

# Drakensberg Sun Share Block Limited

Registration no:1988/002500/06



## Annual Report

for the year ended 31 December 2016

# **Drakensberg Sun Share Block Limited**

## **Annual Financial Statements**

for the year ended 31 December 2016

### **COMPANY INFORMATION**

Registration number: 1988/002500/06  
Registered address: Palazzo Towers East  
Montecasino Boulevard  
Fourways  
2055  
Postal address: Private Bag X200  
Bryanston  
2021

### **CONTENTS** **PAGES**

**Chairman's Annual Review** **1 - 3**

**Notice of Meeting** **4**

**Proxy Form** **5**

- Statement of Directors' Responsibility 6
- Declaration by the Company Secretary 6
- Report of the Audit Committee 7
- Report of the Directors 8
- Report of the Independent Auditors 9 - 10
- Statement of Comprehensive Income 11
- Statement of Financial Position 12
- Statement of Changes in Equity 12
- Statement of Cash Flows 13
- Notes to the Annual Financial Statements 14 - 19

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

- Detailed Levy Fund Operating Statement 20 - 22

**Minutes of the Previous Annual General Meeting** **23 - 27**

The annual financial statements have been audited as required by section 30(2)(b)(1) of the Companies Act of South Africa. Warren Whiteboy CA(SA), in his capacity as Financial Manager of Drakensberg Sun Share Block Limited, supervised the preparation of the annual financial statements.

# Drakensberg Sun Share Block Limited

Chairman's Annual Review for the Year Ended 31 December 2016

On behalf of your Board of Directors, it is once again my pleasure to report to our Shareholders on the operation, developments and financial position during 2016 at the Drakensberg Sun Resort. Despite the country experiencing tough economic times, coupled with challenging weather patterns, Management have successfully maintained the high standards we have come to expect. Our property is looking as superb as ever, and remains one of the most sought after holiday destinations in South Africa.

## Occupancy

During 2016, there has been a steady increase in occupancy. The first quarter occupancy was 79.2% as against 74.3% in 2015, and year-to-date occupancy peaked at 81.3% (2015: 78.6%). It is most encouraging to see a trend of increasing occupancy at our Resort. Owners are availing themselves of the opportunity to use their timeshare weeks, and an increasing number of club members are choosing this magnificent destination. There has been a steady demand for both weekend and mid-week rentals, and units that have re-sold have achieved higher than market related prices.

## Financial Results for the Year Ended 31 December 2016

The Statement of Comprehensive Income as set out on page 11 of the Annual Financial Statements reflects income and expenditure of the Company in a summarised format. As was the case last year, the Detailed Levy Fund Operating Statement, which is not audited and presented as supplementary information only, appears on pages 20 to 22, and will be referred to when I comment on the financial results for the year.

The Statement of Comprehensive Income and Expenditure for the year ended 31 December 2016 reflects total income, including net finance income of R11.350m (2015: R10.435m) and total expenditure of R9.016m (2015: R8.533m). The levy surplus after taxation was R2.231m (2015: R1.824m) and this has been transferred to the Reserve for Property, Plant and Equipment. Below is a more detailed review of variances in income and expenditure:

## Income

Compared to 2015, the income from the Rental Pool decreased, mainly due to the bulk sale of repo units in the prior year, resulting in the rental pool stock being lower in 2016.

## Expenditure

Total expenditure of R9.016m (2015: R8.533m) reflected an increase of 5.7% year-on-year, and a more detailed review of the expenditure is recorded below:

- **Rooms Expenditure** increased by 6.1% compared to 2015. Entertainment cost increased mainly as a result of upgrading the Bingo cards, which were expensive as they had to be imported. Guest supplies increased due to the implementation of a Christmas turndown for guests. Replacement of operating equipment decreased year-on-year as units had been upgraded and improved the previous year.
- **Administration and General** charges reflected a 2.4% increase year-on-year which was primarily due to the prior year's inclusion of the loss on the sale of Repo units. Consultancy and professional fees decreased year-on-year due to the reversal of the provision for internal audit, as this was postponed due to the installation of the new accounting software. Vehicle cost increased year-on-year due to the company vehicle needing major repairs.
- **Electricity, Water and Refuse** reflected a 24.8% year-on-year increase, mainly due to the installation of additional power meters, and the Resort's total costs being split more accurately. Systems have been put in place to monitor the ongoing situation, and to contain future cost increases.

- **Repairs and Maintenance** reflected an increase of 2% year-on-year. Salaries and wages related costs decreased year-on-year due to vacancies in this department not being filled. Repairs were carried out on DSTV connections and televisions together with repairs to the generator. Unfortunately, this is a recurring and ongoing weather related problem being situated in the mountains, and we are actively seeking a solution. Once again, no insurance claim was lodged due to the insurance excess exceeding the repair costs.
- **Capital Charges** reflected a 17.9% increase year-on-year due to the reversal of over-accrued expenses regarding the Annual Reports in the prior year.

## Statement of Financial Position

The Statement of Financial Position which is detailed on page 12 together with the related notes thereto, reflects the financial position of the Company. The Reserve for Property, Plant and Equipment increased to R2.339m (2015: R1.471m) and Cash and Cash Equivalents decreased to R6.679m (2015: R6.880m), whilst Levies Receivable decreased to R58,503 (2015: R76,140). Levies Received in Advance increased to R3.392m (2015: R3.308m).

During the year, the Company incurred capital expenditure of R1,362,779 (2015: R1,195,055) in respect of, amongst others, the following major projects:

	R
Plumbing	776,106
Merlin program	263,574
Vehicle	164,355
Cathkin Refurb	48,674

## 2018 Levy

The 2018 annual levy budget increase will be presented and confirmed by the Board, at a Board Meeting of the Company to be held during August 2016, which takes place after the Notice of the Annual General Meeting of the Shareholders and this Annual Report being circulated. With this being the case, notification of the 2018 levy amounts will be advised under separate notice. As always, I am very understanding and conscious of the levy affordability for our owners, especially our elderly and retired who rely on a pension. Once again, I wish to assure each and every one of you, that we do our very best to keep the levy increase as low as possible. Your Board has spent many hours, and will continue to do so, in deliberating with the Management team as to how the ever increasing operational costs can be reduced.

We continually scrutinise all cost items for better understanding of each proposed expense, and a stricter cost control system has been implemented to minimise overspends against approved budgets. The affordability of levies going forward at the Drakensberg Sun Resort has been discussed at length with the Senior Management of Tsogo Sun, and I have received their full co-operation in the curtailment thereof. We have, and will continue to ensure that costs, without affecting the good standards of our Chalets and the Resort as a whole, are kept as low as possible, in an endeavour to keep future levy increases to a minimum. It goes without saying however, that a healthy Reserve Fund is essential for the future stability, security and well-being of your investment.

At year end, the levies outstanding percentage was a mere 0,18% which is unheard of in the timeshare arena, and I wish to congratulate the Management Company for their wonderful achievement in the collection of levies. This is not an easy task in difficult economic times. A special vote of thanks to all those owners who pay their levies timeously, which allows for the smooth and effective running of the Resort. The new Merlin computer system installed last year has vastly improved the generation and delivery of levy statements, enabling the levy collection team to achieve an excellent collection rate. I sincerely hope that this trend will continue in future.

# Drakensberg Sun Share Block Limited

Chairman's Annual Review for the Year Ended 31 December 2016

## General

### Vacation Ownership Association of South Africa (VOASA)

With the creation of the Consumer Goods and Services Ombudsman, this complaints adjudication function was no longer required of the Vacation Ownership Association of South Africa. As stated on their website, VOASA is now a self-regulatory Trade Association. Their focus is now concentrated on consumer education and servicing the Industry on legislative matters. Information regarding the different types of shared accommodation, including the purchase and ownership aspects thereof, are all part of their service. A separate promotions company has been appointed to engage with the media. Drakensberg Sun Share Block Limited is a member of VOASA.

### SunSwop

In 2016, 504 Drakensberg Sun Chalets owners deposited their weeks with SunSwop. This was slightly up on the 468 weeks deposited during 2015. This equates to 33% of owners choosing to deposit their weeks rather than to occupy the week that they own.

The exchange trends of SunSwop members remain similar to those of 2015, with 78.5% of exchanges being done into Southern Sun Resorts, 14.3% into external local resorts, and 7.2% into international resorts.

### Resort and Chalets update

With the decision to close the under-utilised gym, an upgrade proposal from the Spa owner to enhance the experience at the Spoilt Green Eco Spa, was accepted by your Board. A larger floor area and a new reception area were created, as well as a separate manicure and pedicure area. The entrance to the Spa was improved with a dry wall separating the entrance to the squash courts. Having this newly renovated Spa has enhanced the offering made at the Resort.

This last year saw an important dam audit take place which is vital to ensure the stability and safety of the dam. The wall is measured for movement, and inspected for seepage. No risk was evident and the temporary repairs carried out to the outlet valve were adequate, which meant any further expenditure could be delayed to 2017 or beyond.

The fountain dam is being relined, and a new spout has been attached to the fountain, which has enhanced the walk to the chalets.

The Reception office, usually the hub of the Resort, was refurbished, as well as the Hotel Restaurant which underwent a major refurbishment and re-organisation, and now includes a pizza oven – a very welcome food alternative for timeshare owners who would like to take a break from cooking. The restaurant food presentation and self service areas have been vastly improved, so that when the restaurant is very busy, service and accessibility is easier and faster. With the assistance and inspiration by the Tsogo Sun Group Development Chef, Kieran Conway, the menu was refreshed and new variety of options introduced. The Chefs are extremely proud of the upgraded area, and enjoy their new closer interaction with owners, guests and visitors.

Major refurbishment of the pipework in the chalets last year, allowed for a comprehensive annual maintenance program to be conducted in the chalets this year. Without any major chalet projects, more thorough attention could be given to the annual maintenance program of each chalet. The replacement of the ceiling fans in the main bedrooms was budgeted and agreed, and will be installed and completed in 2017.

Every year the Board tries a new humane method to keep the problematic Egyptian geese away from the swimming pools, as well as manage the monkeys. Extra security staff are employed in high occupation seasons to patrol areas, and by their presence, try to chase away the geese and monkeys. Please make sure that you keep windows shut and doors closed when the chalet is unattended and please resist any temptation to assist or feed any of the wild animals, as it just encourages them to return.

Your Board is looking at the cost and feasibility of refurbishing the children's entertainment area, to provide a new and refreshed look with better use of space, more activities and trendy new wall treatments. The Top Gear Entertainment team have refreshed their offering, and should the refurbishment go ahead with the introduction of Tsogo Sun Kids Xscape décor and equipment, the Resort will be able to offer new exciting and entertaining options to the younger timeshare visitors.

### Companies Act Requirements

Although the required documentation regarding the Drakensberg Sun Chalet Share Block Memorandum of Incorporation (MOI) was submitted to the Companies and Intellectual Properties Commission (CIPC), due to a technical requirement by CIPC in the submission, the MOI was not approved. We have resubmitted according to CIPC request and are confident this technical issue will shortly be resolved. Until such time as the new MOI is approved the Company continues to operate under the Companies Act. This essentially means should a quorum not be achieved, the AGM will be postponed and held one week later at the same time and venue.

We invite you to complete the proxy form attached to this document, which would increase the possibility of obtaining a quorum, especially if you are unable to attend the AGM.

In line with legislation, Drakensberg Sun Share Block is a member and contributes to the Consumer Ombuds Service Scheme.

### Surrounding Developments

The decision by the Bergview Home Owner's Association in respect of building a dam, has for now been placed on hold. This is no small undertaking and the expenses to be incurred by the Bergview Home Owners, are great.

The wonderful Vulture Project under the able leadership of Roy Strydom of Bergview Home Owner's Association continues, with the Board receiving interesting reports of the movements of the various tagged vultures in their own individual habitat and areas. We invite owners to book a visit to the Vulture Hide "restaurant" and possibly enjoy an overnight stay in the unique hide.

As usual every year, I confirm that neither I nor the Board are aware of any new land claim having been lodged or any advancement regarding any existing claims.

### Report of the Social and Ethics Committee

With the release of the King IV Report during the latter half of 2016, the stature of the Social and Ethics committee was elevated to that of a separate standing committee holding separate meetings, having their own Agenda, minutes and record keeping. This committee reports to the Main Board on all the Social and Ethics matters undertaken, as well as anything else the committee feels should be brought to the Board's attention.

# Drakensberg Sun Share Block Limited

Chairman's Annual Review for the Year Ended 31 December 2016

A Charter was composed itemizing the ethics, direction, extent and area of focus as a guide for the committee. With targets prescribed, next year the Social and Ethics committee will be able to report more comprehensively in our annual report. Fortunately for the most part, over the years, Drakensberg Sun Resort team has built a strong Social and Ethics focus including good corporate citizenship, community responsibility, environmental best practice, good corporate governance and good corporate citizenship. The five values incorporated in the Managing Agent, Tsogo Sun's vision are Teamwork, Service, Opportunity, Growth and Ownership and these ethics form the basis for all aspects of staff behaviour, optimising their capacity and encouraging each individual to provide the best and most consistent service. Community involvement has increased over the years with special projects managed and carried out by staff, such as support and improvements of the Umfolozi Crèche. Blankets donated by Rotary were sold to guests to raise money for the crèche to purchase food. The Resort team encourages guest and owner participation in annual remembrances such as National Bandana Day, Tekkie Tax Day, the Cansa Pink Walk, Arbour Day and Mandela Day. All the hours used in these endeavours are converted to values to record and reach targets set by the Social and Ethics committee. I wish to thank Roger Petyt our General Manager who has led the Social and Ethics Committee over the past year in planned community projects, sought out future beneficiaries and interacted with management to bring about true and meaningful change. The 2016 CSI virtual spend was R180k.

The Tsogo Sun Hotel division, which included Drakensberg Sun Resort, maintained its Level Two contributor status for the BBBEE rating.

The Drakensberg Sun Resort has an active presence on Facebook as well as Trip Advisor. We encourage you our owners and guests to post your photographs on Facebook. Trip Advisor ranked the Resort 3rd best in the area with a star rating of 4 out of 5. The overall E-Guest result for the year was 87%. Drakensberg Sun Resort remains rated by Interval International as a Select Status Resort and maintained Gold Crown Status with RCI. With the drought the landscape audit result was lower than desired but was to be expected. The careful use of water is vital.

## Environmental Matters

Drakensberg Sun Resort has over the years been particularly successful in achieving "green status" by recognizing areas where savings can be made in energy, water, recycling and waste. During 2013, whilst participating with the Heritage Environmental Management Company, Drakensberg Sun Resort was the first of its kind in Africa to achieve Diamond Status. As these cost saving initiatives are in place, energy efficient systems employed, and resource savings part of the fabric of the Resort, it is the task of Management to try and not only sustain these savings, but improve on them. Now that ground breaking installations such as water recycling, improved air conditioners, waste recycling, monitoring the electricity peak periods and carefully using off peak hours for heating are also in place, it has become an important task of Management to sustain these savings.

Station 7 is a program which was installed to accurately measure the use of electricity on the property in specific areas. This has meant that the cost split between the three Resort entities, can be managed more accurately than in previous years.

## Staff Matters

During 2016, the Executive Housekeeper was replaced, and in a stimulating and effective move, the Maintenance Manager from Drakensberg Sun, Hannes van Raaij, and the Maintenance Manager from the Sabi River Sun Resort, Jeffrey Mathebula, switched positions. With both Resorts being outlying destination Resorts, a maintenance manager has to be able to think 'outside of the tank' and make decisions on the spot to resolve issues independently, often with limited resources available. This exchange has brought a fresh new insight into the team, and we wish Jeffrey success in his new venture.

Staff training, called Lobster Ink, continued in the year. It is a grounding course for food and beverage and is supplemented with ongoing on the job maintenance training. This benefits the maintenance team's skills, and is evident in generally better workmanship and savings in general repair work.

## Conclusion

I am very pleased with the results achieved at the Drakensberg Sun Resort this past year. Financially, your Company is sound, and achieved excellent results on so many different fronts, as is evident from the information contained in this report. I congratulate our General Manager Roger Petyt and his team, who continually strive to improve all aspects of this magnificent Resort. Roger has brought an exciting new dynamic to Drakensberg Sun, which will be evident to all when they either visit or stay at the Resort. The attention to detail and the enthusiasm of all the staff members towards our guests, is evidence of the pride that they take in being part of the greater Drakensberg Sun Family. Thank you Roger and team.

As mentioned in my report last year, Deon Viljoen retired at the end of August 2016. His clear insight and enthusiastic participation at board level will be missed, as will his extensive knowledge and attention to detail. We were fortunate in welcoming Adam Fuller as our new Tsogo Sun Resorts Operations Director, who was appointed on 1 September 2016. I have no doubt that Adam will slot seamlessly into the Drakensberg Sun Directorate, whilst adding a new approach, and new observations and innovations to the Board. Welcome Adam, we look forward to working with you.

I am pleased to welcome David Alexander as a new Director, appointed to the Board on 15 September 2016. David is an ardent timeshare owner himself, who visits the Resort often. My thanks to David for coming forward and offering his time and expertise, and I look forward to his contribution at future Board Meetings. My sincere thanks and appreciation to my fellow Board Members, Brent Dickson, Ajith Ramsarup and Anthony Ridl, as well as the Tsogo Sun Resorts Management team, for their time, energy, wisdom and guidance, which they continue to give freely and generously to ensure the success of Drakensberg Sun.

In closing, I extend a warm invitation as always, to each and every Shareholder to attend our Annual General Meeting, to be held at the Umhlanga Sands Resort, uMhlanga Rocks, on the 28th September 2017. This is a great opportunity for owners, the Board and the Management Team to debate various issues and ideas regarding the operation of the Resort. As a Shareholder, you have this unique opportunity to voice your opinions and input your ideas, and in so doing contribute to the continued success of your holiday investment in this magnificent Resort. I look forward to meeting each one of you. If you are unable to attend, please use the proxy form enclosed in the Annual Report.



  
**BRIAN ELLIS**  
CHAIRMAN  
DRAKENSBURG SUN SHARE BLOCK LIMITED

## Notice of Meeting

**Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held on Thursday, 28 September 2017 at 10h00 at Umhlanga Sands Resort, uMhlanga Rocks, for the following purposes:**

(Should the Meeting not achieve the adequate quorum, the Annual General Meeting will be postponed and held one week later on Thursday, 5 October 2017, at the same time and venue).

## Agenda

1. **Welcome and Apologies.**
  2. **Constitution of the Meeting to confirm that a quorum is present for the passing of Ordinary and Special Resolutions.**
  3. **3.1 To adopt the draft Minutes of the Annual General Meeting held on 8 September 2016.**  
**3.2 To adopt the draft Minutes of the Postponed Annual General Meeting held on 15 September 2016. (With Reference to Minutes of the Informal Meeting held on 8 September 2016).**
  4. **Matters Arising from the Minutes of the previous Annual General Meeting.**
  5. **Resolution 1:** To receive, consider and adopt the Report of the Directors, Report of the Audit Committee and Annual Financial Statements for the year ended 31 December 2016.
  6. **Resolution 2:** To re-appoint PricewaterhouseCoopers Inc. as the Auditors to the Company.
  7. **Resolution 3:** To elect Directors to the Board for the ensuing year. The following Directors retire at this Annual General Meeting, but being eligible, are available for re-election:
    - Brian Ellis
    - Ajith Ramsarup
    - Anthony Ridl
    - Brent Dickson
    - David Alexander
- The Board is limited by the Articles of Association to seven (7) Directors in number. It would facilitate secretarial procedures if nominations for the appointment of Directors could be received no later than 10h00 on Friday, 22 September 2017 at the registered office of the Company. Nominations must be in writing with the name of the proposer and seconder, the acceptance of such nomination by the nominee and should be accompanied by the curriculum vitae of such nominee.
8. **Resolution 4:** To appoint three (3) Directors as members of the Audit Committee. The current members are Anthony Ridl, Brian Ellis and Ajith Ramsarup.
  9. **Resolution 5: To elect three (3) Members to the Social and Ethics committee.**
  10. **To table for discussion the insured value of the property.**
  11. **General Managers Report including Social and Ethics Report.**
  12. **General.**

Items for discussion under any agenda item should be advised to the Secretaries at the Company's registered office, for the attention of the Company Secretary, by no later than 10h00 on Friday, 22 September 2017. Please note that such notification must be in writing.

The quorum required for an Annual General Meeting to take place is at least three shareholders present holding at least 25% of all the voting rights, personally or by proxy, that are entitled to be exercised at the meeting. For a resolution to be passed, 50% of the voting rights present at the meeting must be in favour of such resolution. For a special resolution to be passed 75% of the voting rights present at the meeting must be in favour of such resolution.

In the event of a quorum not being present within one hour of the appointed time for the meeting to begin, the meeting is automatically postponed for one week to the same time and venue as this meeting. At the postponed meeting, shareholders present in person or by proxy will be deemed to constitute the required quorum.

The record date for determining shareholder's rights is 12 September 2017.

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 also be a shareholder of the Company. **Proxy forms should be forwarded to reach the registered office of the Company, for the attention of the Company Secretary, by no later than 10h00 on Friday, 22 September 2017.** A proxy form is enclosed for this purpose.

**By order of the Board**  
**Southern Sun Secretarial Services Proprietary Limited**  
**22 August 2017**

**Drakensberg Sun Share Block Limited**  
 Registration Number: 1988/002500/06  
 ("the Company")

Registered Office  
 Palazzo Towers East  
 Montecasino Boulevard  
 Fourways 2055

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

Email: Resorts.companysecretarialservices@tsogosun.com

Form of Proxy for use by Shareholders at the Annual General Meeting of the Company to be held on **Thursday 28 September 2017 at 10h00 at Umhlanga Sands Resort, 44 Lagoon Drive, uMhlanga Rocks**. This form of proxy will also stand should the meeting be postponed to 5 October 2017.

**Form of Proxy**

I/We ....., being the holder/s of .....ordinary shares in the Company,

with the right of use of unit ....., week....., appoint

1. ...., or failing him/her,
2. ...., or failing him/her,
3. The Chairman of the Annual General Meeting

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

	In Favour Of	Against	Abstain
<b>Resolution 1:</b> Approve AFS			
<b>Resolution 2:</b> Re-appoint Auditors			
<b>Resolution 3:</b> Elect Directors			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
• Brent Dickson			
• David Alexander			
<b>Resolution 4:</b> Appoint Audit Committee			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
<b>Resolution 5:</b> Elect Social & Ethics Committee			

Signed at ..... this ..... day of ..... 2017.

Signature ..... assisted by ..... (where applicable).

Unless otherwise instructed, specifically as above, the proxy will vote, as he/she thinks fit on all matters.

- 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 a representative capacity (**e.g. on behalf of a Company, Close Corporation 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 also be a Shareholder of the Company. **Proxy forms should be forwarded to reach the registered office of the Company, for the attention of the Company Secretary, by no later than 10h00 on Friday, 22 September 2017.**

# Drakensberg Sun Share Block Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2016

The Directors and Management are responsible for the preparation, integrity and fair presentation of the financial statements of Drakensberg Sun Share Block Limited. The financial statements presented on pages 11 to 19 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SME's) and in the manner required by the Companies Act of South Africa.

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 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 financial statements comply with the relevant legislation. The Directors are satisfied that the information contained in the 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 financial statements. The Directors have no reason to believe that the Company will not be a going concern in the foreseeable future.

The Company's external auditors, PricewaterhouseCoopers Inc, audited the financial statements and their report is presented on pages 9 and 10.

## Approval of Financial Statements

The financial statements set out on pages 11 to 19 were approved by the Board of Directors on 08 May 2017 and are signed by:



**BG Ellis**  
Chairman



**AN Ridi**  
Director

## Declaration by the Company Secretary

I hereby confirm, in my capacity as Company Secretary of Drakensberg Sun Share Block Limited that for the year ended 31 December 2016, the Company has filed all required returns and notices in terms of the Companies Act, 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.



G Stevenson  
For Southern Sun Secretarial Services Proprietary Limited



# Drakensberg Sun Share Block Limited

Report of the Audit Committee for the Year Ended 31 December 2016

The audit committee has pleasure in submitting this report, as required by section 94 of the Companies Act, 2008. The audit committee is an independent statutory committee appointed by the shareholders.

## 1. Duties of the audit committee

The audit committee has discharged its duties as follows:

1.1 Reviewed the year-end financial statements, culminating in a recommendation to the board. In the course of its review the committee:

- took appropriate steps to ensure that the financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, as suitably modified for South African share block companies;
- considered and, when appropriate, made recommendations on internal financial controls;
- dealt with concerns or complaints relating to the following:
  - accounting policies;
  - the auditing or content of annual financial statements and
  - internal financial controls.

1.2 Reviewed the external audit reports on the annual financial statements;

1.3 Reviewed the risk management reports and where relevant, made recommendations to the board;

1.4 Considered and discussed the effectiveness of risk management, controls and the governance processes;

1.5 Verified the independence of the external auditors and of any nominee for appointment as the designated auditor;

1.6 Approved the audit fees and engagement terms of the external auditors and

1.7 Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditors.

## 2. Members of the audit committee

2.1 The members of the audit committee comprise three independent non-executive directors being Anthony Ridl (Chairman), Brian Ellis and Ajith Ramsarup..

2.2 The audit committee has at all times acted in an independent manner.

## 3. 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.

## 4. Attendance

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

## 5. Confidential meetings

Audit committee agendas provide for confidential meetings between the committee members and the external auditors.

## 6. Independence of external auditors

The audit committee has satisfied itself that the external auditor is independent of the company, as set out in S94 (8) of the Companies Act, 2008. Requisite assurance was provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.



**Anthony Ridl**

Chairman

08 May 2017

# Drakensberg Sun Share Block Limited

Report of the Directors for the Year ended 31 December 2016

The Directors present their annual report of the Company for the year ended 31 December 2016.

## 1 Business Activity

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

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

## 2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act, and in common with other timeshare operations in South Africa, your Company has, since its inception as a Share Block Company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and additions to property, plant and equipment have been charged annually against this amount. Before providing for property, plant and equipment additions and replacements, a surplus of R2,231,093 (2015: R1,823,778) was transferred to the reserve for property, plant and equipment.

No dividend has been declared during the year and none is recommended (2015: R Nil).

## 3 Share capital

The authorised and issued share capital has remained unchanged.

## 4 Insurance

The chalet buildings and their contents are insured at current replacement values under a Multi-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:

BG Ellis *	Chairman
DM Alexander	Appointed 15 September 2016
BS Dickson	
AB Ramsarup *	
AN Ridd *	
DP Viljoen	Retired 31 August 2016

\* Audit Committee Members

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

<b>Business:</b>	<b>Postal:</b>
Palazzo Towers East	Private Bag X200
Montecasino Boulevard	Bryanston
Fourways	2021
2055	

## 6 Management

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

## 7 Material events after year end

The Directors are not aware of any 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.

# Drakensberg Sun Share Block Limited

Report of the Independent Auditors

## To the Shareholders of Drakensberg Sun Share Block Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Drakensberg Sun Share Block Limited (the Company) as at 31 December 2016, 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.

#### What we have audited

Drakensberg Sun Share Block Limited's financial statements set out on pages 11 to 19 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

#### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the Audit Committee's Report and the Company Secretary's Certificate. 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 and will 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 identified above 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.

# Drakensberg Sun Share Block Limited

Report of the Independent Auditors

## 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.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

*PricewaterhouseCoopers Inc.*

### **PricewaterhouseCoopers Inc.**

Director: Rodney D Klute  
Registered Auditor  
34 Richefond Circle,  
Ridgeside Office Park,  
Umhlanga Ridge,  
4319

8 May 2017

# Drakensberg Sun Share Block Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 R	2015 R
<b>Income</b>		<b>10 777 533</b>	10 107 375
Levy income - normal		10 559 082	9 574 343
Other income		218 451	533 032
<b>Expenses</b>		<b>(9 015 663)</b>	(8 533 217)
Levy surplus before interest and taxation	3	1 761 870	1 574 158
Net finance income	4	572 872	327 782
Levy surplus before taxation		2 334 742	1 901 940
Income tax expense	5	(103 649)	(78 162)
<b>Levy surplus for the year</b>		<b>2 231 093</b>	1 823 778

# Drakensberg Sun Share Block Limited

Statement of Financial Position as at 31 December 2016

	Note	2016 R	2015 R
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	6	569 168	505 848
Levies receivable - normal	10	58 503	76 140
Cash and cash equivalents		6 679 090	6 880 144
<b>Total current assets</b>		<b>7 306 761</b>	<b>7 462 132</b>
<b>Total assets</b>		<b>7 306 761</b>	<b>7 462 132</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	9	1 256	1 256
Reserve for property, plant and equipment	7	2 339 116	1 470 802
<b>Total equity</b>		<b>2 340 372</b>	<b>1 472 058</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Exchange fee rebate		70 236	135 070
<b>Total non-current liabilities</b>		<b>70 236</b>	<b>135 070</b>
<b>Current liabilities</b>			
Trade and other payables	8	1 400 335	2 469 304
Levies received in advance		3 392 169	3 307 538
Current tax liability		103 649	78 162
<b>Total current liabilities</b>		<b>4 896 153</b>	<b>5 855 004</b>
<b>Total liabilities</b>		<b>4 966 389</b>	<b>5 990 074</b>
<b>Total equity and liabilities</b>		<b>7 306 761</b>	<b>7 462 132</b>

## Statement of Changes in Equity for the Year Ended 31 December 2016

	Note	2016 R	2015 R
<b>Share capital</b>			
Ordinary shares at beginning and end of year	9	1 256	1 256
<b>Reserve for property, plant and equipment</b>			
At beginning of year		1 470 802	842 079
Levy surplus for the year		2 231 093	1 823 778
Property, plant and equipment additions and replacements during the year	7	(1 362 779)	(1 195 055)
At end of year		2 339 116	1 470 802

# Drakensberg Sun Share Block Limited

Statement of Cash Flows for the Year Ended 31 December 2016

	2016 R	2015 R
<b>Cash flow from operating activities</b>		
Levy surplus before taxation	2 334 742	1 901 940
Adjustments for:		
Net interest received	(572 872)	(327 782)
Non cash items		
- Movement in exchange fee rebate	(64 834)	(64 833)
Net surplus before working capital changes	1 697 036	1 509 325
Changes in working capital		
- Movement in levies receivable - normal	17 637	493 975
- Movement in levies receivable - special	-	12 131
- Movement in trade and other receivables	(63 320)	664 447
- Movement in levies received in advance	84 631	507 165
- Movement in trade and other payables	(1 068 969)	959 403
Cash flows from operating activities	667 015	4 146 446
Net interest received	572 872	327 782
Tax paid	(78 162)	(50 079)
Net cash inflow from operating activities	1 161 725	4 424 149
<b>Cash flow from investing activities</b>		
Property, plant and equipment additions and replacements	(1 362 779)	(1 195 055)
Net cash outflow from investing activities	(1 362 779)	(1 195 055)
<b>Movement in cash and cash equivalents</b>	(201 054)	3 229 094
Cash and cash equivalents at beginning of year	6 880 144	3 651 050
<b>Cash and cash equivalents at end of year</b>	<b>6 679 090</b>	<b>6 880 144</b>

# Drakensberg Sun Share Block Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2016

## 1 Accounting policies

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

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SME's) and the Companies Act of South Africa. 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 period.

The preparation of financial statements in conformity with IFRS for SME's requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 financial statements.

### 1.2 Reserve for property, plant and equipment

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

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

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

### 1.3 Leases

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

### 1.4 Financial instruments

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.



# Drakensberg Sun Share Block Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2016

## 1.5 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 flows at cost.

## 1.6 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

Special levy revenue is recognised when raised.

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

Sundry revenue is recognised when it is earned.

## 1.7 Provisions

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

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

## 1.8 Equity

Ordinary shares are classified as equity.

## 1.9 Current taxes

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

## 1.10 Retirement benefits

The Company operates 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.

# Drakensberg Sun Share Block Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2016

## 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 are liquidity, credit and interest rate risk.

#### Liquidity Risk

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

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

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

#### Credit Risk

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

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

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

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

#### Interest Rate Risk

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

# Drakensberg Sun Share Block Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2016

	2016 R	2015 R
<b>3 Levy surplus before interest and taxation</b>		
The levy surplus before interest and taxation is stated after taking into account the following:		
Employee costs		
- salaries, wages and benefits	2 931 762	2 710 344
- contributions to retirement funds	191 455	174 416
Management fees	553 171	525 328
Audit fees	74 725	67 190
Professional fees	3 415	35 838
Other operating expenses	5 261 135	5 020 101
	<b>9 015 663</b>	<b>8 533 217</b>
<b>4 Net finance income</b>		
Interest earned on fixed deposits, call deposits and current account	572 872	327 782
Net finance income	<b>572 872</b>	<b>327 782</b>
<b>5 Income tax expense</b>		
Provision is made for Company taxation on the net non-levy income.		
No tax is payable on levy income from the owners in term of 10(1)e of the Income Tax Act.		
Current year	103 649	78 162
	<b>103 649</b>	<b>78 162</b>
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
<b>6 Trade and other receivables</b>		
Trade and other receivables	45 346	113 164
Prepayments (Refer Note 12)	329 508	281 627
Interest receivable	194 314	111 057
	<b>569 168</b>	<b>505 848</b>
<b>7 Reserve for property, plant and equipment</b>		
At beginning of year	1 470 802	842 079
Levy surplus for the year	2 231 093	1 823 778
	<b>3 701 895</b>	<b>2 665 857</b>
Property, plant and equipment additions and replacements during the year	<b>(1 362 779)</b>	<b>(1 195 055)</b>
At end of year	<b>2 339 116</b>	<b>1 470 802</b>

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

The Directors have approved capital expenditure for 2017 of R2,020,743 (2015: budgeted capital expenditure of R2,232,841 approved for 2016) which it is anticipated will increase the budgeted surplus in the reserve fund by R405,381 (2015: decrease the budgeted surplus by R112,395 in 2016). There were no capital commitments made at year end (2015: R600,000).

# Drakensberg Sun Share Block Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2016

	2016 R	2015 R
<b>8 Trade and other payables</b>		
Accruals (Refer Note 12)	453 673	611 182
Provision for auditors' remuneration	64 755	61 182
Sundry payables (Refer Note 12)	161 372	806 290
Exchange fee rebate	64 834	64 834
Drakensberg Sun Hotel Proprietary Limited (Refer Note 12)	646 433	919 777
Receiver of Revenue - VAT	9 268	6 039
	<b>1 400 335</b>	<b>2 469 304</b>
<b>9 Share capital</b>		
<b>Authorised</b>		
635,250 ordinary shares of 1 cent each	<b>6 352</b>	6 352
<b>Issued</b>		
125,580 ordinary shares of 1 cent each	<b>1 256</b>	1 256
<b>10 Levies receivable - normal</b>		
Levy debtors	22 168	32 091
Repossessed debtors	75 385	66 633
Provision for repossessed debtors	(39 050)	(22 584)
- Opening balance	(22 584)	(393 740)
- Movement	(16 466)	371 156
	<b>58 503</b>	<b>76 140</b>
<b>11 Property, plant and equipment</b>		

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:

Sub-division 112 of sub-division 4 of the Farm Driefontein No 1389, situated in the regulated area of Cathkin Park, Administrative District of KwaZulu Natal, in extent 20,1798 hectares.

Land and buildings were originally purchased for R7,848,970 and are not recognised. Although the Company has legal title to the property it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the Municipality at R14,000,000 for rates purposes. There are no bonds on the property.

# Drakensberg Sun Share Block Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2016

	2016 R	2015 R
<b>12 Related party transactions</b>		
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:		
Management fee	553 171	525 328
Levy administration and collection fee	185 940	176 580
During the financial year the Company paid membership fees to Sunswop (a division of SSHI), which is affiliated to Interval International.		
Sunswop exchange services	237 695	230 152
During the financial year the Company paid the following SSHI internal charges:		
- Information technology administration charge	102 652	93 372
Most costs of the Drakensberg Sun Resort, including costs in terms of contracts negotiated on behalf of members of the Southern Sun Group, are initially incurred by Drakensberg Sun Hotel Proprietary Limited. The portion of costs applicable to the Company is recovered via a current account. The balance of the current account is as follows:		
Amount owing (to)/from Drakensberg Sun Hotel Proprietary Limited		
- included in Payables (Refer Note 8)	(721 772)	(981 428)
- included in Receivables (Refer Note 6)	11 380	13 434
	<b>(710 392)</b>	<b>(967 994)</b>

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

	Number of units	Levies paid R	Levies received in advance R
<b>2016 - shareholding</b>			
AB Ramsarup - The Leisure Holiday Club	23	170 515	41 540
AN Ridl - Club Leisure Group	99	757 175	287 585
BS Dickson - Dream Vacation Club	85	662 375	191 880
DP Viljoen - Sunswop (a division of SSHI) - retired from SSHI on 31 August 2016	27	199 915	39 950
<b>2015 - shareholding</b>			
AB Ramsarup - The Leisure Holiday Club	23	158 100	45 565
AN Ridl - Club Leisure Group	99	687 240	258 690
BS Dickson - Dream Vacation Club	84	605 980	235 150
DP Viljoen - Sunswop (a division of SSHI)	27	185 360	36 750

## 13 Directors emoluments

The Directors do not receive any remuneration for their services to the Company. Directors are reimbursed for costs incurred on the Company's business, except for Mr Viljoen whose costs were borne by Southern Sun until his retirement from Southern Sun on 31 August 2016. 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.

# Drakensberg Sun Share Block Limited

Unaudited Supplementary Schedules to the Financial Statements  
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2016

	2016 R	2015 R
<b>INCOME</b>		
Levies - normal	10 559 082	9 574 343
Rental pool	145 928	263 323
Net non-levy income		
- telephone, rentals and penalties etc	71 523	269 309
Sale of capital assets	1 000	400
	<b>10 777 533</b>	<b>10 107 375</b>
<b>EXPENDITURE</b>		
<b>Rooms Expenses</b>		
Cleaning supplies	48 920	52 989
Guest entertainment		
- M-Net	84 431	77 179
- outside services	321 167	296 060
- videos, cocktails, games and prizes	87 760	63 933
Guest supplies	75 993	55 942
Laundry	435 034	454 275
Personnel costs		
- outside services	932 579	874 272
- salaries, wages and benefits	951 761	875 780
Pest control	9 752	9 113
Printing and stationery, including reception	117 390	128 446
Replacement of cutlery, crockery, linen, towels, uniforms etc	30 900	42 293
Security services	500 855	458 325
	<b>3 596 542</b>	<b>3 388 607</b>
<b>Administration and General</b>		
Audit Fees		
- current year	64 766	61 915
- prior year under provision	5 057	39
- expenses	4 902	5 236
Bank charges	3 003	14 374
Credit card commission	50 561	36 180
Information technology costs	344 089	334 383
Insurance	21 562	21 838
Internal audit fees	3 415	35 838
Levy administration and collection fees	185 940	176 580
Licences and permits	11 507	11 507
Loss on repossessed debtors	7 419	553 848
<b>Balance carried forward</b>	<b>702 221</b>	<b>1 251 738</b>

# Drakensberg Sun Share Block Limited

Unaudited Supplementary Schedules to the Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2016

	2016 R	2015 R
<b>Balance brought forward</b>	<b>702 221</b>	1 251 738
Personnel costs		
- salaries, wages and benefits	<b>1 572 994</b>	1 384 698
Printing, postage and stationery	<b>1 106</b>	(3 057)
Provision for repossessed debtors	<b>16 466</b>	(370 753)
Railage, cartage and hire transport	<b>4 045</b>	6 720
Sunswop exchange service	<b>237 695</b>	230 152
Telephone		
- calls	<b>17 752</b>	23 338
Subscriptions/marketing	<b>5 355</b>	6 885
Travel		
- management and directors	<b>60 855</b>	49 615
Vehicles		
- fuel and oil	<b>49 087</b>	25 825
	<b>2 667 576</b>	2 605 161
<b>Electricity and Refuse</b>		
Electricity	<b>567 687</b>	412 453
Generator fuel	<b>27 812</b>	49 613
Refuse	<b>75 553</b>	75 461
	<b>671 052</b>	537 527
<b>Repairs and Maintenance</b>		
Buildings	<b>24 536</b>	25 946
Furniture and fixtures	<b>64 855</b>	77 130
Gardens and grounds	<b>428 626</b>	413 175
Painting and redecorating	<b>24 213</b>	15 572
Personnel costs		
- salaries, wages and benefits	<b>598 462</b>	624 282
General maintenance	<b>218 561</b>	176 342
Sewerage and water	<b>8 695</b>	8 928
	<b>1 367 948</b>	1 341 375

# Drakensberg Sun Share Block Limited

Unaudited Supplementary Schedules to the Financial Statements  
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2016

	2016 R	2015 R
<b>Company Costs</b>		
Annual report and statutory costs	27 757	(254)
Furniture and equipment leases	17 605	17 605
Municipal rates and taxes	114 012	117 868
	<b>159 374</b>	135 219
<b>Management Fee</b>	<b>553 171</b>	525 328
<b>Total Expenditure</b>	<b>9 015 663</b>	8 533 217
Excess of income over expenditure before finance income and taxation	<b>1 761 870</b>	1 574 158
<b>Net finance income</b>		
Net interest received	<b>572 872</b>	327 782
Excess of income over expenditure before taxation	<b>2 334 742</b>	1 901 940
<b>Taxation</b>		
- current	<b>103 649</b>	78 162
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	<b>2 231 093</b>	1 823 778



# Drakensberg Sun Share Block Limited

**Draft Minutes of the Annual General Meeting of Shareholders for the Year Ended 31 December 2015 held on Thursday 8 September 2016, at 10h13 in Coco's Bar, Umhlanga Sands Resort, uMhlanga**

## **1. CONSTITUTION OF THE MEETING, WELCOME AND APOLOGIES**

The Chairman, Brian Ellis, welcomed all to the Annual General Meeting (AGM) of the Company. The Chairman advised that although the Notice of Meeting had been properly given, the necessary quorum in terms of the Companies Act, was not present and he was unable to declare the Meeting duly constituted. Sufficient Shareholders were present but not the minimum Shareholding voting requirement of 25% of all voting rights entitled to be exercised at this Meeting.

Consequently, this Meeting was automatically postponed for one week from today to Thursday, 15 September 2016 to the same place and time when Shareholders attending that Meeting, would be deemed to constitute the required quorum. For the benefit of those present, the Chairman proposed that the Meeting continue on an informal basis and that the Minutes of the discussions at this Meeting, be ratified at the Meeting to take place the following week. No objections were recorded.

## **2. CLOSURE**

The Chairman thanked all for their attendance and at 10h15 declared the Meeting duly postponed for one week, to 15 September 2016, to the same place and time.

Read and confirmed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

\_\_\_\_\_  
CHAIRMAN

# Drakensberg Sun Share Block Limited

**DRAFT Minutes of the Informal Meeting of Shareholders held on Thursday 8 September 2016, at 10h15 in Coco's Bar, Umhlanga Sands Resort, uMhlanga, following the postponement of the Annual General Meeting of Shareholders for the Year Ended 31 December 2015**

## **CONSTITUTION OF THE MEETING, WELCOME AND APOLOGIES**

The Chairman had proposed and it was agreed that this Meeting would continue on an informal basis and that the Meeting would follow the AGM Agenda. The Chairman proposed that matters discussed today, would be proposed and ratified by those Shareholders present at the postponed AGM, on 15 September 2016.

The Chairman requested that the following Directors, Members of the Management team and invitees introduce themselves:

Roger Petyt	General Manager of Drakensberg Sun Resort
Brent Dickson	Director, representing interests of Dream Vacation Club
Adam Fuller	Chairman of Drakensberg Sun Hotel Share Block and Operations Director of Southern Sun Resorts
Ajith Ramsarup	Director, representing interests of the Leisure Holiday Club and Leisure Property Trust
Georgina Stevenson	Company Secretary of Southern Sun Resorts
Warren Whiteboy	Financial Manager of Southern Sun Resorts
Sunet Le Roux	Financial Controller of Drakensberg Sun Resort
Peter Pienaar	General Manager of SunSwap
Marina De Paiva	Financial Controller – Levies Southern Sun Resorts
Lisa Sutton	Secretary to the Company Secretary

The Chairman welcomed Adam Fuller and Shareholders Hilary Steck and David Alexander to the Meeting. He thanked staff from the levy department and brand office for attending this Meeting and extended his thanks to Ravani Naicker from RCI. Apologies were recorded from Director Anthony Ridl.

## **1. MINUTES OF PREVIOUS ANNUAL GENERAL MEETING**

The first item on the Agenda was the adoption of the Minutes of the previous AGM for the year ended 31 December 2014. The Minutes of the previous AGM held on 23 September 2015, as well as the postponed AGM, held on 30 September 2015, were tabled for adoption. The Chairman called for any comments, queries or objections to the previous year's Minutes. No comments or objections were raised. It was resolved that the Shareholders present at the postponed AGM, on 15 September 2016, would ratify the contents and confirm adoption of the Minutes.

## **2. ANNUAL FINANCIAL STATEMENTS**

Item two on the Agenda was Resolution one, being to receive, consider and adopt the Annual Financial Statements and Reports of the Directors and Auditors, for the year ended 31 December 2015. The Chairman stated that the Annual Report fully covered the activities of the Company for the period under review and mentioned that he had nothing further to add. No comments or objections were recorded. It was resolved that the Annual Financial Statements for the year ended 31 December 2015 be proposed and adopted at the postponed AGM.

## **3. RE-APPOINTMENT OF AUDITORS**

The next item on the Agenda was Resolution two, being to re-appoint PricewaterhouseCoopers Incorporated (PWC) as the Auditors of the Company. The Chairman stated that PWC had been the Auditors for the Share Block for a number of years and understood the complex accounting situation between the entities. PWC had done a great job at a reasonable cost. No comments or objections were raised to the proposed re-appointment of PWC and no alternative Audit firm was suggested. The re-appointment of PWC as Auditors for the ensuing year would be ratified at the postponed AGM to be held the following week.

## **4. ELECTION OF DIRECTORS**

The next item on the Agenda was Resolution three, being to elect Directors to the Board for the ensuing year. He advised that he Brian Ellis, Anthony Ridl, Ajith Ramsarup and Brent Dickson retired as Directors at this AGM but were eligible for re-election. A nomination for David Alexander had been received prior to this Meeting. No nomination was received from the floor. The number of Directors on the Board was limited to seven, while Drakensberg Sun Share Block held four positions on the Board. The Board had prior to this Meeting agreed to increase the number of Directors to five, to accommodate the nomination of Mr Alexander.

Mr Alexander introduced himself to the Meeting, briefly explaining his passion for the Drakensberg area, Drakensberg Sun Resort and the family experience offered. He briefly explained his career background which would add another dimension to the Board's attributes. The Chairman welcomed Mr Alexander's marketing experience and thanked him for volunteering his time. The Chairman proposed separate appointment motions for each nominated Director. The nomination and election for Brian Ellis, Anthony Ridl, Ajith Ramsarup, Brent Dickson and David Alexander would be ratified at the postponed AGM.

# Drakensberg Sun Share Block Limited

## 5. APPOINTMENT OF AUDIT COMMITTEE

The Chairman noted that the next item on the Agenda was Resolution four, being to appoint three Directors as members of the Audit Committee. The Chairman stated that the Audit Committee Members would be appointed the following week at the postponed AGM, once those Shareholders present had appointed Directors to the Board. The current Audit Committee Members consisted of himself Brian Ellis, Ajith Ramsarup and Anthony Ridl and if all three Members were re-appointed to the Board, then the Board would recommend that they be re-appointed as Audit Committee Members for the ensuing year.

## 6. DIRECTORS REPORT

Item 9 referred to page 4 and 5 of the Annual Report which clearly explained the reason for the new Memorandum of Incorporation (MOI), which would be proposed for approval at the postponed AGM.

## 7. SPECIAL AND ORDINARY RESOLUTIONS

Item 10 on the Agenda was to present and approve the recommended Resolutions.

7.1 **Special Resolution 1:** To convert the Company from a Public Company to a Private Company. The recommendation would be put to the Shareholders present at the postponed AGM, the following week.

7.2 **Special Resolution 2:** To change the name of the Company to reflect the change of designation to a private Company. The recommendation would be put to the Shareholders present at the postponed Annual General Meeting, the following week.

7.3 **Special Resolution 3:** To replace the existing Memorandum and Articles of Association in its entirety with a Memorandum of Incorporation (MOI) so as to comply with the provisions of the Act, in this regard. The recommendation would be put to the Shareholders present at the postponed AGM, the following week.

7.4 **Ordinary Resolution 1:** To authorise the Directors and / or Company Secretary to complete all and any documentation required for the filing and registration of the Special and Ordinary Resolutions, listed here today, together with the Memorandum of Incorporation (MOI) and annexure thereto with the Companies and Intellectual Property Commission (CIPC). The MOI was an improved version of the Articles of Association. The recommendation would be put to the Shareholders present at the postponed AGM, the following week.

Mr Ramsarup advised that as a requirement of the Companies Act, the Share Block had previously operated as a Public Company, as it held more than 50 Shareholders. This requirement had since been removed and a Company with more than 50 members was now no longer compelled to operate as a Public Company. New legislation in the future may onerously impact Public Companies and the Directors, along with other Share Block Boards, had agreed to convert the Share Block to a Private Company and become Drakensberg Sun Share Block Proprietary Limited. No objections to the proposed Resolutions were recorded.

## 8. INSURED VALUE

Item eleven on the Agenda was to table for discussion, the insured value of the property, as accepted by the Directors in terms of the Use Agreement. The recommended insured replacement value of the buildings, including all contents, had increased to an amount of R60,567,720. The Directors recommended the insured value, as provided by an independent Quantity Surveyor, Brian Heineberg and Associates. It was resolved that the approval of the insured value for 2016 / 2017 would be deferred to the postponed AGM, the following week.

## 9. REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Mr Petyt presented a slide presentation. Overall for 2015 eGuest feedback scored 88% and RCI recorded an average result of 4.49, which was ahead of Gold Crown status. Performance feedback through an online portal, Tripadvisor, mainly reflected excellent and very good ratings. The gardens and grounds landscape audit, conducted every 3 months, showed an average of 83%-84% for the year.

Mr Petyt listed various repair and maintenance projects that had been conducted over the year and listed the training courses that staff were invited to attend in order to improve their knowledge, understanding and skills for the job. The B-BBEE status for Drakensberg Sun was a Level Two Contributor. On Mandela Day, staff had visited their ongoing community project, Umfolozi Crèche, to engage with the children and start building a new school. The foundation had to date been laid and solar panels had been donated from an associated company, which would assist to self sustain the school. Blankets were again raised and donated to a local Old Age Home. Various local and national charity days were supported by staff and guests and prize letters were donated to organisation in order for them to raise funds for their causes.

Various projects and upgrades were underway. An upgrade to look forward to was the new restaurant refurbishment programme. Mr Petyt presented an artist's impression of the proposed restaurant which would be more engaging between the chefs and Guests and offer a more exciting atmosphere. For fun, Mr Petyt presented a 30-year old photograph of the Resort, taken from the main pool. The Chairman thanked Mr Petyt for his presentation.

# Drakensberg Sun Share Block Limited

## 10. GENERAL

The final item on the Agenda was General Matters for Discussion.

### 10.1 2017 Levy Confirmation

Mr Whiteboy confirmed that the 2017 levy amount for Standard-period Chalets amounted to R7,990 and High-period Chalets, to R9,580.

### 10.2 Shareholders' Correspondence

Mr Oakley had mentioned that he was unhappy with refurbished items in the units. Mr Petyt would respond to Mr Oakley, as had been discussed by the Board prior to this Meeting.

Mr Steytler had raised financial queries regarding Outside Services and a loss recorded against Sale of Repossessed Units. Mr Whiteboy noted that Outside Services costs had increased when the housekeeping contract had changed from Prestige to Afriboom. While the new contract was more expensive, the performance of the cleaning staff had been much better. Mr Whiteboy advised that a R553k loss had been recorded in 2015 against Sale of Repossessed Units. A provision of R370k had been made by the Board in anticipation for this loss and when netted off the provision, this loss was much lower at R183k. The provision had been carefully considered by the Board and it was agreed that the loss would have been much higher than not selling the units in a bulk purchase deal and left to accumulate further outstanding levies. Cashflow was very important to the Share Block and levies must be recovered.

### 10.3 Conclusion

The Chairman quoted the conclusion he had published in his Chairman's Report, to once again thank Shareholders, Deon Viljoen, Roger Petyt, his fellow Directors and to once again record his condolences to the family of previous Director, Mimi Egnal.

## 11. CLOSURE

With no further items for discussion, the Chairman declared this Meeting closed at 10h58.

# Drakensberg Sun Share Block Limited

## DRAFT Minutes of the Postponed Annual General Meeting of Shareholders for the Year Ended 31 December 2015 held on Monday, 15 September 2016 at 10h00 at uMhlanga Sands Resort, uMhlanga

### CONSTITUTION OF THE MEETING, WELCOME AND APOLOGIES

As agreed at the Informal Annual General Meeting the previous week, Southern Sun Resorts Financial Manager, Warren Whiteboy, would today stand as Chairman on behalf of the Chairman, Brian Ellis.

The Acting Chairman, Warren Whiteboy, welcomed all to the postponed Annual General Meeting (AGM) of Drakensberg Sun Share Block Limited from Monday 8 September 2016. The Acting Chairman declared the Meeting duly constituted as all Shareholders present were deemed to constitute the quorum. The voting requirement of 25% of voting rights entitled to be exercised at the Meeting and to be present did not apply.

The Acting Chairman welcomed Georgina Stevenson, the Southern Sun Resorts Company Secretary as well as Mr and Mrs Freund.

Apologies were recorded from Directors Mr Ellis, Mr Ramsarup, Mr Ridl and Mr Dickson who were unable to attend. The Secretary noted that the proxies present at the previous Meeting were today in favour of the Acting Chairman.

### The Chairman proposed that the following Resolutions be ratified:

#### Item 1

To adopt the Minutes of the last Annual General Meeting held on 23 September 2015 and the Minutes of the postponed AGM held on 30 September 2015, read with informal Meeting Minutes. The recommendation for approval, made at the previous week's AGM, was ratified.

#### Item 2 Resolution 1:

The Annual Financial Statements for the Financial Year ended 31 December 2015, read with Chairman's Review, fully covered the activities of the Company for the period under review. As recommended at the previous week's AGM, the motion to receive, consider and adopt the Annual Financial Statements for the Year Ended 31 December 2015, including the Reports of the Directors and Auditors, was proposed, seconded and carried.

#### Item 3 Resolution 2:

As recommended at the previous week's AGM, the motion to re-appoint PricewaterhouseCoopers Incorporated (PWC) as Auditors for the ensuing year was proposed, seconded and carried.

#### Item 4 Resolution 3:

As recommended at the previous week's AGM, the eligible and available Directors Brian Ellis, Anthony Ridl, Ajith Ramsarup, Brent Dickson and David Alexander be nominated. The separate motions to appoint the listed Directors for the ensuing year were carried.

#### Item 5

As recommended at the previous week's AGM and with Brian Ellis, Ajith Ramsarup and Anthony Ridl having been re-elected as Directors for the ensuing year, the motion to re-appoint Brian Ellis, Ajith Ramsarup and Anthony Ridl as members of the Audit Committee, was ratified.

#### Item 6

##### 6.1 Special Resolution 1

As recommended at the previous week's AGM, the motion to convert the Company from a Public Company to a Private Company was ratified.

##### 6.2 Special Resolution 2

As recommended at the previous week's AGM, the motion to change the name of the Company to reflect the change of designation to a Private Company was ratified.

##### 6.3 Special Resolution 3

As recommended at the previous week's AGM, the motion to replace the existing Memorandum and Articles of Association in its entirety with a Memorandum of Incorporation (MOI) so as to comply with the provisions of the Companies Act was ratified.

##### 6.4 Ordinary Resolution

As recommended at the previous week's AGM, the motion to authorise the Directors and / or Company Secretary, Georgina Elizabeth Stevenson, to complete all and any documentation required for the filing and registration of the Special and Ordinary Resolutions, listed here today, together with the Memorandum of Incorporation (MOI) and annexure thereto with the Companies and Intellectual Property Commission (CIPC), was ratified.

#### Item 7

As recommended at the previous week's AGM, the motion to approve the 2016 / 2017 property insured value of R60,567,720 was seconded and carried.

#### Item 8

The Chairman noted that the Minutes of the informal Meeting fully covered the Social and Ethics Committee presentation made by General Manager, Roger Petyt. The Secretary noted that a copy of the informal Meeting Minutes were available for review. Read together with the Chairman's Review, the Meeting was satisfied that this had been adequately reported.

### General Matters

The Meeting agreed that the Minutes of the informal Meeting correctly reflected the responses to queries and comments made at the Meeting.

### Closure

The Acting Chairman thanked all present for their attendance. As there was no further business, the Meeting was declared closed at 10h11.

Read and confirmed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

\_\_\_\_\_  
CHAIRMAN

