

Pine Lake Share Block Proprietary Limited

Registration No. 1981/008079/07



Annual Report

for the year ended 31 December 2019

Pine Lake Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2019

COMPANY INFORMATION

Registration number: 1981/008079/07
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 Pine Lake Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

Pine Lake Share Block Proprietary Limited

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

My fellow shareholders, I am privileged to share with you a brief overview of the year in review, ending 31 December 2019. The timeshare industry landscape portrayed another challenging year in 2019, and Pine Lake Resort did not evade this trend. The shrinking economy continues to starve discretionary expenditure. Despite this backdrop, I am pleased to report that, with the professional support of an experienced management team, we have been able to maintain, and improve, the high standards of our infrastructure, facilities and services. Pine Lake remains a blissful and relaxing holiday opportunity for owners and visitors alike. I thank the small but vibrant Pine Lake team, headed by well-established general manager, Mr. Thuso Moroe, for its passionate approach and guest centricity.

Access, Facilities and the Environment

Not so long ago, Pine Lake Resort laboured under the sobriquet of "timeshare's best-kept secret". The tar road access achieved a great deal of redress and it is holding up well, thanks to community-based repairs and maintenance. The alternative access road, from Danie Joubert St., continues to be unsuitable for normal cars after heavy rains. There are ongoing discussions between residents and other stakeholders as to how to improve the difficult sections of this sand road but the board feels that we should not be financially involved in any proposed solution.

The entrance to the resort is underwhelming and management have submitted proposals for an elegant structure to address this. Before we can implement a solution, we need to get consensus from the other two parties using the entrance, permission from the owner of the land (one of the other two parties) and an electricity supply to provide illumination at night. We hope to resolve these issues during 2020.

The White River area is suffering from depleted reserves of water and our beautiful dam is averaging only 60-70% capacity, necessitating the water board to reduce the volumes that the resort may draw for irrigation purposes. In response, the landscaping team has adopted a policy of planting water-wise stock. Although the tap water for the chalets comes from boreholes, it is a chargeable and finite supply and we urge all our guests to minimise water waste.

Despite intermittent load-shedding and other power supply interruptions, your resort can maintain business as usual thanks to sufficient generator capacity.

Wifi connectivity and speed continue to be below par at times, aggravated by the growing availability of, and demand for, bandwidth-burning movie downloads – which is beyond our control. We are aware of the frustration levels and apologize, whilst we seek a more efficient solution – hopefully in 2020.

The spa is a perfect complement to the type of holiday synonymous with Pine Lake and your board feels it should be supported and developed through the marketing of combo packages with accommodation and golf at the nearby country club. The spa team offer very competitively-priced treatments which clients can choose to be performed in the tranquil and soothing spa setting, or in their chalets. The spa team continue to operate the convenience store for which an off premises liquor license has been applied. We continue to monitor guest reaction to the smaller gym which occupies the previous "Crows' Nest" site opposite reception

The stainless-steel cable fencing around the swimming pool area had proven to be an effective deterrent to the geese. More recently, these determined "neighbours" have succeeded in squeezing underneath the cable, so we have now supplemented the fencing with a green solution of small shrubs.

2019 witnessed the retirement of our long-serving maintenance manager, Tinus Botha, who oversaw the landscaping operations with passion and pride. We thank Tinus for his enduring contribution to the resort and wish him a long and healthy retirement. The general manager, Thuso, has absorbed responsibility for managing the landscaping team and we are pleased to report that our high standards are being maintained.

As always, security is of paramount importance and initiatives undertaken in 2019 include extending the protective fencing into the dam on both north and south boundaries. Unfortunately, Lake Longmere residents have decided to reduce their reliance on our boom security operations and thereby, their contribution to such costs. This has an impact on our expenses but not on the security of the resort. We continue, however, to explore options to improve access security, bearing in mind that the current structure and location serves two other parties besides Pine Lake.

2018 Property Re-classification

We reported last year that Southern Sun Resorts, on behalf of your board, lodged a formal objection to the resort being reclassified to "business" and the subsequent interim reclassification to "other". It is disappointing to report that no further progress has been made, though perhaps understandable as the Mbombela valuations department had pointed out that the classification of timeshare resorts needs to be consistent with national directives, implying that central government needs to evaluate the status of timeshare resorts nationally before issuing directives – and so we wait and continue to pay the rates per the classification of "other".

Occupancy

As stated above, 2019 continued the previous trend of suppressed demand in the domestic vacation industry. Notwithstanding the trading environment, Pine Lake managed an occupancy rate of 71%, which was 1% higher than the prior year, albeit with a slightly reduced availability of stock due to the refurbishment programme. The highest occupancy of 77.8% was recorded in the fourth quarter. Symptomatic of the economy is the continuing rise during the year of repossessed weeks, from 82 to 103. Demand from the private sector for timeshare units continues to be weak, so Sunswop, on behalf of the board, is negotiating with another timeshare vacation management company for the purchase of the bulk of our unsold units. Our first priority is to secure levy income so that our capital reserves can continue to fund the refurbishment programme and other maintenance imperatives.

Pine Lake Share Block Proprietary Limited

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

Financial Results for the Year Ended 31st December 2019

Shareholders are referred to the statement of comprehensive income set out on page 13 which reflects the income and expenditure of the share block company in a summarised format. As before, the detailed levy fund operating statement, which is not audited, is presented as supplementary information to shareholders on pages 24 to 25 and will be referred to when I comment on the financial results for the year.

The statement of comprehensive income for the year ended 31 December 2019 reflects total income, including net finance income of R14,691m (2018: R14,070m) and total expenditure of R9,809m (2018: R9,396m). The levy surplus, after taxation, was R4,668m (2018: R4,458m) and has been transferred to the reserve for property, plant and equipment. Below is a more detailed review of variances in income and expenditure.

Income

Income increased by 4.6% year-on-year. As noted in prior years, all items of a capital nature that have been sold during the year, are reflected as income in the statement of comprehensive income.

Expenditure

Total expenditure for the year of R9,809m (2018: R9,396m) increased by 4.4%. Below is a more detailed review of the expenditure:

- **Rooms** - Expenses decreased by 4.8% year-on-year. Shop costs decreased by R76k due to the shop being taken over by a third party. Security services increased by R31k due to the utilisation of an extra night guard to improve safety at the resort. Replacement of operating equipment decreased by R35k.
- **Administration and general** - Expenses increased by 7% year-on-year. Information technology costs increased by R41k due to higher data costs compared to 2018. Legal fees decreased by R18k due to no legal costs being incurred during 2019. The provision for repossessed debtors increased by R302k, whilst the loss on repossessed debtors increased by R13k. Sunswop Exchange service expenditure decreased by R286k, due to the termination of the exchange agreement with Interval International.
- **Electricity, water and refuse** - Electricity costs increased by R97k due to Eskom's rate increase of 13.8%.
- **Repairs and maintenance** - Expenses increased year-on-year by 6.4%. Buildings expenditure decreased by R38k due to the ongoing refurbishment whilst painting and decorating increased by R15k due to painting of the Chalets. This period has also proven to be an opportune time to fix plumbing issues and do chalet maintenance on unoccupied chalets.
- **Corporate charges** - Expenses increased by 10% in comparison to the prior year. The municipal rates increased by R67k due to the reclassification of the property which resulted in an increase in our rates charges.

Statement of Financial Position

The statement of financial position on page 14 together with the related notes thereto, reflect the financial position of Pine Lake Share Block Proprietary Limited as at 31 December 2019.

Fixed deposits held with bank amounted to R6,650m (2018: R8m) with levies received in advance amounting to R3,784m (2018: R3,868m). The reserve for property, plant and equipment was R5,649m compared to R6,304m as at 31 December 2018. As always, I wish to thank shareholders for promptly paying their levies. The surplus funds can then be invested for the benefit of the share block company. This is particularly important during times of economic restraint. At year-end, levies outstanding amounted to 0.49% compared to 0.13% for 2018.

The Company incurred capital expenditure of R5,322,755 (2018: R2,667,211) in respect of the following major expenses:

• Refurbishment of chalets	R 4,607,244
• Patio beams & woodwork replacement	R 254,500
• Braai trays	R 89,762
• Beds	R 75,880
• Tree felling	R 37,000
• Borehole - new pump and pipes	R 30,510
• Ferry, canoes & jetty	R 29,548
• Fencing	R 24,969
• Washing machine	R 20,821

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.

Proposed Refurbishment Program

Throughout the year, the revised refurbishment programme has been largely on track, and I am pleased to announce that chalets 1-20 and 31-34 have been completed and, barring some minor adjustments, are ready for occupation. We remain on track to complete the budgeted 8 units for 2021. It is worth mentioning that the refurbishment capital expenditure for 2019 included the refurbishment of the veranda tiling and replacement of the built-in braai. The refurbishment of the main bedroom balcony is now included but so far, only chalets 1-9 and 31-34 have been completed. An unintended consequence of the decision to install a second TV in the main bedroom has been the severe deterioration of signal quality in some chalets. We are now working on the most cost-effective upgrade to our existing headend equipment, to resolve this problem.

Pine Lake Share Block Proprietary Limited

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

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.

Social and Ethics Committee

Our social and ethics committee consists of Messrs Moroe, Ridl and Ms McMillan. Thuso, the resort GM, is chairman of the committee and will report separately about the various projects and initiatives that the resort and staff have supported this past year. I am very proud of the committee's willingness to involve itself in the community and improve environmental best practice, amongst many other initiatives and I will direct you to page 8 in this annual report for a summarised version from Thuso himself. He will be providing a comprehensive presentation on each aspect of social and ethics at the AGM. The total budget for Corporate Social Investment (CSI) is due for review and, in the light of the increased unemployment and poverty in our neighbouring communities, should be raised. As a reminder, all CSI expenditure is funded from non-levy income.

General

I thank the shareholders who advise the resort in advance should they be unable to take up their holiday, and those who arrange an alternative use for their unit during that occupancy period. "No-shows" should be avoided as much as possible and even though a levy is usually paid for that week, a shareholder may either reap some reward by renting the unit or allowing the resort to rent the unit on their behalf, to earn income for the owner as well as a small income for the share block. Sundry income through rentals has been identified by the board as a major opportunity area and helps us to contain future levy increases. Focus areas include promoting the resort through various marketing channels to additional market segments; to achieve higher sales targets for rental of units; to reduce repossessed units; to advertise rentals through various social media platforms and booking channels; to package mid-week specials, golf holidays in conjunction with local golf clubs and spa combo specials through wellness-advocating institutions.

Conclusion

Serving the interests of our shareholders is a serious undertaking and a team effort. I therefore thank my fellow directors, Louise McMillan and Tony Ridl for their support, commitment, insight, experience and dedication. I am privileged as chairman, to have such a reliable and knowledgeable team at my side. I must also thank the management team of Southern Sun Resorts/Tsogo Sun for providing truly professional service. I appreciate their contribution to the resort, board discussions and to the overall guest experience. Maintaining a consistently high standard of feedback on all review platforms is of paramount importance to the sustainability of the resort and for this, we owe our gratitude to Thuso and his team for their guest centricity, doing everything possible to ensure that all our guests leave with fond memories of their visit.

In closing, I encourage every shareholder to either attend the AGM on 15 October 2020 or to kindly complete the form of proxy enclosed in this annual report on page 5, should you be unable to attend.

I wish you all a safe and healthy year ahead.



James Olive
Chairman

A handwritten signature in dark ink that reads "James Olive". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Notice is hereby given to the shareholders of the Company that the Annual General Meeting ("AGM") of the Company will be held on **Thursday, 15 October 2020, at 14h30 at The Pivot, 1 Montecasino Boulevard, Fourways**, 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 audit committee 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 seven (7) Directors in number. It would facilitate secretarial procedures if **nominations for the appointment of those Directors representing the timesharers be received by no later than 14h30 on Tuesday, 13 October 2020 at the registered office of the Company or email address. Nominations must be in writing with the name of the proposer and seconder and be accompanied by the acceptance of such nomination by the nominee and their curriculum vitae ("CV").**

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

Ordinary resolution 3.3: Resolved as an ordinary resolution that Mr 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 Ms Louise McMillan 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 James Olive 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 R5,300 (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/or as members of the Board, sub-committees, per meeting or cluster of meetings, in respect of the period from 16 October 2020 until the next AGM of the Company, and tabled at the meeting at which this resolution was proposed, be and is hereby approved.

The reason for and effect of this special resolution:

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

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

In the event of a quorum not being present within half-an-hour of the appointed time for the meeting to begin, the AGM will be automatically adjourned for one (1) business day, to Friday, 16 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 2 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 14h30 on Tuesday, 13 October 2020.** A form of proxy is enclosed on page 5 for this purpose.

By order of the Board

Southern Sun Secretarial Services Proprietary Limited
27 July 2020

Pine Lake Share Block Proprietary Limited
 Registration Number: 1981/008079/07
 ("the Company")

Registered Office
 Palazzo Towers West
 Montecasino Boulevard
 Fourways, 2055

Private Bag X200, Bryanston, 2021
 Telephone (031) 561-2204
 Facsimile (031) 561-7334
 E-mail: Resorts.companyservices@tsogosun.com

Form of proxy for use by shareholders at the Annual General Meeting ("AGM") of the Company to be held on **Thursday, 15 October 2020 at 14h30**.

Form of Proxy

I/We, being the shareholder/s ofordinary shares in the Company,
 with right of use of Chalet, 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 Louise McMillan			
3.2 James Olive			
3.3 Anthony Ridl			
Ordinary Resolution 4: Appointment of audit committee			
4.1 Louise McMillan			
4.2 James Olive			
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 14h30 on Tuesday, 13 October 2020.

Pine Lake Share Block Proprietary Limited

Statement of Director's 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 Pine Lake 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 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 believe 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:


JS Olive
Chairman


AN Ridl
Director (chairman - audit committee)

Declaration by the Company Secretary

I hereby confirm, in my capacity as company secretary of Pine Lake 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

Pine Lake Share Block Proprietary Limited

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

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

1. Members of the audit committee

The members of the audit committee comprise three independent non-executive Directors being Ms Louise McMillan, Mr James Olive and Mr Anthony Ridl (Chairman).

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 Evaluation of 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 Companies Act and any other legislation relating to the appointment of auditors;
- 4.3 Approving of external audit and internal audit plans;
- 4.4 Determining, subject to the provisions, the nature and extent of any non-audit services that the auditor may provide to the Company;
- 4.5 Reviewing of prospective accounting standard changes;
- 4.6 Evaluation of financial reporting procedures;
- 4.7 Reviewing of and recommending to the Board for approval of the annual financial statements;
- 4.8 Assessing 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.



AN Ridl

Chairman

27 July 2020

Pine Lake Share Block Proprietary Limited

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

I am delighted to present the report of Pine Lake Resort's Social and Ethics Committee ("the committee") for the financial year ended 31 December 2019. The purpose of this report is to outline how the social and ethics committee has discharged its responsibilities, as set out in the South African Companies Act. The committee is a statutory committee which assists the board in the monitoring the resort's corporate citizenship, sustainability and ethics.

COMPOSITION AND FUNCTIONING

The committee, comprising myself as chairman, as well as our three Directors, Mr James Olive, Mr Anthony Ridl, Ms Louise McMillan met twice between February 2019 to December 2019 and the frequency of meetings was adequate to deal with the various matters that have arisen. The legal/company secretary and Southern Sun Resorts' financial manager attend committee meetings as invitees.

ROLE OF THE COMMITTEE

The committee ensures that the Company's energy, water and waste programmes are in place; ensures good corporate citizenship; monitors employee engagement and development; and ensures that health and safety remain a focus.

RESPONSIBILITY OF THE COMMITTEE

The committee was established to assist the Board with the oversight of social and ethical matters and to ensure that the Company is and remains a committed socially responsible corporate citizen. The committee's primary role is to supplement, support, advise and provide guidance on the effectiveness of management's efforts in respect of social, stakeholder relationships, ethics and sustainable development related matters.

ENVIRONMENTAL, HEALTH AND SAFETY

The Committee monitors the Resort's activities in respect of the environment, health and safety (including employees and the public) and does so while having regard to any relevant legislation, other legal requirements or prevailing codes of best practice.

ORGANISATIONAL RESILIENCE MANAGEMENT SYSTEM

The committee further reviews the organisational resilience management system "ORMS" implemented by Southern Sun Resorts/Tsogo Sun throughout all its properties, ORMS is a comprehensive management system that records plans and systems, relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the effects on the business. This management system is updated quarterly and audited by Tsogo Sun on an annual basis. The committee is pleased to announce that Pine Lake Resort again met the requirements for the reviewed financial year.

CODE OF CONDUCT, GUEST RELATIONS AND CORRESPONDENCE

Our code of conduct (House Rules) is a policy document that governs the conduct of all of our employees and is aligned with the Tsogo Sun value system. The code of conduct, is available to all employees on our intranet.

We review and consider every guest comment and monitor all forms of social media including TripAdvisor, Guest satisfaction surveys and RCI score cards report for input and feedback. We are honoured to have Pine Lake Resort once again, been classified as an RCI Gold Crown Resort, a distinction which is earned based on ratings provided by guests, through a full spectrum of operations, facilities and property as a whole.

LABOUR, EMPLOYMENT RELATIONS, TRAINING & BBBEE

The Company complies with the Labour Relations Act of South Africa. All employees are treated equally and employee engagement is continually monitored. Employees are one of the resort's most valuable asset.

Management assists in developing, maintaining and improving employee relationships through communication, performance management, processing of grievances and/or disputes. Employees at the resort are trained and further developed where possible. Pine Lake resort is linked to the BBBEE rating of the Tsogo Sun Group, which currently rates as a level 1 contributor.

ACTIVITIES OF THE COMMITTEE

The committee evaluated the resort's corporate social investment "CSI" programme, focusing primarily on:

- Investment in employee learning and development;
- Achievement of the commitment to donate a minimum of 1% of the sundry income;
- Donation of used linen and equipment to various non-profit organisation;
- Reviewing results of past employee satisfaction surveys and planned to enhance employee engagement and retention through living Tsogo value system and the training and development of staff; and
- Reviewing compliance with the regulatory frameworks applicable to the resort and relevant to the committee's mandate.

STRATEGIC PLANS

The chalet refurbishment project has progressed well. Two thirds of the chalets will be fully refurbished by the end of September 2020. Due to delays caused by Covid-19, the remaining batch of chalets will be refurbished during the 2021 financial year. We encourage all our owners to come and experience our new chalets.

CONCLUSION

The committee recognises that the areas within its mandate are evolving and that management's responses too will adapt to changes in the environmental, social and governance agenda. There has been no non-compliance with legislation, regulations or non-adherence with codes of best practice in terms of the areas within the committee's mandate. As such, we are satisfied that the resort has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development.



Thuso Moreo
Chairman

Pine Lake 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 Pine Lake 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 owners to make loans to the Company; and
3. Obligations on share block owners to contribute levies to enable the Company to defray its expenditure.

2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act, and in common with other timeshare operations in South Africa, the Company has, since its inception as a share block company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and additions to property, plant and equipment have been charged against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R4,667,974 (2018: R4,458,454) was transferred to the reserve for property, plant and equipment.

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

3 Share capital

The authorised and issued ordinary share capital has remained unchanged.

4 Insurance

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

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

5 Directors and secretary

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

JS Olive **	Chairman	(Alternate AH Fuller)
LE McMillan **		(Alternate WG Whiteboy)
AN Ridl **		(Alternate MN Ridl - appointed 22 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.

Pine Lake 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 affect the financial position of the Company or the results of its operations significantly.

Pine Lake Share Block Proprietary Limited

Report of the Independent Auditors

To the shareholders of Pine Lake Share Block Proprietary Limited

Opinion

We have audited the financial statements of Pine Lake 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 Pine Lake 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 "Pine Lake 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 or 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.

Pine Lake 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.
- 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

Pine Lake Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 R	2018 R
Income		13 907 448	13 301 169
Levy income		13 277 732	12 422 595
Other income		629 716	878 574
Expenses		(9 809 430)	(9 396 381)
Levy surplus before interest and taxation	3	4 098 018	3 904 788
Finance income	4	783 061	769 056
Levy surplus before taxation		4 881 079	4 673 844
Income tax expense	5	(213 105)	(215 390)
Levy surplus for the year		4 667 974	4 458 454

Pine Lake Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 R	2018 R
ASSETS			
Current assets			
Trade and other receivables	6	1 268 040	1 159 698
Levies receivable	7	311 043	296 765
Fixed deposits held with bank	11	6 650 000	8 000 000
Cash and cash equivalents	12	2 574 206	2 520 026
Total current assets		10 803 289	11 976 489
Total assets		10 803 289	11 976 489
EQUITY			
Capital and reserves			
Share capital	10	5 730	5 730
Reserve for property, plant and equipment	8	5 649 338	6 304 119
Total equity		5 655 068	6 309 849
LIABILITIES			
Current liabilities			
Trade and other payables	9	1 151 564	1 583 092
Levies received in advance	13	3 783 553	3 868 158
Current tax liability		213 104	215 390
Total current liabilities		5 148 221	5 666 640
Total liabilities		5 148 221	5 666 640
Total equity and liabilities		10 803 289	11 976 489

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

	Note	2019 R	2018 R
Share capital			
Ordinary shares at the beginning and at year-end	10	5 730	5 730
Reserve for property, plant and equipment			
At beginning of year		6 304 119	4 512 876
Levy surplus for the year		4 667 974	4 458 454
Property, plant and equipment additions and replacements	8	(5 322 755)	(2 667 211)
At year-end		5 649 338	6 304 119

Pine Lake 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	4 881 079	4 673 844
Adjustments for:		
Interest received	(783 061)	(769 056)
Non cash items		
- Movement in exchange fee rebate	-	(6 065)
Net surplus before working capital changes	4 098 018	3 898 723
Changes in working capital		
- Movement in inventories	-	9 168
- Movement in levies receivable	(14 278)	(110 886)
- Movement in trade and other receivables	(108 342)	(259 893)
- Movement in levies received in advance	(84 605)	188 055
- Movement in trade and other payables	(431 528)	(389 626)
Cash flows from operating activities	3 459 265	3 335 541
Interest received	783 061	769 056
Tax paid	(215 391)	(183 269)
Net cash inflow from operating activities	4 026 935	3 921 328
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(5 322 755)	(2 667 211)
Movement in fixed deposits held with bank	1 350 000	(1 600 000)
Net cash outflow from investing activities	(3 972 755)	(4 267 211)
Net movement in cash and cash equivalents	54 180	(345 883)
Cash and cash equivalents at beginning of year	2 520 026	2 865 909
Cash and cash equivalents at year-end	2 574 206	2 520 026

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

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Leases

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

1.4 Financial instruments

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

Pine Lake 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.

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.

Pine Lake 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.

Pine Lake 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 other benefits	2 493 876	2 322 444
- contributions to retirement funds	189 828	185 136
Management fees	806 898	771 290
Audit fees	61 000	54 572
Professional fees - legal and internal audit	4 202	34 822
Other operating expenses	6 253 626	6 028 117
	9 809 430	9 396 381
4 Finance income		
Interest earned on fixed deposits, call deposits and current account	783 061	769 056
	783 061	769 056
5 Income tax expense		
A 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 share block shareholders, in terms of Section 10(1)(e) of the Income Tax Act.		
Current year	213 105	215 390
	213 105	215 390
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on net non-levy income.		
6 Trade and other receivables		
Trade receivables (refer note 15)	1 648	10 626
Other receivables (refer note 15)	153 998	149 982
Receiver of revenue - Vat	385 053	200 098
Interest receivable	131 884	368 672
Prepayments (refer note 15)	595 457	430 320
	1 268 040	1 159 698
7 Levies receivable		
Levy debtors	73 930	18 860
Reposessed debtors	877 741	489 505
Provision for reposessed debtors	(640 628)	(211 600)
- Opening balance	(211 600)	(84 590)
- Movement	(429 028)	(127 010)
	311 043	296 765

Pine Lake Share Block Proprietary Limited

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

	2019 R	2018 R
8 Reserve for property, plant and equipment		
At beginning of year	6 304 119	4 512 876
Levy surplus for the year	4 667 974	4 458 454
	10 972 093	8 971 330
Property, plant and equipment additions and replacements during the year	(5 322 755)	(2 667 211)
At year-end	5 649 338	6 304 119
<p>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.</p> <p>The Directors have approved capital expenditure for 2020 of R7,697,532 (2018: R6,488,560 for 2019) that is anticipated to decrease the reserve fund by R2,836,054 (2018: decrease the reserve fund by R2,235,113 in 2019). The Directors had approved a rooms refurbishment of R12.8m over a 3-year period, commencing in 2019. R4.7m will be spent in 2020 which is included in the R7.7m approved 2020 budgeted expenditure (2018: R3.9m will be spent in 2019). The design company being used is Falconer Management Proprietary Limited trading as Falconer Design. There were capital commitments made for R1,900,932 at year-end (2018: R nil).</p>		
9 Trade and other payables		
Trade payables (refer note 15)	243 227	592 775
Other payables		
Accruals (refer note 15)	681 794	672 570
Provision for auditor's remuneration	61 000	53 000
Sundry payables (refer note 15)	165 543	258 682
Exchange fee rebate	-	6 065
	908 337	990 317
	1 151 564	1 583 092
10 Share capital		
Authorised		
162,146 "A" Class ordinary shares of 4 cents each		
Issued		
143,248 ordinary shares of 4 cents each		
	5 730	5 730
11 Fixed deposits held with bank		
Fixed deposits held with bank	6 650 000	8 000 000
12 Cash and cash equivalents		
Bank balances	2 557 271	2 512 558
Cash on hand	16 935	7 468
	2 574 206	2 520 026
13 Levies received in advance		
Levies received in advance	3 783 553	3 868 158

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.

Pine Lake 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		
<p>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.</p> <p>Land and buildings comprise the following property:</p> <p>Portion 47 of the farm Klipkopje 228 registration division, JT Transvaal District, White River with buildings thereon, known as Pine Lake Resort.</p> <p>Land and buildings were originally purchased for R6,238,858 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 R30,313,000 for rates purposes. There are no bonds on the property.</p>		
15 Related party transactions		
<p>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:</p>		
Short-term rentals	34 778	60 518
Rental pool	57 966	65 120
Management fee	806 898	771 290
Central accounting and levy collection	515 822	492 682
<p>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:</p>		
Commission on resale and rental of weeks - SST	(2 139)	(2 007)
<p>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:</p>		
Commission on transfer of ownership - SRMS	(21 322)	(7 354)
Secretarial fees on repossessed debtors and use agreement fees - SRMS	31 230	30 024
<p>During the financial year the Company paid membership fees to SunSwop (a division of SSH), which was affiliated to Interval International.</p>		
SunSwop exchange services	26 645	312 195
<p>During the financial year, the Company paid the following SSH internal charges:</p>		
- Administration - Information technology, training, industrial relations, etc.	85 109	53 727
- Training related	17 636	24 600
- Frequent guest loyalty program	2 279	6 486

Pine Lake Share Block Proprietary Limited

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

	2019 R	2018 R
15 Related party transactions (continued)		
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Southern Sun Group, including the Company. These costs, which include insurance, certain maintenance and operating lease contracts are recovered from the Company via loan accounts. The balance of these loan accounts is as follows:		
Due (to)/by SSHI and its subsidiaries:		
- included in payables (refer note 9)	(62 350)	(122 503)
- included in receivables (refer note 6)	44 452	1 920
	(17 898)	(120 583)

	Number of units	Levies paid R	Levies received in advance R
SSHI own units in the Company as follows:			
SunSwop (a division of SSHI) - 2019 shareholding	15	126 150	35 960
SunSwop (a division of SSHI) - 2018 shareholding	15	117 410	25 230

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

AN Ridl - Club Leisure Group - 2019 shareholding	224	1 903 990	613 320
AN Ridl - Club Leisure Group - 2018 shareholding	223	1 768 900	613 920

16 Directors' emoluments

Non-executive Directors have been remunerated an agreed upon fee, per meeting attended, for their services to the Company. In addition, all Directors are reimbursed for costs incurred whilst on the Company's business. Further, all Directors are insured for medical costs and personal accident while on the Company's business. All 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. All costs relating to Messrs Fuller and Whiteboy are borne by Southern Sun Resorts/Tsogo Sun.

Agreed upon reimbursements paid for the year:

LE McMillan	25 600	23 100
JS Olive	25 600	23 100
	51 200	46 200
	2018 Restated R	2018 R

17 Comparative figures

Certain comparative figures have been reclassified. The effects of the reclassification is as follows:

Statement of financial position

Fixed deposits held with bank	8 000 000	-
Cash and cash equivalents	2 520 026	10 520 026

Statement of cash flows

Movement in fixed deposits held with bank	(1 600 000)	-
Cash and cash equivalents at beginning of year	2 865 909	9 265 909
Cash and cash equivalents at year-end	2 520 026	10 520 026

Pine Lake 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 economy are non-adjusting events and have no impact on the financial results for the year ended 31 December 2019.

The Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or in the annual financial statements, that would affect the financial position of the Company or the results of its operations significantly.

Pine Lake 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	13 277 732	12 422 595
Rental pool	87 488	91 483
Short term rentals	227 682	478 018
Sale of capital assets	46 343	33 147
Net sundry income		
- unclaimed surpluses, shop revenue, electricity, penalties, etc.	268 203	275 926
	13 907 448	13 301 169
EXPENDITURE		
Rooms expenses		
Cleaning supplies	19 157	29 027
DSTV	106 201	123 963
Guest entertainment	66 653	51 864
Guest supplies	110 634	119 481
Laundry	544 176	548 300
Personnel costs		
- outside services	894 634	890 676
Pest control	12 183	17 018
Plants and decorations	12 746	11 193
Printing and stationery, including reception	71 963	89 703
Replacement of cutlery, crockery, linen, towels, uniforms, etc.	139 401	174 493
Security services	449 641	418 598
Shop costs	470	76 236
	2 427 859	2 550 552
Administration and general		
Audit fees		
- current year	61 000	54 500
- expenses	-	72
Bank charges	8 872	10 161
Central accounting and levy collection fee	515 822	492 682
Corporate social initiatives	43 904	32 492
Credit card commission	71 333	80 385
Directors emoluments	51 200	46 200
Information technology costs	347 451	306 283
Insurance		
- premium	78 197	73 332
- excess	-	30 000
- claim	-	(38 009)
Internal audit fees	6 360	19 272
Legal fees	(2 158)	15 550
Licences and permits	6 911	9 311
Loss on repossessed debtors	59 209	46 484
Marketing	54 019	64 993
Postage	739	720
Provision for repossessed debtors	429 028	127 010
Railage, cartage and hire transport	5 277	1 934
Security		
- banking services	33 354	30 250
SunSwop exchange service	26 645	312 195
Subscriptions	15 060	13 559
Telephone	41 782	38 884
Travel		
- management and Directors	97 948	81 134
Vehicles		
- fuel and oil	27 184	-
	1 979 137	1 849 394

Pine Lake Share Block Proprietary Limited

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

	2019 R	2018 R
Electricity, water and refuse		
Electric bulbs	28 815	19 838
Electricity	494 464	397 821
Water	13 056	10 970
	536 335	428 629
Repairs and maintenance		
Air-conditioning	24 643	22 319
Buildings	131 945	169 520
Electrical and mechanical	18 306	82 426
Engineer's tools	5 343	2 752
Furniture and fixtures	13 304	10 327
Gardens and grounds	724 132	678 905
Office machines		
- maintenance contracts	3 686	(2 559)
Painting and redecorating	60 776	45 441
Plumbing and heating	167 839	96 515
Radio and TV	5 271	19 277
Generator	7 179	-
Room care	37 102	-
Swimming pool cleaning and repairs	35 285	36 149
Vehicles	11 962	10 844
	1 246 773	1 171 916
Corporate charges		
Annual report and statutory costs	(7 242)	47 791
Municipal rates and taxes	135 966	69 229
	128 724	117 020
Personnel costs		
Rooms	955 777	909 391
Administration and general	931 442	873 101
Repairs and maintenance	796 485	725 088
	2 683 704	2 507 580
Management fee	806 898	771 290
Total expenditure	9 809 430	9 396 381
Excess of income over expenditure before finance cost and taxation	4 098 018	3 904 788
Finance income		
Interest received	783 061	769 056
Excess of income over expenditure before taxation	4 881 079	4 673 844
Taxation	213 105	215 390
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	4 667 974	4 458 454

Pine Lake Share Block Proprietary Limited

Minutes of the Annual General Meeting of the shareholders held at The Pivot, 1 Montecasino Boulevard, Fourways, Johannesburg on Tuesday, 23 July 2019 at 10h00

1 WELCOME AND PREAMBLE

The Chairman of the Company, Mr James Olive representing the 'A' class shareholders, welcomed all shareholders present at the meeting. The Chairman advised that the meeting had been convened in terms of the notice of Annual General Meeting ("AGM") dated 22 May 2019.

The Chairman introduced his fellow independent non-executive Directors, Mr Anthony Ridl and Ms Louise McMillan to the meeting. Members of the senior management team, Messers Adam Fuller (Tsogo Sun Operations Director), Warren Whiteboy (Resorts Finance Manager) and Thuso Moroe (General Manager) were duly welcomed.

2 QUORUM

The Chairman noted that 11 shareholders were present in person or by proxy, representing a total of 26 796 'A' ordinary shares, constituting 18.74% of the Company's issued share capital of 142 968.

The required quorum being present, being at least three shareholders present and holding at least 5% of the share capital, the Chairman declared the meeting properly constituted.

3 NOTICE OF MEETING

All shareholders present consenting, the notice of Meeting dated 22 May 2019 was taken as read.

4 VOTING

The Chairman informed the meeting that voting on the resolutions be taken by means of 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 is hereby approved and adopted.

6 APPOINTMENT OF AUDITORS

ORDINARY RESOLUTION 2

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

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

7 DIRECTORS

The Chairman reported that, in terms of the Company's memorandum of incorporation ("MOI"), the Board is limited to five Directors. He explained that due to the size of the resort, the Board recommends that the Board of Directors be kept to a maximum of three Directors in order to save costs. He further explained that the Directors who retire at this meeting, but being eligible, are available for re-election.

Pine Lake Share Block Proprietary Limited

7.1 ORDINARY RESOLUTION 3.1

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

It was unanimously RESOLVED that Ms Louise McMillan be and is hereby re-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 himself, Mr James Olive, as a Director. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Mr James Olive be and is 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 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 is hereby re-elected as a Director of the Company.

8 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 3 members.

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

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 himself, Mr James Olive, as a member of the Company's audit committee. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Mr James Olive be and is 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. There were no questions or comments on the resolution.

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

9 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 24 July 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(9) of the Companies Act 71 of 2008, R5,300 (Vat payable, to the extent applicable to this remuneration), 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 24 July 2019 until the next AGM of the Company, be and is hereby approved.

Pine Lake Share Block Proprietary Limited

10 OTHER BUSINESS

10.1 INSURED VALUE OF THE PROPERTY

The Chairman mentioned that as approved by the Directors, in terms of the use agreement and recommended by the independent quantity surveyors, Brian Heineberg and Associates, the insured value of the property is R200,347,328. Buildings are valued at R185,989,094 and furniture, fittings and equipment are valued at R14,358,234. There were no questions or comments.

10.2 GENERAL MANAGER PRESENTATION AND REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The Chairman requested Mr Thuso Moroe, to present the general manager's presentation and report of the social and ethics committee. Mr Moroe proudly commenced his presentation with the guest centricity results which ended at 90.17%, year to date. Guest comments and feedback received were welcomed with positive results. To this end, the resort achieved a 4.3 star-rating (ranked 3rd out of 26 properties) and was awarded the 2019 certificate of excellence by Tripadvisor and also holds a Gold Crown rating by RCI. Mr Moroe highlighted the resort's updates, including but not limited to, security measures at the border fence/Longmere, the new shower installations and the convenience shop.

The resort was actively involved in various CSI projects during 2018. He highlighted the following by exception; delivering of Christmas hampers at the White River old age home, delivering food parcels at Phola Disabled Centre, donating 40 new school uniforms to Mpumelelo Primary School, contributing fencing and animal food to Nelspruit SPCA, as well as donating chairs and food storeroom/pantry shelving to Zamukuhle Disabled Centre.

Mr Moroe shared pictures of the new look and feel of one of the refurbished chalets. The first 12 units are expected to be completed before the December 2019 peak period, the next 12 units to be completed in 2020, and the final 8 units to be completed in 2021.

10.3 SHAREHOLDER COMMENTS

The following salient comments were received and recorded from shareholders:

- It was requested that both positive and negative feedback be presented in the general manager's presentation;
- It was noted that repossessed units/weeks remain a standing agenda item at the Board of Directors meetings;
- The resort had not experienced load shedding as it had in the previous years;
- Disposal of unit ownership without compensation was discussed at length. Whilst the resort is not obliged to take ownership back from shareholders, this is done as a service to shareholders;
- The resort has good trading power for banking purposes, to enjoy holidays at other properties; and
- It was agreed to hold the next AGM at the same venue in Johannesburg.

11 CLOSURE

There being no further business to discuss, the Chairman thanked all for their attendance and declared the meeting closed at 11h05.

CHAIRMAN

