

Umhlanga Sands Share Block Proprietary Limited

Registration No. 1972/003573/07



for the year ended 31 December 2018

Umhlanga Sands Share Block Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2018

COMPANY INFORMATION

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

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The 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 Umhlanga Sands Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

Umhlanga Sands Share Block Proprietary Limited

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

On behalf of your board of Directors, I am honoured to report on the great achievements of uMhlanga Sands Resort ("uMhlanga Sands"), over the last year. Our sought after and amazingly beautiful sea-side resort, uMhlanga Sands, has a prestigious beachfront location. All guests get to enjoy breath-taking sunrises and sunsets along the uMhlanga coastline as well as being looked after whilst on holiday, by a very friendly, energetic and helpful team of staff. It certainly is a pleasure holidaying at our wonderful property and I know for sure, that many cannot wait to arrive in the reception area, be welcomed by a friendly staff member, and start their holiday of either unwinding and relaxing or being entertained by the entertainment team through energetic and fun-filled activities. There is something for all at uMhlanga Sands.

Our resort continues to improve and set new benchmarks. uMhlanga Sands has again received many accolades and this past year has been a phenomenal year. In-house surveys show that owners and guests are very happy, and the financials show that the share block is financially very sound.

We said a sad farewell to our dedicated, passionate and long-standing general manager, Mr Derek McKillop. Derek has retired from Southern Sun Resorts/Tsogo Sun after well over 40 years of exemplary service. Derek served us very well as general manager of uMhlanga Sands for the past 12 years. We wish him all the very best and hope that he enjoys his well-deserved retirement. Having said farewell to Derek, we extended a warm welcome to Mr Antony Larsen, who has had extensive resort and hotel experience over his past 31 years with the Tsogo Sun Group. Antony has served as general manager of Crowne Plaza Johannesburg – The Rosebank, Southern Sun OR Tambo International Airport Hotel, Breakers Resort, Elangeni Hotel, and Riverside Sun to name a few. Although Antony has big shoes to fill, his diversified experience and fresh ideas give the board great comfort that he will continue to run our resort to the excellent standard we are accustomed to.

The 2018 annual general meeting brought about a change to our board of Directors, as we said farewell to Mr Pierre Coetzee and Ms Lynette Douglas and welcomed Mr John Lee and Ms Louise McMillan who were elected in their stead. Although thanked at last year's AGM, I wish to again thank Pierre and Lynette for their love of uMhlanga Sands and for the many years of dedicated service. Their enthusiasm and devotion to the well-being of the share block and its timesharers was greatly appreciated. Louise and John have already been a great asset to our board this past year and I am pleased to say that they have taken part in many discussions and debates and added much insight and consideration from a fresh perspective. I am very pleased with the teamwork, debates and suggestions made by my fellow Directors and I assure you that you have good and strong representation, working for the good of all shareholders.

Resort update

Many exciting projects were completed during 2018 and I am proud to report that the newly refurbished units look remarkable. Shareholders and guests are in awe of the fresh, neat and comfortable feel of the rooms. In conjunction with the impressive refurbishment programme, fibre optic cables were installed throughout the property enabling an enhanced TV experience and

DSTV bouquet, easier access to other devices whilst providing new options with regards WiFi connectivity and related streaming opportunities. The lifts and lift landings refurbishment project is currently underway and are due to be completed later this year. The lift landings and walkway to each room is quite modern and feels as if you have just entered a quality hotel setting. Your board and our management team constantly strive to maintain a modernised resort whilst still retaining its homely and inviting atmosphere.

A borehole was installed on the property with a water filtration system included to provide potable water and reduce our dependence on municipal supply. Substantial savings are recorded in municipal water consumption as well as in costs for the share block. The initiatives to conserve water, whether municipal or borehole supplied, continues with great focus. Recycling is still another large focus area. More incidents of cross contamination occurred last year than this year due to incorrect sorting processes and food spilling onto paper or cardboard. Additional education is offered and separate recycling bins are available in each unit to avoid this cross contamination from source. uMhlanga Sands installed a wet waste machine which has alleviated many of the areas for cross contamination and I am thrilled to share that our resort, through the guidance of our managing agent, has adopted a zero-waste-to-landfill policy.

Our gardens and grounds look fabulous and are very well maintained. The view looking down on our resort and around from below is breath-taking. The look and feel alongside the incredibly popular uMhlanga promenade has received a facelift by clearing and planting a little garden along the verge towards the walkway entrance to the resort. With the assistance of the uMhlanga Urban Improvement Precinct ("UIP"), safety along the promenade remains good. UIP guards patrol the promenade and while maintained and kept clean, it is very safe for guests and locals to walk or run along. This is something our resort benefits a great deal from as security and safety is of paramount importance.

The upper parking area and ramp from the upper and undercover parking section has been re-tarred. The parking bays are demarcated with a slightly wider area to better accommodate the larger vehicles that are now driven.

Our in-house entertainment facilities and programmes continue to amaze me. It has grown year-on-year and has become even more of a highlight to most holidays. Children are having great fun taking part in activities and learning new skills or information while on holiday, through the different programmes offered. Xscape introduced an educational aspect and children have a special memory and skill/knowledge of something by the time they leave our resort. We pride ourselves in our family resort and unique identity of "Kid is King". The team has incorporated more activities for the "tweens" and adults and something quite exciting is a weekly volleyball game with guests versus staff. It's a friendly game but some rounds have become quite intense which is delightful to hear. It is wonderful to hear how guests enjoy themselves on holiday and with staff involved, having a different type of interaction creating a more personal approach.

Umhlanga Sands Share Block Proprietary Limited

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

Weekly "meet the management" sittings continue whereby guests enjoy the opportunity to meet staff and discuss what is happening at the resort. While personal interaction is always available, the resort has created a timeshare and resort specific smartphone mobile application ("app") for each shareholder to communicate through. The app has been trialled and was rolled out earlier this year. The app incorporates links to the entertainment program, restaurant information, SunSwop and levy information, making communication channels more direct, with easy access to the information even when not at the resort. Further improvements will be made over time, to slowly provide additional portals for better interaction between the resort and each shareholder.

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

The statement of comprehensive income for the year ended 31 December 2018 reflects total income (including net finance income) of R84.6m (2017: R80.6m), expenses of R55.6m (2017: R53.7m) and a levy surplus after taxation of R27.3m (2017: R25.1m), which was transferred to the reserve for property, plant, and equipment.

Income

The detailed levy fund operating statement reflects that rental pool and short-term rental income decreased by 32.8%. This was largely due to the extensive refurbishment program. Interest received decreased by 22.7% due to the capital balance invested being lower, as cash was used for refurbishment payments. Non-levy income included the surplus from the sale of repossessed units, rental from commercial tenants and parking income. Owners wishing to place their weeks in the rental pool must do so in writing at least 90-days prior to the commencement of their week, which will be confirmed provided that the annual levy has also been paid.

Expenditure

Total expenditure for the year amounted to R55.6m (2017: R53.7m), which was an increase well within budgeted expenditure for the year.

- **Rooms expenses** - Room costs increased by 11.3% year-on-year. Personnel costs - outside services reflected an 18.9% increase when compared to 2017, mainly due to an increase from the supplier of 17%. Security increased by 10%, also due to an increase from the supplier.
- **Administration and general** - Administration and general expenditure decreased by 8.3% year-on-year. Central accounting and levy collection fees decreased by R561k due to the terms of the new management agreement. The adjustment to the provision for repossessed debtors resulted in a R306K saving on prior year.

- **Electricity, water, and refuse** - 2018 experienced a 6.6% increase compared to 2017, with an increase of 16.8% in water, which was in-line with municipal tariff increases.
- **Repairs and maintenance** - Expenditure increased by 10.2% year-on-year due to ongoing maintenance and touch ups required in the units and around the property.
- **Corporate charges** - There was a 9.1% increase in corporate charges mainly due to the re-classification of the property from residential to furnished accommodation in 2014, and the municipal rate valuation increased to R284m. Your board is in the process of objecting to the re-classification.
- **Management fee** - The management fee is an agreed set amount, made up of contributions from the outsourced restaurants and the difference being paid by the share block.

Statement of financial position

The statement of financial position (balance sheet) on page 14 together with the notes related thereto reflects the financial position of the Company. The reserve for property, plant and equipment decreased to R23.7m and cash and cash equivalents decreased to R50.2m, against R60.5m in 2017. Levies receivable increased to R645k (2017: R532k) while levies received in advance amounted to R23.1m (2017: R22.5m). The increase in levies received in advance is commendable and shows the commitment of all owners to meet their levy obligations timeously, allowing these funds to be invested for the benefit of the share block.

Capital expenditure

Capital expenditure of R49.2m was incurred, against R14.9m in 2017. This included major items of expenditure such as:

• Room refurbishment	R45,556,556
• Water treatment plant	R661,062
• Spalling	R528,386
• Parking resurface and paving	R316,972

2020 Levy budget

The 2020 annual levy budget increase will be discussed and approved by the Directors on your behalf, at the August 2019 board meeting which will take place after the notice of this year's annual general meeting of the shareholders and delivery of this annual report. This being the case, notification of the 2020 levy amounts will be advised under separate notice. Although increases in operational costs are to be expected, the Directors will exercise diligence and caution in deliberating future expenditure so as to balance growth and improvements whilst at the same time, maintain a healthy reserve fund which is vital for the future financial security of the Company.

SunSwop and RCI Affiliation

I am pleased to report that from 4 February 2019, RCI has 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.

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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 with Mr Anthony Ridl and Mr Adam Fuller both representing the share block on the VOASA board.

Legal matter: Municipal rates objection

The objection and legal matter regarding the imposed eThekweni Municipal rates category for the property continues. A neighbouring property, with a similar objection to its re-classification has further appealed the objection and we await the outcome of their appeal before proceeding any further with our legal objection.

Legal matter: Fleetwood-On-Sea

The objection to the proposed re-development of our neighbouring property, Fleetwood-On-Sea, also remains an ongoing matter. I have personally met with our resort's attorneys, developers and our neighbour, to negotiate a way forward. We want our family pool and entertainment areas to remain as wonderful as they are and not have the shadow lines from Fleetwood-On-Sea negatively impacting guest experience while enjoying their time at the family swimming pool. The current development proposal would greatly impact on the shade/shadow line cast across the area in the afternoons and make it a cold area. We need to protect that "enjoyment in the sun" as best as possible.

General

I am both relieved and very pleased to note that guests smoking on the property, have used the dedicated smokers' room located to the left of Spur. Thank you to all guests who have abided by the house rule and use the facility provided to them.

It is wonderful to record that our corporate social investment ("CSI") projects continue to positively impact worthy and local initiatives. I monitor CSI initiatives very closely and I am ever so proud of the hard work and dedication given by our resort's social and ethics committee and our management team, and the progress made in helping the less fortunate community over the past 12 months. I refer you to page 8 of this annual report for a breakdown on what the social and ethics committee is responsible for and I encourage to you to attend the annual general meeting where a comprehensive presentation will be shown, attesting the great initiatives and contributions made by uMhlanga Sands Resort's exemplary support of its local community and initiatives for great causes.

Conclusion

Shareholders can be assured that our resort is very well managed, thanks to the great and efficient service delivery and close management of our managing agent. Your board maintains a great working relationship with our reliable and committed management team and I am confident Mr Antony Larsen and his team, as well as the support team from Southern Sun Resorts, will continue to provide great attention and care for our busy and cheerful property. I thank all staff for going the extra mile for our shareholders and guests. Every bit of willingness, kindness and enthusiasm is appreciated.

It is with much sadness that we record the recent passing of Mr Andre Greeff, a long standing former general manager of the uMhlanga Sands Resort and a dear friend to many of us. Our condolences to his wife Terri and family.

I extend my appreciation to my fellow Directors Messrs Ridl, Ramsarup, Dickson, Kruger, Lee and McMillan, and to the Southern Sun/Tsogo Sun management team, for their time, energy, professionalism and guidance this past year. As a team, we have accomplished even greater things.

I welcome you all to attend our AGM at 10h00 on 11 September 2019, to be held at the Holiday Inn Sandton. Should you find yourself unable to attend, please complete and return the form of proxy enclosed in the annual report on page 5 and your proxy to vote will be recorded for the meeting.

I wish you all a prosperous year ahead.




Deon Viljoen
Chairman

Notice is hereby given to the shareholders of the Company that the annual general meeting ("AGM") of the Company will be held on **Wednesday 11 September 2019 at 10h00, at Holiday Inn Sandton, 123 Rivonia Road, Sandton**, for the purposes of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions set out hereunder, and considering any other matters raised by shareholders at the AGM:

1. Receipt and adoption of annual financial statements and reports

Ordinary resolution 1: Resolved as an ordinary resolution to receive and adopt the annual financial statements of the Company for the financial year ended 31 December 2018, together with the reports of the Directors, the independent auditors thereon, and further to receive the reports of the audit committee, the social and ethics committee, contained in the annual report of the Company for the financial year ended 31 December 2018, and tabled at the meeting at which this resolution was proposed.

2. Appointment of auditors

Ordinary resolution 2: Resolved as an ordinary resolution upon the recommendation of the audit committee that SNG Grant Thornton be and are hereby appointed as independent auditors of the Company until the conclusion of the next AGM of the Company.

3. Election of Directors

The board is limited by the memorandum of incorporation ("MOI") to seven (7) Directors in number. It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the timesharers be received by no later than 10h00 on Friday, 6 September 2019 at the registered office of the Company or email address. **Nominations must be in writing with the name of the proposer and seconder and be accompanied by the acceptance of such nomination by the nominee and their curriculum vitae ("CV").**

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

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

Ordinary resolution 3.4: Resolved as an ordinary resolution that Ms Louise McMillan who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.5: Resolved as an ordinary resolution that Mr Ajith Ramsarup who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.6: Resolved as an ordinary resolution that Mr Anthony Ridl who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.7: Resolved as an ordinary resolution that Mr Deon Viljoen who retires in terms of the Company's MOI, and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

4. Appointment of audit committee

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

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

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

5. Appointment of social and ethics committee

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

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

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

6. Non-executive Directors' fees

Special resolution 1: Resolved as a special resolution that R8,400 (Vat payable, to the extent applicable to this remuneration) payable to the non-executive Directors of the Company for their services as Directors of the Company and/or as members of the Board, sub-committees, or cluster of meetings, in respect of the period from 12 September 2019 until the next AGM of the Company, and tabled at the meeting at which this resolution was proposed, be and is hereby approved.

The reason for and effect of this special resolution:

In terms of Section 66(8) of the South African Companies Act 71, of 2008, the Company may pay remuneration to its Directors for their service as Directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by the shareholders within the previous two (2) years. Section 66(12) requires that any particular Director appointed to more than one (1) committee of the Company, be calculated only once. Directors will be entitled to be paid attendance fees/emoluments in respect of the above period.

Subject to the provisions of the 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 Thursday, 12 September 2019 and if at such adjourned meeting a quorum is not present within half-an-hour of the start time, the shareholders there present in person or by proxy shall be deemed to constitute the necessary quorum.

For an ordinary resolution to be adopted by shareholders at the AGM, it must be supported by more than fifty-percent (50%) of the voting rights in favour of such a resolution. For a special resolution to be adopted by shareholders at the meeting, it must be supported by more than sixty-percent (60%) of the voting rights in favour of such a resolution.

The record date for determining shareholder's voting rights is 29 August 2019.

Any shareholder entitled to attend and vote, is entitled to appoint a proxy to attend, vote and speak in his/her stead, and such proxy need not be a shareholder of the Company. **Forms of proxy should be forwarded to reach the registered office of the Company, for the attention of the company secretary, by no later than 10h00 on Friday, 6 September 2019. A form of proxy is enclosed on page 5 for this purpose.**

Umhlanga Sands Share Block Proprietary Limited
 Registration Number: 1972/003573/07
 ("the Company")

Registered Office
 Palazzo Towers East
 Montecasino Boulevard
 Fourways, 2055

Private Bag X200, Bryanston, 2021
 Telephone (031) 561-2204
 Facsimile (031) 561-7334
 E-mail: Resorts.companysecretarialservices@tsogosun.com

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Wednesday 11 September 2019 at 10h00, at Holiday Inn Sandton, 123 Rivonia Road, Sandton.**

Form of proxy

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

1., or failing him/her,
2., or failing him/her,
3. The chairman of the AGM.

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

	In Favour Of	Against	Abstain
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 Nicholas Dickson			
3.2 Gustavus Kruger			
3.3 John Lee			
3.4 Louise McMillan			
3.5 Ajith Ramsarup			
3.6 Anthony Ridl			
3.7 Deon Viljoen			
Ordinary Resolution 4: Appointment of audit committee			
4.1 Nicholas Dickson			
4.2 Ajith Ramsarup			
4.3 Anthony Ridl			
Ordinary Resolution 5: Appointment of social and ethics committee			
5.1 Gustavus Kruger			
5.2 John Lee			
5.3 Louise McMillan			
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 Friday, 6 September 2019.

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

The Directors and management are also responsible for maintaining the Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the 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, SNG Grant Thornton, audited the annual financial statements and their report is presented on pages 11 and 12.

Approval of Annual Financial Statements

The annual financial statements set out on pages 13 to 22 were approved by the board of Directors on 13 May 2019 and are signed by:



DP Viljoen
Chairman



RN Dickson
Director

Declaration by the company secretary

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

Umhlanga Sands 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 Mr Nicholas Dickson (Chairman), 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, and the fees and terms of engagement of, the external auditors;
- 4.2 Ensuring that the appointment of the auditor complies with the provision of the South African Companies Act and any other legislation relating to the appointment of auditors;
- 4.3 Approving of external audit and internal audit plans;
- 4.4 Determining, subject to the provisions, the nature and extent of any non-audit services that the auditor may provide to the company, 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.



RN Dickson

Chairman

13 May 2019

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

Role of the committee

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

Social and economic development

The committee assists its local community through various initiatives. Waterloo Primary School has been a key focus area for many years. The school library was upgraded, awning at entrance and Stoneage outdoor furniture were purchased, magnetic whiteboard, fans and light fittings for the computer room were purchased and installed and walls were painted for an inviting learning environment. We partnered with suppliers to re-stone and level the area in front of the library. Breakfast contributions were provided to the schools feeding scheme. While Waterloo Primary School is the committee's prime social responsibility, it has this year also supported Holah Baby House, haven of rest for the physical, emotional & spiritual needs of the community and a local Old Age Home, striving to achieve its goal to make a difference in the resort's local community.

Corporate citizenship - CSI/sustainability

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

Environmental health & public safety

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

Organisational resilience management system ("ORMS")

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

Guest relations & correspondence

Guest feedback is of utmost importance. For this reason, the electronic eGuest satisfaction survey system is carefully managed and monitored and individually responded to on a daily basis. Other forms of feedback is derived from social media platforms such as facebook, google reviews and Tripadvisor. The resort received the RCI hospitality investment award for 2018.

Labour, employment relations, training & BBBEE

uMhlanga Sands Resort complies with the Labour Relations Act of South Africa. All employees are treated equally and employee engagement is monitored. Management assist in developing, maintaining and improving employee relationships through communication, performance management, processing grievances and/or disputes. Staff at the resort are continuously trained and further developed where possible. uMhlanga Sands Resort is linked to the BBBEE rating of the Tsogo Sun Group, which is a level one BBBEE contributor.

Strategic plans

The social and ethics committee has focused greatly on four strategic areas. With the retirement of general manager Mr Derek Mckillop his successor Mr Antony Larsen joined uMhlanga Sands in March 2019. Antony has been with the Tsogo Sun group for 31 years.

Legal matters include an objection to the change in the municipal category rating imposed by the eThekweni municipality. The property rating category was changed from a residential category to a commercial category. The second legal matter includes an objection to the re-development of neighbour, Fleetwood-On-Sea, as the shade/shadow line from the development would have a large impact on the family swimming pool and entertainment area. Both parties are close to finding resolution here. The two food and beverage lease agreements expire at the end of March 2020 and discussions have commenced to ensure that this facility provides the best service delivery and offering to guests.

Custodian of the unique identity

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

Composition and functioning

The committee comprises three board Directors namely Ms Louise McMillan (chairman), and Mr Gustavus Kruger and Mr John Lee. Additional board members are invited to attend meetings and resort staff assist wherever possible. The committee meets twice a year and holds comprehensive meetings.

Activities of the committee

The committee is focused on ensuring that the resort's environmental programme has a strong approach to energy, water and waste management. Energy and water consumption is monitored by a live system that updates management before wastage may occur. Any abnormal activities that would deviate from the targets set are highlighted immediately. The system assists in tracking trends for using the resort's resources at the best time, for optimal use, at a lower cost. This savings in water and electricity as a result of this better management has been amazingly good. Many initiatives are in place and the installation of grey water reservoirs, used to fill the swimming pools, water the gardens and grounds has contributed immensely. The waste management programme at uMhlanga Sands Resort is controlled by Don't Waste Services and is also tracked through a live system. Additional initiatives for splitting wet and dry waste has been implemented throughout the resort and guests are encouraged to assist by recycling through separate waste bins in each unit. uMhlanga Sands Resort employees are our most valuable asset and there is a sustained effort in training and developing the employees. The training programme is run by Tsogo Sun Academy and it is not only offered to make staff more proficient in their current roles, but inspire them to grow further with new and exciting responsibilities.

Louise McMillan
Chairman

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

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

2 Financial results

The financial results of the Company are set out in the attached annual financial statements.

In accordance with the provisions of the Share Blocks Control Act, and in common with other timeshare operations in South Africa, the Company has, since its inception as a share block company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and additions to property, plant and equipment have been charged against this amount annually. Before providing for property, plant and equipment additions and replacements, a surplus of R27,314,277 (2017: R25,083,222) was transferred to the reserve for property, plant and equipment.

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

3 Share capital

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

4 Insurance

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

5 Directors and secretary

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

PD Coetzee *	Retired 4 September 2018
RN Dickson *	
LD Douglas ^	Retired 4 September 2018
G Kruger ^	
JA Lee ^	Appointed 4 September 2018
LE McMillan ^	Appointed 4 September 2018
AB Ramsarup *	
AN Ridl *	
DP Viljoen	Chairman

* Audit committee members

^ Social & ethics committee members

Umhlanga Sands Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2018

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

Business:

Palazzo Towers East
Montecasino Boulevard
Fourways
2055

Postal:

Private Bag X200
Bryanston
2021

6 Management

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

7 Material events after year end

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

8 Legal matters

The Company is currently pursuing legal action regarding two matters.

The first legal matter is an objection to the Fleetwood on Sea development, where the upward development of our neighbours building will cast a shadow line across the family pool and surrounding lawn area. R163,697 was spent on this matter in 2018 (2017: R61,166).

The second legal matter is an objection to the rates reclassification by the eThekweni municipality. The Company has been classified in the "business and commercial" rates category resulting in a steep increase in the annual rates charge. R24,858 was spent on this matter in 2018 (2017: R16,472).

Umhlanga Sands Share Block Proprietary Limited

Report of the Independent Auditors

Report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of Umhlanga Sands Share Block Proprietary Limited set out on pages 13 to 22, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other information

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

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

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

Responsibilities of the directors for the annual financial statements

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

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

Umhlanga Sands Share Block Proprietary Limited

Report of the Independent Auditors

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

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

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

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

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

Report on other legal and regulatory requirements

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



SNG GRANT THORNTON

Registered Auditors

Practice number: 946016

per A Timol

Registered Auditor

Director

SizweNtsalubaGobodo Grant Thornton Inc.

13 May 2019

2nd Floor

4 Pencarrow Crescent

Pencarrow Park

La Lucia Ridge Office Estate

4019

Umhlanga Sands Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 R	2017 R
Income		80 355 758	75 203 236
Levy Income		74 305 252	69 780 072
Other Income		6 050 506	5 423 164
Expenses		(55 649 494)	(53 699 050)
Levy surplus before interest and taxation	3	24 706 264	21 504 186
Net finance income	4	4 206 473	5 438 839
Levy surplus before taxation		28 912 737	26 943 025
Income tax expense	5	(1 598 460)	(1 859 803)
Levy surplus for the year		27 314 277	25 083 222

Umhlanga Sands Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2018

	Note	2018 R	2017 R
ASSETS			
Current assets			
Inventories		67 532	54 393
Trade and other receivables	6	7 219 299	19 277 715
Levies receivable	7	644 984	532 009
Cash and cash equivalents		50 195 119	60 549 915
Total current assets		58 126 934	80 414 032
Total assets		58 126 934	80 414 032
EQUITY			
Capital and reserves			
Share capital	10	3 537 184	3 537 184
Reserve for property, plant and equipment	8	23 741 945	45 645 988
Total equity		27 279 129	49 183 172
LIABILITIES			
Non-current liabilities			
Exchange fee rebate		-	42 800
Total non-current liabilities		-	42 800
Current liabilities			
Trade and other payables	9	6 131 918	6 857 065
Levies received in advance		23 117 427	22 471 192
Current tax liabilities		1 598 460	1 859 803
Total current liabilities		30 847 805	31 188 060
Total liabilities		30 847 805	31 230 860
Total equity and liabilities		58 126 934	80 414 032

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	10	3 537 184	3 537 184
Reserve for property, plant and equipment			
At beginning of year		45 645 988	35 470 606
Levy surplus for the year		27 314 277	25 083 222
Property, plant and equipment additions and replacements during the year	8	(49 218 320)	(14 907 840)
At year-end		23 741 945	45 645 988

Umhlanga Sands 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	28 912 737	26 943 025
Adjustments for:		
Interest received	(4 206 473)	(5 438 839)
Non cash items		
- Movement in exchange fee rebate	(42 800)	(513 601)
Net surplus before working capital changes	24 663 464	20 990 585
Changes in working capital		
- Movement in inventories	(13 139)	9 112
- Movement in levies receivable	(112 975)	776 461
- Movement in trade and other receivables	12 058 416	(14 359 989)
- Movement in levies received in advance	646 235	874 234
- Movement in trade and other payables	(725 147)	63 421
Cash flows from operating activities	36 516 854	8 353 824
Interest received	4 206 473	5 438 839
Tax paid	(1 859 803)	(1 698 695)
Net cash inflow from operating activities	38 863 524	12 093 968
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(49 218 320)	(14 907 840)
Net cash outflow from investing activities	(49 218 320)	(14 907 840)
Net movement in cash and cash equivalents	(10 354 796)	(2 813 872)
Cash and cash equivalents at beginning of year	60 549 915	63 363 787
Cash and cash equivalents at year-end	50 195 119	60 549 915

Umhlanga Sands Share Block Proprietary Limited

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

1 Accounting policies

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

1.1 Basis of preparation

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

The accounting policies are consistent with previous periods.

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

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Inventories

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

1.4 Leases

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

1.5 Financial instruments

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

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

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

Umhlanga Sands Share Block Proprietary Limited

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

1.6 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 flow at cost.

1.7 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

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

Sundry revenue is recognised when it is earned.

1.8 Provisions

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

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

1.9 Equity

Ordinary shares are classified as equity.

1.10 Current taxes

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

1.11 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.

Umhlanga Sands 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.

Umhlanga Sands 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	12 704 644	12 656 056
- contributions to retirement funds	979 380	978 698
Management fees	1 594 898	1 890 008
Audit fees	163 250	153 800
Lease expenses	(2 298)	(2 915)
Professional, legal and internal audit fees	261 631	150 364
Other operating expenses	39 947 989	37 873 039
	55 649 494	53 699 050
4 Net finance income		
Interest income:		
Interest earned on fixed deposits, call deposits and current account	4 206 473	5 526 543
Interest expense	-	(87 704)
Net finance income	4 206 473	5 438 839
5 Income tax expense		
Provision is made for Company taxation on the non-levy income.		
No tax is payable on levy income from the owners in terms of section 10(1)e of the Income Tax Act.		
Current	1 598 460	1 859 803
	1 598 460	1 859 803
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
6 Trade and other receivables		
Trade receivables (refer note 12)	567 863	452 751
Prepayments (refer note 12)	2 479 773	13 713 717
Interest receivable	2 461 043	3 060 395
Receiver of revenue - Vat	1 094 273	1 228 025
Sundry receivables (refer note 12)	616 347	822 827
	7 219 299	19 277 715
7 Levies receivable		
Levy debtors	209 628	209 675
Repossessed debtors	656 035	631 753
Provision for repossessed debtors	(220 679)	(309 419)
- Opening balance	(309 419)	(92 216)
- Movement	88 740	(217 203)
	644 984	532 009

Umhlanga Sands Share Block Proprietary Limited

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

	2018 R	2017 R
8 Reserve for property, plant and equipment		
At beginning of year	45 645 988	35 470 606
Levy surplus for the year	27 314 277	25 083 222
	72 960 265	60 553 828
Property, plant and equipment additions and replacements	(49 218 320)	(14 907 840)
At year-end	23 741 945	45 645 988
<p>The Directors have reviewed a forward estimate, prepared by management, of the costs of property, plant and equipment additions and replacements over the next 10 years.</p> <p>The Directors have approved capital expenditure of R24,487,223 for 2019 (2017 : approved capital expenditure of R59,026,350 for 2018) which it is anticipated will increase the budgeted reserve fund by R5,112,342 (2017 : decrease the budgeted reserve fund by R34,406,689 for 2018). There were no capital commitments made at year end (2017: R nil).</p>		
9 Trade and other payables		
Trade payables (refer note 12)	1 090 147	2 213 848
Other payables		
Accruals (refer note 12)	3 016 278	2 664 631
Provision for auditor's remuneration	163 000	113 700
Sundry payables (refer note 12)	1 819 693	1 351 285
Exchange fee rebate	42 800	513 601
	5 041 771	4 643 217
	6 131 918	6 857 065
10 Share capital		
Authorised and issued		
35,371,840 Class "A" ordinary shares of 10 cents each	3 537 184	3 537 184
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: Lot 1076, Umhlanga Rocks Township, Kwa-Zulu Natal with buildings thereon, known as uMhlanga Sands Resort.</p> <p>Land and buildings were originally purchased for R13,882,239 and are not recognised. Although the Company has legal title to the property, it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the municipality at R284,000,000 for rates purposes. There are no bonds on the property.</p>		

Umhlanga Sands 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		
The operations of the Company are managed by Southern Sun Hotel Interests Proprietary Limited ("SSHI"). The Company is charged the following fees in terms of the management agreement:		
Short term rental fee	164 242	519 753
Management fee	1 594 898	1 890 008
Levy administration and collection fee	2 961 313	3 522 413
The Company receives rental income from SSHI for the letting of office space:		
Rental income	(1 012 755)	(977 595)
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	(208 001)	-
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	(64 757)	-
Secretarial fees on repossessed debtors and use agreement fees - SRMS	73 926	78 066
During the financial year the Company paid membership fees to SunSwop (a division of SSHI), which is affiliated to Interval International.		
SunSwop exchange services	2 188 794	2 077 338
During the financial year the Company paid the following SSHI internal charges:		
- Information technology administration charge	219 261	88 242
- Training related charges	118 250	112 676
- Sunrands related charges	86 961	43 286
Certain costs are incurred by SSHI in terms of contracts negotiated on behalf of members of the Tsogo Sun group, including the Company. These costs, which include insurance and certain maintenance and operating lease contracts, are recovered from the Company via a loan account. The balance of the loan account is as follows:		
Due (to)/by SSHI and its subsidiaries:		
- included in payables (refer note 9)	(504 578)	(952 040)
- included in receivables (refer note 6)	73 569	46 539
	(431 009)	(905 501)

Umhlanga Sands Share Block Proprietary Limited

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

	2018	2017
	R	R

12 Related party transactions (continued)

SSHI own units in the Company as follows:

	Number of units	Levies paid	Levies received in advance
		R	R
SunSwop (a division of SSHI) - 2018 shareholding	68	440 420	81 360
SunSwop (a division of SSHI) - 2017 shareholding	68	412 760	122 740

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

2018 - shareholding

RN Dickson - Dream Vacation Club	600	4 083 680	1 539 280
AB Ramsarup - The Leisure Holiday Club	697	4 829 110	1 051 100
AN Ridl - Club Leisure Group	1 160	8 139 430	2 417 660

2017 - shareholding

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

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	2017
	R	R
Directors emoluments paid for the year:		
PD Coetzee	53 488	54 903
RN Dickson	34 414	33 962
LD Douglas	36 414	33 962
G Kruger	34 414	33 962
JA Lee	8 000	-
AB Ramsarup	34 414	33 962
AN Ridl	12 094	28 222
DP Viljoen	34 414	33 962
	247 652	252 937
The board approved fees to be paid to the Directors who were involved in the negotiation of the new management agreements with SSHI. Fees were paid for the personal time spent and expenses incurred during the negotiation process.		
Fees paid for the year:		
G Kruger	-	37 968
DP Viljoen	-	33 934
	-	71 902

Umhlanga Sands Share Block Proprietary Limited

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

	2018 R	2017 R
INCOME		
Levies	74 305 252	69 780 072
Rental pool and short term rentals	1 772 742	2 636 499
Sale of capital assets	1 125 994	-
Net non-levy income		
- telephone, rentals and penalties etc	3 151 770	2 786 665
	80 355 758	75 203 236
EXPENDITURE		
Room expenses		
Cleaning supplies	369 543	343 767
Guest entertainment	1 493 336	1 359 584
Guest supplies	884 662	843 982
Laundry	2 764 432	2 547 280
M-Net	804 483	806 449
Pest control	37 517	37 072
Personnel costs		
- outside services	5 919 570	4 979 438
Plants and decorations	23 291	22 762
Printing and stationery, including reception	280 713	226 171
Replacement of cutlery, crockery, linen, towels, uniforms, etc	1 342 596	1 319 990
Security services	2 075 457	1 887 550
	15 995 600	14 374 045
Administration and general		
Audit fees		
- current year	163 250	153 800
Bank charges	37 912	37 186
Central accounting and levy collection fees	2 961 313	3 522 413
Corporate social initiatives	92 822	75 000
Credit card commission	264 930	308 969
Information technology costs	867 412	840 162
Insurance		
- excess	15 000	10 000
- premium	311 838	264 332
- claim	(43 323)	-
Internal audit fees	68 076	-
Legal fees	193 555	116 430
Licences and permits	131 191	125 571
Loss on repossessed debtors	34 896	89 455
Marketing	157 355	76 789
Penalties	-	93 318
Postage	920	570
Professional fees	-	33 934
Provision for repossessed debtors	(88 740)	217 203
Balance carried forward	5 168 407	5 965 132

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

	2018	2017
	R	R
Balance brought forward	5 168 407	5 965 132
Railage, cartage and hire transport	957	7 888
Security		
- banking services	25 947	25 272
Subscriptions	58 192	52 496
Sunswop exchange service	2 188 794	2 077 338
Telephone	141 711	205 185
Travel		
- management and Directors	277 953	264 487
Vehicles		
- fuel and oil	38 183	18 700
	7 900 144	8 616 498
Electricity, water and refuse		
Electric bulbs	44 283	43 241
Electricity	3 595 168	3 472 627
Generator fuel	-	37 531
Refuse	353 095	298 045
Water	1 303 123	1 115 611
	5 295 669	4 967 055
Repairs and maintenance		
Air-conditioning	499 870	176 054
Buildings	237 652	183 770
Electrical and mechanical	169 674	169 777
Elevators	328 626	224 611
Engineers tools	12 949	2 823
Flooring and carpeting	200 769	194 563
Furniture and fixtures	152 605	155 234
Gardens and grounds	333 436	304 565
Laundry machines	2 770	8 840
Office machines		
- maintenance contracts	4 259	3 571
Painting and redecorating	88 097	89 939
Personnel costs		
- outside services swimming pool	450 763	420 662
Plumbing and heating	43 090	88 821
Radio and TV	16 828	23 875
Refrigerators/ice machines	715	1 256
Room access card	23 366	79 423
Room care	320 627	506 523
Swimming pool cleaning and repairs	66 103	46 701
Vehicles	3 650	1 460
	2 955 849	2 682 468

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

	2018	2017
	R	R
Capital charges		
Annual report and statutory costs	167 973	148 094
Furniture and equipment leases	(2 298)	(2 915)
Municipal rates and taxes	7 407 133	6 778 189
Urban improvement programme	650 502	610 854
	8 223 310	7 534 222
Personnel costs		
Rooms	8 171 066	9 829 694
Administration and general	3 306 228	1 638 760
Repairs and maintenance	2 206 730	2 166 300
	13 684 024	13 634 754
Management fee	1 594 898	1 890 008
Total expenditure	55 649 494	53 699 050
Excess of income over expenditure before finance cost and taxation	24 706 264	21 504 186
Net finance income		
Interest received	4 206 473	5 438 839
Excess of income over expenditure before taxation	28 912 737	26 943 025
Taxation		
- current	1 598 460	1 859 803
Excess of income over expenditure after taxation for the year transferred to reserve for property, plant and equipment	27 314 277	25 083 222

Umhlanga Sands Share Block Proprietary Limited

Minutes of the annual general meeting of Shareholders held on Tuesday, 4 September 2018 at 14h05 in Coco's Bar, at uMhlanga Sands Resort, uMhlanga

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

The chairman, Mr Deon Viljoen, welcomed all to the annual general meeting ("AGM") of Umhlanga Sands Share Block Proprietary Limited. Notice of the meeting was properly given and the chairman was pleased to announce that the required quorum to hold the AGM was achieved. This meant that there was more than three shareholders present, entitled to vote and holding at least 5% of the share capital. This quorum must be present in person or by proxy at the commencement of this AGM and throughout the meeting.

The chairman kindly requested that all attendees sign the attendance register situated at the back of the venue. He recorded that all Directors and members of the management team were in attendance at this meeting. A number of shareholders had provided apologies for being unable to attend this meeting and had submitted forms of proxy for voting purposes in their absence. The chairman thanked all shareholders who were able to join the meeting or who had submitted a form of proxy.

2 ESTABLISHMENT OF A QUORUM

The chairman recorded that the achieved quorum was 24.8% and that he therefore declared the AGM duly constituted. The chairman requested that any additional forms of proxy be handed to Ms Lisa Sutton for recording purposes.

Mr Deon Viljoen introduced himself as an independent, non-executive Director and the chairman of this board. He introduced his fellow independent, non-executive Directors who also represented the interests of all shareholders as: Messrs Pierre Coetzee, Lynette Douglas, Gustavus Kruger, Ajith Ramsarup, Anthony Ridl and Nicholas Dickson. The management team consisted of Mr Adam Fuller the operations director of Southern Sun Resorts, Mr Warren Whiteboy the financial manager of resorts, Ms Lisa Sutton the Secretary to the company secretary, Ms Sheetal Valjee the resort's financial controller, Mr Franco Seaman the resort's deputy general manager, Mr Derek McKillop the resort's general manager, Mr Peter Pienaar the general manager of SunSwop, and Ms Marina de Paiva the financial controller for levies of resorts. The chairman noted that other staff members were present at this meeting, as well as the resort's affiliated sales team. Mr Yasir Ismail of Grant Thornton Durban was in attendance.

3 MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

Item 3 on the agenda was to adopt the minutes of the annual general meeting ("AGM") held on 5 September 2017. The chairman had nothing to add and as no comments were raised by the shareholders present, the chairman called for the minutes of the 5 September 2017 to be adopted. All were in favour and the chairman declared the minutes of the AGM held on 5 September 2017, adopted.

4 MATTERS ARISING FROM THE PREVIOUS ANNUAL GENERAL MEETING MINUTES

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

5 RESOLUTION 1

Item 5 was resolution 1, to receive, consider and adopt the report of the Directors, the report of the audit committee, the report of the social and ethics committee and the annual financial statements 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, report of the Directors, report of the audit committee and report of the social and ethics committee, fully covered the activities of the Company for the period under review.

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

6 RESOLUTION 2

Item 6 was resolution 2, to appoint auditors to the Company. The chairman advised that the Directors and management were satisfied with the service provided by Grant Thornton over the past two years and in terms of the South African Companies Act, the board recommended that Grant Thornton be appointed for the ensuing year. No objections were recorded and the motion to appoint Grant Thornton as the auditors for the ensuing year was carried.

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7 RESOLUTION 3

Item 7 was resolution 3, to elect Directors to the board for the ensuing year. The following Directors retired at this AGM, but being eligible, were available for re-election: Messrs Pierre Coetzee; Nicholas Dickson; Lynette Douglas; Gustavus Kruger; Ajith Ramsarup; Anthony Ridl; and Deon Viljoen.

Two additional nominations were received prior to this meeting, one being for Ms Louise McMillan and the other, Mr John Lee. No other nominations were received from the shareholders.

The chairman noted that in terms of the memorandum of incorporation ("MOI"), the board was limited to seven Directors in number. For this AGM's election process, nine nominations were recorded for only seven positions, and a poll must therefore be called. No queries or objections were recorded. While Ms Sutton handed a ballot form to all shareholders present, the chairman requested that Mr Ridl provide a brief summary on the two additional nominees.

Mr Ridl advised that Ms Louise McMillan was unable to attend this meeting. She served with him as a Director on the Pine Lake Share Block board. She was approximately 61-62 years of age and had run her own business that was later bought by a listed company. She had been a member of a JSE company and had an IT and human resources background. Ms McMillan understood timeshare and understood how Southern Sun Resorts managed its properties. She was very keen to add value to the uMhlanga Sands board as she too was a shareholder of uMhlanga Sands resort.

Mr Ridl noted that Mr John Lee was traveling and also unable to attend this meeting. Mr Lee had retired as managing director of Sun International and now resided in uMhlanga. He was involved with and on the uMhlanga UIP board. He too understood the timeshare industry as he had run the Sun City timeshare scheme for a number of years and served as Director on the Beacon Island Share Block board. Mr Lee would also be a valuable member of the board if elected.

The chairman referred to the ballot form just handed out and advised that each shareholder had one vote against each name on the form, in one of the three columns of either "in favour", "against" or "abstain". The appropriate box must be marked. He added that the poll process and tally process usually took some time to complete and recommended that while the finance manager, company secretariat representative and representative from Grant Thornton conduct the tally, that the meeting continue until voting had been finalised. No objections were recorded and the meeting continued.

8 RESOLUTION 4

Item 8 on the agenda was resolution 4, to appoint Directors as members of the audit committee. An audit committee must comprise at least three members, all of which are to be Directors of the Company. The audit committee comprised three independent, non-executive Directors from the board and the current members of the committee were Messrs Coetzee, Dickson and Ramsarup.

Without the tally of the poll, the meeting was unable to appoint an audit committee without first confirming the board of Directors. The chairman therefore recommended that this process be delayed until the announcement had been made. No objections were recorded and the motion was deferred until later in the meeting.

9 RESOLUTION 5

Item 9 was resolution 5, to appoint members of the social and ethics committee. The committee was recommended to comprise three members and at least one of the members must be a Director of the Company. The current members of the committee were Messrs Douglas, Kruger and Viljoen and were assisted by Mr McKillop and Mr Seaman.

Again, without the tally of the poll, the meeting was unable to appoint the members of the social and ethics committee. The chairman recommended that this process be delayed until the announcement had been made. No objections were recorded and the motion was deferred until later in the meeting.

10 SPECIAL RESOLUTION 1

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

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This motion related to the payment of R8,000 to each Director per board meeting, per audit committee meeting and per social and ethics committee, or cluster of meetings. The Directors of Umhlanga Sands 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 be necessary.

Without the tally of the poll, the meeting was unable to confirm the Directors at this time however, the chairman suggested an overall approval to authorise the amount of the R8,000 remuneration for the 2018 year to the Directors, who were to be elected. No queries were raised and no objections were recorded. The chairman declared the special resolution to authorise payments of remuneration/emoluments to Directors in respect of the 2018 year, carried.

11 RESOLUTION 6

Item 11 was to table for discussion the insured value of the property as approved by the Directors in terms of the use agreement. As recommended by independent quantity surveyors, Brian Heineberg and Associates, the proposed insured value of uMhlanga Sands was R701,256,505. The building was valued at R607,718,767 and furniture, fittings and equipment (FF&E) was valued at R93,537,738. The increase against the previous year's insured value was 6.1%. Having reviewed the insured values, the board was satisfied with the valuation and recommended that the shareholders approve the proposed insured value. No objections were recorded and the insured value of R701,256,505 was approved.

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

Items 12 and 13 covered the report of the general manager as well as the report of the social and ethics committee. The chairman called on Mr Seaman to present the activities of the resort and committee over the past year.

Mr Seaman provided a slide presentation and advised that the resort's facebook webpage had recorded 7,697 "likes" against 6,605 in 2016. In 2017, the average eGuest satisfaction score was 88.9%, with a total of 2,771 guests having contributed towards the questionnaire. uMhlanga Sands Resort had been placed 5th in the area by Tripadvisor and received a star rating of 4.5 out of 5. Average occupancy over the past year had been 91%.

The landscaping audit had recorded an average score of 91%. Mr Seaman presented comparative energy consumption records from 2006 to 2017 and due to many cost saving and efficiency saving initiatives in place, consumption was at its lowest. Water consumption was also at its lowest since 2011. 40% of waste, through Don't Waste Services ("DWS") was recycled. The organisational risk management system ("ORMS") audit resulted in a score of 100% for the year.

Mr Seaman presented photographs showing the progress of projects completed during 2017. This included the major spalling project; installation of a lift from ground floor to the mezzanine level; installation of a lift from ground floor to the adult swimming pool; main water pipe replacement; roof waterproofing; new iron and laundry room; refurbishment of public area ablutions; replacement of building signage with new logo and name change; installation of garden sprinklers at the family swimming pool; new pot plants outside the restaurant space; replacement of the entertainment deck at the family swimming pool; installation of the clearvue fence along the perimeter of the property on the road side as well as inside the property at the main entrance; installation of new fat trap pipes below the restaurants; installation of new LED lights for the volley ball court and braai area; installation of clearvue fence around the family swimming pool; sanding and re-varnishing of the wooden deck overlooking the beach and wooden seating around the volleyball court; installation of recycling bins at the swimming pools; installation of hand rails around the property; installation of the new children's water play area; placement of furniture in the smoking room; painting of the porte cochere; and the rooms refurbishment programme which should be completed by the end of November 2018.

In support of corporate social investment (CSI), staff had entertained the residents at an old age home, spoilt them further with tea and scones and had donated old linen for their use; conducted a beach clean-up; celebrated nationally celebrated days and so on. For Mandela day, the resort had donated old linen and the maintenance team had repaired and painted various areas on the Waterloo Primary School property. Four families linked to Reach For A Dream had been accommodated at the resort for a few days. The children were entertained and provided gifts while the parents were pampered and offered some time to relax. The Grade 3 pupils of Waterloo Primary School were entertained as part of their year-end ceremony. Waterloo Primary School received ongoing support from uMhlanga Sands and in 2017 the resort further assisted by donating and installing water tanks; building a school library; and supplying school reading books. The contribution of time and effort from staff assisting in the weekly reading programme at the school was ongoing. The reading programme was proving very beneficial for the pupils and feedback was continuously filtered through about how well the children were doing, even after leaving the school and going to high school.

Mr Seaman presented photographs of staff who were awarded the Living the Tsogo Sun Values and of staff attending various training sessions. The resort proudly celebrated the long service award of Mr Louis Blessing Mervia ("Blessing") who had been at the resort for 40 years and of Mr Krishna Pillay ("Reggie"), who had provided 42 years of service. Mr Seaman received a round of applause for his presentation.

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13 GENERAL

13.1 Legal Matters for the Share Block

The board had submitted an objection to the municipality's re-classification of the property from a residential categorisation to a commercial categorisation. This re-classification had consequently increased the property's rates and taxes from R2.2m to R4.2m per annum. The board argued that at least 70% of the building was for residential purposes, with the restaurants and shops for commercial purposes. A mixed-use category would best suit the property, to include both the residential portion and the commercial portion. The share block had joined forces with other timeshare entities that had undergone the same re-classification process and was jointly challenging the process with the municipality. This legal battle was ongoing for two years and while the municipality was now responding, the resort had undertaken the appeal process. The same attorney was acting on behalf of Umhlanga Sands Share Block and Cabana Beach Share Block.

A second legal matter involved the neighbouring property, Fleetwood-On-Sea and its major re-development plan. The board objected to the re-development as the due process had not been followed and the Share Block and/or management team had not been consulted for prior comment and/or approval. There was concern with the speed at which the plans had been applied and the permission granted through the channels. The grounds for the objection was that the planned re-development would block the sunlight as the sun set just behind the neighbouring property. During winter months, uMhlanga Sands would lose approximately two hours of sunshine over the family swimming pool area. Photographic evidence had been captured to record the impact over the winter period, without the increased height of the neighbouring property and footage was shown to show how guests already moved from the swimming pool area, as the afternoon shade was cast from approximately 12h00. The area of full sunlight became more crowded and between 14h00 to 16h00 and guests were shown to leave the area completely, when the shadow fell largely across the swimming pool and lawns. With the re-development of Fleetwood-On-Sea and proposed height of the new development, the shade would start encroaching from approximately 11h00 and encroach a lot further across the swimming pool area and lawns. This would therefore affect the enjoyment of the facilities. The municipality had advised that there was no appeal board in place to handle further objections. The chairman advised that the board, on behalf of the share block, was challenging the fact that an appeal against the interference and impact of shade could not be lodged. The share block had a good legal team acting on its behalf.

13.2 SHAREHOLDERS' CORRESPONDENCE

Mr Lennard Cowan had raised dissatisfaction with the noise generated by the entertainment team around the family swimming pool area. He had mentioned that this noise was a disturbance to other guests. He had also commented on the non-smoking policy at the resort and had enquired what management was doing to enforce the non-smoking policy. The chairman noted that Ms Sutton had provided Mr Cowan with a detailed response which had also been discussed by the board prior to this meeting. The house rules clearly stipulated that the property was a non-smoking property and a dedicated smoking area had been created to accommodate guests who wished to smoke. While most guests did abide by the rules, there were some who continued to smoke in their units. Management were mandated by the board to fine guests seen to be disobeying the house rule which was a charge of R1,000 to cover costs to clean the curtains and other items in the unit that may have absorbed the smoke and smell. Mr Kruger had offered to contact Mr Cowan to further discuss his concern and possible suggestion with regards to the non-smoking policy. The issue of noise around the swimming pool area did arise from time-to-time and management admits that, at times, the noise could be too loud. The identity of the resort however was "Kid is King" and the entertainment offering was all about the experience for children. Management would be sensitive to other guests and consider ways to tilt the speakers, soften the noise slightly and investigate other suggestions made.

Mr John Wewege had requested that the board; limit the budget to accommodate levy increases lower than inflation; consider a change in the audit firm; consider different tenants for the food and beverage facility; and he proposed alternating the AGM venue between uMhlanga and Johannesburg. The chairman advised that Ms Sutton had responded to Mr Wewege and a number of those issues had already been addressed by providing a breakdown of the budget and costs and showing how the levy increment had decreased over the past few years. The chairman was pleased to announce that the levy increment for the following year was agreed at only 4%. He noted that fantastic refurbishment programmes were conducted on the property and that the levy increase had been kept below inflation. The chairman complimented Mr McKillop and his team on good financial management for the Share Block. The board had considered alternating the AGM venue and it was agreed that the board at Cabana Beach be approached to propose holding an AGM on the same day in Johannesburg, to reduce costs of the Directors and supporting management team flying to Johannesburg and share the costs to hire a venue and provide catering there. Other share blocks had changed their AGM venues to Johannesburg but not much change in attendance and participation had been recorded. Notwithstanding, further investigation and consideration would be given to this suggestion. The chairman advised that the audit firm had in the last two years changed from PricewaterhouseCoopers Inc. ("PWC") to Grant Thornton. The chairman further advised that the food and beverage related lease agreements expired in the not too distant future and that management had been tasked to obtain proposals for consideration. The requirement was that the space must remain child-friendly, have a Halaal option and be a reliable tenant to cope with the volume of demand. The restaurants in the space must also reflect the new and modern changes made to the resort.

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14 RESULT OF THE POLL PROCESS

Having confirmed the results of the poll process, the chairman reported that the board of Directors of Umhlanga Sands Share Block for the ensuing year, consisted of Messrs Viljoen, Ridl, Ramsarup, Dickson, Kruger, McMillan and Lee. The chairman congratulated the two new Directors and wished them success in joining the board. The chairman stated that Ms Douglas and Mr Coetzee had served on the board for many years and he extended a motion of deep gratitude and a big thank you on behalf of uMhlanga Sands, for their time and the years that they had served. He requested that a special event be arranged to commemorate their service.

Mrs Douglas was very sad to leave after 27 years of devoted service but wanted to thank her co-Directors for allowing her to be on the board for as many years as she had. She thanked management and staff for the wonderful support that she had received. Mr Coetzee had served on the board for approximately 25 years and he stated that he had always known, from first purchasing timeshare at uMhlanga Sands Resort, that this property was better than anywhere else. He still believed today that uMhlanga Sands Resort was the best holiday place for visitors of all ages. The value received at uMhlanga Sands resort far exceeded other resorts, including international resorts he had visited. He mentioned that the board often had very serious decisions to make but that the board always worked as a team and the improvements over the years had been excellent for the property. Mr Coetzee thanked the board for the many years that he had served as a Director and he thanked the staff and everyone else that he had met over the many years for their kindness. He thoroughly enjoyed being a part of the board and proudly commented that he would continue his timeshare at the resort. Mr Coetzee loved the resort and hoped all continued to enjoy their holidays. The meeting applauded both Mrs Douglas and Mr Coetzee.

In terms of the appointment of the audit committee, the chairman proposed that Mr Ridl join the current audit committee of Mr Dickson and Mr Ramsarup for the ensuing year. He further proposed that the two new Directors, Ms McMillan and Mr Lee, join the current social and ethics committee with Mr Kruger. The chairman noted that he would step down as member of the social and ethics committee if he was to be chairman of the board. The chairman's proposed motion for the two committees was agreed and carried.

15 CLOSURE

There being no further business, the chairman extended a special thanks to all Directors and to Mr McKillop for leading a superb team over many years and for providing an exemplary service to the Share Block. The chairman thanked all for attending this AGM and declared the meeting closed at 14h52.

Read and confirmed this _____ day of _____ 2019.

CHAIRMAN