

# Cabana Beach Share Block Proprietary Limited

Registration No. 1965/004874/07



## Annual Report

for the year ended 31 December 2018

# Cabana Beach Share Block Proprietary Limited

## Annual Financial Statements

for the year ended 31 December 2018

### COMPANY INFORMATION

Registration number:

1965/004874/07

Registered address:

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

Postal address:

Private Bag X200  
Bryanston  
2021

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

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

# Cabana Beach Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2018

My fellow shareholders, I am delighted to report on the 2018 year for our share block. Cabana Beach Resort ("Cabana Beach") is a magnificent property, standing firm and very proud in the uMhlanga area. The property is greatly sought-after, and this can be seen by the high occupancy all year-round. Shareholders and guests enjoy their holiday experience with friendly and helpful staff, all while overlooking the beautifully manicured grounds and the Indian Ocean, right on its doorstep.

Our guests are able to unwind and relax or be entertained with many energetic activities on offer. There is always something taking place and the tailored entertainment programme is designed to not only keep children busy and occupied but includes an element of learning so that a child while on holiday, has a memory of fun and excitement whilst having gained new knowledge. Our entertainment team is run by Mr Iain Moolman who is a tremendous asset to our resort and resort family.

Cabana Beach has again received many accolades and this past year has been a phenomenal year. In-house surveys show that owners and guests are very happy, and the financials show that the share block is financially very sound. Your board and management team are always ready and willing to take on new ideas and further improve our "home-away-from-home". I am proud to say that all shareholders and guests receive a great product to enjoy.

## Occupancy

2018 achieved a phenomenal occupancy of 92.5%, being a marginal decrease on the 94.7% recorded in 2017. This result is not only a testament to the popularity of the resort, but also an acknowledgment from shareholders that the product and its facilities are meeting the needs of the timeshare market.

## Financial results for the year ended 31 December 2018

I refer shareholders to the statement of comprehensive income set out on page 13 which reflects the income and expenditure of the Company in a summarised format. The traditional detailed levy fund operating statement is set out on pages 24 to 26 and is presented as supplementary information. I will however refer to the detailed levy fund operating statement when commenting on the financial results for the year. The statement of comprehensive income for the year ended 31 December 2018 reflects total income, including net finance income of R75.013m (2017: R69.150m) and total expenditure of R60.298m (2017: R49.133m). The levy surplus for the year after taxation was R12.812m (2017: R18.418m) and was transferred to the reserve for property, plant and equipment which now stands at R51.975m (2017: R37.429m). A more detailed review of the income and expenditure variances follows:

## Income

Total other income for the year included parking revenue, the unclaimed surplus on the sale of repossessed units as well as rental revenue. Rental pool and short-term income declined year-on-year due to the number of weeks placed in the rental options decreasing on prior year. Interest income increased by 23% against prior year due to additional funds being invested and at higher interest rates. This was achievable due to the delay in capital purchases.

## Expenditure

Total expenditure for the year increased by 22,7% as a result of the discovery of fraudulent transactions to the value of R7m between 2012 and 2018.

**Rooms expenditure:** Expenditure increased by 15.1% year-on-year with laundry costs increasing by 8.5% due to an above inflationary increase received from the supplier. Outside services increased year-on-year by 23,8% due to a legislated labour increase for Prestige, of 22%. Rooms operating equipment increased by R315k year-on-year due to more purchases in 2018.

**Administration and general:** Expenditure increased by R7.7m due to fraudulent payments amounting to R7m, made to fictitious suppliers. The Company received no goods or services in return for any of the fraudulent payments made. Please see note 14 in annual financial statements for further details. Professional fees increased by 32% against the prior year due to arbitration representation for an employee in a hearing. An internal audit was carried out for the first time at Cabana Beach, at a cost of R58k. Information technology costs were 14.5% higher year-on-year due to guest internet costs.

**Electricity, water and refuse:** Expenses recorded a 27.3% decrease and electricity, a 9.5% decrease year-on-year. Water decreased by 69% year-on-year due to the installation and use of borehole water supply.

**Repairs and maintenance:** Expenses increased by 15.7% year-on-year. Significant increases were identified in major repairs and maintenance for bathtub recoating R43k, fire detection system servicing R33k, chiller plant repairs R59k and cooling towers repairs R23k.

**Corporate charges:** Expenses reflected an increase of 34.8% year-on-year mainly due to the municipal re-classification of the property from residential to commercial status in 2017, as well as the increase in the municipal valuation of the property from R250m to R298m. Your board is in the process of objecting to the re-classification as not only does it affect the rating of the resort, but it also increases the contribution paid to the uMhlanga Urban Improvement Precinct (UIP), which is calculated as a percentage of the municipal rates charge.

**Management fee:** This fee remained flat on prior year in terms of the new management agreement.

## Statement of the financial position

The statement of financial position which is detailed on page 14, together with the related notes thereto, reflects the financial position of Cabana Beach Share Block Proprietary Limited. The reserve for property, plant and equipment has increased to R51.975m (2017: R37.429m), while cash and cash equivalents increased to R73.613m (2017: R59.910m). Levies receivable increased to R301k (2017: R240k) whilst levies received in advance increased to R20.726m (2017: R19.575m). I take this opportunity to thank all shareholders who pay their levy obligations timeously. These funds are invested at favourable rates to benefit the share block and all shareholders.

# Cabana Beach Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2018

## Capital expenditure

Capital expenditure during 2018 decreased to R5.288m against the expenditure of R5.411m spent in 2017.

The following major capital expenditure was incurred during the year:

	R
Elevators	926 104
Beds	484 404
Fencing - pergolas	437 207
Ovens and hobs	390 081
Heat pump	319 038
Landscaping, paving and irrigation	283 977
Softs refurb	234 919
Coffee lounge refurb	231 257
Aircon – equipment	223 225
Pool furniture and mattresses	157 907
Computers refresh	150 608
Balustrades and hand rails	148 925
Fire protection system	135 294
Change room lockers	87 619
Spalling and waterproofing	79 288
Linen room shelving	75 494

## 2020 Levy budget

The 2020 annual levy budget increase will be approved by your board at the August 2019 board meeting which takes place after the notice of the annual general meeting of the shareholders and delivery of the annual report. This being the case, notification of the 2020 levy amounts will be advised under a separate notice. Your Directors are extremely aware of the current economic climate and during the budgeting process, due diligence is exercised in aiming to meet the fiscal obligations of the resort whilst at the same time ensuring stable growth in the reserve fund for future improvements. This reserve is for financial stability as well as for the continuity and future of the resort.

## Resort update

As mentioned earlier, the borehole has been of great benefit to our property and it has greatly reduced municipal water consumption and created exceptional savings. The yield is still excellent and since the installation of a water filtration system, is suitable and safe for drinking. Grey water from backwashing the system as part of the ongoing maintenance programme, is used around the property for irrigation and washing vehicles.

Maritimo's restaurant and Lighthouse Café have vacated the premises and following a thorough tender process and much deliberation and negotiation, the prime rental space has been awarded to BelleZAR, which is a new food and beverage offering for all guests and external patrons to enjoy. The space is being overhauled for a beach café concept and the restaurant will offer a great variety of food types at value-for-money prices, from breakfast to dinner. A cocktail bar is included and should entice both in-house guests and patrons from the promenade to enjoy the setting.

To ensure the new restaurant blends in seamlessly with the resort, the family pool shopfronts will be replaced with bronze aluminium windows, giving the area a new and fresh look, whilst maintaining the Mediterranean character of the building.

After much discussion and planning, the resort proceeded in installing new lifts. The project commenced in early January 2019 and will be completed in October 2019. The project negotiated running two lifts at one time, while the other two were being replaced. This reduced disruptions to guests.

The back of house area received a much-needed upgrade, especially since providing additional and better organised linen room storage facilities. The laundromat has been stylishly updated to make the washing experience a more comfortable and enjoyable one.

A swimming pool marshal is on duty at the family swimming pool during holiday periods to monitor and control behaviour for safety of all. The swimming pool marshal is not a life guard, so please continue to look after yourselves and your children while in the swimming pool area.

Your board is currently discussing a design for the proposed rooms refurbishment and corridors refurbishment. There is still a lot to consider and discuss however the process is underway to confirm the best design for all. The lift lobbies will receive a "facelift" at the same time which will enhance the experience as a guest arrives on each level. A dedicated and cosy seating area will be created to make the landing more appealing as well as more functional in a comfortable and relaxing setting. The intention is to create the best resort experience from the time a guest checks-in, enters the lift, arrives on their floor and opens their door to a stunning unit. The proposed designs and discussions have been exciting, and I am looking forward to the changes to come. More projects are being discussed and I am sure Mr Olivier will elaborate at the AGM.

## SunSwop and RCI Affiliation

From 4 February 2019, RCI became affiliated with our team at SunSwop and RCI took over the exchange service process from Interval International. We would like to thank Interval International for its contribution in making SunSwop the success that it has become over the last 10 years. Owners will continue transacting with SunSwop and will still call a dedicated telephone number for assistance. The only real difference is that RCI now provides international exchange resort options and provides a greater number of local exchange options for members.

## Vacation Ownership Association of South Africa (VOASA)

For new owners and as a reminder, VOASA is a self-regulatory member-based trade association for the shared vacation ownership industry in South Africa. It exists to protect consumer rights and commit to ongoing growth in the timeshare industry, in a positive and organized manner. Our share block remains a member of VOASA with Mr Anthony Ridl representing our share block on the VOASA board.

# Cabana Beach Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2018

## General

The development of Oceans uMhlanga has been very slow and came to a grinding halt for numerous reasons over the past year. While the construction phase recently re-commenced, the actual completion date is unconfirmed. Our property, together with the other properties along the lower strip of uMhlanga, still suffer from dust and the uncertainty of the Oceans uMhlanga project.

I welcome you all to attend our AGM at 13h00 on 11 September 2019, to be held at the Holiday Inn Sandton. Should you find yourself unable to attend, please complete and return the form of proxy enclosed in the annual report on page 5 and your proxy to vote will be recorded for the meeting.

## Conclusion

Our "grand old lady" stands strong and proud because of the people who look after her and keep her well maintained. For that, I thank our managing agent, Southern Sun Resorts/Tsogo Sun, for their attention to detail, efficient service, passion for our resort offering, friendliness and for always striving to go the extra mile for our shareholders and guests. The dedication and commitment is phenomenal and I thank the team very much for maintaining the good standard of Cabana Beach.

I extend my appreciation to my fellow Directors Messrs Dickson, Fritz, More, Ramsarup, Ridl and Viljoen, for their time, energy, professionalism and guidance this past year. We have accomplished great things.

I wish you all a prosperous year ahead.



A handwritten signature in black ink, which appears to read 'W. Liebenberg'.

**William ("Bill") Liebenberg**  
CHAIRMAN

Notice is hereby given to the shareholders of the Company that the annual general meeting ("AGM") of the Company will be held on **Wednesday, 11 September 2019 at 13h00 at Holiday Inn Sandton, 123 Rivonia Road, Sandton**, 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 2018, 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 2018, 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 audit committee that SNG Grant Thornton 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**

The board is limited by the memorandum of incorporation ("MOI") to not less than three (3) and not more than seven (7) Directors in number. It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the timesharers be received by no later than 13h00 on Friday, 6 September 2019 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 Ms Anthea Dickson 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 Roy Fritz 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 3.3: Resolved as an ordinary resolution that Mr William Liebenberg 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 3.4: Resolved as an ordinary resolution that Mr Robert More 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 3.5: Resolved as an ordinary resolution that Mr Ajith Ramsarup 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 3.6: Resolved as an ordinary resolution that Mr Anthony Ridl 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 3.7: Resolved as an ordinary resolution that Mr Deon Viljoen 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 Ms Anthea Dickson 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 Mr Ajith Ramsarup 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. Appointment of social and ethics committee**

Ordinary resolution 5.1: Resolved as an ordinary resolution that Mr Roy Fritz be and is hereby elected as a member of the Company's social and ethics committee.

Ordinary resolution 5.2: Resolved as an ordinary resolution that Mr Robert More be and is hereby elected as a member of the Company's social and ethics committee.

Ordinary resolution 5.3: Resolved as an ordinary resolution that Mr Deon Viljoen be and is hereby elected as a member of the Company's social and ethics committee.

**6. Insured value of property**

Ordinary resolution 6: 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.

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

Special resolution 1: 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/or as members of the board, sub-committees, or cluster of meetings, in respect of the period from 12 September 2019 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 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 Thursday, 12 September 2019 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 29 August 2019.**

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 13h00 on Friday, 6 September 2019. A form of proxy is enclosed on page 5 for this purpose.

**By order of the board**  
**Southern Sun Secretarial Services Proprietary Limited**  
**26 July 2019**

**Cabana Beach Share Block Proprietary Limited**  
 Registration Number: 1965/004874/07  
 ("the Company")

Registered Office  
 Palazzo Towers East  
 Montecasino Boulevard  
 Fourways, 2055

Private Bag X200  
 Bryanston, 2021  
 Telephone: (031) 561 2204  
 Facsimile: (031) 561 7334

Email: [Resorts.companysecretarialservices@tsogosun.com](mailto:Resorts.companysecretarialservices@tsogosun.com)

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Wednesday 11 September 2019 at 13h00, at Holiday Inn Sandton, 123 Rivonia Road, Sandton.**

**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 2018			
<b>Ordinary resolution 2:</b> Appointment of auditors			
<b>Ordinary resolution 3:</b> Election of Directors			
3.1 Anthea Dickson			
3.2 Roy Fritz			
3.3 William Liebenberg			
3.4 Robert More			
3.5 Ajith Ramsarup			
3.6 Anthony Ridl			
3.7 Deon Viljoen			
<b>Ordinary resolution 4:</b> Appointment of audit committee			
4.1 Anthea Dickson			
4.2 Ajith Ramsarup			
4.3 Anthony Ridl			
<b>Ordinary resolution 5:</b> Appointment of social & ethics committee			
5.1 Roy Fritz			
5.2 Robert More			
5.3 Deon Viljoen			
<b>Ordinary resolution 6:</b> Insured value of property			
<b>Special resolution 1:</b> Non-executive Directors' fees			

Signed at ..... this ..... day of ..... 2019.

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 13h00 on Friday, 6 September 2019.**

# Cabana Beach Share Block Proprietary Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2018

The Directors and management are responsible for the preparation, integrity and fair presentation of the annual financial statements of Cabana Beach Share Block Proprietary Limited. The annual financial statements presented on pages 13 to 23 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.

It has come to the attention of the Directors that there were several instances of misappropriation of the Company's assets during the year under review, and in prior years. This misappropriation was effected by controls being circumvented leading to a material breakdown in the functioning of these controls. The Directors and management have subsequently reviewed the company's system of internal financial control and are satisfied that these are functioning as intended. The annual financial statements presented on pages 13 to 23 incorporate the findings of the investigation on the fraudulent activities.

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

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

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

## Approval of annual financial statements

The annual financial statements set out on pages 13 to 23 were approved by the board of Directors on 26 July 2019 and are signed by:



**WH Liebenberg**  
Chairman



**AB Ramsarup**  
Director (chairman - audit committee)

## Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of Cabana Beach Share Block Proprietary Limited that for the year ended 31 December 2018, 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

# Cabana Beach Share Block Proprietary Limited

Report of the Audit Committee for the Year Ended 31 December 2018

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 independent non-executive Directors being Ms Anthea Dickson, Mr Ajith Ramsarup (Chairman) 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 the audit 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, or a related company;
- 4.5 Reviewing of prospective accounting standard changes;
- 4.6 Evaluating 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.



**AB Ramsarup**

Chairman

26 July 2019

# Cabana Beach Share Block Proprietary Limited

## Report of the Social and Ethics Committee

The social and ethics committee ("the committee") of Cabana Beach Share Block Proprietary Limited is a statutory committee which is governed by the South African Companies Act, guided by King IV, and includes all other responsibilities allocated to it by the board.

### Role of the committee

The committee ensures that the resorts' energy, water, and waste management programmes are:

- effective;
- ensures good corporate citizenship;
- monitors employee engagement and development; and
- ensures that health and public safety remains a focus.

### Social and economic development

The committee assists its local community through various initiatives. Waterloo Primary School has been a key focus area for many years. The resort donated porridge packs to the school that was prepared to serve a daily meal to all its pupils. The newly built and stocked school library was officially opened last year and a year-end function was held at the school for grade 7 pupils, to wish them well in their high school career. Volunteers from the area continue to support the pupils and school through a reading programme and wherever else possible.

The committee supports other organisations such as Tafta Home of the Aged, St Judes Homes and The Feral Cat Association. The resort now homes 5 cats as part of a rehabilitation program. The committee strives to achieve its goals to make a difference in the local community. Local beach clean up events are arranged by the resort and third party organisations in the community. A wellness week was introduced in the 3rd quarter of last year to ensure that staff take some time and focus on their own health and wellness. Eye tests were conducted and dieticians were available to educate and guide staff on how to live a healthy lifestyle.

### Corporate citizenship - CSI/sustainability

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

### Environmental health & public safety

The committee ensures that the resort's energy, water and waste programmes are effective and contribute towards its goal of sustainability.

The organisational resilience management system ("ORMS"), implemented by Southern Sun Resorts throughout all its properties, is a comprehensive management system that records plans and systems relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the effects on the business. This management system is updated quarterly and audited by Southern Sun Resorts/Tsogo Sun on an annual basis. The committee is proud that it continues to excel in this area.

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

### Guest relations & correspondence

Guest feedback is of utmost importance. For this reason, the electronic eGuest satisfaction survey system is carefully managed, monitored and individually responded to on a daily basis. Other forms of feedback is derived from social media platforms such as facebook, google reviews and Tripadvisor. The resort won numerous awards including Tripadvisor Travellers Choice Award 2018, RCI Rada Award for Innovation and Employee of the year 2018.

### Labour, employment relations, training & BBBEE

Cabana Beach Resort complies with the Labour Relations Act of South Africa. All employees are treated equally and employee engagement is monitored. Management assists in developing, maintaining and improving employee relationships through communication, performance management, processing grievances and/or disputes. Staff at the resort are continuously trained and further developed where possible.

Cabana Beach Resort is linked to the BBBEE rating of the Tsogo Sun Group, which is a level one BBBEE contributor.

### Strategic plans

A new general manager, Mr Barend Olivier, was appointed to replace Mr Ron Klämbt, when he retired at the end of August 2018.

A legal matter involves an objection to the change in the municipal category rating imposed by the eThekweni Municipality. The property rating category was changed from a residential category to a commercial category. This objection process is ongoing.

The lease agreement for Wimpy has been extended for a further three years. The leases for Lighthouse Café and Maritimo's were not extended and the site was put to tender to find a suitable food and beverage replacement. BelleZAR won the tender process and is currently upgrading the space for service.

### Custodian of the unique identity

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

### Composition and functioning

The committee comprises Mr Barend Olivier and the following Directors: Mr Robert More, Mr Roy Fritz and Mr Deon Viljoen. Additional board members are invited to attend meetings and resort staff assist wherever possible. The committee meets twice a year and holds comprehensive meetings.

### Activities of the committee

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

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

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

# Cabana Beach Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2018

The Directors present their annual report of the Company for the year ended 31 December 2018.

## 1 Business activity

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

1. Shares are issued in predefined blocks which are linked by a use agreement relating to specific units during specific weeks of the year;
2. Linked to the respective share blocks are obligations on the share block owners to make loans to the Company; 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, your Company has, since its inception as a share block company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and major repairs to property, plant and equipment have been charged against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R12,812,487 (2017: R18,418,485) was transferred to the reserve for property, plant and equipment.

No dividends have been declared during the year and none is recommended (2017: R Nil).

## 3 Share capital

The authorised and issued share capital has remained unchanged.

## 4 Insurance

The resort buildings and their contents are insured at current replacement values under an all-risk policy. In addition, Sasria (Riot) cover has been arranged for the sum insured. The Company does not insure personal belongings of the individual timesharers.

The Company does not guarantee the provision of alternative accommodation in the event of a disaster and does not take out insurance for this.

## 5 Directors and secretary

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

RW Dickson *	Resigned 12 September 2018
AL Dickson *	Appointed 12 September 2018
RP Fritz ^	
WH Liebenberg	Chairman
RA More ^	
AB Ramsarup *	
AN Ridl *	
DP Viljoen ^	

\* Audit committee members

^ Social & ethics committee members

# Cabana Beach Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2018

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

**Business:**

Palazzo Towers East  
Montecasino Boulevard  
Fourways  
2055

**Postal:**

Private Bag X200  
Bryanston  
2021

## 6 Management

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

## 7 Material events after year end

The Directors are not aware of any 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.

# Cabana Beach Share Block Proprietary Limited

Report of the Independent Auditors

## Report on the audit of the annual financial statements

### Opinion

We have audited the annual financial statements of Cabana Beach Share Block Proprietary Limited set out on pages 13 to 23, which comprise the statement of financial position as at 31 December 2018, 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 annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Cabana Beach Share Block Proprietary Limited as at 31 December 2018, 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 South African Companies Act.

### Basis for opinion

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

### Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the South African Companies Act and the supplementary information set out on pages 24 to 26. The other information does not include the annual financial statements and our auditor's report thereon.

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

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

### Responsibilities of the directors for the annual financial statements

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

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

# Cabana Beach Share Block Proprietary Limited

Report of the Independent Auditors

## Auditor's responsibilities for the audit of the annual financial statements

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

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

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

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

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette 39475 dated 04 December 2015, we report that SNG Grant Thornton has been the auditor of Cabana Beach Share Block Proprietary Limited for 3 years.



### **SNG GRANT THORNTON**

Registered Auditors

Practice number: 946016

### **per A Timol**

Registered Auditor

Director

SizweNtsalubaGobodo Grant Thornton Inc.

26 July 2019

2nd Floor

4 Pencarrow Crescent

Pencarrow Park

La Lucia Ridge Office Estate

4019

# Cabana Beach Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 R	2017 R
<b>Income</b>		<b>69 320 490</b>	64 524 782
Levy Income		<b>64 054 639</b>	59 374 977
Other Income		<b>5 265 851</b>	5 149 805
<b>Expenses</b>		<b>(60 298 087)</b>	(49 133 217)
Levy surplus before interest and taxation	3	<b>9 022 403</b>	15 391 565
Net finance income	4	<b>5 692 587</b>	4 625 076
Levy surplus before taxation		<b>14 714 990</b>	20 016 641
Income tax expense	5	<b>(1 902 503)</b>	(1 598 156)
<b>Levy surplus for the year</b>		<b>12 812 487</b>	18 418 485

# Cabana Beach Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2018

	Note	2018 R	2017 R
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	6	8 674 508	5 699 382
Levies receivable	10	300 540	239 725
Cash and cash equivalents		73 613 276	59 909 683
<b>Total current assets</b>		<b>82 588 324</b>	<b>65 848 790</b>
<b>Total assets</b>		<b>82 588 324</b>	<b>65 848 790</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	9	400 000	400 000
Reserve for property, plant and equipment	7	51 974 971	37 429 139
<b>Total equity</b>		<b>52 374 971</b>	<b>37 829 139</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Exchange fee rebate		-	40 809
<b>Total non-current liabilities</b>		<b>-</b>	<b>40 809</b>
<b>Current liabilities</b>			
Trade and other payables	8	7 585 012	6 806 183
Levies received in advance		20 725 840	19 574 504
Current tax liabilities		1 902 501	1 598 155
<b>Total current liabilities</b>		<b>30 213 353</b>	<b>27 978 842</b>
<b>Total liabilities</b>		<b>30 213 353</b>	<b>28 019 651</b>
<b>Total equity and liabilities</b>		<b>82 588 324</b>	<b>65 848 790</b>

## Statement of Changes in Equity for the Year Ended 31 December 2018

	Note	2018 R	2017 R
<b>Share capital</b>			
Ordinary shares at beginning and end of year	9	400 000	400 000
<b>Reserve for property, plant and equipment</b>			
At beginning of year		37 429 139	24 421 368
Loss due to fraud	14	5 613 084	-
Recovery of funds fraudulently misappropriated	14	1 408 229	-
Levy surplus for the year		12 812 487	18 418 485
Property, plant and equipment additions and replacements during the year	7	(5 287 968)	(5 410 714)
At year-end		<b>51 974 971</b>	<b>37 429 139</b>

# Cabana Beach Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2018

		2018 R	2017 R
<b>Cash flow from operating activities</b>			
Levy surplus before taxation		14 714 990	20 016 641
Adjustments for:			
Interest received		(5 692 587)	(4 625 076)
Recovery of funds fraudulently misappropriated	14	1 408 229	-
Loss due to fraud	14	5 613 085	-
Non cash items			
- Movement in exchange fee rebate		(40 809)	(489 705)
Net surplus before working capital changes		16 002 908	14 901 860
Changes in working capital			
- Movement in levies receivable		(60 815)	(27 486)
- Movement in trade and other receivables		(2 975 126)	(1 018 281)
- Movement in levies received in advance		1 151 336	951 853
- Movement in trade and other payables		778 829	(296 176)
Cash flows from operating activities		14 897 132	14 511 770
Interest received		5 692 587	4 625 076
Tax paid		(1 598 158)	(1 377 312)
Net cash inflow from operating activities		18 991 561	17 759 534
<b>Cash flow from investing activities</b>			
Property, plant and equipment additions and replacements		(5 287 968)	(5 410 714)
Net cash outflow from investing activities		(5 287 968)	(5 410 714)
<b>Net movement in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		59 909 683	47 560 863
<b>Cash and cash equivalents at year-end</b>		<b>73 613 276</b>	<b>59 909 683</b>

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

## 1 Accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

### 1.1 Basis of preparation

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

### 1.2 Reserve for property, plant and equipment

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

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

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

### 1.3 Leases

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

### 1.4 Financial instruments

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

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

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

### 1.5 Cash and cash equivalents

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

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

## 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.

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

## 2 Financial risk management

### Capital management

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

### Financial risk factors

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

#### Liquidity risk

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

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

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

#### Credit risk

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

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

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

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

#### Interest rate risk

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

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018	2017
	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	11 767 751	11 311 941
- contributions to retirement funds	902 353	914 888
Management fees	3 187 340	3 187 340
Audit fees	164 500	153 700
Loss due to fraud	7 047 764	-
Professional, legal and internal audit fees	205 619	237 940
Other operating expenses	37 022 760	33 327 408
	<b>60 298 087</b>	<b>49 133 217</b>
<b>4 Net finance income</b>		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	5 692 587	4 625 076
Net finance income	<b>5 692 587</b>	<b>4 625 076</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 owners in terms of section 10(1)(e) of the Income Tax Act.		
Current year	1 902 503	1 598 156
	<b>1 902 503</b>	<b>1 598 156</b>
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
<b>6 Trade and other receivables</b>		
Trade receivables (refer note 12)	469 654	441 304
Other receivables	571 745	654 438
Interest receivable	5 620 361	2 639 053
Prepayments	2 012 748	1 964 587
	<b>8 674 508</b>	<b>5 699 382</b>

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018 R	2017 R
<b>7 Reserve for property, plant and equipment</b>		
At beginning of year	37 429 139	24 421 368
Loss due to fraud	14 5 613 084	-
Recovery of funds fraudulently misappropriated	14 1 408 229	-
Levy surplus for the year	12 812 487	18 418 485
	<b>57 262 939</b>	42 839 853
Property, plant and equipment additions and replacements during the year	<b>(5 287 968)</b>	(5 410 714)
At year-end	<b>51 974 971</b>	37 429 139
<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 10-years.</p> <p>The Directors have approved capital expenditure of R19,029,728 for 2019 (2017: budgeted capital expenditure of R25,347,636 for 2018) which it is anticipated will decrease the budgeted reserve fund by R4,249,801 (2017: decrease the budgeted reserve fund by R11,173,243 for 2018). There were no capital commitments made at year end (2017: R nil).</p>		
<b>8 Trade and other payables</b>		
Trade payables (refer note 12)	1 724 205	2 794 994
Other payables		
Accruals (refer note 12)	3 200 283	2 569 352
Provision for auditors remuneration	163 000	113 700
Receiver of Revenue - Vat	1 208 175	172 815
Sundry payables (refer note 12)	1 248 540	665 617
Exchange fee rebate	40 809	489 705
	<b>7 585 012</b>	6 806 183
<b>9 Share capital</b>		
<b>Authorised and issued</b>		
40,000,000 Class "A" ordinary shares of 1 cent each	400 000	400 000
<b>10 Levies receivable</b>		
Levy debtors	184 869	146 700
Repossessed debtors	122 137	118 449
Provision for repossessed debtors	(6 466)	(25 424)
- Opening balance	(25 424)	(28 141)
- Movement	18 958	2 717
	<b>300 540</b>	239 725

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018	2017
	R	R

## 11 Property, plant and equipment

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

Land and buildings comprise the following property:

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

Land and buildings were originally purchased for R7,623,913 and are not recognised. Although the Company has legal title to the property, it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the municipality at R298,000,000 for rates purposes. There are no bonds on the property.

## 12 Related party transactions

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

Short-term rental fee	95 260	243 028
Management fee	3 187 340	3 187 340
Levy administration and collection fee	2 711 413	2 585 782

SSHIL provides management services in respect of leases of the commercial areas to third party tenants. The fee for this service is a fixed percentage of gross rentals received by the Company.

Gross rentals received from tenants	2 459 551	2 132 607
Rental retained	(724 957)	(639 782)
Contractual share paid to SSHIL	1 734 593	1 492 825

Southern Sun Timesharing Proprietary Limited ("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:

Commission on resale and rental of weeks - SST	(177 470)	-
--	-----------	---

Share Registry Management Services Proprietary Limited ("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:

Commission on transfer of ownership - SRMS	(70 711)	-
Secretarial fees on repossessed debtors and use agreement fees - SRMS	62 503	49 539

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

SunSwop exchange services	1 985 673	1 882 589
---------------------------	-----------	-----------

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

- Information technology administration charge	216 145	76 931
- Training related charges	56 640	78 923
- Sunrands related charges	8 984	54 695

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018 R	2017 R
<b>12 Related party transactions (continued)</b>		
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Southern Sun Group, including the Company. These costs, which include insurance, certain maintenance and operating lease contracts are recovered from the Company via a loan account. The balance of the loan account is as follows:		
Due (to)/by SSHI and its subsidiaries:		
- included in receivables (refer note 6)	43 687	14 927
- included in payables (refer note 8)	(741 410)	(896 966)
	<b>(697 723)</b>	<b>(882 039)</b>
The Company received rental income from SST for the letting of office space:		
Rental income - SST	<b>(128 442)</b>	<b>(116 788)</b>

SSHI own units in the Company as follows:

	Number of units	Levies paid R	Levies received in advance R
SunSwop (a division of SSHI) - 2018 shareholding	108	609 390	54 730
SunSwop (a division of SSHI) - 2017 shareholding	108	563 370	51 410

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

## 2018 - shareholding

AL Dickson - Dream Vacation Club	575	3 515 150	747 530
AB Ramsarup - The Leisure Holiday Club	219	1 301 880	380 640
AN Ridl - Club Leisure Group	684	4 154 170	1 513 870

## 2017 - shareholding

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

# Cabana Beach Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2018

	2018	2017
	R	R
<b>13 Directors emoluments</b>		
<p>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.</p> <p>Directors emoluments paid for the year:</p>		
AL Dickson	8 000	-
RP Fritz	8 000	-
WH Liebenberg	8 000	-
RA More	8 000	-
AB Ramsarup	8 000	-
DP Viljoen	8 000	-
	<b>48 000</b>	<b>-</b>
<p>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.</p> <p>Fees paid for the year:</p>		
DP Viljoen	<b>49 967</b>	30 033
<b>14 Fraud</b>		
<p>The Directors wish to bring to the shareholders attention that management discovered that fraudulent payments were made to fictitious suppliers. The Company received no goods or services in return for all fraudulent payments made. A criminal case has been opened with the South African Police Services' Commercial Crimes Unit. The case is currently being investigated. The suspect has repaid a portion of the funds which were fraudulently misappropriated. The Company has lodged an insurance claim for the remainder of the misappropriated funds, and the claim is currently being reviewed by the insurer.</p>		
Recovery of funds fraudulently misappropriated	<b>(1 408 229)</b>	-
Loss due to fraud	<b>7 047 764</b>	-
- fraudulent payments made prior to 2018	<b>5 613 084</b>	-
- fraudulent payments made in 2018	<b>566 550</b>	-
- Input Vat claimed	<b>868 129</b>	-
Insurance claim submitted - pending review	<b>5 639 535</b>	-

# Cabana Beach Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements

Detailed Levy Fund Operating Statement for the Year Ended 31 December 2018

	2018	2017
	R	R
<b>INCOME</b>		
Levies	64 054 639	59 374 977
Rental pool and short term rental	1 219 362	1 336 018
Sale of capital assets	43 931	94 220
Net non-levy income		
- parking, telephone, rentals and penalties, etc	4 002 558	3 719 567
	<b>69 320 490</b>	<b>64 524 782</b>
<b>EXPENDITURE</b>		
<b>Rooms expenses</b>		
Guest entertainment	1 486 436	1 407 882
Guest supplies	842 070	895 214
Laundry	2 601 417	2 398 620
M-Net	687 294	655 123
Personnel costs		
- outside services	6 139 578	4 960 781
Pest control	34 941	32 557
Plants and decorations	19 976	18 200
Printing and stationery, including reception	319 860	276 404
Replacement of cutlery, crockery, linen, towels, uniforms, etc	875 465	560 871
Security services	1 989 910	1 829 066
	<b>14 996 947</b>	<b>13 034 718</b>
<b>Administration and general</b>		
Audit fees		
- current year	164 500	153 700
Bank charges	31 308	33 542
Central accounting and levy administration fees	2 711 413	2 585 782
Corporate social initiatives	64 648	26 510
Credit card commission	263 812	249 329
Information technology costs	951 344	830 963
Insurance		
- premium	285 082	242 652
- excess	1 093	10 000
- claim	-	(244 980)
Internal audit fees	57 834	-
Legal fees	74 786	182 782
Licences and permits	72 024	75 032
Loss due to fraud	7 047 764	-
Loss on repossessed debtors	26 434	13 560
Marketing	55 386	57 800
Postage	684	100
Professional fees	72 999	55 158
Provision for repossessed debtors	(18 958)	(2 717)
Railage, cartage and hire transport	3 031	5 453
<b>Balance carried forward</b>	<b>11 865 184</b>	<b>4 274 666</b>

# Cabana Beach Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements  
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2018

	2018 R	2017 R
<b>Balance brought forward</b>	<b>11 865 184</b>	4 274 666
Security		
- banking services	<b>21 099</b>	22 333
Subscriptions	<b>49 610</b>	38 735
SunSwop exchange service	<b>1 985 673</b>	1 882 589
Telephone	<b>152 219</b>	197 583
Travel		
- management and Directors	<b>122 492</b>	35 733
Vehicles		
- fuel and oil	<b>15 460</b>	19 465
	<b>14 211 737</b>	6 471 104
<b>Electricity, water and refuse</b>		
Electric bulbs	<b>41 950</b>	48 495
Electricity	<b>3 283 039</b>	3 625 946
Generator fuel	-	50 370
Refuse	<b>242 554</b>	229 029
Water	<b>512 680</b>	1 659 506
	<b>4 080 223</b>	5 613 346
<b>Repairs and maintenance</b>		
Airconditioning	<b>75 695</b>	63 013
Buildings	<b>326 838</b>	282 129
Electrical and mechanical	<b>161 032</b>	177 064
Elevators	<b>313 187</b>	319 448
Engineers tools	<b>6 257</b>	9 781
Furniture and fixtures	<b>94 721</b>	78 094
Gardens and grounds	<b>538 121</b>	508 734
Major repairs and maintenance	<b>390 482</b>	242 694
Office machines		
- maintenance contracts	<b>30 725</b>	12 315
Painting and redecorating	<b>69 983</b>	90 499
Personnel costs		
Plumbing and heating	<b>106 817</b>	69 004
Radio and TV	<b>15 043</b>	9 497
Room care	<b>363 080</b>	267 098
Swimming pool cleaning and repairs	<b>50 819</b>	50 874
Switchboard	<b>43 377</b>	42 216
Vehicles	<b>5 714</b>	31 077
Vingcard	<b>65 822</b>	43 998
	<b>2 657 713</b>	2 297 535

# Cabana Beach Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements  
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2018

	2018 R	2017 R
<b>Capital charges</b>		
Annual report and statutory costs	166 533	151 526
Municipal rates and sewerage	8 327 490	6 150 819
	<b>8 494 023</b>	6 302 345
<b>Personnel costs</b>		
Rooms	6 474 762	6 897 064
Administration and general	3 436 736	2 711 027
Repairs and maintenance	2 758 606	2 618 738
	<b>12 670 104</b>	12 226 829
<b>Management fee</b>	<b>3 187 340</b>	3 187 340
<b>Total expenditure</b>	<b>60 298 087</b>	49 133 217
Excess of income over expenditure before finance cost and taxation	<b>9 022 403</b>	15 391 565
<b>Net finance income</b>		
Interest income	<b>5 692 587</b>	4 625 076
Excess of income over expenditure before taxation	<b>14 714 990</b>	20 016 641
<b>Taxation</b>		
- current	<b>1 902 503</b>	1 598 156
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	<b>12 812 487</b>	18 418 485

# Cabana Beach Share Block Proprietary Limited

Minutes of the annual general meeting of shareholders held on Wednesday, 12 September 2018, at 11h02 at Cabana Beach Resort, uMhlanga

## 1 WELCOME, NOTICE OF MEETING, ATTENDANCE, APOLOGIES AND PROXIES

The chairman, welcomed all to the AGM of Cabana Beach Share Block Proprietary Limited. Notice of the meeting was properly given and the chairman announced that the required quorum to hold the AGM was achieved. This meant that there was more than three shareholders present, entitled to vote and holding at least 5% of all voting rights entitled to be exercised at the meeting. This quorum must be present in person or by proxy throughout the meeting.

The chairman recorded that Director Mr Anthony Ridl was unable to attend this meeting however all other Directors and members of the management team were in attendance. The chairman thanked all shareholders present for their attendance and thanked the shareholders who had provided apologies and completed a form of proxy in their absence. The chairman extended a special welcome to the newly appointed general manager of Cabana Beach Resort, Mr Barend Olivier. He wished Mr Olivier all the best in his new role and looked forward to a great working relationship.

## 2 ESTABLISHMENT OF A QUORUM

The chairman recorded that a quorum of 22.5% had been achieved for this AGM and he declared the AGM duly constituted. The chairman requested that any additional forms of proxy be handed to Ms Lisa Sutton for recording purposes.

The chairman introduced himself as Mr William Liebenberg ("Bill"), an independent and non-executive Director. He introduced his fellow independent and non-executive Directors, who also represented the interests of all shareholders, as Messrs Weston Dickson, Roy Fritz, Robert More, Ajith Ramsarup and Deon Viljoen. The management team consisted of Mr Adam Fuller the operations Director of Southern Sun Resorts, Mr Warren Whiteboy the financial manager, Ms Lisa Sutton the secretary to the company secretary, Mr Sumesh Booplal the resort's financial controller, Ms Louise Otto the resort's deputy general manager, Mr Barend Olivier as already introduced and Mr Peter Pienaar the general manager of SunSwop. The chairman noted that other staff members were present at this meeting.

## 3 MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

Item 3 on the agenda was to adopt the minutes of the AGM held on 13 September 2017. The chairman had nothing to add and no comments were raised by the shareholders. The chairman called for the minutes of the 13 September 2017 to be adopted. All were in favour and the chairman declared the minutes of the AGM held on 13 September 2017, adopted.

## 4 MATTERS ARISING FROM THE PREVIOUS ANNUAL GENERAL MEETING MINUTES

Item 4 was matters arising from the minutes of the previous AGM. No matters were raised for discussion.

## 5 RESOLUTION 1

Item 5 was resolution 1, to receive, consider and adopt the report of the Directors, the report of the audit committee, the report of the social and ethics committee and the annual financial statements ("AFS") for the year ended 31 December 2017. The AFS for the financial year ended 31 December 2017, read with the chairman's review, report of the Directors, report of the audit committee and report of the social and ethics committee, fully covered the activities of the Company for the period under review.

The chairman had nothing further to add and declared the reports and accounts open for discussion. No comments or queries were raised and the chairman called for AFS of the Company for the year ended 31 December 2017 to be approved and adopted. No queries or objections were raised and the motion to adopt the reports and AFS for the year ended 31 December 2017, was carried.

## 6 RESOLUTION 2

Item 6 was resolution 2, to appoint auditors to the Company. The chairman advised that the Directors and management had been very satisfied with the service provided by Grant Thornton over the past two years and in terms of the South African Companies Act, the board recommended that Grant Thornton be re-appointed for the ensuing year. One objection to this recommendation was received prior to this meeting. No objections were recorded at the AGM and the motion appointed Grant Thornton as the auditors for the ensuing year.

## 7 RESOLUTION 3

Item 7 was resolution 3, to elect Directors to the board for the ensuing year. All Directors retired at this AGM. Mr Dickson had chosen not to stand for re-election for the ensuing year and would today, resign from the board. All other Directors were eligible and available for re-election.

Additional nominations were received on behalf of Ms Anthea Dickson, Mr John Lee, Mr John van Rooyen, Mr Jaco Weihmann and Ms Grace Swart.

# Cabana Beach Share Block Proprietary Limited

The chairman noted that in terms of the memorandum of incorporation ("MOI"), the board was limited to seven Directors in number. For this AGM's election process, eleven nominations had been recorded for only seven positions and a poll must therefore be called. No queries or objections were recorded. While Ms Sutton handed a ballot form to all shareholders present, the chairman advised that he was a chicken farmer from Potchefstroom and that it had been a great pleasure to serve on this board for over 20 years. He owned timeshare at Cabana Beach and loved the resort. He requested that the Directors provide a brief summary on themselves.

Mr Fritz was a shareholder of Cabana Beach for the past 35 years and had served as a Director for two years. He was the CEO of Tango Tours and Transfers and was associated with the hospitality industry. Mr Viljoen was retired and had previously served as the former operations director of Southern Sun Resorts. He had a consultancy firm and felt privileged to have served on the board of Cabana Beach. Mr More had served on the board for three years and was a shareholder of Cabana Beach. He was a consultant in the construction industry and a quantity surveyor by trade. Mr Weston Dickson had been on the board for a few years and wished to retire. He nominated his daughter Ms Anthea Dickson, to represent Dream Vacation Club, which was the largest shareholder of Cabana Beach. He mentioned that the board was very well run and that the board was very stable. Mr Dickson wished Mr Olivier all the best in his new role. Mr Ramsarup represented the Beekman Group that owned The Holiday Club and he represented the interests of all other shareholders. He had a financial background and had served on the board for a number of years, as well as on other share block boards. Mr Ramsarup chaired the audit committee for this share block.

Ms Dickson, Mr Dickson's daughter, mentioned that she had recently joined Dream Hotels and Resorts and Dream Vacation Club. She was previously an auditor with Ernest & Young in Johannesburg for two years and with Ernest & Young in America for three months. She believed that she would be a good asset to the board, partly due to her background in auditing, her financial background and for her role at Dream Hotels and Resorts. She was involved in the operations of a few resorts and was involved in internal control processes at those resorts.

On behalf of Mr John van Rooyen, the Chairman advised that Mr van Rooyen was the previous operations director of Southern Sun Hotels in Cape Town and had been a previous general managers at Cabana Beach for many years. Mr van Rooyen was retired but was offered an extension contract with the Tsogo Sun Group. Mr van Rooyen had shown an interest in involving himself with the Cabana Beach board and the chairman believed that Mr van Rooyen would add great value with his operational knowledge and vast knowledge of the property. On behalf of Mr Lee, Mr Viljoen advised that Mr John Lee was the former operations director of Sun International and that he chaired the board of VOASA. Mr Lee was retired and had moved to uMhlanga. He did not own timeshare at Cabana Beach and would add value by being truly independent. Mr Lee served on the board of Directors at Beacon Island and had the previous week, been elected to serve on the board at uMhlanga Sands. Mr Lee was currently away in Johannesburg and had sent his apologies for not attending this meeting. Mr Viljoen continued that Ms Grace Swart and Mr Jaco Weihmann were also not in attendance however extensive CV's had been received. Both nominees were long standing owners at Cabana Beach Resort. Ms Swart was a chartered accountant and an accomplished CEO of a Company. Mr Weihmann was a lawyer. Both candidates were nominated the previous year.

The chairman referred to the ballot form that had been circulated and Mr Whiteboy advised that the ballot form offered three columns of either "In Favour", "Against" or "Abstain". With only seven positions available, only seven ticks may be recorded in the "In Favour" column. A shareholder may vote against every name however, there may not be more than seven votes in the "In Favour" column. The chairman noted that the poll process and tally process usually took some time to complete and recommended that while the finance manager, company secretariat representative and the representative from Grant Thornton conduct the tally, that the meeting continue until the voting had been finalised. No objections were recorded and the meeting continued.

## 8 RESOLUTION 4

Item 8 on the agenda was resolution 4, to appoint Directors as members of the audit committee. An audit committee must comprise at least three members, all of which were to be Directors of the Company. The audit committee comprised three independent, non-executive Directors from the board. Without the tally of the poll, the meeting was unable to appoint an audit committee without first confirming the board of Directors. The chairman therefore recommended that this process be delayed until the announcement had been made. No objections were recorded and the motion was deferred until later in the meeting.

## 9 RESOLUTION 5

Item 9 was resolution 5, to appoint members of the social and ethics committee. The committee was recommended to comprise three members, one of which must be a Director of the Company. The chairman recommended that this process too be delayed. No objections were recorded and the motion was deferred until later in the meeting.

## 10 SPECIAL RESOLUTION 1

Item 10 was special resolution 1, to authorise payments of remuneration/emoluments to the Directors in respect of the 2018 year. This resolution was to formalise payments being made to the Directors in respect of their duties and responsibilities. In terms of the South African Companies Act, the Company may pay remuneration to its Directors for their service as a Director and it required that the remuneration be paid in accordance with a special resolution approved by the shareholders, within the previous 2 years. The South African Companies Act did however restrict the remuneration in that it stated that any particular Director appointed to more than one committee of the Company, be calculated only once.

# Cabana Beach Share Block Proprietary Limited

This motion related to the payment of R8,000 to each Director per board meeting, per audit committee meeting and per social and ethics committee meeting, or cluster of meetings. The Directors of Cabana Beach Share Block usually held meetings in a cluster so as to save on travel costs and other related costs. While the resolution referred to each meeting, most quarterly meetings took place together on the same day or the day before each other, so that one trip to the resort or venue for the meeting was necessary. Mr Viljoen stated that this was a new resolution which was to comply with the King IV Commission guidelines as well as recommendations of the Institute of Directors (IoDSA). The recommendation was to remunerate Directors but that the amount be cleared by shareholders at an AGM for good corporate governance and transparency. The recommendation of the Directors was to follow the guidelines and seek approval from shareholders. The chairman added that Directors were not obliged to receive the remuneration. Most of the Directors had served on the board for many years without remuneration and had only been reimbursed for their travel costs to the meetings. Some Directors may elect not take the money and to rather support a charity of their choice.

Without the tally of the poll, the meeting was unable to confirm the Directors at this time however, the Chairman suggested an overall approval to authorise the remuneration/emolument amount of the R8,000 per Director, until the next AGM. No queries were raised and no objections were recorded. The Chairman declared the special resolution to authorise payments of remuneration/emoluments to Directors in respect of the 2018, until the next AGM, carried.

## 11 RESOLUTION 6

Item 11 was to table for discussion the insured value of the property as approved by the Directors in terms of the use agreement. As recommended by independent quantity surveyors, Brian Heineberg and Associates, the proposed insured value of Cabana Beach Resort was R613,946,790 which was an annual increment of 6%. The building was valued at R528,302,532 and furniture, fittings and equipment ("FF&E") was valued at R85,644,258. Having reviewed the insured values, the board was satisfied with the valuation and therefore recommended that the shareholders approve the proposed insured value. No objections were recorded and the insured value of R613,946,790 was approved.

## 12 REPORT OF THE SOCIAL AND ETHICS COMMITTEE AND GENERAL MANAGERS REPORT

Item 11 and 12 on the agenda was the report of the social and ethics committee and the report of the general manager. The report of the activities over the last year formed part of the chairman's review.

Mrs Otto introduced herself as the deputy general manager of the beautiful Cabana Beach Resort. She mentioned that 2017 had been a very exciting year for the resort with the implementation of its own borehole and completion of various other projects for improvement. The sinking of the borehole had added great value and created exceptional savings through reduced water consumption over the year. A video was played to show how the borehole was sunk. The resort had been able to produce approximately 8,000 litres of borehole water per hour and approximately 70%-80% of that water, once purified, was pumped into the building for use. The return on investment had been much sooner than the anticipated two-year period.

The Lounge venue had been successfully refurbished during the year to offer a more open, airy and spacious feel to the space. The driveway had been improved with a new parking layout and the inclusion of a safer and more comfortable walkway from the entrance at the roadside to the porte cochere. The project to replace stoves with a more modern and energy efficient stove had commenced, with completion due later this year.

Cabana Beach Resort was represented on the uMhlanga UIP Board and the resort provided funding to continue the upkeep and continue the improved safety of the uMhlanga area that guests had come to enjoy. uMhlanga had a safe and welcoming atmosphere for all to experience and the representation was actively involved in the progress of the UIP. Mrs Otto showed an aerial view of the new development in the uMhlanga area and how the area had changed over the years.

Cabana Beach Resort was very involved in corporate and social investment ("CSI"), with a key focus to give back to the community and to educate its own members of staff. The resort supported Waterloo Primary School which was situated in a disadvantaged community near uMhlanga and had been assisting the school with many projects and improvements over the past eight years. Not only had the buildings been improved but the educational facilities for the pupils, with a major contributor being the reading programme to help the children with their English and reading skills. The results of the reading programme was being tracked and phenomenal benefits had been recorded.

The resort proudly supported many nationally celebrated Days and events such as the Cansa Shavathon, Mandela Day, Heritage Day, World Oceans Day, Earth Week, Arbour Day, Earth Hour and so on. The Tafta Old Age Home was visited for the residents to be spoilt and entertained for the day. The Resort continued its involvement with the Feral Cats Association. A long-time resident cat Felix had sadly passed away but a new and mischievous kitten named Gigi, had been taken in.

# Cabana Beach Share Block Proprietary Limited

The resort remained very focussed on the environment and its staff helped educate other staff members and guests where possible. Beach clean ups were arranged for participation of staff and guests and this was often used as an educational exercise for children on the property to understand the importance of protecting the environment and keeping it clean. The on-site recycling plant was managed by Don't Waste Services and 40% of total waste received by the sorting staff had been recycled, which was a fantastic achievement. Initiatives were continuously investigated to further improve the recycling process. Mrs Otto welcomed all shareholders to view the recycling process and the worm farm.

Another serious focus area was health and public safety which was audited on a quarterly basis and conducted annually by the Tsogo Sun Risk department. The resort had achieved an overall 99% compliance result through the organisational resilience management systems ("ORMS") audit. The resort had employed a pool marshal to oversee the behaviour of guests at the swimming pools. This was a risk area and safety briefings were conducted twice weekly to educate children and parents on the safety and awareness measures to consider when around a swimming pool. Parents must be responsible and look after their children while in the swimming pool area.

Regarding labour and employment, the Tsogo Sun Group was proudly a Level 1 BBEEE contributor. Training and development of staff was an important aspect, with 433 training hours recorded in 2017. It was very important to improve service provided to guests, develop staff to improve themselves and to keep them happy by progressing their career in the hospitality industry.

Tripadvisor had rated Cabana Beach Resort 1st in the category of Top 10 Hotels for Families in South Africa; 11th in the category of Top 25 Value for Money Hotels in Africa; 5th in the category of Top 10 Value for Money Hotels in South Africa; 6th in the category of Top 25 Hotels for Families in Africa; and 16th in the category of Top 25 Hotels in South Africa. The ratings were phenomenal given that the resort was not a Hotel. 7,638 People had "liked" the resort's Facebook webpage and this social media platform was an excellent channel for communication. The resort's eGuest satisfaction survey had achieved a score of 90% for a total of 18,000 guests taking part in the survey. Cabana Beach Resort was also awarded the RCI Gold Crown Award, Best Water Management Award and for having the Best RADA Employer of the Year, which was Mr Ian Moolman. Mrs Otto thanked Mr Moolman for his willingness to help with anyone and go out of his way to make everyone's experience so much. She noted that he was very appreciated.

A video presentation highlighted the events and activities that took place on the resort during the month of April 2018. The chairman thanked Mrs Otto for her excellent and fantastic presentation. Mrs Otto received a round of applause.

## **Farewell to Mr Ron Klämbt**

The chairman noted that it was very sad to have to say goodbye to Mr Ron Klämbt today. On behalf of the board, the chairman thanked Mr Klämbt for his many years of loyal service and noted that much had been achieved during his employment as general manager, with excellent results and awards received. Mr Klämbt thanked the chairman and noted that his 22 years had been very exciting and an enjoyment for him. He extended thanks to everyone who made it possible for him to work at the resort for that length of time. Mr Klämbt had started his timeshare career as deputy general manager of uMhlanga Sands Resort, when the resort had been the first in South Africa to convert to a timeshare property. He joined Cabana Beach around the same age as Mr Olivier was now. He had made many friends over the years and Cabana Beach was certainly a special place for him. Mr Klämbt extended special thanks to the management team who had worked with him to achieve what had been achieved. This past year had been the best, with the resort being awarded almost every resort-linked award available. It was achieving what the mandate had been for the resort when it first converted to timeshare, being to provide the Best Quality Holiday Experience at a Reasonable Price for a South African Family. Mr Klämbt thanked Messers Louise Otto, Fatima Ali, Rajesh Mathura, Sibusiso Ndwane, Rani Rambaram, Gareth Sander, Terence Ngcobo and Ian Moolman for their team support and noted that he was happy to leave behind a well-motivated and well-trained team staff, to progress the resort even further. Mr Klämbt extended a very special thanks to the board of Directors who had been unbelievably supportive over the years and that had provided him with the freedom to operate with trust. He appreciated having the board's support when he really needed it. He thanked all owners and wished everyone all the very best. A round of applause was extended.

Mr Olivier thanked Mr Klämbt for handing over a wonderful product and lovely people to work with. Mr Olivier had also started his career at uMhlanga Sands Resort which he was very grateful for. He had passion for people and was looking very forward to working in the timeshare industry again. He thanked everyone for the opportunity.

## **GENERAL**

### **13.1 SHAREHOLDERS' CORRESPONDENCE**

Mrs Adams had mentioned that the cleanliness of the resort was not as it used to be and that she had found cockroaches in her unit. Ms Sutton advised that Cabana Beach Resort had an ongoing maintenance plan to spray for pests and management had discussed the issue with the cleaning services to improve the conditions. Mrs Otto had agreed to meet with Mrs Adam during her next visit to ensure that she was satisfied with the condition of her unit. The chairman stated that Kwa-Zulu Natal had a problem with cockroaches which was fairly common for this part of the country. The resort did its best to remove these pests however cockroaches did tend to fly in or crawl in. The chairman did not agree that the standard of cleanliness was deteriorating and noted that the resort was looking clean and that the standards were improving all the time. Treatment often took time to work and dead cockroaches were found after treatment was done. It did not mean that the resort was dirty.

# Cabana Beach Share Block Proprietary Limited

Ms June Edery and Ms Samantha Chengiah had separately purchased a peak timeshare week which no longer fell within a school holiday period. Both owners were requested to contact the team at SunSwop to discuss the "grandfathering" option, whereby a person with peak week points may bank those peak points and return during a peak period which was more suitable to the owner. The chairman stated that it was an unfortunate situation which the resort could do nothing about. The issue had been raised by other owners and with the assistance of SunSwop it was a little easier to offer solutions and resolve. The chairman thanked Mr Peter Pienaar for the assistance of SunSwop. The chairman continued that the units were sold in a fixed-week scheme and at the time, the holiday season had remained fairly constant. Unfortunately, government had changed school holiday periods and shareholders who purchased during a quieter out-of-peak season, now found themselves on holiday during a more busier and noisier time. This fixed-week period was highlighted in the use agreement and although the board understood the issue, it was not easily changed unless 75% of all owners agreed to the change in the use agreement.

Mr Giovanni Liccardo had reviewed the financials and had offered his suggestions on how best to invest the levies and he had raised concern with the annual levy increase. Management had responded to Mr Liccardo with a more detailed breakdown of the expenses and cost items that impacted the increase in levies. Levies were invoiced slightly earlier than 90-days prior to occupation date, which allowed owners ample time to consider placing their unit in the rental pool system, which required a unit to be placed in the system 90-days prior to check-in date. Mr Liccardo had been invited to meet with the financial controller of Cabana Beach when next in uMhlanga to work through any of his concerns or calculations.

A shareholder enquired why the swimming pool was not heated, especially during the colder periods. The chairman replied that the board could consider the suggestion and requested that the gentleman get in touch with Mr Olivier. The board would raise the suggestion at the next board meeting once Mr Olivier had obtained approximate costing.

There were no other queries or comments from shareholders.

## 14 RESULT OF THE POLL PROCESS

Having received the confirmed results of the poll process, the chairman reported that the board of Directors of Cabana Beach Share Block for the ensuing year would consist of Messers Deon Viljoen, Anthea Dickson, Anthony Ridl, Ajith Ramsarup, Robert More, Roy Fritz and William Liebenberg. The chairman welcomed the Directors. Mr Viljoen proposed a vote of thanks to Mr Dickson for his directorship and contribution over the past few years. Mr Dickson had thoughtfully challenged processes and decisions and had been incredibly supportive of the board. Mr Dickson thanked Mr Viljoen for the very kind words and added that he had enjoyed the board and the great resort and that he was sure that his daughter would be treated well with the same kindness. The chairman thanked Mr Dickson for his service.

In terms of the appointment of members for the audit committee, the chairman proposed that Mr Ramsarup and Mr Ridl remain on the audit committee and for Ms Dickson to join the team. He further proposed that Mr More, Mr Fritz and Mr Viljoen remain as social and ethics committee members. The chairman's proposed motion for the two committees was agreed and carried.

## 15 CLOSURE

The chairman thanked all Directors for their support the previous year and looked forward to working with the board for the ensuing year. He was very excited for the new year ahead with new blood on the board and a new general manager for the property. He was pleased that younger people were showing great interest. Mr Viljoen recorded a vote of thanks to the chairman, who was passionate about the property and about the board of Directors.

There being no further business, the chairman declared the meeting closed at 12h19.

Read and confirmed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

\_\_\_\_\_  
CHAIRMAN