

Drakensberg Sun Hotel Share Block Proprietary Limited

Registration No. 1967/007156/07



Annual Report

for the year ended 31 December 2018

Drakensberg Sun Hotel Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2018

COMPANY INFORMATION

Registration number: 1967/007156/07
Registered address: Palazzo Towers East
Montecasino Boulevard
Fourways
2055
Postal address: Private Bag X200
Bryanston
2021

CONTENTS	PAGES
Chairman's Annual Review	1 – 3
Notice of Meeting	4
Form of Proxy	5
• Statement of Directors' Responsibility	6
• Declaration by the Company Secretary	6
• Report of the Audit Committee	7
• Report of the Social and Ethics Committee	8
• Report of the Directors	9 -10
• Report of the Independent Auditors	11 - 12
• Statement of Comprehensive Income	13
• Statement of Financial Position	14
• Statement of Changes in Equity	14
• Statement of Cash Flows	15
• Notes to the Annual Financial Statements	16 - 22
The following supplementary information does not form part of the annual financial statements and is unaudited:	
• Detailed Levy Fund Operating Statement	23 - 24
Minutes of the Previous Annual General Meeting	25 - 27

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

Drakensberg Sun Hotel Share Block Proprietary Limited

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

Drakensberg Sun is an iconic property, set in a wonderful location and surrounded by phenomenal mountains, offering picturesque views all around. I am proud to be associated with your resort and I am so pleased to be in a position to report on the operation, project developments and financial position of Drakensberg Sun Hotel Share Block for the past year.

2018 was another busy year and despite ongoing tough economic times your resort is in good shape and is financially sound.

Before I mention anything further on this past year, I feel it pertinent to firstly mention an important and very sad loss in our resort's family. Our team received very sad news earlier this year that our tremendously loyal and committed fellow Director 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 for many years to come. Brian had such passion for our property as a whole and served as a Director on your share block board as well as the chalets' share block board with great enthusiasm. Brian 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 void on both boards and in the hearts of each Director and staff member. His passion, enthusiasm, commitment and love for Drakensberg Sun was so great that Brian only missed one board meeting during his service as Director, which was when he was hospitalised and too ill to attend the February 2019 meeting. Brian's legacy will live on, and on behalf of the board of Directors, management team and staff at Drakensberg Sun Resort, I wish to 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 of timeshare 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 for two years, to further develop himself as general manager. I welcome Pranesh back to the resorts family and look forward to a long working relationship ahead. Pranesh also replaced Roger as Director on our board, representing the "E" class shareholders.

Due to the passing of Brian, the Directors discussed and reviewed potential and willing candidates to fill the vacancy on the board. After much discussion and consideration of diversity, knowledge and experience, the board agreed that Ms Louise McMillan was certainly the most suitable nominee and she was co-opted to the board on 6 May 2019, to serve as Director until the forthcoming AGM. Louise is already an asset to the board and we all welcome her experience 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.

Resort update

The Drakensberg Sun property is truly splendid, and the gardens and grounds are becoming more impressive. It remains one of the most sought after holiday destinations in South Africa and for this accolade, I thank my fellow Directors for their endless debates and deliberations on costs and how to maintain a good standard, as well as to our management team for a well operated resort and last but certainly not least, the staff at the resort who are responsible for the smooth operation on a daily basis, the hospitable atmosphere and for ensuring that our "home away from home" is enjoyed by all who visit. I must also then include the shareholders who pay their levies on time, as this levy amount goes towards the upkeep of the units and a portion of the property, to keep Drakensberg Sun the wonderful resort and destination that many have come to expect, love and enjoy.

The sought-after apartment units are enjoyed by many who visit the resort to escape the hustle and bustle of our busy lives and enjoy a well-deserved break. The apartments are neat, well maintained and self-contained units that offer a fantastic view overlooking the property. They are both separate from the hotel to provide a self-catering option, as well as part of the hotel, for a guest to walk a short distance to the restaurant or Grotto bar, for a meal or beverage. The apartments help a great deal with guests who require units to be on one level, without having to negotiate stairs.

Our entertainment team launched the long awaited, new and improved Xscape entertainment area which has been very 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 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 were becoming a problem on the resort and Cats of Durban were called in to assist. Cats found on the resort and living in the surrounding area were spayed/neutered which should assist with the 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. Staff are finding ways to secure the bins as best as possible to avoid this.

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 and letters of complaint were submitted to the roads department. I wish to thank the management team for their perseverance in this regard as the condition of the road is very important to our resort and the large potholes will be repaired and the road made much safer to travel along.

Drakensberg Sun Hotel Share Block Proprietary Limited

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

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. 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 apartments; work in conjunction with the chalets and hotel entity 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 list of repossessions and outstanding levies; and so on.

To improve sundry income, a list of units for rental and resale is placed in each apartment and chalet; 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

Occupancy for 2018 increased from the prior year, to 83.6% (2017: 79.6%). Should you find yourself unable to utilise your timeshare week, please advise the resort, as the week may be placed in short term rental which would benefit both the owner and the share block.

Financial results for the year ended 31 December 2018

The statement of comprehensive income as set out on page 13 of the annual financial statements reflects income and expenditure of the Company in a summarised format. The detailed levy fund operating statement, which is not audited and presented as supplementary information only, appears on pages 23 and 24 and will be referred to when comment is made on the financial results for the year.

The statement of comprehensive income for the year 31 December 2018 reflects total income, including net finance income of R12.939m (2017: R11.951m) and total expenditure of R10.481m (2017: R9.884m). The levy surplus after taxation was R2.343m (2017: R1.983m) 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 8.3% year-on-year, mainly due to an increase in rental pool income of R88k on prior year due to an increase in the number of rooms available for rental, as well as the additional focus on this revenue stream.

Net finance income increased by 27.7% due to additional funds being invested over longer periods, yielding higher returns.

Expenditure

Total expenditure of R10.481m (2017: R9.884m) reflected an increase of 6.03% year-on-year and a more detailed review of the expenditure is recorded below:

- **Rooms expenditure** increased by 13.4% compared to 2017 due to the R109k increase in laundry costs in 2018. Major repairs to laundry equipment was carried out in 2018 and there was an increase recorded in linen written-off. Outside service (housekeeping) costs increased by R166k compared to 2017, due to legislated wage increases;
- **Administration and general** reflected a 4.5% increase year-on-year;
- **Electricity, water and refuse** reflected a 3.5% decrease year-on-year, mainly due to the installation of additional power meters and the costs being split more accurately;
- **Repairs and maintenance** reflected a 0.3% decrease year-on-year due to managements' improved focus on costs; and
- **Corporate charges** reflected an increase of 69.2% year-on-year due to an increase in municipal rates.

Statement of financial position

The statement of financial position, detailed on page 14, together with the related notes thereto, reflects the financial position of the Company. The reserve for property, plant and equipment increased to R4.301m (2017: R2.911m), cash and cash equivalents increased to R8.675m (2017: R6.737m), and levies receivable increased to R183k (2017: R39k). Levies received in advance increased to R3.868m (2017: R3.786m).

In 2018, the Company incurred capital expenditure of R952,900 (2017: R718,969) in respect of the following major projects:

	R
Air conditioners	383,364
Xscape entertainment centre	398,980
Coffee tables	32,323
Baboon-proof bins	27,930
Braai grids	26,040

2020 Levy

The 2020 annual levy budget increase will be approved by the Directors at the Company's August 2019 board meeting, which takes place after the notice of the annual general meeting of the shareholders and the annual report has been delivered. This being the case, notification of the 2020 levy amounts will be advised under a separate notice. As always, I assure you that your Drakensberg Sun Hotel board will comprehensively review and deliberate the levy increase. Your representatives on the board fully understand the need to maintain the balance between affordability of the levy increase, funding new projects and retaining the very high standard expected at the resort. Furthermore, the board's responsibility includes providing for future financial stability. Where new projects are undertaken, careful selection of service providers and materials are sourced, through the assistance of the Tsogo Sun Group's purchasing power, to achieve the best but most economical outcome.

Drakensberg Sun Hotel Share Block Proprietary Limited

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

A comprehensive and well planned ten-year capital expenditure schedule is constantly reviewed and the levy percentage contribution to the reserve for property, plant and equipment in 2018, was 19.5%. At year-end, the percentage of levies outstanding was a phenomenal 0.29%, which was a tremendous effort from our management team. I wish to congratulate the Southern Sun Resorts management team for this outstanding achievement in levy collection and I again extend great thanks to all shareholders who pay their levies timeously, as this creates a positive cash flow for the Company and allows more effective management of the resort.

The Merlin IT and accounting system has provided necessary tools to email levy statements and to communicate more efficiently with each shareholder. If your email address and/or other contact details have changed, please advise the resort's team to update the system. Since the installation of the Merlin system, we have managed to greatly reduce the printing and posting costs of the annual reports, newsletters, levy statements and so on.

SunSwap and RCI affiliation

I am pleased to report that as at 4 February 2019, RCI become affiliated with our team at SunSwap, and took over the exchange service process from Interval International. We would like to thank Interval International for its contribution in making SunSwap the success that it has become over the last 10 years. Owners will continue transacting with SunSwap 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 Anthony Ridl represent the share block on the VOASA board. Tony stands as chairman of VOASA and he is also very positive regarding the influence of VOASA on the industry, on behalf of each member.

Surrounding developments

I once again confirm that there have been no further intimations in respect of any of the proposed adjacent developments and the board is not aware of any new land claims having been lodged or any advancement regarding existing claims.

Social and ethics committee

Corporate social investment ("CSI") is of utmost importance to us all and I am thrilled 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

Your board continues to maintain a great working relationship with the management team, and 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 magnificent resort.

In closing

Our resort has achieved excellent results and accolades this past year under review. Our resort team continually goes the extra mile for shareholders and our guests and I would like to thank all staff for their enthusiasm and efforts.

I extend sincere thanks and appreciation to my fellow Directors and to the Southern Sun Resorts/Tsogo Sun management team, for giving of their time, efforts, knowledge, professionalism and guidance this past year. I am grateful for the dependable and capable team at my side.

As an opportunity to further discuss or debate various issues, I warmly welcome you all to attend our AGM, to be held at the uMhlanga Sands Resort, uMhlanga Rocks, on Monday, 9th September 2019 at 11h30. 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.



ADAM FULLER
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 11h30 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

At each AGM all Directors representing the "C" class shareholders shall retire. The "C" class shareholders shall be entitled to appoint three (3) Directors. It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the "C" class shareholders be received by no later than 11h30 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 Ms Louise McMillan who is eligible and available for election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.2: 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 3.3: 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. Insured value of the 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 11h30 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 Hotel Share Block Proprietary Limited
 Registration Number: 1967/007156/07
 ("the Company")

Registered Office
 Palazzo Towers East
 Montecasino Boulevard
 Fourways, 2055

Private Bag X200, Bryanston, 2021
 Telephone (031) 561-2204
 Facsimile (031) 561-7334
 E-mail: Resorts.companysecretarialservices@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 11h30, 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 Louise McMillan			
3.2 Ajith Ramsarup			
3.3 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 the 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 11h30 on Wednesday, 4 September 2019.

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

The Directors and management are also responsible for maintaining the Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the 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.

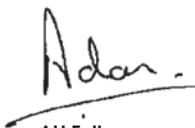
The Directors and management have the responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position, financial performance and cash flows of the Company to enable the Directors to ensure that the annual financial statements 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, 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 22 were approved by the board of Directors on 14 May 2019 and are signed by:



AH Fuller
Chairman



AB Ramsarup
Director (Audit Committee)

Declaration by the company secretary

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

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 Hotel 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 Hotel 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 Adam Fuller, Mr Pienaar, and myself, Mr Sukhdeo. The combined committee with Drakensberg Chalets Share Block includes Directors on that board such as Mr Brent Dickson and Mr David Alexander. 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 Hotel 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 comprises of a hotel and an apartment timesharing scheme. The apartments are utilised by the "C" class shareholders on a timeshare basis with 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.

The "A", "B" and "D" class shareholders have the right of use of the hotel property excluding the timesharing apartments and the business portion.

The "E" class shareholders have the exclusive right of use of the business portion of the Drakensberg Sun Hotel buildings; and

The "F" class shareholders have the exclusive right of use of the land and buildings on the property, excluding the Drakensberg Sun Hotel buildings.

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 against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R2,343,353 (2017: R1,983,279) 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 hotel 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.

Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2018

5 Directors and secretary

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

Representing "A", "B", "D", "E" and "F" class shareholders

PJ Boshoff	
AH Fuller ^	Chairman
R Petyt ^	Retired 28 February 2019
PM Pienaar ^	
P Sukhdeo ^	Appointed 1 May 2019
WG Whiteboy	

Representing "C" class shareholders

BG Ellis *	Deceased 13 April 2019
LE McMillan *	Co-opted 6 May 2019
AB Ramsarup *	
AN Ridl *	

* Audit committee members

^ Social & ethics committee members

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

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

6 Management

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

7 Material events after year-end

The 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.

Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Independent Auditors

Independent auditor's report

To the shareholders of Drakensberg Sun Hotel 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 Hotel 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 Hotel Share Block Proprietary Limited's annual financial statements set out on pages 13 to 22 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 annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of 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).

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Drakensberg Sun Hotel 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 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.

Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Independent Auditors

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with 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 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.



PricewaterhouseCoopers Inc.

Director: R Klute

Registered Auditor

Durban

14 May 2019

Drakensberg Sun Hotel Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 R	2017 R
Income		12 284 632	11 438 459
Levy income		12 028 302	11 229 650
Other income		256 330	208 809
Expenses		(10 480 597)	(9 884 368)
Levy surplus before interest and taxation	3	1 804 035	1 554 091
Net finance income	4	654 017	512 105
Levy surplus before taxation		2 458 052	2 066 196
Income tax expense	5	(114 699)	(82 917)
Levy surplus for the year		2 343 353	1 983 279

Drakensberg Sun Hotel 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	803 525	1 617 031
Levies receivable	10	182 825	38 611
Cash and cash equivalents		8 675 200	6 736 987
Total current assets		9 661 550	8 392 629
Total assets		9 661 550	8 392 629
EQUITY			
Capital and reserves			
Share capital	9	6 500	6 500
Reserve for property, plant and equipment	7	4 301 317	2 910 864
Total equity		4 307 817	2 917 364
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		-	4 168
Total non-current liabilities		-	4 168
Current liabilities			
Trade and other payables	8	1 371 283	1 602 076
Levies received in advance		3 867 757	3 786 104
Current tax liability		114 693	82 917
Total current liabilities		5 353 733	5 471 097
Total liabilities		5 353 733	5 475 265
Total equity and liabilities		9 661 550	8 392 629

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	6 500	6 500
Reserve for property, plant and equipment			
At beginning of year		2 910 864	1 646 554
Levy surplus for the year		2 343 353	1 983 279
Property, plant and equipment additions and replacements during the year	7	(952 900)	(718 969)
At year-end		4 301 317	2 910 864

Drakensberg Sun Hotel 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	2 458 052	2 066 196
Adjustments for:		
Interest received	(654 017)	(512 407)
Interest paid	-	302
Non cash items		
- Movement in exchange fee rebate	(4 168)	(50 013)
Net surplus before working capital changes	1 799 867	1 504 078
Changes in working capital		
- Movement in levies receivable	(144 214)	41 674
- Movement in trade and other receivables	813 506	(1 185 482)
- Movement in levies received in advance	81 653	59 336
- Movement in trade and other payables	(230 793)	245 750
Cash flows from operating activities	2 320 019	665 356
Interest received	654 017	512 407
Interest paid	-	(302)
Tax paid	(82 923)	(62 107)
Net cash inflow from operating activities	2 891 113	1 115 354
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(952 900)	(718 969)
Net cash outflow from investing activities	(952 900)	(718 969)
Net movement in cash and cash equivalents	1 938 213	396 385
Cash and cash equivalents at beginning of year	6 736 987	6 340 602
Cash and cash equivalents at year-end	8 675 200	6 736 987

Drakensberg Sun Hotel 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 were 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 Hotel 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 Hotel 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 primarily 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 Hotel 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	3 205 428	3 113 546
- contributions to retirement funds	214 225	206 312
Management fees	853 741	853 741
Audit fees	67 181	75 474
Professional and internal audit fees	10 348	39 076
Other operating expenses	6 129 674	5 596 219
	10 480 597	9 884 368
4 Net finance income		
Interest earned on fixed deposits, call deposits and current account	654 017	512 407
Interest paid	-	(302)
Net finance income	654 017	512 105
5 Income tax expense		
Provision is made for Company taxation on the net non-levy income of the "C" class 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 provision	114 693	82 917
- prior year underprovision	6	-
	114 699	82 917
A reconciliation of the tax charge is not considered appropriate as share block companies are liable for tax only on their net non-levy income.		
6 Trade and other receivables		
Trade and other receivables (refer note 12)	31 433	1 114 832
Prepayments	359 160	295 749
Interest receivable	412 932	196 045
Receiver of Revenue - Vat	-	10 405
	803 525	1 617 031
7 Reserve for property, plant and equipment		
At beginning of year	2 910 864	1 646 554
Levy surplus for the year	2 343 353	1 983 279
	5 254 217	3 629 833
Property, plant and equipment additions and replacements during the year	(952 900)	(718 969)
At year-end	4 301 317	2 910 864

The Directors have reviewed a forward estimate, prepared by management, of the costs of property, plant and equipment additions and replacements over the next ten years.

The Directors have approved capital expenditure for 2019 of R2,113,560 (2017: budgeted capital expenditure of R2,796,028 approved for 2018) which it is anticipated will increase the budgeted surplus in the reserve fund by R745,508 (2017: decrease the budgeted surplus by R870,250 in 2018). There were no capital commitments made at year-end (2017: R nil).

Drakensberg Sun Hotel 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)	485 836	518 833
Provision for auditors' remuneration	68 653	71 136
Sundry payables	18 832	58 868
Exchange fee rebate	4 168	50 014
Receiver of revenue - Vat	34 431	-
Drakensberg Sun Hotel Proprietary Limited (refer note 12)	759 363	903 225
	1 371 283	1 602 076
9 Share capital		
Authorised and issued		
33,360 "A" class ordinary shares of 1 cent each	334	334
33,360 "B" class ordinary shares of 1 cent each	334	334
72,228 "C" class ordinary shares of 1 cent each	722	722
7,344 "D" class ordinary shares of 1 cent each	73	73
3,000 "E" class ordinary shares of 1 cent each	30	30
500,708 "F" class ordinary shares of 1 cent each	5 007	5 007
	6 500	6 500

Voting rights

The shares have equal voting rights.

Dividends

Only the "F" class shareholders have the right to dividends.

"E" class shares

The holder of the "E" class shares may require the holders of the "C" class shares to:

- purchase an undivided share in all the "E" class shares and the relevant linked loan obligations.
- accept the cession and assignment of an undivided share of the holder of the "E" class shares rights and obligations in terms of the "E" class use agreement.

"C" class shares

In terms of the various use agreements the "A", "B" and "D" class shares may be re-classified as "C" class shares on the conversion of the respective accommodation to timeshare.

Winding-up

In terms of the memorandum of incorporation, should the Company be wound up and have funds remaining for distribution to shareholders, after paying all liabilities other than the loan obligation, the liquidator shall obtain a separate valuation for the land on the one hand and the hotel buildings on the other.

The balance available for distribution will be distributed as follows:

An amount equal to the value of the land will be distributed to the holders of the "F" class shares. The balance will be distributed to the holders of the other classes of shares. Such distribution will be deemed to firstly discharge the shareholders loan obligations and thereafter, a liquidation dividend.

Drakensberg Sun Hotel Share Block Proprietary Limited

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

	2018 R	2017 R
10 Levies receivable		
Levy debtors	39 380	4 300
Repossessed debtors	271 322	109 517
Provision for repossessed debtors	(127 877)	(75 206)
- Opening balance	(75 206)	(25 810)
- Movement	(52 671)	(49 396)
	182 825	38 611
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:</p> <p>The remainder of Sub 4 of the farm Driefontein No. 1389, Development Area of Driefontein, KwaZulu Natal, and the farm Stijlberg No. 7283, County of Weenen, KwaZulu Natal.</p> <p>Land and buildings were originally purchased for R22,052,939 and are not recognised because 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 R65,700,000 for rates purposes. There are no bonds on the property.</p> <p>The holder of the "F" class shares has an option to purchase a portion of the land and buildings for R14,400,000.</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	26 075	31 550
Management fee	853 741	853 741
Levy administration and collection fee	210 730	191 457
<p>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:</p>		
Commission on resale and rental of weeks - SST	(904)	-
<p>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:</p>		
Commission on transfer of ownership - SRMS	(2 064)	-
Secretarial fees on repossessed debtors and use agreement fees - SRMS	9 396	4 167

Drakensberg Sun Hotel 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)		
During the financial year the Company paid membership fees to SunSwop (a division of SSHI), which is affiliated to Interval International.		
SunSwop exchange services	313 582	296 333
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)	(814 265)	(939 594)
- included in receivables (refer note 6)	1 125	-
	(813 140)	(939 594)

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

	Number of units	Levies paid R	Levies received in advance R
2018 - shareholding			
AH Fuller - SunSwop (a division of SSHI)	19	162 330	24 650
AB Ramsarup - The Leisure Holiday Club	469	3 763 020	1 549 180
AN Ridl - Club Leisure Group	158	1 371 580	622 630
2017 - shareholding			
AH Fuller - SunSwop (a division of SSHI)	19	150 950	49 240
AB Ramsarup - The Leisure Holiday Club	469	3 496 950	1 422 020
AN Ridl - Club Leisure Group	158	1 267 000	571 020

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.

	2018 R	2017 R
Directors emoluments paid for the year:		
BG Ellis	2 000	-
AB Ramsarup	2 000	-
	4 000	-

Drakensberg Sun Hotel 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	12 028 302	11 229 650
Rental pool and short term rentals	211 078	123 437
Net non-levy income		
- telephone, rentals, sundry recoveries and penalties, etc	45 252	45 898
Proceeds on sale of assets	-	39 474
	12 284 632	11 438 459
EXPENDITURE		
Rooms expenses		
Cleaning supplies	52 598	50 813
Guest entertainment		
- M-Net	96 857	96 262
- outside services	357 035	340 343
- videos, cocktails, games and prizes	93 402	81 109
Guest supplies	70 907	70 123
Laundry	450 151	340 859
Personnel costs		
- outside services	1 060 927	894 512
Pest control	8 606	10 263
Printing and stationery, including reception	136 582	142 176
Replacement of cutlery, crockery, linen, towels, uniforms, etc	52 977	56 422
Security services	580 808	528 390
	2 960 850	2 611 272
Administration and general		
Auditors remuneration		
- current year	68 653	71 136
- prior year overprovision	(6 369)	(33)
- expenses	4 897	4 371
Bank charges	3 681	10 157
Corporate social initiatives	25 000	25 000
Credit card commission	38 418	35 907
Information technology costs	423 611	370 131
Insurance	47 570	48 843
Internal audit fees	1 348	39 076
Levy administration and collection fees	210 730	191 457
Licences and permits	12 067	11 471
Loss on repossessed debtors	553	1 278
Marketing	-	2 000
Penalties	-	3 269
Printing, postage and stationery	257	542
Professional fees	9 000	-
Provision for repossessed debtors	52 671	49 396
Railage, cartage and hire transport	12 796	7 727
Sunswop exchange service	313 582	296 333
Subscriptions/marketing	8 389	6 334
Telephone	31 516	26 528
Balance carried forward	1 258 370	1 200 923

Drakensberg Sun Hotel 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
Balance brought forward	1 258 370	1 200 923
Travel		
- management and Directors	67 055	64 154
Vehicles		
- fuel and oil	38 924	41 090
	1 364 349	1 306 167
Electricity and refuse		
Electricity	685 735	714 720
Refuse	87 708	86 376
	773 443	801 096
Repairs and maintenance		
Buildings	28 113	33 008
Electrical and mechanical	83 655	144 576
Furniture and fixtures	13 601	38 719
Gardens and grounds	504 258	458 547
General maintenance	97 236	86 258
Painting and redecorating	8 255	13 309
Plumbing and heating	32 824	18 329
Sewerage treatment	-	6 183
Suncare	50 484	21 777
	818 426	820 706
Corporate charges		
Annual report and statutory costs	49 260	40 726
Furniture and equipment leases	16 338	17 604
Municipal rates and taxes	224 537	113 198
	290 135	171 528
Personnel costs		
Rooms	1 063 227	1 073 663
Administration and general	1 615 604	1 559 210
Repairs and maintenance	740 822	686 985
	3 419 653	3 319 858
Management fee	853 741	853 741
Total expenditure	10 480 597	9 884 368
Excess of income over expenditure before finance income and taxation	1 804 035	1 554 091
Net finance income		
Net interest received	654 017	512 105
Excess of income over expenditure before taxation	2 458 052	2 066 196
Taxation		
- current	114 699	82 917
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	2 343 353	1 983 279

Drakensberg Sun Hotel Share Block Proprietary Limited

Minutes of the Annual General Meeting of Shareholders held on Thursday, 6 September 2018, at 11h30 at uMhlanga Sands Resort, uMhlanga

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

The chairman, Mr Adam Fuller, introduced himself and welcomed all to the annual general meeting ("AGM") of Drakensberg Sun Hotel Share Block Proprietary Limited. He was pleased to record that the required quorum to hold this AGM was present and that there were 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 from Director, Mr Jaco Boshoff, who was unable to join the meeting today. Many shareholders unable to attend this AGM had provided apologies and submitted forms of proxy for voting purposes in their absence. No further apologies were recorded from the floor. The chairman thanked all shareholders able to join the meeting and/or who had submitted a form of proxy.

2 ESTABLISHMENT OF A QUORUM

The chairman was delighted to record that the achieved quorum was in excess of 50%. He declared the AGM duly constituted. No proxies were received from the floor.

The chairman was a Director of the Company and was the Director of operations for Southern Sun Resorts, a division of Tsogo Sun. He introduced his fellow independent, non-executive Directors on the board namely, Mr Brian Ellis, Mr Ajith Ramsarup who represented The Leisure Holiday Club and Mr Anthony Ridl who represented Club Leisure Group. He further introduced his colleagues of Southern Sun Resorts/Tsogo Sun and fellow Directors Mr Roger Petyt, the general manager of Drakensberg Sun Resort, Mr Peter Pienaar the general manager of SunSwop and Mr Warren Whiteboy, the financial manager for Resorts.

3 MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

Item 3 on the agenda, was the adoption of the minutes of the previous annual general meeting ("AGM"), held on 28 September 2017. The chairman had nothing further to add and as there were no comments or queries, called for the minutes of the previous AGM held on 28 September 2017, to be adopted. No objections were recorded and the motion 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 had nothing further to add and called for a proposal 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 opened 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.

7 RESOLUTION 3

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

Brian Ellis Ajith Ramsarup Anthony Ridl

No additional nominations had been received prior to this AGM. In terms of the memorandum of incorporation ("MOI"), the board must consist of no less than five Directors and no more than 11 Directors in number and that each appointment must be voted for individually. The A, B, D and E class shareholders were entitled to appoint one Director and the C class shareholders were entitled to appoint three Directors to the board. The F class shareholders were entitled to appoint up to four Directors. Only the Directors representing the C class shareholders retired each year and these Directors included Messrs Brian Ellis, Ajith Ramsarup and Anthony Ridl. Having confirmed their willingness and eligibility to stand as a Director for the ensuing year, the chairman recommended that each nomination be voted for on an individual basis.

Drakensberg Sun Hotel Share Block Proprietary Limited

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.

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. It was a provision of the South African Companies Act and as a private company, for shareholders to elect three Directors as members of the audit committee. The chairman proposed that Mr Ellis, Mr Ramsarup and Mr Ridl, who had served on the audit committee the previous year, continue as members of the audit committee for the ensuing year. No objections were recorded and the motion was 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 Mr David Alexander, Mr Brent Dickson and Mr Roger Petyt, the general manager of Drakensberg Sun Resort. An additional nomination had been received for Mr Peter Pienaar to join the social and ethics committee to assist.

The board recommended that the existing members continue as members of the social and ethics committee for the ensuing year and that Mr Pienaar join the committee. 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 2018/2019 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 and 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 paid only once.

This special resolution 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 Hotel 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 meeting venue was necessary. Mr Viljoen enquired whether the Directors representing the managing agent received remuneration for their duties and responsibilities. The chairman replied that they did not and that the motion only included Directors representing the C class shareholders.

The chairman put the recommended special resolution to the meeting for authorisation. No objections or comments were recorded and the recommended motion was carried.

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 Hotel was R45,014,804 which was a 6.3% increase over the prior year. Buildings were valued at R32,385,286 and furniture, fittings and equipment was valued at R12,629,568. Having reviewed and discussed the insured values, the board was satisfied with the valuation and recommended that the shareholders approve the proposed insured value. No queries or objections were recorded and the motion was carried.

12 GENERAL MANAGER'S 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 the report of the general manager. Mr Petyt gave an overview of the combined eGuest satisfaction results for chalets and apartments for the period 1 January 2018 to 31 August 2018. A large focus was on improving the scores. Safety being above 92%, was an extremely good result. The overall RCI rating was 4.51 out of 5 and Drakensberg Sun Resort was awarded the 2018 Travellers' Choice by Tripadvisor and had been voted one of the top best 25 hotels in Southern Africa.

The resort had achieved an overall improved hygiene and safety audit through QPro, of 96%. The landscape audit, done each quarter, should improve since receiving some rain at the property.

Drakensberg Sun Hotel Share Block Proprietary Limited

Mr Petyt listed items purchased over the year for improvement in both the apartments and chalets. New baboon-proof bins were installed around the property and new Grotto bar furniture was available for use. Paved pathways were improved around the property. Safety railings were installed at the swimming pool and fixed awnings replaced individual umbrellas. The children's entertainment area was slightly improved with fresh paint and updated activities. A new Xscape entertainment facility would soon be created for the space and the entertainment programme would be further improved. New logo signage was erected around the property.

Mr Petyt presented the social and ethics committee dashboard for all to review and was pleased to announce that the resort still held a level one BBBEE contributor certificate. Staff were trained as much as possible to improve their skills and create further development for them. During the past year, 7 staff members were each awarded long service awards for 30-years of loyal service. This showed that staff were also happy where they worked and were committed in what they did.

Many nationally celebrated days were supported and 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 and the team were pleased to have raised funds to construct the school building and improve ablution facilities for the pupils. Staff at Drakensberg Sun raised additional funds and donated their personal time to improve the children's play facilities at the school and provide a general maintenance service.

Mr Petyt thanked the management team and Directors for their support and leadership as well as service providers to Drakensberg Sun, that contributed towards the resort's overall success. He thanked all staff for their hard work and for helping create a memorable experience for each guest. The chairman thanked Mr Petyt for his presentation.

13 GENERAL MATTERS

No shareholders' correspondence was recorded for discussion. No comments or queries were raised from the floor.

14 CLOSURE

The chairman thanked his fellow Directors and management team for their support and great work over the past year. He extended a special vote of thanks to Mr Ellis who had mentioned to the board members that he was hoping to retire during 2019. There being no further business, the chairman declared the meeting closed at 11h53.

Read and confirmed this _____ day of _____ 2019.

CHAIRMAN