

Drakensberg Sun Hotel Share Block Proprietary Limited

Registration No. 1967/007156/07



for the year ended 31 December 2017

Drakensberg Sun Hotel Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2017

COMPANY INFORMATION

Registration number:

1967/007156/07

Registered address:

Palazzo Towers East
Montecasino Boulevard
Fourways
2055
Private Bag X200
Bryanston
2021

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 - 24

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The annual financial statements have been audited as required by Section 30(2)(b)(1) of the South African Companies Act 71, of 2008. Warren Whiteboy CA(SA), in his capacity as Financial Manager of Drakensberg Sun Hotel Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

Drakensberg Sun Hotel Share Block Proprietary Limited

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

It gives me great pleasure, as your Chairman, to report on the past year's financial results together with the projects, achievements and new developments at Drakensberg Sun Resort. The property is in good shape and looking beautiful with all its colours and views. The friendly welcome that you are met with at the front door is a great start to a well-deserved break. Excellent service provided by the staff at Drakensberg Sun shows the staff's commitment to good service and excellence.

Occupancy

Occupancy for 2017 was marginally down on prior year, ending the year on 79.6% (2016: 80.3%). The occupancy recorded for 2016 was boosted by the inclusion of week 53. Should you find yourself unable to utilise your timeshare week, please advise the Resort, as the week may be placed in short term rental which would benefit both the owner and the Share Block.

Financial Results for the Year Ended 31 December 2017

The Statement of Comprehensive Income as set out on page 13 of the Annual Financial Statements reflects income and expenditure of the Company in a summarised format. The Detailed Levy Fund Operating Statement, which is not audited and presented as supplementary information only, appears on pages 23 and 24 and will be referred to when comment is made on the financial results for the year.

The Statement of Comprehensive Income for the year 31 December 2017 reflects total income, including net finance income of R11.951m (2016: R11.074m) and total expenditure of R9.884m (2016: R9.357m). The levy surplus after taxation was R1.983m (2016: R1.655m) and this has been transferred to the reserve for property, plant and equipment. Below is a more detailed review of variances in income and expenditure.

Income

Income increased by 7.1% year-on-year, mainly due to the increase in the sale of capital assets relating to the sale of the company vehicle. Net finance income increased by 29.8% due to additional funds being invested for longer periods, yielding higher returns. Rental pool income increased by R10k on prior year due to the increase in the number of rooms available for rental as well as additional focus on this revenue stream. Net non-levy income increased by R6k and includes profit on sale of repossessed units.

Expenditure

Total expenditure of R9.884m (2016: R9.357m) reflected an increase of 5.6% year-on-year and a more detailed review of the expenditure is recorded below:

- **Rooms expenditure** increased by 0.5% compared to 2016 due to the R92k decrease in laundry costs in 2017. No major repairs were carried out on laundry equipment in 2017.

- **Administration and general** reflected a 21.9% increase year-on-year. The corporate social initiatives contribution of R25k was agreed upon by the board of directors. Internal audit fees increased by R38k, due to the fact that an internal audit was not conducted in 2016. Information technology costs reflected a 13.7% increase on prior year due to backup services and infrastructure software being updated in 2017. The provision for repossessed units increased by R100k due to the increased number of repossessed units.
- **Electricity, water and refuse** reflected a 3.8% decrease year-on-year, mainly due to the installation of additional power meters and the costs being split more accurately.
- **Repairs and maintenance** reflected an increase of 10.2% year-on-year. The SunCare repair programme was carried out in all the units and the fire pumps were serviced. The generator was serviced and major repairs amounting to R23k were carried out as a result of a lightning strike. An amplifier was purchased to improve the television signal and thus the clarity and quality of the on-screen picture.
- **Corporate charges** reflected a 7.7% increase year-on-year due to the annual report and statutory costs for 2017 including R15k of annual levies relating to the Community Schemes Ombud Servis Act.

Statement of Financial Position

The Statement of Financial Position, detailed on page 14, together with the related notes thereto, reflects the financial position of your Company. The reserve for property, plant and equipment increased to R2.911m (2016: R1.647m), cash and cash equivalents increased to R6.737m (2016: R6.341m), whilst levies receivable decreased to R39k (2016: R80k). Levies received in advance increased to R3.786m (2016: R3.727m).

In 2017, the Company incurred capital expenditure of R718,969 (2016: R525,488) in respect of the following major projects:

	R
Air conditioners	294,756
Beds	152,324
Toyota Hilux	122,042

2019 Levy

The 2019 annual levy budget increase will be approved by the Directors at the Company's August 2018 board meeting which takes place after the Notice of the Annual General Meeting of the Shareholders and the Annual Report has been delivered. This being the case, notification of the 2019 levy amounts will be advised under a separate notice. As always, but even more thoroughly this year, the Drakensberg Sun Hotel Board deliberates the levy increase. Your representatives on the Board fully understand the need to maintain the balance between the levy increase, new projects and retaining the very high standards expected at the Resort. Furthermore, the Board's responsibility includes providing for future financial stability. Where new projects are undertaken careful selection of providers and materials are sourced to get the best but economical outcome.

Drakensberg Sun Hotel Share Block Proprietary Limited

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

A well planned ten-year capital expenditure schedule is continuously reviewed. The levy percentage contribution to the reserve for property, plant and equipment was 17.7% in 2017.

At year-end, the percentage of levies outstanding was a phenomenal 0.03%, which was a tremendous effort from the management team. I wish to congratulate the Southern Sun Resorts management team for this outstanding result in levy collection and I extend great thanks to all shareholders who pay their levies timeously, as this creates a positive cash flow for the Company and allows more effective management of the Resort.

The Merlin IT and accounting system has provided necessary tools to email levy statements and to communicate more efficiently with each shareholder. If your email address and/or other contact details have changed, please advise the Resort's team to update the system. Since the installation of the Merlin system, we have managed to greatly reduce the printing and posting costs of the annual reports.

Resort Update

With all the refurbishments of last year which were very visible and noticeable, such as the pizza oven and restaurant, this year creating savings wherever possible, projects have been completed which are not that noticeable. Following the comprehensive dam audit, satisfactory repairs were completed by our own maintenance team which went a long way to resolving the situation and affording this major expense to be deferred for the year. An intensive investigation of the electricity supply and use was undertaken with the accurate Station 7 measuring system. This provides for an accurate reading for electricity consumption in the Apartments, which was previously an estimate.

The Board has focused on the entertainment centre and during the year, several presentations have been made to display a new look and design incorporating the excellent interactive Tsogo Sun Xscape programme for children which has been loved by young visitors at uMhlanga Sands Resort. Deliberation has taken place to find the right use of the existing space and curtailing expenses in enlarging or building new premises. This project will most likely roll out next year, as funds become available. In the meantime, new x-box games have been introduced.

Other "behind the scenes" projects have been improvements to the staff canteen and ablutions. Repairs to the second generator have been undertaken. The Resort vehicle has been repaired with a view to replacement at a later stage. The fountain dam and fountain spout provided a frustration while maintenance attempted to repair the leak several times. Eventually successful, the task was completed with the surprise visit of a Yellow-Billed Duck and her ducklings taking up residence.

The outdoor pool is now heated which understandably has been very well received. The newly installed swimming pool bar awning proved invaluable in the very busy December season. The outdoor games of Snakes and Ladders and Chess were upgraded and have provided great entertainment for all ages.

Vacation Ownership Association of South Africa (VOASA)

As mentioned on their website, VOASA, in line with multiple consultations with consumer consultants, the Consumer Goods and Services Ombud Scheme and other stakeholders, has drafted a revised Code of Conduct and an Independent Complaints Standing process. The Association also undertakes on behalf of the industry, the scrutiny and dissemination to the industry, new legislation affecting the industry while at the same time, consulting with government bodies to ensure industry participation and engagement. VOASA is a self-regulatory Trade Association with the interest of consumer education as well as servicing the industry. Information regarding the different types of shared accommodation, the purchase and ownership aspects are all part of their service. Drakensberg Sun Hotel Share Block Proprietary Limited is a member of VOASA and your Chairman, a Director.

Surrounding Developments

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

The equestrian centre continues to provide a family orientated form of entertainment with children at the Resort being able to interact with the horses.

Vulture Hide

At our regular board meetings, we are given an update of the wonderful Vulture Project under the able leadership of Roy Strydom of Bergview Home Owner's Association. The various individual vultures are monitored and their movements in our areas, tracked. This project provides useful data to understand the life of these magnificent birds of prey – a lifelong commitment for Roy. We invite you to visit the Vulture Hide "restaurant" to view these incredible creatures or even possibly choose to enjoy an overnight stay in the unique hide.

Report of the Social and Ethics Committee

In line with the guidance of the King IV Report, the status of the Social and Ethics Committee has been raised to a fully-fledged standing committee and as such, a separate Social and Ethics Committee was elected to serve the Resort combined with the Drakensberg Sun Chalet Share Block and you will find a special report on page 8. Our General Manager heads the Committee.

General

I am very pleased to announce that the management agreement with Southern Sun Resorts, a division of the Tsogo Sun Group, has been renewed for a further 11 years. Following comprehensive and lengthy negotiations, the Board is confident that all considerations have been investigated for our property and for all shareholders. As such, shareholders can be assured that the Southern Sun Resort's team will continue the tradition of providing great service delivery.

Drakensberg Sun Hotel Share Block Proprietary Limited

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

Your Board maintains a great working relationship with the management team. We are confident that Roger and his team as well as the support team from Southern Sun Resorts, will continue to endeavour to provide great attention and care for our magnificent Resort.

Conclusion

I extend to you all, a warm invitation to attend our Annual General Meeting on Thursday 6 September 2018 at 11h30 in Coco's Bar, at the uMhlanga Sands Resort. We would welcome your input and enjoy your participation and contribution.

Before concluding, I wish to thank my fellow board Directors Brian Ellis, Ajith Ramsarup and Anthony Ridl for their dedicated commitment to the Resort. I truly appreciate their generous giving of their time in attending the 5 official board meetings each year. I too, wish to offer a sincere vote of thanks to Roger Petyt and his team for successfully and continually providing a truly enjoyable experience for our owners and all guests.

We are very proud of our magnificent Resort set in such a valuable heritage site. We invite you on your return visit to "Discover, Explore, Unearth and Unwind" and in so doing, create new and lasting holiday memories.



ADAM FULLER
CHAIRMAN
DRAKENSBERG SUN HOTEL SHARE
BLOCK PROPRIETARY LIMITED

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

Registered Office
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055

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

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held on **Thursday, 6 September 2018 at 11h30 in Coco's Bar at uMhlanga Sands Resort, 44 Lagoon Drive, uMhlanga**, 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 28 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 Directors retire at the Annual General Meeting, but being eligible, are available for re-election.

• **Brian Ellis**

• **Ajith Ramsarup**

• **Anthony Ridl**

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 11h30 on Monday, 3 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.

8. **Resolution 4:** Appoint three (3) Directors as members of the Audit Committee. The current members are Brian Ellis, Ajith Ramsarup and Anthony Ridl.
9. **Resolution 5:** Appoint three (3) members to the Social and Ethics Committee, at least one of which is a Director.
10. **Special Resolution 1:** Authorise payments of remuneration/emoluments to the Directors in respect of the 2018 year. Directors to be paid R4,000 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 11h30 on Monday, 3 September 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 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 11h30 on Monday, 3 September 2018.** A proxy form 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 27 August 2018.

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

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

Registered Office
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055

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

Form of Proxy for use by shareholders at the Annual General Meeting of the Company to be held on **Thursday, 6 September 2018 at 11h30 in Coco's Bar at uMhlanga Sands Resort, 44 Lagoon Drive, uMhlanga.**

Form of Proxy

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

1., or failing him/her,
2., or failing him/her,
3. The Chairman of the 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			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
Resolution 4: Appoint Audit Committee			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
Resolution 5: Appoint Social and Ethics Committee			
• Roger Petyt			
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 11h30 on Monday, 3 September 2018.**

Drakensberg Sun Hotel 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 Drakensberg Sun Hotel 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 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.

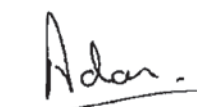
The Directors and Management have the responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position, financial performance and cash flows of the Company to enable the Directors to ensure that the annual financial statements 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, PricewaterhouseCoopers Inc, 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 7 May 2018 and are signed by:



AH Fuller
Chairman



BG Ellis
Director

Declaration by the Company Secretary

I hereby confirm, in my capacity as Company Secretary of Drakensberg Sun Hotel Share Block Proprietary Limited that for the year ended 31 December 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

Drakensberg Sun Hotel 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; 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 Brian Ellis, 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. The 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
07 May 2018

Drakensberg Sun Hotel 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 Drakensberg Sun Hotel Share Block Proprietary Limited is a statutory committee that 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 the local community through various initiatives. The uMfolozi Crèche is the Resort's main beneficiary and has been for the last 5 years. Through funds raised, the Committee has assisted in building a new school building and the build is currently 80% complete. Upon completion the young children will have access to proper ablution facilities, electricity and a school environment conducive to proper learning and education. The Committee remains committed to supporting this school beyond the completion of the building. While the uMfolozi Crèche is the main beneficiary, the Committee and staff members of the Resort support a vast array of initiatives and causes throughout the year. By supporting programmes such as Slipper Day, Arbour Day, Casual Day, Mandela Day, Heritage Day, Earth Hour, Water Week, Cancer Shavathon, National Tekkie Tax Day and the like, awareness is created, which in turn benefits the less privileged in the community and the world we live in.

In conjunction with Rotary International, blankets were purchased by guests throughout the year and donated to both The Ikhaylethu Orphanage and the Glasiter Old Age Home in Colenso. The Resort is proudly associated with the Drakensberg Boys Choir and the Department of Education to further develop local schools. The Resort is extremely proud to advertise that all hiking trails on the property have been awarded Green Flag Status.

Corporate Citizenship

The Committee has a strong regard for corporate citizenship which highlights its social, cultural, environmental responsibility and sustainability. Local CSI initiatives are supported through donations of time and written-off operating equipment. Accommodation prize letters are donated to Hospice which raises funds for its health and care programmes.

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 Tsogo Sun Crisis Call Centre is available to all properties in the Tsogo Sun Group and through the managing agent, our staff are able to receive assistance of any kind, when necessary. This relates to medical emergencies, violence, fire emergency, flooding incidents, natural disasters and so on. Care is taken to ensure that all staff have access to this toll-free number at all times.

The Organisational Resilience Management System (ORMS), implemented by the Tsogo Sun Group throughout all its properties, is a comprehensive management system that records targets 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 internally by Tsogo Sun on an annual basis.

The Resort is a member of the Honorary Officer's Association which meets once a month with affiliated members to discuss all flora and fauna concerns of the area and to make decisions, with the KZN Parks Board, being an active participant.

Guest Relations & Correspondence

Guest feedback is of the utmost importance to the Resort. The Committee and the Resort values guest opinions as this is critical in helping the team shape and improve its service delivery and

business going forward. The electronic eGuest satisfaction survey system is managed, monitored and individually responded to on a daily basis. Other platforms monitored to gauge service delivery are Tripadvisor, Google and RCI. Personal interaction with guests is also critical to this process.

Labour & Employment Relations

The Resort complies with the Labour Relations Act of South Africa. All employees are treated equally and employee engagement is monitored. Employees are the Resort's most valuable asset and continuous training and development programmes are offered for all levels of staff, to improve their self-confidence and to maximise opportunities for achieving their full potential. The training programs are generally run by the Tsogo Sun Academy.

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

Strategic Issues

The management agreement between the share block and Southern Sun Resorts/Tsogo Sun was recently re-negotiated and extended for a further 11 years.

The general manager and deputy general manager of the Resort are proudly members of the Central Drakensberg Information Centre. They ensure that the Resort takes a leading role in tourism and related decisions that can impact local and surrounding areas.

Custodian of our Unique Identity

Drakensberg Sun Resort lies in the breath taking valley of the Champagne Valley, a lush retreat for families, couples, and business travellers alike. For those in search of adventure, this is all close by. Whatever the reason for the stay, the natural beauty of the Resort's location makes it the perfect getaway.

The Resort team is committed to creating an unforgettable getaway destination for all leisure and business guests.

COMPOSITION AND FUNCTIONING

The Committee comprises Director, Roger Petyt. The combined Committee with Drakensberg Sun Share Block Proprietary Limited includes Directors on that Board such as Brent Dickson and David Alexander. Staff members on-site assist greatly with the Committee and are always welcome to attend a meeting. The Committee meets twice a year and holds comprehensive meetings.

ACTIVITIES OF THE COMMITTEE

The Committee ensures that the Resort's environmental programme has a focused approach to energy, water, and waste management. Energy and water consumption is controlled by software that tracks consumption through a series of meters. The system alerts management when consumption occurs outside the designated target and management are able to proactively address any abnormalities before wastage occurs. The system allows for the tracking of trends and puts emphasis on using the resources at optimal times of the day. This approach to resource management has contributed greatly to savings in the Resort's utilities. Waste Co. is the company that is responsible for the management and control of the Resort's waste recycling programme. General waste is disposed of in a licensed landfill site and glass, cans, plastic, paper and cardboard is sorted and recycled through reputable companies.

The goal of the Committee for the year ahead is to maintain its commitment to training and developing staff and adopt the "if you can't re-use it, refuse it" recycling mind set. All the while, creating an unforgettable getaway destination for all guests and visitors.

Roger Petyt
Chairman
Social and Ethics Committee

Drakensberg Sun Hotel 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 Drakensberg Sun Hotel Resort which comprises a hotel and an apartment timesharing scheme. The apartments are utilised by the "C" class Shareholders on a timeshare basis with 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.

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

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

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

2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act and in common with other timeshare operations in South Africa, the Company has, since its inception as a Share Block Company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and additions to property, plant and equipment have been charged against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R1,983,279 (2016: R1,655,092) 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 Hotel 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.

Drakensberg Sun Hotel 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:

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

J Boshoff

A Fuller Chairman

R Petyt

P Pienaar Appointed 1 April 2017

W Whiteboy

Representing "C" class shareholders

B Ellis*

A Ramsarup*

A Ridl*

* Audit Committee Members

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

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.

Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Independent Auditors

To the Shareholders of Drakensberg Sun Hotel Share Block Proprietary Limited

Our opinion

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

What we have audited

Drakensberg Sun Hotel Share Block Proprietary Limited's annual financial statements set out on pages 13 to 22 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act of South Africa, the Report of the Audit Committee, the Report of the Social and Ethics Committee, the Statement of Directors' Responsibility and the Declaration by the Company Secretary. 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 identified above 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.

Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Independent Auditors

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the 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 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.

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 annual 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.



PricewaterhouseCoopers Inc.

Director: Rodney D Klute

Registered Auditor

34 Richefond Circle

Ridgeside Office Park

Umhlanga Ridge

4319

07 May 2018

Drakensberg Sun Hotel Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 R	2016 R
Income		11 438 459	10 679 140
Levy Income		11 229 650	10 525 050
Other Income		208 809	154 090
Expenses		(9 884 368)	(9 356 629)
Levy surplus before interest and taxation	3	1 554 091	1 322 511
Net finance income	4	512 105	394 688
Levy surplus before taxation		2 066 196	1 717 199
Income tax expense	5	(82 917)	(62 107)
Levy surplus for the year		1 983 279	1 655 092

Drakensberg Sun Hotel 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	1 617 031	431 549
Levies receivable	10	38 611	80 285
Cash and cash equivalents		6 736 987	6 340 602
Total current assets		8 392 629	6 852 436
Total assets		8 392 629	6 852 436
EQUITY			
Capital and reserves			
Share capital	9	6 500	6 500
Reserve for property, plant and equipment	7	2 910 864	1 646 554
Total equity		2 917 364	1 653 054
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		4 168	54 181
Total non-current liabilities		4 168	54 181
Current liabilities			
Trade and other payables	8	1 602 076	1 356 326
Levies received in advance		3 786 104	3 726 768
Current tax liability		82 917	62 107
Total current liabilities		5 471 097	5 145 201
Total liabilities		5 475 265	5 199 382
Total equity and liabilities		8 392 629	6 852 436

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	6 500	6 500
Reserve for property, plant and equipment			
At beginning of year		1 646 554	516 950
Levy surplus for the year		1 983 279	1 655 092
Property, plant and equipment additions and replacements during the year	7	(718 969)	(525 488)
At end of year		2 910 864	1 646 554

Drakensberg Sun Hotel 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	2 066 196	1 717 199
Adjustments for:		
Interest received	(512 407)	(394 688)
Interest paid	302	-
Non cash items		
- Movement in exchange fee rebate	(50 013)	(50 014)
Net surplus before working capital changes	1 504 078	1 272 497
Changes in working capital		
- Movement in levies receivable	41 674	(50 026)
- Movement in trade and other receivables	(1 185 482)	618 509
- Movement in levies received in advance	59 336	342 128
- Movement in trade and other payables	245 750	(1 337 685)
Cash flows from operating activities	665 356	845 423
Interest received	512 407	394 688
Interest paid	(302)	-
Tax paid	(62 107)	(28 839)
Net cash inflow from operating activities	1 115 354	1 211 272
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(718 969)	(525 488)
Net cash outflow from investing activities	(718 969)	(525 488)
Net movement in cash and cash equivalents	396 385	685 784
Cash and cash equivalents at beginning of year	6 340 602	5 654 818
Cash and cash equivalents at end of year	6 736 987	6 340 602

Drakensberg Sun Hotel 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 were 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 disposals of property, plant and equipment, are credited to the statement of comprehensive income.

1.3 Leases

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

1.4 Financial instruments

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Such provision is established when there is evidence that the Company will not be able to collect the full amount owing. The provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. Bad debts are written off in the year during which they are identified.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Gains and losses on subsequent measurement of financial instruments are reflected in the statement of comprehensive income.

Drakensberg Sun Hotel Share Block Proprietary Limited

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

1.5 Cash and cash equivalents

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

1.6 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

Special levy revenue is recognised when raised.

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

Sundry revenue is recognised when it is earned.

1.7 Provisions

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

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

1.8 Equity

Ordinary shares are classified as equity.

1.9 Current taxes

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

1.10 Retirement benefits

The Company operates two (2) defined contribution plans, the assets of which are held in a separate trustee-administered fund. The Company pays fixed contributions into a separate entity. Contributions are charged to the statement of comprehensive income in the year to which they relate. The Company has no further payment obligations once the contributions have been paid. The Pension Fund Act of South Africa governs the defined contribution plans. All permanent employees are required to belong to the defined contribution plans.

Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 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 primarily from bank balances and amounts due from shareholders in respect of levies due. 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 (4) largest South African banking institutions.

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

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

Interest Rate Risk

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

Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 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	3 113 546	2 951 602
- contributions to retirement funds	206 312	194 240
Management fees	853 741	803 710
Audit fees	75 474	69 470
Professional fees and internal audit	39 076	1 563
Other operating expenses	5 596 219	5 336 044
	9 884 368	9 356 629
4 Net finance income		
Interest earned on fixed deposits, call deposits and current account	512 407	394 688
Interest paid	(302)	-
Net finance income	512 105	394 688
5 Income tax expense		
Provision is made for Company taxation on the net non-levy income of the "C" class levy fund.		
No tax is payable on levy income from the owners in terms of Section 10(1)e of the Income Tax Act.		
- current year provision	82 917	62 107
	82 917	62 107
A reconciliation of the tax charge is not considered appropriate as share block companies are liable for tax only on their net non-levy income.		
6 Trade and other receivables		
Trade and other receivables	1 114 832	48 376
Prepayments (Refer Note 12)	295 749	227 479
Interest receivable	196 045	155 694
Receiver of Revenue - VAT	10 405	-
	1 617 031	431 549
7 Reserve for property, plant and equipment		
At beginning of year	1 646 554	516 950
Levy surplus for the year	1 983 279	1 655 092
	3 629 833	2 172 042
Property, plant and equipment additions and replacements during the year	(718 969)	(525 488)
At end of year	2 910 864	1 646 554

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.

The Directors have approved capital expenditure for 2018 of R2,796,028 (2016: budgeted capital expenditure of R1,405,829 approved for 2017) which it is anticipated will decrease the budgeted surplus in the reserve fund by R870,250 (2016: increase the budgeted surplus by R15,754 in 2017). There were no capital commitments made at year end (2016: R nil).

Drakensberg Sun Hotel Share Block Proprietary Limited

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

	2017 R	2016 R
8 Trade and other payables		
Accruals (Refer Note 12)	518 833	421 713
Provision for auditors' remuneration	71 136	64 800
Sundry payables (Refer Note 12)	58 868	85 441
Exchange fee rebate	50 014	50 014
Receiver of Revenue - VAT	-	4 827
Drakensberg Sun Hotel Proprietary Limited (Refer Note 12)	903 225	729 531
	1 602 076	1 356 326
9 Share capital		
Authorised and issued		
33,360 "A" Class ordinary shares of 1 cent each	334	334
33,360 "B" Class ordinary shares of 1 cent each	334	334
72,228 "C" Class ordinary shares of 1 cent each	722	722
7,344 "D" Class ordinary shares of 1 cent each	73	73
3,000 "E" Class ordinary shares of 1 cent each	30	30
500,708 "F" Class ordinary shares of 1 cent each	5 007	5 007
	6 500	6 500

Voting Rights

The shares have equal voting rights.

Dividends

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

"E" Class shares

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

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

"C" Class shares

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

Winding-up

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

The balance available for distribution will be distributed as follows:

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

Drakensberg Sun Hotel Share Block Proprietary Limited

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

	2017 R	2016 R
10 Levies receivable		
Levy debtors	4 300	21 940
Reposessed debtors	109 517	84 155
Provision for reposessed debtors	(75 206)	(25 810)
- Opening balance	(25 810)	(76 079)
- Movement	(49 396)	50 269
	38 611	80 285
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>Land and buildings comprise the following property:</p> <p>The remainder of Sub 4 of the farm Driefontein No. 1389, Development Area of Driefontein, KwaZulu Natal, and the farm Stijlberg No. 7283, County of Weenen, KwaZulu Natal.</p> <p>Land and buildings were originally purchased for R22,052,939 and are not recognised because although the Company has legal title to the property it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the Municipality at R65.7m for rates purposes. There are no bonds on the property.</p> <p>The holder of the "F" Class shares has an option to purchase a portion of the land and buildings for R14.4m.</p>		
12 Related party transactions		
<p>The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited ("SSH"). The Company is charged the following fees in terms of the management agreement:</p>		
Management fee	853 741	803 710
Levy administration and collection fee	191 457	185 940
<p>During the financial year the Company paid membership fees to SunSwop (a division of SSH), which is affiliated to Interval International.</p>		
SunSwop exchange services	296 333	270 585
<p>During the financial year the Company paid the following SSH internal charges:</p>		
- Information technology administration charge	150 696	102 652
<p>Most expenses of the Company, including costs in terms of contracts negotiated on behalf of members of the Southern Sun Group, are initially incurred by Drakensberg Sun Hotel Proprietary Limited. The portion of costs applicable to the Company is recovered via a current account. The balance of the current account is as follows:</p>		
<p>Amount owing (to)/from Drakensberg Sun Hotel Proprietary Limited and SSH:</p>		
- included in payables (Refer Note 8)	(939 594)	(802 267)
- included in receivables (Refer Note 6)	-	29 022
	(939 594)	(773 245)

Drakensberg Sun Hotel Share Block Proprietary Limited

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

12 Related party transactions (continued)

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

	Number of units	Levies paid	Levies received in advance
		R	R
2017 - shareholding			
A Fuller (appointed 1 September 2016) - Sunswop (a division of SSHI)	19	150 950	49 240
AB Ramsarup - The Leisure Holiday Club	469	3 496 950	1 422 020
AN Ridl - Club Leisure Group	158	1 267 000	571 020
2016 - shareholding			
A Fuller (appointed 1 September 2016) - Sunswop (a division of SSHI)	19	138 980	59 520
AB Ramsarup - The Leisure Holiday Club	469	3 219 470	1 333 940
AN Ridl - Club Leisure Group	157	1 166 590	539 870

13 Directors emoluments

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

Drakensberg Sun Hotel Share Block Proprietary Limited

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

	2017 R	2016 R
INCOME		
Levies	11 229 650	10 525 050
Rental pool and short term rentals	123 437	113 332
Net non-levy income		
- telephone, rentals, sundry recoveries and penalties	45 898	39 758
Proceeds on sale of assets	39 474	1 000
	11 438 459	10 679 140
EXPENDITURE		
Rooms Expenses		
Cleaning supplies	50 813	50 943
Guest entertainment		
- M-Net	96 262	90 060
- outside services	340 343	321 168
- videos, cocktails, games and prizes	81 109	90 211
Guest supplies	70 123	77 205
Laundry	340 859	432 869
Personnel costs		
- outside services	894 512	880 190
Pest control	10 263	9 752
Printing and stationery, including reception	142 176	121 955
Replacement of cutlery, crockery, linen, towels, uniforms etc	56 422	23 727
Security services	528 390	500 844
	2 611 272	2 598 924
Administration and General		
Auditors remuneration		
- current year	71 136	64 766
- prior year overprovision	(33)	(446)
- expenses	4 371	5 150
Bank charges	10 157	2 232
Corporate social initiatives	25 000	-
Credit card commission	35 907	38 742
Information technology costs	370 131	325 641
Insurance	48 843	50 565
Internal audit fees	39 076	1 563
Levy administration and collection fees	191 457	185 940
Licences and permits	11 471	10 810
Loss on repossessed debtors	1 278	28 266
Marketing	2 000	-
Penalties	3 269	-
Printing, postage and stationery	542	1 106
Provision for repossessed debtors	49 396	(50 269)
Railage, cartage and hire transport	7 727	4 025
Sunswop exchange service	296 333	270 585
Subscriptions/marketing	6 334	5 848
Telephone		
- calls	26 528	17 752
Balance carried forward	1 200 923	962 276

Drakensberg Sun Hotel 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 carried forward	1 200 923	962 276
Travel		
- Management and Directors	64 154	60 543
Vehicles		
- fuel and oil	41 090	49 087
	1 306 167	1 071 906
Electricity and Refuse		
Electricity	714 720	756 929
Refuse	86 376	75 553
	801 096	832 482
Repairs and Maintenance		
Buildings	33 008	16 448
Electrical and mechanical	144 576	116 969
Furniture and fixtures	38 719	53 466
Gardens and grounds	458 547	430 859
General maintenance	86 258	71 858
Painting and redecorating	13 309	19 206
Plumbing and heating	18 329	26 988
Sewerage treatment	6 183	8 695
Suncare	21 777	-
	820 706	744 489
Corporate Charges		
Annual report and statutory costs	40 726	27 659
Furniture and equipment leases	17 604	17 605
Municipal rates and taxes	113 198	114 012
	171 528	159 276
Personnel costs		
Rooms	1 073 663	1 027 775
Administration and general	1 559 210	1 535 056
Repairs and maintenance	686 985	583 011
	3 319 858	3 145 842
Management Fee	853 741	803 710
Total Expenditure	9 884 368	9 356 629
Excess of income over expenditure before finance income and taxation	1 554 091	1 322 511
Net finance income		
Net interest received	512 105	394 688
Excess of income over expenditure before taxation	2 066 196	1 717 199
Taxation		
- current	82 917	62 107
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	1 983 279	1 655 092

Drakensberg Sun Hotel Share Block Proprietary Limited

DRAFT Minutes of the Annual General Meeting of Shareholders held on Thursday, 28 September 2017, at 11h30 at uMhlanga Sands Resort, uMhlanga

1 CONSTITUTION OF THE MEETING, WELCOME AND APOLOGIES

The Chairman, Mr Fuller, welcomed all to the Annual General Meeting of the members of the Drakensberg Sun Hotel Share Block Proprietary Limited. The Notice of the Meeting had been properly given and as the necessary quorum was present, the Chairman declared the Meeting duly constituted. The Company's Memorandum of Incorporation required at least three shareholders to be personally present and to hold a minimum of 5% of the voting rights entitled to be exercised at the Meeting and remain present throughout the Meeting.

The Chairman introduced himself and briefly introduced his fellow Directors.

The Secretary recorded apologies from Mr Anthony Ridl and Mr Jaco Boshoff.

2 MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

Item 3 on the Agenda, was the adoption of the Minutes of the previous Annual General Meeting, held on 8 September 2016. The Chairman had nothing further to add and as there were no comments or queries, called for the Minutes of the previous Annual General Meeting held on 8 September 2016, to be adopted. No objections were recorded and motion was carried.

3 ANNUAL FINANCIAL STATEMENTS

Item 4 on the Agenda, Resolution 1, was to receive, consider and adopt the Annual Financial Statements for the year ended 31 December 2016. The Annual Financial Statements for the 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. No objections were recorded and no queries were raised. The Annual Financial Statements for the year ended 31 December 2016 were adopted.

4 APPOINTMENT OF AUDITORS

Item 5 on the Agenda, Resolution 2, was to re-appoint PricewaterhouseCoopers Inc. (PWC) as Auditors of the Company. The Chairman called for PWC to be re-appointed as Auditors for the ensuing year. No objections were recorded and the motion was carried.

5 ELECTION OF DIRECTORS

Item 6 on the Agenda, Resolution 3, was to elect Directors representing the timesharers to the Board for the ensuing year. The following Directors retired at this Annual General Meeting but were eligible for re-election:

- Brian Ellis
- Ajith Ramsarup
- Anthony Ridl

The Chairman advised that the Secretary had not received additional nominations and enquired whether there were any nominations from the floor. None were recorded. In terms of the Companies Act, each nomination was proposed and voted for individually.

Those in favour of electing Brian Ellis as Director for the ensuing year had voted by a show of hands. The Chairman declared Brian Ellis duly elected for the ensuing year.

Those in favour of electing Ajith Ramsarup as Director for the ensuing year had voted by a show of hands. The Chairman declared Ajith Ramsarup duly elected for the ensuing year.

Those in favour of electing Anthony Ridl as Director for the ensuing year had voted by a show of hands. The Chairman declared Anthony Ridl duly elected as a Director for the ensuing year.

No objections had been recorded. The Chairman declared the Directors elected and the motion carried.

6 APPOINTMENT OF DIRECTORS AS MEMBERS OF THE AUDIT COMMITTEE

Item 7 on the Agenda, was to appoint Directors as members of the Audit Committee. It was a provision of the Companies Act and as a private company, for shareholders to elect three Directors as members of the Audit Committee. The Chairman proposed that Messrs Ellis, Ramsarup and Ridl, who had served on the Audit Committee the previous year, be appointed members of the Audit Committee for the ensuing year. No objections were recorded and the motion was carried.

7 APPOINTMENT OF MEMBERS OF THE SOCIAL AND ETHICS COMMITTEE

Item 8 on the Agenda, Resolution 5, referred to the appointment of members to the Social and Ethics Committee. The King IV Commission had been released during the course of 2016 and it recommended the establishment of a separate standing Committee for Social and Ethics matters. According to the Charter, the Committee comprised three members, at least one of which should be a Director. The Chairman advised that Roger Petyt currently served on the Social and Ethics Committee, along with other Directors from the Drakensberg Sun Share Block Board. No additional proposals were received and the Chairman declared the motion carried.

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8 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 recommended property insurance, as provided by independent Quantity Surveyors, Brain Heineberg and Associates, for the 2017/2018 period was follows:

Furniture, Fittings and Equipment of R11.8m and Buildings of R30.5m, which offered a total insured value of R42.3m. No queries were raised and no objections were recorded. The Chairman declared the motion adopted.

9 GENERAL MATTERS

The final item on the Agenda was General Matters for discussion. The Chairman enquired whether there were any specific matters for discussion. No matters were raised for discussion.

10 CLOSURE

There being no further business, the Chairman thanked all for their attendance and declared the Meeting closed at 11h38.

Read and confirmed this _____ day of _____, 2018.

CHAIRMAN