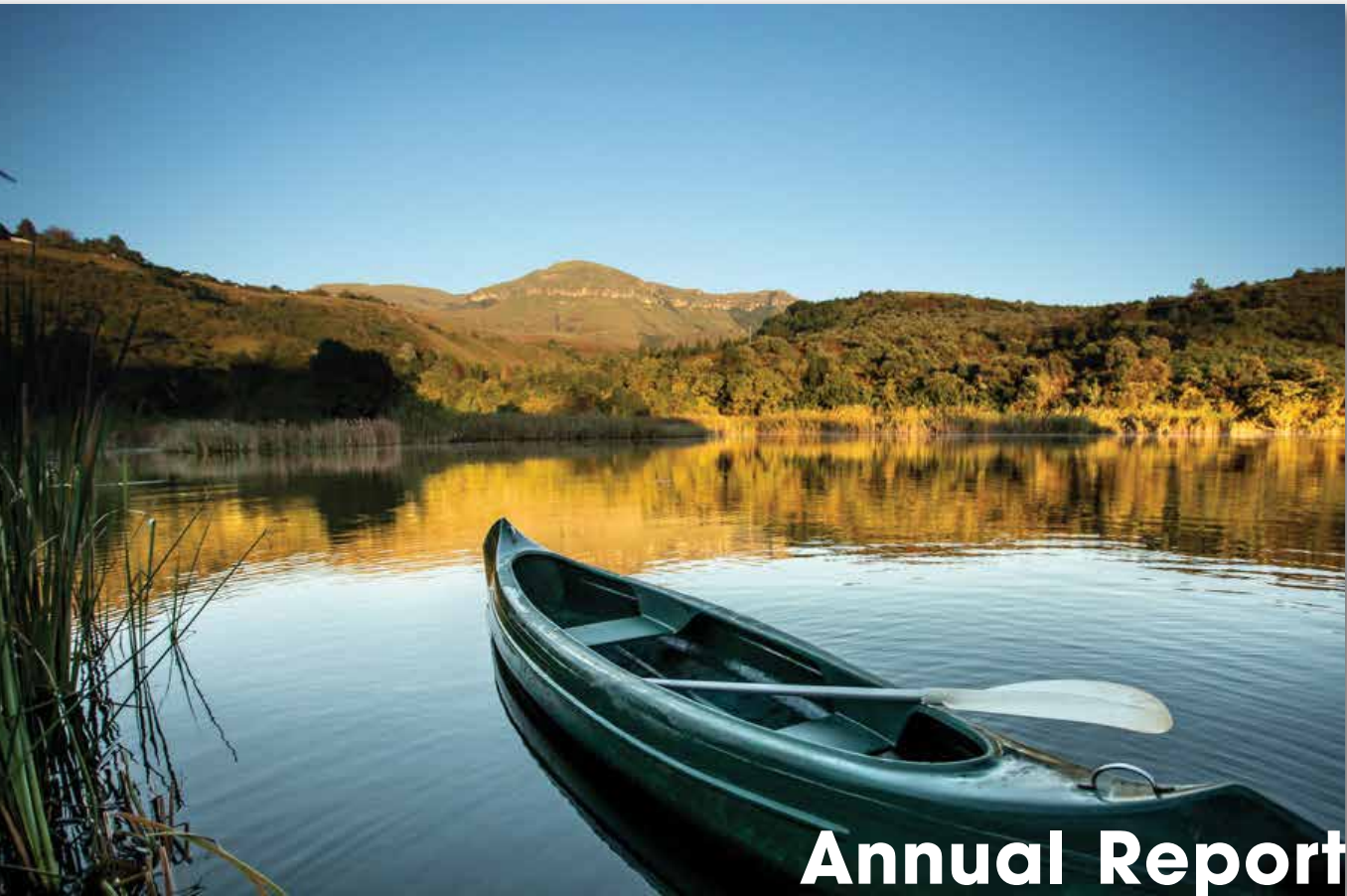


Drakensberg Sun Chalets Share Block Proprietary Limited

Registration no:1988/002500/07



Annual Report

for the year ended 31 December 2018

Drakensberg Sun Chalets Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2018

COMPANY INFORMATION

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

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

- Detailed Levy Fund Operating Statement 22 - 23

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

Drakensberg Sun Chalets Share Block Proprietary Limited

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

On behalf of your board of Directors, it is my pleasure to report on the operation, developments and financial position of Drakensberg Sun Chalets Share Block, for the year 2018. Despite ongoing tough economic times your board and our management team continue to maintain the high standard that we have grown accustomed to at Drakensberg Sun.

Before I elaborate on this past year's property changes and discuss the financial position of the share block, I must mention two very important changes to our resort's family. We received very sad news earlier this year that our extremely loyal and committed fellow Director and chairman of more than 20 years, had passed away. Mr Brian Ellis fought a long and hard battle with cancer for many years and lost his fight on 13 April 2019. He is already greatly missed and will be missed for many years to come. Brian had such passion and enthusiasm for our property and for the interest of all shareholders and guests to our resort. He was immensely proud of Drakensberg Sun and how it had transformed and grown from strength to strength over the years. His passing has left a great void on the board and in the hearts of each Director and staff member. His commitment and love for Drakensberg Sun was so great that Brian only missed one board meeting in all his years on the board, which was this year in February 2019, when he was in hospital and too sick to attend. His legacy will live on and we hope to do him proud in the years to come. On behalf of the entire board, management team and staff at Drakensberg Sun Resort, I extend warm and heartfelt condolences to the Ellis family.

Secondly, our general manager, Mr Roger Petyt, resigned from Southern Sun Resorts/Tsogo Sun at the end of February 2019 and was replaced by Mr Pranesh Sukhdeo from 1 May 2019. Pranesh has many years of experience in the timeshare industry and has worked through the ranks having worked at Breakers Resort, Cabana Beach Resort and uMhlanga Sands Resort. He left uMhlanga Sands Resort as deputy general manager and transferred to Garden Court uMthatha as general manager for two years. I am very happy to welcome Pranesh back to the resorts family and have him manage your amazing resort. I am sure our wonderful "home away from home" will be well looked after in his capable hands. I look forward to many more years of working with Pranesh.

While on the topic of welcome, your board had a vacancy due to the passing of Brian. The Directors discussed and reviewed various willing parties for continuation and representation on the board. It was agreed by all that Ms Louise McMillan be the most suitable board nominee and she was co-opted to the board on 6 May 2019 until the forthcoming AGM. Louise is an asset to the board and we all welcome her experience as a Director on other Southern Sun Resorts' boards and her much appreciated passion and expertise. Louise has, as have all other Directors, confirmed her willingness to stand as Director for the ensuing year and will be present at the AGM for you to meet.

The chalets are looking superb and the property as a whole is truly splendid. It's an amazing location to travel to, to unwind at and enjoy the good clean air and pure bliss that the mountains have to offer. Drakensberg Sun remains one of the most sought-after holiday destinations in South Africa and it is thanks to your Directors, the management team at Southern Sun Resorts/Tsogo Sun and our passionate members of staff who maintain the great standard, friendly service and welcoming atmosphere.

Resort update

The entertainment team launched the new and improved Xscape entertainment area which has been well received. Children of all ages, and even a few adults, enjoy the bright set up, new games, great vibe and entertainment programme offered by the entertainment team. The intention of the new Xscape entertainment programme is to not only entertain the children while on holiday, but to include an element of education. Children can expect to enjoy the activities and learn something new and special while on holiday, thereby creating a great memory for their visit to Drakensberg Sun.

Feral cats on the resort and living in the surrounding area were spayed/neutered when Cats of Durban were invited to site and requested to assist in the ever-growing population of feral cats. The project was extremely successful and both the resort and neighbours in the area are relieved and hopeful that the process has remedied the issue.

Baboon-proof bins were placed around the property to stop animals from foraging for food in the rubbish bins and making a mess. While the baboon-proof bins are beneficial and were successful, the baboons have now learnt how to topple the bins and reach inside for food. Management is finding ways to secure the bins as best as possible to avoid this.

Your board is investigating solutions to increase the size of parking bays for the front row of chalets and to possibly include a cover to protect the vehicles.

The road from Winterton to the resort is being repaired and once completed, will provide a much easier and less stressful drive to the resort. This takes place after many requests were made to the roads department and after having submitted many letters of complaint. The management team applied much pressure and I thank the team for their perseverance in this regard as the condition of the road will again be suitable for all types of vehicles and will be much safer drive without having to negotiate and swerve for large potholes.

For your safety, the resort strongly urges that you do not venture out onto the trails without first notifying the entertainment desk. It is in your best interest to sign out when you leave the resort and to sign back in when you return. This is a safety precaution that is taken very seriously by the resort so that a search party knows where to find you should something unforeseen happen while you are out on the walk/hike. The safety of all is of paramount concern and for this reason, the resort also does not condone hikers going out alone. Please work with the staff to make your walk/hike an enjoyable and trouble-free experience.

Your board reviews all income and expenditure very closely and much deliberation takes place at each board meeting, on how to further reduce expenditure and how to improve sources of income for the share block. The management team have been tasked this year to: improve and extend marketing channels to grow the sales and rentals of our chalets; work in conjunction with the apartments and hotel entity on the property for rentals and sales; approach other and new markets to attract entertainment, sporting events and other business to the area and in turn to our resort; attractively package repossessed units for quicker resale so as to reduce the increasing list of repossessions and outstanding levies; and so on.

Drakensberg Sun Chalets Share Block Proprietary Limited

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

To improve sundry income, a list of units for rental and resale is placed in each unit; is available through the new mobile application; is communicated by the sales office to each shareholder's email address; is advertised on facebook; and is advertised on the resort's timeshare website. Please make contact should you have any queries or wish to make an additional purchase or rental.

Occupancy

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

2018 experienced a marginal increase in occupancy against the prior year and ended the year on 80.5% (2017: 80.4%).

Financial results for the year ended 31 December 2018

The statement of comprehensive income as set out on page 12 of the annual financial statements reflects income and expenditure of the Company in a summarised format. As was the case last year, the detailed levy fund operating statement, which is not audited and presented as supplementary information only, appears on pages 22 and 23 and will be referred to when I comment on the financial results for the year.

The statement of comprehensive income and expenditure for the year ended 31 December 2018 reflects total income, including net finance income of R13.401m (2017: R12.195m) and total expenditure of R10.363m (2017: R9.537m). The levy surplus after taxation was R2.864m (2017: R2.535m) and this has been transferred to the reserve for property, plant and equipment. Below is a more detailed review of variances in income and expenditure:

Income

Total income increased by 9.9% year-on-year, mainly due to the net finance income increase of 25.4% due to additional funds being invested for longer periods and yielding a higher return. Rental pool income increased by R276k against the previous year, due to an increase in the number of rooms available for rental. Management's focus on this revenue stream has had a positive outcome and generated additional income.

Expenditure

Total expenditure of R10.363m (2017: R9.537m) reflected an increase of 8.7% year-on-year and a more detailed review of the expenditure is recorded below:

- **Rooms expenditure** increased by 14.8% compared to 2017 due to the R143k increase in laundry costs in 2018. Major repairs were carried out on laundry equipment in 2018 and there was an increase in linen written-off. Outside service (housekeeping) costs increased by R176k compared to 2017 due to legislated wage increases.
- **Administration and general** charges reflected a 25.1% increase year-on-year, primarily due to the provision for repossessed units being increased by R228k due to an increase in the number of repossessed units.
- **Electricity, water and refuse** reflected a year-on-year increase of 6.2%, mainly due to the installation of additional power meters and consumption costs being split more accurately.

- **Repairs and maintenance** reflected a decrease of 3.1% compared to 2017 due to a more stringent focus on cost.
- **Corporate charges** reflected an increase of 45.5% year-on-year due to increased municipal rates.

Statement of financial position

The statement of financial position, detailed on page 13 together with the related notes thereto, reflects the financial position of the Company. The reserve for property, plant and equipment increased to R6.109m (2017: R4.237m), cash and cash equivalents increased to R10.174m (2017: R9.650m) and levies receivable increased to R233k (2017: R111k). Levies received in advance increased to R3.695m (2017: R3.458m).

During the 2018 year, the Company incurred capital expenditure of R992,097 (2017: R636,814) in respect of, amongst others, the following major projects:

	R
Xscape entertainment centre	402,785
Outside balcony furniture	395,400
Baboon-proof bins	31,920

2020 Levy

The 2020 annual levy budget increase will be presented and confirmed by the board, at the Directors' meeting to be held in August 2019. This meeting takes place after the notice of the annual general meeting, and the annual report has been communicated. This being the case, notification of the 2020 levy amount will be advised under separate cover. I once again re-assure you that whilst your board provides to make further improvements to the resort, your board is very aware of the effect of levy increases. As was Brian, our previous chairman, I too am conscious of the levy affordability for our owners, especially our elderly and retired who rely on a pension. I wish to assure each and every one of you that we do our very best to keep the levy increase as low as possible. Your board has spent a considerable amount of time, and will continue to do so, in deliberating with the management team as to how the ever increasing operational costs can be reduced. A thorough scrutiny is undertaken of all proposed costs. Whilst reducing costs, it must be remembered that a healthy reserve fund is essential for not only the future stability and security of the resort, but also in preparing for any unexpected occurrences in expenditure.

Levies outstanding at year-end was a mere 0.11% of total levy income, which is virtually unheard of in the timeshare industry. I wish to congratulate our management team for their commitment and hard work in achieving this outstanding levy collection result. This is not an easy task in these tight economic times, and I would also like to extend a big thank you to all shareholders who pay their levies timeously. It allows for the smooth and effective operation of the resort.

Chalet refurbishment

The management team has engaged a professional firm to submit design proposals for the planned refurbishment programme for chalets. Proposed designs are being "tweaked" to best suit all shareholders and guests. Careful planning is always necessary when conducting such a large project and while we would like to include as many upgrades and items as possible, the refurbishment project will be planned in a phased period, over 2020 and 2021.

Drakensberg Sun Chalets Share Block Proprietary Limited

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

SunSwop and RCI affiliation

I am pleased to report that as at 4 February 2019, RCI become 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. The share block remains a member of VOASA and both myself, and Mr Adam Fuller represent the share block on the VOASA board. I stand as chairman of VOASA and am very positive regarding the influence that VOASA has on the industry, on behalf of each member.

Surrounding developments

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

Social and ethics committee

Corporate social investment ("CSI") is of utmost importance to us all and I am so pleased to see how the resort, its social and ethics committee and our management team has progressed with it even more over the past 12 months. I refer you to page 8 of this annual report for information about the social and ethics committee and a brief overview on what has been achieved thus far. A more comprehensive presentation with slides will be shown at the annual general meeting ("AGM") and I invite you all to attend. Our management team will advise you on each type of contribution made and which initiatives have been supported over the past year.

Other business

Shareholders can be assured that our share block is well run and supported by the reliable team of Southern Sun Resorts/Tsogo Sun. I am confident that Directors, timesharers and guests will continue to receive the attention to detail and great service at our superb resort.

In closing

Our share block is financially sound and well managed, and the resort has achieved excellent results and accolades over this past year under review. Our resort team continually goes the extra mile for us and our guests and I would like to thank all staff for their friendliness, willingness and enthusiasm in all that they do.

I extend sincere thanks and appreciation to my fellow Directors Mr David Alexander, Mr Brent Dickson, Mr Ajith Ramsarup and Ms Louise McMillan and to the Southern Sun Resorts/Tsogo Sun management team, for their time, energy, knowledge, professionalism and guidance this past year. I am impressed with what we have all managed to achieve as a team.

As an opportunity to further discuss or debate various issues, I welcome you all to attend our AGM, to be held at the uMhlanga Sands Resort, uMhlanga Rocks, on Monday, 9th September 2019 at 10h00. If you are unable to attend, please complete and return the form of proxy enclosed in this annual report on page 5.

Take care and I wish you all a prosperous year ahead.



ANTHONY RIDL
CHAIRMAN

Notice is hereby given to the shareholders of the Company that the annual general meeting ("AGM") of the Company will be held on **Monday, 9 September 2019 at 10h00 at Umhlanga Sands Resort, 44 Lagoon Drive, uMhlanga**, 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 PricewaterhouseCoopers Inc. ("PWC") be and are hereby appointed 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 five (5) 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 10h00 on Wednesday, 4 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 Mr David Alexander 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 Brent 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 3.3: Resolved as an ordinary resolution that Ms Louise McMillan who is eligible and available for election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.4: 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 3.5: 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.

4. Appointment of audit committee

Ordinary resolution 4.1: Resolved as an ordinary resolution that Ms Louise McMillan 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. Approval of insured value of property

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

6. Non-executive Directors' fees

Special resolution 1: Resolved as a special resolution that R4,240 (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 10 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 South African Companies Act 71, of 2008, no business shall be transacted at any AGM unless a quorum of shareholders is present at the time when the meeting proceeds to business. The quorum at any AGM shall be no less than three (3) shareholders present, holding at least five percent (5%) of the share capital and voting rights, personally or by proxy, and who are entitled to be exercised at the meeting.

In the event of a quorum not being present within half-an-hour of the appointed time for the meeting to begin, the AGM will be automatically adjourned for one (1) business day, to Tuesday, 10 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 27 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 10h00 on Wednesday, 4 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
14 May 2019

Drakensberg Sun Chalets Share Block Proprietary Limited
 Registration Number: 1988/002500/07
 ("the Company")

Registered Office
 Palazzo Towers East
 Montecasino Boulevard
 Fourways 2055

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

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Monday, 9 September 2019 at 10h00, at uMhlanga Sands Resort, 44 Lagoon Drive, uMhlanga.**

Form of proxy

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

1., or failing him/her,
2., or failing him/her,
3. The chairman of the 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
Ordinary resolution 1: Receipt and adoption of annual financial statements and reports - Year ended 31 Dec 2018			
Ordinary resolution 2: Appointment of auditors			
Ordinary resolution 3: Election of Directors			
3.1 David Alexander			
3.2 Brent Dickson			
3.3 Louise McMillan			
3.4 Ajith Ramsarup			
3.5 Anthony Ridl			
Ordinary resolution 4: Appointment of audit committee			
4.1 Louise McMillan			
4.2 Ajith Ramsarup			
4.3 Anthony Ridl			
Ordinary resolution 5: Insured value of property			
Special resolution 1: 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 10h00 on Wednesday, 4 September 2019.

Drakensberg Sun Chalets 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 Drakensberg Sun Chalets Share Block Proprietary Limited. The annual financial statements presented on pages 12 to 21 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the South African Companies Act 71, of 2008.

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

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

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

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

The Company's external auditors, PricewaterhouseCoopers Inc. ("PWC"), audited the annual financial statements and their report is presented on pages 10 and 11.

Approval of annual financial statements

The annual financial statements set out on pages 12 to 21 were approved by the board of Directors on 14 May 2019 and are signed by:



AN Ridl
Chairman



AB Ramsarup
Director

Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of Drakensberg Sun Chalets 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

Drakensberg Sun Chalets 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.

1. Members of the audit committee

The members of the audit committee comprise three independent non-executive directors being Ms Louise McMillan, Mr Ajith Ramsarup and Mr Anthony Ridl (chairman).

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 the 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.



AN Ridl

Chairman

14 May 2019

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2018

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

Role of the committee

The committee ensures that the resorts' energy, water, and waste management programs are effective; ensures good corporate citizenship; monitors employee engagement and development; and ensures that health and public safety remains a focus.

Social and economic development

The committee assists the local community through various initiatives. The uMfolozi Crèche is the resort's main beneficiary and has been for the last 5 years. Through funds raised, the committee has assisted in building a new classroom that is currently 80% complete. Upon completion the young children will have access to proper ablution facilities, electricity, and a school environment conducive to proper learning and education. The committee remains committed to supporting this school beyond the completion of the building. While the uMfolozi Crèche is the main beneficiary, the committee and staff members of the resort support a vast array of initiatives and causes throughout the year. By supporting programs such as slipper day, arbour day, casual day, Mandela day, heritage day, earth hour, water week, cancer shavathon, national tekkie tax day and the like. Awareness is created, which in turn benefits the less privileged in the community and the world we live in. The resort is extremely proud to advertise that all hiking trails on the property have been awarded green flag status.

Corporate citizenship

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

Environmental health & public safety

The committee ensures that the resort's energy, water, and waste programs are effective and contribute towards its sustainable goals.

The resort is collaborating with "Working with Water", a government appointed organization that works towards the eradication of all alien and invasive plants in the area. Space is provided on the property for the establishment of a nursery used for cultivation of indigenous plants that are to replace the alien plants. As part of the resorts' 'cat management program' more than twenty-five cats were recently sterilized and inoculated by an organization called "Cats of Durban"

A medical service is available to all properties in the Tsogo Sun Group and through the managing agent, our staff and guests are able to receive assistance of any kind, whenever necessary. This relates to medical advice, medical emergencies, violence, fire emergency, flooding incidents, natural disasters and so on.

The organizational resilience management system (ORMS)

This is implemented by the Tsogo Sun Group throughout all its properties, and is a comprehensive system that records data and statistics of systems relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the impact this has on the business.

This management system is audited internally on a quarterly basis and audited by Tsogo Sun on an annual basis.

The resort is a member of the Honorary Officer's Association which meets once a month with affiliated members to discuss all flora and fauna concerns in the area. Together with the KZN Parks Board, the association makes pertinent decisions relating to environmental management.

Guest relations & correspondence

Guest feedback is of the utmost importance to the resort. The committee and the resort values guest opinions as this is critical in helping the team shape and improve its service delivery and business going forward. The electronic eGuest satisfaction survey system is managed, monitored and individually responded to daily.

Other platforms monitored to gauge service delivery are Tripadvisor, Google and RCI. Personal interaction with guests is also critical to this process.

Labour & employment relations

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

Employees are the resort's most valuable asset and continuous training and development programs are offered for all levels of staff, to improve their self-confidence and to maximise opportunities for achieving their full potential. The training programs are generally run by the Tsogo Sun Academy.

The resort is linked to the BBBEE rating of the Tsogo Sun Group, which is a level one BBBEE contributor.

Strategic issues

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

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

Custodian of our unique identity

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

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

Composition and functioning

The committee comprises Directors, Mr Brent Dickson and Mr David Alexander. The combined committee with Drakensberg Sun Hotel Share Block includes Directors on that board as myself, Mr Adam Fuller and Mr Peter Pienaar. Staff members on-site assist greatly with the committee and are always welcome to attend a meeting. The committee holds comprehensive meetings twice a year.

Activities of the committee

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

The goal of the committee for the year ahead is to maintain its commitment to training and developing staff and adopt the "if you can't re-use it, refuse it" recycling mind set.

Pranesh Sukhdeo

Chairman
Social and ethics committee

Drakensberg Sun Chalets 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 Drakensberg Sun Resort which are utilised by the shareholders on a timeshare basis with respective shareholders' time interest being apportioned through the issue of shares according to share block regulations. These regulations provide for the following:

1. Shares are issued in predefined blocks which are linked by a use agreement relating to specific units during specific weeks of the year;
2. Linked to the respective share blocks are obligations on the share block owners to make loans to the Company; 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 additions to property, plant and equipment have been charged annually against this amount. Before providing for property, plant and equipment additions and replacements, a surplus of R2,864,092 (2017: R2,535,165) was transferred to the reserve for property, plant and equipment.

No dividend has 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 chalet buildings and their contents are insured at current replacement values under an all-risk policy. In addition, Sasria (Riot) cover has been arranged for the sum insured. The Company does not insure personal belongings of the individual timesharers.

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

5 Directors and secretary

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

DM Alexander ^	
BS Dickson ^	
BG Ellis *	Deceased 13 April 2019
LE McMillan *	Co-opted 6 May 2019
AB Ramsarup *	
AN Ridl *	Chairman

* Audit committee members

^ Social & ethics committee members

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

Business:
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 significantly affect the financial position of the Company or the results of its operations.

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Independent Auditors

Independent auditor's report

To the shareholders of Drakensberg Sun Chalets Share Block Proprietary Limited

Our opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Drakensberg Sun Chalets Share Block Proprietary Limited (the Company) as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

What we have audited

Drakensberg Sun Chalets Share Block Proprietary Limited's annual financial statements set out on pages 12 to 21 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the annual financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Drakensberg Sun Chalets Share Blocks Proprietary Limited annual financial statements for the year ended 31 December 2018, which includes the Directors' report as required by the Companies Act of South Africa, the report of the audit committee, the statement of Directors' responsibility and the declaration of the company secretary. Other information does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Independent Auditors

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 International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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



PricewaterhouseCoopers Inc.

Director: R Klute

Registered Auditor

Durban

14 May 2019

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 R	2017 R
Income		12 583 885	11 542 983
Levy income		12 049 918	11 225 525
Other income		533 967	317 458
Expenses		(10 363 049)	(9 536 875)
Levy surplus before interest and taxation	3	2 220 836	2 006 108
Net finance income	4	817 295	651 754
Levy surplus before taxation		3 038 131	2 657 862
Income tax expense	5	(174 039)	(122 697)
Levy surplus for the year		2 864 092	2 535 165

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2018

	Note	2018 R	2017 R
ASSETS			
Current assets			
Trade and other receivables	6	938 386	795 050
Levies receivable	10	233 413	111 091
Cash and cash equivalents		10 174 156	9 649 861
Total current assets		11 345 955	10 556 002
Total assets		11 345 955	10 556 002
EQUITY			
Capital and reserves			
Share capital	9	1 256	1 256
Reserve for property, plant and equipment	7	6 109 462	4 237 467
Total equity		6 110 718	4 238 723
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		-	5 402
Total non-current liabilities		-	5 402
Current liabilities			
Trade and other payables	8	1 366 122	2 731 228
Levies received in advance		3 695 076	3 457 952
Current tax liability		174 039	122 697
Total current liabilities		5 235 237	6 311 877
Total liabilities		5 235 237	6 317 279
Total equity and liabilities		11 345 955	10 556 002

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

	Note	2018 R	2017 R
Share capital			
Ordinary shares at beginning and end of year	9	1 256	1 256
Reserve for property, plant and equipment			
At beginning of year		4 237 467	2 339 116
Levy surplus for the year		2 864 092	2 535 165
Property, plant and equipment additions and replacements during the year	7	(992 097)	(636 814)
At year-end		6 109 462	4 237 467

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2018

	2018 R	2017 R
Cash flow from operating activities		
Levy surplus before taxation	3 038 131	2 657 862
Adjustments for:		
Net interest received	(817 295)	(651 754)
Non cash items		
- Movement in exchange fee rebate	(5 402)	(64 834)
Net surplus before working capital changes	2 215 434	1 941 274
Changes in working capital		
- Movement in levies receivable	(122 322)	(52 588)
- Movement in trade and other receivables	(143 336)	(225 882)
- Movement in levies received in advance	237 124	65 783
- Movement in trade and other payables	(1 365 106)	1 330 893
Cash flows from operating activities	821 794	3 059 480
Net interest received	817 295	651 754
Tax paid	(122 697)	(103 649)
Net cash inflow from operating activities	1 516 392	3 607 585
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(992 097)	(636 814)
Net cash outflow from investing activities	(992 097)	(636 814)
Movement in cash and cash equivalents	524 295	2 970 771
Cash and cash equivalents at beginning of year	9 649 861	6 679 090
Cash and cash equivalents at year-end	10 174 156	9 649 861

Drakensberg Sun Chalets 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 period.

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

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Leases

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

1.4 Financial instruments

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

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

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

Drakensberg Sun Chalets Share Block Proprietary Limited

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

1.5 Cash and cash equivalents

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

1.6 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

Special levy revenue is recognised when raised.

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

Sundry revenue is recognised when it is earned.

1.7 Provisions

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

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

1.8 Equity

Ordinary shares are classified as equity.

1.9 Current taxes

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

1.10 Retirement benefits

The Company 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.

Drakensberg Sun Chalets 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.

Drakensberg Sun Chalets Share Block Proprietary Limited

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

	2018 R	2017 R
3 Levy surplus before interest and taxation		
The levy surplus before interest and taxation is stated after taking into account the following:		
Employee costs		
- salaries, wages and benefits	3 104 958	3 094 404
- contributions to retirement funds	211 034	203 318
Management fees	587 606	587 606
Audit fees	67 236	75 519
Professional and internal audit fees	12 243	40 645
Other operating expenses	6 379 972	5 535 383
	10 363 049	9 536 875
4 Net finance income		
Interest earned on fixed deposits, call deposits and current account	817 295	651 754
Net finance income	817 295	651 754
5 Income tax expense		
Provision is made for Company taxation on the net non-levy income of the levy fund.		
No tax is payable on levy income from the owners in term of section 10(1)e of the Income Tax Act.		
Current year	174 039	122 697
	174 039	122 697
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
6 Trade and other receivables		
Trade and other receivables (refer note 12)	41 966	33 017
Prepayments	447 830	389 961
Receiver of revenue - Vat	-	42 346
Interest receivable	448 590	329 726
	938 386	795 050
7 Reserve for property, plant and equipment		
At beginning of year	4 237 467	2 339 116
Levy surplus for the year	2 864 092	2 535 165
	7 101 559	4 874 281
Property, plant and equipment additions and replacements during the year	(992 097)	(636 814)
At year-end	6 109 462	4 237 467

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.

The Directors have approved capital expenditure for 2019 of R3,752,690 (2017: budgeted capital expenditure of R2,083,262 approved for 2018) which it is anticipated will decrease the budgeted surplus in the reserve fund by R952,377 (2017: decrease the budgeted surplus by R67,153 in 2018). There were no capital commitments made at year end (2017: R nil).

Drakensberg Sun Chalets Share Block Proprietary Limited

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

	2018 R	2017 R
8 Trade and other payables		
Accruals (refer note 12)	479 024	604 157
Provision for auditors' remuneration	68 653	71 136
Sundry payables	73 717	1 144 527
Receiver of revenue - Vat	31 644	-
Exchange fee rebate	5 403	64 834
Drakensberg Sun Hotel Proprietary Limited (refer note 12)	707 681	846 574
	1 366 122	2 731 228
9 Share capital		
Authorised		
635,250 ordinary shares of 1 cent each	6 352	6 352
Issued		
125,580 ordinary shares of 1 cent each	1 256	1 256
10 Levies receivable		
Levy debtors	15 672	18 538
Repossessed debtors	638 041	208 287
Provision for repossessed debtors	(420 300)	(115 734)
- Opening balance	(115 734)	(39 050)
- Movement	(304 566)	(76 684)
	233 413	111 091
11 Property, plant and equipment		
<p>The Company complies with the SAICA Guide on Financial Reporting for Share Block Companies with respect to the treatment of property, plant and equipment. In terms of the SAICA Guide the right of use of property, vested with the shareholders, has been offset against the loan from shareholders with the balance transferred to the reserve for property plant and equipment.</p> <p>Land and buildings comprise the following property: Sub-division 112 of sub-division 4 of the Farm Driefontein No 1389, situated in the regulated area of Cathkin Park, Administrative District of KwaZulu Natal, in extent 20,1798 hectares.</p> <p>Land and buildings were originally purchased for R7,848,970 and are not recognised. Although the Company has legal title to the property it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the municipality at R16,000,000 for rates purposes. There are no bonds on the property.</p>		
12 Related party transactions		
<p>The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited ("SSHI"). The Company is charged the following fees in terms of the management agreement:</p>		
Short term rental fee	48 202	43 557
Management fee	587 606	587 606
Levy administration and collection fee	210 730	197 706

Drakensberg Sun Chalets Share Block Proprietary Limited

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

	2018 R	2017 R
12 Related party transactions (continued)		
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	(2 315)	-
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	(3 834)	-
Secretarial fees on repossessed debtors and use agreement fees - SRMS	23 231	14 250
During the financial year the Company paid membership fees to SunSwop (a division of SSHI), which is affiliated to Interval International.		
SunSwop exchange services	272 829	257 823
During the financial year the Company paid the following SSHI internal charges:		
- Information technology administration charge	223 455	150 696
Most costs of the Drakensberg Sun Resort, including costs in terms of contracts negotiated on behalf of members of the Southern Sun Group, are initially incurred by Drakensberg Sun Hotel Proprietary Limited. The portion of costs applicable to the Company is recovered via a current account. The balance of the current account is as follows:		
Amount owing (to)/from Drakensberg Sun Hotel Proprietary Limited and SSHI:		
- included in payables (refer note 8)	(753 783)	(874 142)
- included in receivables (refer note 6)	10 389	7 727
	(743 394)	(866 415)

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	27	233 910	37 360
SunSwop (a division of SSHI) - 2017 shareholding	27	217 320	42 900

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

2018 - shareholding

BS Dickson - Dream Vacation Club	87	790 270	248 780
AB Ramsarup - The Leisure Holiday Club	23	199 750	57 900
AN Ridl - Club Leisure Group	99	875 270	338 060

2017 - shareholding

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

Drakensberg Sun Chalets Share Block Proprietary Limited

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

	2018 R	2017 R
13 Directors emoluments		
Directors have been remunerated an agreed upon fee per meeting attended for their services to the Company. In addition, Directors are reimbursed for costs incurred whilst performing the Company's business. Further, the Directors are insured for medical costs and personal accident. The Directors are also covered by insurance taken out by the Company as indemnification against all liability of any Director towards the Company in respect of any negligence, default, breach of duty or breach of trust.		
Directors emoluments paid for the year:		
BG Ellis	2 000	-
AB Ramsarup	2 000	-
	4 000	

Drakensberg Sun Chalets 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
INCOME		
Levies	12 049 918	11 225 525
Rental pool and short term rentals	454 275	177 950
Net non-levy income		
- telephone, rentals and penalties, etc	67 092	97 569
Sale of capital assets	12 600	41 939
	12 583 885	11 542 983
EXPENDITURE		
Rooms expenses		
Cleaning supplies	52 598	52 638
Guest entertainment		
- M-Net	94 267	92 573
- outside services	359 982	339 222
- videos, cocktails, games and prizes	84 461	83 665
Guest supplies	82 385	76 041
Laundry	449 019	305 611
Personnel costs		
- outside services	1 153 299	977 635
Pest control	8 755	10 263
Printing and stationery, including reception	141 703	141 045
Replacement of cutlery, crockery, linen, towels, uniforms, etc	56 468	47 258
Security services	567 385	531 258
	3 050 322	2 657 209
Administration and general		
Audit fees		
- current year	68 653	66 765
- prior year (over)/under provision	(6 369)	4 383
- expenses	4 952	4 371
Bank charges	4 779	5 297
Corporate social initiatives	25 000	25 000
Credit card commission	53 011	56 432
Information technology costs	423 611	375 899
Insurance	26 450	22 401
Internal audit fees	3 243	40 645
Levy administration and collection fees	210 730	197 706
Licences and permits	10 445	11 820
Loss on repossessed debtors	15 861	11 789
Marketing	-	2 000
Penalties	-	(42 743)
Printing, postage and stationery	257	542
Professional fees	9 000	-
Provision for repossessed debtors	304 566	76 684
Railage, cartage and hire transport	10 676	7 172
SunSwop exchange service	272 829	257 823
Telephone	31 516	26 528
Balance carried forward	1 469 210	1 150 514

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Unaudited Supplementary Schedules to the Annual Financial Statements

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

	2018 R	2017 R
Balance brought forward	1 469 210	1 150 514
Subscriptions/marketing	7 981	5 355
Travel		
- management and Directors	67 817	69 214
Vehicles		
- fuel and oil	38 993	41 090
	1 584 001	1 266 173
Electricity and refuse		
Electricity	653 535	628 625
Generator fuel	16 120	-
Refuse	89 757	86 375
	759 412	715 000
Repairs and maintenance		
Buildings	37 906	15 935
Furniture and fixtures	25 776	49 688
Gardens and grounds	507 792	475 522
Painting and redecorating	69 380	39 955
General maintenance	172 405	223 654
Sewerage and water	-	34 868
	813 259	839 622
Company costs		
Annual report and statutory costs	25 783	42 741
Furniture and equipment leases	16 338	17 604
Municipal rates and taxes	210 336	113 198
	252 457	173 543
Personnel costs		
Rooms	965 627	1 087 587
Administration and general	1 590 286	1 530 971
Repairs and maintenance	760 079	679 164
	3 315 992	3 297 722
Management fee	587 606	587 606
Total expenditure	10 363 049	9 536 875
Excess of income over expenditure before finance income and taxation	2 220 836	2 006 108
Net finance income		
Net interest received	817 295	651 754
Excess of income over expenditure before taxation	3 038 131	2 657 862
Taxation		
- current	174 039	122 697
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	2 864 092	2 535 165

Drakensberg Sun Chalets Share Block Proprietary Limited

Minutes of the Annual General Meeting of Shareholders held on Thursday, 6 September 2018, at 10h00 at uMhlanga Sands Resort, uMhlanga

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

The chairman introduced himself as Mr Brian Ellis and welcomed all to the annual general meeting ("AGM") of Drakensberg Sun Chalets Share Block Proprietary Limited. Notice of the meeting had been properly given and the chairman was pleased to record that the required quorum to hold this AGM was present and that there was more than three shareholders present, holding at least five percent of all voting rights, personally or by proxy and who were entitled to vote. This quorum must be present throughout the meeting.

The chairman requested that all attendees sign the attendance register, available at the back of the venue.

The chairman recorded an apology for Director Mr Brent Dickson, who was unable to join the meeting today. Shareholders had provided apologies for being unable to attend this meeting and had submitted a form of proxy for voting purposes in their absence. The chairman thanked all shareholders who were able to join the AGM and/or who had submitted a form of proxy.

2. ESTABLISHMENT OF A QUORUM

The chairman was pleased to record that the quorum achieved for this AGM was 18%. He was therefore able to declare the meeting duly constituted. No additional proxies were received from the floor.

The chairman was an independent and non-executive Director of the Company. He introduced his fellow independent, non-executive Directors on the board, who represented the interests of all shareholders. Mr David Alexander had been an owner for the past 15 years and he and his family frequently stayed at the Drakensberg Sun property. They loved the resort and he was very passionate about the property and his responsibility as a Director. Mr Ajith Ramsarup represented The Leisure Holiday Club, Mr Anthony Ridl represented Club Leisure Group and Mr Brent Dickson, not present at this meeting, represented Dream Vacation Club.

The management team in attendance consisted of Mr Adam Fuller the director of operations for Southern Sun Resorts; Mr Warren Whiteboy the financial manager for Southern Sun Resorts; Ms Lisa Sutton currently acting as company secretary; Mr Roger Petyt the general manager of Drakensberg Sun Resort; Ms Sunet Le Roux the financial controller for the resort; Mr Peter Pienaar the general manager of SunSwop and Ms Marina de Paiva, the Southern Sun Resorts' levy and administration manager. The chairman welcomed Ms Ravani Naicker and Ms Musa Motsane from RCI as well as Ms Lefisha Ramcharan from PricewaterhouseCoopers Inc. ("PWC").

3. MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

Item 2 of the agenda was to adopt the minutes of the previous AGM held on 28 September 2017. The chairman had nothing further to add and called for the minutes of the 28 September 2017 to be adopted. No comments were raised and no objections were recorded. The motion to approve and adopt the minutes of the 28 September 2017 was carried.

4. MATTERS ARISING

Item 4 on the agenda was to discuss matters arising from the previous AGM minutes. No comments were received from the floor.

5. RESOLUTION 1

Item 5 being resolution 1, was 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 for the year ended 31 December 2017. The annual financial statements for the financial year ended 31 December 2017 read with the chairman's review and report of the Directors, audit and social and ethics committees, covered the activities of the Company for the period under review. The chairman read the concluding section of his chairman's review to the meeting. The chairman had nothing further to add and called for the annual financial statements of the Company for the year ended 31 December 2017, to be approved and adopted. The recommendation for approval was proposed and the report and accounts were open for discussion. No queries were raised and the motion was carried.

6. RESOLUTION 2

Item 6 being resolution 2, was to appoint auditors to the Company. The board and management were satisfied with the service provided by PricewaterhouseCoopers Inc. ("PWC") and in terms of the South African Companies Act, the board recommended that PWC be appointed auditors for the ensuing year. No objections were recorded from the floor and the chairman declared Resolution 2 adopted and the motion carried.

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7. RESOLUTION 3

Item 7 being resolution 3, was to elect Directors to the board for the ensuing year. The following Directors retired at this AGM but were eligible for re-election:

David Alexander	Brent Dickson	Brian Ellis
Ajith Ramsarup	Anthony Ridl	

No additional nominations were received prior to this AGM. In terms of the memorandum of incorporation ("MOI"), the board was limited to five Directors in number and each appointment must be voted for individually. Having confirmed their willingness to stand as Director for the ensuing year, the chairman recommended that each nomination be voted on an individual basis.

Therefore, those in favour of electing Mr David Alexander as a Director for the ensuing year voted on a show of hands and Mr Alexander was duly elected as a Director for the ensuing year.

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

Those in favour of electing Mr Brian Ellis as a Director for the ensuing year voted on a show of hands and Mr Ellis was duly elected as a Director for the ensuing year. The chairman stated that although it was his intention to retire from the board during 2019, he thanked all shareholders for their confidence in him.

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

Those in favour of electing Mr Anthony Ridl as a Director for the ensuing year voted on a show of hands and Mr Ridl was duly elected as a Director for the ensuing year. The Chairman declared the Resolution to elect Directors to the board for ensuing year, carried.

8. RESOLUTION 4

Item 8 being resolution 4, was to appoint Directors as members of the audit committee. As a provision of the South African Companies Act and as a private Company, Drakensberg Sun Chalets Share Block was required to appoint three Directors as members of the audit committee. The current members were Messrs Brian Ellis, Ajith Ramsarup and Anthony Ridl. The board recommended that the existing members continue as members of the audit committee for the ensuing year. No objections were recorded and the chairman declared the motion carried.

9. RESOLUTION 5

Item 9 being resolution 5, was to appoint members of the social and ethics committee. It was recommended that the committee comprise three members with at least one of the members being a Director of the Company. The current members of the committee were Messrs David Alexander, Brent Dickson and Roger Petyt, the general manager of Drakensberg Sun Resort. The board recommended that the existing members continue as members of the social and ethics committee for the ensuing year. No objections were recorded and the chairman declared the motion carried.

10. SPECIAL RESOLUTION 1

Item 10 being special resolution 1, was 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 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.

The chairman handed over the chair to Mr Alexander. Mr Alexander stated that in line with the King Commission and what had been happening at the resort, that it had been suggested that the independent Directors receive remuneration/emoluments. The share block was always concerned about containing costs and it had been agreed that the remuneration be paid per cluster of meetings. Even if a Director served on a number of sub-committees for the share block, the fee would only be paid once. The chairman took back the chair and added that the motion related to the payment of R4,000 to each Director per board meeting, per audit committee meeting and per social and ethics committee, or cluster of meetings. The Directors of Drakensberg Sun Chalet's 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. This was a new resolution as the Directors had never before received remuneration however it was only fair that the onerous duties and responsibilities be awarded in an attendance fee, to Directors. The chairman put the recommended special resolution to the meeting for authorisation. No objections or comments were recorded and the recommended motion was carried.

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11. INSURED VALUE OF THE PROPERTY

Item 11 referred to 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 for Drakensberg Sun Chalets was R68,935,578. Buildings were valued at R57,095,358 and furniture, fittings and equipment was valued at R11,840,220. Having reviewed and discussed the insured values, the board was satisfied with the valuation and recommended that the meeting approve the proposed insured value. No queries or objections were recorded and the motion was carried.

12. GENERAL MANAGERS REPORT INCLUDING THE REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Item 12 and 13 on the agenda, included the report of the social and ethics committee and report of the general manager. The general manager, Mr Petyt, gave an overview of the eGuest satisfaction results for chalets and the hotel combined, for the period 1 January 2018 to 31 August 2018. A large focus was on improving the scores. Safety rated above 92% was extremely good to note. The resort had been rated 4.51 out of 5 by RCI. Drakensberg Sun Resort had been awarded Tripadvisor's 2018 Travellers' Choice and Drakensberg Sun had been voted as one of the top 25 Hotels in Southern Africa. Mr Goga did not feel it fair to combine the entire property as the hotel and timeshare entity operated very differently. Mr Fuller replied that the eGuest results were very similar to that obtained through Tripadvisor and eGuest was able to breakdown down each entity for closer inspection. Tripadvisor set its criteria and rated each property against the criteria for the award.

The resort had achieved an overall improvement in the hygiene and safety audit through QPro, of 96%. A landscape audit was done each quarter and this score should improve after having receiving some rain at the property.

Mr Petyt listed items that had been purchased over the year to improve both apartments and chalets. New baboon-proof bins had been installed around the property and new Grotto bar furniture and ground floor hotel furniture was put in place. The paved pathways had been improved around the property and railings to the swimming pool as well as fixed awnings at the apartments swimming pool were installed. The entertainment area and facility had been further improved. A new Xscape entertainment facility would soon be created in the space and additional items added to the entertainment programme. New logos and name signage had been erected around the property.

Mr Petyt presented the social and ethics committee dashboard for all to review. The property was a level one BBBEE contributor. The training of staff to improve their skills and allow further development remained a large focus. It was great to record that staff were happy serving at the resort and that 7 staff members had recently been awarded for their 30-year long service. Many nationally celebrated days were supported which included Mandela day, slipper day, mothers' day, fathers' day, women's day, casual day, world heritage day, world aids day and so on. Umfolozi Creche remained a major focus for the CSI team. Funds were raised to construct a building for the creche and improve the ablution facilities. Staff had also given of their time to improve the play facilities, provide financial support and provide general maintenance works.

Mr Petyt thanked the management team and Directors for their support and leadership and Afriboom, Cathkin Landscapers, Fidelity Security and Top Gear for their contribution in maintaining the resort and its overall success. He thanked all staff for their input in creating a memorable experience for each guest. The chairman thanked Mr Petyt for his presentation.

13. GENERAL MATTERS

The final item on the agenda referred to general matters for discussion. Mr Goga mentioned that the fridges in the chalets had been reduced to an unsuitably sized fridge. The chairman replied that the fridges would be addressed during the next refurbishment programme. The plan was to include much bigger fridges. Mr Goga mentioned that double plugs were necessary in the kitchens and that utensils provided were insufficient. The chairman requested that Mr Goga advise Mr Petyt of the additional utensils in order to assist. Mr Petyt would investigate why Mr Goga's 6-sleeper unit did not have additional blankets and pillows to accommodate 6 persons. Mr Fuller requested that Mr Goga invite Mr Petyt to inspect his chalet with him the next time he visited the resort, to ensure that all items were in place as they should be. Mr Goga enquired whether transport could be arranged to assist older guests to and from the hotel, to their chalet. Mr Petyt advised that a golf cart was on the property to assist guests as much as possible. Mr Goga mentioned that it was difficult transporting luggage for a week to and from the units. The chairman suggested that Mr Goga contact reception and request assistance. Mr Alexander noted that the board had discussed the issue of not having roller-efficient pathways as most suitcases now had wheels which did not fit on the pathways to each chalet. Mr Alexander understood Mr Goga's frustration with a smaller fridge and a large family however he had requested an additional fridge at reception and he had been assisted as much as possible.

Mr Goga stated that a simple gym facility should be available at the property. Mr Petyt replied that the gym facility had been discussed the previous year and that the facility had been removed due to abuse and misuse. Although a few guests had enquired about a gym facility, most were satisfied with the outdoor activities, walks and hikes for exercise. The cost to keep repairing the equipment had become too expensive as an ongoing expense. An outdoor gym facility was being considered for the property which had proven quite popular at other resorts.

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Mr Goga enquired whether there was a more equitable way to distribute the levy amongst all chalet owners as the levy amount was far too high at Drakensberg Sun. Mr Alexander replied that the standard of the resort was very high and that the facilities available were very good. He had stayed at a few other places through Interval International and RCI and in comparison, he much preferred the standard held by Southern Sun Resorts/Tsogo Sun. The chairman mentioned that the levy amount was an ongoing discussion for the board and everything possible was being done to reduce the necessary increment each year. Each expense was comprehensively discussed. Mr Whiteboy advised that a zero-based budget was prepared each year and then the allocation to the reserve was discussed. The budget usually allocated 75% of the levy towards expenses and 25% towards the reserve for future capital expenditure and refurbishment projects. The current year included an 8% increase against 2018. Mr Ridl noted that the peak weeks and standard weeks were recorded in the use agreement which was agreed at the time when the resort had become a timeshare operation. Mr Ridl added that it was a balancing act between paying for a high standard versus paying for a lower quality product. Drakensberg Sun was a small resort with a large property to upkeep, which needed to be spread across the relevant entities. Mr Viljoen enquired about the anticipated average cost to purchase a hotel room, for one night in 2019. Mr Petyt replied that it was currently R3,200 per night for two persons sharing during peak season and R2,600 per night per two persons sharing during off peak periods. Mr Viljoen stated that it cost approximately R1,300 per night to stay in a chalet which then offered more than double the benefits offered to a hotel guest, at half the cost. Mr Viljoen advised Mr Goga that although owners purchased their chalet up front, which they would receive money for when sold, but they still had to pay the operating costs each year for their ownership, in accordance with the use agreement. Mr Ridl added that R1,300 was for a chalet sleeping up to 6 persons while the R2,600 was to sleep only two people in a much smaller hotel space. He further added that some resorts had kept levies lower and had sacrificed certain facilities and/or maintenance programmes due to affordability. This had over a longer-term proven unsuccessful as a lot of those resorts have had to close down due to now increased costs, unaffordable levies to cover the maintenance issues and guests not wanting to stay where the facilities were not good. The chairman thanked Mr Goga for sharing his comments.

The chairman enquired whether any shareholders' correspondence had been received for discussion at this AGM. Ms Sutton confirmed that no correspondence had been received. No further comments were raised from the floor.

Ms Ravani Naicker from RCI thanked the resort and owners for the support over the year. The RCI team usually conducted a site inspection four times a year and she reported that the resort was doing very well and that any issue raised by RCI members, were immediately raised to Mr Petyt for his intervention.

14. CLOSURE

Mr Goga extended a vote of thanks to the chairman for chairing the AGM.

There being no further business, the chairman thanked all for their attendance and declared the meeting closed at 11h01.

Read and confirmed this _____ day of _____ 2019.

Chairman