

Drakensberg Sun Chalets Share Block Proprietary Limited

Registration no:1988/002500/07



Annual Report

for the year ended 31 December 2019

Drakensberg Sun Chalets Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2019

COMPANY INFORMATION

Registration number: 1988/002500/07
Registered address: Palazzo Towers West
Montecasino Boulevard
Fourways
2055
Postal address: Private Bag X200
Bryanston
2021

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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 Drakensberg Sun Chalets Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

Drakensberg Sun Chalets Share Block Proprietary Limited

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

On behalf of your board of Directors, it is my pleasure to report on the operation, developments and financial position of Drakensberg Sun Chalets Share Block, for the year 2019. The timeshare industry landscape portrayed another challenging year in 2019. The shrinking economy continues to starve discretionary expenditure. Despite ongoing tough economic times your board and our management team continue to maintain the high standard that we have grown accustomed to at Drakensberg Sun.

The property as a whole is looking superb and remains an amazing location to unwind and enjoy the good clean air and pure bliss that the mountains have to offer. Drakensberg Sun remains one of the most sought-after holiday destinations in South Africa and it is thanks to your Directors, the management team at Southern Sun Resorts/Tsogo Sun and our passionate members of staff who maintain the great standard, friendly service and welcoming atmosphere.

Resort update

We welcome Burgess Landscapes who took over from Cathkin Landscapes in providing the landscaping services at the resort. Cathkin Landscapes owner, Hannes Rossouw has decided to focus all his efforts on the Equestrian Center that is located on the property. Burgess who started on the 1 July is a well-established company that also manages various other Tsogo Sun Properties in KZN. They bring with them a vast amount of experience an expertise and we look forward to seeing a positive change in the gardens and grounds.

After 7 years of providing entertainment at the resort, Top Gear Promotions decided not to renew their contract. I thank Tony and Veronique for the splendid job they have done in keeping guests entertained for the last seven years and wish them everything of the best in their new venture. It gives me great pleasure to welcome the new contractor, Clive Napier Enterprises (CNE) to the Drakensberg Sun Resort. CNE already provides entertainment at sister properties, Cabana Beach Resort and Sabie River Sun Resort and has been in the entertainment business for well over thirty years. I wish them a long and fruitful partnership with the Resort.

2019 was also the year that management embarked on planning and putting together a program to refurbish various areas of the resort over the next couple of years. Most of the year was spent planning the various phases of this program that will include the Chalets, Public Areas, Gardens and Grounds, Back of House areas and the electrical and water infrastructure. Before the end of this period work was completed on renewing the driveway paving at the entrance of the chalets, replacement of the main water supply line to the Chalets, upgrades to various electrical distribution boards, staff change rooms, staff restaurant and the main kitchen. With this out of the way the next period is intended to be spent on finalizing the designs for the refurbishment of the Chalets and the public areas. The team has been well briefed on the current shortcomings of the chalets and we hope to adequately address these in the new design. We look forward to presenting a mock up room for your perusal in the near future.

The road from Winterton to the resort is in constant need of repair and once completed, will provide a much easier and less stressful drive to the resort. The management team continues to apply pressure to the Roads Department and I thank the team for their perseverance in this regard. The condition of the road will again, be suitable for all types of vehicles and will be much safer drive without having to negotiate and swerve for large potholes.

For your safety, the resort strongly urges that you do not venture out onto the trails without first notifying the entertainment desk. It is in your best interest to sign out when you leave the resort and to sign back in when you return. This is a safety precaution that is taken very seriously by the resort so that a search party knows where to find you should something unforeseen happen while you are out on the walk/hike. The safety of all is of paramount concern and for this reason, the resort also does not condone hikers going out alone. Please work with the staff to make your walk/hike an enjoyable and trouble-free experience.

Your board reviews all income and expenditure very closely and much deliberation takes place at each board meeting, on how to further reduce expenditure and how to improve sources of income for the share block. It is an ongoing task for management to: improve and extend marketing channels to grow the sales and rentals of our chalets; work in conjunction with the apartments and hotel entity on the property for rentals and sales; approach other and new markets to attract entertainment, sporting events and other business to the area and in turn to our resort; attractively package repossessed units for quicker resale so as to reduce the increasing list of repossessions and outstanding levies.

Occupancy

Drakensberg Sun is strategically located in the heart of Central Drakensberg. Many owners and guests visit the resort to enjoy the fresh air, superb scenery of the mountains, the peace and quiet, and to take the opportunity to slow down, unwind and recharge. Our resort offers many great facilities such as hiking, cycling, boating and fishing, amongst others, for all to enjoy.

2019 experienced a slight decrease in occupancy against the prior year and ended the year on 78.5% (2018: 80.5%).

Financial results for the year ended 31 December 2019

The statement of comprehensive income as set out on page 13 of the annual financial statements reflect income and expenditure of the Company in a summarised format. As was the case last year, the detailed levy fund operating statement, which is not audited and presented as supplementary information only, appears on pages 24 and 25 and will be referred to when I comment on the financial results for the year.

The statement of comprehensive income and expenditure for the year ended 31 December 2019 reflects total income, including net finance income of R14.341m (2018: R13.401m) and total expenditure of R11.067m (2018: R10.363m). The levy surplus after taxation was R3.076m (2018: R2.864m) and this has been transferred to the reserve for property, plant and equipment. Below is a more detailed review of variances in income and expenditure:

Drakensberg Sun Chalets Share Block Proprietary Limited

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

Income

Total income increased by 7% year-on-year, mainly due to the net finance income increase of 14% due to additional funds being invested for longer periods and yielding a higher return. Short term rental income decreased by R140k against the previous year.

Expenditure

Total expenditure of R11.067m (2018: R10.363m) reflected an increase of 6.8% year-on-year and a more detailed review of the expenditure is recorded below:

- **Rooms** expenditure increased by 7.2% compared to 2018. Replacement of cutlery and crockery increased by R40k to ensure equipment is adequate.
- **Administration and general** charges reflected a 11.1% increase year-on-year, primarily due to the provision for repossessed units being increased by R376k due to an increase in the number of repossessed units.
- **Electricity, water and refuse** reflected a year-on-year increase of 8.3%, mainly due to the increase in consumption of diesel for the generator because of power failures/ load shedding.
- **Repairs and maintenance** reflected an increase of 19.1% compared to 2018 due to additional maintenance needed to be done on the property. This included the high-pressure cleaning of all sewerage lines.
- **Corporate charges** reflected a decrease of 22.8% year-on-year due to the reversal of unused provision.

Statement of financial position

The statement of financial position, detailed on page 14 together with the related notes thereto, reflects the financial position of the Company. The reserve for property, plant and equipment increased to R8.087m (2018: R6.109m), cash and cash equivalents increased to R12.243m (2018: R10.174m) and levies receivable increased to R409k (2018: R233k). Levies received in advance decreased marginally to R3.579m (2018: R3.695m).

During the 2019 year, the Company incurred capital expenditure of R1,019,822 (2018: R992,097) in respect of, amongst others, the following major projects:

Fire Supply Lines	R429,360
Staff canteen/change rooms upgrade	R270,428
Staff accommodation upgrade	R143,314
Paving pathways	R136,237

Levy 2021

As is the case each year, levies for the following year are approved at the August board meeting. The Directors have approved a resolution to not increase levies, thereby keeping it the same as 2020. Furthermore, for the weeks affected by the lockdown, the Directors approved an option to owners of either, banking their week in exchange for 100% points or receiving a 25% levy credit against his levy account

Chalet refurbishment

The management team has engaged a professional firm to submit design proposals for the planned refurbishment programme for chalets. Proposed designs are being "tweaked" to best suit all shareholders and guests. Careful planning is always necessary when conducting such a large project and while we would like to include as many upgrades and items as possible, the refurbishment project will be planned in a phased period once sufficient reserves are available.

SunSwop and RCI Affiliation

As reported last year, the planned takeover of the exchange service from Interval International to RCI, took place on 4 February 2019. We would like to thank Interval International for its contribution in making SunSwop the success that it has become over the last 10 years. Owners will continue transacting with SunSwop and will still be calling a dedicated telephone number for assistance. The only real difference has been that RCI now provides international exchange resort options and provides a greater number of local exchange options for members.

Vacation Ownership Association of Southern Africa (VOASA)

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 organised manner. The share block remains a member of VOASA and Mr Anthony Ridl represent the share block on the VOASA board. Mr Ridl stands as Chairman of VOASA and is very positive regarding the influence of VOASA on the industry, on behalf of each member.

Surrounding developments

As communicated each year, I confirm that neither I, your board, nor management are aware of any new land claims having been lodged, or any advancement regarding any existing claims.

Social and ethics committee

Corporate social investment ("CSI") is of utmost importance to us all and I am so pleased to see how the resort, its social and ethics committee and our management team has progressed with it even more over the past 12 months. I refer you to page 8 of this annual report for information about the social and ethics committee and a brief overview on what has been achieved thus far. A more comprehensive presentation with slides will be shown at the annual general meeting ("AGM") and I invite you all to attend. Our management team will advise you on each type of contribution made and which initiatives have been supported over the past year.

Other business

Shareholders can be assured that our share block is well run and supported by the reliable team of Southern Sun Resorts/Tsogo Sun. I am confident that Directors, timesharers and guests will continue to receive the attention to detail and great service at our superb resort.

Drakensberg Sun Chalets Share Block Proprietary Limited

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

Conclusion

Our share block is financially sound and well managed, and the resort has achieved excellent results and accolades over this past year under review. Our resort team continually goes the extra mile for us and our guests and I would like to thank all staff for their friendliness, willingness and enthusiasm in all that they do.

I extend sincere thanks and appreciation to my fellow Directors Mr David Alexander, Mr Brent Dickson, Mr Ajith Ramsarup and Ms Louise McMillan and to the Southern Sun Resorts/Tsogo Sun management team, for their time, energy, knowledge, professionalism and guidance this past year. I am impressed with what we have all managed to achieve as a team.

As an opportunity to further discuss or debate various issues, I welcome you all to attend our AGM, to be held at the uMhlanga Sands Resort, uMhlanga Rocks, on Tuesday, 20 October 2020 at 10h00. If you are unable to attend, please complete and return the form of proxy enclosed in this annual report on page 5.

Take care and I wish you all a prosperous year ahead.



ANTHONY RIDL
CHAIRMAN

Notice is hereby given to the shareholders of the Company that the annual general meeting ("AGM") of the Company will be held on **Tuesday, 20 October 2020 at 14h00 at uMhlanga Sands Resort, 44 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 five (5) 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 Friday, 16 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 Mr David Alexander 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 Brent 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 3.3: Resolved as an ordinary resolution that Ms Louise McMillan who retires in terms of the Company's MOI, and who is eligible and available for election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.4: 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 3.5: 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.

4. Appointment of audit committee

Ordinary resolution 4.1: Resolved as an ordinary resolution that Mr Brent 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 R4,240 (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 members of the sub-committees, per meeting or cluster of meetings, in respect of the period from 21 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 South African 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 Wednesday, 21 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 7 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 Friday, 16 October 2020.** A form of proxy is enclosed on page 5 for this purpose.

Drakensberg Sun Chalets Share Block Proprietary Limited
 Registration Number: 1988/002500/07
 ("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.companyservices@tsogosun.com

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Tuesday, 20 October 2020 at 14h00, at uMhlanga Sands Resort, 44 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 December 2019			
Ordinary resolution 2: Appointment of auditors			
Ordinary resolution 3: Election of Directors			
3.1 David Alexander			
3.2 Brent Dickson			
3.3 Louise McMillan			
3.4 Ajith Ramsarup			
3.5 Anthony Ridl			
Ordinary resolution 4: Appointment of audit committee			
4.1 Brent 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 2020.

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 Friday, 16 October 2020.

Drakensberg Sun Chalets 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 Drakensberg Sun Chalets Share Block Proprietary Limited. The annual financial statements presented on pages 13 to 23 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities ("IFRS for SME's") 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 believes 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 impact of COVID-19 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 23 were approved by the Board of Directors on 27 July 2020 and are signed by:



AN Ridl
Chairman



AB Ramsarup
Director (chairman - audit committee)

Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of Drakensberg Sun Chalets 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

Drakensberg Sun Chalets 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.

1. Members of the audit committee

The members of the audit committee comprise three non-executive Directors being Mr Ajith Ramsarup (Chairman) and Mr Anthony Ridl. Drakensberg Sun Chalets Share Block and Drakensberg Sun Hotel Share Block combine its audit committee and the third non-executive member is Mr Brent Dickson, a Director of Drakensberg Sun Hotel Share Block.

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, or a related 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

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2019

The social and ethics committee ("the committee") of Drakensberg Sun Chalets Share Block Proprietary Limited is a statutory committee that 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 the effectiveness of energy, water, and waste management programs; 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 the local community through various initiatives. The uMfolozi Crèche is the resort's main beneficiary and has been for the last 6 years. Through funds raised, the committee has assisted in building a new classroom that is currently 80% complete. Upon completion, the young children will have access to proper ablution facilities, electricity, and a school environment conducive to proper learning and education. The committee remains committed to supporting this school beyond the completion of the building. While the uMfolozi Crèche is the main beneficiary, the committee and staff members of the resort supported a vast array of initiatives and causes throughout the year. By supporting programs such as slipper day, arbour day, casual day, Mandela day, Heritage Day, earth hour, water week, cancer shavathon and national Tekkie-Tax day. Awareness is created, which in turn benefits the less privileged in the community and the world we live in. The resort is extremely proud to advertise that all hiking trails on the property have been awarded the much-coveted green flag status that recognises trails for its high quality and being well kept.

Corporate citizenship

The committee has a strong regard for corporate citizenship which highlights its social, cultural, environmental responsibility and sustainability. Local CSI initiatives are supported through donations of time and written-off operating equipment. Accommodation prize letters are donated to a local hospice that raises funds for its health and care programs.

Environmental health & public safety

The committee ensures that the resort's energy, water, and waste programs are effective and contribute towards its sustainable goals.

The resort is collaborating with "Working with Water", a government appointed organization that works towards the eradication of all alien and invasive plants in the area. Space is provided on the property for the establishment of a nursery used for cultivation of indigenous plants that are to replace the alien plants. As part of the resort's 'cat management program' more than twenty-five cats were recently sterilized and inoculated by an organization called "Cats of Durban" The program was put in place to prevent the population from growing out of control and to try and prevent other cats wandering onto the property.

A medical service is available to all properties in the Tsogo Sun Group and through the managing agent, our staff and guests are able to receive assistance or guidance, whenever necessary. This relates to medical advice, medical emergencies, domestic violence, fire emergency, flooding incidents, natural disasters and so on.

The organizational resilience management system (ORMS) is implemented by the Tsogo Sun Group throughout all its properties, and is a comprehensive system that records data and statistics of systems relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the impact this has on the business.

This management system is audited internally on a quarterly basis and audited by Tsogo Sun on an annual basis. The resort is a member of the Honorary Officer's Association which meets once a month with affiliated members to discuss all flora and fauna concerns in the area. Together with the KZN Parks Board, the association makes pertinent decisions relating to environmental management.

Guest relations & correspondence

Guest feedback is of the utmost importance to the resort. The committee and the resort values guest opinions as this is critical in helping the team shape and improve its service delivery and business going forward. The electronic eGuest satisfaction survey system is managed, monitored and individually responded to on a daily basis.

Other platforms monitored to gauge service delivery are Tripadvisor, Google and RCI. Personal interaction with guests is also critical to this process.

Labour & employment relations

The resort complies with the Labour Relations Act of South Africa. All employees are treated equally and employee engagement is monitored.

Employees are the resort's most valuable asset and continuous training and development programs are offered for all levels of staff, to improve their self-confidence and to maximise opportunities for achieving their full potential. The training programs are generally run by the Tsogo Sun Academy. The resort is linked to the BBBEE rating of the Tsogo Sun Group, which is a level one BBBEE contributor.

Strategic issues

The general manager and deputy general manager of the resort are proud members of the Central Drakensberg Information Centre. They ensure that the resort takes a leading role in tourism and related decisions that can impact local and surrounding areas.

Custodian of our unique identity

Drakensberg Sun Resort lies in the breath-taking Champagne Valley, a lush retreat for families, couples, and business travellers alike. For those in search of adventure, this is all close by. Whatever the reason for the stay, the natural beauty of the resort's location makes it the perfect getaway.

Composition and functioning

The committee comprises of Directors, myself, and Louise McMillan. The combined committee with Drakensberg Sun Hotel Share Block includes Directors from that Board as Ms. Samantha Croft, Mr Pranesh Sukhdeo, and Mr Peter Pienaar. Staff members on-site assist greatly with the committee and are always welcome to attend a meeting. The committee holds comprehensive meetings twice a year.

Activities of the committee

The committee ensures that the resort's environmental program has a focused approach to energy, water, and waste management. Energy and water consumption is monitored by software that tracks consumption through a series of online meters. The system alerts management when consumption occurs outside the designated target and management is able to proactively address any abnormalities before wastage occurs. The system allows for the tracking of trends and puts emphasis on using the resources at optimal times of the day. This approach to resource management has contributed greatly to savings in the resort's utilities. Waste Co. is the company that is responsible for the management and control of the resort's waste recycling program. General waste is disposed of in a licensed landfill site and waste items such as glass, cans, plastic, paper and cardboard, is sorted and recycled through other reputable companies.

The goal of the committee for the year ahead is to maintain its commitment to training and developing staff and adopt the "if you can't re-use it, refuse it" recycling mind set.

The resort continues to be a well-loved destination, underpinned by an ethos of sustainability, environmental consciousness, and most importantly, investment in its people.

David Alexander
Chairman

Drakensberg Sun Chalets 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 Drakensberg Sun 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, your 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 additions to property, plant and equipment have been charged annually against this amount. Before providing for property, plant and equipment additions and replacements, a surplus of R3,076,340 (2018: R2,864,092) was transferred to the reserve for property, plant and equipment.

No dividend has been declared during the year and none is recommended (2018: R Nil).

3 Share capital

The authorised and issued share capital has remained unchanged.

4 Insurance

The chalet 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:

DM Alexander ^	
BS Dickson ^	
BG Ellis *	Deceased 13 April 2019
LE McMillan *	Appointed 6 May 2019
AB Ramsarup *	
AN Ridl *	Chairman (Alternate MN Ridl - appointed 6 May 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:	Postal:
Palazzo Towers West	Private Bag X200
Montecasino Boulevard	Bryanston
Fourways	2021
2055	

6 Management

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

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2019

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 Company 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 the financial position of the Company or the results of its operations significantly.

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Independent Auditors

To the shareholders of Drakensberg Sun Chalets Share Block Proprietary Limited

Opinion

We have audited the financial statements of Drakensberg Sun Chalets Share Block Proprietary Limited ("the company") set out on pages 13 to 23, 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 Drakensberg Sun Chalets 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 ("ISAs"). 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 18 in the financial statements which describes the subsequent events related to COVID-19.

Refer to Note 18 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 operate 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 "Drakensberg Sun Chalets 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 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.

Drakensberg Sun Chalets 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 ISAs 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 ISAs, 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

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 R	2018 R
Income		13 406 674	12 583 885
Levy income		13 008 751	12 049 918
Other income		397 923	533 967
Expenses		(11 067 388)	(10 363 049)
Levy surplus before interest and taxation	3	2 339 286	2 220 836
Finance income	4	934 595	817 295
Levy surplus before taxation		3 273 881	3 038 131
Income tax expense	5	(197 541)	(174 039)
Levy surplus for the year		3 076 340	2 864 092

Drakensberg Sun Chalets 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	4 166 504	5 043 364
Total non current assets		4 166 504	5 043 364
Current assets			
Trade and other receivables	6	1 431 417	938 386
Levies receivable	10	408 687	233 413
Fixed deposits held with bank	11	6 386 373	3 574 271
Cash and cash equivalents	12	1 690 246	1 556 521
Total current assets		9 916 723	6 302 591
Total assets		14 083 227	11 345 955
EQUITY			
Capital and reserves			
Share capital	9	1 256	1 256
Reserve for property, plant and equipment	7	8 086 980	6 109 462
Total equity		8 088 236	6 110 718
LIABILITIES			
Current liabilities			
Trade and other payables	8	2 218 234	1 366 122
Levies received in advance	13	3 579 217	3 695 076
Current tax liability		197 540	174 039
Total current liabilities		5 994 991	5 235 237
Total liabilities		5 994 991	5 235 237
Total equity and liabilities		14 083 227	11 345 955

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	1 256	1 256
Reserve for property, plant and equipment			
At beginning of year		6 109 462	4 237 467
Levy surplus for the year		3 076 340	2 864 092
Property, plant and equipment additions and replacements during the year	7	(1 098 822)	(992 097)
At year-end		8 086 980	6 109 462

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2019

	2019 R	2018 R
Cash flow from operating activities		
Levy surplus before taxation	3 273 881	3 038 131
Adjustments for:		
Interest received	(934 595)	(817 295)
Non cash items		
- Movement in exchange fee rebate	-	(5 402)
Net surplus before working capital changes	2 339 286	2 215 434
Changes in working capital		
- Movement in levies receivable	(175 274)	(122 322)
- Movement in trade and other receivables	(493 031)	(143 336)
- Movement in levies received in advance	(115 859)	237 124
- Movement in trade and other payables	852 112	(1 365 106)
Cash flows from operating activities	2 407 234	821 794
Interest received	934 595	817 295
Tax paid	(174 040)	(122 697)
Net cash inflow from operating activities	3 167 789	1 516 392
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(1 098 822)	(992 097)
Movement in fixed deposits held with bank	(1 935 242)	(564 786)
Net cash outflow from investing activities	(3 034 064)	(1 556 883)
Movement in cash and cash equivalents	133 725	(40 491)
Cash and cash equivalents at beginning of year	1 556 521	1 597 012
Cash and cash equivalents at year-end	1 690 246	1 556 521

Drakensberg Sun Chalets 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 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.

Drakensberg Sun Chalets 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.

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 board of 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.

Drakensberg Sun Chalets Share Block Proprietary Limited

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

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.

Drakensberg Sun Chalets 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	3 229 272	3 104 958
- contributions to retirement funds	204 142	211 034
Management fees	618 061	587 606
Audit fees	68 298	67 236
Professional and internal audit fees	36 978	12 243
Other operating expenses	6 910 637	6 379 972
	11 067 388	10 363 049
4 Finance income		
Interest earned on fixed deposits, call deposits and current account	934 595	817 295
	934 595	817 295
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 term of section 10(1)e of the Income Tax Act.		
Current year	197 541	174 039
	197 541	174 039
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 and other receivables (refer note 15)	40 586	41 966
Prepayments (refer note 15)	535 709	447 830
Receiver of Revenue - Vat	46 353	-
Interest receivable	808 769	448 590
	1 431 417	938 386
7 Reserve for property, plant and equipment		
At beginning of year	6 109 462	4 237 467
Levy surplus for the year	3 076 340	2 864 092
	9 185 802	7 101 559
Property, plant and equipment additions and replacements during the year	(1 098 822)	(992 097)
At year-end	8 086 980	6 109 462

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 for 2020 of R6,690,688 (2018: budgeted capital expenditure of R3,752,690 approved for 2019) which it is anticipated will decrease the budgeted surplus in the reserve fund by R2,722,179 (2018: decrease the budgeted surplus by R952,377 in 2019). There were capital commitments made for R447,281 at year-end (2018:R nil).

Drakensberg Sun Chalets 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		
Accruals (refer note 15)	500 995	479 024
Provision for auditors' remuneration	65 000	68 653
Sundry payables	366 540	73 717
Receiver of revenue - Vat	-	31 644
Exchange fee rebate	-	5 403
Drakensberg Sun Hotel Proprietary Limited (refer note 15)	1 285 699	707 681
	2 218 234	1 366 122
9 Share capital		
Authorised		
635,250 ordinary shares of 1 cent each	6 352	6 352
Issued		
125,580 ordinary shares of 1 cent each	1 256	1 256
10 Levies receivable		
Levy debtors	132 848	15 672
Repossessed debtors	1 376 263	638 041
Provision for repossessed debtors	(1 100 424)	(420 300)
- Opening balance	(420 300)	(115 734)
- Movement	(680 124)	(304 566)
	408 687	233 413
11 Fixed deposits held with bank		
Fixed deposits held with bank - long term	4 166 504	5 043 364
Fixed deposits held with bank - short term	6 386 373	3 574 271
	10 552 877	8 617 635
12 Cash and cash equivalents		
Bank balances	1 690 246	1 556 521
	1 690 246	1 556 521
13 Levies received in advance		
Levies received in advance	3 579 217	3 695 076

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.

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.

Drakensberg Sun Chalets Share Block Proprietary Limited

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

	2019 R	2018 R
14 Property, plant and equipment (continued)		
Land and buildings comprise the following property: Sub-division 112 of sub-division 4 of the Farm Driefontein No 1389, situated in the regulated area of Cathkin Park, Administrative District of KwaZulu Natal, in extent 20,1798 hectares.		
Land and buildings were originally purchased for R7,848,970 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 R16,000,000 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 ("SSH"). The Company is charged the following fees in terms of the management agreement:		
Short-term rentals	62 145	48 202
Rental pool	1 741	14 548
Management fee	618 061	587 606
Central accounting and levy collection	220 214	210 730
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	(5 472)	(2 315)
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	(15 403)	(3 834)
Secretarial fees on repossessed debtors and use agreement fees - SRMS	25 122	23 231
During the financial year the Company paid membership fees to SunSwop (a division of SSH), which was affiliated to Interval International.		
SunSwop exchange services	23 459	272 829
During the financial year the Company paid the following SSH internal charges:		
- Administration - Information technology	219 750	223 455
Most costs of the Drakensberg Sun Resort, including costs in terms of contracts negotiated on behalf of members of the Southern Sun Group, are initially incurred by Drakensberg Sun Hotel Proprietary Limited. The portion of costs applicable to the Company is recovered via a current account. The balance of the current account is as follows:		
Amount owing (to)/from Drakensberg Sun Hotel Proprietary Limited and SSH:		
- included in payables (refer note 8)	(1 315 850)	(753 783)
- included in receivables (refer note 6)	22 697	10 389
	(1 293 153)	(743 394)

Drakensberg Sun Chalets Share Block Proprietary Limited

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

15 Related party transactions (continued)

SSHI own units in the Company as follows:

	Number of units	Levies paid	Levies received in advance
		R	R
SunSwop (a division of SSHI) - 2019 shareholding	27	254 040	49 900
SunSwop (a division of SSHI) - 2018 shareholding	27	233 910	37 360

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

2019 - shareholding

BS Dickson - Dream Vacation Club	87	862 080	49 900
AB Ramsarup - The Leisure Holiday Club	23	216 680	61 870
AN Ridl - Club Leisure Group	99	950 700	351 350

2018 - shareholding

BS Dickson - Dream Vacation Club	87	790 270	248 780
AB Ramsarup - The Leisure Holiday Club	23	199 750	57 900
AN Ridl - Club Leisure Group	99	875 270	338 060

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.

	2019 R	2018 R
Directors' emoluments paid for the year:		
DM Alexander	24 240	-
BS Dickson	20 240	-
BG Ellis	-	2 000
LE McMillan	4 120	-
AB Ramsarup	6 000	2 000
AN Ridl	8 120	-
	62 720	4 000

	2018 Restated R	2018 R
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17 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	5 043 364	-
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Current assets

Fixed deposits held with bank	3 574 271	
Cash and cash equivalents	1 556 521	10 174 156

Statement of cash flows

Movement in fixed deposits held with bank	(564 786)	-
Cash and cash equivalents at beginning of year	1 597 012	9 649 861
Cash and cash equivalents at year-end	1 556 521	10 174 156

Drakensberg Sun Chalets Share Block Proprietary Limited

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

18 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 Company 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 the financial position of the Company or the results of its operations significantly.

Drakensberg Sun Chalets 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	13 008 751	12 049 918
Rental pool	96 860	98 640
Short term rentals	215 312	355 635
Net non-levy income		
- telephone, rentals and penalties etc	85 751	67 092
Sale of capital assets	-	12 600
	13 406 674	12 583 885
EXPENDITURE		
Rooms expenses		
Cleaning supplies	67 367	52 598
Guest entertainment		
- DSTV	89 888	94 267
- outside services	375 911	359 982
- videos, cocktails, games and prizes	75 921	84 461
Guest supplies	79 189	82 385
Laundry	477 888	449 019
Personnel costs		
- outside services	1 230 822	1 153 299
Pest control	10 942	8 755
Printing and stationery, including reception	148 894	141 703
Replacement of cutlery, crockery, linen, towels, uniforms, etc	97 314	56 468
Security services	615 257	567 385
	3 269 393	3 050 322
Administration and general		
Audit fees		
- current year	65 000	68 653
- prior year (over) provision	-	(6 369)
- expenses	3 298	4 952
Bank charges	3 988	4 779
Corporate social initiatives	35 230	25 000
Credit card commission	48 976	53 011
Directors' emoluments	62 720	4 000
Information technology costs	385 899	423 611
Insurance	28 195	26 450
Internal audit fees	36 978	3 243
Levy administration and collection fees	220 214	210 730
Licences and permits	11 460	10 445
Loss on repossessed debtors	8 608	15 861
Marketing	1 453	-
Printing, postage and stationery	190	257
Professional fees	-	9 000
Provision for repossessed debtors	680 124	304 566
Railage, cartage and hire transport	11 504	10 676
SunSwop exchange service	23 459	272 829
Telephone	33 352	31 516
Subscriptions/marketing	8 402	7 981
Travel		
- management and Directors	57 450	63 817
Vehicles		
- fuel and oil	33 970	38 993
	1 760 470	1 584 001

Drakensberg Sun Chalets 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 and refuse		
Electricity	659 378	653 535
Generator fuel	59 893	16 120
Refuse	103 378	89 757
	822 649	759 412
Repairs and maintenance		
Buildings	41 060	37 906
Furniture and fixtures	44 160	25 776
Gardens and grounds	570 291	507 792
Painting and redecorating	58 252	69 380
General maintenance	254 673	172 405
	968 436	813 259
Company costs		
Annual report and statutory costs	(14 356)	25 783
Furniture and equipment leases	15 706	16 338
Municipal rates and taxes	193 615	210 336
	194 965	252 457
Personnel costs		
Rooms	993 484	965 627
Administration and general	1 660 325	1 590 286
Repairs and maintenance	779 605	760 079
	3 433 414	3 315 992
Management fee	618 061	587 606
Total expenditure	11 067 388	10 363 049
Excess of income over expenditure before finance income and taxation	2 339 286	2 220 836
Finance income		
Interest received	934 595	817 295
Excess of income over expenditure before taxation	3 273 881	3 038 131
Taxation		
- current	197 541	174 039
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	3 076 340	2 864 092

Drakensberg Sun Chalets Share Block Proprietary Limited

Minutes of the Annual General Meeting of Shareholders for the Year Ended 31 December 2018, held on Monday 9 September 2019 at 10h05, in Coco's Bar, at uMhlanga Sands Resort, uMhlanga

1 WELCOME AND PREAMBLE

The Chairman of the Company, Mr Anthony Ridl, welcomed all shareholders present. The Chairman advised that the meeting had been convened in terms of the notice of the annual general meeting ("AGM"), dated 14 May 2019.

The Chairman introduced his fellow Directors, Messrs. David Alexander, Brent Dickson, Ajith Ramsarup and Ms Louise McMillan. He mentioned the very sad passing of Director and previous Chairman Mr Brian Ellis, who had been on the Board for more than 20 years. Mr Ellis served on the Board with much passion and enthusiasm and considered the property to be his home, away from home. A special newsletter was circulated to all shareholders advising them of his passing. The Chairman extended heartfelt condolences to the Ellis family and to Ms Hilary Steck.

2 QUORUM

With the required quorum being present, comprising three shareholders or more holding at least 5% of the share capital, the Chairman declared the AGM duly constituted.

3 NOTICE OF MEETING

All shareholders present consenting, the notice of meeting dated 14 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. 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 was 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 PricewaterhouseCoopers Inc. ("PWC") as the independent auditors of the Company until the conclusion of the next AGM of the Company. As raised at the Board meeting prior to this AGM, a Director felt that there should be rotation of independent auditors. The Chairman clarified that the audit partner at PWC was rotated every five (5) years and PWC confirmed their independence of the share block at each audit committee meeting. The Board was however happy to consider comparable costs of other independent auditors, for discussion at the following AGM. There were no queries or comments on the resolution.

It was unanimously RESOLVED that PWC be and was hereby appointed as the independent auditors of the Company for the ensuing year.

Drakensberg Sun Chalets Share Block Proprietary Limited

7 DIRECTORS

The Chairman reported that, in terms of the Company's memorandum of incorporation ("MOI"), the Board was limited to no less than three (3) and no more than five (5) Directors in number. He explained that the Directors retired at this meeting, but being eligible, were available for re-election.

The Chairman explained the nomination process and advised that following the passing of Director, Mr Brian Ellis, that Ms Louise McMillan was considered a suitable candidate and co-opted to the Board. She too was eligible to stand for election as Director at this AGM. The Directors standing for re-election and/or election include Messrs. Alexander, Dickson, Ramsarup, Ridl and Ms McMillan.

A shareholder present, was unhappy that Ms McMillan was co-opted to the Board without prior authorization from the shareholders. The Chairman stated that the Board had followed the process recorded in the Company's MOI and that a suitable replacement, to cover the void of Mr Ellis, was discussed and co-opted until the date of the AGM when all other Directors retire.

7.1 ORDINARY RESOLUTION 3.1

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

It was unanimously RESOLVED that Mr David Alexander be and was hereby elected as a Director of the Company.

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 Brent Dickson, as a Director. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Mr Brent Dickson be and was hereby re-elected as a Director of the Company.

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 election of Ms Louise McMillan, as a Director. There were no further questions or comments on the resolution.

It was RESOLVED that Ms Louise McMillan be and was hereby re-elected as a Director of the Company.

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 Ajith Ramsarup, as a Director. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Mr Ajith Ramsarup be and was hereby re-elected as a Director of the Company.

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 Anthony Ridl, as a Director. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Mr Anthony Ridl be and was hereby re-elected as a Director of the Company.

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. He advised that after having taken over the role of Chairman, he considered it bad governance to remain a member of the audit committee and recommended that Mr Brent Dickson, who was also a chartered accountant, be considered for appointment in his stead.

8.1 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 Louise McMillan as a member of the Company's audit committee. There were no questions or comments on the resolution.

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

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8.2 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 was hereby elected as a member of the Company's audit committee.

8.3 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 be amended to the election of Mr Brent Dickson as a member of the Company's audit committee. There were no objections and there were no questions or comments on the resolution.

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

9 INSURED VALUE OF PROPERTY

The Chairman proposed ordinary resolution 5, 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 Drakensberg Sun Chalets be R184,329,155. Buildings are valued at R171,660,125 and furniture, fittings and equipment are valued at R12,669,030. There were no questions or comments.

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

10 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 10 September 2019 until the next AGM of the Company. There were no questions or comments on the resolution.

It was unanimously RESOLVED that in terms of the provisions of section 66(8) of the South African Companies Act 71, of 2008, R4,240 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 10 September 2019 until the next AGM of the Company, be and is hereby approved.

11 OTHER BUSINESS

GENERAL MANAGER PRESENTATION AND REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The Chairman requested that Mr Pranesh Sukhdeo now provide his presentation to the shareholders.

Mr Sukhdeo briefly presented a slide show on what had taken place at the resort over the past year and what initiatives had been celebrated by staff and guests throughout the period. In summary, Mr Sukhdeo mentioned the following:

- The very sad passing of long-time Director and Chairman, Mr Brian Ellis;
- The vacancies and appointments of key staff positions;
- Overall energy and water consumption results for the year;
- Guest centricity results for the year and feedback on the two lowest scores in food and beverage, and activities; A resort mobile application ("app") was being investigated for better communication between staff and guests on site. Bulk SMS's are distributed to guest on the property, notifying them of any special activities taking place;
- The resort was awarded the RCI gold crown status;
- The resort was awarded 4.5 stars by Tripadvisor and ranked 3rd best property in the area, and ranked 6th in South Africa, for the top family hotel in South Africa;
- The proposed concept for the chalets' refurbishment project;
- CSI initiatives supported by the resort, staff and guests throughout the year; and
- Progress in eradicating the property of reeds and the control of the fire breaks.

Mr Peter Pienaar, general manager of SunSwop, advised that there were 170 resorts in the country and that Drakensberg Sun Resort was very proud to achieve RCI gold crown status. He explained that SunSwop had moved away from the exchange Company, Interval International, and had again collaborated with RCI from February 2019, with minimal impact on its members. Since the change, an impressive increase in service levels had been noted which was the highest recorded in the last 10-years.

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A shareholder raised his dissatisfaction with housekeeping and maintenance issues in his unit and was upset that the gym had been removed. Mr Alexander commented that housekeeping and maintenance issues were valid and must be raised to management, to be rectified. The new refurbishment would address many of the frustrations. The Chairman advised that all resort facilities cost money and that the Board was wary in spreading such costs over into the levy. The gym facility was greatly underutilised by guests and the equipment was getting old and cost a lot to repair and/or replace as was often necessary. The spa facility was anticipating a refurbishment which would incorporate a sauna facility for those requiring a sauna.

The shareholder was unconvinced that another refurbishment, seemingly to spend more money, was wise when issues not correctly addressed the first time, remained a concern. Mr Fuller responded that the last refurbishment was completed in 2013 and he assured the shareholder that the 2020 refurbishment would not include any unnecessary items and instead add more value to the Chalets. Mr Alexander mentioned that wider parking bays for larger vehicles and a balcony cover were included in the project for consideration, which all improved on guest experience. He suggested that the shareholder make a note of all his comments and concerns for the general manager and Board's consideration and on behalf of the Board, invited the shareholder to inspect and comment on the mock-up unit when it was completed.

12 CLOSURE

There being no further business to discuss, the Chairman thanked his fellow Directors and all shareholders for their attendance and declared the meeting closed at 10h58.

Chairman

