

Drakensberg Sun Share Block Proprietary Limited

Registration no:1988/002500/07



for the year ended 31 December 2017

Drakensberg Sun Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2017

COMPANY INFORMATION

Registration number: 1988/002500/07
Registered address: Palazzo Towers East
Montecasino Boulevard
Fourways
2055
Postal address: Private Bag X200
Bryanston
2021

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

- Detailed Levy Fund Operating Statement 21 - 22

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

Drakensberg Sun Share Block Proprietary Limited

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

On behalf of your Board of Directors, it is once again my pleasure to report to our Shareholders on the operation, developments and financial position during 2017 of the Drakensberg Sun Resort. Tough economic times continued to negatively impact on the country, but despite this, management have successfully maintained the high standards our owners and visitors have come to expect. I can confidently say that our property is looking as superb as ever, and continues to remain one of the most sought after holiday destinations in South Africa.

Resort and Chalet Update

The entertainment centre has been upgraded and improved with "freshness" of colour, as well as additional X-box games. The entertainment programme has also improved. Your Board, in conjunction with the management team, has been developing a new focus to the entertainment offering, by creating a child-focused educational aspect into the programme. Proposals, designs and costing have been discussed to create a more modern entertainment centre, in line with the extremely successful Xscape entertainment facility introduced at the uMhlanga Sands Resort. Whilst on a much smaller scale to that at uMhlanga Sands, this Xscape facility will be quite unique in the immediate area, and set our Resort apart from the competition. Xscape is about educating children, so that whilst on holiday they can enjoy and learn something new and special. We will endeavor to ensure the satisfaction of our guests by creating a facility that children of all ages are kept busy and happy during their stay at Drakensberg Sun.

Many exciting projects have been completed this past year and I am very pleased with the improvements. The Chalets have been refurbished, and much positive feedback has been received for the lighter, brighter and more modern Chalets. Ceiling fans have been added for better circulation and cooling in the Chalets. The outdoor chess game has been repainted and the outdoor snakes and ladders board game has been upgraded with brighter colours. Trees on the property have been trimmed back for all chalets to enjoy views of the beautiful mountainous landscape. New balcony furniture was purchased, and this year new patio awnings will be erected to replace the small umbrellas and to provide better protection from rain, and shade during very sunny and hot days. The pathways have been repaired and protected with a non-slip coating. New signage was erected on the property and you will notice new logos on correspondence from the Resort.

In order to reduce costs as much as possible, our in-house maintenance team assists with most repairs and replacements, and staff are trained and upskilled to assist with many tasks and projects on the property.

Occupancy

Drakensberg Sun is strategically located in the heart of Central Drakensberg. Many owners and guests visit the Resort to enjoy the fresh air, superb scenery of the mountains, the peace and quiet, and to take the opportunity to slow down, unwind and recharge. The Resort offers many great facilities such as hiking, cycling, boating and fishing, amongst others, for all to enjoy.

2017 experienced a marginal decrease in occupancy against the prior year, and ended the year on 80.4% (2016: 81.3%). Occupancy was impacted by the additional week 53, falling in the 2016 year.

Financial Results for the Year Ended 31 December 2017

The Statement of Comprehensive Income as set out on page 12 of the Annual Financial Statements reflects income and expenditure of the Company in a summarised format. As was the case last year, the Detailed Levy Fund Operating Statement, which is not audited and presented as supplementary information only, appears on pages 21 and 22 and will be referred to when I comment on the financial results for the year.

The Statement of Comprehensive Income and Expenditure for the year ended 31 December 2017 reflects total income, including net finance income of R12.195m (2016: R11.350m) and total expenditure of R9.537m (2016: R9.016m). The levy surplus after taxation was R2.535m (2016: R2.231m) 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 7.4% year-on-year, mainly due to the R41k increase in the sale of capital assets relating to the sale of the company vehicle. Net finance income increased by 13.8% due to additional funds being invested for longer periods and yielding a higher return. Rental pool income increased by R32k against the previous year, due to an increase in the number of rooms available for rental. Management's focus on this revenue stream has had a positive outcome and generated additional income. Net non-levy income increased year-on-year by R26k and included the profit on the sale of repossessed units.

Expenditure

Total Expenditure of R9.537m (2016: R9.016m) reflected an increase of 5.8% 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 R129k decrease in laundry costs in 2017. No major repairs were necessary on laundry equipment in 2017.
- **Administration and general** charges reflected a 15.7% increase year-on-year primarily due to your Board agreeing a contribution of R25k towards corporate social initiatives. Internal audit fees increased by R37k, due to the fact that an internal audit was not conducted in 2016. The provision for repossessed units increased by R60k due to an increase in the number of repossessed units, and the uncertainty as to their resales.
- **Electricity, water and refuse** reflected a year-on-year increase of 6.5%, mainly due to the installation of additional power meters and the consumption costs being split more accurately.
- **Repairs and maintenance** reflected an increase of 9.1%. SunCare repair work was carried out in all units and the fire pump was serviced during the year. The generator was serviced, and major repairs amounting to R23k were carried out on the generator 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 an increase of 8.9% year-on-year due to the inclusion of costs for annual reports, statutory costs, and annual levies of R14k payable in terms of the new Community Schemes Ombud Service Act.

Drakensberg Sun Share Block Proprietary Limited

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

Statement of Financial Position

The Statement of Financial Position, detailed on page 13 together with the related notes thereto, reflects the financial position of the Company. The reserve for property, plant and equipment increased to R4.237m (2016: R2.339m), cash and cash equivalents increased to R9.650m (2016: R6.679m) and levies receivable increased to R111k (2016: R59k). Levies received in advance increased to R3.458m (2016: R3.392m).

During the 2017 year, the Company incurred capital expenditure of R636,814 (2016: R1,362,779) in respect of, amongst others, the following major projects:

	R
Beds	192,120
Toyota Hilux Vehicle	122,042
Ceiling fans	80,268
Painting	77,394

2019 Levy

The 2019 annual levy budget increase will be presented and confirmed by the Board, at the Company Board Meeting to be held in August 2018. This meeting takes place after the Notice of the Annual General Meeting, and the Annual Report were communicated. This being the case, notification of the 2019 levy amount will be advised under separate cover. I once again re-assure you that whilst your Board provides to make further improvements to the Resort, your Board are very aware of the effect of levy increases. As always, I am very understanding and conscious of the levy affordability for our owners, especially our elderly and retired who rely on a pension. I wish to assure each and every one of you that we do our very best to keep the levy increase as low as possible. Your Board has spent a considerable amount of time, and will continue to do so, in deliberating with the Management team as to how the ever increasing operational costs can be reduced. A thorough scrutiny is undertaken of all proposed costs, and your Board and Southern Sun Management work very closely together to ensure the lowest possible increase. Whilst reducing costs, it must be remembered that a healthy reserve fund is essential for not only the future stability and security of the Resort, but also in preparing for any unexpected occurrences in expenditure.

Levies outstanding at year-end was a mere 0.14% of total levy income, which is virtually unheard of in the timeshare industry. I wish to congratulate our management team for their commitment and hard work in achieving this outstanding levy collection result. This is not an easy task in these tight economic times, and I would also like to extend a big thank you to all shareholders who pay their levies timeously. It allows for the smooth and effective operation of the Resort.

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 is currently the Chairman of the VOASA Board.

Surrounding Developments

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

Memorandum of Incorporation: Registration of Company Name

The technical issue experienced last year in submitting the Memorandum of Incorporation (MOI) with the Companies and Intellectual Properties Commission (CIPC) has been rectified, and the new MOI has been approved as at the 6th March 2017. The Company is now registered as a private Company and operates according to the new MOI which replaced the Memorandum and Articles of Association for the Company. Unfortunately, a delay was experienced in changing the Company name after the name was incorrectly captured by the CIPC as Drakensberg Sun Share Block Proprietary Limited. The Company name was amended and recorded as Drakensberg Sun Chalets Share Block Proprietary Limited (including "Chalets").

Management Agreement

I take this opportunity to advise 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 this lengthy process. Your Board authorized me to sign the new Management Agreement into operation.

Shareholders can be assured that the Southern Sun Resorts team will continue the tradition of providing great service delivery. Your Board maintains an especially good working relationship with Management, and I am confident that Roger Petyt and his team, as well as the support team from Southern Sun Resorts, will continue to provide great attention and care for our wonderful property.

Social and Ethics Committee

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 to highlight what great initiatives are in place.

General

Management has improved its communication with on-site guests, by sending sms' providing a brief overview of the entertainment programme for the day and week ahead, activities taking place in the area, the weather forecast, rental opportunities, sales opportunities and so on. To improve sundry income for the Company, a list of units for rental and sale is placed in each unit, and the Resort is able to email and sms details on units available. The list and information is available on Facebook and on the Resort's timeshare website.

Drakensberg Sun Share Block Proprietary Limited

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

Should you wish to enquire further about rentals or sales opportunities, you are very welcome to contact Siza Rantsatsi, at front office, or contact the sales office. The team is available to assist wherever possible and looks forward to receiving any enquiry. Please remember that Siza Rantsatsi and the sales office is also able to assist you if you are unable to take up your holiday, and they will guide you in options available to rent your unit.

Conclusion

As previously mentioned, I am very pleased with the results achieved at the Drakensberg Sun Resort this past year. Your Company is financially sound and well managed, and the Resort has achieved excellent results on so many different fronts. I congratulate our General manager Roger Petyt and his team, who continually go the extra mile to improve all aspects of this magnificent Resort. The attention to detail and the enthusiasm and friendliness of all the staff members towards our guests, is evidence of the pride that they take in being part of the greater Drakensberg Sun Family. Thank you Roger and team.

Adam Fuller, the Southern Sun Operations Director appointed in September 2016, has slotted seamlessly into our Management team, and has brought new innovations and observations to your Board. It has been a pleasure working with Adam, and we look forward to his further input. My sincere thanks and appreciation to my fellow Board Members David Alexander, Brent Dickson, Ajith Ramsarup and Anthony Ridl, and to the Southern Sun Resorts Management team, for their time, energy, wisdom and guidance this past year. It takes a big effort from all involved to ensure the success of Drakensberg Sun.

I have had the pleasure of serving on the Drakensberg Sun Chalets and Apartments Boards for more than twenty years, most of them as Chairman, and the time is approaching for me to consider stepping down. I have seen so many refurbishments, staff changes and improvements during these twenty years, in fact, too many to mention. Many of the current staff have served the Resort even longer than I have, and have become almost like family to me, so parting ways will be difficult. Those who know me, will know that I have a deep and special affection for not only the people, but also for the Drakensberg Sun Resort and surroundings themselves. In the earlier days, together with the Parks Board, I planned and cut most of the hikes and trails from the Resort into the mountains, and it is so rewarding to see the pleasure that these hikes and trails give to others. I give you my assurance that when I step down, it will be with the knowledge and guarantee that your Resort is in good and capable hands.

As it is probable that I will no longer be Chairman at the time the next Chairman's Review is documented, may I take this opportunity of thanking all our Shareholders, current and over the past twenty plus years, for their support of not only me, but more importantly, the Drakensberg Sun Resort. Your positive efforts have contributed greatly to the success that this property is today, and I know that your support will continue into the future.

In closing, I once again extend a warm welcome to each and every one of you to attend our Annual General Meeting, to be held at the uMhlanga Sands Resort, uMhlanga Rocks, on Thursday 6th September 2018 at 10h00. This is a great opportunity for owners, your Board and the Management team to debate various issues and ideas regarding the operation of the Resort. I look forward to meeting each one of you. If you are unable to attend, please complete and return the proxy form enclosed in the Annual Report.

Take care, travel safely and kind regards,



A handwritten signature in dark ink, appearing to read 'Brian Ellis', written over a light-colored background.

BRIAN ELLIS
CHAIRMAN
DRAKENSBERG SUN SHARE BLOCK
LIMITED

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held on **Thursday, 6 September 2018 at 10h00 in Coco's Bar at uMhlanga Sands Resort, 44 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 28 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.

• **David Alexander** • **Brent Dickson** • **Brian Ellis** • **Ajith Ramsarup** • **Anthony Ridl**

The Board is limited by the Memorandum of Incorporation to five (5) 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 10h00 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.

- Resolution 4:** Appoint three (3) Directors as members of the Audit Committee. The current members are Brian Ellis, Ajith Ramsarup and Anthony Ridl.
- Resolution 5:** Appoint three (3) members to the Social and Ethics Committee. The current members are David Alexander, Brent Dickson and Roger Petyt.
- 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.

- 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 10h00 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. **Proxy forms should be forwarded to reach the registered office of the Company, for the attention of the Company Secretary, by no later than 10h00 on 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 Share Block Proprietary Limited
 Registration Number: 1988/002500/07
 ("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 **Thursday, 6 September 2018 at 10h00 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			
• David Alexander			
• Brent Dickson			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
Resolution 4: Appoint Audit Committee			
• Brian Ellis			
• Ajith Ramsarup			
• Anthony Ridl			
Resolution 5: Appoint Social and Ethics Committee			
• David Alexander			
• Brent Dickson			
• 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 10h00 on Monday, 3 September 2018.**

Drakensberg Sun 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 Share Block Proprietary Limited. The annual financial statements presented on pages 12 to 20 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 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 10 and 11.

Approval of Financial Statements

The annual financial statements set out on pages 12 to 20 were approved by the Board of Directors on 7 May 2018 and are signed by:



BG Ellis
Chairman



AN Ridl
Director – Chairman of Audit Committee

Declaration by the Company Secretary

I hereby confirm, in my capacity as Company Secretary of Drakensberg Sun 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 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 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 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 Glasifer 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 Directors, Brent Dickson and David Alexander. The combined Committee with Drakensberg Sun Hotel Share Block includes Directors on that Board such as Roger Petyt, Adam Fuller and Peter Pienaar. 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 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 Resort which are 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 additions to property, plant and equipment have been charged annually against this amount. Before providing for property, plant and equipment additions and replacements, a surplus of R2,535,165 (2016: R2,231,093) 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 chalet 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:

DM Alexander ^

BG Ellis * Chairman

BS Dickson ^

AB Ramsarup *

AN Ridl *

* Audit Committee Members

^ Social & Ethics Committee Members

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

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

6 Management

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

7 Material events after year end

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

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

Drakensberg Sun Share Block Proprietary Limited

Report of the Independent Auditors

To the Shareholders of Drakensberg Sun 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 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 Share Block Proprietary Limited's financial statements set out on pages 12 to 20 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 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 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Drakensberg Sun Share Block 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 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 annual financial statements.

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

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

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 R	2016 R
Income		11 542 983	10 777 533
Levy income		11 225 525	10 559 082
Other income		317 458	218 451
Expenses		(9 536 875)	(9 015 663)
Levy surplus before interest and taxation	3	2 006 108	1 761 870
Net finance income	4	651 754	572 872
Levy surplus before taxation		2 657 862	2 334 742
Income tax expense	5	(122 697)	(103 649)
Levy surplus for the year		2 535 165	2 231 093

Drakensberg Sun 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	795 050	569 168
Levies receivable	10	111 091	58 503
Cash and cash equivalents		9 649 861	6 679 090
Total current assets		10 556 002	7 306 761
Total assets		10 556 002	7 306 761
EQUITY			
Capital and reserves			
Share capital	9	1 256	1 256
Reserve for property, plant and equipment	7	4 237 467	2 339 116
Total equity		4 238 723	2 340 372
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		5 402	70 236
Total non-current liabilities		5 402	70 236
Current liabilities			
Trade and other payables	8	2 731 228	1 400 335
Levies received in advance		3 457 952	3 392 169
Current tax liability		122 697	103 649
Total current liabilities		6 311 877	4 896 153
Total liabilities		6 317 279	4 966 389
Total equity and liabilities		10 556 002	7 306 761

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	1 256	1 256
Reserve for property, plant and equipment			
At beginning of year		2 339 116	1 470 802
Levy surplus for the year		2 535 165	2 231 093
Property, plant and equipment additions and replacements during the year	7	(636 814)	(1 362 779)
At end of year		4 237 467	2 339 116

Drakensberg Sun 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	2 657 862	2 334 742
Adjustments for:		
Net interest received	(651 754)	(572 872)
Non cash items		
- Movement in exchange fee rebate	(64 834)	(64 834)
Net surplus before working capital changes	1 941 274	1 697 036
Changes in working capital		
- Movement in levies receivable	(52 588)	17 637
- Movement in trade and other receivables	(225 882)	(63 320)
- Movement in levies received in advance	65 783	84 631
- Movement in trade and other payables	1 330 893	(1 068 969)
Cash flows from operating activities	3 059 480	667 015
Net interest received	651 754	572 872
Tax paid	(103 649)	(78 162)
Net cash inflow from operating activities	3 607 585	1 161 725
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(636 814)	(1 362 779)
Net cash outflow from investing activities	(636 814)	(1 362 779)
Movement in cash and cash equivalents	2 970 771	(201 054)
Cash and cash equivalents at beginning of year	6 679 090	6 880 144
Cash and cash equivalents at end of year	9 649 861	6 679 090

Drakensberg Sun 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 period.

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

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Leases

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

1.4 Financial instruments

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

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

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

Drakensberg Sun Share Block 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 on 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 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 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 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	3 094 404	2 931 762
- contributions to retirement funds	203 318	191 455
Management fees	587 606	553 171
Audit fees	75 519	74 725
Professional fees and internal audit	40 645	3 415
Other operating expenses	5 535 383	5 261 135
	9 536 875	9 015 663
4 Net finance income		
Interest earned on fixed deposits, call deposits and current account	651 754	572 872
Net finance income	651 754	572 872
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 term of Section 10(1)e of the Income Tax Act.		
Current year	122 697	103 649
	122 697	103 649
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 and other receivables	33 017	45 346
Prepayments (Refer Note 12)	389 961	329 508
Receiver of Revenue - VAT	42 346	-
Interest receivable	329 726	194 314
	795 050	569 168
7 Reserve for property, plant and equipment		
At beginning of year	2 339 116	1 470 802
Levy surplus for the year	2 535 165	2 231 093
	4 874 281	3 701 895
Property, plant and equipment additions and replacements during the year	(636 814)	(1 362 779)
At end of year	4 237 467	2 339 116

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 R2,083,262 (2016: budgeted capital expenditure of R2,020,743 approved for 2017) which it is anticipated will decrease the budgeted surplus in the reserve fund by R67,153 (2016: increase the budgeted surplus by R405,381 in 2017). There were no capital commitments made at year-end (2016: R nil).

Drakensberg Sun 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)	604 157	453 673
Provision for auditors' remuneration	71 136	64 755
Sundry payables (Refer Note 12)	1 144 527	161 372
Exchange fee rebate	64 834	64 834
Drakensberg Sun Hotel Proprietary Limited (Refer Note 12)	846 574	646 433
Receiver of Revenue - VAT	-	9 268
	2 731 228	1 400 335
9 Share capital		
Authorised		
635,250 ordinary shares of 1 cent each	6 352	6 352
Issued		
125,580 ordinary shares of 1 cent each	1 256	1 256
10 Levies receivable		
Levy debtors	18 538	22 168
Repossessed debtors	208 287	75 385
Provision for repossessed debtors	(115 734)	(39 050)
- Opening balance	(39 050)	(22 584)
- Movement	(76 684)	(16 466)
	111 091	58 503

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:

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

Land and buildings were originally purchased for R7,848,970 and are not recognised. Although the Company has legal title to the property it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the Municipality at R16m 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:

Management fee	587 606	553 171
Levy administration and collection fee	197 706	185 940

Drakensberg Sun Share Block Proprietary Limited

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

	2017 R	2016 R
12 Related party transactions (continued)		
During the financial year the Company paid membership fees to SunSwop (a division of SSHI), which is affiliated to Interval International.		
SunSwop exchange services	257 823	237 695
During the financial year the Company paid the following SSHI internal charges:		
- Information technology administration charge	150 696	102 652
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:		
Amount owing (to)/from Drakensberg Sun Hotel Proprietary Limited and SSHI:		
- included in payables (Refer Note 8)	(874 142)	(721 772)
- included in receivables (Refer Note 6)	7 727	11 380
	(866 415)	(710 392)

	Number of units	Levies paid R	Levies received in advance R
SSHI own units in the Company as follows:			
SunSwop (a division of SSHI) - 2017 shareholding	27	217 320	42 900
SunSwop (a division of SSHI) - 2016 shareholding	27	199 915	39 950

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

2017 - shareholding

BS Dickson - Dream Vacation Club	87	717 910	153 770
AB Ramsarup - The Leisure Holiday Club	23	185 560	53 170
AN Ridl - Club Leisure Group	99	813 270	301 860

2016 - shareholding

BS Dickson - Dream Vacation Club	85	662 375	191 880
AB Ramsarup - The Leisure Holiday Club	23	170 515	41 540
AN Ridl - Club Leisure Group	99	757 175	287 585

13 Directors emoluments

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

Drakensberg Sun Share Block 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	11 225 525	10 559 082
Rental pool	177 950	145 928
Net non-levy income		
- telephone, rentals and penalties etc	97 569	71 523
Sale of capital assets	41 939	1 000
	11 542 983	10 777 533
EXPENDITURE		
Rooms Expenses		
Cleaning supplies	52 638	48 920
Guest entertainment		
- M-Net	92 573	84 431
- outside services	339 222	321 167
- videos, cocktails, games and prizes	83 665	87 760
Guest supplies	76 041	75 993
Laundry	305 611	435 034
Personnel costs		
- outside services	977 635	932 579
Pest control	10 263	9 752
Printing and stationery, including reception	141 045	117 390
Replacement of cutlery, crockery, linen, towels, uniforms etc	47 258	30 900
Security services	531 258	500 855
	2 657 209	2 644 781
Administration and General		
Audit Fees		
- current year	66 765	64 766
- prior year underprovision	4 383	5 057
- expenses	4 371	4 902
Bank charges	5 297	3 003
Corporate social initiatives	25 000	-
Credit card commission	56 432	50 561
Information technology costs	375 899	344 089
Insurance	22 401	21 562
Internal audit fees	40 645	3 415
Levy administration and collection fees	197 706	185 940
Licences and permits	11 820	11 507
Loss on repossessed debtors	11 789	7 419
Marketing	2 000	-
Penalties	(42 743)	-
Printing, postage and stationery	542	1 106
Provision for repossessed debtors	76 684	16 466
Railage, cartage and hire transport	7 172	4 045
Sunswop exchange service	257 823	237 695
Telephone		
- calls	26 528	17 752
Balance carried forward	1 150 514	979 285

Drakensberg Sun 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	1 150 514	979 285
Subscriptions/marketing	5 355	5 355
Travel		
- Management and Directors	69 214	60 855
Vehicles		
- fuel and oil	41 090	49 087
	1 266 173	1 094 582
Electricity and Refuse		
Electricity	628 625	567 687
Generator fuel	-	27 812
Refuse	86 375	75 553
	715 000	671 052
Repairs and Maintenance		
Buildings	15 935	24 536
Furniture and fixtures	49 688	64 855
Gardens and grounds	475 522	428 626
Painting and redecorating	39 955	24 213
General maintenance	223 654	218 561
Sewerage and water	34 868	8 695
	839 622	769 486
Corporate Charges		
Annual report and statutory costs	42 741	27 757
Furniture and equipment leases	17 604	17 605
Municipal rates and taxes	113 198	114 012
	173 543	159 374
Personnel costs		
Rooms	1 087 587	951 761
Administration and general	1 530 971	1 572 994
Repairs and maintenance	679 164	598 462
	3 297 722	3 123 217
Management Fee	587 606	553 171
Total Expenditure	9 536 875	9 015 663
Excess of income over expenditure before finance income and taxation	2 006 108	1 761 870
Net finance income		
Net interest received	651 754	572 872
Excess of income over expenditure before taxation	2 657 862	2 334 742
Taxation	122 697	103 649
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	2 535 165	2 231 093

Drakensberg Sun Share Block Proprietary Limited

DRAFT Minutes of the Annual General Meeting of Shareholders held on Thursday, 28 September 2017, at 10h04 at uMhlanga Sands Resort, uMhlanga

1 CONSTITUTION OF THE MEETING, WELCOME AND APOLOGIES

The Chairman, Mr Ellis, welcomed all to the Annual General Meeting (AGM) of Drakensberg Sun Share Block Proprietary Limited. Notice of the Meeting had been properly given. The Chairman reported that the Memorandum of Incorporation (MOI) had been approved and that being the case, there was sufficient quorum for the AGM to proceed. The Chairman declared the AGM duly constituted.

The Chairman, introduced himself as Brian Ellis together with the following Directors, Members of the Management Team and invitees:

Adam Fuller	Resorts Operations Director
Roger Petyt	General Manager Drakensberg Sun
David Alexander	Non-Executive and Independent Director
Brent Dickson	Non-Executive Director representing Dream Vacation Club
Ajith Ramsarup	Non-Executive Director representing The Leisure Holiday Club
Georgina Stevenson	Resorts Company Secretary
Peter Pienaar	General Manager SunSwop
Sunet Le Roux	Financial Controller – Drakensberg Sun
Marina de Paiva	Resorts Financial Controller - Levies
Rodney Klufe	Auditor from PricewaterhouseCoopers Inc. (PWC)
Naeem Bayat	Resorts Management Accountant
Yahke Zuma	Administration and Levy Department
Marcia Khumalo	Administration and Levy Department
Elaine Bedessey	Resorts Assistant Levy and Administration Manager
Melissa Terry	Financial Controller Beacon Island

The Secretary noted apologies from non-executive Director, representing Club Leisure Group, Anthony Ridl.

2 MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

Item 2 of the Agenda was to approve the Minutes of the previous Annual General Meeting and Item 3, the adoption of the Minutes of the previous Annual General Meeting held on 8 September 2016 as well as the postponed Annual General Meeting Minutes held on 15 September 2016. The Chairman had nothing further to add. No comments were raised and the Chairman called for the previous Annual General Meeting Minutes to be approved. No objections were recorded. The motion to approve and adopt the Minutes of the 8 September 2016 and the Minutes of the 15 September 2016 was carried.

3 MATTERS ARISING

Item 4 on the Agenda was to discuss matters arising from the previous AGM Minutes. The Chairman advised that at the Pre-AGM of the Board of Directors had not raised any items arising from the minutes. No comments were received from the floor.

4 ANNUAL REPORT

Item 5 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 financial year ended 31 December 2016, read with the Chairman's Review, covered the activities of the Company for the period under review. The Chairman had nothing further to add and called for a proposal for the Annual Financial Statements of the Company for the year ended 31 December 2016, to be approved and adopted. The recommendation was proposed and the report and accounts were opened for discussion. The Chairman stated that he would be pleased to answer any queries. No queries were raised and the motion was carried.

5 RE-APPOINTMENT OF AUDITORS

The Chairman referred to Item 6 on the Agenda, Resolution 2, to re-appoint PricewaterhouseCoopers Inc (PWC). as the Auditors of the Company. There were no objections from the floor and the Chairman declared Resolution 2 adopted and the motion carried.

6 ELECTION OF DIRECTORS

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

- Brian Ellis
- David Alexander
- Brent Dickson
- Ajith Ramsarup
- Anthony Ridl

The Chairman advised that no additional nominations had been received and enquired whether there were any nominations from the floor. He advised that the number of Directors on the Board was limited to five. If there was an additional nomination, a poll would have to be called.

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No nominations were received from the floor. The Chairman stated that in terms of the Memorandum of Incorporation, the appointment of Directors had to be voted for individually and he proceeded with the election.

Those in favour of electing Brian Ellis as Director for the ensuing year, voted on a show of hands. Mr Ellis was duly elected to the Board for the ensuing year.

Those in favour of electing David Alexander as Director for the ensuing year voted on a show of hands. Mr Alexander was duly elected to the Board for the ensuing year.

Those in favour of electing Brent Dickson as Director for the ensuing year voted on a show of hands. Mr Dickson was duly elected to the Board for the ensuing year.

Those in favour of electing Ajith Ramsarup as Director for the ensuing year voted on a show of hands. Mr Ramsarup was duly elected to the Board for the ensuing year.

Those in favour of electing Anthony Ridl as Director for the ensuing year voted on a show of hands. Mr Ridl was duly elected to the Board for the ensuing year.

8 APPOINTMENT OF DIRECTORS AS MEMBERS OF THE AUDIT COMMITTEE

Item 8 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, Drakensberg Sun Share Block was required to appoint three Directors as members of the Audit Committee. The current members were Mr Ellis, Mr Ramsarup and Mr Ridl. No additional nominations were received. The Chairman recommended that the existing members be re-appointed members of the Audit Committee. No objections were recorded and the Chairman declared the motion carried.

9 APPOINTMENT OF MEMBERS OF THE SOCIAL AND ETHICS COMMITTEE

Item 9 on the Agenda, Resolution 5, was to appoint members of the Social and Ethics Committee. The recommendation by the King IV commission had been released during the course of 2016 and recommended the establishment of a separate standing sub-committee namely that of a Social and Ethics Committee. The Social and Ethics Charter stated that the Committee comprised three members, at least one of which should be a Director. The Chairman proposed that Roger Petyt the General Manager and Directors David Alexander and Brent Dickson be appointed members of the Social and Ethics Committee for the ensuing year. No further proposals were received and no objections were recorded. The proposal was carried.

10 INSURED VALUE OF THE PROPERTY

Item 10 on the Agenda, referred to the insured value of the property, as approved by the Directors in terms of the Use Agreement. The recommended insured value of the property had been provided by an independent Quantity Surveyor, Brain Heineberg and Associates and was as follows:

Furniture, fixtures and equipment of R11,065,620 and buildings of R53,910,029, which was a total overall insured value for the 2017/2018 year, of R64,975,649. No queries or comments were raised from the floor. The Chairman declared the values approved and the motion was adopted.

11 GENERAL MANAGERS, REPORT INCLUDING THE REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Item 11 on the Agenda, was the general manager's Report, which included the Report of the Social and Ethics Committee. The report of the activities over the last year formed part of the Chairman's Review for the year. The general manager, Roger Petyt, gave an overview of the eGuest satisfaction results for Chalets and the Hotel combined and the overall RCI rating. Against the target of 90%, the overall eGuest results for the past nine months was 88%.

Drakensberg Sun Resort had received Tripadvisor's Certificate of Excellence and Mr Petyt reported that Drakensberg Sun had been ranked second best Resort in the area. The Resort achieved an overall improved hygiene and safety measurement audit through QPro, of 99% against the previous score of 92%. A landscape audit was done each quarter.

Mr Petyt discussed the role of social and ethics within the environment and surrounding community. One of the chosen beneficiaries by the Drakensberg Sun Social and Ethics committee was Umfolozi Crèche, in Loskop. The Resort had raised funds during the course of the year to help build a new school and was currently in the process of putting on the roof. Donations had also been received from a number of Groups and Convention Companies that stayed at the Resort during the year. The Resort's staff had participated in many nationally celebrated fundraising events and Days including Heritage Day, Mandela Day and World Environmental Day, where staff had collected litter in the surrounding area. Blankets were collected and donated to the Glasifer Old Age Home in Colenso. A walk was arranged for Mandela Day where the staff had challenged guests and Bergview Homeowners to walk as many times around the lake as possible, within 67 minutes. An amount of R8k was raised and put towards the Umfolozi Crèche project. Mr Petyt congratulated Siza Rantsatsi from the front office team, who had recently received the RCI Award for Development and Achievement and had been recognised as the 2016 RCI Employee of the Year.

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LivingTSOGO Moments was an internal refresher course scheduled for staff members. The programme recognised service delivery and teamwork carried out by the employees. An employee engagement survey had recently been conducted within the Tsogo Sun Group. The results collected for the Resort had assisted management in understanding what employees required in terms of guidance and leadership, and so on. Mr Petyt discussed a number of training and development courses for staff to attend in order to develop them further within the brand. The property, as Drakensberg Sun, was in the process of being rebranded which would include new logos and power words in all advertising material.

Very briefly, Mr Petyt mentioned that all fireplaces had been maintained, annual firebreaks had been conducted around the property, a new Resort maintenance vehicle had been purchased and new balcony furniture would soon replace the older furniture. The SunCare maintenance programme had been completed in February for the Apartments and would commence in October 2017, in Chalets.

Mr Petyt thanked Afriboom, the Landscapers and the entertainment team for their contribution in maintaining the Resort during the year. On behalf of the Board of Directors, the Chairman thanked Mr Petyt for his presentation and extended thanks to him and his team for keeping the Resort in such good shape. The Chairman noted that Mr Petyt had brought a new dynamic to Drakensberg Sun which was welcomed and appreciated.

12 GENERAL MATTERS

The final item on the Agenda referred to General Matters for discussion.

Mr Goga mentioned that the Resort was ranked number 3 in the area while ranked number one in terms of levy collections. Mr Goga raised that there was big disparity for a red week levy and a white week levy, while usage was the same. Mr Goga added that inclement weather had confined him to his Chalet and he felt that a gymnasium or sauna was a necessity, especially in times of bad weather. Mr Goga recorded his satisfaction with the refurbishment of the Chalets. The Chairman requested that management to respond to Mr Goga's concerns. The Chairman clarified that Drakensberg Sun only offered red timeshare weeks and peak timeshare weeks. The Chairman agreed with Mr Goga that levies were a little high and confirmed that he raised this issue with management at every opportunity and requested that there be ways to keep the levy as low as possible. A full financial review was planned for the entire Drakensberg Sun operation of the Chalets, Apartments and Hotel, with a specific aim and objective, to reduce costs as far as possible. Mr Petyt reported that through abuse and misuse, the small gymnasium on the property had been removed and a fuller, more inclusive Spa facility was created. The gym facility was occasionally requested and a suggestion to create an outside fitness centre would be considered. Mr Goga noted that an indoor fitness facility was required and felt that a number of people would make use of the gym on a daily basis. The Chairman advised that the previous gym and sauna facility had been abused and the cost to maintain the facilities had become expensive. A decision had been taken to reduce the original gym facility and to monitor usage and misuse. The facility was hardly used by guests and a further decision was made to close the facility entirely. Mr Fuller agreed that it had been expensive to maintain the gym and that there must be balance for what was required at the Resort and the cost thereof.

Mr Goga referred to the annual levy charged at Champagne Sports and the discrepancy between red and peak weeks. The Chairman advised that the running costs for Drakensberg Sun were higher due to the remote location and facilities on the property. He reiterated that the Board would do everything in its power to reduce costs. The Chairman stated that cost issues had been raised with the Board, management as well as the Southern Sun Resorts/Tsogo Sun team.

Mr Fuller suggested another survey be conducted to confirm whether a gym facility was in need for the majority of shareholders. The Chairman stated that of the total shareholder base, only 20% of the shareholders at Drakensberg Sun utilised their week. The balance of 80% banked their week through SunSwop, RCI, Clubs and so on. This was being considered and taken into account when discussing costs and where money should be spend.

Mr Pienaar explained the discrepancy between a red week levy and a peak week levy, noting that Southern Sun Resorts was unique in the Drakensberg area and that there had been a number of discussions in the timeshare industry relating to using the Southern Sun Resorts model. While the Resort may run at a similar occupancy, the number of occupants increased significantly during peak week periods. The demand for additional security, entertainment, water and electricity, as well guest supplies increased, hence the higher levy to cover increased costs. Mr Goga again mentioned the need to reduce levy related costs.

Mr Goga enquired whether the Resort permitted non-resident guests onto the property. Mr Petyt replied that outside guests were not permitted on the property during peak periods. A security gate had been installed at the top of the property to restrict access onto the property when necessary.

13 CLOSURE

There being no further business, the Chairman thanked all for their attendance and declared the Meeting closed at 10h46.

Read and confirmed this _____ day of _____ 2018.

Chairman