

Umhlanga Sands Share Block Proprietary Limited

Registration No. 1972/003573/07



for the year ended 31 December 2017

Umhlanga Sands Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2017

COMPANY INFORMATION

Registration number: 1972/003573/07
Registered address: Palazzo Towers East
Montecasino Boulevard
Fourways
2055
Postal address: Private Bag X200
Bryanston
2021

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

- Detailed Levy Fund Operating Statement 23 - 25

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

Umhlanga Sands Share Block Proprietary Limited

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

This is my second year of reporting to you as Chairman and I am thrilled to confirm that our amazing Resort keeps improving and setting new benchmarks. uMhlanga Sands Resort has been a pioneer in many areas and it has been a wonderful experience being part of the discussions, initiatives and achievements. The Resort has experienced an excellent year both financially and through guest feedback.

Resort Update

uMhlanga Sands Resort has certainly set the tone to be the best child-focused entertainment Resort in KwaZulu Natal. We pride ourselves in our unique identity of "Kid is King". At the end of my last report to you, the Xscape entertainment area had been completed and the entertainment programme was about to undergo a massive upgrade and transformation. The Xscape entertainment area is a constant hub of activity. Feedback about the programme and facility has been extremely positive. It's been a pleasure hearing about the programmes and knowing that children on holiday are also enjoying the educational aspect of Xscape entertainment. The facility is run by our in-house entertainment team and I take this opportunity to thank our entertainment manager, Jacqueline Gringoire for her commitment, pride and perseverance in achieving the success and great standard of the facility and the various programmes that are run.

In addition to the successful Xscape facility, a children's slide and aqua play water feature was built at the family swimming pool and has been fully operational since 2017. It is also an amazingly popular area. A heat pump was installed to the aqua play feature to keep the water warm and create an even more enjoyable experience for the younger children.

Many exciting projects have been completed this past year and I am thrilled with the improvements. I am very proud to have watched the discussion and plans unfold into what the property has become. Your Resort keeps on improving and our high occupancy all year round shows us that it is very well enjoyed and in high demand. The rooms are being refurbished into something quite modern yet relaxing. The new ideas and designs have created a very well-liked product. The new fridge is much quieter and more efficient than the previous one. The new floating bed base provides additional storage, for guests to store their travel luggage. The curtains are brighter and allow a guest privacy, without detracting from the breathtaking views. If you were able to view initial mock-up units, you will note that there are some small variations in the final product. The project is ongoing and will be completed later this year, for all to enjoy.

The public toilets on the ground floor and mezzanine have had a wonderful transformation and now look quite spectacular and modern. Another pleasing addition to the Resort this past year has been the installation of a lift from the ground floor to the mezzanine level and a lift from ground floor, to the adult swimming pool area. Many guests struggle using the stairs and were previously unable to easily access these two areas. Now all guests have access when they wish to visit the beauty salon, hairdresser, sales office as well as the adult swimming pool. The new lifts have been most welcome.

New lift lobby information boards provide a quick overview of the entertainment programme for the day and week ahead, activities taking place in the area, the weather forecast, on-site tenant offerings, photographic progress of the refurbishment project, sales opportunities and so on. Entertainment in the evenings has been refreshed with new acts, bands and new entertainment options for teenage and older guests to enjoy. The spalling project has progressed well over the past year. Some areas on the building were worse than anticipated however thanks to comprehensive testing by the engineer onsite and good management of the project, the areas of concern have been addressed and any other areas will be addressed as the team moves from area to area across the building. The spalling project will be completed by the end of 2018. The new corridor windows and frames have been installed in line with the spalling project and have brightened the corridors with more natural light.

Clearvue fencing has been erected around the property on the road side and the family swimming pool deck was repaired.

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 the income and expenditure of the Company in a summarised format. The detailed levy fund operating statement is not audited and is presented as supplementary information on pages 23 to 25 and will be referred to when I comment on the financial results for the year.

The statement of comprehensive income for the year ended 31 December 2017 reflects total income (including net finance income) of R80.6m (2016: R75.8m), expenses of R53.7m (2016: R48.1m) and a levy surplus after taxation of R25.1m (2016: R26m), which was transferred to the reserve for property, plant, and equipment.

Income

The detailed levy fund operating statement reflects that rental pool and short term rental income increased by 4.4%. Interest received increased by 27.4% due to higher interest rates and re-investment of matured funds. Non-levy income included the surplus from the sale of repossessed units, rental from commercial tenants and parking income. Owners wishing to place their weeks in the rental pool must do so in writing at least 90-days prior to the commencement of their week, which will be confirmed provided that the annual levy has also been paid.

Expenditure

Total expenditure for the year amounted to R53.7m (2016: R48.1m), which was an increase well within budgeted expenditure for the year.

- **Rooms Expenses** - Room costs increased by 10% year-on-year. The replacement of cutlery, crockery and towels reflected a 24% increase when compared to 2016, as old linen was written off and replaced. Guest supplies increased by 22% due to the increase in rental pool occupancy.

Umhlanga Sands Share Block Proprietary Limited

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

- **Administration and General** - Administration and general expenditure increased by 14% year-on-year with legal fees increasing by R98k due to the municipal rates dispute and the Fleetwood-on-Sea development objection. Loss on sale of repossessed units also increased by R65k.
- **Electricity, Water, and Refuse** - 2017 experienced a 9.1% increase compared to 2016, with an increase of 9.3% in electricity, which was in line with Eskom tariff increases.
- **Repairs and Maintenance** - Expenditure increased by 5.7% year-on-year due to ongoing maintenance and touch ups required in the units and around the property.
- **Corporate Charges** - There was a 9% increase in corporate charges mainly due to the re-classification of the property from residential to furnished accommodation in 2014, while the municipal rate valuation remained the same at R225m. Your board is in the process of objecting to the re-classification. Annual report and statutory costs increased by R50k due to 2017 including R114k of annual levies due in terms of the Community Schemes Ombud Service Act (CSOS).
- **Management Fee** - The management fee is an agreed set amount, made up of contributions from the outsourced restaurants and the difference being paid by the share block.

Statement of Financial Position

The statement of financial position (balance sheet) on page 14 together with the notes related thereto reflects the financial position of the Company. The reserve for property, plant and equipment increased to R45.6m and cash and cash equivalents decreased to R60.5m, against R63.4m in 2016. Levies receivable decreased to R532k (2016: R1.3m) while levies received in advance amounted to R22.5m (2016: R21.6m). This, together with the increase in levies received in advance, is commendable and shows the commitment of all owners to meet their levy obligations timeously, allowing these funds to be utilised and/or invested for the benefit of the share block.

Capital Expenditure

Capital expenditure of R14.9m was incurred, against R10.5m in 2016. This included major items of expenditure such as:

Xscape refurbishment	R3,290,671
Passage windows	R1,302,625
Lift to Mezzanine floor	R957,565
Ground floor public toilets	R654,836
Spalling	R5,071,920

2019 Levy Budget

The 2019 annual levy budget increase will be discussed and approved by the Directors on your behalf, at the August 2018 board meeting which will take place after the notice of this year's annual general meeting of the shareholders and delivery of this annual report. This being the case, notification of the 2019 levy amounts will be advised under separate notice. Although increases in operational costs are to be expected, the Directors will exercise diligence and caution in deliberating future expenditure so as to balance growth and improvements whilst at the same time, maintain a healthy reserve fund which is vital for the future financial security of the Company.

Vacation Ownership Association South Africa (VOASA)

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

Legal Matters

Municipal Rates Objection

The objection and legal case concerning the imposed eThekweni Municipal rates category for the property is ongoing. We are currently objecting in conjunction with VOASA and other Resorts and look forward to the outcome.

Fleetwood-On-Sea

We are objecting to the current proposal for re-development of our neighbouring property, Fleetwood-On-Sea, due to the negative impact that the shade/shadow of the re-development would cast on our family swimming pool and entertainment areas.

General

I am pleased to note that guests smoking on the property are using the dedicated smokers' room located to the left of Spur. Thank you to all guests who have abided by the house rule and used the facility.

Corporate social investment (CSI) is very close to my heart and I am absolutely thrilled to see how the Resort, its social and ethics committee and our management team have progressed over 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 the various types of contributions made and what great initiatives are in place. I am really proud of what your Company has achieved and again, uMhlanga Sands Resort is a property that many others can use to set the benchmark against.

We encourage every shareholder to either attend this year's annual general meeting on 4 September 2018 or to kindly complete the form of proxy enclosed in this annual report, on page 5, should you find yourself unable to attend.

Management Agreement

I take this opportunity to inform you that the management agreement with Southern Sun Resorts, a division of Tsogo Sun Group, has been re-negotiated and extended for a further 11 years. Following comprehensive and lengthy negotiations, I am confident that all considerations have been taken into account for our resort and for all shareholders. We can look forward to great savings through the new agreement that will have a positive impact on annual levies going forward. I would like to thank the Directors, management team and all other parties involved in the 5-month long process.

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

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

Conclusion

I thank our general manager, Derek McKillop and his very friendly and helpful team of staff for this past year. The resort looks fabulous, guests are happy and our financial position is very sound. I thank Tsogo Sun and in particular the Southern Sun Resorts team for their continued focus, efficiency and professional management of uMhlanga Sands.

Finally, I would like to extend my gratitude to my fellow Directors for their attention, commitment, reliability and ongoing dedication to our resort, for all shareholders to benefit from. I am grateful to have them on our team.

I wish you all a great year ahead.



A handwritten signature in black ink, appearing to read 'Deon Viljoen'.

Deon Viljoen
Chairman
Umhlanga Sands Share Block
Proprietary Limited

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of the Company will be held on **Tuesday, 4 September 2018 at 14h00 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 5 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.
 - Pierre Coetzee
 - Nicholas Dickson
 - Lynette Douglas
 - Gustavus Kruger
 - Ajith Ramsarup
 - Anthony Ridl
 - Deon Viljoen
8. **Resolution 4:** The Board is limited by the Memorandum of Incorporation to seven (7) Directors in number. It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the timesharers could be received by no later than 14h00 on Wednesday, 29 August 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.
9. **Resolution 5:** Appoint three (3) Directors as members of the Audit Committee. The current members are Pierre Coetzee, Nicholas Dickson and Ajith Ramsarup.
10. **Resolution 6:** Appoint three (3) members to the Social and Ethics Committee. The current members are Lynette Douglas, Gustavus Kruger and Deon Viljoen.
11. **Special Resolution 1:** Authorise payments of remuneration/emoluments to the Directors in respect of the 2018 year. Directors to be paid R8,000 per Board Meeting, per Audit Committee Meeting, per Social and Ethics Committee Meeting, or cluster of Meetings. The Company is authorised to pay any vat payable, to the extent applicable to this remuneration.

The reason for and effect of this special resolution:
In terms of Section 66(8) of the South African Companies Act 71, of 2008, the Company may pay remuneration to its Directors for their service as Directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by the shareholders within the previous two (2) years. Section 66(12) requires that any particular Director appointed to more than one (1) committee of the Company, be calculated only once. Directors will be entitled to be paid attendance fees/emoluments in respect of the above period.
12. **Table for Discussion, the Insured Value of the Property**
13. **Report of the Social and Ethics Committee**
14. **General Manager's Report**
15. **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 14h00 on Wednesday, 29 August 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 14h00 on Wednesday, 29 August 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 24 August 2018.

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

Umhlanga Sands Share Block Proprietary Limited
 Registration Number: 1972/003573/07
 ("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.companyservices@tsogosun.com

Form of Proxy for use by shareholders at the Annual General Meeting of the Company to be held on **Tuesday, 4 September 2018 at 14h00 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			
• Pierre Coetzee			
• Nicholas Dickson			
• Lynette Douglas			
• Gustavus Kruger			
• Ajith Ramsarup			
• Anthony Ridl			
• Deon Viljoen			
Resolution 4: Appoint Audit Committee			
• Pierre Coetzee			
• Nicholas Dickson			
• Ajith Ramsarup			
Resolution 5: Appoint Social and Ethics Committee			
• Lynette Douglas			
• Gustavus Kruger			
• Deon Viljoen			
Special Resolution 1: Authorise Director Emoluments			

Signed at this day of 2018.

Signature assisted by (where applicable).

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

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

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

Any shareholder entitled to attend and vote is entitled to appoint a proxy to attend, vote and speak in his/her stead and such proxy need not be a shareholder of the Company. **Proxy forms should be forwarded to reach the registered office of the Company, for the attention of the Company Secretary, by no later than 14h00 on Wednesday, 29 August 2018.**

Umhlanga Sands 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 Umhlanga Sands Share Block Proprietary Limited. The annual financial statements presented on pages 13 to 22 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the South African Companies Act 71, of 2008.

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

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

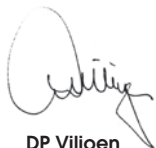
The Directors and Management have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position, financial performance and cash flows of the Company to enable the Directors to ensure that the annual financial statements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

The going concern basis has been adopted in preparing the annual financial statements. The Directors have no reason to believe that the Company will not be a going concern in the foreseeable future.

The Company's external auditors, Grant Thornton Durban, audited the annual financial statements and their report is presented on pages 11 and 12.

Approval of Financial Statements

The annual financial statements set out on pages 13 to 22 were approved by the Board of Directors on 3 May 2018 and are signed by:



DP Viljoen
Chairman



RN Dickson
Director (Chairman - Audit Committee)

Declaration by the Company Secretary

I hereby confirm, in my capacity as Company Secretary of Umhlanga Sands 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

Umhlanga Sands Share Block Proprietary Limited

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

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

1. Duties of the audit committee

The audit committee has discharged its duties as follows:

- 1.1 Reviewed the year-end annual financial statements, culminating in a recommendation to the board. In the course of its review the committee:
 - took appropriate steps to ensure that the annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, as suitably modified for South African share block companies;
 - considered and, when appropriate, made recommendations on internal financial controls;
 - 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 Pierre Coetzee, Nicholas Dickson and Ajith Ramsarup.
- 2.2 The audit committee has at all times acted in an independent manner.

3. Frequency of meetings

The audit committee met twice during the financial year under review. Provision is made for additional meetings to be held, when and if necessary.

4. Attendance

The external auditors, in their capacity as auditors to the Company, attended and reported to the meetings of the audit committee. Relevant senior managers attended the meeting on invitation.

5. Confidential meetings

Audit committee agendas provide for confidential meetings between the committee members and the external auditors.

6. Independence of external auditors

The audit committee has satisfied itself that the external auditor is independent of the Company, as set out in 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.



Nicholas Dickson

Chairman

03 May 2018

Umhlanga Sands Share Block Proprietary Limited

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

The Social and Ethics Committee of Umhlanga Sands Share Block is a statutory committee which is governed by the South African Companies Act, guided by King IV and include any other responsibilities allocated to it by the board.

ROLE OF THE COMMITTEE

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

Social and Economic Development

The Committee assists its local community through various initiatives. Waterloo Primary School has been a key focus area for many years. The school library was upgraded, library books and second-hand laptops were donated, a water tank was installed for water conservation and staff at the Resort take part in a reading programme for the pupils. This has been of great benefit to the pupils and the teachers have seen an improvement with the pupils eager to read and utilise new technology. Huge savings have been recorded in the School's water consumption and water bills. Volunteers from the area have continued to give of their time to support the pupils and school where possible.

While Waterloo Primary School is the Committee's prime social responsibility, it has this year also supported Holah Baby House, the Umhlanga Rocks Rehabilitation Centre and a local Old Home, striving to achieve its goal to make a difference in the Resort's local community.

Corporate Citizenship - CSI/Sustainability

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

Environmental Health & Public Safety

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

The Organisational Resilience Management System (ORMS), implemented by Southern Sun Resorts/Tsogo Sun throughout all its properties, is a comprehensive management system that records plans and systems relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the effects on the business. This management system is updated quarterly and audited by Southern Sun Resorts/Tsogo Sun on an annual basis.

Guest Relations & Correspondence

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

The Resort received the RCI Top Resort Maintenance Management Award for 2017.

Labour, Employment Relations, Training & BBBEE

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

Management assist in developing, maintaining and improving employee relationships through communication, performance management, processing grievances and/or disputes.

Staff at the Resort are continuously trained and further developed where possible.

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

Strategic Plans

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

The employment of longstanding general manager, Derek McKillop, was an area of negotiation since his retirement from Southern Sun Resorts. Derek McKillop's employment has been extended until February 2019.

Legal matters include an objection to the change in the municipal category rating imposed by the eThekweni Municipality. The property rating category was changed from a residential category to a commercial category. The second legal matter includes an objection to the re-development of neighbour, Fleetwood-On-Sea, as the shade/shadow line from the development would have a large impact on the family swimming pool and entertainment area.

The two food and beverage lease agreements expire at the end of this year and discussions have commenced to ensure that this facility provides the best service delivery and offering to guests.

Custodian of the Unique Identity

uMhlanga Sands Resort prides itself in its unique and endless child and adult entertainment. Xscape Entertainment offers fun and excitement that will create lifelong holiday memories. The Committee ensures that the unique identity, "Kid is King" is maintained at the Resort.

COMPOSITION AND FUNCTIONING

The Committee comprises three Board Directors namely Deon Viljoen (Chairman), Lynette Douglas and Gustavus Kruger. Additional board members are invited to attend meetings and Resort staff assist wherever possible. The Committee meets twice a year and holds comprehensive meetings.

ACTIVITIES OF THE COMMITTEE

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

The waste management programme at uMhlanga Sands Resort is controlled by Don't Waste Services and is also tracked through a live system. Additional initiatives for splitting wet and dry waste has been implemented throughout the Resort and guests are encouraged to assist by recycling through separate waste bins in each unit.

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



Deon Viljoen
Chairman

Umhlanga Sands 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 Umhlanga Sands Resort which is utilised by the members on a timeshare basis with respective members' time interest being apportioned through the issue of shares according to share block regulations. These regulations provide for the following:

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

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 R25,083,222 (2016: R26,023,429) was transferred to the reserve for property, plant and equipment.

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

3 Share Capital

The authorised and issued share capital has remained unchanged during the year.

4 Insurance

The Resort buildings and their contents are insured at current replacement values under an All-Risk Policy. In addition, Sasria (Riot) cover has been arranged for the sum insured. The Company does not insure personal belongings of the individual timesharers. The Company does not guarantee the provision of alternative accommodation in the event of a disaster and does not take out insurance for this.

5 Directors and Secretary

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

PD Coetzee *

RN Dickson *

LD Douglas ^

G Kruger ^

AB Ramsarup *

AN Ridl

DP Viljoen ^ Chairman

* Audit Committee Members

^ Social & Ethics Committee Members

Umhlanga Sands Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2017

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

Business:

Palazzo Towers East
Montecasino Boulevard
Fourways
2055

Postal:

Private Bag X200
Bryanston
2021

6 Management

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

7 Material events after year end

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

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

Umhlanga Sands Share Block Proprietary Limited

Report of the Independent Auditors

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the supplementary information set out on pages 23 to 25. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Umhlanga Sands Share Block Proprietary Limited

Report of the Independent Auditors

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette 39475 dated 04 December 2015, we report that Grant Thornton Durban has been the auditor of Umhlanga Sands Share Block Proprietary Limited for 2 years.



GRANT THORNTON

Registered Auditors

Practice number: 905690

per H D Paruk

Partner

Registered Auditor

Chartered Accountant (SA)

3 May 2018

2nd Floor

4 Pencarrow Crescent

Pencarrow Park

La Lucia Ridge Office Estate

4019

Umhlanga Sands Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 R	2016 R
Income		75 203 236	71 553 689
Levy Income		69 780 072	65 990 319
Other Income		5 423 164	5 563 370
Expenses		(53 699 050)	(48 101 724)
Levy surplus before interest and taxation	3	21 504 186	23 451 965
Net finance income	4	5 438 839	4 270 159
Levy surplus before taxation		26 943 025	27 722 124
Income tax expense	5	(1 859 803)	(1 698 695)
Levy surplus for the year		25 083 222	26 023 429

Umhlanga Sands Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2017

	Note	2017 R	2016 R
ASSETS			
Current assets			
Inventories		54 393	63 505
Trade and other receivables	6	19 277 715	4 917 726
Levies receivable	7	532 009	1 308 470
Cash and cash equivalents		60 549 915	63 363 787
Total current assets		80 414 032	69 653 488
Total assets		80 414 032	69 653 488
EQUITY			
Capital and reserves			
Share capital	10	3 537 184	3 537 184
Reserve for property, plant and equipment	8	45 645 988	35 470 606
Total equity		49 183 172	39 007 790
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		42 800	556 401
Total non-current liabilities		42 800	556 401
Current liabilities			
Trade and other payables	9	6 857 065	6 793 644
Levies received in advance		22 471 192	21 596 958
Current tax liabilities		1 859 803	1 698 695
Total current liabilities		31 188 060	30 089 297
Total liabilities		31 230 860	30 645 698
Total equity and liabilities		80 414 032	69 653 488

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

	Note	2017 R	2016 R
Share capital			
Ordinary shares at beginning and end of year	10	3 537 184	3 537 184
Reserve for property, plant and equipment			
At beginning of year		35 470 606	19 939 139
Levy surplus for the year		25 083 222	26 023 429
Property, plant and equipment additions and replacements during the year	8	(14 907 840)	(10 491 962)
At end of year		45 645 988	35 470 606

Umhlanga Sands Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2017

Note	2017 R	2016 R
Cash flow from operating activities		
Levy surplus before taxation	26 943 025	27 722 124
Adjustments for:		
Interest received	(5 438 839)	(4 270 159)
Non cash items		
- Movement in exchange fee rebate	(513 601)	(513 602)
Net surplus before working capital changes	20 990 585	22 938 363
Changes in working capital		
- Movement in inventories	9 112	18 650
- Movement in levies receivable	776 461	(143 997)
- Movement in trade and other receivables	(14 359 989)	(299 124)
- Movement in levies received in advance	874 234	1 965 834
- Movement in trade and other payables	63 421	(2 748 147)
Cash flows from operating activities	8 353 824	21 731 579
Interest received	5 438 839	4 270 159
Tax paid	(1 698 695)	(1 368 317)
Net cash inflow from operating activities	12 093 968	24 633 421
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(14 907 840)	(10 491 962)
Net cash outflow from investing activities	(14 907 840)	(10 491 962)
Net movement in cash and cash equivalents	(2 813 872)	14 141 459
Cash and cash equivalents at beginning of year	63 363 787	49 222 328
Cash and cash equivalents at end of year	60 549 915	63 363 787

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

The accounting policies are consistent with previous periods.

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

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business.

1.4 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.

Umhlanga Sands Share Block Proprietary Limited

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

1.5 Financial instruments

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

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

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

1.6 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 flow at cost.

1.7 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

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

Sundry revenue is recognised when it is earned.

1.8 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.

1.9 Equity

Ordinary shares are classified as equity.

1.10 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.

Umhlanga Sands Share Block Proprietary Limited

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

1.11 Retirement benefits

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

2 Financial risk management

Capital Management

All costs associated with the maintenance of the resort, including the refurbishment of the property and replacements of movable property, plant and equipment, are financed out of levies from shareholders.

Financial Risk Factors

The financial risks to which the Company is exposed are liquidity, credit and interest rate risk.

Liquidity Risk

In terms of the use agreements associated with the shares of the Company, shareholders are obliged to contribute levies sufficient to cover the costs of the maintenance, upkeep, control and management of the Resort.

In order to manage the liquidity requirements of the Company, a rolling 10 year capital replacement and refurbishment plan is maintained and reviewed regularly by the board of directors. This plan provides for the orderly refurbishment of the property and maintenance of sufficient contingency reserves, based on increases in annual levies.

The financial instruments to which the Company is exposed represent bank balances and accounts receivable and payable in respect of the operation of the levy fund. Accounts payable are generally settled within 30 days. The carrying values of the financial instruments approximate fair value.

Credit risk

Credit risk arises from bank balances and amounts due from shareholders. There is no significant concentration of credit risk on amounts due by shareholders.

The Company invests surplus cash on deposit and on call only with the four largest South African banking institutions.

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

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

Interest Rate Risk

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

Umhlanga Sands 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	12 656 056	11 011 827
- contributions to retirement funds	978 698	1 057 934
Management fees	1 890 008	1 401 672
Audit fees	153 800	157 703
Lease expenses	(2 915)	9 150
Professional, legal and internal audit fees	150 364	127 946
Other operating expenses	37 873 039	34 335 492
	53 699 050	48 101 724
4 Net finance income		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	5 526 543	4 292 789
Interest expense	(87 704)	(22 629)
Net finance income	5 438 839	4 270 160
5 Income tax expense		
Provision is made for Company taxation on the non-levy income.		
No tax is payable on levy income from the owners in terms of Section 10(1)e of the Income Tax Act.		
Current	1 859 803	1 698 695
	1 859 803	1 698 695
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
6 Trade and other receivables		
Trade receivables (Refer Note 12)	452 751	502 459
Prepayments (Refer Note 12)	13 713 717	2 145 764
Interest receivable	3 060 395	1 733 244
Receiver of Revenue - VAT	1 228 025	-
Sundry receivables (Refer Note 12)	822 827	536 259
	19 277 715	4 917 726

Umhlanga Sands Share Block Proprietary Limited

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

	2017 R	2016 R
7 Levies receivable		
Levy debtors	209 675	444 899
Repossessed debtors	631 753	955 787
Provision for repossessed debtors	(309 419)	(92 216)
- Opening balance	(92 216)	(310 086)
- Movement	(217 203)	217 870
	532 009	1 308 470
8 Reserve for property, plant and equipment		
At beginning of year	35 470 606	19 939 139
Levy surplus for the year	25 083 222	26 023 429
	60 553 828	45 962 568
Property, plant and equipment additions and replacements	(14 907 840)	(10 491 962)
At end of year	45 645 988	35 470 606
<p>The Directors have reviewed a forward estimate, prepared by Management, of the costs of property, plant and equipment additions and replacements over the next ten (10) years.</p> <p>The Directors have approved capital expenditure of R59,026,350 for 2018 (2016 : approved capital expenditure of R26,750,881 for 2017) which it is anticipated will decrease the budgeted reserve fund by R34,406,689 (2016 : decrease the budgeted reserve fund by R3,713,949 for 2017). There were no capital commitments made at year end (2016: R nil).</p>		
9 Trade and other payables		
Trade payables (Refer Note 12)	2 213 848	2 005 805
Other payables		
Accruals (Refer Note 12)	2 664 631	2 145 213
Provision for auditor's remuneration	113 700	105 000
Receiver of Revenue - VAT	-	696 234
Sundry payables (Refer Note 12)	1 351 285	1 327 791
Exchange fee rebate	513 601	513 601
	4 643 217	4 787 839
	6 857 065	6 793 644
10 Share capital		
Authorised and issued		
35,371,840 Class "A" ordinary shares of 10 cents each	3 537 184	3 537 184

Umhlanga Sands Share Block Proprietary Limited

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

	2017	2016
	R	R

11 Property, plant and equipment

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

Land and buildings comprise the following property:

Lot 1076, Umhlanga Rocks Township, Kwa-Zulu Natal with buildings thereon, known as Umhlanga Sands Resort.

Land and buildings were originally purchased for R13,882,239 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 R284m for rates purposes. There are no bonds on the property.

12 Related party transactions

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

Short term rental fee	519 753	484 430
Management fee	1 890 008	1 401 672
Levy administration and collection fee	3 522 413	3 298 140

The Company receives rental income from SSHI for the letting of office space:

Rental income	(977 595)	(885 910)
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During the financial year the Company paid membership fees to SunSwop (a division of SSHI), which is affiliated to Interval International.

SunSwop exchange services	2 077 338	1 906 247
---------------------------	-----------	-----------

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

- Information technology administration charge	88 242	60 108
- Training related charges	112 676	66 165
- Sunrands related charges	43 286	27 197

Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Tsogo Sun group, including the Company. These costs, which include insurance and certain maintenance and operating lease contracts, are recovered from the Company via a loan account. The balance of the loan account is as follows:

Due (to)/by SSHI and its subsidiaries:		
- included in payables (Refer Note 9)	(952 040)	(377 568)
- included in receivables (Refer Note 6)	46 539	172 710
	(905 501)	(204 858)

In addition, Southern Sun Timesharing Resales Proprietary Ltd ("SSTR"), provides a rental service and recovers levies from the sale and rental of timeshare weeks on behalf of the Company.

Umhlanga Sands Share Block Proprietary Limited

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

12 Related party transactions (continued)

	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	68	412 760	122 740
SunSwop (a division of SSHI) - 2016 shareholding	68	382 840	109 260

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

2017 - shareholding

RN Dickson - Dream Vacation Club	595	3 772 220	1 271 200
AB Ramsarup - The Leisure Holiday Club	697	4 531 160	1 369 860
AN Ridl - Club Leisure Group	1 159	7 590 170	2 284 200

2016 - shareholding

RN Dickson - Dream Vacation Club	582	3 442 370	1 312 270
AB Ramsarup - The Leisure Holiday Club	697	4 202 300	1 389 860
AN Ridl - Club Leisure Group	1 130	6 755 040	2 157 590

13 Directors emoluments

Directors have been reimbursed an agreed upon fee per meeting attended in lieu of costs incurred whilst performing the Company's business. Costs incurred on the Company's business by Mr Viljoen were borne by SSHI until his retirement from SSHI on 31 August 2016. Further, the Directors are insured for medical costs and personal accident. The Directors are also covered by insurance taken out by the Company as indemnification against all liability of any Director towards the Company in respect of any negligence, default, breach of duty or breach of trust.

	2017 R	2016 R
Directors emoluments paid for the year:		
PD Coetzee	54 903	53 790
RN Dickson	33 962	37 500
LD Douglas	33 962	37 500
G Kruger	33 962	30 300
AB Ramsarup	33 962	37 500
AN Ridl	28 222	14 900
DP Viljoen	33 962	15 400
	252 937	226 890

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

Fees paid for the year:

G Kruger	37 968	-
DP Viljoen	33 934	-
	71 902	-

Umhlanga Sands 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	69 780 072	65 990 319
Rental pool and short term rental	2 636 499	2 526 249
Sale of capital assets	-	10 946
Net non-levy income		
- telephone, rentals and penalties etc	2 786 665	3 026 175
	75 203 236	71 553 689
EXPENDITURE		
Room Expenses		
Cleaning supplies	343 767	293 453
Guest entertainment	1 359 584	1 145 537
Guest supplies	843 982	692 633
Laundry	2 547 280	2 317 758
M-Net	806 449	762 130
Pest control	37 072	35 227
Personnel costs		
- outside services	4 979 438	4 935 740
Plants and decorations	22 762	19 651
Printing and stationery, including reception	226 171	215 298
Replacement of cutlery, crockery, linen, towels, uniforms, etc	1 319 990	1 065 471
Security services	1 887 550	1 585 399
	14 374 045	13 068 297
Administration and General		
Audit fees		
- current year	153 800	145 000
- prior year underprovision	-	12 703
Bank charges	37 186	53 058
Central accounting and levy collection fees	3 522 413	3 298 140
Corporate social initiatives	75 000	72 748
Credit card commission	308 969	313 150
Data processing	840 162	734 855
Insurance		
- excess	10 000	-
- premium	264 332	253 745
Internal audit fees	-	109 559
Balance carried forward	5 211 862	4 992 958

Umhlanga Sands 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	2016
	R	R
Balance brought forward	5 211 862	4 992 958
Legal fees	116 430	18 387
Licences and permits	125 571	145 087
Loss on repossessed debtors	89 455	24 633
Marketing	76 789	34 792
Penalties	93 318	52 831
Postage	570	509
Professional fees	33 934	-
Provision for repossessed debtors	217 203	(217 870)
Railage, cartage and hire transport	7 888	10 009
Security		
- banking services	25 272	22 850
Subscriptions	52 496	66 658
Sunswop exchange service	2 077 338	1 906 247
Telephone	205 185	241 233
Travel		
- Management and Directors	264 487	248 388
Vehicles		
- fuel and oil	18 700	14 882
	8 616 498	7 561 594
Electricity, Water and Refuse		
Electric bulbs	43 241	31 398
Electricity	3 472 627	3 178 372
Generator fuel	37 531	-
Refuse	298 045	269 908
Water	1 115 611	1 071 470
	4 967 055	4 551 148
Repairs and Maintenance		
Air-conditioning	176 054	187 461
Buildings	183 770	198 905
Electrical and mechanical	169 777	138 905
Elevators	224 611	207 155
Engineers tools	2 823	1 613
Flooring and carpeting	194 563	183 997
Furniture and fixtures	155 234	146 442
Gardens and grounds	304 565	266 493
Laundry machines	8 840	16 978
Office machines		
- maintenance contracts	3 571	23 727
Painting and redecorating	89 939	134 332
Balance carried forward	1 513 747	1 506 008

Umhlanga Sands 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	1 513 747	1 506 008
Personnel costs		
- outside services swimming pool	420 662	372 094
Plumbing and heating	88 821	75 191
Radio and TV	23 875	17 573
Refrigerators/ice machines	1 256	2 988
Room access card	79 423	75 611
Room care	506 523	436 064
Swimming pool cleaning and repairs	46 701	49 609
Vehicles	1 460	1 991
	2 682 468	2 537 129
Capital Charges		
Annual report and statutory costs	148 094	98 076
Furniture and equipment leases	(2 915)	9 150
Municipal rates and taxes	6 778 189	6 204 508
Urban improvement programme	610 854	600 389
	7 534 222	6 912 123
Personnel Costs		
Rooms	9 829 694	7 214 451
Administration and general	1 638 760	2 916 619
Repairs and maintenance	2 166 300	1 938 691
	13 634 754	12 069 761
Management Fee	1 890 008	1 401 672
Total Expenditure	53 699 050	48 101 724
Excess of income over expenditure before finance cost and taxation	21 504 186	23 451 965
Net finance income		
Interest received	5 438 839	4 270 159
Excess of income over expenditure before taxation	26 943 025	27 722 124
Taxation		
- current	1 859 803	1 698 695
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	25 083 222	26 023 429

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DRAFT Minutes of the Annual General Meeting of Shareholders held on Tuesday, 5 September 2017, at 14h00 at uMhlanga Sands Resort, uMhlanga.

CONSTITUTION OF THE MEETING, WELCOME AND APOLOGIES

The Chairman, Mr Viljoen, welcomed all to the Annual General Meeting (AGM) of Umhlanga Sands Share Block Proprietary Limited. The Chairman noted that the Share Block was now a privately held Company. The Chairman requested that all Shareholders sign the attendance register and that they hand in their forms of proxy directly to Marina de Paiva.

The Chairman recorded an apology from the Resort's General Manager, Derek Mckillop, and introduced his Deputy General Manager, Franco Seaman.

Notice of the Meeting had been properly given in terms of the Umhlanga Sands Share Block Proprietary Limited Memorandum of Incorporation (MOI), which had been approved and registered with the Companies and Intellectual Property Commission (CIPC) on 23 March 2017. The Chairman discussed the fact that over the last few years it had been necessary to hold two AGM's due to a quorum not being achieved. The Chairman was pleased to announce that the required quorum to hold an AGM, had in the new MOI been reduced from 25% to 5% which was achievable. This meant that the postponement and second AGM was no longer required. The Chairman noted a representation of at least 30% of the share capital here present and declared the Meeting duly constituted.

The Chairman, an independent Director of the Company, introduced the following Directors, members of the management team and invitees:

Pierre Coetzee	-	Director - Representing timesharers
Gustav Kruger	-	Director - Representing timesharers
Lynette Douglas	-	Director - Representing timesharers
Nicholas Dickson	-	Director - Representing timesharers and Dream Vacation Club
Anthony Ridl	-	Director - Representing timesharers and Club Leisure Group
Ajith Ramsarup	-	Director - Representing timesharers and The Holiday Club
Franco Seaman	-	Resort Deputy General Manager
Adam Fuller	-	Operations Director Southern Sun Resorts
Warren Whiteboy	-	Financial Manager - Southern Sun Resorts
Georgina Stevenson	-	Company Secretary - Southern Sun Resorts
Lisa Sutton	-	Secretary to Company Secretary - Southern Sun Resorts
Peter Pienaar	-	SunSwop General Manager
Marina de Paiva	-	Financial Controller, Levies - Southern Sun Resorts
Gai Gordon	-	Sales and Rentals Agent
Grant van Zyl	-	IT Manager - Southern Sun Resorts
Yedisha Deonarain	-	HR Administrator - Southern Sun Resorts

1 MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

The Chairman referred to Agenda item 3 to adopt the Minutes of the previous Annual General Meeting held on 6 September 2016, as well as the Minutes of the postponed Annual General Meeting held on 13 September 2016, read together with the Minutes of the informal Meeting. The Chairman noted that there had been no quorum at the initial AGM meeting, which had resulted in its postponement to the following week. The discussions had however continued and Minutes were taken for the informal Meeting. At the postponed and second meeting, a quorum was constituted. As the Minutes had been approved and recommended for adoption at the informal Meeting, the previous AGM Minutes were adopted at the postponed AGM. The Chairman had nothing further to add and called for the following Minutes to be adopted:-

1.1 Minutes of the Annual General Meeting held on 6 September 2016

1.2 Minutes of the postponed Annual General Meeting held on 13 September 2016

No objections were received for the adoption of the two sets of Minutes and the Minutes of the Annual General Meeting and the postponed Annual General Meeting were adopted.

2 ANNUAL FINANCIAL STATEMENTS

Item 4 on the Agenda, resolution 1, was to receive and adopt the Annual Financial Statements for the year ended 31 December 2016. The Annual Financial Statements for the year ended 31 December 2016, read with the Chairman's Review, fully covered the activities of the Company for the period under review. The Chairman had nothing further to add and called for the Annual Financial Statements of the Company for the year ended 31 December 2016, to be approved and adopted. No queries or objections were raised and the motion to adopt the Annual Financial Statements for the year ended 31 December 2016 was carried.

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3 RE-APPOINTMENT OF AUDITORS

Item 6, was resolution 2, to re-appoint Grant Thornton as Auditors of the Company. The Chairman advised that the Directors had been very pleased with the performance of Grant Thornton and that this would be the second year to conduct an audit function. The recommendation from the Board was to re-appoint Grant Thornton and the Chairman called for any objections. No objections were recorded and the motion to appoint Grant Thornton as the Auditors for the ensuing year was carried.

4 ELECTION OF DIRECTORS

Item 6, resolution 3, was to elect Directors to the Board for the ensuing year. All Directors retired at this AGM and all Directors had indicated that they were eligible and available for re-election. The current Board members included the Chairman Deon Viljoen, Pierre Coetzee, Nicholas Dickson, Lynette Douglas, Gustavus Kruger, Ajith Ramsarup and Anthony Ridl. A nomination had been received for John Lee and the Chairman enquired whether there were any other nominations for consideration. Timeshare owner Louise McMillan, stated that she was willing to stand as a Director should there be a vacancy. Mr Ridl seconded Ms McMillan's nomination.

Mr Ridl advised that John Lee was a retired ex-Director of Sun International's Vacation Club and he had a number of years' experience in Hotels and Resorts. Mr Lee had recently retired to uMhlanga and had a wealth of timeshare business experience. Mr Lee would add value to the Board. He lived close to the Resort and knew the industry very well whilst also having a strong accounting knowledge.

Ms McMillan advised that she was currently a Director at Pine Lake Resort. She had started her career in IT and had later formed her own business. She became a Director of Paracon South Africa. Ms McMillan advised that she did not have a hospitality background but had been exposed to the timeshare business and would bring a different perspective to the business. Ms McMillan had timeshare at Breakers Resort, uMhlanga Sands Resort and Pine Lake Resort.

The Chairman advised that the number of Directors on the Board was limited to seven and with nine candidates nominated, the Chairman stated that a poll was required. The Chairman advised Shareholders that each person had seven votes, for the seven positions. The ballot papers were distributed and then retrieved. The Chairman advised that the Financial Manager Mr Whiteboy, together with the Auditors, would verify and tally the ballots. Once completed, he would announce the results of the poll.

The Chairman suggested that the meeting continue while the ballot tally process was in progress.

5 INSURED VALUE OF PROPERTY

Item 9 was to table, for discussion, the insured value of the property, as approved by the Directors in terms of the Use Agreement. The Chairman stated that the insured value as provided by the firm of Quantity Surveyors Brian Heineberg and Associates for 2017/2018, was 7.4% higher than the previous year. The replacement cost of the building was R573,254,511 and the replacement cost for furniture, fittings and equipment was R87,418,398. The total insured value was R660,672,909. The Chairman confirmed that the Board was comfortable with the valuation and recommended that the insured value be approved. No objections were recorded and the insured value was approved.

6 GENERAL MANAGER'S REPORT INCLUDING THE REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Items 10 and 11 covered the report of the General Manager as well as the report of the Social and Ethics Committee. The Chairman called on Franco Seaman to present the activities of the Resort and Committee for the past year.

Mr Seaman provided a slide presentation and advised that the Resort's Facebook webpage had recorded 25,000 visitors in 2016 and 34,000 visitors in 2017. uMhlanga Sands had been placed 5th in the area by Tripadvisor. A number of comments that had been received relating to the Resort as being a great family Resort and a perfect getaway. The property had a 4.5 Star Grading out of 5, by Tripadvisor.

Average occupancy for the Resort over the past year had been 91% and an average eGuest satisfaction survey result of 88% had been achieved. The landscaping audit had recorded an average score of 92%. Mr Seaman presented comparative energy consumption from 2006 to 2016, which revealed a great decrease in consumption. Energy consumption was monitored on a daily basis and any anomalies were immediately addressed. The Chairman mentioned that he was very proud of management's initiatives and efforts for energy saving over the last few years. The Chairman advised that the same approach and monitoring was being done for water consumption and this area had also shown great savings. Mr Seaman advised that the grey water storage initiative was in place. 45% of waste, through Don't Waste Services (DWS) had been recycled over the year, which included plastic, wet waste and dry waste.

Recent upgrades to the Resort included ClearVu fencing installed around the property; public bathrooms on the ground floor and mezzanine level; a lift had been installed from ground floor to the mezzanine level; a lift had been installed from ground floor to the adult swimming pool; a new swimming pool deck made of recyclable plastic had been laid; a water slide was installed at the family swimming pool; and the laundry facility. The Chairman noted that the two new lifts were an important feature for the Resort noting that a number of guests were older and some required wheelchair access. A universal access bathroom was available on the 8th floor and a number of unit doors had been widened to accommodate wheelchair access. The spalling project had commenced the previous year and would be completed by January 2018.

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Staff had taken part in a beach clean-up session as one of the CSI projects and the Resort had contributed older linen to Vula House on Mandela Day and as part of the 67 Minutes initiative, the House was painted.

Mr Seaman advised that the rooms refurbishment project would commence in the third week of January 2018. He presented graphics for the proposed refurbishment. The Chairman highlighted the new cupboards and additional plug points in the unit. The Chairman advised that a 4-sleeper and a 6-sleeper mock-up room had been prepared for viewing and he welcomed shareholders to arrange with management, a convenient time to inspect the design and features. It was normal practice to prepare mock-up rooms in order for guests to view, experience and provide feedback over a year period. The cost of the refurbishment project would be approximately R44.5m, which was almost R2m less than provided for in the budget. The Chairman confirmed there would be no additional costs or the raising of a special levy to fund the project. He added that once the rooms refurbishment project was completed, the bulk of the property would have been "rebuilt". A 30-year old chiller unit did require replacement and as part of the solution, management was considering design changes to the public areas and visibility of spaces.

The Chairman reported that the Board was currently in negotiations with the management team to renew the current Management Agreement and he was pleased to advise that negotiations were progressing satisfactorily thus far. He looked forward to concluding the negotiations by the end of 2017.

7 SHAREHOLDERS' CORRESPONDENCE

Two Shareholders, Mr Wewege and Mr Skinner, had requested that management try to limit budget increases, to keep levy increases lower than CPI. The Chairman was pleased to announce that the annual levy increase over the past 3 years had been approximately 6%, which was below CPI and the forecasted costs.

Mr Pienaar and his team would respond to a further query from Mr Wewege, regarding the categorisation of units and rating through SunSwop.

The Secretary advised that a suggestion to alternate the AGM's between Johannesburg and Durban had been received. She noted that while there had been a good turnout for an AGM held in Johannesburg, additional costs were incurred for the Durban based team.

Timesharer Alicia Dercksen had written that some guests appeared to 'book' loungers at the swimming pool area, looking out to sea and she felt that she did not have the same opportunity. The Chairman noted that it had become common practice amongst the guests at all other properties to book loungers. Management was aware of the practice and would continue to monitor the situation.

Timesharer Marian Bryant had written that the rooms were looking 'shabby'. The Secretary noted that the new softs room refurbishment would begin in 2018. Mrs Bryant had also mentioned smoking on the property and the laundry facility being closed. The Secretary advised that a cleaning penalty of R1,000 would be imposed should any guest be caught smoking in a room. She added that the laundry facility had been closed due to the necessary upgrade at the time however staff had offered an alternative at no cost to timesharers.

The Chairman thanked the Shareholders for raising their concerns and making comments and enquired whether there were any comments or queries from the floor.

A shareholder enquired about outstanding levies. The Chairman proudly advised that the current percentage of outstanding levies was 0.55% of total levy income, which was an excellent achievement. There was currently 105 repossessed units out of 12,000 units. Repossessed units were placed into the rental pool in order to earn income for the Share Block to pay off part of the debt on those units.

Mrs Douglas requested that the Chairman explain the option to use SunSwop points in Hotels and Hotel restaurants. The Chairman requested that the General Manager of SunSwop, Mr Pienaar, reply. Mr Pienaar explained the product of SunSwop Choices, which was an upgraded membership to the existing SunSwop membership. An upgrade fee of R1,700 would give a Shareholder a five-year membership and offer the ability to convert points into SunRands. An administration fee of R461 was charged to convert the week into SunRands, which would allow a person to book accommodation within the Tsogo Sun Hotel division or book for food and beverage at any Tsogo Sun owned restaurant. One SunRand was equivalent to R1. The Chairman advised that approximately 40% of the Hotels within Tsogo Sun had Tsogo Sun owned food and beverage offerings.

ELECTION OF DIRECTORS – CONTINUED - RESULTS

The Auditors had agreed the results of the poll. The Chairman was pleased to announce that the current Board of Directors would remain the Board of Directors for the following year. The Chairman thanked Ms McMillan and Mr Lee for the interest shown and nominations.

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8 APPOINTMENT OF AUDIT COMMITTEE

Item 7 was to appoint Directors as members of the Audit Committee. This was a provision of the Companies Act and in terms of the public interest (PI) score the Company was required to have an Audit Committee comprising three Directors. The current Audit Committee comprised Nicholas Dickson, Pierre Coetzee and Ajith Ramsarup. No objections were recorded to the current members remaining on the Committee. Nicholas Dickson, Pierre Coetzee and Ajith Ramsarup were appointed for the ensuing year.

9 APPOINTMENT OF SOCIAL AND ETHICS COMMITTEE

Item 8 was to appoint members of the Social and Ethics Committee. This was a recommendation by the King IV commission released in 2017, which recommended the establishment of a separate Social and Ethics Committee comprising three members, one of which should be a Director. The current Social and Ethics Committee comprised the Chairman, Franco Seaman, Gustavus Kruger and Lynette Douglas. No objections were received for the same members to remain on the Committee and the motion was carried. An enquiry was made as to the role of the Social and Ethics Committee. The Chairman explained that the main area of involvement was corporate social investment (CSI) and charity initiatives together with environmental best practice, employment equity, recruitment and training, as well as Corporate Governance.

10 GENERAL

The Chairman enquired whether there was anything a Shareholder would like to raise. No issues were raised for discussion.

11 CLOSURE

There being no further business, the Chairman thanked everyone for attending and declared the Meeting closed at 13h32.

Read and confirmed this _____ day of _____ 2018.

CHAIRMAN