

Umhlanga Sands Share Block Proprietary Limited

Registration No. 1972/003573/07



Annual Report

for the year ended 31 December 2019

Umhlanga Sands Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2019

COMPANY INFORMATION

Registration number: 1972/003573/07
Registered address: Palazzo Towers West
Montecasino Boulevard
Fourways
2055
Postal address: Private Bag X200
Bryanston
2021

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

- Detailed Levy Fund Operating Statement 25 - 26

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

Umhlanga Sands Share Block Proprietary Limited

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

On behalf of your Board of Directors, I am honoured to report on the many milestones achieved by uMhlanga Sands Resort ("uMhlanga Sands"), over the last year. Our sought after and amazingly beautiful sea-side resort, enjoys a prestigious beachfront location. Our guests enjoy breath-taking sunrises and sunsets along the uMhlanga coastline, while being attended to by our friendly and helpful team. It certainly is a pleasure holidaying at our wonderful property and the staff do their level best to understand our owners' sense of anticipation upon arrival. The friendly team welcomes all guests to our relaxing holiday destination for rest and relaxation or for fun-filled entertainment with the onsite and energetic entertainment team. There is certainly something for everyone at uMhlanga Sands.

Our resort continues to improve and set new benchmarks in the industry. uMhlanga Sands has again received many accolades and 2019 has been a phenomenal year. In-house surveys show that owners and guests are very happy, and the financials show that the share block is financially very sound.

I would like to extend a warm welcome to Mr Antony Larsen. He joined uMhlanga Sands in March 2019 and has enjoyed extensive resort and hotel experience during his 31 years with the Tsogo Sun Group. Mr Larsen has served as general manager of the Crowne Plaza Johannesburg, The Rosebank, Southern Sun OR Tambo International Airport Hotel and Breakers Resort, to name a few. Although he has big shoes to fill, his diversified experience and fresh ideas give your Board great comfort in knowing that he will continue to run our resort at the excellent standard that we are accustomed to.

Resort update

Your Board and our management team constantly strive to maintain a state-of-the-art resort whilst still retaining its homely and inviting atmosphere. Many exciting projects were completed during 2019 and I am proud to report that the newly refurbished lift lobbies and corridors look remarkable. Shareholders and guests are in awe of the fresh, neat and comfortable feel of the areas. In conjunction with this project, new scuff-proof room floors were installed in the upper floors. The resort has enjoyed an upgrade on the adult pool deck with new superb and good quality sun loungers.

With staff being key to our resort's ability to provide a world-class experience, much emphasis is placed on the employees and their pride of place. With this in mind, the staff change rooms and ablution facilities have been upgraded. New uniforms were sourced and purchased after much consultation with all parties. This has instilled much pride and a feeling of unity amongst the employees.

I am excited to report that the new chillers and cooling tower project has been completed. The longer supply of hot water, and ice cold air for those hot summer days, add to exceptional guest satisfaction scores. With regards to our green initiatives as well as the ongoing cost-saving drive, great energy savings are being enjoyed with this system by redirecting hot air generated by the cooling towers back into a water heating system. A new efficient heat pump has been installed to assist in the essential heating of the family swimming pool. This too is showing very effective and measurable energy savings.

A much-enhanced transport service has been initiated thanks to the purchase of a new 21-seater Mercedes bus that enables the entertainment team to transport larger groups of guests, in comfort, to fun-filled activities in and around Durban.

Our gardens and grounds are very well maintained and are looking fabulous. The curb appeal alongside the incredibly popular uMhlanga promenade has received a second phased facelift thanks to the clearing and landscaping along the verge, north of the walkway entrance to the resort. With the assistance of the uMhlanga Urban Improvement Precinct ("UIP"), safety on the promenade remains a priority with UIP guards patrolling and UIP cleaners maintaining a well-kept area for the benefit of the all who utilise this outstanding facility.

A state of the art television experience is now provided thanks to the entire property being upgraded to fibre, with new head-end equipment ensuring both enhanced channel selection and a picture quality second-to-none.

Our in-house Xscape entertainment facilities and programmes continue to delight all patrons. It continues to evolve and grow, remaining a highlight to any holiday that differentiates the uMhlanga Sands experience for both young and old. Guests have great fun while learning something new. Xscape introduced an educational aspect in their entertainment programme, providing children with not only special memories but enhanced skills and knowledge during their time on the property. "Kid is King" has brought much pride and joy for both the team and the children who visit. Additional activities have been introduced for the "tweens" and adults, to ensure that everyone is catered for. A highlight is always the weekly staff vs guest volleyball game with the staff enjoying much support from their peers on the side-line. It's a friendly game with some rounds becoming quite intense, which really does provide an opportunity to shape strong relationships between guest themselves as well as with the staff and management team playing.

The much valued weekly "meet the management" event, now also held during season, has always provided an invaluable opportunity to interact and share suggestions and experiences on the resort.

I am extremely proud to announce that uMhlanga Sands was awarded the 2019 Lilizela award as the provincial winner in the 4-star hotel category and I wish to congratulate Mr Larsen and his team for their hard work.

There are several exciting projects and changes planned for 2020 which will see the resort continue to improve and enhance each and every valued visitor's experience. The property has been well looked after and much effort is going into future-proofing it, to ensure that it continues to provide a world-class experience now and into the future.

Umhlanga Sands Share Block Proprietary Limited

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

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 the income and expenditure of the Company in a summarised format. The detailed levy fund operating statement is not audited and is presented as supplementary information on pages 25 to 26 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 R87.7m (2018: R84.6m), expenses of R57m (2018: R55.6m) and a levy surplus after taxation of R28.8m (2018: R27.3m), which was transferred to the reserve for property, plant, and equipment.

Income

The detailed levy fund operating statement reflects that rental pool increased by 31.1% and short-term rental income increased by 51%. This was largely due to private school holidays and an extra week falling in peak season (week 38). Interest received increased by 11.3% due to the average interest rate being higher than forecasted. Non-levy income was similar when compared to prior year and included the surplus from the sale of repossessed units, rental from commercial tenants, and parking income. Shareholders wishing to place their weeks in the rental pool must do so in writing at least 90-days prior to the commencement of their week, which will be confirmed provided that the annual levy has also been paid.

Expenditure

Total expenditure for the year amounted to R57m (2018: R55.6m), which was an increase well within budget for the year.

- **Rooms expenses** - room costs increased by 7.3% year-on-year. Replacement of operating equipment reflected a 12.5% increase when compared to 2018, due to the purchase of uniforms in 2019. Security increased by 12%, due to 2018 including a credit for no site manager being employed over a 3-month period, as well as the legislated increase by the supplier.
- **Administration and general** - administration and general expenditure decreased by 25.6% year-on-year. Sunswop exchange service fees decreased by R2m due to the membership ending in Jan 2019.
- **Electricity, water and refuse** - 2019 increased by 1.1% due to a 15% increase in refuse costs and R99k spent on generator fuel due to load shedding.
- **Repairs and maintenance** - expenditure increased by 24.9% year-on-year due to painting each floor of the building, and ongoing maintenance and repairs required in the units and around the property.
- **Corporate charges** - corporate charges increased by 1.1% mainly due to an increase in rates. This was offset by the decrease in Company costs, being the provision for the CSOS levy being written back.
- **Management fee** - the management fee is an agreed and set amount, made up of contributions from the outsourced restaurants and any variance being paid by the share block.

Statement of financial position

The statement of financial position ("balance sheet") on page 14 together with the notes related thereto reflects the financial position of the Company. The reserve for property, plant and equipment increased to R33.7m and fixed deposits held with the bank increased to R54m, against R41.5m in 2018. Levies receivable increased to R707k (2018: R645k) while levies received in advance amounted to R23.5m (2018: R23.1m). The increase in levies received in advance is commendable and shows the commitment of all owners who meet their levy obligations timeously, allowing these funds to be invested for the benefit of the share block.

Capital expenditure

Capital expenditure amounted to R18.9m, against R49.2m in 2018. This included major expenditure items such as:

• Corridor upgrade	R6,841,067
• Replace chiller plant	R6,794,735
• Television reticulation	R2,156,221

Levy 2021

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

SunSwop and RCI affiliation

As reported last year, RCI took over the exchange service from Interval International on 4 February 2019. I would like to thank Interval International for their contribution in making SunSwop the success that it has become over the last 10 years. Shareholders will continue transacting through SunSwop and will still call a dedicated telephone number for assistance. The only difference is that RCI provides international exchange resort options and provides a greater number of local exchange options for SunSwop 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 consumers' 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 represents 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.

Legal matter: municipal rates objection

The objection and legal matter regarding the re-classification of the resort, as imposed by the eThekweni municipality continues. A neighbouring property, with a similar objection to its own re-classification has further appealed the category change and increased rates. Your Board awaits the outcome of their appeal before proceeding any further with our legal objection.

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

Legal matter: Fleetwood-On-Sea

The objection to the proposed re-development of our neighbouring property, Fleetwood-On-Sea, also remains an ongoing matter. We want our family swimming pool and entertainment areas to remain as wonderful as they are and not have the shade/shadow lines from a larger and higher Fleetwood-On-Sea development negatively impacting guest experience at the family swimming pool. The current development proposal would greatly impact on the shade/shadow line cast across the area in the afternoons and make it a cold area. We need to protect that "enjoyment in the sun" as best as possible.

General

It is wonderful to record that our corporate social investment ("CSI") projects continue to positively impact worthy and local initiatives. I monitor CSI initiatives very closely and I am ever so proud of the hard work and dedication given by our social and ethics committee and management team, and the progress made in helping the less fortunate community over the past 12 months. I refer you to page 8 of this annual report for a breakdown on what the social and ethics committee is responsible for and I encourage you to attend the annual general meeting, where a comprehensive presentation will be shown, attesting the great initiatives and contributions made by uMhlanga Sands' exemplary support of its local community and initiatives for great causes.

Conclusion

Shareholders can be assured that our resort is very well managed, thanks to the great and efficient service delivery and close management of our managing agent. Your Board maintains a great working relationship with our reliable and committed management team and I am confident that Mr Larsen and his team, as well as the support team from Tsogo Sun, will continue to provide great attention and care for our busy and cheerful property. I thank all staff for going the extra mile for our shareholders and guests. Every bit of willingness, kindness and enthusiasm is appreciated.

I extend my personal appreciation to my fellow Directors Messrs Ridl, Ramsarup, Dickson, Kruger and McMillan, as well as to the Tsogo Sun management team, for their time, energy, professionalism and guidance this past year. As a team, we have accomplished even greater things.

I welcome each shareholder to attend our AGM at 10h30 on 22 October 2020. Should you find yourself unable to attend, please complete and return the form of proxy enclosed in the annual report on page 5, and your proxy to vote will be recorded for the meeting.

I wish you all a safe and healthy year ahead.



John Lee
Chairman

Notice is hereby given to the shareholders of the Company that the Annual General Meeting ("AGM") of the Company will be held on **Thursday, 22 October 2020 at 10h30, 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 seven (7) Directors in number. Directors shall retire at each AGM and be eligible for re-election. Mr John Lee has decided to retire at this AGM and will not be available for re-election. **It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the timesharers be received by no later than 10h30 on Tuesday, 20 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 Nicholas Dickson who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.2: Resolved as an ordinary resolution that 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 3.3: Resolved as an ordinary resolution that Dr Muhammed Mia who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.4: Resolved as an ordinary resolution that Mr 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 Nicholas Dickson be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

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

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

5. Approval of insured value of property

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

6. Non-executive Directors' fees

Special resolution 1: Resolved as a special resolution that R8,400 (Vat payable, to the extent applicable to their remuneration) payable to the non-executive Directors of the Company for their services as Directors of the Company and as members of the sub-committees, per meeting or cluster of meetings, in respect of the period from 23 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, 23 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 9 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 10h30 on Wednesday, 20 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

Umhlanga Sands Share Block Proprietary Limited
 Registration Number: 1972/003573/07
 ("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.companysecretarialservices@tsogosun.com

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Thursday, 22 October 2020 at 10h30 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 Nicholas Dickson			
3.2 Louise McMillan			
3.3 Mohammed Mia			
3.4 Ajith Ramsarup			
3.5 Anthony Ridl			
Ordinary Resolution 4: Appointment of audit committee			
4.1 Nicholas 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 10h30 on Tuesday, 20 October 2020.

Umhlanga Sands 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 Umhlanga Sands Share Block Proprietary Limited. The annual financial statements presented on pages 13 to 24 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the South African Companies Act 71, of 2008.

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

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

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

The going concern basis has been adopted in preparing the annual financial statements. Based on the cash flow forecasts, available cash resources and the other measures the Company has taken, the Directors and management 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, the Southern African travel and tourism industry, and its employees. No industry can survive extended periods without revenue. We welcome the recent announcement by President Cyril Ramaphosa of the move to risk level 3 and appeal to government to continue to open the economy as quickly as possible, with due regard for safety.

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

Approval of annual financial statements

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



JA Lee
Chairman



RN Dickson
Director (chairman - audit committee)

Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of Umhlanga Sands 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

Umhlanga Sands 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 non-executive Directors being Mr Nicholas Dickson (Chairman), Mr Ajith Ramsarup and Mr Anthony Ridl.

2. Frequency of meetings

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

3. Attendance

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

4. Duties of the audit committee

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

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

5. Independence of external auditors

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



RN Dickson

Chairman

27 July 2020

Umhlanga Sands 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 Umhlanga Sands Share Block is a statutory committee which is governed by the South African Companies Act, guided by King IV and includes any other responsibilities allocated to it by the board.

Role of the committee

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

- in place;
- effective;
- ensure good corporate citizenship;
- monitor employee engagement and development; and
- ensure that health and public safety remains a focus.

Social and economic development

The committee assists its local community through various initiatives during the year in order to realise its goal of making a difference in the resort's local community.

Waterloo Primary School class rooms were painted. While Waterloo Primary School was the committee's prime social responsibility, it has also undertaken the following initiatives:

- Holah Baby House with the donation of linen for sale in their shop to raise funds to care for children;
- Haven of Rest by donating Christmas parcels to residents;
- Reach For a Dream Easter egg hunt at Addington hospital and uMhlanga Netcare Hospital;
- Reach for a Dream family weekend for four families with a life threatening illness diagnosed within the family;
- Storm support for East Coast Radio food parcel drive in Durban;
- Monkey Land with the clearing of dangerous plants threatening the lives of the monkeys;
- Black Burn Village with the donation of hotdogs for Christmas for four hundred children; and
- Rise Against Hunger food distribution for Nelson Mandela day.

Corporate citizenship - CSI/sustainability

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

Environmental health & public safety

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

Organisational Resilience Management System ("ORMS")

The ORMS system, implemented by Southern Sun Resorts/Tsogo Sun throughout all its properties, is a comprehensive management system that records plans and systems relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the effects on the business. This management system is updated quarterly and audited by Southern Sun Resorts/Tsogo Sun on an annual basis.

Guest relations & correspondence

Guest feedback is of utmost importance. For this reason, the electronic eGuest satisfaction survey system is carefully managed and monitored and individually responded to on a daily basis. Other forms of feedback is derived from social media platforms such as Facebook, Google reviews and TripAdvisor. The resort received the RCI top unit maintenance award as well second place for Best Gold Crown resort in 2019.

Labour, employment relations, training & BBBEE

uMhlanga Sands Resort complies with the Labour Relations Act of South Africa. All employees are treated equally and employee engagement is monitored. Management assists in developing, maintaining and improving employee relationships through communication, performance management, processing grievances

and/or disputes. Staff at the resort are continuously trained and further developed where possible.

uMhlanga Sands Resort is linked to the BBBEE rating of the Tsogo Sun Group, which is a level one BBBEE contributor.

Strategic plans

The social and ethics committee has focused greatly on four strategic areas.

Longstanding general manager Mr Derek Mckillop retired and his successor Mr Antony Larsen joined uMhlanga Sands in March 2019. Antony has been with the Tsogo Sun group for 31 years.

Legal matters include an objection to the change in the municipal category rating imposed by the eThekweni municipality. The property rating category was changed from a residential category to a commercial category. The second legal matter includes an objection to the re-development of neighbour, Fleetwood-On-Sea, as the shade/shadow line from the development would have a substantial impact on the family swimming pool and entertainment area. Both parties are close to finding a resolution on this matter.

The two food and beverage lease agreements expired at the end of March 2020. Tender processes were undertaken and discussions have commenced with service providers to ensure that this facility provides the best service delivery and offering to guests.

Custodian of the unique identity

uMhlanga Sands Resort prides itself in its unique and endless child and adult entertainment. Xscape entertainment offers fun and excitement that will create lifelong holiday memories. The committee ensures that the unique identity, "Kid is King" is maintained at the resort.

Composition and functioning

The committee comprises four board Directors namely Ms Louise McMillan (chairman), Mr Gustavus Kruger, Mr Mohammed Mia and Mr John Lee. Additional board members are invited to attend meetings and resort staff assist wherever possible. The committee meets twice a year and holds comprehensive meetings.

Activities of the committee

The committee is focused on ensuring that the resort's environmental programme has a strong approach to energy, water and waste management. Energy and water consumption is monitored by a live system that updates management before wastage may occur. Any abnormal activities that would deviate from the targets set are highlighted immediately. The system assists in tracking trends for using the resort's resources at the best time, for optimal use, at a lower cost. This savings in water and electricity as a result of this improved management has been amazingly good. Many initiatives are in place and the installation of grey water reservoirs, used to fill the swimming pools, water the gardens and grounds have contributed immensely.

The waste management programme at uMhlanga Sands Resort is controlled by Don't Waste Services and is also tracked through a live system.

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

Louise McMillan
Chairman

Umhlanga Sands 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 uMhlanga Sands Resort which are utilised by the shareholders on a timeshare basis with respective shareholders' time interest being apportioned through the issue of shares according to share block regulations. These regulations provide for the following:

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

2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act, and in common with other timeshare operations in South Africa, the Company has, since its inception as a share block company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and 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 R28,838,284 (2018: R27,314,277) was transferred to the reserve for property, plant and equipment.

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

3 Share capital

The authorised and issued share capital has remained unchanged during the year.

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:

RN Dickson *	
G Kruger ^	
JA Lee ^	Chairman
LE McMillan ^	
MF Mia ^	Appointed 11 September 2019
AB Ramsarup *	
AN Ridl *	(Alternate MN Ridl - appointed 13 May 2019)
DP Viljoen ^	Retired 11 September 2019

* Audit committee members

^ Social and ethics committee members

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

Business:

Palazzo Towers West
Montecasino Boulevard
Fourways
2055

Postal:

Private Bag X200
Bryanston
2021

Umhlanga Sands Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2019

6 Management

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

7 Material events after year-end and going concern

Covid-19 status and action plan

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

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

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

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

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

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

The Directors are of the opinion that the COVID-19 pandemic and subsequent lockdown of the 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.

8 Legal matters

The Company is currently pursuing legal action regarding two matters.

The first legal matter is an objection to the Fleetwood-on-Sea development, where the upward development of our neighbours building will cast a shadow line across the family swimming pool and surrounding lawn area. R102,827 was spent on this matter in 2019 (2018: R163,697).

The second legal matter is an objection to the rates reclassification by the eThekweni Municipality. The Company has been classified in the "Business and Commercial" rates category resulting in a steep increase in the annual rates charge. The Company is awaiting the outcomes of similar objections raised by other share block companies before proceeding further on this matter. R967 was spent on this matter in 2019 (2018: R24,858).

Umhlanga Sands Share Block Proprietary Limited

Report of the Independent Auditors

To the shareholders of Umhlanga Sands Share Block Proprietary Limited

Opinion

We have audited the financial statements of Umhlanga Sands Share Block Proprietary Limited (“the Company”) set out on pages 13 to 24, which comprise the statement of financial position as at 31 December 2019, 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 Umhlanga Sands Share Block Proprietary Limited as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Emphasis of Matter – Subsequent Event and Going Concern

Without qualifying our opinion, we draw attention to Note 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 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 “Umhlanga Sands Share Block Proprietary Limited annual financial statements for the year ended 31 December 2019”, which includes the Directors’ Report as required by the Companies Act of South Africa and the detailed levy fund operating statement. The other information does not include the financial statements and our auditor’s report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Umhlanga Sands Share Block Proprietary Limited

Report of the Independent Auditors

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

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

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

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

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

BDO South Africa Inc

BDO South Africa Incorporated

Registered Auditors

A Timol

Director

Registered Auditor

27 July 2020

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

Umhlanga Sands Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 R	2018 R
Income		83 048 732	80 355 758
Levy income		77 295 928	74 305 252
Other income		5 752 804	6 050 506
Expenses		(57 049 134)	(55 649 494)
Levy surplus before interest and taxation	3	25 999 598	24 706 264
Finance income	4	4 681 185	4 206 473
Levy surplus before taxation		30 680 783	28 912 737
Income tax expense	5	(1 842 499)	(1 598 460)
Levy surplus for the year		28 838 284	27 314 277

Umhlanga Sands 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	6 000 000	1 500 000
Total non current assets		6 000 000	1 500 000
Current assets			
Inventories		90 097	67 532
Trade and other receivables	6	6 911 018	7 219 299
Levies receivable	7	706 822	644 984
Fixed deposits held with bank	11	48 000 000	40 000 000
Cash and cash equivalents	12	7 482 577	8 695 119
Total current assets		63 190 514	56 626 934
Total assets		69 190 514	58 126 934
EQUITY			
Capital and reserves			
Share capital	10	3 537 184	3 537 184
Reserve for property, plant and equipment	8	33 669 708	23 741 945
Total equity		37 206 892	27 279 129
LIABILITIES			
Current liabilities			
Trade and other payables	9	6 603 844	6 131 918
Levies received in advance	13	23 537 279	23 117 427
Current tax liabilities		1 842 499	1 598 460
Total current liabilities		31 983 622	30 847 805
Total liabilities		31 983 622	30 847 805
Total equity and liabilities		69 190 514	58 126 934

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

	Note	2019 R	2018 R
Share capital			
Ordinary shares at beginning and year-end	10	3 537 184	3 537 184
Reserve for property, plant and equipment			
At beginning of year		23 741 945	45 645 988
Levy surplus for the year		28 838 284	27 314 277
Property, plant and equipment additions and replacements during the year	8	(18 910 521)	(49 218 320)
At year-end		33 669 708	23 741 945

Umhlanga Sands 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	30 680 783	28 912 737
Adjustments for:		
Interest received	(4 681 185)	(4 206 473)
Non cash items		
- Movement in exchange fee rebate	-	(42 800)
Net surplus before working capital changes	25 999 598	24 663 464
Changes in working capital		
- Movement in inventories	(22 565)	(13 139)
- Movement in levies receivable	(61 838)	(112 975)
- Movement in trade and other receivables	308 281	12 058 416
- Movement in levies received in advance	419 852	646 235
- Movement in trade and other payables	471 926	(725 147)
Cash flows from operating activities	27 115 254	36 516 854
Interest received	4 681 185	4 206 473
Tax paid	(1 598 460)	(1 859 803)
Net cash inflow from operating activities	30 197 979	38 863 524
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(18 910 521)	(49 218 320)
Movement in fixed deposits held with bank	(12 500 000)	17 500 000
Net cash outflow from investing activities	(31 410 521)	(31 718 320)
Net movement in cash and cash equivalents	(1 212 542)	7 145 204
Cash and cash equivalents at beginning of year	8 695 119	1 549 915
Cash and cash equivalents at year-end	7 482 577	8 695 119

Umhlanga Sands Share Block Proprietary Limited

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

1 Accounting policies

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

1.1 Basis of preparation

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

The accounting policies are consistent with previous periods.

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

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out ("FIFO") method. Net realisable value is the estimate of the selling price in the ordinary course of business.

1.4 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.

1.5 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.

Umhlanga Sands Share Block Proprietary Limited

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

1.6 Cash and cash equivalents

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

1.7 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.

1.8 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.

1.9 Equity

Ordinary shares are classified as equity.

1.10 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.

1.11 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.

Umhlanga Sands Share Block Proprietary Limited

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

2 Financial risk management (continued)

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.

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.

Umhlanga Sands 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	13 852 310	12 704 644
- contributions to retirement funds	1 153 292	979 380
Management fees	1 630 764	1 594 898
Audit fees	176 000	163 250
Lease expenses	(2 400)	(2 298)
Professional, legal and internal audit fees	103 794	261 631
Other operating expenses	40 135 374	39 947 989
	57 049 134	55 649 494
4 Finance income		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	4 681 185	4 206 473
Finance income	4 681 185	4 206 473
5 Income tax expense		
Provision is made for Company taxation on the non-levy income.		
No tax is payable on levy income from the shareholders in terms of section 10(1)e of the Income Tax Act.		
Current year	1 842 499	1 598 460
	1 842 499	1 598 460
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)	479 113	567 863
Prepayments (refer note 15)	2 811 921	2 479 773
Interest receivable	2 890 095	2 461 043
Receiver of revenue - Vat	-	1 094 273
Sundry receivables	729 889	616 347
	6 911 018	7 219 299
7 Levies receivable		
Levy debtors	518 616	209 628
Repossessed debtors	347 436	656 035
Provision for repossessed debtors	(159 230)	(220 679)
- Opening balance	(220 679)	(309 419)
- Movement	61 449	88 740
	706 822	644 984

Umhlanga Sands 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	23 741 945	45 645 988
Levy surplus at year-end	28 838 284	27 314 277
	52 580 229	72 960 265
Property, plant and equipment additions and replacements	(18 910 521)	(49 218 320)
At year-end	33 669 708	23 741 945
<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 of R35,023,323 for 2020 (2018: approved capital expenditure of R24,487,223 for 2019) which it is anticipated will decrease the budgeted reserve fund by R8,048,576 (2018: increase the budgeted reserve fund by R5,112,342 for 2019). There were no capital commitments made at year-end (2018: R nil).</p>		
9 Trade and other payables		
Trade payables	991 655	1 090 147
Other payables		
Accruals (refer note 15)	3 511 182	3 016 278
Provision for auditor's remuneration	177 000	163 000
Receiver of revenue - Vat	126 816	-
Sundry payables (refer note 15)	1 797 191	1 819 693
Exchange fee rebate	-	42 800
	5 612 189	5 041 771
	6 603 844	6 131 918
10 Share capital		
Authorised and issued		
35,371,840 Class "A" ordinary shares of 10 cents each	3 537 184	3 537 184
11 Fixed deposits held with bank		
Fixed deposits held with bank - long term	6 000 000	1 500 000
Fixed deposits held with bank - short term	48 000 000	40 000 000
	54 000 000	41 500 000
12 Cash and cash equivalents		
Bank balances	7 430 400	8 607 118
Cash on hand	52 177	88 001
	7 482 577	8 695 119
13 Levies received in advance		
Levies received in advance	23 537 279	23 117 427

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.

Umhlanga Sands Share Block Proprietary Limited

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

	2019	2018
	R	R

14 Property, plant and equipment

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

Land and buildings comprise the following property:

Lot 1076, Umhlanga Rocks Township, Kwa-Zulu Natal with buildings thereon, known as uMhlanga Sands Resort.

Land and buildings were originally purchased for R13,882,239 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 R284,000,000 for rates purposes. There are no bonds on the property.

15 Related party transactions

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

Short-term rentals	218 025	164 242
Rental pool	415 276	316 702
Management fee	1 630 764	1 594 898
Levy administration and collection	3 098 029	2 961 313

The Company receives rental income from SSHI for the letting of office space:

Rental income	(1 067 755)	(1 012 755)
---------------	-------------	-------------

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	(240 911)	(208 001)
--	-----------	-----------

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	(54 940)	(64 757)
Secretarial fees on repossessed debtors and use agreement fees - SRMS	62 400	73 926

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

SunSwop exchange services	185 211	2 188 794
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During the financial year the Company paid the following SSHI internal charges:

- Administration - Information technology, industrial relations, training, etc	366 768	219 261
- Training related	118 041	118 250
- Frequent guest loyalty program	57 433	86 961

Umhlanga Sands Share Block Proprietary Limited

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

	2019	2018
	R	R
15 Related party transactions (continued)		
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Tsogo Sun Group, including the Company. These costs, which include insurance and certain maintenance and operating lease contracts, are recovered from the Company via a loan account. The balance of the loan account is as follows:		
Due (to)/by SSHI and its subsidiaries:		
- included in payables (refer note 9)	(207 277)	(504 578)
- included in receivables (refer note 6)	220 655	73 569
	13 378	(431 009)

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

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

	Number of units	Price paid
		R
SunSwop (a division of SSHI)	117	915 652

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	185	1 044 760	307 120
SunSwop (a division of SSHI) - 2018 shareholding	68	440 420	81 360

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

2019 - shareholding

RN Dickson - Dream Vacation Club	643	4 613 160	1 135 140
AB Ramsarup - The Leisure Holiday Club	663	4 819 220	907 400
AN Ridl - Club Leisure Group	1 158	8 528 000	2 160 900

2018 - shareholding

RN Dickson - Dream Vacation Club	600	4 083 680	1 539 280
AB Ramsarup - The Leisure Holiday Club	697	4 829 110	1 051 100
AN Ridl - Club Leisure Group	1 160	8 139 430	2 417 660

Umhlanga Sands Share Block Proprietary Limited

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

	2019 R	2018 R
16 Directors' emoluments		
<p>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.</p> <p>Directors' emoluments paid for the year:</p>		
PD Coetzee	-	53 488
RN Dickson	32 000	34 414
LD Douglas	-	36 414
G Kruger	40 400	34 414
JA Lee	32 400	8 000
LE McMillan	40 400	-
MF Mia	8 400	-
AB Ramsarup	40 400	34 414
AN Ridl	40 400	12 094
DP Viljoen	32 000	34 414
	266 400	247 652

	2018 Restated R	2018 R
17 Comparative figures		
<p>Certain comparative figures have been reclassified. The effects of the reclassification is as follows:</p>		
Statement of Financial Position		
Non current assets		
Fixed deposits held with bank	1 500 000	-
Current assets		
Fixed deposits held with bank	40 000 000	-
Cash and cash equivalents	8 695 119	50 195 119
Statement of cash flows		
Movement in fixed deposits held with bank	17 500 000	-
Cash and cash equivalents at beginning of year	1 549 915	60 549 915
Cash and cash equivalents at year-end	8 695 119	50 195 119

Umhlanga Sands 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.

Umhlanga Sands 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	77 295 928	74 305 252
Rental pool	622 914	475 054
Short term rentals	1 959 735	1 297 688
Sale of capital assets	11 109	1 125 994
Net non-levy income		
- telephone, rentals and penalties etc	3 159 046	3 151 770
	83 048 732	80 355 758
EXPENDITURE		
Room expenses		
Cleaning supplies	346 108	369 543
Guest entertainment	1 633 045	1 493 336
Guest supplies	888 962	884 662
Laundry	2 910 947	2 764 432
DSTV	744 736	804 483
Pest control	37 586	37 517
Personnel costs		
- outside services	6 501 504	5 919 570
Plants and decorations	24 852	23 291
Printing and stationery, including reception	247 885	280 713
Replacement of cutlery, crockery, linen, towels, uniforms, etc	1 510 916	1 342 596
Security services	2 324 516	2 075 457
	17 171 057	15 995 600
Administration and general		
Audit fees		
- current year	176 000	163 250
Bank charges	35 163	37 912
Central accounting and levy collection fees	3 098 029	2 961 313
Corporate social initiatives	98 345	92 822
Credit card commission	285 415	264 930
Directors' emoluments	266 400	247 652
Information technology costs	1 009 685	867 412
Insurance		
- excess	-	15 000
- premium	315 583	311 838
- claim	(253 500)	(43 323)
Internal audit fees	-	68 076
Legal fees	87 594	193 555
Licences and permits	177 500	131 191
Loss on repossessed debtors	41 500	34 896
Marketing	108 324	157 355
Postage	-	920
Professional fees	16 200	-
Provision for repossessed debtors	(61 449)	(88 740)
Railage, cartage and hire transport	3 418	957
Security		
- banking services	33 179	25 947
Subscriptions	75 944	58 192
SunSwop exchange service	185 211	2 188 794
Telephone	60 913	141 711
Travel		
- management and Directors	90 976	30 301
Vehicles		
- fuel and oil	26 402	38 183
	5 876 832	7 900 144

Umhlanga Sands 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	42 539	44 283
Electricity	3 629 268	3 595 168
Generator fuel	98 648	-
Refuse	406 190	353 095
Water	1 178 712	1 303 123
	5 355 357	5 295 669
Repairs and maintenance		
Air-conditioning	1 025 395	499 870
Buildings	216 609	237 652
Electrical and mechanical	183 002	169 674
Elevators	283 739	328 626
Engineers tools	4 233	12 949
Flooring and carpeting	211 802	200 769
Furniture and fixtures	282 378	152 605
Gardens and grounds	314 579	333 436
Laundry machines	-	2 770
Office machines		
- maintenance contracts	1 387	4 259
Painting and redecorating	71 892	88 097
Personnel costs		
- outside services swimming pool	483 099	450 763
Plumbing and heating	92 572	43 090
Radio and TV	10 680	16 828
Refrigerators/ice machines	1 020	715
Room access card	41 326	23 366
Room care	405 434	320 627
Swimming pool cleaning and repairs	57 652	66 103
Vehicles	6 331	3 650
	3 693 130	2 955 849
Capital charges		
Annual report and statutory costs	(192 988)	167 973
Furniture and equipment leases	(2 400)	(2 298)
Municipal rates and taxes	7 776 302	7 407 133
Urban improvement programme	735 478	650 502
	8 316 392	8 223 310
Personnel costs		
Rooms	9 186 249	8 171 066
Administration and general	3 375 503	3 306 228
Repairs and maintenance	2 443 850	2 206 730
	15 005 602	13 684 024
Management fee	1 630 764	1 594 898
Total expenditure	57 049 134	55 649 494
Excess of income over expenditure before finance cost and taxation	25 999 598	24 706 264
Finance income		
Interest received	4 681 185	4 206 473
Excess of income over expenditure before taxation	30 680 783	28 912 737
Taxation		
- current	1 842 499	1 598 460
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	28 838 284	27 314 277

Umhlanga Sands Share Block Proprietary Limited

Minutes of the Annual General Meeting of Shareholders for the Year Ended 31 December 2018, held on Wednesday 11 September 2019 at 10h04, at Holiday Inn Sandton, 123 Rivonia Road, Sandton

1 WELCOME AND PREAMBLE

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

The Chairman introduced the resort's new general manager, Mr Antony Larsen, and his fellow Directors, Messrs. Ajith Ramsarup, Gustav Kruger, Anthony Ridl, Nick Dickson and Ms Louise McMillan. He extended his welcome and introduced the senior management team. Apologies were recorded on behalf of Director, Mr John Lee, who was abroad.

2 QUORUM

The Chairman noted that 20.92% of total shares was recorded. With the required quorum being present, comprising at least three (3) shareholders present holding at least 5% of the share capital, the Chairman declared the AGM duly constituted.

3 NOTICE OF MEETING

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

4 VOTING

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

5 ADOPTION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

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

ORDINARY RESOLUTION 1

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

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

6 APPOINTMENT OF AUDITORS

ORDINARY RESOLUTION 2

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

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

7 DIRECTORS

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

Umhlanga Sands Share Block Proprietary Limited

Prior to this meeting, a nomination on behalf of Dr. Mahomed Fazel Mia and Ms Lynette Douglas was received. It was confirmed that the nominee, Dr. Mia, as well as his proposer and seconder was present in person. Dr. Mia had kindly consented to the nomination and submitted a copy of his CV. It was noted that nominee, Ms Douglas, was not present nor was her proposer and/or seconder. Consequently, the nomination for Ms Douglas could not be tabled for consideration.

Dr. Mia introduced himself and provided a summary of his expertise and experience. The Directors standing for re-election included Messrs. Nicholas Dickson, Gustavus Kruger, John Lee, Ajith Ramsarup, Anthony Ridl, Deon Viljoen and Ms Louise McMillan. The Chairman requested that each nominee introduce themselves to the meeting, which they did. In his absence, the Chairman provided a brief overview of Mr Lee's expertise. The Chairman noted that there were eight (8) nominations for only seven (7) vacancies on the board. He explained the ballot voting process while shareholders received a ballot form for their completion. No objections were recorded.

7.1 ORDINARY RESOLUTION 3.1

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

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

7.2 ORDINARY RESOLUTION 3.2

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

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

7.3 ORDINARY RESOLUTION 3.3

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

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

7.4 ORDINARY RESOLUTION 3.4

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

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

7.5 ORDINARY RESOLUTION 3.5

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

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

7.6 ORDINARY RESOLUTION 3.6

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

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

7.7 ORDINARY RESOLUTION 3.7

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

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

Umhlanga Sands Share Block Proprietary Limited

7.8 ORDINARY RESOLUTION 3.8

The Chairman proposed ordinary resolution 3.8, relating to the election of Dr. Mahomed Fazel Mia, as a Director. There were no questions or comments on the resolution.

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

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

8 APPOINTMENT OF AUDIT COMMITTEE

The Chairman reported that, in terms of the Company's MOI, the Company is required at each AGM to elect an audit committee, comprising at least three (3) members. Without the final count of voting for resolutions 3.1-3.8, the appointment of the audit committee was deferred until later in the meeting.

9 APPOINTMENT OF SOCIAL AND ETHICS COMMITTEE

ORDINARY RESOLUTION 5

The Chairman proposed ordinary resolution 5, as set out in the notice convening the meeting, relating to the appointment of the social and ethics committee members. The Chairman recommended that the current members of Messrs. Gustavus Kruger, John Lee and Ms Louise McMillan be re-elected for the ensuing year. There were no questions or comments on the resolution.

It was unanimously RESOLVED that Messrs. Gustavus Kruger, John Lee and Ms Louise McMillan be and are hereby elected as a member of the Company's social and ethics committee.

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 12 September 2019 until the next AGM of the Company.

A shareholder strongly objected to the increase in Directors' emoluments and to an increase in the annual levy. She felt that the Directors did not deserve receipt of the emolument as the standard of the resort was not as it was many years ago. The Chairman noted the objection and referred to the notice of the AGM in which the special resolution was mentioned and advised that the special resolution was circulated to all shareholders. After much discussion with the shareholder and other shareholders, it was mentioned that 22% of shareholders present in person and by proxy, were in favour of the special resolution. The motion was put to the meeting.

It was RESOLVED that in terms of the provisions of section 66(9) of the Companies Act 71, of 2008, R8,400 payable to the non-executive Directors of the Company, for their services as Directors and/or members of the Board, sub-committees, or cluster of meetings, in respect of the period from 12 September 2019 until the next AGM of the Company, be and is hereby approved.

11 OTHER BUSINESS

INSURED VALUE OF PROPERTY

The Chairman proposed approval of 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 Umhlanga Sands Resort was R771,671,602. Buildings are valued at R671,586,265 and furniture, fittings and equipment are valued at R100,085,337. There were no questions or comments.

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

Umhlanga Sands Share Block Proprietary Limited

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

General manager, Mr Antony Larsen commenced his presentation on what had taken place at the resort over the past year and what initiatives were celebrated by staff and guests throughout the period. In summary, Mr Larsen mentioned the following:

- Tripadvisor awarded the resort 4.5 stars and ranked it the 5th Best Property in uMhlanga;
- Overall energy and water consumption results for the year. Savings would further improve following the installation of the new borehole and cooling towers;
- Great focus on recycling. The food waste disposal machine contributed 14% of total waste removal. Borehole water was treated and now potable;
- The rooms refurbishment project had received much positive feedback;
- CSI Initiatives and support given to Waterloo Primary School, Haven of Rest, and Hola Home Baby House;
- Proposed back of house upgrades; and
- Proposed food and beverage area, lobby area and public area refurbishment project for 2020.

The shareholders applauded the Board on the exceptional upgrades and updates to the property.

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

- Shareholders appreciated the new general manager being as visible and active in the resort;
- Administration offices should be upgraded for staff members to have better working spaces and fresh air;
- Mr Clive Napier, the previous entertainment manager, be involved in the current entertainment programme;
- Reception staff are very friendly and welcoming and activities for children are great;
- A small gym facility be considered. An indoor gym facility was costly to maintain. The resort would investigate a contract agreement with Planet Fitness Gym at The Pearls, for guests to utilize their gym, on a voucher basis. An outdoor gym facility was suggested;
- Room maintenance needed improvement and rooms must be thoroughly inspected to pick up any housekeeping or maintenance issues before a new guest arrived;
- Uncomfortable chairs and couches be replaced in the rooms refurbishment project;
- The balcony table on the 16th floor was too large for the space;
- Shareholders are able to consolidate SunSwop and RCI points since the collaboration between SunSwop and RCI in February 2019;
- Cabana Beach Resort and uMhlanga Sands Resort to soon collaborate and integrate certain services and facilities for the benefit of guests at either resort; and
- A shareholder felt that the Board was spending shareholder money on poor quality workmanship and that the new refurbishment should have quality finishes. She stated that Directors did not conduct their job correctly and should review each room themselves. She felt that the overall standard of the resort had lowered drastically, with it no longer offering fine dining, healthy food options and the quality of the rooms and room amenities being poor. Another shareholder disagreed and mentioned that the standard at uMhlanga Sands Resort was very high, comparable to other timeshare resorts within South Africa and around the world. Dr. Mia mentioned that the constantly high occupancy rate at the resort did not assist the maintenance team and that one could expect minor issues until the team could address matters when a unit was unoccupied.

The Chairman thanked shareholders for their comments.

12 ELECTION OF DIRECTORS

The Chairman called on Mr Whiteboy to confirm the results of the poll process and the elected Directors for the ensuing year. Mr Whiteboy recorded the election of Messrs. Nicholas Dickson, Gustavus Kruger, John Lee, Ajith Ramsarup, Anthony Ridl, Ms Louise McMillan and Dr Mahomed Fazel Mia.

13 APPOINTMENT OF AUDIT COMMITTEE

13.1 ORDINARY RESOLUTION 4.1

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

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

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13.2 ORDINARY RESOLUTION 4.2

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

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

13.3 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.

14 CLOSURE

The Chairman welcomed Dr. Mia to the Board. There being no further business, the Chairman thanked his fellow Directors and all shareholders for their attendance and declared the meeting closed at 11h39.

Chairman

