

# Drakensberg Sun Hotel Share Block Proprietary Limited

Registration No. 1967/007156/07



## Annual Report

for the year ended 31 December 2016

# **Drakensberg Sun Hotel Share Block Proprietary Limited**

## **Annual Financial Statements**

for the year ended 31 December 2016

### **COMPANY INFORMATION**

Registration number: 1967/007156/07  
Registered address: Palazzo Towers East  
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 22 - 24

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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 Hotel Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

# Drakensberg Sun Hotel Share Block Proprietary Limited

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

I am delighted as your new Chairman, to take this opportunity to report to you on the achievements and developments at Drakensberg Sun Hotel Share Block Resort during 2016, both from an operational point of view as well as the financial well-being of the Company. Our outgoing Chairman, Deon Viljoen retired in August and I would like to extend my appreciation and thanks, both for his outstanding service as Tsogo Sun Resorts Operations Director as well as his chairmanship of Drakensberg Sun Hotel Share Block Proprietary Limited. The Resort has truly benefitted from his leadership, experience, insight and solid chairmanship. Our Resort is looking splendid which is a good testament to the hard work, commitment and service provided by the team ably managed by Roger Petyt our General Manger.

## Occupancy

With a good start in the first quarter of 80.5% occupancy and even better result of 85.6% in the last quarter the year-to-date occupancy improved by 1.3% from last year to 80.3%. There was a noticeable increase in private arrangements which goes to show that the Resort is selected as a desirable destination in spite of the travel distances required. I would like to mention that should you be unable to use your timeshare week to advise the Resort, where possibly the timeshare can be utilised in short term rental which would benefit both you the owner as well as the Resort. I would like to ask you as owners that however you use your week, to settle your annual levy timeously to facilitate occupation.

## Financial Results for the Year Ended 31 December 2016

The Statement of Comprehensive Income as set out on page 12 of the Annual Financial Statements reflects income and expenditure of the Company in a summarised format. The Detailed Levy Fund Operating Statement, which is not audited and presented as supplementary information only, appears on pages 22 to 24 and will be referred to when commenting on the financial results for the year.

The Statement of Comprehensive Income for the year 31 December 2016 reflects total income, including net finance income, of R11.074m (2015: R10.229m) and total expenditure of R9.357m (2015: R9.407m). The levy surplus after taxation was R1.655m (2015: R793,050) 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

Rental pool decreased compared to 2015 mainly due to the bulk sale of repo units in the prior year, therefore rental pool stock was lower in 2016.

## Expenditure

Total expenditure of R9.357m (2015: R9.407m) reflected a decrease of 0.5% year-on-year, an excellent result in these tough economy and inflationary times. Below is a more detailed review of the expenditure:

- **Rooms Expenditure** increased by 6.5% compared to 2015. Entertainment cost increased as a result of upgrading the Bingo cards, which being imported, were costly. Guest supplies increased due to the inclusion of Christmas turndown for guest. Replacement of operating equipment decreased year-on-year as units had been upgraded and improved the previous year.
- **Administration and General** charges reflected a 12.2% decrease year-on-year. This was primarily due to prior year's inclusion of the loss on sale of repossessed units. Internal audit 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 and travel costs increased year-on-year due to the company vehicle having major repairs done and the increase in travel for training.
- **Electricity, Water and Refuse** reflected a 2.8% increase year-on-year, mainly due to the installation of additional power meters and cost being split more accurately.
- **Repairs and Maintenance** reflected an increase of 0.7% year-on-year. Salaries and wages related cost decreased year-on-year due to vacancies during the year in this department not being filled
- **Corporate Charges** reflected a 13.7% increase year-on-year due to the reversal of over accrued expenses for annual reports in the prior year.

## Statement of Financial Position

The Statement of Financial Position which is detailed on page 13 together with the related notes thereto, reflects the financial position of your Company. The reserve for property, plant and equipment increased to R1.647m (2015: R516,950), cash and cash equivalents increased to R6.341m (2015: R5.655m), whilst levies receivable increased to R80,285 (2015: R30,259). Levies received in advance increased to R3.727m (2015: R3.385m).

During the year, the Company incurred capital expenditure of R525,488 (2015: R385,534) in respect of the following major projects:

	R
Merlin Program	263,574
Vehicles	163,234
TV's/ Fridges/ stoves	44,974
Cathkin Refurb	39,641

## 2018 Levy

The 2018 annual levy budget increase will be approved by the Directors at the August 2017 board meeting which takes place after the Notice of the Annual General Meeting of the Shareholders and the Annual Report have been delivered. This being the case, notification of the 2018 levy amounts will be advised under separate notice. The levy increase is debated at length by the Board who as your representatives, are extremely conscious of the current difficult economic conditions but at the same time the Board must be able to provide for future developments as well as the financial stability of this fine Resort. Projects are carefully scrutinised before any approvals are given and where possible projects are trimmed in scale and well planned so as to be viable and managed over the ten-year capex expenditure plan. For the continued success and maintenance of the high standards we have to have come to expect, a healthy Reserve fund is essential.

# Drakensberg Sun Hotel Share Block Proprietary Limited

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

At year end, the levies outstanding percentage was 0.18% which is unheard of in the timeshare arena and I wish to congratulate the Tsogo Sun Management Company and their levy collection team for such a tremendous result – may it continue. This is not an easy task in tough times. I thank all Shareholders who pay their levies timeously, as this creates a positive cash flow and allows Management to manage the Company effectively. The new Merlin Computer system has provided the necessary tools to email the levy statements as well as increased our ability to contact owners. If your email address is to change, please do advise us so we do not lose contact. We have also been able to reduce costs by emailing the Annual Reports.

## Resort Update

With the timeshare apartment rooms and bathrooms looking really good, during maintenance weeks, an extra thorough job was completed and time taken to properly check that all in the units is in order. Without projects involving the unit rooms, focus for management was directed to improving and raising the bar of the Resort facilities and amenities. One of the more noticeable changes has been the refurbishment of the Restaurant together with the introduction of our new, exciting pizza oven. The newly re-designed chef cooking stations has enlarged the space and encourages a welcome inter-action between guests and the Chef's – which they thoroughly enjoy. The restaurant food presentation and self service areas were re-designed to provide greater accessibility and easier access when the restaurant is very busy. The new carpet and re-covered furniture has enlivened the look and feel of our restaurant. With the assistance and inspiration by the Tsogo Sun Development chef, Kieran Conway, the menu was refreshed. The pizza oven has proved to be very successful and popular for those guests wishing to skip cooking for a meal or two.

The Reception office – the "behind the scenes" hub of activity where staff carry out their duties, was re-designed for better work flow and greater comfort for the staff. The emergency exit availability was improved. Our team is highly valued and they are extremely happy with these refurbishments.

Another improvement to our facilities was the extension to the Green Eco Spa. Following the Board's decision to close the under-utilised gym room, the Green Eco Spa was enlarged with a greater floor area allowing for a separate reception and manicure and pedicure area. This has provided a welcome improvement to our Spa and I invite you to visit.

Last year also saw an important dam audit inspection being completed which involves measuring the dam wall and checking for any seepage. No risk was evident and the temporary repairs to the outlet valve was adequate which meant any further expenses could be defrayed. The fountain dam was relined and a new spout attached to the fountain to make a difference to a peaceful walk along the pathways.

Entertainment is an area which your board is planning to innovate and rejuvenate. The existing entertainment room venue will be refurbished and re-organised and possibly enlarged with a view to adding the exciting children's entertainment programme from Tsogo Sun called Xscape – which has been trialled at Umhlanga Sands Resort. It has been greatly received where children are provided with the environment to play but be stimulated with educational fun events. The teenagers' areas will be separate so that all ages can enjoy themselves whilst on holiday. We hope to complete this project during 2018.

## Vacation Ownership Association of South Africa (VOASA)

As stated on their new website, the Vacation Ownership Association of South Africa is now a self-regulatory Trade Association with the interest of consumer education as well as servicing the industry. Information regarding the different types of shared accommodation, the purchase and ownership aspects are all part of their service. A separate promotions company has been appointed to engage with the media. Drakensberg Sun Hotel Share Block Proprietary Limited is a member of VOASA.

## Companies Act Requirements

We are pleased to advise that the Memorandum of Incorporation (MOI) of Drakensberg Sun Hotel Share Block Proprietary Limited was approved by the Companies and Intellectual Properties Commission (CIPC) on 28 October 2016. The name and registration number now reflects the change to a Private Company. The new quorum as stated in the MOI is more attainable being at least three members present holding at least five (5) percent of the share capital, who are entitled to vote and who are present in person or by proxy at the commencement and throughout the meeting.

In line with legislation, Drakensberg Sun Hotel Share Block Proprietary Limited is registered with the Community Scheme Ombuds Service Scheme.

## SunSwop

In 2016, 275 Drakensberg Sun Apartments owners deposited their weeks with SunSwop. This was slightly up on the 268 weeks deposited in 2015. This equates to 16.9% 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.

## Surrounding Developments

There have been no further intimations in respect of any of the proposed adjacent developments, and the Board is not aware of any new land claims having being lodged or any advancement regarding existing claims. The Berg View Homeowner's Association has put the proposed dam construction on indefinite hold.

The Equestrian centre built a Boma where several events were held which guests thoroughly enjoyed and can now be incorporated as another event site to offer to our owners and conferences guests.

## Vulture Hide

At our board meetings we are given an update of the wonderful Vulture Project under the able leadership of Roy Strydom of Bergview Home Owner's Association. The various individual vultures are monitored and their movements in our areas, tracked. This project is really worthwhile in trying to facilitate the increase in the number and well-being of these magnificent birds of prey. We invite owners to book a visit to the Vulture Hide "restaurant" and possibly enjoy an overnight stay in the unique hide.

# Drakensberg Sun Hotel Share Block Proprietary Limited

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

## 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 sub-committee reports to the Board, on all aspects covered in the Social and Ethics meetings and any other matter this sub-committee feels is necessary. A Charter was composed itemizing the ethics, direction, extent, targets 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 Pelyt 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. This includes time that is spent by staff and management in their assistance and actual work done in any one of their community projects.

The consolidated 2016 eGuest satisfaction survey scored 87%. Trip Advisor ranked the Resort 3rd in the area with a star rating of 4 out of 5.

Each year, the Resort is subjected to numerous audits to ensure compliance with the law as well as ensuring that standards are improved. These include internal and external Accounting Audits, Health and Hygiene, Landscape and Environmental Impact to name a few. Our QPro audits which record the kitchen hygiene and safety levels was 90%.

The Landscape Audit showed that the care taken of the surrounding gardens and grounds has been exemplary with the 2015 score of 85%, being maintained in spite of the lack of normal rainfall. Trees were trimmed which appeared to pose a danger of falling.

The Organizational Resilience Management System is vital in providing training and guidance to staff and management to respond effectively to dangerous situations such as fire and the Resort scored 95%, an improvement to last year's of 92%.

There were staff movements in the laundry department with the appointment of a new housekeeper. In an innovative move the maintenance managers from Sabi River Sun Resort and Drakensberg Sun Resort switched. We wish Hannes van Raaij and his family success at his new location in the Lowveld. We welcome Jeffrey Mathebula from Sabi River Sun Resort who with that Resort also being located out of town, is familiar with having to have to think on the spot. Jeffrey has brought a fresh look and approach which has renewed his department with enthusiasm.

The Tsogo Sun Hotel division, which includes the Drakensberg Sun Resort, maintained its level Two contributor status from the BBBEE rating.

## Conclusion

Before concluding, I wish to extend a warm invitation to you, to attend our Annual General Meeting to be held on Thursday morning 28 September 2017 at 11h30 at Umhlanga Sands Resort. This is a great opportunity for Management and owners alike to have an open forum for discussion.

A vote of thanks goes to my fellow directors, Brian Ellis, Ajith Ramsarup and Tony Ridl. With the Resort location somewhat remote, the Directors give of their time and effort to attend the five annual board meetings as well as the Annual General Meeting. Their dedication is appreciated and I wish to also thank them for their assistance and guidance whilst I settled into the role of Chairman.

With the newly refurbished restaurant we are now, even more proud of this very special and unique Resort. With such a magnificent setting with inspiring mountain views, peaceful nature walks or energetic hikes, we trust each return visit, will afford you exciting and memorable holidays.



**Adam Fuller**  
CHAIRMAN  
DRAKENSBERG SUN HOTEL SHARE  
BLOCK PROPRIETARY LIMITED

**Drakensberg Sun Hotel Share Block  
Proprietary Limited**  
Registration Number: 1967/007156/07  
("the Company")

Registered Office  
Palazzo Towers East  
Montecasino Boulevard  
Fourways, 2055

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

## 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 11h30 at Umhlanga Sands Resort, 44 Lagoon Drive, uMhlanga Rocks**, for the following purposes:

### Agenda

1. **Constitution of the Meeting, Welcome and Apologies.**
2. **To confirm that a quorum is present for the passing of Ordinary and Special Resolutions.**
3. **To adopt the Minutes of the Annual General Meeting held on 8 September 2016.**
4. **Resolution 1: To receive, consider and adopt the Annual Financial Statements for the year ended 31 December 2016, including the reports of the Directors and Auditors.**
5. **Resolution 2: To re-appoint PricewaterhouseCoopers Inc. as the auditors to the Company.**
6. **Resolution 3: To elect Directors representing the Timesharers, to the Board for the ensuing year. The following Directors retire at the Annual General Meeting, but being eligible, are available for re-election.**
  - Brian Ellis
  - Ajith Ramsarup
  - Anthony Ridl
7. **Resolution 4: To appoint three Directors as members of the Audit Committee. The members are Anthony Ridl (Chairman), Brian Ellis and Ajith Ramsarup.**
8. **Resolution 5: To appoint three Directors/Members to the Social and Ethics Committee.**
9. **To table, for discussion, the insured value of the Property.**
10. **Report of the General Manager including the Report of the Social and Ethics Committee**
11. **General**

The Board is limited by the Memorandum of Incorporation to a minimum of 5 and not exceeding 11 Directors in number. It would facilitate secretarial procedures if nominations for the appointment of Directors could be received no later than 11h30 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.

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

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 11h30 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 5% of all 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.

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 day and will be held the following day at 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.

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 11h30 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 Hotel Share Block  
Proprietary Limited**  
Registration Number: 1967/007156/07  
("the Company")

Registered Office  
Palazzo Towers East  
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 of the Company to be held on **Thursday 28 September 2017**.

**Form of Proxy**

I/We ....., being the holder/s of ..... ordinary shares in the Company, with right of use of Chalet ....., 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 Annual Financials			
<b>Resolution 2:</b> Re-elect Auditors			
<b>Resolution 3:</b> Elect Directors			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
<b>Resolution 4:</b> Elect Audit committee			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
<b>Resolution 5:</b> Elect Social & Ethics Comm.			

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, 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 member 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 member 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 11h30 on Friday, 22 September 2017.**

# Drakensberg Sun Hotel Share Block Proprietary 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 Hotel Share Block Proprietary Limited. The financial statements presented on pages 12 to 21 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities 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.

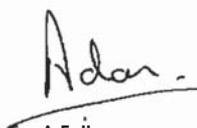
The Directors and Management have the responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position, financial performance and cash flows of the Company to enable the Directors to ensure that the financial statements 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 10 and 11.

## Approval of Financial Statements

The financial statements set out on pages 12 to 21 were approved by the Board of Directors on 08 May 2017 and are signed by:



**A Fuller**  
Chairman



**BG Ellis**  
Director

## Declaration by the Company Secretary

I hereby confirm, in my capacity as Company Secretary of Drakensberg Sun Hotel Share Block Proprietary 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 Hotel Share Block Proprietary 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), Brain 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 meetings 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

8 May 2017

# Drakensberg Sun Hotel Share Block Proprietary 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 Hotel Resort which comprises of a hotel and an apartment timesharing scheme. The apartments are utilised by the "C" class members on a timeshare basis with 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.

The "A", "B" and "D" class member has the right of use of the hotel property excluding the timesharing apartments and the business portion.

The "E" Class members have the exclusive right of use of the business portion of the Drakensberg Sun Hotel buildings; and

The "F" Class members have the exclusive right of use of the land and buildings on the property, excluding the Drakensberg Sun Hotel buildings.

## 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 against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R1,655,092 (2015: R793,050) 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 Hotel 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.

# Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2016

## 5 Directors and Secretary

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

Representing "A", "B", "D", "E" and "F" class shareholders

A Fuller	Chairman Appointed 1 September 2016
J Boshoff	
W Whiteboy	
R Petyt	
D Viljoen	Retired 31 August 2016

Representing "C" class shareholders

B Ellis\*  
A Ramsarup\*  
A Ridl\*

\* 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 Hotel Share Block Proprietary Limited

Report of the Independent Auditors

## To the Shareholders of Drakensberg Sun Hotel Share Block Proprietary 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 Hotel Share Block Proprietary 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 Hotel Share Block Proprietary Limited's financial statements set out on pages 12 to 21 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 Hotel Share Block Proprietary 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 Hotel Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 R	2015 R
<b>Income</b>		<b>10 679 140</b>	9 956 261
Levy income - normal		<b>10 525 050</b>	9 564 133
Other income		<b>154 090</b>	392 128
<b>Expenses</b>		<b>(9 356 629)</b>	(9 406 984)
Levy surplus before interest and taxation	3	<b>1 322 511</b>	549 277
Net finance income	4	<b>394 688</b>	272 612
Levy surplus before taxation		<b>1 717 199</b>	821 889
Income tax expense	5	<b>(62 107)</b>	(28 839)
<b>Levy surplus for the year</b>		<b>1 655 092</b>	793 050

# Drakensberg Sun Hotel Share Block Proprietary 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	431 549	1 050 058
Levies receivable - normal	10	80 285	30 259
Cash and cash equivalents		6 340 602	5 654 818
<b>Total current assets</b>		<b>6 852 436</b>	<b>6 735 135</b>
<b>Total assets</b>		<b>6 852 436</b>	<b>6 735 135</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	9	6 500	6 500
Reserve for property, plant and equipment	7	1 646 554	516 950
<b>Total equity</b>		<b>1 653 054</b>	<b>523 450</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Exchange fee rebate		54 181	104 195
<b>Total non-current liabilities</b>		<b>54 181</b>	<b>104 195</b>
<b>Current liabilities</b>			
Trade and other payables	8	1 356 326	2 694 011
Levies received in advance		3 726 768	3 384 640
Current tax liability		62 107	28 839
<b>Total current liabilities</b>		<b>5 145 201</b>	<b>6 107 490</b>
<b>Total liabilities</b>		<b>5 199 382</b>	<b>6 211 685</b>
<b>Total equity and liabilities</b>		<b>6 852 436</b>	<b>6 735 135</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	6 500	6 500
<b>Reserve for property, plant and equipment</b>			
At beginning of year		516 950	109 434
Levy surplus for the year		1 655 092	793 050
Property, plant and equipment additions and replacements during the year	7	(525 488)	(385 534)
At end of year		1 646 554	516 950

# Drakensberg Sun Hotel Share Block Proprietary 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	1 717 199	821 889
Adjustments for:		
Net interest received	(394 688)	(272 612)
Non cash items		
- Movement in exchange fee rebate	(50 014)	(50 014)
Net surplus before working capital changes	1 272 497	499 263
Changes in working capital		
- Movement in levies receivable	(50 026)	882 597
- Movement in special levies receivable	-	39 345
- Movement in trade and other receivables	618 509	(377 474)
- Movement in levies received in advance	342 128	490 909
- Movement in trade and other payables	(1 337 685)	1 053 276
Cash flows from operating activities	845 423	2 587 916
Net interest received	394 688	272 612
Tax paid	(28 839)	(45 829)
Net cash inflow from operating activities	1 211 272	2 814 699
<b>Cash flow from investing activities</b>		
Property, plant and equipment additions and replacements	(525 488)	(385 534)
Net cash outflow from investing activities	(525 488)	(385 534)
<b>Net movement in cash and cash equivalents</b>	685 784	2 429 165
Cash and cash equivalents at beginning of year	5 654 818	3 225 653
<b>Cash and cash equivalents at end of year</b>	<b>6 340 602</b>	<b>5 654 818</b>

# Drakensberg Sun Hotel Share Block Proprietary 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 periods.

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 were 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 Hotel Share Block Proprietary 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 Hotel Share Block Proprietary 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 primarily 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 Hotel Share Block Proprietary 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	2 951 602	2 759 730
- contributions to retirement funds	194 240	173 374
Management fees	803 710	763 258
Audit fees	69 470	66 490
Professional fees	1 563	39 700
Other operating expenses	5 336 044	5 604 432
	<b>9 356 629</b>	<b>9 406 984</b>
<b>4 Net finance income</b>		
Interest earned on fixed deposits, call deposits and current account	394 688	272 612
Net finance income	<b>394 688</b>	<b>272 612</b>
<b>5 Income tax expense</b>		
Provision is made for Company taxation on the net non-levy income of the "C" class levy fund.		
No tax is payable on levy income from the owners in terms of Sec 10(1)e of the Income Tax Act.		
- current year provision	62 107	28 839
	<b>62 107</b>	<b>28 839</b>
A reconciliation of the tax charge is not considered appropriate as share block companies are liable for tax only on their net non-levy income.		
<b>6 Trade and other receivables</b>		
Trade and other receivables	48 376	701 791
Prepayments (Refer Note 12)	227 479	239 555
Interest receivable	155 694	85 316
Receiver of Revenue - VAT	-	23 396
	<b>431 549</b>	<b>1 050 058</b>
<b>7 Reserve for property, plant and equipment</b>		
At beginning of year	516 950	109 434
Levy surplus for the year	1 655 092	793 050
	<b>2 172 042</b>	<b>902 484</b>
Property, plant and equipment additions and replacements during the year	<b>(525 488)</b>	<b>(385 534)</b>
At end of year	<b>1 646 554</b>	<b>516 950</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 R1,405,829 (2015: budgeted capital expenditure of R1,279,933 approved for 2016) which it is anticipated will increase the budgeted surplus in the reserve fund by R15,754 (2015: decrease the budgeted surplus by R124,307 in 2016). There were no capital commitments made at year end (2015: R nil).

# Drakensberg Sun Hotel Share Block Proprietary 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)	421 713	525 415
Provision for auditors' remuneration	64 800	66 482
Sundry payables (Refer Note 12)	85 441	78 581
Exchange fee rebate	50 014	50 014
Receiver of Revenue - VAT	4 827	-
Drakensberg Sun Hotel Proprietary Limited (Refer Note 12)	729 531	1 973 519
	<b>1 356 326</b>	<b>2 694 011</b>
<b>9 Share capital</b>		
<b>Authorised and issued</b>		
33,360 "A" Class ordinary shares of 1 cent each	334	334
33,360 "B" Class ordinary shares of 1 cent each	334	334
72,228 "C" Class ordinary shares of 1 cent each	722	722
7,344 "D" Class ordinary shares of 1 cent each	73	73
3,000 "E" Class ordinary shares of 1 cent each	30	30
500,708 "F" Class ordinary shares of 1 cent each	5 007	5 007
	<b>6 500</b>	<b>6 500</b>

## Voting Rights

The shares have equal voting rights.

## Dividends

Only the "F" Class shareholders have the right to dividends.

## "E" Class shares

The holder of the "E" Class shares may require the holders of the "C" Class shares to:

- purchase an undivided share in all the "E" Class shares and the relevant linked loan obligations.
- accept the cession and assignment of an undivided share of the holder of the "E" Class shares rights and obligations in terms of the "E" Class use agreement.

## "C" Class shares

In terms of the various use agreements the "A", "B" and "D" Class shares may be re-classified as "C" Class shares on the conversion of the respective accommodation to timeshare.

## Winding-up

In terms of the Memorandum of Incorporation, should the Company be wound up and have funds remaining for distribution to members, after paying all liabilities other than the loan obligation, the liquidator shall obtain a separate valuation for the land on the one hand and the hotel buildings on the other.

The balance available for distribution will be distributed as follows:

An amount equal to the value of the land will be distributed to the holders of the "F" Class shares. The balance will be distributed to the holders of the other classes of shares. Such distribution will be deemed to firstly discharge the members loan obligations and thereafter, a liquidation dividend.

# Drakensberg Sun Hotel Share Block Proprietary Limited

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

	2016 R	2015 R
<b>10 Levies receivable</b>		
Levy debtors	21 940	6 712
Repossessed debtors	84 155	99 626
Provision for repossessed debtors	(25 810)	(76 079)
- Opening balance	(76 079)	(738 267)
- Movement	50 269	662 188
	<b>80 285</b>	<b>30 259</b>
<b>11 Property, plant and equipment</b>		
<p>The Company complies with the SAICA Guide on Financial Reporting for Share Block Companies with respect to the treatment of property, plant and equipment. In terms of the SAICA Guide the right of use of property, vested with the shareholders, has been offset against the loan from shareholders with the balance transferred to the reserve for property plant and equipment.</p> <p>Land and buildings comprise the following property:</p> <p>The remainder of Sub 4 of the farm Driefontein No. 1389, Development Area of Driefontein, KwaZulu Natal, and the farm Stijlberg No. 7283, County of Weenen, KwaZulu Natal.</p> <p>Land and buildings were originally purchased for R22,052,939 and are not recognised because 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 R40,000,000 for rates purposes. There are no bonds on the property.</p> <p>The holder of the "F" Class shares has an option to purchase a portion of the land and buildings for R14,400,000.</p>		
<b>12 Related party transactions</b>		
<p>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 as follows:</p>		
Management fee	803 710	763 258
Levy administration and collection fee	185 940	176 578
<p>During the financial year the Company paid membership fees to Sunswop (a division of SSHI), which is affiliated to Interval International.</p>		
Sunswop exchange services	270 585	260 065
<p>During the financial year the Company paid the following SSHI internal charges:</p>		
- Information technology administration charge	102 652	93 372
<p>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:</p>		
<p>Amount owing (to)/from Drakensberg Sun Hotel Proprietary Limited and SSHI</p>		
- included in Payables (Refer Note 8)	(802 267)	(2 059 504)
- included in Receivables (Refer Note 6)	29 022	30 458
	<b>(773 245)</b>	<b>(2 029 046)</b>

# Drakensberg Sun Hotel Share Block Proprietary Limited

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

## 12 Related party transactions (continued)

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

	Number of units	Levies paid	Levies received in advance
		R	R
<b>2016 - shareholding</b>			
AB Ramsarup - The Leisure Holiday Club	469	3 219 470	1 333 940
DP Viljoen / A Fuller - Sunswop (a division of SSHI)	19	138 980	59 520
DP Viljoen (retired 31 August) / A Fuller (appointed 1 September 2016) - Sunswop (a division of SSHI)			
AN Ridl - Club Leisure Group	157	1 166 590	539 870
<b>2015 - shareholding</b>			
AB Ramsarup - The Leisure Holiday Club	469	2 984 450	1 219 760
DP Viljoen - Sunswop (a division of SSHI)	19	129 240	42 230
AN Ridl - Club Leisure Group	156	1 075 820	484 030

## 13 Directors emoluments

The Directors do not receive any remuneration for their services to the Company but, in the case of the Directors representing the "C" class shareholders, are reimbursed for costs incurred on the Company's business. Further, these 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 Hotel Share Block Proprietary 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	10 525 050	9 564 133
Rental pool and short term rentals	113 332	370 597
Net non-levy income		
- telephone, rentals, sundry recoveries and penalties	39 758	20 731
Proceeds on sale of assets	1 000	800
	<b>10 679 140</b>	<b>9 956 261</b>
<b>EXPENDITURE</b>		
<b>Rooms Expenses</b>		
Cleaning supplies	50 943	54 247
Guest entertainment		
- M-Net	90 060	82 324
- outside services	321 168	300 620
- videos, cocktails, games and prizes	90 211	61 324
Guest supplies	77 205	55 461
Laundry	432 869	430 132
Personnel costs		
- outside services	880 190	831 979
- salaries, wages and benefits	1 027 775	949 731
Pest control	9 752	9 113
Printing and stationery, including reception	121 955	130 404
Replacement of cutlery, crockery, linen, towels, uniforms etc	23 727	41 712
Security services	500 844	458 413
	<b>3 626 699</b>	<b>3 405 460</b>
<b>Administration and General</b>		
Auditors remuneration		
- current year	64 766	61 182
- prior year (over)/underprovision	(446)	40
- expenses	5 150	5 268
Bank charges	2 232	10 748
Credit card commission	38 742	27 262
Information technology costs	325 641	347 412
Insurance	50 565	53 084
Internal audit fees	1 563	39 700
Levy administration and collection fees	185 940	176 578
Licences and permits	10 810	10 810
<b>Balance carried forward</b>	<b>684 963</b>	<b>732 084</b>

# Drakensberg Sun Hotel Share Block Proprietary 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>684 963</b>	732 084
Loss on repossessed debtors	<b>28 266</b>	1 147 599
Personnel costs		
- salaries, wages and benefits	<b>1 535 056</b>	1 385 573
Printing, postage and stationery	<b>1 106</b>	(3 417)
Provision for repossessed debtors	<b>(50 269)</b>	(662 188)
Railage, cartage and hire transport	<b>4 025</b>	6 711
Sunswop exchange service	<b>270 585</b>	260 065
Subscriptions/marketing	<b>5 848</b>	7 344
Telephone		
- calls	<b>17 752</b>	21 314
Travel		
- management and directors	<b>60 543</b>	49 165
Vehicles		
- fuel and oil	<b>49 087</b>	25 825
	<b>2 606 962</b>	2 970 075
<b>Electricity and Refuse</b>		
Electricity	<b>756 929</b>	736 652
Refuse	<b>75 553</b>	73 448
	<b>832 482</b>	810 100
<b>Repairs and Maintenance</b>		
Buildings	<b>16 448</b>	30 438
Electrical and mechanical	<b>116 969</b>	87 242
Furniture and fixtures	<b>53 466</b>	57 175
Gardens and grounds	<b>430 859</b>	421 519
General maintenance	<b>71 858</b>	56 244
Painting and redecorating	<b>19 206</b>	8 636
Personnel costs		
- salaries, wages and benefits	<b>583 011</b>	597 800
Plumbing and heating	<b>26 988</b>	50 075
Sewerage treatment	<b>8 695</b>	8 928
	<b>1 327 500</b>	1 318 057

# Drakensberg Sun Hotel Share Block Proprietary 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>Corporate Charges</b>		
Annual report and statutory costs	27 659	4 561
Furniture and equipment leases	17 605	17 605
Municipal rates and taxes	114 012	117 868
	<b>159 276</b>	140 034
<b>Management Fee</b>	<b>803 710</b>	763 258
<b>Total Expenditure</b>	<b>9 356 629</b>	9 406 984
Excess of income over expenditure before finance income and taxation	<b>1 322 511</b>	549 277
<b>Finance income</b>		
Interest received	<b>394 688</b>	272 612
Excess of income over expenditure before taxation	<b>1 717 199</b>	821 889
<b>Taxation</b>		
- current	<b>62 107</b>	28 839
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	<b>1 655 092</b>	793 050

# Drakensberg Sun Hotel Share Block Proprietary Limited

**DRAFT Minutes of the Annual General Meeting of Shareholders for the Year Ended 31 December 2015 held on Thursday, 8 September 2016, at 12h30, in Coco's at uMhlanga Sands Resort, uMhlanga**

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

The Chairman, Adam Fuller, welcomed all to the Annual General Meeting (AGM) of Drakensberg Sun Hotel Share Block. This was Mr Fuller's first AGM as a Director and Chairman. The Chairman advised that he had taken over the role of Operations Director at Southern Sun Resorts following Deon Viljoen's retirement last month and as such, Tsogo Sun had authorised Mr Fuller's directorship and chairmanship of the Board. On behalf of Tsogo Sun and the Drakensberg Sun Hotel Share Block Board, the Chairman wished Mr Viljoen and his wife, Megan Viljoen, a wonderful, happy and exciting new phase in their lives. He personally thanked Mr Viljoen for the fantastic handover provided to him over the past few weeks and for handing over a Share Block in such great shape.

As notice of the Meeting was properly given and the necessary quorum present, the Chairman declared the Meeting duly constituted. The Chairman welcomed the representatives from RCI and introduced the Directors and Management team.

Brian Ellis	Director, representing the interests of all Shareholders alike and Chairman of Drakensberg Sun Share Block Limited
Ajith Ramsarup	Director, representing the Leisure Holiday Club and all Shareholders alike and Director of Drakensberg Sun Share Block Limited
Roger Petyt	General Manager of Drakensberg Sun Resort
Warren Whiteboy	Financial Manager of Southern Sun Resorts
Peter Pienaar	General Manager of SunSwop
Sunet Le Roux	Financial Controller of Drakensberg Sun Resort
Georgina Stevenson	Company Secretary of Southern Sun Resorts
Lisa Sutton	Secretary to the Company Secretary

Apologies were recorded from Directors Anthony Ridl and Jaco Boshoff. The Chairman welcomed Brent Dickson, who was a Director on the Drakensberg Sun Share Block Board.

## **1. MINUTES OF THE 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, held on 23 September 2015. The Chairman advised that incorrect prior year AGM Minutes had been published in the Annual Report. He highlighted the additional and incorrect Minutes on page 26, 29 and 30 and kindly requested that Shareholders ignore those pages as they did not relate to this Share Block. No comments or objections were raised and the Minutes for the 23 September 2015 were proposed, seconded and adopted as a correct record of the proceedings.

## **2. ANNUAL FINANCIAL STATEMENTS**

The next item on the Agenda was Resolution 1, 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 noted that the Annual Report fully covered the activities of the Company for the period under review. No queries were raised and it was resolved on a show of hands that the Annual Financial Statements for the year ended 31 December 2015 be proposed, seconded and adopted.

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

Resolution 2 was to re-appoint PricewaterhouseCoopers Incorporated (PWC) as the Auditors of the Company. The Chairman enquired whether any Shareholder was against the appointment of PWC or whether any Shareholder requested the appointment of another firm. No comments were received from the floor. It was resolved that PricewaterhouseCoopers Incorporated, as recommended by the Audit Committee, be re-appointed as Auditors for the ensuing year.

## **4. ELECTION OF DIRECTORS**

Resolution 3 was to elect Directors to the Board for the ensuing year. The Chairman advised that 3 independent Directors Brian Ellis, Ajith Ramsarup and Anthony Ridl retired as Directors at this AGM, but were eligible for re-election. No nomination had been received prior to this Meeting or from the floor.

The Chairman proposed separate motions for the election of Brian Ellis, Ajith Ramsarup and Anthony Ridl as Directors for the ensuing year. The motions were seconded and approved separately by the Meeting. The Chairman moved that the appointees be elected to the Board until the next AGM, which motion was seconded and adopted.

## **5. APPOINTMENT OF AUDIT COMMITTEE**

The next item on the Agenda was Resolution 4, being to appoint 3 Directors as members of the Audit Committee. He had pleasure in recommending to the Shareholders that Brian Ellis, Ajith Ramsarup and Anthony Ridl be appointed members of the Audit Committee for the ensuing year. By a show of hands, the motion was proposed, seconded and approved.

# Drakensberg Sun Hotel Share Block Proprietary Limited

## 6. DIRECTORS REPORT

Item 8 referred to page 4 and 5 of the Annual Report which clearly explained the reason for the new Memorandum of Incorporation (MOI).

The Secretary advised the Meeting that Mr Ramsarup carried the proxies of Anthony Ridl, in his absence.

## 7. SPECIAL AND ORDINARY RESOLUTIONS

Item 9 on the Agenda was to present and approve the following Special and ordinary Resolutions:

- 7.1 Special Resolution 1: To convert the Company from a Public Company to a Private Company. The motion was proposed, seconded and carried.
- 7.2 Special Resolution 2: To change the name of the Company to reflect the change of designation to a private Company and be named Drakensberg Sun Hotel Share Block Proprietary Limited. The motion was proposed, seconded and carried.
- 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 Companies Act, in this regard. The motion was proposed, seconded and carried.
- 7.4 Ordinary Resolution 1: 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). The motion was proposed, seconded and carried.

## 8. REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Mr Petyt presented a slide presentation. Overall 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 as well as 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 the processes in 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 comparison, Mr Petyt presented a 30-year old photograph of the Resort, taken from the main pool. The Chairman thanked Mr Petyt for the way in which he had run the Resort. The Chairman stated that Mr Petyt and his team must be extremely proud of what they were doing at the Resort.

## 9. INSURED VALUE OF PROPERTY

The next item on the Agenda was to discuss the insured value of the Property. The Chairman stated that the insured replacement value of the building, including all contents, was R39,379,138. The valuation had once again been conducted by an independent Quantity Surveyor, Brian Heineberg and Associates. The Secretary advised that the insured value was for 32 units and not 24 units, which had incorrectly been mentioned on previous schedules. The schedule was now correct. The proposed motion was seconded and the Meeting approved the insured value of the property buildings and contents of R39,380m.

## 10. GENERAL MATTERS

### 10.1 2017 Levy Confirmation

Mr Whiteboy confirmed that the 2017 levy had increased by 8.6%. Standard Trout Apartment levies had increased by R490 to R6,210 and Bass Apartment levies had increased by R820 to R10,390.

## 11. CLOSURE

The Chairman thanked all for attending the AGM and welcomed all to join the team for teas, coffees and snacks. There being no further business to conclude, the Chairman declared the Meeting closed at 12h46.

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

\_\_\_\_\_  
CHAIRMAN



