

Beacon Island Share Block Proprietary Limited

Registration No. 1983/005957/07



Annual Report

for the year ended 31 December 2017

Beacon Island Share Block Proprietary Limited

Annual Financial Statements
for the year ended 31 December 2017

COMPANY INFORMATION

Registration number: 1983/005957/07
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 23 - 25

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

Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2017

I am very pleased to share the news with you that our superb Resort keeps improving. I am also particularly pleased to have this opportunity to report back to you on the operation, projects, financial well-being and plans of our outstanding Resort.

Improvement of Facilities

With the many projects completed last year, part of this year's focus has been more strategic in nature. Our Board has planned, deliberated and made financial provision for large capital expenditure projects to take place over the next 3 years. The Indigo Bay restaurant refurbishment project has been completed and looks outstanding. Other projects due to roll out soon, to name only a few, include the rooms refurbishment, revolving door upgrade and additional parking. We have seen several presentations in respect of the rooms refurbishment over the past year. After much consideration, we are pleased to record that a mock-up of each room type has been completed.

Back of house areas and facilities have been spruced up. The various projects included upgrading the staff dining room, staff ablutions, service lift, heat pumps, housekeeping distribution board for the laundry area, computers, new washing machines and new tumble dryers to accommodate the higher occupancy currently experienced by our Resort.

Human Resources

Our Resort takes tremendous pride in promoting our own staff from within our family of staff members. This is motivated by our General Manager, Reinhard Visser, who has enthusiastically developed his own team. He embraces and focuses on training and providing our staff with the necessary skills and expertise that they require to improve themselves. This provides the opportunity to them for further development. This in turn creates a formidable team of staff and improves the skills of our local community. Our staff are happy and genuinely thrive in their working environment. This explains why our Resort continuously has the pleasure of awarding staff members for long service.

eGuest

I am delighted with the stability in our Resort's overall guest satisfaction, which has maintained an average of 92% for 2016 and 2017. Your responses are appreciated. Management closely reviews each response and comment to track our Resort's progress and concentrate on any areas that may be highlighted by our guests for improvement.

Occupancy

With occupancy in the first quarter of 92.1%, it is small wonder that the overall record-breaking occupancy for 2017 was almost 90% (89.9%). I congratulate Reinhard and his team for the record setting standard that they have achieved. Every quarter was significantly higher than the 2016 year-to-date of 85.3%. With owner occupancy increasing and a steady decrease in no-shows, it is evident that our product and service is very well received and in great demand.

Group bookings have increased. These bookings provide fantastic additional business and exposure for our Resort. I congratulate our Management Team and Staff for achieving great service and maintaining our Resort whilst it was placed under increased pressure due to higher occupancy.

Financial Results for the Year Ended 31 December 2017

Shareholders are referred to the Statement of Comprehensive Income set out on page 13 which reflects the income and expenditure of the Company in a summarised format. The traditional levy fund operating statement is set out on pages 23 to 25 and is presented as supplementary information to Shareholders. I will refer to this detailed levy fund operating statement when commenting on the financial results for the year. The Statement of Comprehensive Income for the year ended 31 December 2017 reflects total income including net finance income of R51.187m (2016: R49,233m) and total expenditure of R34.911m (2016: R31.960m). The levy surplus after taxation was R14.893m (2016: R15.952m). This has been transferred to the reserve. These results are outstanding.

Income

Total income for the year included unclaimed surpluses from the sale of repossessed units, rental pool income and rental income from commercial tenants. Short-term and sundry revenue increased significantly. Long-term rental pool income also reflected an increase. Simultaneously, interest on the investment of surplus funds improved significantly.

Expenditure

Total expenditure for the year increased by 9.2%.

Rooms Expenditure

Rooms expenditure increased by 9.6% year-on-year. The increase in occupancy affected the laundry costs. There was an increase in printing and stationery costs due to the increase in conferences. The revenue for these conferences is reflected in the increased sundry revenue.

Administration and General

Administration and general expenses increased by 3.8% year on year. Savings were recorded in legal fees and credit card commission because of the new lease agreement with our tenant, Island Diner. Guests can now conveniently sign their food and beverage charges to their room account and then settle it upon their departure.

Electricity, Water and Refuse

Electricity costs were in line with the tariff increase. Tremendous effort was put into water savings at the Resort. This contributed to the reduced year-on-year increment despite a tariff increase.

Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2017

Repairs and Maintenance

Repairs and maintenance increased by 11.9% year-on-year due to ongoing maintenance and repairs in the rooms and around the property. A change in the garden service supplier resulted in an increased cost in gardens and grounds. Electrical costs increased due to an underground electrical fault that has now been rectified. Swimming pool costs increased due to additional chemical dosing and treatments which ensure the improved quality of our water.

Corporate Charges

Corporate charges increased by 9.8% year-on-year. The increase in annual reports and statutory costs was caused due to the annual levy payable as a result of the introduction of Community Schemes Ombud Services (CSOS). This membership is now required by law.

Statement of the Financial Position

The Statement of Financial Position which is reflected on page 14 together with the related notes thereto reflects the financial position of our Company. The reserve for the replacement of property, plant and equipment reflects a balance of R57.327m (2016: R48.730m) after transfer of the operating surplus for 2017 of R14.893m (2016: R15.952m) and normal capital expenditure costs of R6.295m (2016: R10.076m). Levies receivable decreased to R59k (2016: R228k).

Shareholders are thanked for continuing to meet their levy obligation by paying levies in advance. This has increased to R15.613m (2016: R15.212m). Surplus funds are invested for the benefit of all shareholders. Cash and cash equivalents increased to R76.096m (2016: R69.737m).

Capital Expenditure

Capital expenditure during 2017 amounted to R6.295m (2016: R10.076m). The following major items of expenditure were incurred:

Heat Pumps	R1,912,596
New Hotel Vehicle	R490, 858
Tumble Driers & Washing Machines	R517, 016
Back of House Upgrades	R634,480
Repairs to External Lawns	R545,601
Robberg Lawn Car Park	R190,350
Pool Loungers	R167,924
Door Locks and Tags	R106,477

2019 Levy Budget

As was the case in previous years, the 2019 annual levy budget and increase will be approved by the Directors at the August 2018 Board meeting. This will take place after the Notice of the Annual General Meeting of the Shareholders and the Annual Report have been emailed. Bearing this in mind, Shareholders will be advised under separate notice of the forthcoming 2019 levy amounts. Your Directors are extremely mindful of the constrained economic climate and demands already made on our Shareholders. During the budgeting process, due diligence is exercised both in aiming to meet the fiscal obligations of the Resort whilst ensuring stable growth in the reserve fund for future maintenance and improvements. This reserve ensures the stability, continuity and future of the Resort.

Board of Directors

At last year's Annual General Meeting, we welcomed John Lee to our Board. John recently retired as a Senior Director at Sun International and brings even more industry experience and knowledge to our Board. John is energetic and has also contributed significantly over the past year. For the year ending 31 December 2017, our Board held five Board Meetings, two Audit Committee Meetings, two Social and Ethics Committee Meetings and an Annual General Meeting.

Each year, the longest serving Directors automatically retire at that year's Annual General Meeting. This year, only one Director, Nicholas Dickson, will retire from the Board. Nick will be available for re-election at the Annual General Meeting.

Vacation Ownership Association of South Africa (VOASA)

VOASA is a self-regulatory member-based trade association for the shared vacation ownership industry in South Africa. VOASA exists to protect consumer rights and commit to ongoing growth in the timeshare industry in a positive and organized manner. Its code of conduct outlines the intention to govern business practices by protecting the interests of both consumers and the industry and to promote an equitable, negotiated balance between the two. Our share block remains a member of VOASA and our Director, Anthony Ridl currently serves as the Chairman of that Board.

Corporate Governance

In accordance with legislation, Beacon Island is registered with the Community Scheme Ombud Service Scheme.

Since the status of the Social and Ethics Committee was raised to a proper standing committee, a separate report has this year been added to the Annual Report. This covers the activities of this committee over the past year. The report is on page 8. Our Board is extremely proud of the commitment of this committee as well as their tremendous efforts and achievements.

Annual General Meeting

I encourage every Shareholder to either attend this year's Annual General Meeting at The Cullinan Hotel in Cape Town on 5 October 2018 or to kindly complete the form of proxy enclosed in this Annual Report on page 5, should you be unable to attend.

Management Agreement

I take this opportunity to inform you that the Management Agreement with Southern Sun Resorts, a division of the Tsogo Sun Group, has been re-negotiated and extended for a further 11 years. Following comprehensive and lengthy negotiations, I am confident that all significant factors were taken into account for our Resort and our shareholders. We look forward to great savings through the extended agreement that will have a positive impact on annual levies going forward. I thank the Directors (in particular Deon Viljoen and Gary Kaplan), Management Team and all other parties involved in the 5-month long process that it took to do so.

Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2017

We have been assured that the Southern Sun Resorts team will continue their tradition of providing great service delivery. Our Directors enjoy a good working relationship with the Management Team. I am confident that Reinhard and his team with the support of Southern Sun Resorts will continue to provide phenomenal hospitality and take care of our remarkably busy property.

Conclusion

I am especially grateful to my fellow Directors for their dedication, astuteness and practicality in achieving these exceptional results in all the decisions made over the past year. We are most fortunate to have such a capable Board of Directors who are all committed to the best interests of all our shareholders.

I am delighted with the phenomenal performance and results of this past year. I look forward to sharing more wonderful results with you as we progress further into the 2018 year.



A handwritten signature in black ink, appearing to read 'Laurance Hodes', written over a horizontal line.

Laurance Hodes
Chairman

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held on **Friday, 5 October 2018 at 11h00 at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town Waterfront, Cape Town**, for the following purposes:

Agenda

1. **Welcome, Notice of Meeting, Attendance, Apologies and Proxies**
2. **Establishment of a Quorum**
3. **Adopt the Minutes of the Annual General Meeting held on 8 September 2017**
4. **Matters Arising from the Minutes of the previous Annual General Meeting**
5. **Resolution 1:** Receive, consider and adopt the report of the Directors, the report of the Audit Committee, the report of the Social and Ethics Committee and the Annual Financial Statements for the year ended 31 December 2017.
6. **Resolution 2:** Appoint auditors to the Company.
7. **Resolution 3:** Elect Directors to the Board for the ensuing year. The following Director retires at the Annual General Meeting, but being eligible, is available for re-election.
 - Nicholas Dickson
8. **Resolution 4:** The Board is limited by the Memorandum of Incorporation to seven (7) Directors in number. It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the timesharers could be received by **no later than 11h00 on Wednesday, 3 October 2018** at the registered office of the Company or email address. Nominations must be in writing with the name of the proposer and seconder and be accompanied by the acceptance of such nomination by the nominee and their curriculum vitae. Appoint three (3) Directors as members of the Audit Committee. The current members are Nicholas Dickson, Gary Kaplan and Anthony Ridl.
9. **Resolution 5:** Appoint three (3) members to the Social and Ethics Committee. The current members are John Lee, Deon Viljoen and Charles Wells.
10. **Special Resolution 1:** Authorise payments of remuneration/emoluments to the Directors in respect of the 2018 year. Directors to be paid R8,000 per Board Meeting, per Audit Committee Meeting, per Social and Ethics Committee Meeting, or cluster of Meetings. The Company is authorised to pay any Vat payable, to the extent applicable to this remuneration.

The reason for and effect of this special resolution:

In terms of Section 66(8) of the South African Companies Act 71, of 2008, the Company may pay remuneration to its Directors for their service as Directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by the shareholders within the previous two (2) years. Section 66(12) requires that any particular Director appointed to more than one (1) committee of the Company, be calculated only once. Directors will be entitled to be paid attendance fees/emoluments in respect of the above period.
11. **Table for Discussion, the Insured Value of the Property**
12. **Report of the Social and Ethics Committee**
13. **General Manager's Report**
14. **General:** To transact any other business which ought to be transacted at an Annual General Meeting. Items for discussion under any agenda item should be written to the Company Secretary at the Company's registered office or email address, by no later than **11h00 on Wednesday, 3 October 2018**.

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

In the event of a quorum not being present within half-an-hour of the appointed time for the meeting to begin, the Annual General Meeting will be automatically adjourned for one (1) business day, to Monday, 8 October 2018 and if at such adjourned meeting a quorum is not present within half-an-hour of the start time, the shareholders there present in person or by proxy shall be deemed to constitute the necessary quorum. Any shareholder entitled to attend and vote is entitled to appoint a proxy to attend, vote and speak in his/her stead, and such proxy need not be a shareholder of the Company. **Forms of Proxy should be forwarded to reach the registered office of the Company, for the attention of the Company Secretary, by no later than 11h00 on Wednesday, 3 October 2018.** A form of proxy is enclosed for this purpose.

For an ordinary resolution to be adopted by shareholders at the meeting, it must be supported by more than fifty-percent (50%) of the voting rights in favour of such a resolution. For a special resolution to be adopted by shareholders at the meeting, it must be supported by more than sixty-percent (60%) of the voting rights in favour of such a resolution.

The record date for determining shareholder's voting rights is 21 September 2018.

By order of the Board
Southern Sun Secretarial Services Proprietary Limited
29 May 2018

Beacon Island Share Block Proprietary Limited
 Registration Number: 1983/005957/07
 ("the Company")

Registered Office
 Palazzo Towers East
 Montecasino Boulevard
 Fourways, 2055

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

Form of Proxy for use by shareholders at the Annual General Meeting of the Company to be held on **Friday, 5 October 2018 at 11h00 at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town Waterfront, Cape Town.**

Form of Proxy

I/We, being the shareholder/s of ordinary shares in the Company, with right of use of Unit, week, hereby appoint

1., or failing him/her,
2., or failing him/her,
3. The Chairman of the 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
Resolution 1: Adopt Annual Financial Statements			
Resolution 2: Appoint Auditors			
Resolution 3: Elect Directors			
• Nicholas Dickson			
Resolution 4: Appoint Audit Committee			
• Nicholas Dickson			
• Gary Kaplan			
• Anthony Ridl			
Resolution 5: Appoint Social and Ethics Committee			
• John Lee			
• Deon Viljoen			
• Charles Wells			
Special Resolution 1: Authorise Director Emoluments			

Signed at this day of 2018.

Signature assisted by (where applicable).

Unless otherwise instructed, specifically as above, the proxy will vote, as the appointee deems fit.

Any alteration or correction made to this form of proxy (excluding the deletion of alternatives and excluding the deletion of singular/plural alternatives) must be initialed by the signatory/ies. Documentary evidence establishing the authority of a person signing this form of proxy in an appointee/representative capacity (e.g. on behalf of a Company, Close Corporation, Body Corporate or Trust) must be attached to this form, failing which the proxy will be invalid.

The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.

Any shareholder entitled to attend and vote is entitled to appoint a proxy to attend, vote and speak in his/her stead and such proxy need not be a shareholder of the Company. Forms of Proxy should be forwarded to reach the registered office of the Company, for the attention of the Company Secretary, by **no later than 11h00 on Wednesday, 3 October 2018.**

Beacon Island Share Block Proprietary Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2017

The Directors and Management are responsible for the preparation, integrity and fair presentation of the annual financial statements of Beacon Island Share Block Proprietary Limited. The annual financial statements presented on pages 13 to 22 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 71, of 2008.

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

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

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

The going concern basis has been adopted in preparing the annual financial statements. 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, Grant Thornton Durban, audited the annual financial statements and their report is presented on pages 11 and 12.

Approval of Annual Financial Statements

The annual financial statements set out on pages 13 to 22 were approved by the Board of Directors on 29 May 2018 and are signed by:



LM Hodes
Chairman



AN Ridl
Director

Declaration by the Company Secretary

I hereby confirm, in my capacity as Company Secretary of Beacon Island Share Block Proprietary Limited that for the year ended 31 December 2017, 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.



GE Stevenson
For Southern Sun Secretarial Services Proprietary Limited

Beacon Island Share Block Proprietary Limited

Report of the Audit Committee for the Year Ended 31 December 2017

The audit committee has pleasure in submitting this report, as required by Section 94 of the South African Companies Act 71, of 2008. The audit committee is an independent statutory committee appointed by the shareholders.

1. Duties of the audit committee

The audit committee has discharged its duties as follows:

- 1.1 Reviewed the year-end annual financial statements, culminating in a recommendation to the Board. In the course of its review the committee:
 - took appropriate steps to ensure that the annual 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; and
 - 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 (3) independent non-executive Directors being Nicholas Dickson, Gary Kaplan and Anthony Ridl (Chairman).
- 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 Section 94(8) of the South African Companies Act 71, of 2008. Requisite assurance was provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.



Anthony Ridl

Chairman
29 May 2018

Beacon Island Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2017

The Social and Ethics Committee (the Committee) of Beacon Island Share Block Proprietary Limited is a statutory committee which is governed by the South African Companies Act, guided by King IV and includes all other responsibilities allocated to it by the board.

ROLE OF THE COMMITTEE

The Committee ensures that the Resorts' energy, water and waste programmes are in place; ensures good corporate citizenship; monitors employee engagement and development; and ensures that health and public safety remains a focus.

Social and Economic Development

The Committee assists its local community through various initiatives. Kranshoek Kindergarden has been a key focus area for many years. The daycare centre and facilities were upgraded which included tiling, bathrooms, classrooms and kitchen facilities. The Committee monitors the school's security and assists to progress the school and its children.

The Committee is part of the You Shine reading programme that assists young children with reading challenges. The programme is run twice a week at the Phakamasani Primary School and due to its success, it has now being rolled out at the Wittedrift Primary School. The Committee also assists Wittedrift Primary School with additional safety measures and improved overall nutrition and hygiene. Upgrades to their kitchen facility and ablution facilities were completed and a new roof was installed to their school. Each child at Wittedrift Primary School now has a cup and a plate to eat with and the Committee has assisted in planting a vegetable garden to ensure that the children have fresh produce with their school meal.

Corporate Citizenship - CSI/Sustainability

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

Environmental Health & Public Safety

The Committee ensures that the Resort's energy water and waste programmes are effective and contribute towards its sustainable goals.

The Organisational Resilience Management System (ORMS)

Implemented by Southern Sun Resorts/Tsogo Sun throughout all its properties, is a comprehensive management system that records plans and systems relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the effects on the business. This management system is updated quarterly and audited by Southern Sun Resorts/Tsogo Sun on an annual basis. The Committee is pleased to announce that Beacon Island Resort has scored 98% for its last audit; the highest in the Tsogo Sun Group.

Guest Relations & Correspondence

Guest feedback is of utmost importance. For this reason, the electronic eGuest satisfaction survey system is carefully managed and monitored and individually responded to on a daily basis. Other forms of feedback are derived from social media platforms such as Facebook, Google Reviews and Tripadvisor

In 2017, the Resort has received the RCI award for the Top Resort in Maintenance; Top Resort for Check-in and Check-Out; Superior Service in Hospitality; and The Top Unit Maintenance.

Labour, Employment Relations, Training & BBBEE

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

Management assist in developing, maintaining and improving employee relationships through communication, performance management, processing grievances and/or disputes. Staff at the Resort are continuously trained and further developed where possible. During 2017, 22 managers and supervisors had successfully completed the management and supervisor skill builders course.

Beacon Island Resort is linked to the BBBEE rating of the Tsogo Sun Group, which is a level One Contributor.

Strategic Plans

The management agreement between the Beacon Island Share Block and Southern Sun Resorts/Tsogo Sun was recently renegotiated and extended for a further 11 years.

A core focus on the food and beverage offering has been made to ensure that the operator delivers a consistently great food and beverage service and experience. Focus is also on our guest's experience and ensuring that the Resort remains a world class property and very much relevant to our current and future owners.

The Small Boat Harbour proposal for the Plettenberg Bay area has been rejected however the Committee continues to monitor the process to ensure that it does not re-surface.

COMPOSITION AND FUNCTIONING

The Committee comprises three Board Directors namely Charles Wells (Chairman), Deon Viljoen and John Lee. All Directors are invited to attend meetings if they wish to observe. Reinhard Visser (General Manager) and Adam Fuller (Operations director) are a part of the Committee for further assistance. Resort staff assist the Committee wherever possible. The Committee meets twice a year and holds comprehensive meetings.

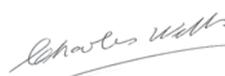
ACTIVITIES OF THE COMMITTEE

The Committee is focused to ensure that the Resort's environmental programme has a strong approach to energy, water and waste management. Energy and water consumption is monitored by a live system that updates management before wastage may occur. Any abnormal activities that would deviate from the targets set, are highlighted immediately. The system assists in tracking trends for using the Resort's resources at the best time, for optimal use, at a lower cost. Savings in water and electricity are as a result of this better management and monitoring process and the results have been excellent, given that occupancy has increased. Many initiatives are in place and the re-purposing of the old aquarium below the Robberg Lawn has assisted in additional and major water savings.

Heat pumps and additional water storage on the 7th floor was installed and immediately, great savings of water and electricity was recorded.

The Resort has proudly saved 34.96% in water consumption and 3.14% in electricity consumption year-on-year. These results are phenomenal and are a testament to the efforts of the entire Beacon Island Resort team.

The employees at Beacon Island Resort are its most valuable asset and staff have greatly appreciated and enjoyed the upgraded and refurbished back of house areas, the staff restaurant and staff changing room facilities. Tsogo Sun conducted an employee engagement survey in 2017 and the Committee is delighted to report that Beacon Island Resort had a very favorable outcome and was recorded as one of the top performers of all the Tsogo Sun properties. Happy staff, result in happier guests.



Charles Wells
Chairman

Beacon Island Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2017

The Directors present their annual report of the Company for the year ended 31 December 2017.

1 Business Activity

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

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

2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act and in common with other timeshare operations in South Africa, 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 R14,892,579 (2016: R15,952,379) was transferred to the reserve for property, plant and equipment.

No dividends have been declared during the year and none is recommended (2016: R Nil)

3 Share capital

The authorised and issued share capital has remained unchanged.

4 Insurance

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

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

Beacon Island Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2017

5 Directors and Secretary

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

RN Dickson *
LM Hodes Chairman
G Kaplan *
JA Lee ^ Appointed 8 Sept 2017
AN Ridl *
DP Viljoen ^
CP Wells ^

* Audit Committee Members

^ Social & Ethics Committee Members

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

Business:	Postal:
Palazzo Towers 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 Board has successfully negotiated an extension of the management contract with Southern Sun Hotel Interests Proprietary Limited for a period of 11 years effective from 1 January 2018.

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

Beacon Island Share Block Proprietary Limited

Report of the Independent Auditors

Report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of Beacon Island Share Block Proprietary Limited set out on pages 13 to 22 , which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Beacon Island Share Block Proprietary Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for opinion

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

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 supplementary information set out on pages 23 to 25 . The other information does not include the annual financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the annual 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 the annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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.

Beacon Island Share Block Proprietary Limited

Report of the Independent Auditors

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

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette 39475 dated 04 December 2015, we report that Grant Thornton Durban has been the auditor of Beacon Island Share Block Proprietary Limited for 3 years.



GRANT THORNTON

Registered Auditors

Practice number: 905690

per H D Paruk

Partner

Registered Auditor

Chartered Accountant (SA)

29 May 2018

2nd Floor

4 Pencarrow Crescent

Pencarrow Park

La Lucia Ridge Office Estate

4019

Beacon Island Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 R	2016 R
Income		45 340 415	44 122 010
Levy Income - normal		41 782 607	40 906 400
Other Income		3 557 808	3 215 610
Expenses		(34 911 093)	(31 960 373)
Levy surplus before interest and taxation	3	10 429 322	12 161 637
Finance income	4	5 846 672	5 111 316
Levy surplus before taxation		16 275 994	17 272 953
Income tax expense	5	(1 383 415)	(1 320 574)
Levy surplus for the year		14 892 579	15 952 379

Beacon Island Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2017

	Note	2017 R	2016 R
ASSETS			
Current assets			
Trade and other receivables	6	5 703 611	4 858 357
Levies receivable	7	59 376	227 868
Cash and cash equivalents		76 095 754	69 736 502
Total current assets		81 858 741	74 822 727
Total assets		81 858 741	74 822 727
EQUITY			
Capital and reserves			
Share capital	10	320 000	320 000
Reserve for property, plant and equipment	8	57 327 101	48 729 893
Total equity		57 647 101	49 049 893
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		36 570	475 326
Total non-current liabilities		36 570	475 326
Current liabilities			
Trade and other payables	9	7 178 173	8 764 943
Levies received in advance		15 613 482	15 211 991
Current tax liabilities		1 383 415	1 320 574
Total current liabilities		24 175 070	25 297 508
Total liabilities		24 211 640	25 772 834
Total equity and liabilities		81 858 741	74 822 727

Statement of Changes in Equity for the Year Ended 31 December 2017

	Note	2017 R	2016 R
Share Capital			
Ordinary shares at beginning and end of year	10	320 000	320 000
Reserve for property, plant and equipment			
At beginning of year		48 729 893	42 853 920
Levy surplus for the year		14 892 579	15 952 379
Property, plant and equipment additions and replacements during the year	8	(6 295 371)	(10 076 406)
At end of year		57 327 101	48 729 893

Beacon Island Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2017

	2017 R	2016 R
Cash flow from operating activities		
Levy surplus before taxation	16 275 994	17 272 953
Adjustments for:		
Interest received	(5 846 672)	(5 111 316)
Non cash items		
- Movement in exchange fee rebate	(438 756)	(438 756)
Net surplus before working capital changes	9 990 566	11 722 881
Changes in working capital		
- Movement in levies receivable	168 492	295 830
- Movement in trade and other receivables	(845 254)	(1 096 581)
- Movement in levies received in advance	401 491	1 355 951
- Movement in trade and other payables	(1 586 770)	2 672 760
Cash flows from operating activities	8 128 525	14 950 841
Interest received	5 846 672	5 111 316
Tax paid	(1 320 574)	(895 039)
Net cash inflow from operating activities	12 654 623	19 167 118
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(6 295 371)	(10 076 406)
Net cash outflow from investing activities	(6 295 371)	(10 076 406)
Net movement in cash and cash equivalents	6 359 252	9 090 712
Cash and cash equivalents at beginning of year	69 736 502	60 645 790
Cash and cash equivalents at end of year	76 095 754	69 736 502

Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2017

1 Accounting policies

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

1.1 Basis of preparation

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

The accounting policies are consistent with previous periods.

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

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Leases

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

Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2017

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.

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.

Rental income from tenants are disclosed net of the related management fee.

Other 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.

Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2017

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.

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.

Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2017

	2017 R	2016 R
3 Levy surplus before interest and taxation		
The levy surplus before interest and taxation is stated after taking into account the following:		
Employee costs		
- salaries, wages and benefits	9 571 101	8 237 884
- contributions to retirement funds	767 330	690 398
Management fees	2 083 208	1 957 902
Audit fees	136 477	119 977
Professional fees	8 801	47 561
Other operating expenses	22 344 176	20 906 651
	34 911 093	31 960 373
4 Finance income		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	5 846 672	5 111 316
Finance income	5 846 672	5 111 316
5 Income tax expense		
Provision is made for Company taxation on the net non-levy income of the levy fund.		
No tax is payable on levy income from the shareholders in terms of Section 10(1)e of the Income Tax Act.		
Current	1 383 415	1 320 574
	1 383 415	1 320 574
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
6 Trade and other receivables		
Trade receivables (Refer Note 12)	1 566 802	1 569 043
Less: Provision for doubtful debts - allocated to Southern Sun Hotel Interests Proprietary Limited	-	35 378
	1 566 802	1 604 421
Other receivables (Refer Note 12)	4 040	16 853
Interest receivable	3 112 258	2 136 729
Receiver of revenue - VAT	104 026	191 670
Prepayments (Refer Note 12)	916 485	908 684
	5 703 611	4 858 357

Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2017

	2017 R	2016 R
7 Levies receivable		
Levy debtors	28 054	133 921
Repossessed debtors	37 524	100 291
Less: Provision for repossessed debtors	(6 202)	(6 344)
- Opening balance	(6 344)	(10 270)
- Movement	142	3 926
	59 376	227 868
8 Reserve for property, plant and equipment		
At beginning of year	48 729 893	42 853 920
Levy surplus for the year	14 892 579	15 952 379
	63 622 472	58 806 299
Property, plant and equipment additions and replacements during the year	(6 295 371)	(10 076 406)
At end of year	57 327 101	48 729 893
<p>The Directors have reviewed a forward estimate, prepared by Management, of the costs of property, plant and equipment additions and replacements over the next ten (10) years.</p> <p>The Directors have approved replacement reserve expenditure for 2018 of R10,420,850 (2016: budgeted capital expenditure of R22,520,980 for 2017) which it is anticipated will increase the budgeted reserve fund by R3,069,144 (2016: decrease the budgeted reserve fund by R9,557,184 for 2017).</p>		
9 Trade and other payables		
Trade payables (Refer Note 12)	3 146 902	4 179 349
Other payables		
Accruals (Refer Note 12)	2 778 232	2 561 727
Provision for auditors remuneration	95 400	88 000
Sundry payables (Refer Note 12)	718 890	1 497 118
Exchange fee rebate	438 749	438 749
	7 178 173	8 764 943
10 Share capital		
Authorised and issued		
32,000,000 ordinary shares of 1 cent each	320 000	320 000

Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2017

	2017 R	2016 R
11 Property, plant and equipment		
<p>The Company complies with the SAICA Guide on Financial Reporting for Share Block Companies with respect to the treatment of property, plant and equipment. In terms of the SAICA Guide the right of use of property, vested with the shareholders, has been offset against the loan from shareholders with the balance transferred to the reserve for property plant and equipment.</p> <p>The Company acquired the rights to a property lease which includes Beacon Island Resort situated on: Erf No 253 Plettenberg Bay, Division of Knysna, measuring 1.3365 hectares. Period of lease - 99 years commencing 1 July 1983. Rental - R240,000 per annum payable in twelve equal monthly instalments. (Refer Note 12)</p>		
12 Related party transactions		
<p>The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited ("SSHIL"). The Company is charged the following fees in terms of the management agreement:</p>		
Short term rental fee	413 002	321 479
Management fee	2 083 208	1 957 902
Levy administration and collection fee	2 365 007	2 222 751
<p>SSHIL provides management services in respect of leases of the commercial areas to third party tenants. The fee for this service is a fixed percentage of gross rentals received by the Company.</p>		
Gross rentals received from tenants	1 833 853	1 638 111
Rental retained	(274 172)	(228 208)
Contractual share paid to SSHIL	1 559 681	1 409 903
<p>The Company also leases the property from SSHIL in terms of a 99-year lease. (Refer Note 11)</p>		
Lease payments	240 000	240 000
<p>During the financial year the Company paid membership fees to SunSwop (a division of SSHIL), which is affiliated to Interval International.</p>		
SunSwop exchange services	1 674 943	1 583 336
<p>During the financial year the Company paid the following SSHIL internal charges:</p>		
- Information technology administration charge	74 669	50 864
- Training related charges	57 266	23 023
- Sunrands related charges	4 887	3 502

Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2017

	2017 R	2016 R
12 Related party transactions (continued)		
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Southern Sun group, including the Company. These costs, which include insurance, certain maintenance and operating lease contracts, are recovered from the Company via a loan account. The balance of the loan account is as follows:		
Balance owing (to)/by SSHI and its subsidiaries		
- included in Receivables (Refer Note 6)	16 125	84 891
- included in Payables (Refer Note 9)	(1 778 043)	(2 643 072)
	(1 761 918)	(2 558 181)
The Company receives rental income from Southern Sun Timesharing Proprietary Limited for the letting of office space:		
Rental income	(70 336)	(39 200)
In addition, Southern Sun Timesharing Resales Proprietary Limited ("SSTR") provides a rental service and recovers levies from the sale and rental of timeshare weeks on behalf of the Company.		
Balance owing by SSTR:		
- included in Payables (Refer Note 9)	-	(26 000)

SSHI own units in the Company as follows:

	Number of units	Levies paid R	Levies received in advance R
SunSwop (a division of SSHI) - 2017 shareholding	163	687 960	31 470
SunSwop (a division of SSHI) - 2016 shareholding	167	902 350	79 790

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

2017 - shareholding

RN Dickson - Dream Vacation Club	182	867 850	290 290
AN Ridl - Club Leisure Group	574	2 549 670	740 110

2016 - shareholding

RN Dickson - Dream Vacation Club	181	847 510	422 290
AN Ridl - Club Leisure Group	574	2 450 870	711 370

13 Directors emoluments

The Directors do not receive any remuneration for their services to the Company but are reimbursed for costs incurred on the Company's business. Further, the Directors are insured for medical costs and personal accident. The Directors are also covered by insurance taken out by the Company as indemnification against all liability of any Director towards the Company in respect of any negligence, default, breach of duty or breach of trust.

Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2017

	2017 R	2016 R
INCOME		
Levies - normal	41 782 607	40 906 400
Net rent received	274 179	224 641
Rental pool and short term rentals	2 236 894	1 888 642
Sale of capital assets	192 982	-
Net non-levy income		
- telephone, rentals and penalties etc	853 753	1 102 327
	45 340 415	44 122 010
EXPENDITURE		
Rooms Expenses		
Band/Live music	760 015	721 135
Cleaning supplies	113 347	131 082
Guest entertainment	1 535 600	1 454 712
Guest supplies	473 667	483 309
Laundry	1 051 994	748 707
M-Net	711 066	650 525
Personnel costs		
- outside services	3 304 444	3 040 117
Pest control	14 815	17 380
Plants and decorations	37 593	15 229
Printing and stationery	71 756	58 801
Replacement of linen, towels, uniforms, etc	813 411	718 882
Security services	973 165	953 286
	9 860 873	8 993 165
Administration and General		
Auditors remuneration		
- current year	136 477	119 977
- expenses	-	-
Bank charges	33 496	37 881
Central accounting and levy collection fees	2 365 007	2 222 751
Corporate social initiatives	31 478	21 000
Credit card commission	144 214	175 846
Fax and house calls	121 369	142 120
Balance carried forward	2 832 041	2 719 575

Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2017

	2017 R	2016 R
Balance brought forward	2 832 041	2 719 575
Information technology costs	728 485	665 817
Insurance		
- premium	155 914	163 812
Legal fees	8 801	47 561
Licences and permits	137 354	115 482
Loss on repossessed debtors	9 059	40 182
Marketing	86 492	173 252
Outside security	36 000	36 000
Postage	15 957	5 184
Printing and stationery	200 083	181 887
Provision for repossessed debtors	(142)	(3 926)
Railage, cartage and hire transport	24 949	11 617
Subscriptions	70 715	65 668
Sunswop exchange service	1 674 943	1 583 336
Travel		
- management and directors	237 472	187 020
	6 218 123	5 992 467
Electricity and Water		
Electric bulbs	43 625	38 286
Electricity	2 036 460	1 882 796
Generator fuel	288 930	296 139
Water	1 135 158	1 252 412
	3 504 173	3 469 633
Repairs and Maintenance		
Buildings	50 196	51 224
Electrical and mechanical	93 480	57 217
Elevators	185 774	175 419
Gardens and grounds	374 014	275 567
Major repairs and maintenance	394 453	367 985
Balance carried forward	1 097 917	927 412

Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2017

	2017 R	2016 R
Balance brought forward	1 097 917	927 412
Office machines		
- maintenance contracts	82 810	88 759
Painting and redecorating	27 911	19 407
Plumbing and heating	30 072	39 493
Room maintenance care	307 449	325 570
Swimming pool cleaning and repairs	79 271	44 902
Vehicles	10 519	15 996
	1 635 949	1 461 539
Company Costs		
Annual report and statutory costs	145 769	83 552
Municipal rates and taxes / cost recovery	884 567	833 833
Rent paid	240 000	240 000
	1 270 336	1 157 385
Personnel costs		
Rooms	6 028 219	5 310 056
Administration and general	2 532 413	2 078 887
Repairs and maintenance	1 777 799	1 539 339
	10 338 431	8 928 282
Management Fee	2 083 208	1 957 902
Total Expenditure	34 911 093	31 960 373
Excess of income over expenditure before finance income and taxation	10 429 322	12 161 637
Finance income		
Interest received	5 846 672	5 111 316
Excess of income over expenditure before taxation	16 275 994	17 272 953
Taxation	1 383 415	1 320 574
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	14 892 579	15 952 379

Beacon Island Share Block Proprietary Limited

DRAFT Minutes of the Annual General Meeting of the Shareholders of Beacon Island Share Block Proprietary Limited for the Year Ended 31 December 2016 held on Friday, 8 September 2017, at 11h00 in the Aloe Venue, at Southern Sun The Cullinan, 1 Cullinan Street, Waterfront, Cape Town

Welcome, Constitution of the Meeting and Apologies

The Chairman welcomed all to the Annual General Meeting of the shareholders of Beacon Island Share Block Proprietary Limited and requested that all attendees sign the attendance register. Notice of the meeting had been properly given and as a quorum was present, of over 5% of shareholders physically present or by proxy, the Meeting was duly constituted.

The Chairman introduced the Board members and management team:

Deon Viljoen	- Independent Non-Executive Director
Tony Ridl	- Independent Non-Executive Director representing Club Leisure Group
Charles Wells	- Independent Non-Executive Director
Nick Dickson	- Independent Non-Executive Director representing Dream Vacation Club
Gary Kaplan	- Independent Non-Executive Director
Laurance Hodes	- Independent Non-Executive Director and Chairman of the Board
Adam Fuller	- Southern Sun Resorts Director of Operations
Reinhard Visser	- Resort General Manager
Jason Hugh	- Representing Auditors – Grant Thornton

Minutes of the Previous Annual General Meeting

Item 3 on the Agenda was to adopt the minutes of the previous Annual General Meeting held on 23 September 2016. The Chairman had no further comments and none were received from the floor. The Chairman noted that due to an insufficient quorum at the AGM, a postponed Annual General Meeting was held a week later. Two sets of minutes had to be adopted here today. The Chairman called for each of the following minutes to be adopted:-

- 2.1 Minutes of the Annual General Meeting held on 23 September 2016
- 2.2 Minutes of the Postponed Annual General Meeting held on 30 September 2016

No objections against the adoption of the minutes were recorded and the Chairman declared the motion carried.

Matters Arising from the Minutes of the Previous Annual General Meeting

The Chairman noted that there were no matters arising from the previous minutes for discussion.

Annual Financial Statements

Item 5 on the Agenda, Resolution 1, was to receive and adopt the Annual Financial Statements for the year ended 31 December 2016. The Annual Financial Statements for the financial year ended 31 December 2016, read with the Chairman's Review, fully covered the activities of the Company for the period under review. The Chairman had nothing further to add and called for the adoption of the Annual Financial Statements for the year ended 31 December 2016. No objections were recorded and the motion was carried.

Appointment of Auditors

Item 6 on the Agenda, Resolution 2, was to appoint the Auditors of the Company. In terms of the Companies Act 71, of 2008, the Auditor was not required to be present at the Annual General Meeting however the Directors were pleased to have them present at this Meeting. The Chairman noted that Grant Thornton had done a phenomenal job over the past year. The Chairman called for Grant Thornton to be re-appointed as Auditors for the ensuing year. No objections were received and the Chairman declared the motion carried.

Election of the Directors

Item 7 on the Agenda, Resolution 3, was to elect Directors to the Board for the ensuing year. The following Directors retired at this Annual General Meeting but were eligible and available for re-election:

Charles Wells Gary Kaplan

Two additional nominations had been received and the Chairman enquired whether any nominations would be added from the floor. None were presented. The Chairman advised that the additional nominations were in favour of John Lee and Robert Segal, neither of whom were present at this Meeting. The Chairman requested that Mr Ridl provide an overview of Mr Lee and that Mr Kaplan provide an overview of Mr Segal.

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Mr Ridl explained that Mr Lee had been a senior Director at Sun International. He had experience in the timeshare industry and had held a position on the Board for a number of Sun International's Hotels. Mr Lee resided in uMhlanga and as he was retired, he felt that he had time and was able to still add value to other Boards. Mr Lee was a chartered accountant with a lot of industry experience, he knew the history very well and was a very energetic person. Mr Lee was away overseas and had been unable to attend this Meeting. Mr Ridl stated that he had nominated Mr Lee as he could certainly add value to the Board.

Mr Kaplan explained that Mr Segal was a timeshare owner of suite at Beacon Island for the past 18 years. Mr Segal was 58 years old and currently Managing Director of Lionel Isaacs. He was an astute businessman and was very well connected in the industry, having experience with running restaurants and small hotels in the past. Mr Segal did a lot of charity work for the previously disadvantaged and had the best interest of Beacon Island at heart. Mr Kaplan felt that Mr Segal could add enormous value to the Board. In terms of his involvement and relationships with the broader community, Mr Kaplan recommended that Mr Segal would stand the Board in very good stead.

The Chairman thanked Mr Ridl and Mr Kaplan for the background on the two nominees. He stated that the Company's Memorandum of Incorporation (MOI) stipulated that the number of Directors on the Board be no less than 3 and no more than 7. Currently, 6 Directors held position on the Board and as the last vacancy had not been filled, there were 3 positions to fill at this Meeting.

In order to reduce the possibility of having a decision in deadlock on the Board, the Board was prepared to increase the number of Directors to 7. The Chairman advised that he did not carry a casting vote with any additional voting power. There were three positions to fill and four persons eligible for election. The Chairman called for a poll and requested that all shareholders present to exercise their votes. The Chairman advised the importance of a poll and stated that each voter was required to make three marks on the ballot sheet, in favour of the three persons they wished to put forward. He stated that ballot papers would be distributed and collected once completed and that Mr Whiteboy and Mr Hugh from Grant Thornton would verify that the voting process had been fair and correctly tallied.

Ballot forms were handed to shareholders present.

While waiting for the ballot forms to be recorded and tallied, the Chairman suggested that the Meeting continue with the Agenda, from item 10.

Insured Value of the Property

Item 10 on the Agenda referred to the insured value of the property as approved by the Directors in terms of the Use Agreement. The Chairman advised that the insured value for the previous year was R347m. The total insured value as recommended by the independent quantity surveyors, Brian Heineberg and Associates for the years 2018/2019 was R373,573,681, which reflected an increase of approximately 7.4%. Furniture, fixtures and equipment was valued at R73,770,800 and buildings, R299,802,881.

The Chairman welcomed any queries or comments. The Chairman stated that the property had been given a very favourable insured value and cover, under the Tsogo Sun Group umbrella, by putting all the Resorts together. Should a terrible crisis occur, as had just taken place in the area, the Resort would be adequately covered. The excellent valuation and cover was the most prudent way to approach insurance for the property. A shareholder queried whether the insured value took into account refurbishment costs, which the Chairman affirmed. No other queries or comments were raised and as no objection was recorded, the motion was carried.

Report of the Social and Ethics Committee

Item 11 was the report of the Social and Ethics Committee. The Chairman called on the Chairman of the Social and Ethics Committee, Mr Wells, to make a presentation on the activities of the Committee over the past year.

Mr Wells introduced himself and introduced the rest of the Committee as being Deon Viljoen, Laurance Hodes, Adam Fuller and Reinhard Visser. Mr Wells stated that Beacon Island Resort believed in true hospitality and wanted to ensure that a positive impact was made on the lives of all the people who interacted with the Resort. He explained that true hospitality meant that everyone was made to feel welcome, recognised, respected and cared for, no matter who they were or where they came from. The Board of Directors and Tsogo Sun provided strong leadership and promoted strong business behaviour throughout the organisation, to ensure compliance with various laws and regulations and instil a strong culture of business ethics, with policies and training in place, to ensure that the employees delivered the Resort's responsible business commitments, such as anti-corruption and information security.

Mr Wells confirmed that Beacon Island was a level 1 BBBEE contributor. During 2016, Beacon Island had done a lot of groundwork to pave the way for better water and energy management. Over the years, the Resort had implemented several water and energy consumption and cost saving initiatives, which had proven sustainable and viable financially. The initiatives had been recognised by Imvelo and the Resort had been awarded second runner up for water and energy sustainability in South Africa, in the hospitality sector. Mr Wells thanked Reinhard and his team for all their efforts.

Mr Wells was pleased to report that efforts in 2016 were evident in the current year's results which currently reflected a 3% saving against energy consumption and 22%, against water consumption. Water was a precious resource and the Resort proudly no longer utilised municipal water to irrigate the property. Furthermore, the Resort had successfully cleaned and secured the large aquarium beneath the Robberg lawn and had started harvesting rainwater, to a capacity of 90,000 litres.

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Another very important project that Beacon Island had involved itself in, was The Shine reading program. It had been recorded that 29% of grade 4 pupils in South Africa were illiterate and 58% of those pupils could not read with understanding. The Shine's literacy program was helping to transform the prospects of some of SA's most vulnerable children, by breaking the destructive cycle of poor literacy, wasted potential and poverty. The project provided English literacy, storybooks and readers that also empowered caregivers and families of those children. The staff of Beacon Island Resort have actively been involved and volunteered to read to the pupils, at Phakamasani Primary School, in Kwanokhutula. Teams of staff assisted twice a week with the reading and teaching programme and it was recorded that over 200 hours had been volunteered in 2016 to the school.

Mr Wells explained that Beacon Island Resort had partnered with the South African Blood Services to create awareness and promote the donation of blood. An event was held every quarter and all staff, the local community and guests were encouraged to take part. This drive was so successful, that Beacon Island Resort had become one of the largest blood collection points in the Plettenberg area.

Mr Wells thanked the staff at the Resort for taking part in various nationally celebrated days.

Mr Wells reminded all about the devastating fires experienced during 7-9 June 2017, which would be remembered for years to come. The fire had changed the lives of so many people over a vast area. The staff and guests at Beacon Island Resort had experienced thick smoke, destroyed power lines, no water supply and no cell phone connectivity. Guests had been stranded with many roads closed and Beacon Island Resort became a sheltering point for many staff, locals and travellers. Having run the generator for almost 2 days at full load, the Resort had started to run out of diesel and no trucks or supplies had been allowed entry to the area. Reinhard and his team had personally gone to the local petrol station to take diesel back to the Resort, to manually refuel the generator. It had been an amazing task.

Staff not affected themselves had gathered toiletries and linen to aid people who had been affected. Three staff members had lost their home and over 700 properties were affected between Knysna and Plettenberg Bay. The Resort and Southern Sun/Tsogo Sun had assisted the local community, stranded guests and emergency services with accommodation; had supplied water to fire fighters; donated medical supplies; packed emergency packs for over 200 people affected by the fire; donated towards the Fire Relief Centre with funds raised. The Resort had gone even further by purchasing and donating 10 new fire hoses to assist in any future fires.

Mr Wells stated that the Social and Ethics Committee could not have been as effective, were it not for the selfless support of Reinhard and his team at Beacon Island Resort. Mr Wells expressed his heartfelt thank you to all involved.

Mr Wells thanked the Chairman for the opportunity to present his report. The Chairman thanked Mr Wells and reiterated with emphasis, the enormous water shortage crisis in Cape Town and how important it was to look after local communities. He encouraged everyone to participate in The Shine project as it was extremely uplifting.

General Manager's Report

Reinhard Visser stated that his presentation covered 2016. Shareholders may have noticed how busy the Resort was becoming, with occupancy growing to 88.6%. The eGuest satisfaction survey had recorded 91.3% satisfaction for 2016.

Mr Visser noted that staff had retired during the year, new staff had joined the team and others had celebrated long service awards. Staff members who had improved their skills were promoted when positions became available. Programmes and upskill training option were available to help a staff member further develop themselves.

Beacon Island had supported various charities throughout the year such as Miracle Drive, Eljada-Kairos School, Plettenberg Bay Martial Arts Academy, Plett Easter Games, Footsteps Day Care Nursery, Friends of Vista Nova, Ernie Els Golf Day for Autism, Winterton Primary School, Umvubu Festival of Golf at Sabi River Resort, the Hebrew Order of David, Queen Bee Nursery, Rotary Club of George and the Healing Hands Foundation. Special, nationally celebrated days such as Mandela Day, Heritage Day, Earth Hour and International Coastal Clean Up Day was celebrated.

As mentioned by Mr Wells, The Shine project was supported at Phakamasane Primary School and books were collected at the Resort for the school library and reading programme. Adult reading books received had been swapped for suitable children's books. Mr Visser thanked all who had supported this initiative.

The Social and Ethics Committee had agreed for the Resort to support various initiatives throughout the year. The Jack and Jill Day Care received a completely new and safe playground area and Kranshoek Kindergarten was greatly assisted. This success story was of a few ladies in the community who were able to look after children during the day. Parents paid R100 each month for the ladies to look after their children, which included a meal. For some children, this was the only meal offered to them during the day. Resort staff assisted by replacing the roof of the school, refilling the floors; providing a proper kitchen area and new stove, upgrading bathroom facilities and donating bathroom items. The children were given a Christmas party and the local community members had knitted teddy bears as gifts. A cooked meal was arranged for the day. Fruit trees and a vegetable garden was planted on the school property to assist in sustaining some sort of healthy meal. These initiatives were ongoing.

Beacon Island had supported The Lions Club for approximately 40 years.

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The Resort had achieved various awards over the year such as the Lilizela Tourism Award; second place for Service Excellence in a Four Star Hotel category in the Western Cape area; RCI Gold Crown status; RCI Superior Service in Hospitality; Top Resort for Maintenance; Top Unit for Maintenance; rated in the top 1% of the Best 25 Hotels in Southern Africa by Tripadvisor for 2014/2015; and rated in the top 10 Best Bargain Hotels in Southern Africa by Travellers Choice, for 2016/17. Interval International had rated Beacon Island as a Select Resort.

Mr Visser was very proud to have had an opportunity to host the Springboks Rugby Team while on a training camp in 2017 and for having an opportunity to host Golf South African Open.

Mr Visser presented slides and a video clip to show the damage and effect of the June fires. Mr Visser presented a photograph of the gigantic waves that had pounded the property. This had never before been seen or experienced. A Shareholder enquired whether a lounge window had been damaged. Mr Visser replied that the water had risen up against the window but that it had not broken.

Mr Visser presented the official Plettenberg Bay tourism video and thanked all for the opportunity to make his presentation.

The Chairman thanked Mr Visser for his presentation and wished to emphasise that while Mr Visser had to deal with the effects of the fires, storms and waves, he still had to supervise and manage the refurbishment programme of The Lagoon Room, which was now bringing in additional revenue for the Share Block. The Chairman extended his personal appreciation to Mr Visser and to Southern Sun Resorts/Tsogo Sun, for bringing the Springboks to the Resort as it has raised a lot of enthusiasm in the area. The Captain of the Springboks, Warren Whitely, had given a rave review of the Resort when he was interviewed on television, which had created some international interest.

General Matters for Discussion

As the results of the poll were not yet finalised, the Chairman continued with Shareholders' correspondence. Correspondence had been received from Ms Economides, who had enquired whether consideration would be given to incorporating a corner kitchenette in the room. The Chairman advised that this would be included for numerous reasons, one of which was insurance cover and that self-catering had not been part of the purpose when the Resort was built.

Mr Rusch had enquired whether consideration would be given to upgrading the guest car parking facility. The Chairman mentioned that the Board was currently investigating a multi-faceted approach to a solution. The Board required support from the municipality and after three rounds of negotiations, it looked more positive. Consideration was being given to build a completely new parking facility. It would still be a very long process as an environmental impact assessment would have to be conducted. The Chairman wished to mention that consideration was being made to create additional parking.

Dr Greenwall-Kellner had enquired about the tenure of timeshare at Beacon Island Resort. The Chairman explained that the Share Block Company held a 99-year lease, that had been signed in 1983. The Resort would remain for many years to come and it had tremendous value.

Ms de Freitas had mentioned that the room doors repeatedly slammed shut, which was very loud and disturbing. The Chairman advised that it was difficult to avoid slamming doors, especially when it was very windy. Management had made arrangements to slow each door down before it slammed but caution was given to a security risk in the door not shutting properly.

Mr Flax had mentioned upgrading the bar and the restaurants and had suggested delaying the softs upgrade, to reduce the annual levy increase. The Chairman wished to assure all Shareholders that there was more than sufficient funds available to complete a full upgrade, without having to raise an additional levy. The annual levy increment for 2018 had been kept to a minimum of 4%, which was well below inflation. Very favourable terms had been negotiated to invest the healthy reserve fund and a return of approximately 8% had been secured. All investments were strictly controlled under the guidance of the Southern Sun Resorts management team.

Mr Flax had also suggested considering better use of the top floor storage areas. The Chairman stated that development opportunities had been discussed by the Board and he wished to assure Shareholders that the Share Block would not require additional funds for the cost.

Resolution 3: Election of Directors – The Result of the Poll

The results of the poll process had been finalised and the Chairman requested that Warren Whiteboy report on the finding. Mr Whiteboy confirmed that the Directors duly elected for the ensuing year, included Charles Wells, Gary Kaplan and John Lee. The Chairman congratulated the Directors and welcomed them to the Board.

The Chairman then returned to Items 8 and 9 on the Agenda.

Resolution 4: Appointment of Directors as Members of the Audit Committee

Item 8 was Resolution 4, to appoint members of the Audit Committee. This was a provision of the Companies Act that required an Audit Committee comprising a minimum of 3 Directors as members. The current members of the Audit Committee included Mr Ridl, Mr Dickson and Mr Kaplan. The Chairman recommended that the same members be re-appointed. No objections or comments were received from the floor. The Chairman concluded Mr Ridl, Mr Dickson and Mr Kaplan be appointed members of the Audit Committee for the ensuing year.

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Resolution 5: Appointment of Members of the Social and Ethics Committee

Item 9 was Resolution 5, to appoint three members to the Social and Ethics Committee. The Chairman felt very strongly that this was an important sub-committee and that the stature and importance of it needed to be elevated to carry the same weight as an Audit Committee. The Chairman moved that the Directors be appointed at the next Board Meeting due to the role that they would play. The King IV commission made recommendation that the establishment of this separate standing Committee comprising three members, at least one of which should be a Director. The current members included Charles Wells, Deon Viljoen, Laurance Hodes and Reinhard Visser. No objections were recorded and the motion as carried.

General Matters for Discussion Continued...

The Chairman enquired whether any Shareholder from the floor had comments or queries to raise. Ms Siebert mentioned that the food and beverage operator had previously owed a great deal of money to the Share Block however the Annual Report this year stated that the monies had been settled. She requested clarification. The Chairman thanked Ms Siebert for her query. He advised that the food and beverage operator had been at the Resort for a number of years and a dispute in terms of the lease agreement arose whereby he had to pay a percentage of his turnover to the managing agent, who managed his lease agreement. The Share Block had found itself in the middle of the dispute and the Board had decided to cede its rights to the managing agent, to pursue the entire litigation process and for them to incur the cost. The Share Block did not incur the costs. After much negotiation, managed by Deon Viljoen who was Southern Sun Resorts Operations Director at the time, a new lease agreement was re-negotiated which included a mediation and arbitration clause, to prevent this type of situation from re-occurring.

Mr Wolsley stated that he was involved with The Lions Club and had served as governor for the Western Cape, Northern Cape and Namibia. He visited the Resort 3 – 4 times a year and always thanked Reinhard Visser and his deputy general manager for what the Resort did for The Lions Club. He wished to take this opportunity to thank the Board for what it did for the Resort, behind the scenes and he was sure that he spoke for all those present, when he complimented the Board on the Resort and how well things were running. The Chairman thanked Mr Wolsley for his compliments.

CLOSURE

The Chairman thanked all for a very positive Meeting and for the support received. He looked forward to the year ahead. There being no further business, the Chairman declared the Meeting closed at 12h10.

Read and confirmed this _____ day of _____ 2018.

Chairman

