

Drakensberg Sun Chalets Share Block Proprietary Limited

Registration no:1988/002500/07

Annual Report

for the year ended 31 December 2021



Southern Sun
RESORTS



Drakensberg Sun Chalets Share Block Proprietary Limited
Annual Financial Statements
for the year ended 31 December 2021

COMPANY INFORMATION

Registration number: 1988/002500/07
Registered address: Palazzo Towers West
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 Darren Park CA(SA), in his capacity as financial manager of Drakensberg Sun Chalets Share Block Proprietary Limited, supervised the preparation of the annual financial statements.

Drakensberg Sun Chalets Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2021

As your Chairman and on behalf of your Board of Directors, I take pleasure in reporting on the operation, developments, financial performance and position of Drakensberg Sun Chalets Share Block for the year 2021.

2021 was certainly the year that paved the road to recovery from the disruptive year that 2020 was. With the exception of July which fell to looting and violence around the country, the resort experienced a month-to-month increase in occupancy, reaching almost pre-lockdown levels before the end of the period. It was laudable to note the resilience of the timeshare industry on the whole, being one of the first sub-sectors of the leisure industry to recover as fast as it did. Despite international travel restrictions in place, there were reports of increased patronage across all domestic leisure destinations.

Through a very tough economic climate and ongoing challenges, the resort continues to maintain the high standard of service and holiday experience that we have all grown accustomed to at Drakensberg Sun. The property looks superb and remains an amazing location to unwind and enjoy the clean, fresh air and pure bliss that the mountains have to offer. I am so pleased to report that Drakensberg Sun remains one of the most sought-after holiday destinations in South Africa and it is thanks to your Directors, the management team of Southern Sun and our passionate members of staff who maintain the high standard of the property, friendly service and welcoming atmosphere to all who visit.

Resort update

Projects planned before and after the lockdown resumed in 2021 and it is a pleasure to update you on these. The aging electrical infrastructure that supplied the chalets with electricity suffered a major breakdown during load shedding, and this necessitated an upgrade of the main switch gear and the installation of a generator to ensure a continuous supply of electricity during load shedding.

The lower parking area and the road leading away from the parking was re-paved and reinforced to withstand the long rainy season we experience every year, and ensure a pothole-free drive on the resort.

I am very happy to inform you that the Wi-Fi has been upgraded to extend uncapped and free connectivity to all the chalets, thus making your holiday experience a little more enjoyable.

The most exciting news of all is the completion of a mock-up chalet that will lead to the much anticipated refurbishment of all the chalets scheduled to begin in 2022. The refurbishment will also address the age-old concern surrounding the size of the appliances which will now be upgraded to suit a family of six staying for an extended period of time. I look forward to you enjoying the new designs and improved levels of comfort.

Other smaller improvements include the resurfacing of the tennis court and the upgrade of the multi-purpose court, allowing guests all year use of these facilities.

The road from Winterton to the resort is in constant need of repair. The management team, together with the local communities, have been continuously applying pressure on the Roads Department to repair this. While only quick fixes have been achieved thus far, management has now received firm commitment from the department to begin a full scale permanent repair in 2022. I sincerely hope that the department's commitment is upheld and I would like to thank the management team for their perseverance in this regard.

As a reminder for your safety, the resort requests that you do not venture out onto the trails without first notifying the entertainment desk, and your Board strongly supports this essential request. It is in your best interest to sign out as you leave the resort and to sign back in when you return. This is a safety precaution that 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 the walk/hike. Safety of all on the property is of paramount concern and for this reason the resort strongly discourages hikers going out alone. Please liaise with the staff to make your walk/hike an enjoyable and trouble-free experience.

Your Board reviews all income and expenditure very closely, and much deliberation takes place at each meeting on how to further reduce expenditure and 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 our chalets; work in conjunction with the apartments 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; attractively package repossessed units for quicker resale so as to reduce the increasing list of repossessions and outstanding levies.

Drakensberg Sun Chalets Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2021

Occupancy

Drakensberg Sun is strategically located in the heart of the Central Drakensberg. Many shareholders and guests visit the resort to enjoy the fresh air, superb scenery of the mountains, the peace and quiet and to take the opportunity to slow down, unwind and recharge. Our resort offers many great facilities such as hiking, cycling, boating and fishing, amongst others, for all ages to enjoy. Occupancy for 2021 ended on 81.7% (2020: 79.3%).

Financial results for the year ended 31 December 2021

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

The statement of comprehensive income and expenditure for the year ended 31 December 2021 reflects total income, including net finance income of R15.347m (2020: R14.629m) and total expenditure of R9.978m (2020: R8.596m). The levy surplus after taxation was R5.158m (2020: R5.863m) 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 5% year-on-year due to the increases in short term rentals and rental pool.

Expenditure

Total expenditure of R9.978m (2020: R8.596m) reflected an increase of 16% year-on-year and a more detailed review of the expenditure is recorded below:

- **Rooms** expenditure increased by 61% compared to prior year due to the national Covid-19 lockdown and closure of the resort from March 2020 to Aug 2020;
- **Administration and general** charges reflected a 48% decrease year-on-year, primarily as a result of the decrease in SunSwop exchange service fees of R1.972m compared to prior year, due to the 2020 rebate that was offered to shareholders affected by the Covid-19 lockdown;

- **Electricity, water and refuse** reflected a year-on-year increase of 76% due to the closure of the resort in 2020 for 5 months;
- **Repairs and maintenance** reflected a year-on-year increase of 78% due to the closure of the resort in 2020; and
- **Corporate charges** reflected a decrease of 6% year-on-year.

Statement of financial position

The statement of financial position, detailed on page 13 together with the related notes thereto, reflects the financial position of the Company. The reserve for property, plant and equipment increased to R14.218m (2020: R12.816m), fixed deposits held with bank increased to R17.263m (2020: R16.383m), cash and cash equivalents decreased to R310k (2020: R1.326m) and levies receivable increased to R1.693m (2020: R1.396m). Levies received in advance increased to R4.038m (2020: R3.425m). During the 2021 year, the Company incurred capital expenditure of R3,755,917 (2020: R1,133,701) in respect of, amongst others, the following major projects:

	R
Generator replacement	1,207,950
Wi-Fi installation	1,108,750
Roof and unit upgrade	847,402
Parking and road repairs	328,089
Unit equipment	106,666

Levy 2023

The 2023 annual levy budget increase was approved by the Directors and averages 6.5%. 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 owners at Drakensberg Sun.

The 2023 levies inclusive of VAT are as follows:

Standard	R11,110 (2022: R10,430)
High	R13,330 (2022: R12,510)

Drakensberg Sun Chalets Share Block Proprietary Limited

Chairman's Annual Review for the Year Ended 31 December 2021

Chalet refurbishment

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

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 commit to ongoing growth in the timeshare industry in a positive and organised manner. The Company remains a member of VOASA and I represent the Company on the VOASA board.

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.

Social and ethics committee

Corporate social investment ("CSI") is of utmost importance to us all and I am delighted to see how the resort, despite the interruptions during the year, has progressed and remained committed to the various initiatives. I refer you to page 8 of this annual report for a brief overview on what has been achieved in 2021. A more comprehensive slide presentation will be shown at the annual general meeting ("AGM") and I invite you all to attend.

Other business

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

Conclusion

I would like to confirm that our share block is in a good financial position and superbly managed. Our staff continually go the extra mile for us and our guests, and I would like to thank all staff members 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 time, energy, knowledge, professionalism and guidance over this past year. I am impressed with what we have achieved during these uncertain times.

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

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



Anthony Ridl
Chairman

Notice is hereby given to the shareholders of the Company that the annual general meeting ("AGM") of the Company will be held on **Thursday, 13 October 2022 at 11h00 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 2021 together with the reports of the Directors, the independent auditors thereon, and further to receive the reports of the audit committee and the social and ethics committee contained in the annual report of the Company for the financial year ended 31 December 2021, 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 appointed as independent auditors of the Company until the conclusion of the next AGM of the Company.

3. Election of Directors

The Board is limited by the memorandum of incorporation ("MOI") to not less than three (3) and not more than five (5) Directors in number. **It would facilitate secretarial procedures if nominations for the appointment of those Directors representing the shareholders be received by no later than 11h00 on Tuesday, 11 October 2022 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 Brent Dickson who retires in terms of the Company's MOI and who is eligible and available for re-election, be and is hereby elected as a Director of the Company.

Ordinary resolution 3.2: 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 3.3: 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 3.4: 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 3.5: Resolved as an ordinary resolution that Mr Johannes van Rooyen 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 Brent 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. Approval of insured value of 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: It is noted that an amount of R4,240 for non-executive Directors' fees was approved at the previous AGM for the year until 12 October 2022. It is now resolved as a special resolution that 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 14 October 2022 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 Friday 15 October 2022 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, 6 October 2022.

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 11h00 on Tuesday, 11 October 2022. A form of proxy is enclosed on page 5 for this purpose.

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

Registered Office
 Palazzo Towers West
 Montecasino Boulevard
 Fourways 2055

Private Bag X200
 Bryanston 2021
 Telephone: (031) 337-3341
 Facsimile: (086) 765-2272
Resorts.companyservices@southern.sun.com

Form of proxy for use by shareholders at the annual general meeting ("AGM") of the Company to be held on **Thursday, 13 October 2022 at 11h00 at uMhlanga Sands Resort, 44 Lagoon Drive, uMhlanga.**

Form of proxy

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

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

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

	In Favour Of	Against	Abstain
Ordinary resolution 1: Receipt and adoption of annual financial statements and reports - Year ended 31 December 2021			
Ordinary resolution 2: Appointment of auditors			
Ordinary resolution 3: Election of Directors			
3.1 Brent Dickson			
3.2 Louise McMillan			
3.3 Ajith Ramsarup			
3.4 Anthony Ridl			
3.5 Johannes van Rooyen			
Ordinary resolution 4: Appointment of audit committee			
4.1 Brent Dickson			
4.2 Ajith Ramsarup			
4.3 Anthony Ridl			
Ordinary resolution 5: Insured value of property			
Special resolution 1: Non-executive Directors' fees (R4,240)			

Signed at this day of 2022.

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 11h00 on Tuesday, 11 October 2022.

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Directors' Responsibility for the Year Ended 31 December 2021

The Directors and management are responsible for the preparation, integrity and fair presentation of the annual financial statements of Drakensberg Sun Chalets Share Block Proprietary Limited. The annual financial statements presented on pages 12 to 21 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities ("IFRS for SME's") 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 ("BDO"), audited the annual financial statements and their report is presented on pages 10 and 11.

Approval of annual financial statements

The annual financial statements set out on pages 12 to 21 were approved by the Board of Directors on 10 May 2022 and are signed by :



AN Ridl
Chairman



AB Ramsarup
Director (chairman - audit committee)

Declaration by the company secretary

I hereby confirm in my capacity as company secretary of Drakensberg Sun Chalets Share Block Proprietary Limited, that for the year ended 31 December 2021, the Company has filed all required returns and notices in terms of the South African Companies Act 71, of 2008, and that all such returns and notices are to the best of my knowledge and belief, true, correct and up to date.



MJ Mahloele
For Southern Sun Secretarial Services Proprietary Limited

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Audit Committee for the Year Ended 31 December 2021

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

1. Members of the audit committee

The members of the audit committee comprise three Directors being Mr Brent Dickson, Mr Ajith Ramsarup (Chairman) and Mr Anthony Ridl.

2. Frequency of meetings

The audit committee met twice during the financial year under review. Provision is made for additional meetings to be held when and if necessary.

3. Attendance

The external auditors, in their capacity as auditors to the Company, attended and reported to the meetings of the audit committee. Relevant senior managers attended the meeting by invitation.

4. Duties of the audit committee

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

- 4.1 evaluating the independence and effectiveness of the external auditors, the fees and terms of engagement;
- 4.2 ensuring that the appointment of the audit firm 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 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 has satisfied itself that the external auditors are 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 auditors that internal governance processes within the audit firm support and demonstrate its claim to independence.



AB Ramsarup
Chairman
10 May 2022

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Social and Ethics Committee for the Year Ended 31 December 2021

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

Role of the committee

The committee ensures that the resort’s energy, water, and waste management programmes are effective, ensures good corporate citizenship, monitors employee engagement and development, and ensures that health and public safety are key priorities.

Social and economic development

The committee assists its local community through various initiatives. The uMfolozi Crèche continues to be the resort’s main beneficiary, and has been for the last 8 years. Through funds raised, the committee has plans to complete the building works and give the young children access to proper ablution facilities, electricity, and a school environment conducive to proper learning and education. The committee remains committed to supporting this school beyond the completion of the building works.

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

Corporate citizenship initiatives (CSI)

The committee has a strong regard for corporate citizenship that highlights its social, cultural, environmental responsibility and sustainability. Local CSI initiatives are supported through donations of time and written-off operating equipment to local organisations that in turn recycle and/or reuse the 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 local area.

The resort also collaborates with Waste Co., who responsibly manage the resort’s waste recycling programme. General waste is disposed of in a licensed landfill site and glass, cans, plastic, paper and cardboard are sorted and recycled through other reputable companies.

A medical assistance service is available to all staff and guests at Drakensberg Sun. This service offers medical advice and responds to medical emergencies, incidents of violence, fire emergencies, floods 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. This management system is audited internally on a quarterly basis and annually by Southern Sun.

Guest relations and correspondence

The committee and the resort value guest feedback to help the team shape and improve its service delivery and business operation going forward. The electronic guest satisfaction reporting system, ‘GuestRevu’, reports on all platforms and is monitored to measure service delivery. These include Tripadvisor, Google and RCI. Personal interaction with guests is also of utmost importance. This is monitored and individually responded to on a daily basis.

Labour and employment relations

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

Employees are the resort’s most valuable asset. Training and development programmes are continuously offered for all levels of duties to improve staff members’ self-confidence and to offer opportunities for staff to achieve their full potential. The internal training programmes are generally run by Southern Sun and this year most of the staff training programmes were centred around Covid-19 protocols through online platforms.

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

Strategic issues

Both the resort manager and his deputy general manager are proud members of the Central Drakensberg Information Centre. Our 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

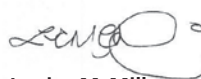
The committee is a combined membership composed of four Directors from both the Drakensberg Sun Chalets and the Drakensberg Sun Hotel Share Block Boards. The members include myself, Ms Louise McMillan, Ms Samantha Croft, Mr Peter Pienaar and the resort’s general manager, Mr Pranesh Sukhdeo. I was elected as the new chairperson of the committee, taking over from Mr David Alexander who resigned from the committee in May of 2021. The committee wishes to thank Mr Alexander for his time served. Staff members assist greatly with the committee’s activities and are always welcome to attend a meeting. The committee holds comprehensive meetings twice a year.

Activities of the committee

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

The goal of the committee for the year ahead is to maintain its commitment to training and development of staff, expand its recycling initiatives, and 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 Chalets Share Block Proprietary Limited

Report of the Directors for the Year ended 31 December 2021

The Directors present their annual report of the Company for the year ended 31 December 2021.

1 Business activity

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

1. Shares are issued in predefined blocks which are linked by a use agreement relating to specific units during specific weeks of the year;
2. Linked to the respective share blocks are obligations on the share block 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.

2 Financial results

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

In accordance with the provisions of the Share Blocks Control Act and in common with other timeshare operations in South Africa, your Company has, since its inception as a share block company, raised an annual levy making a provision for the maintenance and upkeep of the property. Asset replacement costs and additions to property, plant and equipment have been charged annually against this amount. Before providing for property, plant and equipment additions and replacements, a surplus of R5,158,033 (2020: R5,862,902) was transferred to the reserve for property, plant and equipment.

No dividend has been declared during the year and none are recommended (2020: R Nil).

3 Share capital

The authorised and issued share capital has remained unchanged.

4 Insurance

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

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

5 Directors and secretary

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

DM Alexander ^	(Retired 3 June 2021)
BS Dickson *	
LE McMillan ^	
AB Ramsarup *	
AN Ridl *	Chairman (Alternate MN Ridl)
JPF van Rooyen ^	(Appointed 14 September 2021)

* 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:

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

6 Management

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

8 Material events after year-end

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

Drakensberg Sun Chalets Share Block Proprietary Limited

Report of the Independent Auditors

To the shareholders of Drakensberg Sun Chalets Share Block Proprietary Limited

Opinion

We have audited the financial statements of Drakensberg Sun Chalets Share Block Proprietary Limited (the company) set out on pages 12 to 21, which comprise the statement of financial position as at 31 December 2021, 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 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 Chalets Share Block Proprietary Limited as at 31 December 2021, 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 Chalets Share Block Proprietary Limited Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate 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 Chalets 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

20 September 2022

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

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 R	2020 R
Income		14 573 556	13 702 648
Levy income		14 001 786	13 410 730
Other income		571 770	291 918
Expenses		(9 978 417)	(8 596 435)
Levy surplus before interest and taxation	3	4 595 139	5 106 213
Finance income	4	773 846	926 717
Levy surplus before taxation		5 368 985	6 032 930
Income tax expense	5	(210 952)	(170 028)
Levy surplus for the year		5 158 033	5 862 902

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 R	2020 R
ASSETS			
Current assets			
Trade and other receivables	6	2 579 505	1 242 336
Levies receivable	10	1 693 021	1 395 745
Fixed deposits held with bank	11	17 263 203	16 382 887
Cash and cash equivalents	12	310 237	1 325 774
Total current assets		21 845 966	20 346 742
Total assets		21 845 966	20 346 742
EQUITY			
Capital and reserves			
Share capital	9	1 256	1 256
Reserve for property, plant and equipment	7	14 218 297	12 816 181
Total equity		14 219 553	12 817 437
LIABILITIES			
Current liabilities			
Trade and other payables	8	3 207 854	3 933 841
Levies received in advance	13	4 037 579	3 425 436
Current tax liability		380 980	170 028
Total current liabilities		7 626 413	7 529 305
Total liabilities		7 626 413	7 529 305
Total equity and liabilities		21 845 966	20 346 742

Statement of Changes in Equity for the Year Ended 31 December 2021

	Note	2021 R	2020 R
Share capital			
Ordinary shares at the beginning of the year and at year-end	9	1 256	1 256
Reserve for property, plant and equipment			
At the beginning of the year		12 816 181	8 086 980
Levy surplus for the year		5 158 033	5 862 902
Property, plant and equipment additions and replacements during the year	7	(3 755 917)	(1 133 701)
At year-end		14 218 297	12 816 181

Drakensberg Sun Chalets Share Block Proprietary Limited

Statement of Cash Flows for the Year Ended 31 December 2021

	2021 R	2020 R
Cash flow from operating activities		
Levy surplus before taxation	5 368 985	6 032 930
Adjustments for:		
Interest received	(773 846)	(926 717)
Net surplus before working capital changes	4 595 139	5 106 213
Changes in working capital		
- Movement in levies receivable	(297 276)	(987 058)
- Movement in trade and other receivables	(1 337 169)	189 081
- Movement in levies received in advance	612 143	(153 781)
- Movement in trade and other payables	(725 987)	1 715 607
Cash flows from operating activities	2 846 850	5 870 062
Interest received	773 846	926 717
Tax paid	-	(197 540)
Net cash inflow from operating activities	3 620 696	6 599 239
Cash flow from investing activities		
Property, plant and equipment additions and replacements	(3 755 917)	(1 133 701)
Movement in fixed deposits held with bank	(880 316)	(5 830 010)
Net cash outflow from investing activities	(4 636 233)	(6 963 711)
Movement in cash and cash equivalents	(1 015 537)	(364 472)
Cash and cash equivalents at the beginning of the year	1 325 774	1 690 246
Cash and cash equivalents at year-end	310 237	1 325 774

Drakensberg Sun Chalets Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2021

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 are significant to the annual financial statements.

1.2 Reserve for property, plant and equipment

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

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

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

1.3 Leases

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

1.4 Financial instruments

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 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 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 Chalets Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2021

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 include 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.

Drakensberg Sun Chalets Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2021

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

Credit risk

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

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

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

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

Interest rate risk

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

Drakensberg Sun Chalets Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2021

	2021 R	2020 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	2 654 063	1 829 692
- contributions to retirement funds	(1 440)	67 435
Management fees	664 792	643 659
Audit fees	81 030	68 000
Professional and internal audit fees	663	-
Other operating expenses	6 579 309	5 987 649
	9 978 417	8 596 435
4 Finance income		
Interest earned on fixed deposits, call deposits and current account	773 846	926 717
	773 846	926 717
5 Income tax expense		
Provision is made for Company taxation on the net non-levy income of the levy fund.		
No tax is payable on levy income from the shareholders in terms of section 10(1)e of the Income Tax Act.		
Current year	210 952	170 028
	210 952	170 028
A reconciliation of the taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.		
6 Trade and other receivables		
Trade and other receivables (refer note 15)	231 499	19 546
Prepayments	1 890 533	456 807
Receiver of Revenue - Vat	360 012	138 849
Interest receivable	97 461	627 134
	2 579 505	1 242 336
7 Reserve for property, plant and equipment		
At the beginning of the year	12 816 181	8 086 980
Levy surplus for the year	5 158 033	5 862 902
	17 974 214	13 949 882
Property, plant and equipment additions and replacements during the year	(3 755 917)	(1 133 701)
At year-end	14 218 297	12 816 181

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 2022 of R13,607,472 (2020: budgeted capital expenditure of R6,641,242 approved for 2021) which it is anticipated will decrease the budgeted surplus in the reserve fund by R9,763,256 (2020: decrease the budgeted surplus by R3,482,308 in 2021). There were capital commitments made for R533,912 at year-end (2020: R460,466).

Drakensberg Sun Chalets Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2021

	2021 R	2020 R
8 Trade and other payables		
Trade payables	370 381	-
Accruals (refer note 15)	364 984	2 285 014
Provision for auditors' remuneration	81 030	68 000
Sundry payables (refer note 15)	269 605	158 483
Drakensberg Sun Hotel Proprietary Limited (refer note 15)	2 121 854	1 422 344
	3 207 854	3 933 841
9 Share capital		
Authorised		
635,250 ordinary shares of 1 cent each	6 352	6 352
Issued		
125,580 ordinary shares of 1 cent each	1 256	1 256
10 Levies receivable		
Levy debtors	603 190	1 259 812
Repossessed debtors	1 620 995	315 320
Provision for repossessed debtors	(531 164)	(179 387)
- Opening balance	(179 387)	(1 100 424)
- Movement	(351 777)	921 037
	1 693 021	1 395 745
11 Fixed deposits held with bank		
Fixed deposits held with bank - short term	17 263 203	16 382 887
	17 263 203	16 382 887
12 Cash and cash equivalents		
Bank balances	310 237	1 325 774
	310 237	1 325 774
13 Levies received in advance		
Levies received in advance	4 037 579	3 425 436

Shareholders are billed 12 months in advance and 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.

Drakensberg Sun Chalets Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2021

	2021 R	2020 R
14 Property, plant and equipment (continued)		
Land and buildings comprise the following property: Sub-division 112 of sub-division 4 of the Farm Driefontein No 1389, situated in the regulated area of Cathkin Park, Administrative District of KwaZulu Natal, in extent 20,1798 hectares.		
Land and buildings were originally purchased for R7,848,970 and are not recognised. Although the Company has legal title to the property it effectively only owns the bare dominium over the property which is considered to be of no value. The property is currently valued by the municipality at R16,000,000 for rates purposes. There are no bonds on the property.		
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	56 448	30 270
Rental pool	16 526	15 439
Management fee	664 792	643 659
Central accounting and levy collection fees	236 865	233 160
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	(3 813)	(2 125)
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	(16 178)	(2 013)
Secretarial fees on repossessed debtors and use agreement fees - SRMS	16 643	16 157
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	(36 430)	1 935 151
During the financial year the Company paid the following SSHI internal charges:		
- Administration - Information technology	149 947	147 679
Most costs of the Drakensberg Sun Resort, including costs in terms of contracts negotiated on behalf of members of the Southern Sun Group, are initially incurred by Drakensberg Sun Hotel Proprietary Limited. The portion of costs applicable to the Company is recovered via a current account. The balance of the current account is as follows:		
Amount owing (to)/from Drakensberg Sun Hotel Proprietary Limited, SSHI and its subsidiaries:		
- included in accruals (refer note 8)	(69 560)	(1 954 443)
- owing to Drakensberg Sun Hotel Proprietary Limited (refer note 8)	(2 121 854)	(1 422 344)
- included in sundry payables (refer note 8)	(5 280)	(6 600)
- included in trade and other receivables (refer note 6)	16 801	6 831
	(2 179 893)	(3 376 556)

Drakensberg Sun Chalets Share Block Proprietary Limited

Notes to the Annual Financial Statements for the Year Ended 31 December 2021

	2021 R	2020 R
15 Related party transactions (continued)		
Balances due (to)/by the following entities, related through common directorship, as follows:		
- Sabie River Share Block Proprietary Limited - included in sundry payables (refer note 8)	(1 018)	-
- Drakensberg Sun Hotel Share Block Proprietary Limited - included in sundry payables (refer note 8)	(106 704)	(96 193)
	(107 722)	(96 193)

SSHI own units in the Company as follows:

	Number of units	Levies paid R	Levies received in advance R
SunSwop (a division of SSHI) - 2021 shareholding	27	271 180	52 150
SunSwop (a division of SSHI) - 2020 shareholding	27	271 450	49 850

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

2021 - shareholding

BS Dickson - Dream Vacation Club	88	917 140	93 870
AB Ramsarup - The Leisure Holiday Club	23	231 300	64 660
AN Ridl - Club Leisure Group	66	1 024 860	43 800

2020 - shareholding

BS Dickson - Dream Vacation Club	87	918 610	135 085
AB Ramsarup - The Leisure Holiday Club	23	231 530	51 840
AN Ridl - Club Leisure Group	100	1 026 060	319 020

16 Directors' emoluments

Directors have been remunerated an agreed upon fee per meeting attended for their services to the Company. In addition, Directors are reimbursed for costs incurred whilst performing the Company's business. Further, the Directors are insured for medical costs and personal accident. The Directors are also covered by insurance taken out by the Company as indemnification against all liability of any Director towards the Company in respect of any negligence, default, breach of duty or breach of trust.

Directors' emoluments paid for the year:

DM Alexander	8 480	21 200
BS Dickson	16 960	21 200
LE McMillan	8 480	10 600
AB Ramsarup	8 480	10 600
AN Ridl	8 480	10 600
JPF van Rooyen	4 240	-
	55 120	74 200

Drakensberg Sun Chalets Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2021

	2021 R	2020 R
INCOME		
Levies	14 001 786	13 410 730
Rental pool	112 852	68 564
Short term rentals	407 838	173 153
Net non-levy income		
- telephone, rentals and penalties etc	51 080	50 201
	14 573 556	13 702 648
EXPENDITURE		
Rooms expenses		
Cleaning supplies	41 068	31 405
Guest entertainment - DSTV, outside services, videos, cocktails, games and prizes	392 739	237 783
Guest supplies	105 687	66 096
Laundry	428 088	202 043
Personnel costs - outside services	1 252 560	628 114
Pest control	4 289	7 839
Printing and stationery, including reception	97 403	71 674
Replacement of cutlery, crockery, linen, towels, uniforms, etc	94 354	34 900
Security services	674 144	638 830
	3 090 332	1 918 684
Administration and general		
Audit fees		
- current year	81 030	68 000
Bad debts	-	90
Bank charges	3 132	3 572
Corporate social initiatives	25 165	-
Credit card commission	50 026	43 457
Directors' emoluments	55 120	74 200
Information technology costs	499 362	342 846
Insurance	81 322	92 648
Internal audit fees	663	-
Central accounting and levy collection fees	236 865	233 160
Legal fees	22 416	-
Licences and permits	12 091	12 585
Loss on repossessed debtors	1 302	870 724
Provision for repossessed debtors	351 777	(921 037)
Railage, cartage and hire transport	2 930	829
SunSwop exchange service	(36 430)	1 935 151
Telephone	33 209	24 500
Subscriptions/marketing	5 164	6 870
Travel - management and Directors	23 223	39 894
Vehicles - fuel and oil	32 099	15 418
	1 480 466	2 842 907
Electricity and refuse		
Electricity	843 814	433 064
Generator fuel	60 512	66 348
Refuse	63 119	49 828
	967 445	549 240

Drakensberg Sun Chalets Share Block Proprietary Limited

Unaudited Supplementary Schedules to the Annual Financial Statements
Detailed Levy Fund Operating Statement for the Year Ended 31 December 2021

	2021 R	2020 R
Repairs and maintenance		
Buildings	59 593	56 911
Furniture, fixtures, electrical and mechanical	173 419	40 165
Gardens and grounds	463 576	269 850
Painting and redecorating	25 715	9 377
General maintenance	173 756	128 181
	896 059	504 484
Company costs		
Annual report and statutory costs	22 138	21 300
Furniture and equipment leases	13 633	14 579
Municipal rates and taxes	190 929	204 455
	226 700	240 334
Personnel costs		
Rooms	880 500	660 138
Administration and general	1 282 946	866 404
Repairs and maintenance	489 177	370 585
	2 652 623	1 897 127
Management fee	664 792	643 659
Total expenditure	9 978 417	8 596 435
Excess of income over expenditure before finance income and taxation	4 595 139	5 106 213
Finance income		
Interest received	773 846	926 717
Excess of income over expenditure before taxation	5 368 985	6 032 930
Taxation		
- current	210 952	170 028
Excess of income over expenditure for the year transferred to reserve for property, plant and equipment	5 158 033	5 862 902

Drakensberg Sun Chalets Share Block Proprietary Limited

Minutes of the Annual General Meeting of Shareholders for the Year Ended 31 December 2020 held on Tuesday, 14 September 2021 at 11h04 in Coco's Bar, at uMhlanga Sands Resort, uMhlanga

1 WELCOME AND PREAMBLE

The Chairman of the Company, Mr Anthony Ridl, welcomed all shareholders present. The meeting had been convened in terms of the notice of the annual general meeting ("AGM"), dated 12 July 2021.

The Chairman introduced his fellow Directors: Mr Brent Dickson; Mr Ajith Ramsarup; and Ms Louise McMillan. Mr David Alexander had resigned as Director effective 3 June 2021 and the Chairman took the opportunity to thank Mr Alexander for all his efforts whilst serving on the Board. He was very passionate about the resort and had contributed actively during discussions. Mr Alexander had been promoted by his company to fulfill an international marketing position which meant that he would travel more and could no longer apply the same attention to his role as Director on the Board.

Members of the management team and company secretariat team were duly welcomed.

2 QUORUM

The Chairman declared that sufficient shareholders were present in person and/or by proxy (13.51%) to constitute the meeting.

3 NOTICE OF MEETING

All shareholders present consenting, the notice of meeting dated 12 July 2021 was taken as read.

4 VOTING

The Chairman informed the meeting that voting on the resolutions would be taken by means of a show of hands. 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 for the resolutions to be carried. Accordingly, this was agreed by the meeting.

5 ADOPTION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

ORDINARY RESOLUTION 1

Ordinary resolution 1 as set out in the notice convening the meeting, relating 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 2020 were taken as read. No questions or comments were recorded.

It was unanimously RESOLVED that the annual financial statements for the year ended 31 December 2020 be and are hereby approved and adopted.

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

ORDINARY RESOLUTION 2

Ordinary resolution 2 as set out in the notice convening the meeting, relating to the appointment of BDO South Africa Incorporated ("BDO") as the independent auditors of the Company until the conclusion of the next AGM of the Company was taken as read.

It was unanimously RESOLVED that BDO be and are hereby appointed the independent auditors of the Company.

7 DIRECTORS

In terms of the Company's memorandum of incorporation ("MOI"), the Board is limited to no more than five Directors in number. The Directors retire at this meeting but being eligible, were available for re-election. An additional nomination had been received from Mr Johannes ("John") van Rooyen, who was present at this meeting.

As noted above, Mr David Alexander had resigned from the Board and his resignation resulted in a vacancy on the Board. The Chairman advised that all supporting documentation for Mr van Rooyen's nomination had been received and was in order. He invited Mr van Rooyen to introduce himself to the meeting and to provide a summary of his expertise and experience, which he duly did. The Chairman proposed that as the only additional nomination, Mr van Rooyen be included in the election process together with the other Directors, as ordinary resolution 3.5, which the meeting approved.

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7.1 ORDINARY RESOLUTION 3.1

Ordinary resolution 3.1 as set out in the notice convening the meeting, relating to the re-election of Mr Brent Dickson as a Director was taken as read. It was unanimously RESOLVED that Mr Brent Dickson be and is hereby re-elected as a Director of the Company.

7.2 ORDINARY RESOLUTION 3.2

Ordinary resolution 3.2 as set out in the notice convening the meeting, relating to the re-election of Ms Louise McMillan as a Director was taken as read. It was unanimously RESOLVED that Ms Louise McMillan be and is hereby re-elected as a Director of the Company.

7.3 ORDINARY RESOLUTION 3.3

Ordinary resolution 3.3 as set out in the notice convening the meeting, relating to the re-election of Mr Ajith Ramsarup as a Director was taken as read. It was unanimously RESOLVED that Mr Ajith Ramsarup be and is hereby re-elected as a Director of the Company.

7.4 ORDINARY RESOLUTION 3.4

Ordinary resolution 3.4 as set out in the notice convening the meeting, relating to the re-election of Mr Anthony Ridl as a Director was taken as read. It was unanimously RESOLVED that Mr Anthony Ridl be and is hereby re-elected as a Director of the Company.

7.5 ORDINARY RESOLUTION 3.5

Ordinary resolution 3.5 as agreed, relating to the election of Mr John van Rooyen as a Director was taken as read. It was unanimously RESOLVED that Mr John van Rooyen be and is hereby 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 three members.

8.1 ORDINARY RESOLUTION 4.1

Ordinary resolution 4.1 as set out in the notice convening the meeting, relating to the election of Mr Brent Dickson as a member of the Company's audit committee was taken as read. It was unanimously RESOLVED that Mr Brent Dickson be and is hereby elected as a member of the Company's audit committee.

8.2 ORDINARY RESOLUTION 4.2

Ordinary resolution 4.2 as set out in the notice convening the meeting, relating to the election of Mr Ajith Ramsarup as a member of the Company's audit committee was taken as read. It was unanimously RESOLVED that Mr Ajith Ramsarup be and is hereby elected as a member of the Company's audit committee.

8.3 ORDINARY RESOLUTION 4.3

Ordinary resolution 4.3 as set out in the notice convening the meeting, relating to the election of Mr Anthony Ridl as a member of the Company's audit committee was taken as read. It was unanimously RESOLVED that Mr Anthony Ridl be and is hereby 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 R67,481,429. Buildings were valued at R53,910,029 and furniture, fittings and equipment were valued at R13,571,400. The Chairman advised that the Board would investigate alternate insurance cover to ensure that the share block received the best insurance cover and value for the cover. The meeting approved the investigation of the Board.

It was unanimously RESOLVED that the insured value of the property of R67,481,429 be and is hereby approved.

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10 NON-EXECUTIVE DIRECTORS' FEES

SPECIAL RESOLUTION 1

Special resolution 1 as set out in the notice convening the meeting relating to the approval of the fees payable to non-executive Directors for their services as a Director, was taken as read. The remuneration amount remained unchanged for the past two years.

It was unanimously RESOLVED in terms of the provisions of section 66(9) of the Companies Act 71, of 2008, that R4,240 payable to the non-executive Directors of the Company for their services as Directors and members of the sub-committees, per meeting or cluster of meetings in respect of the period from 15 September 2021 until the next AGM of the Company, be and is hereby approved.

11 OTHER BUSINESS

GENERAL MANAGER PRESENTATION AND REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Mr Pranesh Sukhdeo began his presentation by commenting on the adverse impact of restrictive lockdown regulations on the resort in the year 2020. In compliance with COVID-19 protocols, the property implemented policies and procedures for entering and checking into the resort. He shared:

- 21 March 2020 - The property suffered significant lightning damage that shut down the electrical infrastructure and supply to the entire property;
- 26 March 2020 (Midnight) - The government-imposed lockdown period commenced and the resort was shut down. The resort was subsequently closed for a period of 5-months due to the implications of the Coronavirus ("Covid-19") pandemic;
- 20 October 2020 – A planned fire break became uncontrollable and destroyed the roof and contents of the storage facility at Cathkin. The rebuild project is currently underway;
- 1 January 2021 – Extensive rainfall in the area caused flooding of the entry and exit road to the valley; and
- End August 2021 – The resort experienced snowfall for the first time since 1996. The mountain peaks held snow for some time afterwards.

Mr Sukhdeo presented an overview of the following achievements during the very challenging year:

- BBBEE status as a Level 3 Contributor;
- Organisational Resilience Management Systems' ("ORMS") result: 97%;
- Energy and water savings;
- The resort's 4-star Tripadvisor rating and position as 3rd best property in the valley;
- The resort's RCI Gold Crown award status;
- CSI initiatives supported by the resort, staff and guests throughout the year;
- Staff sharing duties to care for and maintain the property during the lockdown period;
- The replacement of the water plant system and the resort having the best quality of water in the area;
- The upgrade of the waste water treatment plant;
- Inspection and cleaning of the main water tank;
- Completion of the pathway paving project; and
- Staff undergoing comprehensive 3-day training on Covid-19 protocols and procedures prior to re-opening the resort.

Mr Sukhdeo mentioned that while the population of cats had increased at the property, the ongoing sterilisation programme received further assistance through a partnership with Champagne Sports Resort, and the Friends of the Cats organisation. The sterilisation process would continue until all cats had been spayed.

Prior to this meeting, the Board had discussed a design concept for the refurbishment of the chalets and apartments. Mr Sukhdeo presented a design concept that would be trialed over the next year. A mock-up unit would be completed for the chalets and apartments and Mr Sukhdeo welcomed all to inspect and provide feedback when they were next at the resort. The meeting applauded Mr Sukhdeo for his presentation.

12 CLOSURE

There being no further business to discuss, the Chairman thanked all for their attendance and declared the meeting closed at 11h33.



Chairman

