; as well as SDL payment holidays;
- **Suppliers:** The Company has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the Company and while we currently continue to meet these obligations, the Company is lobbying government through industry bodies, to grant a deferral or payment holiday. Contractual variable costs with suppliers have been reduced to nil until trading resumes by extending the period of the contracts; and
- **Reduction/delay in capital expenditure:** The Company has taken the decision to delay all non-essential capital expenditure however, where the funds are available, it makes operational sense to complete some of the more disruptive work while there is no impact on our guests. For this reason, some of the refurbishment work will continue from risk level 3 and onwards.

Inter-provincial travel is vital for the timeshare industry, and the Company has been actively lobbying through industry bodies for the earliest relaxation of these travel restrictions.

Due to the extended lockdown and closure of the resort, the enforced social distancing regulations and restrictions on gatherings, the resort is likely to be operationally restructured. In anticipation of the reopening, the Company has a number of health protocols and control measures already in place, to safeguard employees and guests through employee training programmes, the availability and use of personal protective equipment, sanitation, hygiene resources and screening methods. Hygiene processes will be followed and social distancing will continue to be respected.

The COVID-19 pandemic and subsequent lockdown of the economy on 27 March 2020, and in particular the hospitality sector, has had a profound impact on the industry. The measures taken by government to limit the spread of COVID-19 and the resultant inability of travellers to travel both inter-provincially and internationally will limit the demand for rooms in the 2020 financial year. The impact of COVID-19 is expected to have a longer-term impact on the hospitality industry and it is expected that recovery will be slow.

Management has prepared an analysis that the Company could operate without income and meet its obligations from existing resources for a period longer than 12 months from approval of the annual financial statements. As a result, no material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The Directors are of the opinion that the COVID-19 pandemic and subsequent lockdown of the economy are non-adjusting events and have no impact on the financial results for the year ended 31 December 2019. The Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or in the annual financial statements, that would affect the financial position of the Company or the results of its operations significantly.

Cabana Beach Share Block Proprietary Limited

Report of the Independent Auditors

To the shareholders of Cabana Beach Share Block Proprietary Limited

Opinion

We have audited the financial statements of Cabana Beach Share Block Proprietary Limited (“the Company”) set out on pages 13 to 24, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cabana Beach Share Block Proprietary Limited as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA’s”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Subsequent Event and Going Concern

Without qualifying our opinion, we draw attention to Note 19 in the financial statements which describes the subsequent events related to COVID-19.

Refer to Note 19 in the financial statements, where the Directors do not consider that Covid-19 will have a material impact on the ability of the Company to continue as a going concern because management has prepared an analysis that the entity could operate without income and meet its obligations from existing resources for a period longer than 12 months from approval of the financial statements. As a result, the Company concluded that no material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled “Cabana Beach Share Block Proprietary Limited annual financial statements for the year ended 31 December 2019”, which includes the Directors’ Report as required by the Companies Act of South Africa and the detailed levy fund operating statement. The other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Cabana Beach Share Block Proprietary Limited

Report of the Independent Auditors

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO South Africa Inc

BDO South Africa Incorporated

Registered Auditors

A Timol

Director

Registered Auditor

27 July 2020

5A Rydall Vale Office Park
38 Douglas Saunders Drive
La Lucia, 4051

Cabana Beach Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 R	2018 R
Income		72 186 947	69 320 490
Levy income		67 584 766	64 054 639
Other income		4 602 181	5 265 851
Expenses		(56 015 652)	(60 298 087)
Levy surplus before interest and taxation	3	16 171 295	9 022 403
Finance income	4	6 228 993	5 692 587
Levy surplus before taxation		22 400 288	14 714 990
Income tax expense	5	(1 925 793)	(1 902 503)
Levy surplus for the year		20 474 495	12 812 487

Cabana Beach Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 R	2018 R
ASSETS			
Non current assets			
Fixed deposits held with bank	11	12 000 000	24 000 000
Total non current assets		12 000 000	24 000 000
Current assets			
Trade and other receivables	6	10 177 593	8 674 508
Levies receivable	10	513 862	300 540
Fixed deposits held with bank	11	62 700 000	42 500 000
Cash and cash equivalents	12	5 178 133	7 113 276
Total current assets		78 569 588	58 588 324
Total assets		90 569 588	82 588 324
EQUITY			
Capital and reserves			
Share capital	9	400 000	400 000
Reserve for property, plant and equipment	7	60 481 039	51 974 971
Total equity		60 881 039	52 374 971
LIABILITIES			
Current liabilities			
Trade and other payables	8	6 504 915	7 585 012
Levies received in advance	13	21 257 842	20 725 840
Current tax liabilities		1 925 792	1 902 501
Total current liabilities		29 688 549	30 213 353
Total liabilities		29 688 549	30 213 353
Total equity and liabilities		90 569 588	82 588 324

Statement of Changes in Equity for the Year Ended 31 December 2019

	Note	2019 R	2018 R
Share capital			
Ordinary shares at beginning and at year-end	9	400 000	400 000
Reserve for property, plant and equipment			
At beginning of year		51 974 971	37 429 139
Loss due to fraud	17	-	5 613 084
Recovery of funds fraudulently misappropriated	17	5 650 439	1 408 229
Levy surplus for the year		20 474 495	12 812 487
Property, plant and equipment additions and replacements during the year	7	(17 618 866)	(5 287 968)
At year-end		60 481 039	51 974 971

Cabana Beach Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2019

	2019	2018
	R	R
Cash flow from operating activities		
Levy surplus before taxation	22 400 288	14 714 990
Adjustments for:		
Interest received	(6 228 993)	(5 692 587)
Recovery of funds fraudulently misappropriated	5 650 439	1 408 229
Loss due to fraud	-	5 613 085
Non cash items		
- Movement in exchange fee rebate	-	(40 809)
Net surplus before working capital changes	21 821 734	16 002 908
Changes in working capital		
- Movement in levies receivable	(213 322)	(60 815)
- Movement in trade and other receivables	(1 503 085)	(2 975 126)
- Movement in levies received in advance	532 002	1 151 336
- Movement in trade and other payables	(1 080 097)	778 829
Cash flows from operating activities	19 557 232	14 897 132
Interest received	6 228 993	5 692 587
Tax paid	(1 902 502)	(1 598 158)
Net cash inflow from operating activities	23 883 723	18 991 561
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(17 618 866)	(5 287 968)
Movement in fixed deposits held with bank	(8 200 000)	(11 500 000)
Net cash outflow from investing activities	(25 818 866)	(16 787 968)
Net movement in cash and cash equivalents	(1 935 143)	2 203 593
Cash and cash equivalents at beginning of year	7 113 276	4 909 683
Cash and cash equivalents at year-end	5 178 133	7 113 276

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities ("IFRS for SMEs") and the South African Companies Act 71, of 2008. The annual financial statements have been prepared on the historical cost basis unless otherwise indicated in the policies set out below.

The accounting policies are consistent with previous periods.

The preparation of annual financial statements in conformity with IFRS for SMEs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. During the current year, there were no areas involving a high degree of judgement or complexity, or areas where assumption and estimates are significant to the annual financial statements.

1.2 Reserve for property, plant and equipment

Normal maintenance expenditure is written-off against the statement of comprehensive income.

A reserve for capital expenditure in respect of additions and replacements of property, plant and equipment is provided. This reserve is intended to provide for the expenditure incurred. Transfers are made to and from this reserve, having regard to surpluses, if any, in the statement of comprehensive income and to amounts expended in respect of property, plant and equipment. The right of use of all property, plant and equipment is vested in the shareholders.

All proceeds on the disposals of property, plant and equipment are credited to the statement of comprehensive income.

1.3 Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.4 Financial instruments

Fixed deposits held with bank are recognised when the Company becomes a party to the contractual provisions of the respective instrument and are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest. Fixed deposits held with bank are recognised initially at fair value and subsequently measured at amortised cost. Fixed deposits held with bank are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership. Interest income from these term deposits is included in finance income using the effective interest rate method.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Such provision is established when there is evidence that the Company will not be able to collect the full amount owing. The provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. Bad debts are written-off in the year during which they are identified.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Gains and losses on subsequent measurement of financial instruments are reflected in the statement of comprehensive income.

1.5 Cash and cash equivalents

Cash and cash equivalents include deposits held on call with banks. These are reflected in the statement of financial position and statement of cash flows at cost.

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

1.6 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

Special levy revenue is recognised when raised.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Rental income from tenants are disclosed net of the related management fee.

Other sundry revenue is recognised when it is earned.

1.7 Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be established.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

1.8 Equity

Ordinary shares are classified as equity.

1.9 Current taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial year-end date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

1.10 Retirement benefits

The Company participates in two defined contribution plans, the assets of which are held in a separate trustee-administered fund. The Company pays fixed contributions into a separate entity. Contributions are charged to the statement of comprehensive income in the year to which they relate. The Company has no further payment obligations once the contributions have been paid. The Pension Fund Act of South Africa governs the defined contribution plans. All permanent employees are required to belong to the defined contribution plans.

2 Financial risk management

Capital management

All costs associated with the maintenance of the resort, including the refurbishment of the property and replacements of movable property, plant and equipment, are financed out of levies from shareholders.

Financial risk factors

The financial risks to which the Company is exposed include liquidity, credit and interest rate risk.

Liquidity risk

In terms of the use agreements associated with the shares of the Company, shareholders are obliged to contribute levies sufficient to cover the costs of the maintenance, upkeep, control and management of the resort.

In order to manage the liquidity requirements of the Company, a rolling 10-year capital replacement and refurbishment plan is maintained and reviewed regularly by the Directors. This plan provides for the orderly refurbishment of the property and maintenance of sufficient contingency reserves, based on increases in annual levies.

The financial instruments to which the Company is exposed represent bank balances and accounts receivable and payable in respect of the operation of the levy fund. Accounts payable are generally settled within 30 days. The carrying values of the financial instruments approximate fair value.

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

2 Financial risk management (continued)

Credit risk

Credit risk arises from bank balances and amounts due from shareholders. There is no significant concentration of credit risk on amounts due by shareholders.

The Company invests surplus cash on deposit and on call only with the four largest South African banking institutions.

Credit risk arising from levy amounts due is managed by close monitoring of outstanding balances and prompt repossession of defaulting units through the exercise of a lien on shares as provided in the memorandum of incorporation of the Company.

In terms of the Company's accounting policies, levies receivable are recognised in the statement of financial position only when the right to occupation arises.

Interest rate risk

The Company is exposed to interest rate risk to the extent that interest rates on bank balances with financial institutions may vary. As a matter of practice, adverse interest rate risk is minimised by conservative budgeting.

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019 R	2018 R
3 Levy surplus before interest and taxation		
The levy surplus before interest and taxation is stated after taking into account the following:		
Employee costs		
- salaries, wages and benefits	12 643 082	11 767 751
- contributions to retirement funds	988 489	902 353
Management fees	3 334 489	3 187 340
Audit fees	177 000	164 500
Loss due to fraud	-	7 047 764
Professional, legal and internal audit fees	4 831	205 619
Other operating expenses	38 867 761	37 022 760
	56 015 652	60 298 087
4 Finance income		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	6 228 993	5 692 587
	6 228 993	5 692 587
5 Income tax expense		
Provision is made for Company taxation on the net non-levy income of the levy fund.		
No tax is payable on levy income from the shareholders in terms of section 10(1)(e) of the Income Tax act.		
Current year	1 925 793	1 902 503
	1 925 793	1 902 503
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
6 Trade and other receivables		
Trade receivables (refer note 15)	431 374	469 654
Other receivables	1 222 183	571 745
Interest receivable	5 430 928	5 620 361
Prepayments (refer note 15)	3 093 108	2 012 748
	10 177 593	8 674 508
7 Reserve for property, plant and equipment		
At beginning of year	51 974 971	37 429 139
Loss due to fraud	-	5 613 084
Recovery of funds fraudulently misappropriated	5 650 439	1 408 229
Levy surplus for the year	20 474 495	12 812 487
	78 099 905	57 262 939
Property, plant and equipment additions and replacements during the year	(17 618 866)	(5 287 968)
At year-end	60 481 039	51 974 971

The Directors have reviewed a forward estimate, prepared by management, of the costs of property, plant and equipment additions and replacements over the next 10 years.

The Directors have approved capital expenditure of R19,073,915 for 2020 (2018: budgeted capital expenditure of R19,029,728 for 2019) which it is anticipated will increase the budgeted reserve fund by R2,486,595 (2018: decrease the budgeted reserve fund by R4,249,801 for 2019). There were no capital commitments made at year-end (2018: R nil).

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019 R	2018 R
8 Trade and other payables		
Trade payables (refer note 15)	3 685 832	1 724 205
Other payables		
Accruals (refer note 15)	1 808 572	3 200 283
Provision for auditors remuneration	177 000	163 000
Receiver of revenue - Vat	163 612	1 208 175
Sundry payables (refer note 15)	669 899	1 248 540
Exchange fee rebate	-	40 809
	6 504 915	7 585 012
9 Share capital		
Authorised and issued		
40,000,000 Class "A" ordinary shares of 1 cent each	400 000	400 000
10 Levies receivable		
Levy debtors	499 355	184 869
Repossessed debtors	31 994	122 137
Provision for repossessed debtors	(17 487)	(6 466)
- Opening balance	(6 466)	(25 424)
- Movement	(11 021)	18 958
	513 862	300 540
11 Fixed deposits held with bank		
Fixed deposits held with bank - long term	12 000 000	24 000 000
Fixed deposits held with bank - short term	62 700 000	42 500 000
	74 700 000	66 500 000
12 Cash and cash equivalents		
Bank balances	5 146 782	7 070 445
Cash on hand	31 351	42 831
	5 178 133	7 113 276
13 Levies received in advance		
Levies received in advance	21 257 842	20 725 840

Shareholders are billed 6 months in advance and this represents levies received in advance (for the future year) that have been received at the end of the financial year.

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019	2018
	R	R

14 Property, plant and equipment

The Company complies with the SAICA Guide on Financial Reporting for Share Block Companies with respect to the treatment of property, plant and equipment. In terms of the SAICA Guide the right of use of property, vested with the shareholders, has been offset against the loan from shareholders with the balance transferred to the reserve for property plant and equipment.

Land and buildings comprise the following property:

Lots 623, 637 and 643, Umhlanga Rocks Township, Kwa-Zulu Natal with buildings thereon, known as Cabana Beach Resort. The Company has granted to the eThekweni Municipality, a beach amenity servitude over the property.

Land and buildings were originally purchased for R7,623,913 and are not recognised. Although the Company has legal title to the property, it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the municipality at R298,000,000 for rates purposes. There are no bonds on the property.

15 Related party transactions

The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited ("SSHI"). The Company is charged the following fees in terms of the management agreement:

Short-term rentals	93 421	95 260
Rental pool	223 790	230 317
Management fee	3 334 489	3 187 340
Central accounting and levy collection	2 836 592	2 711 413

SSHI provides management services in respect of leases of the commercial areas to third party tenants. The fee for this service is a fixed percentage of gross rentals received by the Company.

Tenants management fee	2 198 619	1 734 594
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Southern Sun Timesharing Proprietary Limited ("SST") is the accredited rental and resale services provider. During the financial year the Company received the following fee in terms of the management agreement:

Commission on resale and rental of weeks - SST	(185 976)	(177 470)
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Share Registry Management Services Proprietary Limited ("SRMS") provides an exclusive transfer of shares service to shareholders. During the financial year the Company (received)/paid the following fees in terms of the management agreement:

Commission on transfer of ownership - SRMS	(75 276)	(70 711)
Secretarial fees on repossessed debtors and use agreement fees - SRMS	54 391	62 503

During the financial year the Company paid membership fees to SunSwop (a division of SSHI), which was affiliated to Interval International.

SunSwop exchange services	167 961	1 985 673
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During the financial year the Company paid the following SSHI internal charges:

- Administration - Information technology, tenanting, industrial relations, training, etc	409 804	262 618
- Training related	199 745	56 640
- Frequent guest loyalty program	28 235	8 984

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019 R	2018 R
15 Related party transactions (continued)		
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Southern Sun Group, including the Company. These costs, which include insurance, certain maintenance and operating lease contracts are recovered from the Company via a loan account. The balance of the loan account is as follows:		
Due (to)/by SSHI and its subsidiaries:		
- included in receivables (refer note 6)	211 032	43 687
- included in payables (refer note 8)	(146 781)	(741 410)
	64 251	(697 723)
The Company received rental income from SST for the letting of office space:		
Rental income - SST	(126 206)	(128 442)

During the year, the Company concluded a bulk deal with a related party, selling repossessed units, in order to reduce the level of repossessed units and to secure future levy collection.

The following club, SunSwop (a division of SSHI), purchased repossessed units from the Company as follows:

	Number of units	Price paid R
SunSwop (a division of SSHI)	34	251 304

SSHI own units in the Company as follows:

	Number of units	Levies paid R	Levies received in advance R
SunSwop (a division of SSHI) - 2019 shareholding	142	787 830	63 950
SunSwop (a division of SSHI) - 2018 shareholding	108	609 390	54 730

The following entities, related through common directorship, own units in the Company as follows:

2019 - shareholding

	Number of units	Levies paid R	Levies received in advance R
AL Dickson - Dream Vacation Club	581	3 831 600	639 580
AB Ramsarup - The Leisure Holiday Club	164	1 382 480	240 850
AN Ridl - Club Leisure Group	687	4 423 350	1 022 640

2018 - shareholding

	Number of units	Levies paid R	Levies received in advance R
AL Dickson - Dream Vacation Club	575	3 515 150	747 530
AB Ramsarup - The Leisure Holiday Club	219	1 301 880	380 640
AN Ridl - Club Leisure Group	684	4 154 170	1 513 870

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019	2018
	R	R
16 Directors' emoluments		
Directors have been remunerated an agreed upon fee per meeting attended for their services to the Company. In addition, Directors are reimbursed for costs incurred whilst performing the Company's business. Further, the Directors are insured for medical costs and personal accident. The Directors are also covered by insurance taken out by the Company as indemnification against all liability of any Director towards the Company in respect of any negligence, default, breach of duty or breach of trust.		
Directors' emoluments paid for the year:		
AL Dickson	40 000	8 000
RP Fritz	40 000	8 000
WH Liebenberg	40 000	8 000
RA More	40 000	8 000
AB Ramsarup	40 000	8 000
AN Ridl	40 000	-
DP Viljoen	32 000	8 000
JPF van Rooyen	8 000	-
	280 000	48 000
The Board approved fees to be paid to the Director who was involved in the negotiation of the new management agreements with SSHI. Fees were paid for the personal time spent and expenses incurred during the negotiation process.		
Fees paid for the year:		
DP Viljoen	-	49 967
17 Fraud		
The Directors wish to update shareholders on the fraud matter that was discovered by management in 2018, whereby management discovered that fraudulent payments were made to fictitious suppliers. The Company had received no goods or services in return for all fraudulent payments made. A criminal case was opened with the South African Police Services Commercial Crimes Unit. The case is currently being heard at the Durban Magistrates Court with a trial commencement date set for September 2020. The suspect has repaid a portion of the funds which were fraudulently misappropriated. The Company's insurer has approved the entire amount of the loss as a fidelity claim, subject to the excess deduction of R250,000.		
Recovery of funds fraudulently misappropriated	(5 650 439)	(1 408 229)
Excess paid to insurer on fidelity claim	250 000	-
Loss due to fraud	-	7 047 764
- fraudulent payments made prior to 2018	-	5 613 084
- fraudulent payments made in 2018	-	566 550
- Input Vat claimed	-	868 129
Insurance claim submitted - pending review	-	5 639 535

Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2018 Restated R	2018 R
18 Comparative figures		
Certain comparative figures have been reclassified. The effects of the reclassification is as follows:		
Statement of financial position		
Non current assets		
Fixed deposits held with bank	24 000 000	-
Current assets		
Fixed deposits held with bank	42 500 000	-
Cash and cash equivalents	7 113 276	73 613 276
Statement of cash flows		
Movement in fixed deposits held with bank	(11 500 000)	-
Cash and cash equivalents at beginning of year	4 909 683	59 909 683
Cash and cash equivalents at year-end	7 113 276	73 613 276

19 Subsequent events and going concern

Covid-19 status and action plan

Since implementation of the national lockdown on 27 March 2020, the Company has been in close communication with its employees, suppliers and tenants in order to arrive at mutually sustainable operating solutions during these extraordinarily difficult times. The Company has implemented the following steps to reduce costs and preserve cash:

- **Reduction of payroll burden:** The Company has implemented the temporary layoff of employees and has had to materially reduce pay for all levels, including executive management. The Company will continue to operate on skeleton staffing levels until demand returns. In addition, employee recruitments and training have been placed on hold while salary increases and accrued bonus settlements have been deferred. In order to alleviate the cash flow burden on both the Company and its employees, applications have been submitted for: UIF TERS grants; pension and medical aid fund contribution holidays for a period of three months; as well as SDL payment holidays;
- **Suppliers:** The Company has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the Company and while we currently continue to meet these obligations, the Company is lobbying government through industry bodies, to grant a deferral or payment holiday. Contractual variable costs with suppliers have been reduced to nil until trading resumes by extending the period of the contracts; and
- **Reduction/delay in capital expenditure:** The Company has taken the decision to delay all non-essential capital expenditure however, where the funds are available, it makes operational sense to complete some of the more disruptive work while there is no impact on our guests. For this reason, some of the refurbishment work will continue from risk level 3 and onwards.

Inter-provincial travel is vital for the timeshare industry, and the Company has been actively lobbying through industry bodies for the earliest relaxation of these travel restrictions.

Due to the extended lockdown and closure of the resort, the enforced social distancing regulations and restrictions on gatherings, the resort is likely to be operationally restructured. In anticipation of the reopening, the Company has a number of health protocols and control measures already in place, to safeguard employees and guests through employee training programmes, the availability and use of personal protective equipment, sanitation, hygiene resources and screening methods. Hygiene processes will be followed and social distancing will continue to be respected.

The COVID-19 pandemic and subsequent lockdown of the economy on 27 March 2020, and in particular the hospitality sector, has had a profound impact on the industry. The measures taken by government to limit the spread of COVID-19 and the resultant inability of travellers to travel both inter-provincially and internationally will limit the demand for rooms in the 2020 financial year. The impact of COVID-19 is expected to have a longer-term impact on the hospitality industry and it is expected that recovery will be slow.

Management has prepared an analysis that the Company could operate without income and meet its obligations from existing resources for a period longer than 12 months from approval of the annual financial statements. As a result, no material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The Directors are of the opinion that the COVID-19 pandemic and subsequent lockdown of the economy are non-adjusting events and have no impact on the financial results for the year ended 31 December 2019. The Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or in the annual financial statements, that would affect the financial position of the Company or the results of its operations significantly.

Cabana Beach Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2019

	2019 R	2018 R
INCOME		
Levies	67 584 766	64 054 639
Rental pool	380 492	360 924
Short term rentals	831 912	858 438
Sale of capital assets	49 071	43 931
Net non-levy income		
- parking, telephone, rentals and penalties, etc	3 340 706	4 002 558
	72 186 947	69 320 490
EXPENDITURE		
Rooms expenses		
Guest entertainment	1 736 887	1 486 436
Guest supplies	868 614	842 070
Laundry	2 740 221	2 601 417
DSTV	682 265	687 294
Personnel costs		
- outside services	6 046 120	6 139 578
Pest control	38 338	34 941
Plants and decorations	7 350	19 976
Printing and stationery, including reception	298 181	319 860
Replacement of cutlery, crockery, linen, towels, uniforms, etc	1 293 644	875 465
Security services	2 206 269	1 989 910
	15 917 889	14 996 947
Administration and general		
Audit fees		
- current year	177 000	164 500
Bank charges	29 317	31 308
Central accounting and levy administration fees	2 836 592	2 711 413
Corporate social initiatives	88 857	64 648
Credit card commission	272 157	263 812
Directors' emoluments	280 000	48 000
Information technology costs	947 343	951 344
Insurance		
- premium	288 109	285 082
- excess	275 000	1 093
- claim	(37 898)	-
Internal audit fees	56 934	57 834
Legal fees	(77 228)	74 786
Licences and permits	89 826	72 024
Loss due to fraud	-	7 047 764
Loss on repossessed debtors	21 072	26 434
Marketing	99 442	55 386
Postage	4 885	684
Professional fees	25 125	72 999
Provision for repossessed debtors	11 021	(18 958)
Railage, cartage and hire transport	20 237	3 031
Security		
- banking services	24 434	21 099
Subscriptions	55 551	49 610
SunSwop exchange service	167 961	1 985 673
Telephone	97 778	152 219
Travel		
- management and Directors	110 256	74 492
Vehicles		
- fuel and oil	55 313	15 460
	5 919 084	14 211 737

Cabana Beach Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2019

	2019 R	2018 R
Electricity, water and refuse		
Electric bulbs	49 563	41 950
Electricity	3 898 353	3 283 039
Generator fuel	119 929	-
Refuse	286 631	242 554
Water	685 305	512 680
	5 039 781	4 080 223
Repairs and maintenance		
Air-conditioning	59 296	75 695
Buildings	535 272	326 838
Electrical and mechanical	254 740	161 032
Elevators	123 058	313 187
Engineers tools	3 100	6 257
Furniture and fixtures	190 244	94 721
Gardens and grounds	593 298	538 121
Major repairs and maintenance	883 754	390 482
Office machines		
- maintenance contracts	49 176	30 725
Painting and redecorating	61 210	69 983
Plumbing and heating	123 474	106 817
Radio and TV	46 782	15 043
Room care	413 460	363 080
Swimming pool cleaning and repairs	55 490	50 819
Switchboard	970	43 377
Vehicles	59 673	5 714
Vingcard	34 431	65 822
	3 487 428	2 657 713
Capital charges		
Annual report and statutory costs	(175 032)	166 533
Municipal rates and sewerage	8 860 442	8 327 490
	8 685 410	8 494 023
Personnel costs		
Rooms	6 854 266	6 474 762
Administration and general	3 643 505	3 436 736
Repairs and maintenance	3 133 800	2 758 606
	13 631 571	12 670 104
Management fee	3 334 489	3 187 340
Total expenditure	56 015 652	60 298 087
Excess of income over expenditure before finance cost and taxation	16 171 295	9 022 403
Finance income		
Interest income	6 228 993	5 692 587
Excess of income over expenditure before taxation	22 400 288	14 714 990
Taxation		
- current	1 925 793	1 902 503
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	20 474 495	12 812 487

Cabana Beach Share Block Proprietary Limited

Minutes of the Annual General Meeting of Shareholders for the Year Ended 31 December 2018, held on Wednesday 11 September 2019 at 13h06, at Holiday Inn Sandton, 123 Rivonia Road, Sandton

1 WELCOME AND PREAMBLE

The Chairman of the Company, Mr William Liebenberg, welcomed all shareholders present. The Chairman advised that the meeting was convened in terms of the notice of the annual general meeting ("AGM"), dated 13 May 2019.

The Chairman introduced his fellow Directors, Ms Anthea Dickson, Messrs. Roy Fritz, Robert More, Ajith Ramsarup, Anthony Ridl and Deon Viljoen. A number of shareholders provided apologies for being unable to attend the AGM and had submitted their forms of proxy in their absence.

2 QUORUM

The Chairman noted that shareholders personally present or represented by proxy, constituted more than 23.6% of total shares. With the required quorum being present, comprising at least three (3) shareholders present and holding at least 5% of the share capital, the Chairman declared the AGM duly constituted.

3 NOTICE OF MEETING

With all shareholders present consenting, the notice of meeting dated 13 May 2019 was taken as read.

4 VOTING

The Chairman informed the meeting that voting on the resolutions be taken by means of a show of hands for ordinary resolutions 1, 2, 4, 5, 6 and special resolution 1, and by means of a poll, for resolutions under 3. Accordingly, this was agreed by the meeting.

5 ADOPTION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The Chairman presented the annual financial statements for the year ended 31 December 2018, together with the reports of Directors, the independent auditors thereon, and the reports of the audit committee, and the social and ethics committee, as contained in the annual report of the Company.

ORDINARY RESOLUTION 1

The Chairman proposed ordinary resolution 1, as set out in the notice convening the meeting, relating to the receipt and adoption of the annual financial statements and accompanying reports contained in the annual report of the Company for the financial year ended 31 December 2018. There were no questions or comments on the resolution.

It was unanimously RESOLVED that the annual financial statements for the year ended 31 December 2018 be and is hereby approved and adopted.

6 APPOINTMENT OF AUDITORS

ORDINARY RESOLUTION 2

The Chairman proposed ordinary resolution 2, as set out in the notice convening the meeting, relating to the appointment of SizweNtsalubaGobodo Grant Thornton ("SNG Grant Thornton") as the independent auditors of the Company until the conclusion of the next AGM of the Company. There were no queries or comments on the resolution.

It was unanimously RESOLVED that SNG Grant Thornton be and is hereby appointed as the independent auditors of the Company for the ensuing year.

7 DIRECTORS

The Chairman reported that, in terms of the Company's memorandum of incorporation ("MOI"), the Board is limited to seven (7) Directors in number. He explained that the Directors retire at this meeting, but being eligible, are available for re-election, except for Mr Viljoen who had decided to retire at this meeting.

Cabana Beach Share Block Proprietary Limited

The Chairman explained the nomination process and noted that the Directors standing for re-election included Ms. Anthea Dickson and Messrs. Roy Fritz, William Liebenberg, Robert More, Ajith Ramsarup, and Anthony Ridl.

Prior to this meeting, a nomination on behalf of Messrs. John Lee, John van Rooyen and Dr. Mahomed Fazel Mia was received, all of whom had consented to the nomination and submitted a copy of their CV. It was confirmed that the nominees Mr van Rooyen and Dr Mia, and their proposers, were present in person. Mr Lee had provided apologies and was present in proxy, and his proposer was present. Mr van Rooyen and Dr. Mia introduced themselves and provided brief summaries on their expertise and experience. Mr Lee's proposer, Mr Liebenberg, provided a brief summary on Mr Lee's expertise and experience. The Chairman explained the voting process and invited the Directors eligible for re-election, to introduce themselves and give a summary of their expertise, which they did. Consequently, there were nine (9) nominations for seven (7) Board vacancies.

The Chairman referred shareholders to the ballot form they were handed and mentioned that Mr John Lee would replace Mr Viljoen on ordinary resolution 3.7 and that Mr John van Rooyen would become resolution 3.8 and Dr. Mahomed Fazel Mia, resolution 3.9. No objections were recorded.

7.1 ORDINARY RESOLUTION 3.1

The Chairman proposed ordinary resolution 3.1, as set out in the notice convening the meeting, relating to the re-election of Ms Anthea Dickson, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

7.2 ORDINARY RESOLUTION 3.2

The Chairman proposed ordinary resolution 3.2, as set out in the notice convening the meeting, relating to the re-election of Mr Roy Fritz, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

7.3 ORDINARY RESOLUTION 3.3

The Chairman proposed ordinary resolution 3.3, as set out in the notice convening the meeting, relating to the re-election of Mr William Liebenberg, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

7.4 ORDINARY RESOLUTION 3.4

The Chairman proposed ordinary resolution 3.4, as set out in the notice convening the meeting, relating to the re-election of Mr Robert More, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

7.5 ORDINARY RESOLUTION 3.5

The Chairman proposed ordinary resolution 3.5, as set out in the notice convening the meeting, relating to the re-election of Mr Ajith Ramsarup, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

7.6 ORDINARY RESOLUTION 3.6

The Chairman proposed ordinary resolution 3.6, as set out in the notice convening the meeting, relating to the re-election of Mr Anthony Ridl, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

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7.7 ORDINARY RESOLUTION 3.7

The Chairman proposed that ordinary resolution 3.7, as set out in the notice convening the meeting, relating to the election of Mr Deon Viljoen be replaced with Mr John Lee, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

7.8 ORDINARY RESOLUTION 3.8

The Chairman proposed ordinary resolution 3.8, relating to the election of Mr John van Rooyen, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

7.9 ORDINARY RESOLUTION 3.9

The Chairman proposed ordinary resolution 3.9, relating to the election of Dr. Mahomed Fazel Mia, as a Director. There were no questions or comments on the resolution.

The Chairman requested that shareholders complete their ballot form in respect of this resolution.

He proposed that the meeting continue while the ballot forms were being counted, which was approved.

8 APPOINTMENT OF AUDIT COMMITTEE

The Chairman reported that, in terms of the Company's MOI, the Company is required at each AGM to elect an audit committee, comprising at least three (3) members. Without the final count of voting for resolutions 3.1-3.9, the appointment of the audit committee was deferred until later in the meeting.

9 APPOINTMENT OF SOCIAL AND ETHICS COMMITTEE

ORDINARY RESOLUTION 5

The Chairman noted that the election of the social and ethics committee members by shareholders was not a requirement of the Companies Act and advised that the members would be elected by the Board at the next Board meeting.

10 INSURED VALUE OF PROPERTY

The Chairman proposed ordinary resolution 6, as set out in the notice convening the meeting, relating to the insured value of the property. The Chairman mentioned that, as approved by the Directors in terms of the use agreement and as recommended by the independent quantity surveyors, Brian Heineberg and Associates, the insured value for Cabana Beach Resort be R685,237,963. Buildings are valued at R593,598,646 and furniture, fittings and equipment are valued at R91,639,317. There were no questions or comments.

It was unanimously RESOLVED that the insured value of the property be and is hereby approved.

11 NON-EXECUTIVE DIRECTORS' FEES

SPECIAL RESOLUTION 1

The Chairman proposed special resolution 1, as set out in the notice convening the meeting, relating to the approval of the fees payable to non-executive Directors for their services as Director, in respect of the period from 12 September 2019 until the next AGM of the Company.

It was RESOLVED that in terms of the provisions of section 66(9) of the Companies Act 71, of 2008, R8,000 payable to the non-executive Directors of the Company, for their services as Directors and/or members of the Board, sub-committees, or cluster of meetings, in respect of the period from 12 September 2019 until the next AGM of the Company, be and is hereby approved.

Cabana Beach Share Block Proprietary Limited

12 OTHER BUSINESS

GENERAL MANAGER PRESENTATION AND REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Mr Olivier welcomed all to the AGM and mentioned that he had served as general manager of Cabana Beach Resort for one year and had been with the Tsogo Sun Group since 2002. He commenced his presentation on what had taken place at the resort over the past year and what initiatives were celebrated by staff and guests during the period. In summary, Mr Olivier mentioned the following:

- Projects and upgrades completed during the year;
- Old staff toilets on each floor were converted to satellite linen areas, for more productive and efficient housekeeping service;
- The re-commencement of the Oceans uMhlanga development, scheduled for completion by December 2020;
- CSI initiatives and support given during the year;
- Ongoing support and donations towards Waterloo Primary School and an additional contribution made towards the building of a school library and computer room;
- Great focus on recycling and the reduction of total waste sent to landfill sites;
- Organisational Resilience Management System (“ORMS”) audit results;
- Employee long service awards and recognition of staff members; and
- Tripadvisor ranked the resort the 4th Best Property in the uMhlanga area, 1st in the category of Family Resorts, 5th in the category of Value for Money and 16th in the category, Top Hotel in South Africa.

The shareholders applauded the outstanding achievements and results.

The floor was made available to the shareholders for comments and queries. The following was discussed:

- Delay and subsequent progress of the lift refurbishment project, which should be completed by mid-October 2019;
- The cost of outside services, Prestige Housekeeping contract, being increased by 22% due to the legislative government wage increase publication;
- Noise and disruption concern of constant and ongoing refurbishment projects. Refurbishment projects are planned over a 10-year period and executed in stages depending on necessity, feasibility, access to areas, disturbance and so on. Rooms occupancy averaged around 97% which put the resort under much strain and caused great wear and tear; and
- Canopies at the entry walkway to be replaced within the next 5-years, to ensure safety of pedestrians during inclement weather.

The pending fraud case was raised and Mr Whiteboy advised that the resort’s previous financial controller, who was employed for 32-years, had falsified capital expenditure documentation and created invoices, falsified signatures of authority as well as stamps so that the required documentation and payments looked legitimate. She held a position of seniority and executed the fictitious payments between large payments relating to major refurbishment projects. Budget schedules were also manipulated by over budgeting to show savings in a particular project, while she expensed lower amounts to a fictitious vendor, that were more difficult to detect. The amounts were relatively small however a large sum accumulated over a period of years.

Controls have since been improved and additional controls are implemented. Mr Olivier scrutinized each invoice and payment transaction through the Company’s banking institute, which too has a process for account verification when a vendor was loaded as a beneficiary for payment. The risk was mitigated.

An approved insurance claim, less the excess amount and the employee’s pension fund, amounting to R1.4m, was signed over to the share block against the loss. The total loss of R7m will reflect as redeemed the following year. Mr Whiteboy advised that the matter was taken very seriously and that a criminal case was underway, with the assistance of the national prosecuting authority, the Hawks. The employee and her husband were arrested and charged. The matter would soon go to trial and Mr Whiteboy was confident that the accused would spend time in jail as money laundering was added to the original charge and carries a minimum of a 15-year prison sentence.

The Chairman thanked shareholders for their comments and adjourned the meeting until the election results were tallied.

13 ELECTION OF DIRECTORS

The meeting reconvened and the Chairman called on Mr Whiteboy to confirm the results of the poll process and the elected Directors for the ensuing year. Mr Whiteboy recorded the election of Messrs. William Liebenberg, Roy Fritz, Robert More, Ajith Ramsarup, Anthony Ridl, John van Rooyen and Ms Anthea Dickson. The Chairman congratulated the Directors and welcomed them to the Board.

Cabana Beach Share Block Proprietary Limited

14 APPOINTMENT OF AUDIT COMMITTEE

14.1 ORDINARY RESOLUTION 4.1

The Chairman proposed ordinary resolution 4.1, as set out in the notice convening the meeting, relating to the election of Ms Anthea Dickson as a member of the Company's audit committee. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Ms Anthea Dickson be and is hereby elected as a member of the Company's audit committee.

14.2 ORDINARY RESOLUTION 4.2

The Chairman proposed ordinary resolution 4.2, as set out in the notice convening the meeting, relating to the election of Mr Ajith Ramsarup as a member of the Company's audit committee. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Mr Ajith Ramsarup be and is hereby elected as a member of the Company's audit committee.

14.3 ORDINARY RESOLUTION 4.3

The Chairman proposed ordinary resolution 4.3, as set out in the notice convening the meeting, relating to the election of Mr Anthony Ridl as a member of the Company's audit committee. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Mr Anthony Ridl be and is hereby elected as a member of the Company's audit committee.

15 CLOSURE

The Chairman thanked Mr Vijoen for his years of service on the Board and welcomed Mr van Rooyen to the Board. There being no further business, the Chairman thanked his fellow Directors and shareholders for their attendance and declared the meeting closed at 11h39.

Chairman

