

Cabana Beach Share Block Proprietary Limited

Registration No. 1965/004874/07



Annual Report

for the year ended 31 December 2017

Cabana Beach Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2017

COMPANY INFORMATION

Registration number: 1965/004874/07
Registered address: Palazzo Towers East
Montecasino Boulevard
Fourways
2055
Postal address: Private Bag X200
Bryanston
2021

CONTENTS PAGES

Chairman's Annual Review **1 – 3**

Notice of Meeting **4**

Form of Proxy **5**

- Statement of Directors' Responsibility 6
- Declaration by the Company Secretary 6
- Report of the Audit Committee 7
- Report of the Social and Ethics Committee 8
- Report of the Directors 9 - 10
- Report of the Independent Auditors 11 - 12
- Statement of Comprehensive Income 13
- Statement of Financial Position 14
- Statement of Changes in Equity 14
- Statement of Cash Flows 15
- Notes to the Annual Financial Statements 16 - 22

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

- Detailed Levy Fund Operating Statement 23 - 25

Minutes of the Previous Annual General Meeting **26 - 28**

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

Cabana Beach Share Block Proprietary Limited

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

It is my great pleasure to take this opportunity to report to you my fellow Shareholders, on the operational activity, management as well as improvements and projects concluded during the year.

Rating

Cabana Beach Resort has been ranked 16th out of the top 25 Hotels in South Africa against other Hotels such as Beverly Hills, 54 on Bath, Tai Cape Town and Oyster Box. In addition to this accolade, is that Cabana Beach Resort was awarded the 2017 Sanlam Top Destination Award, for a self-catering property. With the new e-Guest Survey providing better and more useful information, it has become easier to more accurately measure guest satisfaction. The average e-Guest rating in 2017 was 90.5% which is most pleasing to me and your Board. Cabana Beach has been rated Select Status by Interval International and has maintained its RCI Gold Crown Status.

Occupancy

2017 achieved a phenomenal occupancy of 94.7%, being a marginal increase on the 94.5% recorded in 2016.

After phenomenal occupancy last year, it seemed difficult to anticipate a further increase. However, I proudly record that during the two busiest quarters, at the beginning and at the end of the year, our occupancy reached a record high 96.1% in the first quarter and 96.3% in the last quarter. A result such as this is testament not only to the popularity of the Resort but an acknowledgment from Shareholders that their product and its facilities are meeting the needs of the timeshare market. The Resort's staff are to be congratulated for maintaining the high standards and managing the Resort so well.

Financial Results for the Year Ended 31 December 2017

I refer Shareholders 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 detailed levy fund operating statement is set out on pages 23 to 25 and is presented as supplementary information to Shareholders. I will however refer to the 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 R69.150m (2016: R65.403m) and total expenditure of R49.133m (2016: R45.438m). The levy surplus for the year after taxation was R18.418m (2016: R18.587m) and was transferred to the reserve for property, plant and equipment which now stands at R37.429m (2016: R24.421m). A more detailed review of the income and expenditure variances follows:

Income

Total other income for the year included parking revenue, the unclaimed surplus on the sale of repossessed units as well as rental revenue. Rental Pool and short term income was constant year-on-year due to the number of weeks placed in the rental options being the same. Interest income increased by 35% against prior year due to additional funds being invested and at higher interests rates. This was achievable due to the delay in capital purchases.

Expenditure

Total expenditure for the year increased by 8% and was well within budgeted expenditure for the year.

Rooms Expenditure

Rooms' expenditure increased by 1% year-on-year with laundry costs increasing by 10% due to the above inflationary increase from the supplier and occupancy being higher, with more linen being sent for cleaning. Guest supplies increased by 14% year-on-year due to higher occupancy and increased purchases for season. Rooms operating expenses decreased by R612k year-on-year due to fewer purchases in 2017.

Administration and General

Administration and general expenditure increased by 5%. Legal Fees reflected an increase of R178k year-on-year due to costs incurred regarding the municipal rates objection case, as well as for the costs regarding a CCMA related arbitration case for an ex-member of staff. Insurance claims for 2017 of R245k related to the insurance payout of a fraud case. The loss on repossessed units relating to current year sales decreased by R42k on prior year, whilst the movement on the provision for repossessed debtors was negative by R3k in 2017, compared to a negative R41k in the prior year. Professional fees included R30k paid to Director Deon Viljoen, as approved by your Board for his involvement in the negotiation process of the extended management agreements.

Electricity, Water and Refuse

Electricity, water and refuse expenses recorded a 2% increase and electricity a 12% increase year-on-year. Water decreased by 27% year-on-year due to a major water leak being detected and fixed in 2016 and the 2017 year including the sinking of the borehole from November 2017.

Repairs and Maintenance

Repairs and maintenance decreased by 3% year-on-year due to less maintenance and touch ups required in the rooms and around the property.

Corporate charges

Corporate charges reflected an increase of 56% year-on-year mainly due to the re-classification of the property from residential to commercial status in 2017, as well as the increase in the municipal valuation of the property from R250m to R298m. Your Board is in the process of objecting to the re-classification as not only does it affect the rating of the Resort, but it also increases the contribution paid to the Urban Improvement Precinct (UIP), which is calculated on a percentage of the municipal rates charge. Annual report and statutory costs increased by R56k due to 2017 including R104k of annual levies due in terms of the Community Schemes Ombud Service (CSOS) Act.

Management Fee

The Management fee increased in terms of the Management Agreement.

Cabana Beach Share Block Proprietary Limited

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

Statement of the Financial Position

The statement of financial position which is detailed on page 14, together with the related notes thereto, reflects the financial position of Cabana Beach Share Block Proprietary Limited. The reserve for property, plant and equipment has increased to R37.429m (2016: R24.421m), while cash and cash equivalents increased to R59.910m (2016: R47.561m). Levies receivable increased to R240k (2016: R212k) whilst levies received in advance increased to R19.575m (2016: R18.623m). I take this opportunity to thank all timesharers who pay their levy obligations timeously. These funds are invested at favourable rates to benefit the Share Block and all Shareholders.

Capital Expenditure

Capital expenditure during 2017 decreased to R5.411m against the expenditure of R7.898m made in 2016.

The following major capital expenditure was incurred during the year:

Rooms	R
Stoves	636 841
Balcony rails and tiles	292 689
Fridges	181 151
Beds	175 299
Baths	170 113

Plant and Machinery

Aircon chillers/valves/piping	169 473
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Gardens and Grounds

Pool Loungers	201 012
Borehole project	811 819

Building

Waterproofing	376 238
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2019 Levy Budget

The 2019 annual levy budget increase will be approved by the Directors at the August 2018 Board meeting which takes place after the Notice of the Annual General Meeting of the Shareholders and delivery of the Annual Report. This being the case, notification of the 2019 levy amounts will be advised under a separate notice. Your Directors are extremely aware of the current economic climate and during the budgeting process, due diligence is exercised in aiming to meet the fiscal obligations of the Resort whilst at the same time ensuring stable growth in the reserve fund for future improvements. This reserve is for financial stability as well as for the continuity and future of the Resort.

Resort Update

During the 2016 period of severe drought in KZN, your Board discussed the necessity of seeking alternative water sources and the borehole project came into effect. The installation of the borehole was completed in 2017. The yield has been excellent and the quality of water has been surprisingly good. The water is potable and regularly tested against SABS standards. Coupled with the successful borehole installation, a major water leak had been located and repaired which created great water savings against 2016.

Repairs to spalling found in the garage area has been repaired. Tests have been conducted to the sea-facing façade to isolate any areas of spalling that require further attention.

The new outdoor chess game has been well received by both young and old. The family swimming pool area has been upgraded with the installation of new artificial lawn and consideration is being given to a much-needed upgrade of the ablution facilities. Due to the badly corroded seaside boundary fence, a replacement fence option was found. Subsequent to cost saving negotiations, Clearvue Fencing had offered to install the new boundary fence at no cost to the Resort, provided that Clearvue Fencing may display their advert on the fence for a period of 18-months. Your Board welcomed this with open arms and the fence looks fantastic.

Our lifts are starting to take strain and parts are becoming scarcer as the years progress. At a recent Meeting your Board decided to replace the passenger lifts over a two-year period. This project has been provided for and will be conducted when it would least interfere with guest experience. Unfortunately, we do require your patience with this project as Cabana Beach Resort runs at very high occupancy all-year round and while the lifts are being replaced, only two will be available for use over the period, at a time.

The lease agreements for our food and beverage tenants will soon expire and your Board has taken this opportunity to review the entire food and beverage offering at the Resort. We want to inject a fresh new look and menu for our Shareholders and visitors. Together with our managing agent, your Board is currently accepting proposals for the entire space and will soon make a decision as how to proceed. The expertise and experience of our managing agent, with links to the entire Tsogo Sun Group will be an asset in determining the needs of our guests, visitors and the uMhlanga area and they will assist in choosing the right tenant for our great location and facilities.

The new eThekweni Municipality property and rates valuations were published and the valuation for Cabana Beach Resort increased from R250m to R298m. The classification of the Resort was also changed to a Business and Commercial rating which resulted in increased rates from R2m to R4m for the year. Your Board has submitted an objection to the new classification and a legal process has commenced. We await a response from eThekweni Municipality.

Smoking on the property remains a very controversial topic for our Resort. Comments and complaints have been heard from both smokers and non-smokers on the property. Cabana Beach Resort is a non-smoking property however to consider the Shareholders and guests who wish to smoke, your Board has created a separate and designated smoking area situated in The Lounge. Signage is placed around the property to remind all of the non-smoking policy and I urge all Shareholders and guests to please comply with our house rule. We understand that further legislation will be passed which has stricter controls in place and once published, we will proceed with those regulations and comply as best as possible. We have tried to accommodate both views on the smoking matter and I request that all parties respect each other as far as possible. I strongly request that Shareholders and guests not take this matter into their own hands and to rather approach someone from our management team for assistance.

Cabana Beach Share Block Proprietary Limited

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

Companies Act Requirements

I am pleased to confirm that the Share Block Company's Memorandum of Incorporation (MOI) has been approved by the Companies and Intellectual Properties Commission (CIPC) as at 18 September 2017. The Company has since been referred to as Cabana Beach Share Block Proprietary Limited and has been operating according to the approved MOI underpinned by the Companies Act.

As per legislation, I confirm that Cabana Beach is registered with the Consumer Services Ombud Scheme (CSOS).

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. Your Share Block remains a member of VOASA and our Director, Anthony Ridl stands as chairman on its board.

Social and Ethics Committee Report

Corporate social investment (CSI) is very close to your Board's heart and I am absolutely thrilled to see how the Resort, its Social and Ethics Committee and our Management team have progressed in the past 12 months. I refer you to page 8 of this annual report for a breakdown on what the social and ethics committee is responsible for and I invite you to attend the annual general meeting where a comprehensive slide presentation will be shown to provide feedback on each type of contribution made and what great initiatives are in place. I am really proud of what your Company has achieved.

Management Agreement

I take this opportunity to inform you that the management agreement with Southern Sun Resorts, a division of Tsogo Sun Group, has been re-negotiated and extended for a further 11 years. Following comprehensive and lengthy negotiations, I am confident that all considerations have been taken into account for our Resort and for all Shareholders. We can look forward to great savings through the new agreement that will have a positive impact on annual levies going forward. I would like to thank the Directors, management team and all other parties involved in the lengthy process.

Shareholders can be assured that the Southern Sun Resorts team will continue the tradition of providing great service delivery. Your Board maintains a great working relationship with the management team and I am confident that the support team from Southern Sun Resorts, will continue to provide great attention and care for our amazingly busy and great property.

General

The Pearls' development has been operating for some time and the construction of the Oceans uMhlanga is ongoing, but moving at a fast pace. The noise, dust and disarray for interruptions along the road associated with a large construction of its size has certainly been experienced. Thank you to the team at Cabana Beach for managing to remain composed during this very long period and still maintaining our good standards as best as possible. Our Shareholders and guests are enjoying the additional offering of The Pearls and we believe will be blown away by the offering of Oceans uMhlanga once completed.

I encourage every Shareholder to either attend this year's annual general meeting on 12 September 2018 or to kindly complete the form of proxy enclosed in this annual report, on page 5, should you find yourself unable to attend.

Conclusion

We are all very proud of our Cabana Beach Resort, affectionately referred to as the "Grande dame" of uMhlanga. Countless families and visitors have walked through our property over the years and our team enjoys welcoming each and every person. I thank our management team at Cabana Beach Resort for their friendly and helpful assistance to all who enter our property. The Resort looks fabulous, guests are happy and our financial position is very sound. I thank Tsogo Sun and in particular the Southern Sun Resorts team for their continued focus, efficiency and professional management of Cabana Beach Resort.

A special thanks I extend to Ron Klämbt, who has been our general manager for many years. Ron first joined the hospitality industry in 1979, serving at various properties, until his retirement in April 2018. I wish him very well in the future.

Finally, I extend my gratitude to my fellow Directors for their attention, commitment, reliability and ongoing dedication to our Resort. Our combined talents, skills and experience makes for a great team on the Board. I look forward to the year ahead and I look forward to all the improvements to come.

I wish you all a great year ahead.



A handwritten signature in black ink, which appears to read "Billy Liebenberg". The signature is stylized and written over a horizontal line.

Billy Liebenberg
CHAIRMAN

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held on **Wednesday, 12 September 2018 at 11h00 at Cabana Beach Resort, 10 Lagoon Drive, uMhlanga**, for the following purposes:

Agenda

- Welcome, Notice of Meeting, Attendance, Apologies and Proxies**
- Establishment of a Quorum**
- Adopt the Minutes of the Annual General Meeting held on 13 September 2017**
- Matters Arising from the Minutes of the previous Annual General Meeting**
- 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.
- Resolution 2:** Appoint auditors to the Company.
- Resolution 3:** Elect Directors to the Board for the ensuing year. The following Directors retire at the Annual General Meeting, but being eligible, are available for re-election.

• **Weston Dickson** • **Roy Fritz** • **William Liebenberg** • **Robert More** • **Ajith Ramsarup**
• **Anthony Ridl** • **Deon Viljoen**

The Board is limited by the Memorandum of Incorporation to not less than three (3) and not more than 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 Friday, 7 September 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.

- Resolution 4:** Appoint three (3) Directors as members of the Audit Committee. The current members are Weston Dickson, Ajith Ramsarup and Anthony Ridl.
- Resolution 5:** Appoint three (3) members to the Social and Ethics Committee. The current members are Roy Fritz, Robert More and Deon Viljoen.
- 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.

- Table for Discussion, the Insured Value of the Property**
- Report of the Social and Ethics Committee**
- General Manager's Report**

- 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 Friday, 7 September 2018.**

Subject to the provisions of the Companies Act 71 of 2008, no business shall be transacted at any general meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. The quorum at an 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 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 Friday, 7 September 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 24 August 2018.

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

Cabana Beach Share Block Proprietary Limited
 Registration Number: 1965/004874/07
 ("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 **Wednesday, 12 September 2018 at 11h00 at Cabana Beach Resort, 10 Lagoon Drive, uMhlanga.**

Form of Proxy

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

1., or failing him/her,
2., or failing him/her,
3. The Chairman of the 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			
• Weston Dickson			
• Roy Fritz			
• William Liebenberg			
• Robert More			
• Ajith Ramsarup			
• Anthony Ridl			
• Deon Viljoen			
Resolution 4: Appoint Audit Committee			
• Weston Dickson			
• Ajith Ramsarup			
• Anthony Ridl			
Resolution 5: Appoint Social and Ethics Committee			
• Roy Fritz			
• Robert More			
• Deon Viljoen			
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 Friday, 7 September 2018.**

Cabana Beach 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 Cabana Beach 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 South African Companies Act 71, of 2008.

The Directors and Management are also responsible for maintaining the Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the 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 Financial Statements

The annual financial statements set out on pages 13 to 22 were approved by the Board of Directors on 17 May 2018 and are signed by:



WH Liebenberg
Chairman



AB Ramsarup
Director (Chairman - Audit Committee)

Declaration by the Company Secretary

I hereby confirm, in my capacity as Company Secretary of Cabana Beach 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 71, of 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.



GE Stevenson
For Southern Sun Secretarial Services Proprietary Limited

Cabana Beach 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 South African Companies Act 71, of 2008 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;
- 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 Weston Dickson, Ajith Ramsarup and Anthony Ridl.
- 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.



Ajith Ramsarup
Chairman
17 May 2018

Cabana Beach Share Block Proprietary Limited

Report of the Social and Ethics Committee

The Social and Ethics Committee (the Committee) of Cabana Beach 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 management programmes are effective; 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. Waterloo Primary School has been a key focus area for many years. The school library was upgraded, curtains and library books were donated, various areas at the school were painted and staff at the Resort took part in a reading programme for the pupils. This has been of great benefit to the pupils and the teachers have seen an improvement with the pupils eager to read. Volunteers from the area have continued to give of their time to support the pupils and school where possible.

Cabana Beach supports other organisations such as Tafta Home of the Aged, St Judes Homes and The Feral Cat Association. We now have 8 cats at the Resort as part of a rehabilitation program. We continue to strive to achieve our goals to make a difference in the Resort's local community.

Corporate Citizenship - CSI / Sustainability

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

Environmental Health & Public Safety

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

The Organisational Resilience Management System (ORMS), implemented by Southern Sun Resorts 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 on an annual basis. We are proud that we continue to excel in this area.

The Tsogo Crisis Call Centre is available to all properties in the Tsogo Sun Group to assist with immediate assistance relating to guest & Resort emergencies.

Guest Relations & Correspondence

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

The Resort won numerous awards including Tripadvisor Travellers Choice Award 2017, RCI Rada Award for Best Water Management and Employee of the year 2017.

Labour, Employment Relations, Training & BBBEE

Cabana Beach 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.

Cabana Beach is linked to the BBBEE rating of the Tsogo Sun Group, which is a Level One BBBEE Contributor.

Strategic Plans

The Social and Ethics Committee has focused greatly on four strategic areas. The management agreement between the Company and Southern Sun Resorts/Tsogo Sun was recently re-negotiated and extended for a further 11 years.

The employment of longstanding general manager, Ron Klambt, was an area of negotiation pending his retirement in April 2018. Consideration would have to be given for his replacement. A legal matter involves an objection to the change in the municipal category rating imposed by the eThekweni Municipality. The property rating category was changed from a residential category to a commercial category.

All food and beverage lease agreements expire at the end of October 2018. Wimpy has indicated they would like a further three year extension. Consideration to Lighthouse Café & Maritimo's must be given to ensure that we have a service provider that provides the best service delivery and offering to guests.

Custodian of the Unique Identity

Cabana Beach Resort is a timeless classic set in a tropical haven offering an escape to the young and old from their busy lives. Our tropical gardens and wide open spaces allow guest to truly relax and enjoy the environment. Sporting facilities include the tennis and squash courts, gym and soccer astro-turf, the family pool (heated in winter months) and the adult pool (exclusively for over 18's). Nonstop entertainment and fun for all that will create lifelong holiday memories.

COMPOSITION AND FUNCTIONING

The Committee comprises Ron Klambt (Chairman) and the following Directors: Robert More, Roy Fritz and Deon Viljoen. Additional board members are invited to attend meetings and Resort staff assist wherever possible. The Committee meets twice a year and holds comprehensive meetings.

ACTIVITIES OF THE COMMITTEE

The Committee is focused on ensuring that the Resort's environmental programme has a strong approach to energy, water and waste management. Energy and water consumption is monitored by a live system that updates management before wastage may occur. Any abnormal activities that would deviate from the targets set are highlighted immediately. The system assists in tracking trends for using the Resort's resources at the best time, for optimal use, at a lower cost. These savings in water and electricity are as a result of better management. The results have been phenomenal, especially since occupancy levels have increased. Many initiatives are in place and the sinking of the borehole has contributed immensely.

The waste management programme at Cabana Beach Resort is controlled by Don't Waste Services and is also tracked through a live system. Waste separation and recycling is of key importance to us. Guests and staff are continuously encouraged and reminded through initiatives, display cards and training programs that their contribution to good environmental practices can impact largely on this programme.

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

Cabana Beach 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 owns the land and buildings known as Cabana Beach Resort which is utilised by the shareholders on a timeshare basis with respective shareholders' time interest being apportioned through the issue of shares according to share block regulations. These regulations provide for the following:

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

2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act, and in common with other timeshare operations in South Africa, the Company has, since its inception as a Share Block Company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and major repairs 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 R18,418,485 (2016: R18,587,438) 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.

5 Directors and Secretary

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

RW Dickson *
RP Fritz ^
WH Liebenberg Chairman
RA More ^
AB Ramsarup *
AN Ridl *
DP Viljoen ^

* Audit Committee Members

^ Social & Ethics Committee Members

Cabana Beach Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2017

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

Business:

Palazzo Towers East
Montecasino Boulevard
Fourways
2055

Postal:

Private Bag X200
Bryanston
2021

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.

Cabana Beach Share Block Proprietary Limited

Report of the Independent Auditors

Report on the audit of the financial statements

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cabana Beach 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 financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the 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.

Cabana Beach Share Block Proprietary Limited

Report of the Independent Auditors

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.

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 Cabana Beach Share Block Proprietary Limited for 2 years.



GRANT THORNTON

Registered Auditors

Practice number: 905690

per H D Paruk

Partner

Registered Auditor

Chartered Accountant (SA)

17 May 2018

2nd Floor

4 Pencarrow Crescent

Pencarrow Park

La Lucia Ridge Office Estate

4019

Cabana Beach Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 R	2016 R
Income		64 524 782	61 986 451
Levy Income - normal		59 374 977	56 840 890
Other Income		5 149 805	5 145 561
Expenses		(49 133 217)	(45 437 925)
Levy surplus before interest and taxation	3	15 391 565	16 548 526
Net finance income	4	4 625 076	3 416 224
Levy surplus before taxation		20 016 641	19 964 750
Income tax expense	5	(1 598 156)	(1 377 312)
Levy surplus for the year		18 418 485	18 587 438

Cabana Beach 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	5 699 382	4 681 101
Levies receivable - normal	10	239 725	212 239
Cash and cash equivalents		59 909 683	47 560 863
Total current assets		65 848 790	52 454 203
Total assets		65 848 790	52 454 203
EQUITY			
Capital and reserves			
Share capital	9	400 000	400 000
Reserve for property, plant and equipment	7	37 429 139	24 421 368
Total equity		37 829 139	24 821 368
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		40 809	530 514
Total non-current liabilities		40 809	530 514
Current liabilities			
Trade and other payables	8	6 806 183	7 102 359
Levies received in advance		19 574 504	18 622 651
Current tax liabilities		1 598 155	1 377 311
Total current liabilities		27 978 842	27 102 321
Total liabilities		28 019 651	27 632 835
Total equity and liabilities		65 848 790	52 454 203

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	9	400 000	400 000
Reserve for property, plant and equipment			
At beginning of year		24 421 368	13 731 934
Levy surplus for the year		18 418 485	18 587 438
Property, plant and equipment additions and replacements during the year	7	(5 410 714)	(7 898 004)
At end of year		37 429 139	24 421 368

Cabana Beach Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2017

Note	2017 R	2016 R
Cash flow from operating activities		
Levy surplus before taxation	20 016 641	19 964 750
Adjustments for:		
Interest received	(4 625 076)	(3 416 224)
Non cash items		
- Movement in exchange fee rebate	(489 705)	(489 705)
Net surplus before working capital changes	14 901 860	16 058 821
Changes in working capital		
- Movement in levies receivable - normal	(27 486)	176 258
- Movement in levies receivable - special	-	6 530
- Movement in trade and other receivables	(1 018 281)	(1 071 204)
- Movement in levies received in advance	951 853	765 574
- Movement in trade and other payables	(296 176)	(79 328)
Cash flows from operating activities	14 511 770	15 856 651
Interest received	4 625 076	3 416 224
Tax paid	(1 377 312)	(1 095 002)
Net cash inflow from operating activities	17 759 534	18 177 873
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(5 410 714)	(7 898 004)
Net cash outflow from investing activities	(5 410 714)	(7 898 004)
Net movement in cash and cash equivalents		
Cash and cash equivalents at beginning of year	47 560 863	37 280 994
Cash and cash equivalents at end of year	59 909 683	47 560 863

Cabana Beach 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 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 annual financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. During the current year, there were no areas involving a high degree of judgement or complexity, or areas where assumption and estimates are significant to the annual financial statements.

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Leases

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

1.4 Financial instruments

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.

Cabana Beach Share Block Proprietary Limited

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

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.

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.

Cabana Beach Share Block Proprietary Limited

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

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.

Cabana Beach 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	11 311 941	10 384 174
- contributions to retirement funds	914 888	835 099
Management fees	3 187 340	2 984 400
Audit fees	153 700	156 738
Professional and legal fees	237 940	31 995
Other operating expenses	33 327 408	31 045 519
	49 133 217	45 437 925
4 Net finance income		
Interest income		
Interest earned on fixed deposits, call deposits and current account	4 625 076	3 416 224
Net finance income	4 625 076	3 416 224
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 owners in terms of Section 10 (1) e of the Income Tax Act.		
Current year	1 598 156	1 377 312
	1 598 156	1 377 312
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)	441 304	553 424
Other receivables (Refer Note 12)	654 438	460 656
Interest receivable	2 639 053	1 768 097
Prepayments (Refer Note 12)	1 964 587	1 898 924
	5 699 382	4 681 101

Cabana Beach Share Block Proprietary Limited

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

	2017 R	2016 R
7 Reserve for property, plant and equipment		
At beginning of year	24 421 368	13 731 934
Levy surplus for the year	18 418 485	18 587 438
	42 839 853	32 319 372
Property, plant and equipment additions and replacements during the year	(5 410 714)	(7 898 004)
At end of year	37 429 139	24 421 368
<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 capital expenditure of R25,347,636 for 2018 (2016: budgeted capital expenditure of R13,831,578 for 2017) which it is anticipated will decrease the budgeted reserve fund by R11,173,243 (2016: increase the budgeted reserve fund by R1,330,777 for 2017). There were no capital commitments made at year end (2016: R nil).</p>		
8 Trade and other payables		
Trade payables (Refer Note 12)	2 794 994	2 607 560
Other payables		
Accruals (Refer Note 12)	2 569 352	2 868 994
Provision for auditors remuneration	113 700	145 000
Receiver of Revenue - Vat	172 815	135 220
Sundry payables (Refer Note 12)	665 617	855 880
Exchange fee rebate	489 705	489 705
	6 806 183	7 102 359
9 Share capital		
Authorised and issued		
40,000,000 Class "A" ordinary shares of 1 cent each	400 000	400 000
10 Levies receivable - normal		
Levy debtors	146 700	86 197
Repossessed debtors	118 449	154 183
Provision for repossessed debtors	(25 424)	(28 141)
- Opening balance	(28 141)	(69 625)
- Movement	2 717	41 484
	239 725	212 239

Cabana Beach Share Block Proprietary Limited

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

	2017	2016
	R	R

11 Property, plant and equipment

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

Land and buildings comprise the following property:

Lots 623, 637 and 643, Umhlanga Rocks Township, Kwa-Zulu Natal with buildings thereon, known as Cabana Beach Resort. The Company has granted to the eThekweni Municipality, a beach amenity servitude over the property.

Land and buildings were originally purchased for R7,623,913 and are not recognised. Although the Company has legal title to the property, it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the Municipality at R298m for rates purposes. There are no bonds on the property.

12 Related party transactions

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

Short term rental fee	243 028	237 781
Management fee	3 187 340	2 984 400
Levy administration and collection fee	2 585 782	2 421 144

SSHI 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.

Gross rentals received from tenants	2 132 607	1 964 653
Rental retained	(639 782)	(589 395)
Contractual share paid to SSHI	1 492 825	1 375 258

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

SunSwop exchange services	1 882 589	1 729 008
---------------------------	-----------	-----------

During the financial year the Company paid the following SSHI internal charges:

- Information technology administration charge	76 931	52 405
- Training related charges	78 923	60 984
- Sunrands related charges	54 695	5 666

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:

Due (to)/by SSHI and its subsidiaries:		
- included in receivables (Refer Note 6)	14 927	149 400
- included in payables (Refer Note 8)	(896 966)	(439 427)
	(882 039)	(290 027)

Cabana Beach Share Block Proprietary Limited

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

	2017	2016
	R	R

12 Related party transactions (continued)

The Company receives rental income from Southern Sun Timesharing Proprietary Limited for the letting of office space:

Rental income	(116 788)	(106 171)
---------------	------------------	-----------

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.

	Number of units	Levies paid	Levies received in advance
		R	R
SSHI own units in the Company as follows:			
SunSwop (a division of SSHI) - 2017 shareholding	108	563 370	51 410
SunSwop (a division of SSHI) - 2016 shareholding	108	527 000	47 670

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

2017 - shareholding

RW Dickson - Dream Vacation Club	569	3 221 455	731 240
AB Ramsarup - The Leisure Holiday Club	219	1 203 905	414 110
AN Ridl - Club Leisure Group	683	3 840 925	1 390 510

2016 - shareholding

RW Dickson - Dream Vacation Club	567	3 098 690	752 850
AB Ramsarup - The Leisure Holiday Club	219	1 126 180	394 240
AN Ridl - Club Leisure Group	679	3 597 090	1 175 605

13 Directors emoluments

The Directors do not receive any remuneration for their services to the Company. Directors are reimbursed for costs incurred whilst performing the Company's business, except for Mr Viljoen whose costs were borne by SSHI until his retirement on 31 August 2016. Further, the Directors are insured for medical costs and personal accident. The Directors are also covered by insurance taken out by the Company as indemnification against all liability of any Director towards the Company in respect of any negligence, default, breach of duty or breach of trust.

The Board approved fees to be paid to the Director who was involved in the negotiation of the new management agreements with SSHI. Fees were paid for the personal time spent and expenses incurred during the negotiation process.

	2017	2016
	R	R
Fees paid for the year:		
DP Viljoen	30 033	-

Cabana Beach 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	59 374 977	56 840 890
Rental pool and short term rental	1 336 018	1 352 953
Sale of capital assets	94 220	11 974
Net non-levy income		
- parking, telephone, rentals, penalties, etc	3 719 567	3 780 634
	64 524 782	61 986 451
EXPENDITURE		
Rooms Expenses		
Guest entertainment	1 407 882	1 311 406
Guest supplies	895 214	788 105
Laundry	2 398 620	2 181 508
M-Net	655 123	602 015
Personnel costs		
- outside services	4 960 781	4 850 737
Pest control	32 557	27 544
Plants and decorations	18 200	18 200
Printing and stationery, including reception	276 404	251 889
Replacement of cutlery, crockery, linen, towels, uniforms, etc	560 871	1 172 612
Security services	1 829 066	1 722 030
	13 034 718	12 926 046
Administration and General		
Audit fees		
- current year	153 700	145 000
- prior year underprovision	-	11 738
Bank charges	33 542	37 806
Central accounting and levy administration fees	2 585 782	2 421 144
Corporate social initiatives	26 510	43 507
Credit card commission	249 329	260 021
Information technology costs	830 963	727 127
Balance carried forward	3 879 826	3 646 343

Cabana Beach 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	3 879 826	3 646 343
Insurance		
- premium	242 652	235 645
- excess	10 000	8 232
- claim	(244 980)	-
Legal fees	182 782	5 000
Licences and permits	75 032	71 023
Loss on repossessed debtors	13 560	55 152
Marketing	57 800	39 590
Postage	100	4 123
Professional fees	55 158	26 995
Provision for repossessed debtors	(2 717)	(41 484)
Railage, cartage and hire transport	5 453	3 977
Security		
- banking services	22 333	21 971
Subscriptions	38 735	48 855
Sunswoop exchange service	1 882 589	1 729 008
Telephone	197 583	249 428
Travel		
- management and directors	35 733	47 430
Vehicles		
- fuel and oil	19 465	18 510
	6 471 104	6 169 798
Electricity, Water and Refuse		
Electric bulbs	48 495	44 108
Electricity	3 625 946	3 228 855
Generator fuel	50 370	27 992
Refuse	229 029	159 013
Water	1 659 506	2 267 169
	5 613 346	5 727 137
Repairs and Maintenance		
Airconditioning	63 013	60 252
Buildings	282 129	265 572
Electrical and mechanical	177 064	158 509
Elevators	319 448	282 545
Engineers tools	9 781	9 720
Furniture and fixtures	78 094	137 876
Gardens and grounds	508 734	503 056
Major repairs and maintenance	242 694	309 139
Balance carried forward	1 680 957	1 726 669

Cabana Beach 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	1 680 957	1 726 669
Office machines		
- maintenance contracts	12 315	32 827
Painting and redecorating	90 499	82 580
Plumbing and heating	69 004	89 581
Radio and TV	9 497	9 598
Room care	267 098	304 789
Swimming pool cleaning and repairs	50 874	56 279
Switchboard	42 216	50 546
Vehicles	31 077	14 531
Vincard	43 998	5 336
	2 297 535	2 372 736
Corporate Charges		
Annual report and statutory costs	151 526	95 541
Municipal rates and sewerage	6 150 819	3 942 994
	6 302 345	4 038 535
Personnel costs		
Rooms	6 897 064	6 083 410
Administration and general	2 711 027	2 659 717
Repairs and maintenance	2 618 738	2 476 146
	12 226 829	11 219 273
Management Fee	3 187 340	2 984 400
Total Expenditure	49 133 217	45 437 925
Excess of income over expenditure before finance cost and taxation	15 391 565	16 548 526
Net finance income		
Interest income	4 625 076	3 416 224
Excess of income over expenditure before taxation	20 016 641	19 964 750
Taxation		
- current	1 598 156	1 377 312
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	18 418 485	18 587 438

Cabana Beach Share Block Proprietary Limited

DRAFT Minutes of the Annual General Meeting of Shareholders held on Wednesday, 13 September 2017, at 11h00 at Cabana Beach Resort, uMhlanga

1 WELCOME, CONSTITUTION OF THE MEETING AND APOLOGIES

The Chairman, Mr Liebenberg welcomed all and thanked everyone for attending. He requested that the attendance register be signed. Notice of the meeting had been properly given and the Chairman was satisfied, in terms of the Companies Act and Memorandum of Incorporation (MOI) that the quorum present at the appointed time of the meeting, exceeded the minimum requirement of 5% of all voting rights entitled to be exercised at the meeting. The Chairman declared the Meeting duly constituted.

2 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 12 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 12 September 2016

2.2 Minutes of the Postponed Annual General Meeting held on 19 September 2016

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

3 MATTERS ARISING

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

4 ANNUAL REPORT

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.

5 RE-APPOINTMENT OF AUDITORS

Item 6 on the Agenda, Resolution 2, was to re-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. The Chairman called for Grant Thornton to be re-appointed as the Auditor for the ensuing year. No objections were received and the Chairman declared the motion carried.

6 ELECTION OF DIRECTORS

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

- William Liebenberg
- Weston Dickson
- Roy Fritz
- Robert More
- Ajith Ramsarup
- Anthony Ridl
- Deon Viljoen

The Chairman advised that nominations had been received for John Lee, Grace Swart and Jaco Weihmann. The election process would go to a poll.

Mr Ridl advised that John Lee was an ex-Director of the Sun International Timeshare Division and had worked in the hotel industry and all other aspects within Sun International. Mr Lee was an accountant by profession and had recently retired. Mr Ridl mentioned that Mr Lee's knowledge of the industry would be valuable to the Board. Mr Klämbt advised that Grace Swart was a third generation owner at Cabana Beach Resort. She was a financial manager having qualified at the University of the Free State achieving a cum laude BA degree in accounting in 2002 and her honours in 2006. Mr Klämbt advised that Jaco Weihmann was a partner in a firm of attorneys. The firm was well respected and practiced in a variety of legal aspects. Mr Weihmann's expertise was litigation in both the High Court and Magistrate's Court. He would bring a new skill set to the Board.

The Chairman requested that Mr Viljoen explain the voting process. Mr Viljoen advised that the meeting held approximately 27% of the voting rights. While the Memorandum of Incorporation restricted the positions on the Board to 7, 10 nominations were received. All 10 nominations were eligible and available for election. Mr Viljoen reminded the meeting that each person only had seven votes, as there were only seven positions available. He added that a vote against an individual was taken as one vote. A poll would be conducted and the financial manager, Warren Whiteboy, together with the Auditors would tally the votes and calculate the results.

Mr Viljoen stated that the process would take time and suggested that the Chairman continue the meeting. No objections were recorded and the meeting continued.

Cabana Beach Share Block Proprietary Limited

7 INSURANCE

The Chairman referred to Item 10 on the Agenda and tabled for discussion 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 R538m. The total insured value recommended by the independent quantity surveyors, Brian Heineberg and Associates for the years 2017/2018 was R578,404,654, which reflected an increase of approximately 7.4%. Furniture, fixtures and equipment was valued at R80,041,318 and buildings, R498,363,336.

The Chairman welcomed any queries or comments. No queries or comments were raised and as no objection was recorded, the motion was carried. Mr Viljoen mentioned that Mr More was a quantity surveyor had verified that the 7.4% increase was relevant to the current building cost inflation. Mr Viljoen added that the Board had conducted its own calculation and was happy that the Resort was adequately insured.

8 REPORT OF THE SOCIAL AND ETHICS COMMITTEE AND GENERAL MANAGERS REPORT

Item 11 and 12 on the Agenda was the report of the Social and Ethics Committee and the report of the general manager. The report of the activities over the last year formed part of the Chairman's Review.

Mr Klämbt explained that the Social and Ethics Committee was a sub-committee of the Board and that the committee consisted of Mr Viljoen, Mr Fritz and Mr More. The committee covered the social and economic development of the company, good corporate citizenship, environmental issues, health and public safety, as well as labour, employment and consumer relationships. Mr Klämbt explained that Cabana Beach was part of the uMhlanga Urban Improvement Precinct (UIP), together with uMhlanga Sands Resort, Breakers Resort and a number of apartment blocks situated along the promenade. The purpose of the UIP was to improve the quality of the environment and to support the municipality where they fell short or where there was a lack of funds in order to maintain the high standard that had been set for the promenade. Mr Klämbt advised that he had been Chairman of the UIP for approximately ten years.

Mr Klämbt referred to one of the biggest and most controversial issues at Cabana Beach, which was smoking. Mr Klämbt reiterated that Cabana Beach Resort was a non-smoking Resort and that this house rule was taken seriously. A number of clashes between smokers and non-smokers had been reported and in order to accommodate guests wishing to smoke, an air-conditioned smoking pod was created. Mr Klämbt explained that food was served at the adult swimming pool and that this was the reason why smoking was not permitted in the area. Mr Klämbt added that smoking was not permitted within 50m of a public area or beach, according to the municipality.

Mr Klämbt mentioned that a number of guests had enquired about the Resort's environmental policies. He advised that the Resort had a recycling programme that achieved the recycling of approximately 54% of the total waste. Door lock batteries and tube lighting was disposed of in an environmentally friendly manner. Meetings were regularly held for staff to report on the impact and results of recycling.

Mr Klämbt discussed the various corporate social investment (CSI) projects with which the Resort was currently involved. A reading programme had been established over a number of years at Waterloo Primary School to assist the pupils to read and write the English language. The programme had been successful and a reading book drive was held during the year. The pupils were invited to Cabana Beach Resort once a year to experience a day at the Resort. Amongst other initiatives, Cabana Beach supported TAFTA and always supported Mandela Day. A number of nationally celebrated days were supported during the year. Staff helped clean the beach on World Oceans Day and a tree was planted each year on Arbour Day. Children of guests were invited to attend the ceremony to create awareness.

With regards to health and safety, an audit undertaken by an independent auditor confirmed that the company was compliant with regulations. 96% was achieved the previous year for an audit to review fire protection, safety, security and business continuation. A fire drill was conducted each month and once a year, the fire brigade was invited to take part and inspect the property.

Regarding labour and employment, the Tsogo Sun Group was BBEEE level 1 compliant. Training and development of staff was an important aspect, with 412 training hours recorded for training.

Regarding consumer relations, management engaged with guests to obtain feedback regarding management of the property and how their needs whilst on holiday could be better met. Guest engagement was also monitored through the Facebook webpage, Google Reviews, the eGuest satisfaction survey where 89% was achieved and through Tripadvisor which had scored the Resort 4.7 out of 5 (94%). Cabana Beach Resort had received Tripadvisor's Travellers' Choice Award for being one of the top hotels and Resorts in the country. Cabana Beach Resort was also a finalist for the Sanlam Top Destination Award. Mr Klämbt mentioned that one of the outsourced partners, Wimpy, had received an award for the best Wimpy in Kwa-Zulu Natal. Another accolade was that Cabana Beach Resort had been voted 16th in the top 25 Hotel properties in the South Africa. Mr Klämbt thanked the management team and his staff for their excellent service at Cabana Beach. He further thanked the Board members for their support and Mr Fuller for his and Tsogo Sun's guidance and support over the past year.

The Chairman thanked Mr Klämbt for his presentation and congratulated the team at Cabana Beach Resort for a job well done.

Cabana Beach Share Block Proprietary Limited

9 CONTINUED - ELECTION OF DIRECTORS – RESULTS

The Chairman enquired whether the poll verification and tally had been completed. The representative from Grant Thornton confirmed that there would be no change to the current Board of Directors for the ensuing year.

10 APPOINTMENT OF DIRECTORS AS MEMBERS OF THE AUDIT COMMITTEE

Item 8 on the Agenda, was the appointment of Directors as members of the Audit Committee. This sub-committee required a minimum of three Directors to be on the Audit Committee. The current members consisted of Mr Dickson, Mr Ramsarup and Mr Ridl. All Directors were available for re-appointment. No objections were recorded and the Chairman declared that the same Directors would continue to serve on the Audit Committee for the ensuing year.

11 APPOINTMENT OF DIRECTORS AS MEMBERS OF THE SOCIAL AND ETHICS COMMITTEE

Item 9 on the Agenda was to appointment members of the Social and Ethics Committee. The sub-committee currently consisted of Mr Viljoen, Mr More and Mr Fritz. All members were available for re-appointment. No objections were recorded and the Chairman declared that the same members would continue to serve on the Social and Ethics Committee for the ensuing year.

12 GENERAL

The Secretary advised that a few Shareholders had raised comments for the Annual General Meeting. Mr Klämbt referred to correspondence received from Lauren Gregor regarding smoking at the swimming pool. This matter was discussed and the Board confirmed that smoking at the adult swimming pool would not be permitted.

Mr Klämbt referred to correspondence received from Mr Minnaar who had suggested charging a fee for beach towels and only exchanging wet or dirty towels once a day. The suggestion had been discussed by the Board prior to this meeting and it was agreed that no charge would be implemented for beach towels. Mr Klämbt advised that a charge was however imposed if a guest did not return their token or towel.

Mr Klämbt referred to correspondence received from Mrs Leppan who had been unable to sell her unit. Mr Klämbt advised that sales mandate on the unit had expired. The unit had since been sold.

Mr Klämbt referred to correspondence received from Etienne Rubbers who wished to open a similar business to that of Jackson Coffee at the Resort. Mr Klämbt advised that a number of food and beverage leases were currently in place and due to expire in 2018. He welcomed a detailed proposal from Mr Rubbers at the appropriate time, when all other proposals would be received. The food and beverage service delivery would be adjudicated by a sub-committee of the Board.

A shareholder present enquired about renewable energy. Mr Klämbt replied that an extensive investigation regarding renewable energy was undertaken. A discussion earlier in the day had specifically addressed the water shortage situation. An in-depth investigation was conducted to sink a borehole and a presentation was made to the Board for consideration. In order to conserve water, the borehole project was approved by the Board, which would be an expensive exercise at R600k, however repayment of the project would be achieved after one and a half years. Energy consumption was closely monitored and driven by the general manager of uMhlanga Sands. Mr Klämbt noted that it was expensive to operate and maintain the air-conditioning plant. The chiller plant was switched off between 1 June and 1 September each year and maintenance was conducted during that period.

Ms Buchannan enquired whether the recycling programme included waste from guests. Mr Klämbt replied that waste from each unit was removed and separated at the designated recycling area. Mr Buchannan suggested having two separate waste bins in each unit. The Chairman agreed with the suggestion and Mr Klämbt would investigate further. A shareholder advised that they had a system where specific bags were delivered for specific types of waste. Mr Klämbt advised that the same company that removed the waste, recycled the waste, which reduced costs. They monitored the amount of waste recycled.

Another shareholder suggested that additional visible non-smoking signs be placed around the property for more awareness.

The Chairman reported that the management agreement with Southern Sun Resorts/Tsogo Sun was under review, as it would expire at the end of February 2018. The Board was currently in negotiations with Southern Sun Resorts/Tsogo Sun and was looking at extending the management agreement, with improved provisions.

The Chairman added that the Board had requested Southern Sun Resorts/Tsogo Sun to keep Mr Klämbt for a further year as general manager of the Resort, after his official retirement date in 2018.

13 CLOSURE

There being no further business, the Chairman thanked all for their attendance and declared the meeting closed at 11h54.

Read and confirmed this _____ day of _____ 2018.

CHAIRMAN