

# Beacon Island Share Block Proprietary Limited

Registration No. 1983/005957/07



## Annual Report

for the year ended 31 December 2019

# Beacon Island Share Block Proprietary Limited

## Annual Financial Statements

for the year ended 31 December 2019

### COMPANY INFORMATION

Registration number: 1983/005957/07  
Registered address: Palazzo Towers West  
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:

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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. Mr Warren Whiteboy CA(SA), in his capacity as financial manager of Beacon Island Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

# Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2019

As always, it is my pleasure to report to you on the operations, projects, financial well-being and future plans of our resort. This is particularly so at the time of this immense global challenge. Our resort continues to demonstrate the fortitude, grace and capability for which it is renowned.

## Improvement of Facilities

All 200 bedrooms were refurbished as planned. Work was carried out in accordance with a tight schedule to minimise disturbance and was completed successfully within the deadline at a rate of two weeks per floor. Among other things, the bedrooms were equipped with smart televisions, enhanced lighting, and overall, they were revitalised with a fresh and modern look-and-feel.

The refurbishment included an electrical upgrade of plug points in the rooms to enable optimal power supply and the convenient charging of digital devices. These enhancements were complemented by a WiFi upgrade. The new WiFi service is particularly user-friendly and, unlike before, guests have access to uncapped data.

In the communal areas, the restaurant offering was comprehensively revamped. Our food and beverage facility has been incorporated under the management of Tsogo Sun and the outlets are rebranded as The Captain's Cabin, Robberg Room and Beacon Café. As part of this clean sweep, each outlet was refurbished to upgrade the facilities and reflect a re-energised approach to the guest experience.

The area that was formerly known as Coral Reef Restaurant has reverted to its original name of, The Captain's Cabin, and been redesigned to enhance a blend in cuisine and atmosphere of the traditional and the contemporary. These upgrades extended to the gazebo terrace that received new, up-market furnishings.

Key infrastructure also saw improvement. In an upgrade of the parking lot, additional parking bays were created, its surface was repaved, new lighting was erected, bollards and shade-cloth protection was installed, amongst other features for the convenience and security of guests.

Similarly, work began on an upgrade of the resort's water tanks, with a view to completing this in 2020. The aim is to increase our storage capacity at the extent to which we can provide uninterrupted water supply, particularly in the event of drought-related municipal water shortages.

## Human Resources

High-quality facilities need to be matched by high-quality service from staff. This calls for ongoing training and development, which is not only critical to the guests' experience at the resort but also contributes to the skills-base and socioeconomic growth of the wider local community. During the year, our management team, led by our general manager, Mr Reinhard Visser, had two main areas of focus in this respect.

The first focus was on food and beverage training, for the staff that Tsogo Sun took aboard from the previous restaurant franchisee. Insourcing rather than outsourcing these staff members allowed for close quality control and alignment with Tsogo Sun's high service standards. The second area of emphasis was on health and safety training which covered an array of essential topics including hygiene, first aid and fire evacuation.

Two significant key appointments are Mr Chris O'Neil as food and beverage manager and Mr Alrique Visagie, as head chef. We are pleased to welcome them in these positions and look forward to many remarkable meals and experiences with them.

## Guest-Centricity

We continued to monitor guest satisfaction by listening and responding to feedback directly from guests via personal communication, surveys and online ratings as well as indirectly through recognition in industry awards.

Our eGuest survey results remained high and ended the year on a score of 89.6%, albeit that it was 1.5% less than in 2018 (91.1%). This was attributable to the bedroom refurbishment and transition from an outsourced to insourced restaurant offering. Likewise, our TripAdvisor ratings were again top notch. We were awarded a 2019 Travellers' Choice Award in the Top Hotel category for South Africa. In addition, we received a Certificate of Excellence and a place on the TripAdvisor Hall of Fame.

There were also accolades galore at the annual RCI Awards. Our resort was a finalist in no less than five categories: Overall Resort of the Year and, in each case for large properties, Top Check In/Out, Top Housekeeping, Top Unit Maintenance and Superior Service in Hospitality.

Over and above these, we won the category Top Resort Maintenance – Large Property, and two value awards, Green Award – Environmental Initiatives and Investment in Hospitality.

We congratulate Mr Visser and his team for these outstanding achievements. Most significantly, despite all the current challenges, we take great pride in Mr Visser's personal and professional triumph at the RCI Awards. He was honoured by the leaders of South Africa's timeshare industry as General Manager of the Year. This is a clear indication that Beacon Island Resort's management is entrusted to the most capable of hands, as this truly illustrious award illustrates.

## Occupancy

The resort once again boasted a high occupancy rate, ending on an overall occupancy of 86.9%. This was fractionally lower than the 88.8% rate in the previous year, primarily because of the refurbishment of the bedrooms that resulted in fewer timeshare units being available for occupation.

# Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2019

## Financial Results for the Year Ended 31 December 2019

Shareholders are referred to the statement of comprehensive income (page 14), which summarises the resort's income and expenditure. The traditional levy fund operating statement (pages 26 and 27) provides supplementary information. I refer to these statements when commenting on the financial results for the year.

The statement of comprehensive income for the year ended 31 December 2019 reflects total income, including net finance income, of R52.950m (2018: R52.960m) and total expenditure of R37.692m (2018: R36.086m). The levy surplus after taxation was R14.170m (2018: R15.420m). This has been transferred to the reserve. These superb results are consistent with those of 2018 and reflect that the resort enjoyed another strong year of trading despite having upgraded its facilities.

### Income

Income excluding interest received, increased by 3.2% on the previous year. This comparatively small increase is due to two factors. The first is that interest received, typically a key revenue source, was lower because R54m held in investments had to be used to pay for the refurbishment and could not earn interest. The second is that, with bedrooms being taken out of circulation to be renovated, there was less timeshare stock available to generate sales and rentals earnings. Income for the year included the sale of fixed assets. The resort generated ad hoc revenue from the sale of second-hand furniture and fittings which were removed during the bedroom refurbishment.

### Expenditure

Total expenditure for the year increased year on year by 4.4%.

### Rooms Expenditure

Rooms expenditure increased by 6.67%, primarily due to the continued use of the swimming pool safety marshals who had been appointed in the previous year and the need for additional security during the upgrade of the bedrooms and restaurants.

Expenditure on guest entertainment and bands was also higher due to an improved welcome offering and the introduction of a self-entertainment desk where guests may borrow board games and similar supplies at their convenience. New stock was purchased and two further staff members were added to the team.

Other rooms expenditures decreased significantly. DSTV charges were much lower year-on-year thanks to subscription advantages arising from the expansion of our television offering in the previous year.

### Administration and General

Administration and general expenses decreased by 8.76%. The reduction is as a result of administration fees on timeshare exchanges having declined by 91.5% year on year, which equated to a saving of R1.6m.

The brief background to this is that, in February 2019, SunSwop's contract with Interval International expired and was replaced by a partnership with RCI, that supports SunSwop in providing local and international exchanges. In the changeover, SunSwop negotiated new terms of service that have brought about this substantial reduction of our administrative expenses.

### Electricity, Water and Refuse

Expenditure increased overall by 19.26%. This was due primarily to the necessity of having to buy large quantities of diesel to keep the resort operational during the nationwide Eskom load shedding, that occurred intermittently throughout 2019.

Two further contributory factors were the annual increases in municipal water and electricity tariffs, that were once again relatively high and a water pipe in the resort had experienced a leak. This leak was difficult to access and then repair. It required excavation into the building's foundations, but our monitoring systems facilitated timeous detection of the problem and resulted in rapid steps to address the situation.

The resort constantly strives to conserve water and energy and uses these resources, including waste products, as efficiently and innovatively as possible in order to ensure compliance, comfort and cost-effectiveness. The electrical upgrade included in the bedroom refurbishment and the upgrade of the water-storage system are two key instances of the ongoing efforts that are being made in this regard.

### Repairs and Maintenance

Repairs and maintenance increased by 12.4% (R244k) due to repairs made to the swimming pool; interim workarounds adopted during the restaurant changeover to facilitate continuing guest service; and vehicle repairs to the clutch and water pump of one of our two Quantum buses.

### Corporate Charges

Corporate charges decreased by 19.2%. This was due to writing back annual cost provisions made for CSOS ("Community Service Ombud Scheme") claims that did not materialise. In addition, more and more shareholders are receiving their annual financial statements electronically. This has seen a steady decrease in annual report and statutory costs over the years and is to be further encouraged.

### Statement of Financial Position

The statement of financial position is reflected on page 15, with notes related to it providing further information. The reserve for the replacement of property, plant and equipment reflects a balance of R26.880m (2018: R68.885m) after transfer of the operating surplus for 2019 of R14.170m (2018: R15.420m) and normal capital expenditure costs of R54.174m (2018: R5.83m). Levies receivable increased to R156k (2018: R116k).

# Beacon Island Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2019

We thank shareholders for continuing to meet their levy obligations by paying levies in advance. Levies received in advance have increased to R16.9m (2018: R16.236m). Surplus funds are invested for the benefit of all shareholders. Cash and cash equivalents decreased to R43.125m (2018: R70.334m).

## Capital Expenditure

Capital expenditure during 2019 amounted to R54.174m (2018: R5.862m).

The following major items of expenditure were incurred:

Refurbishment of rooms	R39.997m
Rooms furniture & equipment	R3.941m
Electrical upgrade of rooms	R3.828m
Gazebo terrace upgrade	R1.965m
Parking upgrade	R1.355m
Captain's Cabin	R638k
Water storage tanks	R503k
Robberg Room deck	R304k

## 2021 Levy Budget

As in the past, the 2021 annual levy budget was approved by the Directors at the August 2020 Board meeting. Directors were acutely mindful of Covid-19 and the fact that this unanticipated pandemic and the domestic and global lockdowns imposed in response to it have created abnormal challenges. In the budgeting, due diligence was exercised in aiming to meet the resort's fiscal obligations while ensuring stable growth in the reserve fund for future maintenance and improvements. This reserve ensures the stability, continuity and future of our resort. The Directors have resolved not to increase levies, thereby keeping the 2021 levy the same as 2020. Furthermore, for the weeks affected by the lockdown period, the Directors resolved to offer shareholders an option to either continue banking their week in exchange for 100% SunSwop points, or unbank their week and receive a 25% credit against their 2020 levy account.

## Vacation Ownership Association of South Africa

The Vacation Ownership Association of South Africa ("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 the timeshare industry to growing in a positive and organised manner. Its code of conduct outlines the intention to govern business practices by protecting the interests of both consumers and the industry and to promote an equitable, negotiated balance between the two. Our share block remains a member of VOASA and one of our Directors, Mr Anthony Rial, currently serves as Chairman of that Board.

## Corporate Governance

Since the status of the social and ethics committee was raised to a proper standing committee, a separate account of its activities for the year is provided on pages 8 and 9 of this annual report.

## Annual General Meeting

Every shareholder is encouraged either to attend this year's AGM or complete the form of proxy enclosed in this annual report on page 5 should he or she be unable to attend.

## Conclusion

I continue to be proud of and reassured by our resort's superb performance and I thank my fellow Directors for their support and hard work this past year. We are fortunate to have such a capable Board of Directors, all of whom are dedicated to the best interests of our shareholders.



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

**LM Hodes**

CHAIRMAN

Notice is hereby given to the shareholders of the Company that the Annual General Meeting ("AGM") of the Company will be held on **Monday, 26 October 2020 at 12h00 at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town Waterfront**, for the purposes of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions set out hereunder, and considering any other matters raised by shareholders at the AGM.

**1. Receipt and adoption of annual financial statements and reports**

Ordinary resolution 1: Resolved as an ordinary resolution to receive and adopt the annual financial statements of the Company for the financial year ended 31 December 2019, together with the reports of the Directors, the independent auditors thereon, and further to receive the reports of the audit committee, the social and ethics committee, contained in the annual report of the Company for the financial year ended 31 December 2019, and tabled at the meeting at which this resolution was proposed.

**2. Appointment of auditors**

Ordinary resolution 2: Resolved as an ordinary resolution upon the recommendation of the Board that BDO South Africa Inc. ("BDO") be and are hereby appointed as independent auditors of the Company until the conclusion of the next AGM of the Company.

**3. Election of Directors**

In accordance with Company's memorandum of incorporation ("MOI"), the number of Directors shall be no less than three (3) and no more than seven (7) and that the longest serving Directors shall retire at an AGM. The longest serving Directors shall be those who have held office for three (3) successive AGMs excluding the meeting at which they are elected or re-elected and including the third (3) meeting at which they shall automatically retire. By rotation, Mr Gary Kaplan, Mr John Lee and Mr Charles Wells retire at this AGM. Mr Lee has indicated that he would not be available for re-election and has agreed to retire from the Board. **It would facilitate secretarial procedures if nominations for the appointment of those Directors be received by no later than 12h00 on Thursday, 22 October 2020 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 ("CV").**

Ordinary resolution 3.1: Resolved as an ordinary resolution that Mr Gary Kaplan who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.2: Resolved as an ordinary resolution that Mr Charles Wells who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

**4. Appointment of audit committee**

Ordinary resolution 4.1: Resolved as an ordinary resolution that Mr Gary Kaplan be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

Ordinary resolution 4.2: Resolved as an ordinary resolution that Ms Laurelle McDonald be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

Ordinary resolution 4.3: Resolved as an ordinary resolution that Mr Anthony Ridl be and is hereby elected as a member of the Company's audit committee in terms of the Company's MOI.

**5. Insured value of property**

Ordinary resolution 5: Resolved as an ordinary resolution the recommended insured value of the property, as tabled at the meeting at which this resolution was proposed, be and is hereby approved.

**6. Non-executive Directors' fees**

Special resolution 1: It is noted that an amount of R8,000 for non-executive Directors fees was approved at the previous AGM for the year until 26 October 2019. It is now resolved as a special resolution that R8,000 (Vat payable, to the extent applicable to this remuneration) payable to the non-executive Directors of the Company for their services as Directors of the Company and as members of the sub-committees, per meeting or cluster of meetings, in respect of the period from 27 October 2020 until the next AGM of the Company, and tabled at the meeting at which this resolution was proposed, be and is hereby approved.

***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.

Subject to the provisions of the South African Companies Act 71, of 2008, no business shall be transacted at any AGM unless a quorum of shareholders is present at the time when the meeting proceeds to business. The quorum at any AGM shall be no less than three (3) shareholders present, holding at least five percent (5%) of the share capital and voting rights, personally or by proxy, and who 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 AGM will be automatically adjourned for one (1) business day, to Tuesday, 27 October 2020 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.

For an ordinary resolution to be adopted by shareholders at the AGM, 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 13 October 2020.**

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 12h00 on Thursday, 22 October 2020. A form of proxy is enclosed on page 5 for this purpose.**

**By order of the Board**  
**Southern Sun Secretarial Services Proprietary Limited**  
**27 July 2020**



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

Registered Office  
 Palazzo Towers West  
 Montecasino Boulevard  
 Fourways, 2055

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

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Monday, 26 October 2020, at 12h00 at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town Waterfront.**

**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 AGM.

As my/our proxy to vote for me/us on my/our behalf at the AGM of the Company, to be held on the above-mentioned date and at any adjournment thereof as follows:

	In Favour Of	Against	Abstain
<b>Ordinary Resolution 1:</b> Receipt and adoption of annual financial statements and reports - Year ended 31 December 2019			
<b>Ordinary Resolution 2:</b> Appointment of auditors			
<b>Ordinary Resolution 3:</b> Election of Directors			
3.1 Gary Kaplan			
3.2 Charles Wells			
<b>Ordinary Resolution 4:</b> Appointment of audit committee			
4.1 Gary Kaplan			
4.2 Laurelle McDonald			
4.3 Anthony Ridl			
<b>Ordinary resolution 5:</b> Insured value of property			
<b>Special Resolution 1:</b> Non-executive Directors' fees			

Signed at ..... this ..... day of ..... 2020.

Signature ..... assisted by ..... (where applicable)

Unless otherwise instructed, specifically as above, the form of 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 initialled 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 **12h00 on Thursday, 22 October 2020.**





# Beacon Island Share Block Proprietary Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2019

The Directors and management are responsible for the preparation, integrity and fair presentation of the annual financial statements of Beacon Island Share Block Proprietary Limited. The annual financial statements presented on pages 14 to 25 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the South African Companies Act 71, of 2008.

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

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

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

The going concern basis has been adopted in preparing the annual financial statements. Based on the cash flow forecasts, available cash resources and the other measures the Company has taken, the Directors and management are of the opinion that the Company has sufficient resources to continue operations as a going concern in a responsible and sustainable manner in the foreseeable future.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the COVID-19 pandemic on the Company's operations and liquidity was considered. The Directors have assessed the cash flow forecasts together with the other actions taken or proposed by management and are of the view that the Company has sufficient liquidity to meet its obligations and to counteract possible losses that may result from the impact of COVID-19 on the Company's operations in the next financial year.

While the Company supports government's efforts to safeguard the health of citizens, the prolonged lockdown has had and will continue to have a devastating impact on the South African economy in general and the Southern African travel and tourism industry, and its employees. No industry can survive extended periods without revenue. We welcome the recent announcement by President Cyril Ramaphosa of the move to risk level 3 and appeal to government to continue to open the economy as quickly as possible, with due regard for safety.

The Company's external auditors, BDO South Africa Incorporated ("BDO"), audited the annual financial statements and their report is presented on pages 12 to 13.

## Approval of annual financial statements

The annual financial statements set out on pages 14 to 25 were approved by the Board of Directors on 27 July 2020 and are signed by:



**LM Hodes**  
Chairman



**G Kaplan**  
Director (chairman - audit committee)

## Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of Beacon Island Share Block Proprietary Limited that for the year ended 31 December 2019, the Company has filed all required returns and notices in terms of the South African 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.



**MJ Mahloele**  
For Southern Sun Secretarial Services Proprietary Limited

# Beacon Island Share Block Proprietary Limited

Report of the Audit Committee for the Year Ended 31 December 2019

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 at each Annual General Meeting ("AGM").

## 1. Members of the audit committee

The members of the audit committee comprise three non-executive Directors being Mr Gary Kaplan (Chairman), Ms Laurelle McDonald and Mr Anthony Ridl.

## 2. 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.

## 3. 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 by invitation.

## 4. Duties of the audit committee

The work of the audit committee during the year focused on:

- 4.1 Evaluating the independence and effectiveness of, and the fees and terms of engagement of, the external auditors;
- 4.2 Ensuring that the appointment of the auditor complies with the provision of the South African Companies Act and any other legislation relating to the appointment of auditors;
- 4.3 Approving of external audit and internal audit plans;
- 4.4 Determining, subject to the provisions, the nature and extent of any non-audit services that the auditor may provide to the Company;
- 4.5 Reviewing of prospective accounting standard changes;
- 4.6 Evaluating of financial reporting procedures;
- 4.7 Reviewing of and recommending to the Board for approval of the annual financial statements;
- 4.8 Assessing of the internal control environment, particularly in relation to the system on internal financial controls; and
- 4.9 Performing such other oversight functions as may be determined by the Board.

## 5. Independence of external auditors

The audit committee has satisfied itself that the external auditor is independent of the Company, as set out in Section 94(8) of the South African Companies Act 71, of 2008. Requisite assurance was provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.



**G Kaplan**  
Chairman  
27 July 2020

# Beacon Island Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2019

The social and ethics committee ("the committee") of Beacon Island Share Block Proprietary Limited is a statutory committee governed by the Companies Act, guided by King IV, and mandated to fulfil all other responsibilities assigned to it by the Board of Directors.

## Role of the Committee

The committee serves to ensure that the resort complies with relevant laws and regulations, exercises corporate social responsibility, and operates in line with the goals of the share block. It sees to it that the resort manages its resources in a safe, legally compliant, sustainable and strategic way, and that it continues to build constructive relationships with stakeholders vital to its success: guests, employees, the community and wider society.

## Composition and Functioning

The committee meets twice a year and comprises three non-executive Directors: Mr Charles Wells (Chairman), Mr Robert Segal and Mr John Lee. Other Directors are invited to take part in the meetings and assist where required. The committee is greatly supported by the resort's staff.

## Activities of the Committee

The committee provided direction, oversight and impetus to a variety of activities that worked to the good of the resort and its environmental and socio-economic context. The energy that went into these activities, and the outstanding results they led to, demonstrate the commitment of the resort team.

## Environmental Health & Public Safety

Environmental health and public safety are interlocking priorities in the committee's work. The focus is, on the one hand, on energy, water and waste programmes and, on the other, on the organisational resilience management system ("ORMS") that Tsogo Sun uses in all its properties. As in the past, the year in review saw excellent performance on both fronts.

Regarding ORMS, this is a comprehensive planning, monitoring and auditing framework for ensuring that the resort's core services and facilities are safe, compliant, robust and working well. It keeps tabs on the numerous factors that routinely need attention in operating a resort, ranging from the state of lifts and fire-safety systems to water quality, cleanliness, kitchen hygiene, security, and more.

ORMS is there to cover the bases in preventing and mitigating risks and in having back-up systems in place for when needed. Risk audits are thus essential, and we are pleased to note that the resort not only met but surpassed its ORMS target, achieving an overall score of 98% in its audits.

ORMS works hand in hand with environmental health in that resource-efficiency is essential in both cases. In terms of energy savings, the resort succeeded in saving 6.55% more energy than it did in the previous year, which in itself, is 2.55% more than the forecast saving of 4%.

While these results may be attributable in part to the prolonged load shedding that occurred without warning during the year, what they show primarily to the extent at least to which they are in line with the forecast saving, is that the resort remains on track with its projections and continues to reap the year-on-year energy-saving dividends of the numerous upgrades and behaviour-change measures that have been implemented to improve its efficiency and effectiveness as an energy user.

These initiatives include the switch-off-something ("S.O.S") programme, the use of timers, motion sensors and energy-efficient lights, and the installation of new heat pumps. In addition, the bedroom refurbishment undertaken in 2019 entailed an extensive upgrade of electrical systems in all the rooms to ensure optimal, fully compliant power supply. The resort continues to use its generator as a failsafe in the event of Eskom outages.

As for water savings, 1.02% less water was saved than in the previous period. This was due mainly to a leak that happened underneath the premises and within the remnants of the building that stood on the site in the past. Given how challenging it was to access it, the leak stayed active during the roughly three months it took to carry out excavations to reach it and affect repairs. It was thanks, nevertheless, to the resort's water-monitoring systems that the leak and its point of origin could be detected and steps promptly put in motion to rectify the situation.

Savings on water usage continues to be a major priority in planning and operations, which are geared to maximising self-sufficiency and minimising impact on municipal water reserves. During the year, work commenced on an upgrade of the water tanks under the indoor swimming-pool with a view to completing this in 2020. The upgrade increases the resort's storage capacity by 32,000 litres and, as part of the same project, is to be complemented by establishing a borehole facility.

On the recycling front, the resort recycled 54.8% of its total waste generated. Among other measures, paper waste is shredded and turned into charcoal bricks; a glass-crusher is used to grind bottles back into sand; and tin cans are compacted and removed to a scrapyard for recycling. For these and other eco-friendly efforts, the resort was honoured at the RCI Awards as winner of the Green Award – Environmental Initiatives.

## Guest Relations & Correspondence

Guest relations are clearly the lifeblood of the resort. As is its practice, the committee monitored feedback from guests and ensured that appropriate response was made to satisfy the needs of this important group of stakeholders.

The results of eGuest surveys remained high, with a final score for the year of 89.6%. Likewise, the resort was once again a top performer on TripAdvisor, where it won a Travellers' Choice Award in the Top Hotel category for South Africa.

It distinguished itself too at the RCI Awards, having been a finalist in five categories – including Overall Resort of the Year, Superior Service in Hospitality – Large Property, winning the award for Top Resort Maintenance – Large Property, along with two value awards, Investment in Hospitality and Green Award – Environmental Initiatives. It was a night of laurels and accolades, finely rounded off when our general manager Mr Reinhard Visser, won the coveted title of General Manager of the Year.

## Labour, Employment Relations and BBBEE

Situated as it is in the rural coastland of the Garden Route, the resort, a prestigious, high-occupancy timeshare property, is an actor of significance in the local economy. It is a comparatively big spending force in the Plettenberg Bay area and among its largest employers, with the majority of its labour force drawn from the communities that surround it.

# Beacon Island Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2019

Consequently, what the resort does in its labour engagements, along with its procurement practices, takes on heightened dual importance, as this works to the benefit, on the one hand, of the guest experience and, on the other, of the socio-economic development of the local community with which the resort is so intertwined.

Strong emphasis is placed on buying goods and services that are local and sustainable, an approach which is BBBEE compliant and stimulates entrepreneurship in the area. Moreover, as noted in previous reports, employees are treated equally; the resort complies with the Labour Relations Act; it is a BBBEE Level 1 contributor; and its management team builds positive relationships with its employees through effective communication and performance management.

In the year under review, training and development was again a key aspect of enhanced guest service and empowered labour relations, with staff being encouraged to pursue opportunities for professional development made available to them by Tsogo Sun through a partner-provided online learning platform.

## Corporate Citizenship & Social Investment

The resort exercises corporate citizenship and undertakes corporate social investment ("CSI") mindful of the symbiotic relationship between itself and the local community. Whereas other facets of its work relate, for instance, to the natural environment, with corporate citizenship and CSI the focus is on enhancing the social fabric on which the prosperity of both the resort and community depends.

During the year, the resort supported the health, welfare, educational and school-security needs of more than 40 different beneficiary entities, ranging from charities and underprivileged sports clubs to early-learning centres and primary schools. It assisted in various ways, whether through making staff time and expertise available to beneficiaries, or providing them with material support in the form, for example, of resort stayovers as fundraising prizes or donations of new or pre-used items such as linen, furniture, paint, computer equipment and school stationery.

We are thus delighted to report that, all in all, the resort surpassed its CSI target. Its efforts were enthusiastically supported by committee member Mr Laurance Hodes and other shareholders, who took the initiative to organise a charity drive among schools in Johannesburg and collect books and other educational materials for donation to the resort's beneficiaries.

Among the year's highlights were the Shine reading programme held at Phakamisani Primary School, and the ongoing relationship with Wittedrift Primary School, where the resort assisted in the upkeep of the vegetable garden and general maintenance of the premises. At New Life Day-Care Centre, the resort installed electrical wiring, lighting, burglar bars and safety gates, as well as donated laptops, books and stationery, while at Harkerville Primary School, the resort supplied materials such as paint, gardening equipment, tables and chairs, and food and beverages.

## Strategic Plans

As at the end of 2019, a goal of our strategic plan was to refurbish the entire foyer and upgrade the gate house. This project has been successfully completed and your resort is looking fresh and modern. The sea lounge underwent a soft refurbishment and the pool deck has been upgraded. A state-of-the-art fire-extraction system has been installed in the atrium. We continue to monitor the food and beverage offering to keep it on par with the resort's standards. We aim to review and confirm our Board Charter and committee's Terms of Reference in 2020.

## Conclusion

A big thank-you to my fellow Board members and to Mr Visser and his excellent team for their support, which made 2019 another phenomenal year. It is indeed a pleasure to serve on this committee, which strives to make a positive difference to our employees and the larger community in which Beacon Island Resort operates.



**Charles Wells**  
CHAIRMAN

# Beacon Island Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2019

The Directors present their annual report of the Company for the year ended 31 December 2019.

## 1 Business activity

The Company leases the land and buildings known as Beacon Island Resort which are utilised by the shareholders on a timeshare basis with respective shareholder's 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; and
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 R14,169,531 (2018: R15,419,975) was transferred to the reserve for property, plant and equipment.

No dividends have been declared during the year and none are recommended (2018: R Nil)

## 3 Share capital

The authorised and issued share capital has remained unchanged.

## 4 Insurance

The resort buildings and its 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:

LM Hodes	Chairman
G Kaplan *	
JA Lee ^	
L McDonald *	Appointed 4 October 2019
AN Ridl *	(Alternate MN Ridl - appointed 18 August 2019)
R Segal ^	
DP Viljoen ^	Resigned 4 October 2019
CP Wells ^	

\* Audit committee members

^ Social and ethics committee members

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

<b>Business:</b>	<b>Postal:</b>
Palazzo Towers West	Private Bag X200
Montecasino Boulevard	Bryanston
Fourways	2021
2055	

# Beacon Island Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2019

## 6 Management

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

## 7 Material events after year-end and going concern

### Covid-19 status and action plan

Since implementation of the national lockdown on 27 March 2020, the Company has been in close communication with its employees, suppliers and tenants in order to arrive at mutually sustainable operating solutions during these extraordinarily difficult times. The Company has implemented the following steps to reduce costs and preserve cash:

- **Reduction of payroll burden:** The Company has implemented the temporary layoff of employees and has had to materially reduce pay for all levels, including executive management. The Company will continue to operate on skeleton staffing levels until demand returns. In addition, employee recruitments and training have been placed on hold while salary increases and accrued bonus settlements have been deferred. In order to alleviate the cash flow burden on both the Company and its employees, applications have been submitted for: UIF TERS grants; pension and medical aid fund contribution holidays for a period of three months; as well as SDL payment holidays;
- **Suppliers:** The Company has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the Company and while we currently continue to meet these obligations, the Company is lobbying government through industry bodies, to grant a deferral or payment holiday. Contractual variable costs with suppliers have been reduced to nil until trading resumes by extending the period of the contracts; and
- **Reduction/delay in capital expenditure:** The Company has taken the decision to delay all non-essential capital expenditure however, where the funds are available, it makes operational sense to complete some of the more disruptive work while there is no impact on our guests. For this reason, some of the refurbishment work will continue from risk level 3 and onwards.

Inter-provincial travel is vital for the timeshare industry, and the Company has been actively lobbying through industry bodies for the earliest relaxation of these travel restrictions.

Due to the extended lockdown and closure of the resort, the enforced social distancing regulations and restrictions on gatherings, the resort is likely to be operationally restructured. In anticipation of the reopening, the Company has a number of health protocols and control measures already in place, to safeguard employees and guests through employee training programmes, the availability and use of personal protective equipment, sanitation, hygiene resources and screening methods. Hygiene processes will be followed and social distancing will continue to be respected.

The COVID-19 pandemic and subsequent lockdown of the economy on 27 March 2020, and in particular the hospitality sector, has had a profound impact on the industry. The measures taken by government to limit the spread of COVID-19 and the resultant inability of travellers to travel both inter-provincially and internationally will limit the demand for rooms in the 2020 financial year. The impact of COVID-19 is expected to have a longer-term impact on the hospitality industry and it is expected that recovery will be slow.

Management has prepared an analysis that the Company could operate without income and meet its obligations from existing resources for a period longer than 12 months from approval of the annual financial statements. As a result, no material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The Directors are of the opinion that the COVID-19 pandemic and subsequent lockdown of the Company are non-adjusting events and have no impact on the financial results for the year ended 31 December 2019. 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.

# Beacon Island Share Block Proprietary Limited

Report of the Independent Auditors

## To the shareholders of Beacon Island Share Block Proprietary Limited

### Opinion

We have audited the financial statements of Beacon Island Share Block Proprietary Limited ("the Company") set out on pages 14 to 25, which comprise the statement of financial position as at 31 December 2019, 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 Beacon Island Share Block Proprietary Limited as at 31 December 2019, 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 ("ISA's"). 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Subsequent Event and Going Concern

Without qualifying our opinion, we draw attention to Note 18 in the financial statements which describes the subsequent events related to COVID-19.

Refer to Note 18 in the financial statements, where the Directors do not consider that Covid-19 will have a material impact on the ability of the Company to continue as a going concern because management has prepared an analysis that the entity could operate without income and meet its obligations from existing resources for a period longer than 12 months from approval of the financial statements. As a result, the Company concluded that no material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Beacon Island Share Block Proprietary Limited Annual Financial Statements for the year ended 31 December 2019", which includes the Directors' Report as required by the Companies Act of South Africa and the Detailed Levy Fund Operating Statement. 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 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.



# Beacon Island Share Block Proprietary Limited

Report of the Independent Auditors

## Auditor's Responsibilities for the Audit of the Consolidated 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 ISA's 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 ISA's, 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; and
- 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.

BDO South Africa Inc

### **BDO South Africa Incorporated**

Registered Auditors

### **A Timol**

Director

Registered Auditor

27 July 2020

5A Rydall Vale Office Park  
38 Douglas Saunders Drive  
La Lucia, 4051

# Beacon Island Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 R	2018 R
<b>Income</b>		<b>48 222 970</b>	46 718 085
Levy income		45 209 599	43 471 911
Other income		3 013 371	3 246 174
<b>Expenses</b>		<b>(37 691 564)</b>	(36 085 815)
Levy surplus before interest and taxation	3	10 531 406	10 632 270
Finance income	4	4 727 174	6 242 236
Levy surplus before taxation		15 258 580	16 874 506
Income tax expense	5	(1 089 049)	(1 454 531)
<b>Levy surplus for the year</b>		<b>14 169 531</b>	15 419 975

# Beacon Island Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 R	2018 R
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	6	9 474 192	21 530 477
Levies receivable	7	155 622	116 405
Fixed deposits held with bank	11	37 000 000	65 000 000
Cash and cash equivalents	12	6 125 324	5 333 594
<b>Total current assets</b>		<b>52 755 138</b>	<b>91 980 476</b>
<b>Total assets</b>		<b>52 755 138</b>	<b>91 980 476</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	10	320 000	320 000
Reserve for property, plant and equipment	8	26 880 141	66 884 868
<b>Total equity</b>		<b>27 200 141</b>	<b>67 204 868</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	7 566 244	7 084 910
Levies received in advance	13	16 899 704	16 236 167
Current tax liabilities		1 089 049	1 454 531
<b>Total current liabilities</b>		<b>25 554 997</b>	<b>24 775 608</b>
<b>Total liabilities</b>		<b>25 554 997</b>	<b>24 775 608</b>
<b>Total equity and liabilities</b>		<b>52 755 138</b>	<b>91 980 476</b>

## Statement of Changes in Equity for the Year Ended 31 December 2019

	Note	2019 R	2018 R
<b>Share capital</b>			
Ordinary shares at beginning and year-end	10	320 000	320 000
<b>Reserve for property, plant and equipment</b>			
At beginning of year		66 884 868	57 327 101
Levy surplus for the year		14 169 531	15 419 975
Property, plant and equipment additions and replacements during the year	8	(54 174 258)	(5 862 208)
At year-end		26 880 141	66 884 868

# Beacon Island Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2019

	2019 R	2018 R
<b>Cash flow from operating activities</b>		
Levy surplus before taxation	15 258 580	16 874 506
Adjustments for:		
Interest received	(4 727 174)	(6 242 236)
Non cash items		
- Movement in exchange fee rebate	-	(36 570)
Net surplus before working capital changes	10 531 406	10 595 700
Changes in working capital		
- Movement in levies receivable	(39 217)	(57 029)
- Movement in trade and other receivables	12 056 285	(15 826 866)
- Movement in levies received in advance	663 537	622 685
- Movement in trade and other payables	481 334	(93 263)
Cash flows from operating activities	23 693 345	(4 758 773)
Interest received	4 727 174	6 242 236
Tax paid	(1 454 531)	(1 383 415)
Net cash inflow from operating activities	26 965 988	100 048
<b>Cash flow from investing activities</b>		
Property, plant and equipment additions and replacements	(54 174 258)	(5 862 208)
Movement in fixed deposits held with bank	28 000 000	8 000 000
Net cash outflow from investing activities	(26 174 258)	2 137 792
<b>Net movement in cash and cash equivalents</b>	791 730	2 237 840
Cash and cash equivalents at beginning of year	5 333 594	3 095 754
<b>Cash and cash equivalents at year-end</b>	6 125 324	5 333 594

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

## 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 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 annual 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 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

Fixed deposits held with bank are recognised when the Company becomes a party to the contractual provisions of the respective instrument and are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest. Fixed deposits held with bank are recognised initially at fair value and subsequently measured at amortised cost. Fixed deposits held with bank are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership. Interest income from these fixed deposits held with bank is included in finance income using the effective interest rate method.

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.

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

## 1.5 Cash and cash equivalents

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

## 1.6 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

Special levy revenue is recognised when raised.

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

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

Other sundry revenue is recognised when it is earned.

## 1.7 Provisions

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

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

## 1.8 Equity

Ordinary shares are classified as equity.

## 1.9 Current taxes

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

## 1.10 Retirement benefits

The Company participates in 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.

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

## 2 Financial risk management

### Capital management

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

### Financial risk factors

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

#### Liquidity risk

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

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

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

#### Credit risk

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

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

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

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

#### Interest rate risk

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



# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019	2018
	R	R
<b>3 Levy surplus before interest and taxation</b>		
The levy surplus before interest and taxation is stated after taking into account the following:		
Employee costs		
- salaries, wages and benefits	10 912 549	10 261 833
- contributions to retirement funds	897 936	830 947
Management fees	2 156 381	2 039 234
Audit fees	146 000	139 700
Professional and legal fees	52 851	80 000
Other operating expenses	23 525 847	22 734 101
	<b>37 691 564</b>	<b>36 085 815</b>
<b>4 Finance income</b>		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	4 727 174	6 242 236
	<b>4 727 174</b>	<b>6 242 236</b>
<b>5 Income tax expense</b>		
Provision is made for Company taxation on the net non-levy income of the levy fund.		
No tax is payable on levy income from the shareholders in terms of Section 10(1)e of the Income Tax Act.		
Current year	1 089 049	1 454 531
	<b>1 089 049</b>	<b>1 454 531</b>
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on net non-levy income.		
<b>6 Trade and other receivables</b>		
Trade receivables (refer note 15)	1 292 242	1 131 203
Other receivables (refer note 15)	286 375	21 671
Interest receivable	1 983 590	3 032 992
Receiver of revenue - VAT	4 758 403	1 250 228
Prepayments (refer note 15)	1 153 582	16 094 383
	<b>9 474 192</b>	<b>21 530 477</b>
<b>7 Levies receivable</b>		
Levy debtors	114 998	80 919
Repossessed debtors	40 624	35 486
Less: Provision for repossessed debtors	-	-
- Opening balance	-	(6 202)
- Movement	-	6 202
	<b>155 622</b>	<b>116 405</b>

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019 R	2018 R
<b>8 Reserve for property, plant and equipment</b>		
At beginning of year	66 884 868	57 327 101
Levy surplus for the year	14 169 531	15 419 975
	<b>81 054 399</b>	72 747 076
Property, plant and equipment additions and replacements during the year	<b>(54 174 258)</b>	(5 862 208)
At year-end	<b>26 880 141</b>	66 884 868
<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 years.</p> <p>The Directors have recommended replacement reserve expenditure for 2020 of R18,429,188 (2018: budgeted capital expenditure of R57,584,609 for 2019) which it is anticipated will decrease the budgeted reserve fund by R5,368,428 (2018: decrease the budgeted reserve fund by R43,902,082 for 2019). The Directors had approved a rooms softs refurbishment of R43.4m in 2019 which was included in the R57.6m recommended 2019 budgeted expenditure. The design company used was Falconer Management Proprietary Limited trading as Falconer Design. There were no capital commitments made at year end (2018: R nil).</p>		
<b>9 Trade and other payables</b>		
Trade payables (refer note 15)	4 465 100	3 584 104
Other payables		
Accruals (refer note 15)	2 417 250	2 532 352
Provision for auditors remuneration	146 000	138 200
Sundry payables (refer note 15)	537 894	793 691
Exchange fee rebate	-	36 563
	<b>7 566 244</b>	7 084 910
<b>10 Share capital</b>		
<b>Authorised and issued</b>		
32,000,000 ordinary shares of 1 cent each	320 000	320 000
<b>11 Fixed deposits held with bank</b>		
Fixed deposits held with bank	37 000 000	65 000 000
<b>12 Cash and cash equivalents</b>		
Bank balances	6 125 324	5 333 194
Cash on hand	-	400
	<b>6 125 324</b>	5 333 594
<b>13 Levies received in advance</b>		
Levies received in advance	16 899 704	16 236 167

Shareholders are billed 6 month in advance and this represents levies received in advance (for the future year) that have been received at the end of the financial year.

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019 R	2018 R
<b>14 Property, plant and equipment</b>		
<p>The Company complies with the SAICA Guide on Financial Reporting for Share Block Companies with respect to the treatment of property, plant and equipment. In terms of the SAICA Guide the right of use of property, vested with the shareholders, has been offset against the loan from shareholders with the balance transferred to the reserve for property plant and equipment.</p> <p>The Company acquired the rights to a property lease which includes, Beacon Island Hotel situated on: Erf No 253 Plettenberg Bay, Division of Knysna, measuring 1.3365 hectares. Period of lease - 99 years commencing 1 July 1983. Rental - R240,000 per annum payable in twelve equal monthly instalments. (refer note 15)</p>		
<b>15 Related party transactions</b>		
<p>The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited ("SSH"). The Company is charged the following fees in terms of the management agreement:</p>		
Short term rentals	77 401	162 402
Rental pool	336 936	403 571
Management fee	2 156 381	2 039 234
Central accounting and levy collection	2 563 108	2 443 368
<p>SSH provides management services in respect of leases of the commercial areas to third party tenants. The fee for this service is a fixed percentage of gross rentals received by the Company.</p>		
Tenants management fee	1 003 748	1 559 303
<p>Southern Sun Timesharing Proprietary Ltd ("SST") is the accredited rental and resale services provider. During the financial year the Company received the following fee in terms of the management agreement:</p>		
Commission on resale and rental of weeks - SST	(245 497)	(211 853)
<p>Share Registry Management Services ("SRMS") provides an exclusive transfer of shares service to shareholders. During the financial year the Company (received)/paid the following fees in terms of the management agreement:</p>		
Commission on transfer of ownership - SRMS	(59 610)	(56 032)
Secretarial fees on repossessed debtors and use agreement fees - SRMS	35 296	35 871
<p>The Company also leases the property from SSH in terms of a 99 year lease. (refer note 14)</p>		
Lease payments	240 000	240 000
<p>During the financial year the Company paid membership fees to SunSwop (a division of SSH), which was affiliated to Interval International.</p>		
SunSwop exchange services	152 079	1 790 704

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019 R	2018 R
<b>15 Related party transactions (continued)</b>		
During the financial year the Company paid the following SSHI internal charges:		
- Administration - Information technology, industrial relations, training, etc	415 466	254 515
- Training related	996	35 104
- Frequent guest loyalty program	11 905	11 428
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Southern Sun group, including the Company. These costs, which include insurance, certain maintenance and operating lease contracts, are recovered from the Company via a loan account. The balance of the loan account is as follows:		
Balance owing (to)/by SSHI and its subsidiaries:		
- included in receivables (refer note 6)	786 219	30 715
- included in payables (refer note 9)	(2 880 755)	(1 805 260)
	<b>(2 094 536)</b>	<b>(1 774 545)</b>
The Company receives rental income from Southern Sun Timesharing Proprietary Limited ("SST") for the letting of office space:		
Rental income	(68 163)	(75 963)
In addition, SST provides a rental service and recovers levies from the sale and rental of timeshare weeks on behalf of the Company.		
Balance owing to SST:		
- included in receivables (refer note 6)	-	9 860

The following entity, related through common directorship, concluded transactions on an arm's length basis to sell room key cards to the Company as follows:

G Kaplan - Touchsides SA Proprietary Limited	112 120	38 020
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SSHI own units in the Company as follows:

	Number of units	Levies paid R	Levies received in advance R
SunSwop (a division of SSHI) - 2019 shareholding	163	750 690	33 050
SunSwop (a division of SSHI) - 2018 shareholding	163	717 270	18 220

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

AN Ridl - Club Leisure Group - 2019 shareholding	574	2 782 730	326 050
AN Ridl - Club Leisure Group - 2018 shareholding	574	2 659 580	499 760

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

	2019 R	2018 R
<b>16 Directors emoluments</b>		
Directors have been remunerated an agreed upon fee per meeting attended for their services to the Company. In addition, Directors are reimbursed for costs incurred whilst performing 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.		
Directors emoluments paid for the year:		
LM Hodes	40 000	8 000
G Kaplan	40 000	8 000
JA Lee	24 000	8 000
AN Ridl	24 000	8 000
R Segal	40 000	8 000
DP Viljoen	32 000	8 000
CP Wells	40 000	8 000
	<b>240 000</b>	<b>56 000</b>

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

Fees paid for the year:

DP Viljoen	-	80 000
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	2018 Restated R	2018 R
<b>17 Comparative figures</b>		
Certain comparative figures have been reclassified. The effects of the reclassification is as follows:		
<b>Statement of financial position</b>		
<b>Current assets</b>		
Fixed deposits held with bank	65 000 000	-
Cash and cash equivalents	5 333 594	70 333 594
<b>Statement of cash flows</b>		
Movement in fixed deposits held with bank	8 000 000	-
Cash and cash equivalents at beginning of year	3 095 754	76 095 754
Cash and cash equivalents at end of year	5 333 594	70 333 594

# Beacon Island Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2019

## 18 Subsequent events and going concern

### Covid-19 status and action plan

Since implementation of the national lockdown on 27 March 2020, the Company has been in close communication with its employees, suppliers and tenants in order to arrive at mutually sustainable operating solutions during these extraordinarily difficult times. The Company has implemented the following steps to reduce costs and preserve cash:

- **Reduction of payroll burden:** The Company has implemented the temporary layoff of employees and has had to materially reduce pay for all levels, including executive management. The Company will continue to operate on skeleton staffing levels until demand returns. In addition, employee recruitments and training have been placed on hold while salary increases and accrued bonus settlements have been deferred. In order to alleviate the cash flow burden on both the Company and its employees, applications have been submitted for: UIF TERS grants; pension and medical aid fund contribution holidays for a period of three months; as well as SDL payment holidays;
- **Suppliers:** The Company has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the Company and while we currently continue to meet these obligations, the Company is lobbying government through industry bodies, to grant a deferral or payment holiday. Contractual variable costs with suppliers have been reduced to nil until trading resumes by extending the period of the contracts; and
- **Reduction/delay in capital expenditure:** The Company has taken the decision to delay all non-essential capital expenditure however, where the funds are available, it makes operational sense to complete some of the more disruptive work while there is no impact on our guests. For this reason, some of the refurbishment work will continue from risk level 3 and onwards.

Inter-provincial travel is vital for the timeshare industry, and the Company has been actively lobbying through industry bodies for the earliest relaxation of these travel restrictions.

Due to the extended lockdown and closure of the resort, the enforced social distancing regulations and restrictions on gatherings, the resort is likely to be operationally restructured. In anticipation of the reopening, the Company has a number of health protocols and control measures already in place, to safeguard employees and guests through employee training programmes, the availability and use of personal protective equipment, sanitation, hygiene resources and screening methods. Hygiene processes will be followed and social distancing will continue to be respected.

The COVID-19 pandemic and subsequent lockdown of the economy on 27 March 2020, and in particular the hospitality sector, has had a profound impact on the industry. The measures taken by government to limit the spread of COVID-19 and the resultant inability of travellers to travel both inter-provincially and internationally will limit the demand for rooms in the 2020 financial year. The impact of COVID-19 is expected to have a longer-term impact on the hospitality industry and it is expected that recovery will be slow.

Management has prepared an analysis that the Company could operate without income and meet its obligations from existing resources for a period longer than 12 months from approval of the annual financial statements. As a result, no material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The Directors are of the opinion that the COVID-19 pandemic and subsequent lockdown of the economy are non-adjusting events and have no impact on the financial results for the year ended 31 December 2019. 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.

# Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2019

	2019 R	2018 R
<b>INCOME</b>		
Levies	45 209 599	43 471 911
Net rent received	307 897	300 208
Rental pool	505 403	680 781
Short term rentals	702 920	1 461 618
Sale of capital assets	587 218	2 083
Net non-levy income		
- telephone, rentals, penalties, etc.	909 933	801 484
	<b>48 222 970</b>	<b>46 718 085</b>
<b>EXPENDITURE</b>		
<b>Rooms expenses</b>		
Band/Live music	931 809	853 779
Cleaning supplies	97 743	133 257
DSTV	629 165	763 963
Guest entertainment	2 063 241	1 737 407
Guest supplies	536 487	597 739
Laundry	840 243	767 955
Personnel costs		
- outside services	3 695 178	3 399 924
Pest control	22 304	18 168
Plants and decorations	32 939	17 485
Printing and stationery	74 991	73 000
Replacement of linen, towels, uniforms, etc	645 158	760 948
Security services	1 363 236	1 125 734
	<b>10 932 494</b>	<b>10 249 359</b>
<b>Administration and general</b>		
Auditors remuneration		
- current year	146 000	139 700
Bank charges	34 216	34 785
Central accounting and levy collection fees	2 563 108	2 443 368
Corporate social initiatives	87 917	134 776
Credit card commission	236 005	140 804
Directors emoluments	240 000	56 000
Fax and house calls	52 876	140 089
Information technology costs	946 660	842 298
Insurance		
- premium	192 543	185 648
- excess	10 000	41 500
- claims	-	(663 921)
Licences and permits	146 386	147 140
Loss on repossessed debtors	678	-
Marketing	104 240	83 890
Outside security	36 000	36 000
Postage	25 800	10 266
Printing and stationery	196 483	169 097
Professional fees	52 851	80 000
Provision for repossessed debtors	-	(6 202)
Railage, cartage and hire transport	5 838	8 079
<b>Balance carried forward</b>	<b>5 077 601</b>	<b>4 023 317</b>



# Beacon Island Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2019

	2019 R	2018 R
<b>Balance brought forward</b>	<b>5 077 601</b>	4 023 317
Subscriptions	92 488	81 450
SunSwop exchange service	152 079	1 790 704
Travel		
- management and directors	<b>243 666</b>	204 454
	<b>5 565 834</b>	6 099 925
<b>Electricity and water</b>		
Electric bulbs	33 473	30 590
Electricity	2 239 596	2 031 584
Generator fuel	432 661	272 181
Water	1 221 061	958 351
	<b>3 926 791</b>	3 292 706
<b>Repairs and maintenance</b>		
Buildings	186 953	81 445
Electrical and mechanical	177 675	163 348
Elevators	203 033	194 887
Gardens and grounds	357 145	341 141
Major repairs and maintenance	635 193	587 655
Office machines		
- maintenance contracts	83 281	47 663
Painting and redecorating	70 602	34 251
Plumbing and heating	50 587	55 732
Room maintenance care	233 048	352 081
Swimming pool cleaning and repairs	137 875	79 672
Vehicles	85 271	37 912
	<b>2 220 663</b>	1 975 787
<b>Company costs</b>		
Annual report and statutory costs	(168 448)	150 597
Municipal rates and taxes / cost recovery	1 007 364	945 427
Rent paid	240 000	240 000
	<b>1 078 916</b>	1 336 024
<b>Personnel costs</b>		
Rooms	6 929 169	6 523 057
Administration and general	2 752 825	2 640 011
Repairs and maintenance	2 128 491	1 929 712
	<b>11 810 485</b>	11 092 780
<b>Management fee</b>	<b>2 156 381</b>	2 039 234
<b>Total expenditure</b>	<b>37 691 564</b>	36 085 815
Excess of income over expenditure before finance income and taxation	<b>10 531 406</b>	10 632 270
<b>Finance income</b>		
Interest received	4 727 174	6 242 236
Excess of income over expenditure before taxation	<b>15 258 580</b>	16 874 506
<b>Taxation</b>	<b>1 089 049</b>	1 454 531
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	<b>14 169 531</b>	15 419 975

# Beacon Island Share Block Proprietary Limited

Minutes of the Annual General Meeting of Shareholders for the Year Ended 31 December 2018, held on Friday, 4 October 2019 at 11h00, at Southern Sun The Cullinan, 1 Cullinan Street, Cape Town

## 1 WELCOME AND PREAMBLE

The Chairman of the Company, Mr Laurance Hodes, welcomed all shareholders present. He advised that the meeting was convened in terms of the notice of the Annual General Meeting ("AGM"), dated 27 May 2019.

The Chairman introduced his fellow Directors, Messrs. Gary Kaplan, Robert Segal, Deon Viljoen and Charles Wells. Apologies were received on behalf of Directors Mr John Lee and Mr Anthony Rial who were unable to attend this meeting. A number of shareholders had also provided apologies for being unable to attend the AGM and had submitted their forms of proxy in their absence.

## 2 QUORUM

The Chairman noted that 27 shareholders were present in person or by proxy, representing a total of 5,238,800 shares, constituting 16.37% of the Company's issued share capital of 32,000,000.

The required quorum being present, comprising at least three shareholders present and holding at least 5% of the share capital, the Chairman declared the AGM duly constituted.

## 3 NOTICE OF MEETING

With all shareholders present consenting, the notice of meeting dated 27 May 2019 was taken as read.

## 4 VOTING

The Chairman informed the meeting that voting on the resolutions be taken by means of a show of hands. Accordingly, this was agreed by the meeting.

## 5 ADOPTION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The Chairman presented the annual financial statements for the year ended 31 December 2018, together with the report of Directors, the independent auditors thereon, and the reports of the audit committee, and the social and ethics committee, as contained in the annual report of the Company.

### ORDINARY RESOLUTION 1

The Chairman proposed ordinary resolution 1, as set out in the notice convening the meeting, relating to the receipt and adoption of the annual financial statements and accompanying reports contained in the annual report of the Company for the financial year ended 31 December 2018. There were no questions or comments on the resolution.

It was unanimously RESOLVED that the annual financial statements for the year ended 31 December 2018 be and was hereby approved and adopted.

## 6 APPOINTMENT OF AUDITORS

### ORDINARY RESOLUTION 2

The Chairman proposed ordinary resolution 2, as set out in the notice convening the meeting, relating to the appointment of SizweNtsalubaGobodo Grant Thornton ("SNG Grant Thornton") as the independent auditors of the Company until the conclusion of the next AGM of the Company. There were no questions or comments on the resolution.

It was unanimously RESOLVED that SNG Grant Thornton be and was hereby appointed as the independent auditors of the Company for the ensuing year.

## 7 DIRECTORS

The Chairman reported that, in terms of the company's memorandum of incorporation ("MOI"), the Board was limited to seven (7) Directors. He explained that three Directors retire at this meeting, but being eligible, are available for re-election, except for Mr Viljoen who had decided to retire at this meeting.

# Beacon Island Share Block Proprietary Limited

The Chairman explained that a nomination on behalf of Ms Laurelle McDonald was received prior to the meeting. It was confirmed that the nominee and proposer was present in person and proxy, respectively. Ms McDonald has kindly consented to the nomination and submitted a copy of her CV. The Chairman requested that Ms McDonald introduce herself and provide a summary of her expertise and experience. Consequently, there were three (3) nominations for three (3) Board vacancies. No objections were recorded and the Chairman requested that the election of Directors be approved en bloc, which was agreed by the shareholders. The Chairman mentioned that Ms McDonald would replace Mr Viljoen on ordinary resolution 3.3.

## 7.1 ORDINARY RESOLUTION 3

The Chairman proposed ordinary resolution 3.1 and 3.2 as set out in the notice convening the meeting, relating to the re-election of Mr Laurance Hodes and Mr Anthony Ridl, respectively as Directors, and the amended resolution 3.3 relating to the election of Ms Laurelle McDonald, as a Director. There were no questions or comments on the resolutions.

It was unanimously RESOLVED that Messrs. Hodes, Ridl and Ms McDonald be and were hereby elected as Directors of the Company for the ensuing year.

## 8 APPOINTMENT OF AUDIT COMMITTEE

The Chairman reported that, in terms of the company's MOI, the Company was required at each AGM to elect an audit committee, comprising at least three (3) members. No objections were recorded for any of the audit committee members and the Chairman requested that the election of the members be approved en bloc, which was agreed by the shareholders. While the current audit committee members consisted of Messrs. Gary Kaplan, Anthony Ridl and Robert Segal, the shareholders were advised that Ms McDonald was a possible candidate as a member to the audit committee, for the ensuing year. No objections were recorded.

### 8.1 ORDINARY RESOLUTIONS 4.1, 4.2 AND 4.3

The Chairman proposed ordinary resolution 4.1, 4.2 and 4.3 as set out in the notice convening the meeting, relating to the election of Messrs. Gary Kaplan, Anthony Ridl and Robert Segal be taken en bloc, as members of the Company's audit committee. There were no questions or comments on the resolutions.

It was unanimously RESOLVED that Messrs. Gary Kaplan, Anthony Ridl and Robert Segal be and were hereby elected as members of the Company's audit committee.

## 9 INSURED VALUE OF PROPERTY

The Chairman proposed ordinary resolution 5, as set out in the notice convening the meeting, relating to the insured value of the property. He mentioned that, as approved by the Directors in terms of the use agreement and as recommended by the independent quantity surveyors, Brian Heineberg and Associates, the insured value of the property is R435,100,232. Buildings were valued at R350,640,032 and furniture, fittings and equipment are valued at R84,460,200. There were no questions or comments.

It was unanimously RESOLVED that the insured value of the property be and was hereby approved.

## 10 NON-EXECUTIVE DIRECTORS' FEES

### SPECIAL RESOLUTION 1

The Chairman proposed special resolution 1, as set out in the notice convening the meeting, relating to the approval of the fees payable to non-executive Directors for their services as Director, in respect of the period from 5 October 2019 until the next AGM of the Company. He advised that even though the special resolution was agreed at the prior year's AGM, there were a few Directors who had elected not to receive the remuneration and instead contributed the amounts towards a charity supported by the resort. He added that the remuneration amount had not increased since the previous year. He recorded that two shareholders had voted against the special resolution on their forms of proxy. There were no questions or comments on the resolution.

It was RESOLVED that in terms of the provisions of section 66(9) of the Companies Act 71, of 2008, R8,000 payable to the non-executive Directors of the Company, for their services as Directors and/or members of the Board, sub-committees, or cluster of meetings, in respect of the period from 5 October 2019 until the next AGM of the Company, be and was hereby approved.

# Beacon Island Share Block Proprietary Limited

## 11 OTHER BUSINESS

### REPORT OF THE SOCIAL AND ETHICS COMMITTEE AND PRESENTATION OF THE GENERAL MANAGER

The Chairman requested the social and ethics committee Chairman, Mr Charles Wells, to present the social and ethics report to the shareholders. Mr Wells referred the shareholders to the report as set out on page 8 and 9 of the annual report. The shareholders commended the committee for their efforts and commitment during the year. Mr Wells thanked Mr Viljoen for his contribution on the social and ethics committee and handed over to the general manager, Mr Reinhard Visser, for his presentation and further elaboration of the corporate social investment (“CSI”) initiatives as well as the resort accomplishments.

Mr Visser proudly commenced his presentation with the guest centricity results, projects and upgrades completed during the year. He continued to impress the shareholders with pictures of the recently completed rooms refurbishment. Positive feedback had been received and shareholders greatly supported the new concept and design. He reported on the energy and water consumption results for the year and the staff implementing various recycling initiatives to further improve these results.

Mr Visser gave an overview of the following CSI initiatives:

- The resort manufactured its own eco bricks to build houses and walls for the community;
- Collected large amounts of plastic bread tags for the Tops and Tags for Wheelchairs initiative, run by The Sweet Heart Foundation;
- Manufactured its own glass crusher which crushed glass into fine sand and then donated to builders for plastering and building;
- Paper is recycled into bricks for fireplaces and braais; and
- Wet waste is recycled and ground into minor waste.

He then took the meeting through the following achievements:

- The Living Tsogo Moments awarded to staff, staff movements and new appointments at the resort;
- The resort was awarded an RCI gold crown status and chosen as runner up in the categories of Best Resort Maintenance, Hospitality and General Manager of the year;
- Tripadvisor ranked the resort, 10th in the top 25 Hotels in South Africa; and
- Lilizela awarded the resort as finalist in the Western Cape Provisional category of Service Excellence;

Mr Visser then present the new food and beverage concept and designs, which rebranded The Gazebo Lounge to the Gazebo Deck, Indigo Bay to The Robberg Room, Beacon Café to Café 52 and Corral Reef to The Captain’s Cabin. The shareholders excitedly welcomed the refurbished food and beverage venues.

He advised that the foyer would also be refurbished, consequently the resort would be closed for a two-week period, between 16 May 2020 and 6 June 2020. Owners affected would be contacted and advised of alternative options in respect of their week.

The shareholders commended the Board on the exceptional upgrades to the property.

The floor was opened to the shareholders for comments and questions. The following were raised:

- Post circulation of the annual report, correspondence was received from two shareholders in which certain operational issues were raised. At the Board meeting held prior to this AGM, the Directors addressed these issues and requested the General Manager to engage the two shareholders directly;
- Parking of jet-ski’s and boats was raised as a problem. The chairman suggested that a parking sign be installed to prevent jet-ski’s and boats from parking in the carpark area and should utilise the public parking space at the bottom of the property. The house rules would be updated, accordingly;
- The Board would investigate key card operated room facilities;
- A shareholder commented that Directors should attend AGM’s, with specific reference when a Director was up for re-election;
- Guests caught smoking in non-smoking areas would be charged a penalty;
- Compliments were extended to management and all staff who assisted during the food and beverage take-over process;
- Compliments were extended to the Board for achieving major savings in energy and water consumption, and the recycling processes; and
- It was requested that entertainment for young teenagers staying at the resort be considered.

## 12 CLOSURE

The Chairman thanked his fellow Directors and all shareholders for their attendance and again thanked Mr Viljoen for his dedication and input on the Board. He welcomed Ms McDonald to the Board and looked forward to her contribution. There being no further business, the Chairman declared the meeting closed at 12h15.

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Chairman





