

# Drakensberg Sun Hotel

## Share Block Proprietary Limited

Registration No. 1967/007156/07

# Annual Report

for the year ended 31 December 2022



**Southern Sun**  
RESORTS

**Drakensberg Sun Hotel Share Block Proprietary Limited**  
**Annual Financial Statements**  
for the year ended 31 December 2022

**COMPANY INFORMATION**

Registration number:	1967/007156/07
Registered address:	Nelson Mandela Square 4th Floor, South Tower Corner 5th and Maude Streets Sandton 2196
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 Darren Park CA(SA), in his capacity as financial manager of Drakensberg Sun Hotel Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

# Drakensberg Sun Hotel Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2022

On behalf of the Board of Directors of Drakensberg Sun Hotel Share Block, and in my position as Chairman, I am honoured to provide feedback on the operations of the Company for the year 2022.

Despite ongoing challenges and tough economic times, the resort continues to provide shareholders, exchange and rental guests, with fantastic holiday experiences, and remains an amazing location at which to unwind and enjoy the clean air that the mountains have to offer. An accolade to hold very dear to our hearts is that Drakensberg Sun remains one of the most sought-after holiday destinations in Southern Africa, and I would like to thank my fellow Directors for their valued input, and the management team and staff of Southern Sun, who deliver a memorable holiday experience for all guests, week in and week out.

## Resort update

In many respects, 2022 was the year when things returned to normal. With the last of the Covid-19 restrictions being lifted, the resort welcomed back many of its guests who had not travelled since 2019. There was a notable increase in the number of shareholders occupying their units from the previous year, and it was also great to welcome many new exchange guests who visited the resort for the first time.

The planned projects and refurbishments commenced, starting with the much-anticipated upgrade of the apartments. A mock-up unit was completed in March 2022, with the fresh look and modern design addressing some of the age-old niggles about the adequacy of the size of the appliances and the aging furniture and décor. The mock-up was well received by those who were able to view it. Final approval of the project allowed for eight apartments to be refurbished and completed by September 2022. A further eight units are planned for 2023 and 2024 with the entire project expected to be completed by 2025.

I am delighted to report that the road from Winterton (R600) to the resort's turnoff has finally been repaired by the local municipality, making the drive a more pleasant experience when compared to previous years. While only quick fixes were done in the past, this time a more comprehensive fix was done that saw large sections of the road being completely re-surfaced. There are a few potholes from the turnoff towards the resort that remain unattended and management will continue to

apply pressure on the municipality to get this repaired as soon as possible. I would like to thank the management team for their perseverance to date in this regard.

Other projects completed in 2022 included:

- **Lightning protection** - With the resort having experienced several strikes in recent months it was necessary to carry out a complete upgrade of the lightning protection installation to minimise damage during strikes;
- **Dam scour valve** - During recent heavy rains the dam level needed to be dropped to prevent overflowing and flooding of the jetties. The main valve that controls the levels was inoperable due to rust, and had to be replaced;
- **Fire sprinkler system** - Many of the sprinkler heads and pipes had to be replaced to conform to the new national standards in fire protection;
- **Staff accommodation** - Phase two of the structural upgrade of the staff accommodation was completed, making the houses safe from rising damp and subsidence.

The safety of all on the property is of paramount concern and for this reason your Board and staff at the resort strongly discourage hikers going out onto the trails alone. As a matter of safety, you are also strongly requested to notify the entertainment desk as you leave the resort and to sign back in when you return. This safety precaution should be taken very seriously so that a search party will know where to look for you in the event of an unforeseen accident while you are out on a walk/hike. Please liaise with the staff to make your walk/hike an enjoyable and trouble-free experience.

## Financial position

Your Board closely reviews all income and expenditure, and much deliberation takes place at each meeting on how to further reduce expenditure and find ways to improve sources of income for the share block. It is an ongoing task for management to: improve and extend marketing channels to grow the sales and rentals of the apartments; work in conjunction with the chalets and hotel entity on the property for rentals and sales; approach current and new markets to attract entertainment, sporting events and other business to the area and, in turn, to our resort; and attractively package repossessed weeks for quicker resale so as to reduce the increasing list of repossessed weeks and outstanding levies.

# Drakensberg Sun Hotel Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2022

## Occupancy

Occupancy for 2022 increased to 81.9% (2021: 79.4%). Should you find yourself unable to utilise your timeshare week, please advise the resort as the week may be placed in short-term rental which would benefit both yourself and the share block. Alternatively, you could deposit your week with SunSwop for exchanges to other resorts, both locally and internationally.

## Financial results for the year ended 31 December 2022

The statement of comprehensive income as set out on page 13 of the annual financial statements reflects income and expenditure of the Company in a summarised format. The detailed levy fund operating statement, that is not audited and presented as supplementary information only, appears on pages 24 and 25 and will be referred to when I comment on the financial results for the year.

The statement of comprehensive income for the year 31 December 2022 reflects total income, including net finance income of R15.951m (2021: R15.062m) and total expenditure of R13.328m (2021: R9.704m). The levy surplus after taxation was R2.433m (2021: R5.206m) and this has been transferred to the reserve for property, plant and equipment.

Below is a more detailed review of variances in income and expenditure:

### Income

Total income increased by 6% year-on-year due to increases in rental pool, short-term rentals and higher interest rates.

### Expenditure

Total expenditure of R13.328m (2021: R9.704m) reflected an increase of 37% year-on-year. A detailed review of the expenditure is recorded below.

- **Rooms** increased by 22% compared to prior year due to increased housekeeping, laundry and entertainment costs;
- **Administration and general** increased by 136% year-on-year primarily due to an increase in the provision for repossessed units by R1.3m and the inclusion of R92k in respect of CSOS subscription fees for the period 2017 to 2022;

- **Electricity, water and refuse** increased by 44% due to more frequent episodes of load shedding and a higher consumption of diesel for the generator;
- **Repairs and maintenance** increased by 6%; and
- **Corporate charges** decreased by 9% year-on-year.

## Statement of financial position

The statement of financial position as detailed on page 14, together with the related notes thereto, reflects the financial position of the Company. The reserve for property, plant and equipment decreased to R11.729m (2021: R15.867m); fixed deposits held with bank decreased to R13.619m (2021: R18.544m); and levies receivable decreased to R897k (2021: R1.474m); while cash and cash equivalents increased to R1.515m (2021: R730k); and levies received in advance increased to R4.927m (2021: R4.271m).

During the 2022 year, the Company incurred capital expenditure of R6.571m (2021: R1.589m) in respect of the following major projects:

	R
• Unit refurbishment	5,248,518
• Generator	220,521
• New dam valve	167,979
• Electrical remedial work	153,894
• Boiler room upgrade	140,005
• Water storage upgrade	124,902
• Unit equipment	104,199
• Sprinkler units upgrade	99,500
• Cathkin staff accommodation upgrade	88,722
• All-purpose court upgrade	84,039

## Levy 2023

The 2023 annual levy budget increase was approved by the Directors and averages 6.12%. As always, the Directors examined each item of expenditure on a line-by-line basis and were satisfied that management had made every effort to ensure that cost increases were the minimum possible, but without affecting the standards and facilities enjoyed by all guests of Drakensberg Sun.

The 2023 levies inclusive of VAT are as follows:

	Standard	High
Trout	R8,670 (2022: R8,170)	R10,410 (2022: R9,810)
Otter	R10,410 (2022: R9,810)	R12,490 (2022: R11,770)
Bass	R12,140 (2022: R11,440)	R14,570 (2022: R13,730)

# Drakensberg Sun Hotel Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2022

## Vacation ownership association of Southern Africa ("VOASA")

For new shareholders and as a reminder to all, 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 commits to ongoing growth in the timeshare industry in a positive and organised manner. The Company remains a member of VOASA.

## Surrounding developments

I confirm that neither I, your Board, nor management is aware of any new land claims having been lodged, or any advancement regarding any existing claims.

## Other business

Shareholders can be assured that our share block is well run and strongly supported by Southern Sun. I am confident that the Directors, shareholders and guests will continue to receive the attention to detail and great service provided at our superb resort.

## Conclusion

Our share block is financially sound and well managed. Our staff continually go the extra mile for us and our guests and I would like to thank each staff member for their friendliness, willingness and enthusiasm in all that they do.

I extend my sincere thanks and appreciation to my fellow Directors and to the Southern Sun management team for their professionalism, time, knowledge and guidance this past year.

As an opportunity to further discuss or debate various issues, I welcome you all to attend our AGM. Should you find yourself unable to attend, please complete and return the form of proxy enclosed in this annual report on page 5.

I wish you all a prosperous and more successful year ahead.



A handwritten signature in black ink, appearing to read 'P. Pienaar', written in a cursive style.

**Peter Pienaar**  
Chairman

**Drakensberg Sun Hotel Share Block  
Proprietary Limited**  
Registration Number: 1967/007156/07  
("the Company")

Registered Office  
Nelson Mandela Square  
4th Floor, South Tower  
Cnr 5th and Maude Streets  
Sandton 2196

Private Bag X200, Bryanston, 2021  
Telephone (031) 366 7061  
Facsimile (086) 765 2272  
**Resorts.companysecretarialservices@southern.sun.com**

Notice is hereby given to the shareholders of the Company that the Annual General Meeting ("AGM") of the Company will be held on **Thursday, 14 September 2023 at 12h00 at uMhlanga Sands Resort, 44 Lagoon Drive, uMhlanga**, for the purpose 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 2022 together with the reports of the Directors, the independent auditors thereon and further to receive the reports of the audit committee and of the social and ethics committee contained in the annual report of the Company for the financial year ended 31 December 2022, and tabled at the meeting at which this resolution was proposed.

**2. Appointment of auditors**

Ordinary resolution 2: Resolved as an ordinary resolution upon the recommendation of the Board of Directors that BDO South Africa Incorporated ("BDO") be and are hereby re-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"). In terms of clause 21.1 of the MOI, at each AGM all Directors representing the 'C' class shareholders shall retire. The Chairman and Directors representing the 'A', 'B', 'D', 'E' and 'F' shareholders shall remain in office until they resign or become disqualified from holding office. The 'C' class shareholders shall be entitled to appoint three Directors. **It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the 'C' class shareholders be received by no later than 12h00 on Tuesday, 12 September 2023 at the registered office of the Company or email address. Nominations must be in writing with the name of the proposer and seconder and be accompanied by the acceptance of such nomination by the nominee and their curriculum vitae ("CV").**

Ordinary resolution 3.1: Resolved as an ordinary resolution that Ms Louise McMillan who 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 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; and

Ordinary resolution 3.3: Resolved as an ordinary resolution that Mr Anthony Ridl who retires in terms of the Company's MOI and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

**4. Appointment of audit committee**

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

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

**5. Insured value of the property**

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

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

Special resolution 1: ***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 years. Section 66(12) requires that any particular Director appointed to more than one committee of the Company, be calculated only once. Directors will be entitled to be paid attendance fees/emoluments in respect of the above period.

It is noted that an amount of R4,240 for non-executive Directors' fees was approved at the previous AGM for the year until 14 September 2023. Resolved as a special resolution the fees remain unchanged at R4,240 (vat payable, to the extent applicable to this remuneration) payable to the non-executive Directors of the Company for their services as Directors of the Company and as members of sub-committees, per meeting or cluster of meetings in respect of the period from 15 September 2023 until the next AGM of the Company, and tabled at the meeting at which this resolution was proposed, be and is hereby approved.

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 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 business day, to Friday, 15 September 2023 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 Thursday, 7 September 2023.**

Any shareholder entitled to attend and vote is entitled to appoint a proxy to attend, vote and speak in his/her stead and such proxy need not be a shareholder of the Company. **Forms of proxy should be forwarded to reach the registered office of the Company for the attention of the company secretary, by no later than 12h00 on Tuesday, 12 September 2023. A form of proxy is enclosed on page 5 for this purpose.**

**By order of the Board  
Southern Sun Secretarial Services Proprietary Limited  
9 May 2023**

**Drakensberg Sun Hotel Share Block Proprietary Limited**  
 Registration Number: 1967/007156/07  
 ("the Company")

Registered Office  
 Nelson Mandela Square  
 4th Floor, South Tower  
 Cnr 5th and Maude Streets  
 Sandton 2196

Private Bag X200, Bryanston, 2021  
 Telephone (031) 366 7061  
 Facsimile (086) 765 2272  
**Resorts.companysecretarialservices@southernsun.com**

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Thursday, 14 September 2023 at 12h00, at uMhlanga Sands Resort, 44 Lagoon Drive, uMhlanga.**

**Form of proxy**

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

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

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

	In Favour Of	Against	Abstain
<b>Ordinary resolution 1:</b> Receipt and adoption of annual financial statements and reports - Year ended 31 December 2022			
<b>Ordinary resolution 2:</b> Appointment of auditors			
<b>Ordinary resolution 3:</b> Election of Directors			
3.1 Louise McMillan			
3.2 Ajith Ramsarup			
3.3 Anthony Ridl			
<b>Ordinary resolution 4:</b> Appointment of audit committee			
4.1 Ajith Ramsarup			
4.2 Anthony Ridl			
<b>Ordinary resolution 5:</b> Approval of Insured value of property			
<b>Special resolution 1:</b> Non-executive Directors' fees (R4,240)			

Signed at ..... this ..... day of ..... 2023.

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

Unless otherwise instructed specifically as above, the form of proxy will vote as the appointee deems fit.

Any alteration or correction made to this form of proxy (excluding the deletion of alternatives and excluding the deletion of singular/plural alternatives) must be initialled by the signatory/ies. **Documentary evidence establishing the authority of a person signing this form of proxy in an appointee/representative capacity (e.g. on behalf of a company, close corporation, body corporate or trust) must be attached to this form, failing which the proxy will be invalid.**

The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms thereof should such shareholder wish to do so. Any shareholder entitled to attend and vote is entitled to appoint a proxy to attend, vote and speak in his/her stead and such proxy need not be a shareholder of the Company.

**Forms of proxy should be forwarded to reach the registered office of the Company for the attention of the company secretary, by no later than 12h00 on Tuesday, 12 September 2023.**



# Drakensberg Sun Hotel Share Block Proprietary Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2022

The Directors and management are responsible for the preparation, integrity and fair presentation of the annual financial statements of Drakensberg Sun Hotel Share Block Proprietary Limited. The annual financial statements presented on pages 13 to 23 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the South African Companies Act 71, of 2008.

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

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, BDO South Africa Incorporated, audited the annual financial statements and their report is presented on pages 11 to 12.

## Approval of annual financial statements

The annual financial statements set out on pages 13 to 23 were approved by the Directors on 9 May 2023 and are signed by:



**PM Pienaar**  
Chairman



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

## Declaration by the company secretary

I hereby confirm in my capacity as company secretary of Drakensberg Sun Hotel Share Block Proprietary Limited, that for the year ended 31 December 2022, the Company has filed all required returns and notices in terms of the South African Companies Act 71, of 2008, and that all such returns and notices are to the best of my knowledge and belief, true, correct and up to date.



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

# Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Audit Committee for the Year Ended 31 December 2022

The audit committee has pleasure in submitting this report as required by section 94 of the South African Companies Act 71, of 2008 ("Companies Act"). The audit committee is an independent statutory committee appointed by the shareholders at each annual general meeting ("AGM").

## 1. Members of the audit committee

The members of the audit committee comprise two Directors being myself as Chairman and Mr Anthony Ridl as well as a Director of Drakensberg Sun Chalets Share Block Proprietary Limited, Mr Brent Dickson.

## 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 meetings by invitation.

## 4. Duties of the audit committee

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

- 4.1 evaluating the independence and effectiveness of the external auditors, the fees and terms of engagement;
- 4.2 ensuring that the appointment of the audit firm complies with the provision of the 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 auditors may provide to the Company;
- 4.5 reviewing of prospective accounting standards' changes;
- 4.6 evaluating financial reporting procedures;
- 4.7 reviewing of and recommending to the Board for approval, the annual financial statements;
- 4.8 assessing of the internal control environment, particularly in relation to the systems 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 is satisfied that the external auditors are independent of the Company as set out in section 94(8) of the Companies Act. Requisite assurance is provided by the auditors that internal governance processes within the audit firm both support and demonstrate its claim to independence.



**AB Ramsarup**  
Chairman  
9 May 2023

# Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2022

The social and ethics committee ("the committee") of Drakensberg Sun Hotel Share Block Proprietary Limited is a statutory committee that is governed by the South African Companies Act 71, of 2008, guided by King IV, and the responsibilities allocated to it by the Board.

## Role of the committee

The committee's responsibilities include monitoring the Company's activities with regards to social and economic development; good corporate citizenship; environment, health and public safety; consumer relationships; as well as labour and employment.

## Social and economic development

The committee endeavors to assist organisations and initiatives in its local community. The uMfolozi Crèche continues to be the committee's main beneficiary for support and donations and I am proud to share that the affiliation has shown great success and progress over the last 9 years. The committee has completed various building works that has given the young children access to proper ablution facilities, electricity, and a school environment more conducive to the learning and education system. The committee remains committed to ongoing support of the creche.

The hiking trails on the property have been awarded the much-coveted green flag status. We are extremely proud to market this as the accreditation provides public recognition for trails that are engaged in long-term responsible management, accuracy of information along the route and which are environmentally accountable in the interests of the public.

## Corporate citizenship

The committee has a strong regard for corporate citizenship that highlights its social, cultural, environmental responsibility and sustainability of the initiative. Local corporate social investment initiatives are supported generally through donations of time and written-off operating equipment. Some local organisations in turn recycle and/or reuse the donated items for the benefit of its beneficiaries.

## Environmental health and public safety

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

The resort collaborates with Working with Water, a government appointed organisation that strives to eradicate all alien and invasive plants in the area. Space has been provided on the property for the establishment of a nursery to cultivate indigenous plants that are used to replace the alien plants both on the property and in the surrounding area.

The resort contracts with Waste.co, that responsibly manages the resort's waste recycling programme. General waste is disposed of in a licensed landfill site and glass, cans, plastic, paper and cardboard is sorted and recycled through other reputable companies.

A 24-hour medical assistance service is available to all staff and guests of Drakensberg Sun. This service offers medical advice and responds to medical emergencies, incidents of violence, fire emergencies, incidents of flooding and other natural disasters.

The organisational resilience management system ("ORMS"), implemented by Southern Sun throughout all of its properties, is a comprehensive recording system for data and statistics relating to fire protection, safety, security, business continuity, environmental impact, risk analysis and the impact that these have on the business. ORMS is audited internally by staff on a quarterly basis and annually, by Southern Sun.

## Guest relations and correspondence

The committee and the resort values guest feedback to help shape and improve service delivery as well as business operations. In addition to the very important personal and face-to-face guest interaction, an electronic guest satisfaction reporting system, GuestRevu, reports on all areas of operation and this is monitored to measure service delivery. Tripadvisor, Google Review and RCI are also platforms monitored to measure service delivery.

## Labour and employment relations

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

Employees are the resort's most valuable asset. Training and development programmes are continuously offered for all level of duties, to both improve an employee's self-confidence and to offer opportunities for an employee to achieve their full potential. The internal training programmes are generally run by Southern Sun.

The resort is linked to the BBBEE rating of the Southern Sun Group that proudly holds a level one BBBEE status.

## Strategic issues

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

## Composition and functioning

The committee is a combined membership, comprised of Directors from both the Drakensberg Sun Chalets and the Drakensberg Sun Hotel Share Block Boards, that hold comprehensive meetings twice a year. The members include myself, Ms Samantha Croft, Mr Peter Pienaar, Mr Johannes ("John") van Rooyen and Mr Pranesh Sukhdeo, the resort's general manager. Resort employees assist greatly with the committee's activities and are always welcome to attend a meeting.

## Activities of the committee

The committee ensures that the resort's environmental programme has a focused approach to energy, water, and waste management. Energy and water consumption is monitored through a live tracking software, that records consumption levels through a series of online meters. The system alerts management when consumption occurs outside of the designated and set target areas and management is then able to proactively address any anomalies before wastage can occur. The system allows for the tracking of trends and places emphasis on using the resort's resources during optimal periods of the day. The implementation of this management resource has contributed greatly to savings in the resort's usage of utilities and contributing costs.

The goal of the committee for the year ahead is to maintain its commitment to training and development of employees, expand its recycling initiatives, and to improve its outreach programme to the local community.

The resort continues to be a well-loved destination, underpinned by an ethos of sustainability, environmental consciousness, and most importantly, its investment in people.



**Louise McMillan**  
Chairperson

# Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2022

The Directors present their annual report of the Company for the year ended 31 December 2022.

## 1 Business activity

The Company owns the land and buildings known as Drakensberg Sun Resort that comprises a hotel and an apartment timesharing scheme. The apartments are utilised by the "C" class shareholders on a timeshare basis with shareholders' time interest being apportioned through the issue of shares according to share block regulations. These regulations provide for the following:

1. Shares are issued in predefined blocks that 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 shareholders to make loans to the Company; and
3. Obligations on share block shareholders to contribute levies to enable the Company to defray its expenditure.

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

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

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

## 2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act and in common with other timeshare operations in South Africa, 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 R2,432,830 (2021: R5,206,009) was transferred to the reserve for property, plant and equipment.

No dividend has been declared during the year and none are recommended (2021: R Nil).

## 3 Share capital

The authorised and issued share capital has remained unchanged.

## 4 Insurance

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

## 5 Directors and secretary

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

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

PJ Boshoff	(Alternate SJ Croft)
DA Park	
PM Pienaar	Chairman
P Sukhdeo ^	

# Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Directors for the Year Ended 31 December 2022

## Representing "C" class shareholders

LE McMillan ^  
AB Ramsarup \*  
AN Ridl \* (Alternate MN Ridl)

\* Audit committee members

^ Social and ethics committee members

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

<b>Business:</b>	<b>Postal:</b>
Nelson Mandela Square	Private Bag X200
4th Floor, South Tower	Bryanston
Corner 5th and Maude Streets	2021
Sandton	
2196	

## 6 Management

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

## 7 Material events after year-end

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

# Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Independent Auditors

**To the shareholders of Drakensberg Sun Hotel Share Block Proprietary Limited**

## **Opinion**

We have audited the financial statements of Drakensberg Sun Hotel Share Block Proprietary Limited (the company) set out on pages 13 to 23, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Drakensberg Sun Hotel Share Block Proprietary Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

## **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 information included in the document titled "Drakensberg Sun Hotel Share Block Proprietary Limited Annual Report for the year ended 31 December 2022", which includes the Declaration by the Company Secretary, Report of the Audit Committee, Report of the Social and Ethics Committee and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

## **Responsibilities of the Directors for the Financial Statements**

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

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

# Drakensberg Sun Hotel Share Block Proprietary Limited

Report of the Independent Auditors

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

*BDO South Africa Inc*

### **BDO South Africa Incorporated**

Registered Auditors

#### **Leanne Laxson**

Director

Registered Auditor

18 July 2023

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

# Drakensberg Sun Hotel Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 R	2021 R
<b>Income</b>		<b>15 099 701</b>	14 383 943
Levy income		14 635 045	14 140 700
Other income		464 656	243 243
<b>Expenses</b>		<b>(13 328 425)</b>	(9 704 385)
Levy surplus before interest and taxation	3	1 771 276	4 679 558
Finance income	4	851 782	677 637
Levy surplus before taxation		2 623 058	5 357 195
Income tax expense	5	(190 228)	(151 186)
<b>Levy surplus for the year</b>		<b>2 432 830</b>	5 206 009

# Drakensberg Sun Hotel Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2022

	Note	2022 R	2021 R
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	6	3 432 731	2 302 131
Levies receivable	10	896 650	1 474 417
Fixed deposits held with bank	11	13 618 848	18 544 317
Cash and cash equivalents	12	1 514 646	729 782
<b>Total current assets</b>		<b>19 462 875</b>	<b>23 050 647</b>
<b>Total assets</b>		<b>19 462 875</b>	<b>23 050 647</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	9	6 500	6 500
Reserve for property, plant and equipment	7	11 728 585	15 866 623
<b>Total equity</b>		<b>11 735 085</b>	<b>15 873 123</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	2 612 012	2 607 937
Levies received in advance	13	4 927 224	4 271 100
Current tax liability		188 554	298 487
<b>Total current liabilities</b>		<b>7 727 790</b>	<b>7 177 524</b>
<b>Total liabilities</b>		<b>7 727 790</b>	<b>7 177 524</b>
<b>Total equity and liabilities</b>		<b>19 462 875</b>	<b>23 050 647</b>

## Statement of Changes in Equity for the Year Ended 31 December 2022

	Note	2022 R	2021 R
<b>Share capital</b>			
Ordinary shares at the beginning of the year and at year-end	9	6 500	6 500
<b>Reserve for property, plant and equipment</b>			
At the beginning of the year		15 866 623	12 249 890
Levy surplus for the year		2 432 830	5 206 009
Property, plant and equipment additions and replacements during the year	7	(6 570 868)	(1 589 276)
At year-end		11 728 585	15 866 623

# Drakensberg Sun Hotel Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2022

	2022 R	2021 R
<b>Cash flow from operating activities</b>		
Levy surplus before taxation	2 623 058	5 357 195
Adjustments for		
Interest received	(851 782)	(677 637)
Net surplus before working capital changes	1 771 276	4 679 558
Changes in working capital		
Movement in levies receivable	577 767	(404 009)
Movement in trade and other receivables	(1 130 600)	(958 678)
Movement in levies received in advance	656 124	830 005
Movement in trade and other payables	4 075	(136 913)
Cash flows from operating activities	1 878 642	4 009 963
Interest received	851 782	677 637
Tax paid	(300 161)	-
Net cash inflow from operating activities	2 430 263	4 687 600
<b>Cash flow from investing activities</b>		
Property, plant and equipment additions and replacements	(6 570 868)	(1 589 276)
Movement in fixed deposits held with bank	4 925 469	(3 476 715)
Net cash outflow from investing activities	(1 645 399)	(5 065 991)
<b>Net movement in cash and cash equivalents</b>	784 864	(378 391)
Cash and cash equivalents at the beginning of the year	729 782	1 108 173
<b>Cash and cash equivalents at year-end</b>	<b>1 514 646</b>	<b>729 782</b>

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

## 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 assumptions and estimates were significant to the annual financial statements.

### 1.2 Reserve for property, plant and equipment

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

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

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

### 1.3 Leases

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

### 1.4 Financial instruments

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

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

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

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

### 1.5 Cash and cash equivalents

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

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

## 1.6 Revenue recognition

Revenue is stated exclusive of value-added tax.

Levy revenue is recognised when the right to occupation arises.

Special levy revenue is recognised when raised.

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

Sundry revenue is recognised when it is earned.

## 1.7 Provisions

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

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

## 1.8 Equity

Ordinary shares are classified as equity.

## 1.9 Current taxes

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

## 1.10 Retirement benefits

The Company participates in two defined contribution plans, the assets of which are held in a separate trustee-administered fund. The Company pays fixed contributions into a separate entity. Contributions are charged to the statement of comprehensive income in the year to which they relate. The Company has no further payment obligations once the contributions have been paid. The Pension Fund Act of South Africa governs the defined contribution plans. All permanent employees are required to belong to the defined contribution plans.

## 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 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 Directors. This plan provides for the orderly refurbishment of the property and maintenance of sufficient contingency reserves, based on increases in annual levies.

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

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

## **Credit risk**

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

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

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

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

## **Interest rate risk**

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

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

	2022 R	2021 R
<b>3 Levy surplus before interest and taxation</b>		
The levy surplus before interest and taxation is stated after taking into account the following:		
Employee costs		
Salaries, wages and benefits	3 485 812	2 656 011
Contributions to retirement funds	140 464	(1 440)
Management fees	1 009 915	965 888
Audit fees	81 243	82 135
Internal audit fees	-	131
Other operating expenses	8 610 991	6 001 660
	<b>13 328 425</b>	<b>9 704 385</b>
<b>4 Finance income</b>		
Interest income earned on fixed deposits, call deposits and current account	<b>851 782</b>	<b>677 637</b>
<b>5 Income tax expense</b>		
Provision is made for Company taxation on the net non-levy income of the "C" class levy fund.		
No tax is payable on levy income from the shareholders in terms of section 10(1)(e) of the Income Tax Act.		
Current year	<b>188 554</b>	151 186
Prior year under provision	<b>1 674</b>	-
	<b>190 228</b>	<b>151 186</b>
A reconciliation of the tax charge is not considered appropriate as share block companies are only liable for tax on their net non-levy income.		
<b>6 Trade and other receivables</b>		
Trade and other receivables (refer note 15)	<b>60 553</b>	225 926
Prepayments (refer note 15)	<b>1 732 925</b>	1 737 388
Interest receivable	<b>116 406</b>	111 223
Receiver of Revenue - Vat	<b>1 522 847</b>	227 594
	<b>3 432 731</b>	<b>2 302 131</b>
<b>7 Reserve for property, plant and equipment</b>		
At the beginning of the year	<b>15 866 623</b>	12 249 890
Levy surplus for the year	<b>2 432 830</b>	5 206 009
	<b>18 299 453</b>	17 455 899
Property, plant and equipment additions and replacements during the year	<b>(6 570 868)</b>	(1 589 276)
At year-end	<b>11 728 585</b>	15 866 623

The Directors have reviewed a forward estimate, prepared by management, of the costs of property, plant and equipment additions and replacements over the next 10 years.

The Directors have approved capital expenditure for 2023 of R9,545,354 (2021: budgeted capital expenditure of R8,205,516 approved for 2022) which is anticipated to decrease the budgeted surplus in the reserve fund by R5,867,494 (2021: decrease the budgeted surplus by R4,735,828 in 2022). There were capital commitments made for R2,608,574 at year-end (2021: R173,806).

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

	2022 R	2021 R
<b>8 Trade and other payables</b>		
Trade payables	277 021	164 436
Accruals (refer note 15)	377 761	191 036
Provision for auditors' remuneration	81 243	81 030
Sundry payables (refer note 15)	304 564	99 251
Drakensberg Sun Hotel Proprietary Limited (refer note 15)	1 571 423	2 072 184
	<b>2 612 012</b>	<b>2 607 937</b>
<b>9 Share capital</b>		
<b>Authorised and issued</b>		
33,360 - "A" class ordinary shares of 1 cent each	334	334
33,360 - "B" class ordinary shares of 1 cent each	334	334
72,228 - "C" class ordinary shares of 1 cent each	722	722
7,344 - "D" class ordinary shares of 1 cent each	73	73
3,000 - "E" class ordinary shares of 1 cent each	30	30
500,708 - "F" class ordinary shares of 1 cent each	5 007	5 007
	<b>6 500</b>	<b>6 500</b>

## Voting rights

The shares have equal voting rights.

## Dividends

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

## "E" class shares

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

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

## "C" class shares

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

## Winding-up

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

The balance available for distribution will be distributed as follows:

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

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

	2022 R	2021 R
<b>10 Levies receivable</b>		
Levy debtors	606 841	666 386
Reposessed debtors	2 221 894	1 263 737
Provision for reposessed debtors	(1 932 085)	(455 706)
Opening balance	(455 706)	(260 377)
Movement	(1 476 379)	(195 329)
	<b>896 650</b>	<b>1 474 417</b>
<b>11 Fixed deposits held with bank</b>		
Fixed deposits held with bank	<b>13 618 848</b>	<b>18 544 317</b>
<b>12 Cash and cash equivalents</b>		
Bank balances	<b>1 514 646</b>	<b>729 782</b>
<b>13 Levies received in advance</b>		
Levies received in advance	<b>4 927 224</b>	<b>4 271 100</b>

Shareholders are billed 12 months in advance. This represents levies received in advance (for the future year) that have been received at the end of the financial year.

## 14 Property, plant and equipment

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

Land and buildings comprise the following property:

The remainder of Sub 4 of the farm Driefontein No. 1389, Development Area of Driefontein, KwaZulu Natal, and the farm Stijlberg No. 7283, County of Weenen, KwaZulu Natal.

Land and buildings were originally purchased for R22,052,939 and are not recognised because although the Company has legal title to the property it effectively only owns the bare dominium over the property that is considered to be of no value. The property is currently valued by the municipality at R68,182,000 for rates purposes. There are no bonds on the property.

The holders of the "F" class shares have an option to purchase a portion of the land and buildings for R14,400,000.

## 15 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 rentals	64 297	23 776
Rental pool	27 602	6 739
Management fee	1 009 915	965 888
Central accounting and levy collection	247 619	236 864

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

	2022 R	2021 R
<b>15 Related party transactions (continued)</b>		
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	(727)	(1 415)
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	(886)	(8 365)
Secretarial fees on repossessed debtors and use agreement fees - SRMS	17 791	16 643
During the financial year the Company paid the following fees to SunSwop (a division of SSHI), which is affiliated to RCI:		
Fees for points on weeks affected by Covid-19	-	(116 380)
During the financial year the Company paid the following SSHI internal charges:		
Administration - Information technology, procurement, etc	208 477	149 947
Most costs of the Drakensberg Sun Resort, including costs in terms of contracts negotiated on behalf of members of the Southern Sun Group, are initially incurred by Drakensberg Sun Hotel Proprietary Limited. The portion of costs applicable to the Company is recovered via a current account. The balance of the current account is as follows:		
Amount owing (to)/from SSHI and its subsidiaries:		
Included in accruals (refer note 8)	-	(64 465)
Included in sundry payables (refer note 8)	(96 481)	(7 920)
Owing to Drakensberg Sun Hotel Proprietary Limited (refer note 8)	(1 571 423)	(2 072 184)
Included in trade and other receivables (refer note 6)	16 235	32 045
Included in prepayments (refer note 6)	46 303	-
	<b>(1 651 669)</b>	<b>(2 112 524)</b>
Balances due (to)/by the following entities, related through common directorship, is as follows:		
Drakensberg Sun Chalets Share Block Proprietary Limited - included in trade and other receivables (refer note 6)	4 930	106 705

	Number of units	Levies paid R	Levies received in advance R
SSHI owns units in the Company as follows:			
SunSwop (a division of SSHI) - 2022 shareholding	19	199 070	64 170
SunSwop (a division of SSHI) - 2021 shareholding	19	189 440	60 470

# Drakensberg Sun Hotel Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2022

	Number of units	Levies paid R	Levies received in advance R
--	-----------------	------------------	------------------------------------

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

## 2022 - shareholding

AB Ramsarup - The Leisure Holiday Club	469	4 608 800	2 026 370
AN Ridl - Club Leisure Group	102	1 107 630	528 730

## 2021 - shareholding

AB Ramsarup - The Leisure Holiday Club	469	4 386 030	1 137 790
AN Ridl - Club Leisure Group	119	1 601 620	791 500

## 16 Directors' emoluments

For their services to the Company, the Directors have been remunerated an agreed upon fee per meeting attended and 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 negligence, default, breach of duty or breach of trust.

	2022 R	2021 R
Directors' emoluments paid for the year:		
LE McMillan	8 480	8 480
AB Ramsarup	8 480	8 480
AN Ridl	8 480	8 480
	<b>25 440</b>	<b>25 440</b>

# Drakensberg Sun Hotel Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements  
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2022

	2022 R	2021 R
<b>INCOME</b>		
Levies	14 635 045	14 140 700
Rental pool	93 254	45 478
Sale of capital assets	25 261	-
Short-term rentals	328 994	163 941
Net non-levy income		
- telephone, rentals, sundry recoveries and penalties	17 147	33 824
	<b>15 099 701</b>	<b>14 383 943</b>
<b>EXPENDITURE</b>		
<b>Rooms expenses</b>		
Cleaning supplies	49 404	40 500
Guest entertainment - DSTV, outside services, videos, cocktails, games and prizes	527 340	398 174
Guest supplies	105 852	96 830
Laundry	583 918	428 245
Personnel costs - outside services	1 363 949	1 085 953
Pest control	6 677	4 289
Printing and stationery, including reception	111 591	99 459
Replacement of cutlery, crockery, linen, towels, uniforms etc	47 140	54 515
Security services	710 848	674 035
	<b>3 506 719</b>	<b>2 882 000</b>
<b>Administration and general</b>		
Auditors remuneration		
- current year	81 243	82 135
Bank charges	2 866	2 610
Central accounting and levy collection fees	247 619	236 864
Credit card commission	26 624	28 032
Directors' emoluments	25 440	25 440
Information technology costs	472 735	499 362
Insurance		
- premium	95 633	80 095
- excess	52 500	-
Internal audit fees	-	131
Licences and permits	16 398	12 897
Professional fees	8 201	22 416
Provision for repossessed debtors	1 476 379	195 329
Railage, cartage and hire transport	9 446	2 930
SunSwop exchange service	-	(116 380)
Subscriptions/marketing	118 996	5 674
Telephone	35 116	33 301
Travel - management and Directors	12 820	28 271
Vehicles - fuel and oil	41 175	13 388
	<b>2 723 191</b>	<b>1 152 495</b>
<b>Electricity and refuse</b>		
Electricity	1 121 796	766 368
Refuse	75 152	62 028
	<b>1 196 948</b>	<b>828 396</b>

# Drakensberg Sun Hotel Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements  
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2022

	2022 R	2021 R
<b>Repairs and maintenance</b>		
Buildings	28 876	28 673
Electrical and mechanical	150 299	159 611
Furniture and fixtures	47 483	116 915
Gardens and grounds	633 126	464 521
General maintenance	102 132	89 068
Painting and redecorating	31 293	11 872
Plumbing and heating	33 130	66 768
Suncare	42 155	68 122
	<b>1 068 494</b>	<b>1 005 550</b>
<b>Corporate charges</b>		
Annual report and statutory costs	17 282	21 938
Furniture and equipment leases	11 780	2 618
Municipal rates and taxes	167 820	190 929
	<b>196 882</b>	<b>215 485</b>
<b>Personnel costs</b>		
Rooms	1 111 316	879 540
Administration and general	1 739 893	1 248 200
Repairs and maintenance	775 067	526 831
	<b>3 626 276</b>	<b>2 654 571</b>
<b>Management fee</b>	<b>1 009 915</b>	<b>965 888</b>
<b>Total expenditure</b>	<b>13 328 425</b>	<b>9 704 385</b>
Excess of income over expenditure before finance income and taxation	<b>1 771 276</b>	<b>4 679 558</b>
<b>Finance income</b>		
Interest received	851 782	677 637
Excess of income over expenditure before taxation	<b>2 623 058</b>	<b>5 357 195</b>
<b>Taxation</b>		
Current	188 554	151 186
Prior year under provision	1 674	-
	<b>190 228</b>	<b>151 186</b>
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	<b>2 432 830</b>	<b>5 206 009</b>

# Drakensberg Sun Hotel Share Block Proprietary Limited

## MINUTES OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2021 HELD ON THURSDAY 13 OCTOBER 2022 AT 12H00 IN COCO'S BAR AT UMHLANGA SANDS RESORT UMHLANGA

### 1 WELCOME AND PREAMBLE

The Chairman of the Company Mr Peter Pienaar welcomed all shareholders in attendance, both in person and online through the Microsoft Office Teams platform. He introduced his fellow Directors representing the "A", "B", "D", "E" and "F" class shareholders: Mr Jacobus ("Jaco") Boshoff; Mr Pranesh Sukhdeo; and Mr Darren Park. Ms Samantha Croft had tendered her apologies as she was traveling overseas.

The Chairman then introduced his non-executive Directors representing the "C" class shareholders: Ms Louise McMillan; Mr Anthony Ridl; and Mr Johannes ("John") van Rooyen. Mr Ajith Ramsarup had tendered his apologies as he was traveling to attend another meeting.

Members of the senior management team and company secretariat team were present.

### 2 QUORUM

A number of shareholders had tendered their apologies for the meeting and had submitted their forms of proxy for voting purposes. The Chairman noted that 28,448 ordinary shares were represented in person or by proxy at the start of this meeting, and that this constituted a quorum of approximately 42.51% of the Company's issued share capital. With the required quorum being present the Chairman declared the meeting duly constituted.

### 3 NOTICE OF MEETING

All shareholders present consented that the notice of meeting dated 10 May 2022 be taken as read.

### 4 VOTING

The Chairman informed the meeting that voting on the resolutions would be conducted by means of a show of hands. For the resolutions to be carried 50% of total votes exercised must be in favour of an ordinary resolution and 60% of total votes exercised must be in favour of a special resolution.

### 5 ADOPTION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

#### ORDINARY RESOLUTION 1

Ordinary resolution 1 as set out in the notice convening the meeting, related to the receipt and adoption of the annual financial statements and accompanying reports contained in the annual report of the Company for the financial year ended 31 December 2021. No questions or comments were recorded, and it was unanimously RESOLVED that the annual financial statements for the year ended 31 December 2021 be and were hereby approved and adopted.

### 6 APPOINTMENT OF AUDITORS - BDO SOUTH AFRICA INCORPORATED ("BDO")

#### ORDINARY RESOLUTION 2

Ordinary resolution 2 related to the appointment of BDO as the independent auditors of the Company until conclusion of the next AGM of the Company. It was unanimously RESOLVED that BDO be and was hereby re-appointed as the independent auditors of the Company.

### 7 DIRECTORS

In terms of the Company's memorandum of incorporation ("MOI"), the "C" class shareholders are entitled to appoint 3 Directors. Directors representing the "C" class shareholders who retired at this meeting were eligible and available for re-election. No additional nominations had been received.

#### 7.1 ORDINARY RESOLUTION 3.1

Ordinary resolution 3.1 related to the election of Ms Louise McMillan as a Director. It was unanimously RESOLVED that Ms McMillan be and was hereby re-elected as a Director of the Company.

#### 7.2 ORDINARY RESOLUTION 3.2

Ordinary resolution 3.2 related to the election of Mr Ajith Ramsarup as a Director. It was unanimously RESOLVED that Mr Ramsarup be and was hereby re-elected as a Director of the Company.

# Drakensberg Sun Hotel Share Block Proprietary Limited

## 7.3 ORDINARY RESOLUTION 3.3

Ordinary resolution 3.3 related to the election of Mr Anthony Ridl as a Director. It was unanimously RESOLVED that Mr Ridl be and was hereby re-elected as a Director of the Company.

## 8 APPOINTMENT OF AUDIT COMMITTEE

In terms of the Company's MOI, the Company is required at each AGM to elect an audit committee comprising at least 3 members. The audit committee of the Company combined its meetings with the audit committee of Drakensberg Sun Chalets Share Block and as such, the members were joined by Mr Brent Dickson who is a Director of Drakensberg Sun Chalets Share Block. While an audit committee required 3 non-executive Directors to serve on the committee, with Mr Dickson's appointment, it was only necessary to appoint 2 committee members at this meeting.

### 8.1 ORDINARY RESOLUTION 4.1

Ordinary resolution 4.1 related to the election of Mr Ajith Ramsarup as a member of the Company's audit committee. It was unanimously RESOLVED that Mr Ramsarup be and was hereby re-elected as a member of the Company's audit committee.

### 8.2 ORDINARY RESOLUTION 4.2

Ordinary resolution 4.2 related to the election of Mr Anthony Ridl as a member of the Company's audit committee. It was unanimously RESOLVED that Mr Ridl be and was hereby re-elected as a member of the Company's audit committee.

## 9 INSURED VALUE OF PROPERTY

As recommended by independent quantity surveyors Brian Heineberg and Associates and duly approved by the Board of Directors, the insured value of the property amounted to R51,511,932. Buildings were valued at R41,907,952 and furniture, fittings and equipment were valued at R9,603,980. It was unanimously RESOLVED that the insured value of the property be and was hereby approved.

## 10 NON-EXECUTIVE DIRECTORS' FEES

### SPECIAL RESOLUTION 1

Special resolution 1 related to the approval of the fees payable to non-executive Directors for their services as a Director. The Chairman advised that Directors' fees had not increased for the past 3 years and was not recommended for increase for the year ahead. It was unanimously RESOLVED that in terms of the provisions of section 66(9) of the Companies Act 71 of 2008 that R4,240 (Vat payable to the extent applicable to this remuneration) payable to the non-executive Directors of the Company for their services as Directors and/or members of the sub-committees, per meeting or cluster of meetings in respect of the period from 14 October 2022 until the next AGM of the Company, be and was hereby approved.

## 11 OTHER BUSINESS

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

Together with photographic evidence, Mr Sukhdeo presented an overview of the following achievements and projects during the 2021 year:

- Level One BBBEE status;
- Organisational Resilience Management Systems' ("ORMS") audit;
- Energy and water consumption;
- Tripadvisor's 4-star rating and 4th best property in the valley;
- RCI's Gold Crown status;
- Upgrade to an automatic water treatment plant;
- Replacement of main switch gear and upgrade of lightning protection of system;
- Upgrade of hotel wi-fi connectivity and installation of wi-fi to both chalets and apartments;
- Upgrade of outdoor braai and picnic areas;
- Installation of sound attenuators over the heat pumps;
- Resurfaced tennis court and multi-purpose court;
- Donations and support through CSI initiatives;
- Celebrate world awareness days;
- Install recycling station;
- Fire breaks;
- Christmas celebrations held at the resort as well as at the local creche;

# Drakensberg Sun Hotel Share Block Proprietary Limited

- Monthly road clean ups;
- Visit and donation of food items and stationery to the local creche by the South African Rugby Legends organisation; and
- Refurbishment of the chalets and apartments.

Mr Sukhdeo stated that guests were very happy with the newly refurbished units. Mr Ridl was pleased with the new designs and noted that the Board would inspect the units when next at the resort in November 2022. Ms Ravani Naicker from RCI commented that she had conducted inspections of the property and had an opportunity to stay on site. She commended the Board and management for the massive improvement and noted that she felt assured that RCI members would enjoy their stay on the property. She enquired whether the shower curtain in apartment units would be replaced with a glass door to which Mr Sukhdeo replied would be investigated for inclusion in the project or retrofitted once the units were upgraded.

## 12 CLOSURE

There being no further business the Chairman declared the meeting closed at 12h28.



Chairman

