

AGM: 16 JULY 2016
ANNUAL REPORT: DECEMBER 2015



SODWANA BAY LODGE SHAREBLOCK LIMITED (Registration No. 1989/003310/06)

Directors: HM Adams, P Marx, R Scott

6 June 2016

### **NOTICE TO SHARE HOLDERS**

### **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN OF THE ANNUAL GENERAL MEETING OF SODWANA BAY LODGE SHAREBLOCK LIMITED THAT WILL TAKE PLACE ON:

DATE: SATURDAY, 16 JULY 2016

VENUE: THE RESORT

TIME: /

Jordaan Director

FIRST RESORTS AND HOTEL MANAGEMENT (PTY) LTD

FIRST RESORTS
360° Service

P O Box 1287, Pinetown, 3600 Tel: 00 27 31 7177593 Fax: 00 27 31 7019964

E-mail: johannj@firstresorts.co.za

(Registration No.: 1989/003310/06)

### **DIRECTORS**

Messrs

**HM Adams** 

P Marx R Scott

### MANAGING AGENTS, SECRETARIES AND TRANSFER SECRETARIES

First Resorts & Hotel Management (Pty) Ltd.

1 Crompton Street

**PINETOWN** 

3610

P.O. Box 1287 PINETOWN

3600

Tel: (031) 7177593

e-mail: info@firstresorts.co.za

Fax: (031) 7091680

### **AUDITORS**

Moore Stephens CJL 5<sup>th</sup> Floor The Spinnaker

Albert Terrace DURBAN

4001

P.O. Box 11800 MARINE PARADE

4056

### **BANKERS**

Nedbank Smith Street DURBAN

(REG. NO. 1989/003310/06)

### **INDEX TO ANNUAL REPORT 2015**

	For your information we enclose the following documents:	PAGE NO
1.	Notice and Agenda for the Meeting	3 - 5
2.	Minutes of the Annual General Meeting held on 31 July 2015	6 - 11
3.	Minutes of the Special General Meeting held on 31 July 2015	12 - 13
4.	Chairman's Report	14 - 15
5.	Audited Financial Statements for the year ended 31 December 2015	16 - 35
6.	Insurance Summary	36
7.	Calendar 2016	37
8.	Credit Card Facility	38
9.	Owner Contact Details Form	40
10.	Nomination form for Directorship	42
11	Form of Proxy	44 - 45

(Registration No.: 1989/003310/06)

**NOTICE** is hereby given that an Annual General Meeting of Shareholders of Sodwana Bay Lodge Share Block Limited will be held at the Resort on Saturday, 16 July 2016 at 13h00

**AGENDA** 

1. Welcome

2.	Notice of Meeting
3.	Attendance, proxies and apologies
4.	Establishment of Quorum
5.	Appointment of Chairman
6.	Presentation of Minutes of Annual General Meeting held on 31 July 2015 and Special General Meeting held on 31 July 2015
7.	Matters arising from the Minutes
8.	Presentation of Chairman's Report
9.	Presentation of Audited Annual Financial Statements, together with the Directors' Report, the
9.	Presentation of Audited Annual Financial Statements, together with the Directors' Report, the Auditors Report and the Audit Committee Report, in respect of the year ended 31 December 2015
	Auditors Report and the Audit Committee Report, in respect of the year ended 31 December
10.	Auditors Report and the Audit Committee Report, in respect of the year ended 31 December 2015
10.	Auditors Report and the Audit Committee Report, in respect of the year ended 31 December 2015  Approval of Auditor's remuneration
10. 11.	Auditors Report and the Audit Committee Report, in respect of the year ended 31 December 2015  Approval of Auditor's remuneration  Appointment of Auditors for the financial year ending 31 December 2016

15. Presentation and acceptance of Insurance Values, subject to any amendment

16. General

BY ORDER OF THE BOARD

First Resorts and Hotel Management (Pty) Ltd

Per: J Jordaan

Pinetown, 6 June 2016

### **NOTES:**

1. A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not to be a Member of the Company.

The proxy form attached hereto must be completed and received at the registered office of the Company at least 48 (FOURTY EIGHT) hours before the scheduled commencement time of the meeting.

2. In terms of the Companies Act, 2008 the participants in the meeting – Members or their Proxy – must provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include a valid identity document, driver's licence or passport.

# EXPLANATORY NOTES OF THE MEETING NOTICE AND AGENDA

### 1. Record Date

The record date set by the Board in terms of *Section 59(1)* of the Companies Act, which is the date on which the Company's security register is closed for the purpose of determining which members are entitled to receive this Notice, and to participate in and vote at this Annual General Meeting is 6 June 2016.

#### Proxies

In terms of Section 58 of the Companies Act, each member of the Company entitled to attend and vote at this Annual General Meeting, is entitled to appoint a proxy to attend, participate and vote at the Annual General Meeting in the place of the member.

A proxy need not be a member of the Company.

Further information regarding proxies, including a proxy form, is included in the Annual Report.

### 3. <u>Identification</u>

In terms of Section 62(1) of the Companies Act, members or their proxy must provide reasonably satisfactory identification before attending and participating in the Annual General Meeting, and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of a person to participate and vote has been reasonably verified, before they will be permitted to so participate and vote.

#### 4. Chairman

In terms of the MOI, the Chairman of the Board of Directors shall preside at the Annual General Meeting.

If the Chairman is not present, or is unwilling to preside, one of the Directors present will chair the Annual General Meeting.

#### 5. Quorum

In accordance with the Company's MOI, the quorum for an Annual General Meeting is 3 persons representing 1% of the share capital.

#### 6. **Voting**

### 6.1 Ordinary Resolution

In terms of the Company's MOI, <u>50% (Fifty Percent)</u> of the votes cast on an ordinary resolution by members present or represented and voting at the Annual General Meeting in favour of the ordinary resolution, are required for it to be adopted.

### 6.2 <u>Special Resolution</u>

In terms of the Company's MOI, <u>75% (Seventy Five Percent)</u> of the votes cast on a special resolution by members present or represented and voting at the Annual General Meeting in favour of the special resolution, are required for it to be adopted.

#### 7. Nomination of Directors

As part of the Annual Report, is the form for the nomination of individuals for election as Directors of the Company at the Annual General Meeting.

Details regarding the delivery of completed nomination forms are set out on the form itself.

Directors nominated must sign their consent to be *nominated*, and if *elected*, for the election to be effective, must deliver to the Company their consent in writing to serve the Company as a Director. *Section 66 (7) (b)*.

### (REG. NO. 1989/003310/06)

# MINUTES OF THE ANNUAL GENERAL MEETING HELD AT THE RESORT ON FRIDAY, 31 JULY 2015 AT 13H00

#### PRESENT:

Mr H M Adams

Mr C King

Mr P Marx

In the Chair

Mr R H Scott

Members present in person or by proxy as per the attendance register

### **IN ATTENDANCE:**

Representing First Resorts and Hotel Management (Pty) Ltd Mr T Spencer Mr W Bester

#### 1. WELCOME

Mr Marx welcomed all present.

#### 2. NOTICE OF MEETING

It was unanimously agreed that the notice of the meeting, having been circulated, be taken as read.

### 3. ATTENDANCE, PROXIES AND APOLOGIES

The Managing Agent tabled 17 proxies totalling 17460 shares.

### 4. ESTABLISHMENT OF A QUORUM

Mr Spencer confirmed that a quorum was present and declared the meeting properly constituted.

#### 5. APPOINTMENT OF CHAIRMAN

Mr Marx was elected to chair the meeting.

### 6. PRESENTATION OF MINUTES OF ANNUAL GENERAL MEETING HELD ON 27 JUNE 2014

**Ordinary Resolution No. 1** 

Resolved that:

The Minutes of the Annual General Meeting of the Company held on 27 June 2014 be, and are hereby, accepted.

### 7. MATTERS ARISING FROM THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 27 JUNE 2014

### **7.1** Court case: R250,000

Mr White stated that he understood that following the withdrawal of the case, parties would pay their own costs. Mr King stated that the agreement was that costs would be awarded 100% against the company as Mr King's attorneys Venn, Nemeth & Hart advised that the case was brought frivolously and the case had no merit. Mr King stated that had Mr Adams done as he was instructed, and undertook to do, and had taken the matter to an independent attorney, this independent attorney would not have proceeded with the matter. Mr White commented that the matter was done and dusted and his main query was what had actually transpired regarding the costs and how it came about that the court instructed the company to pay 100% of the costs. Mr King stated that he would have asked for the company to pay 100% of the costs. Mr King said he would need to read the agreement to ascertain how costs were to be paid. Mr King said the costs had been taxed and paid but he would let Mr White know how the costs were awarded. Mr White stated for the record that he understood that Mr King had said that he would pay his own costs an, once

again, Mr King did not stick to his agreement. Mr King said that he did not at any time say that he would pay his own costs and that he has a recording of both of the AGM's and he was willing to sit and listen to them again. Mr White requested that Mr King let him have the recording. Mr King agreed to email the recording to Mr White. Mr White thanked Mr King. Mr Spencer confirmed that an amount of R55,377 had been paid to Venn Nemeth & Hart.

Mr Erasmus stated that the Whole Owners' perception and that of the attendees at the meeting had been that an amicable settlement would be reached to stop the fighting. The understanding from the meeting was that everybody would pay their own costs and the matter would be sorted out and finalised. The Managing Agent is not able to provide a recording. The matter is now over and things need to proceed.

### 7.2 <u>Memorandum of Incorporation</u>

The Managing Agent reported that the Memorandum of Incorporation had been drafted and has been published on the resort website. Only one comment had been received from Mr King. Mr King had requested an amendment to the Memorandum of Incorporation but Mr Adams had explained to Mr King that the wording used was an exact extract from the Share Block Control Act. Mr Spencer explained that after this meeting a Special General Meeting would be held to adopt the Memorandum of Incorporation. Mr Erasmus understood that the cost for the amendment of the Articles of Association to a Memorandum of Incorporation would be borne by the Managing Agent as this was a service provided by the Managing Agent. Mr Spencer advised that should this, in fact, be the case, then the Managing Agent would absorb the fee, notwithstanding that an external contractor had been engaged to attend to the amendment.

### 7.3 <u>Directors' remuneration</u>

Mr White stated that he objected to the comment in Clause 16.7, Paragraph 3, Line 2, "the shares were stolen from the Mbila Traditional Council". Mr King stated that this is a recording of the meeting and that is what Mr Nomandla had stated. Mr White said that Mr Nomandla was wrong. Mr White stated that he objected to this statement being reflected in the minutes.

### 7.4 Access to beach

Mr White queried why this item kept coming up at the AGM. TS reported that prior to the AGM, members are requested to forward issues to be raised at the AGM. This matter has once again been raised and is on the Agenda for discussion.

### 7.5 B1, B2, B3 Class shares

Mr Adams queried the progress made by Mr King regarding his endeavours to engage with the users of the B1, B2 and B3 class shares as well as an undisclosed share group to negotiate an arrangement whereby those shares could profit as they have inherent business rights. Mr King reported that the B1, B2 and B3 users negotiated directly with Mr Richard Scott and he had nothing further to report.

### 7.6 Postponement of AGM scheduled for 26 June 2015

Mr White enquired why the AGM scheduled for 26 June 2015 had been postponed, considering the expense involved. Mr Marx reported that in response to an email from the Managing Agent to all members regarding the miscalculation of the time period given for the notice of meeting, an objection had been raised to the meeting proceeding. Mr King stated that his objection had more to do with things being done properly, whereas in the past everybody did as they liked. Mr King stated that the rules and the laws require this to be sent out by post, on time, and correctly. Mr White reminded the meeting that in the past, where this same issue had arisen, Mr King had said that one day would not matter. Mr White wondered why, considering the cost, Mr King raised this objection. Mr King queried, through the Chairman, what possible costs there could have been other than to print the document which is required in law. Mr Spencer explained that a number of Whole Owners had telephoned him to request that the date not be changed, and that they did not care about the one day, as they had already booked their holiday and made necessary arrangements — should the date be changed, they would unfortunately not be able to attend the AGM. The cost was to individual members. The Managing Agents' costs related to the sending of bulk emails. Mr Spencer confirmed that the new Companies Act and Electronic Communications Act allows for notifications via email. In terms of the Memorandum of Incorporation to be adopted at the Special General Meeting after this AGM, the meeting

may resolve that notifications in future be sent by email for those who have email addresses, or by post for those without. Mr Spencer suggested that the newly appointed Managing Agent puts this resolution in place.

### 8. PRESENTATION OF CHAIRMAN'S REPORT

It was unanimously agreed that the Chairman's report, having been circulated, be taken as read.

# 9. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS, TOGETHER WITH THE DIRECTORS' REPORT, THE AUDITORS REPORT AND THE AUDIT COMMITTEE REPORT, IN RESPECT OF THE YEAR ENDED 31 DECEMBER 2014

It was noted that Note 7 of the Annual Financial Statements should refer to 4,602 B3 Class ordinary shares and not 4,601 B3 Class ordinary shares. The Managing Agent will inform the Auditor of this error. The Managing Agent reported a positive reserve of R4.7 million, with cash resources of R7.4 million. Interest paid relates to vehicle hire purchase agreements. Mr Erasmus requested that the breakdown of splits be included in the income and expenditure statement. Mr Bester informed the meeting that a large sum had been accrued for rates. A rebate of R650,000 was realised. A remaining amount of R600,000 is still to be paid. MTN rental in relation to electricity was queried as well as rates. Mr Spencer advised that the MTN lease had been renewed recently and the Managing Agent was able to negotiate a more favourable rental with MTN. Mr Erasmus advised that he had congratulated the Managing Agent on negotiating a reduction in the insurance premiums, realising a saving of R140,000. Mr King enquired whether the cover was as good as the previous cover. Mr Spencer informed the meeting that the cover was better. The policy was over ten years old, and on inspection Mr Spencer identified that the policy referred to bricks and mortar where in fact this was not the case.

### **Ordinary Resolution No. 2**

### Resolved that:

The Audited Financial Statements, together with the reports of the Directors, Auditors and Audit Committee, in respect of the year ended 31 December 2014 be, and are hereby, accepted.

### Budget : 2015

It was noted that the budget had not been included on the Agenda for discussion. Mr Erasmus stated that he had requested a copy of the budget, and on inspection noted that the Whole Owners levies were increased by 7%. CAPEX relating to mini-golf apportioned a 60% share of this expense to Whole Owners. Mr Erasmus stated that this was exorbitant. Should this be removed from the budget then there would be no need to raise levies. The levies are higher than those of the competition across the road. The budget should be based on levy income and not on funds required to include improvements and grow the replacement reserve. Mr Erasmus asked the Board to relook at the 7% increase. Mr Marx stated that the budget would be dealt with at the next Directors' Meeting. Splits would be investigated by Whole Owners, who would bring their recommendations to the Board.

### 10. APPROVAL OF AUDITOR'S REMUNERATION

### **Ordinary Resolution No. 3**

Resolved that:

Payment of the Auditor's remuneration be approved.

Proposed: Mr J Ernst Seconded: Mr H M Adams

### 11. APPOINTMENT OF AUDITORS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

### **Ordinary Resolution No. 4**

Resolved that:

The current auditors be retained as Auditors of the Company for the financial year ending 31 December 2015.

Proposed: Mr H M Adams Seconded: Mr M White

#### 12. DETERMINE THE NUMBER OF DIRECTORS FOR THE ENSUING YEAR

The meeting agreed that should additional expertise be required, then additional members could be coopted to the Board.

### **Ordinary Resolution No. 5**

### Resolved that:

The number of Directors to serve on the Board for the ensuing year is Six (6).

13. ELECTION OF DIRECTORS (In terms of the Company's Articles of Association, the Directors shall retire from office annually at each ordinary annual general meeting, but shall be eligible for re-election or become disqualified from holding office. The minimum directors to act on behalf of the Company shall be 6, of which 3 shall represent the "A" Class Shareholders and 3 shall represent the "B" Class Shareholders)

Nominations were received for Mr H M Adams, Mr R Scott, and Mr P Marx. The Managing Agent had received a proxy dated 31 July 2015 from Mr D A Ncube on behalf of the Mbila Traditional Council who appointed V G Nomandla, C S King and M J Zikhali as their proxy. No nomination had been received from the "B" Class shareholders. Until a resolution was received from the MTC, and notwithstanding that Mr King, including all Directors, were eligible to stand as a Director, the meeting agreed that it was the correct procedure to wait for the MTC's nomination of its three Directors. Mr King requested the meeting to indicate where in the Act provision is made for nominations to be in writing, stating that this was "bullshit". It was further pointed out that, in addition, the proxy was not received timeously. The meeting agreed that it would prefer that the "B" Class Shareholders' nomination be in writing.

Proposed Mr G de Valle

Seconded: Mr F Erasmus

### **Ordinary Resolution No. 6**

### Resolved that:

The election of Messrs H M Adams, R Scott, P Marx, be accepted.

### Further Resolved that:

The nomination of the "B" Class Shareholders be accepted as and when the MTC forwarded its nomination to the Board.

### **Further Resolved that:**

Messrs H M Adams, P Marx and R Scott be, and are hereby, unanimously elected as Directors of the Company and shall serve as such upon delivery to the Company of their consent in writing to do so. Similarly the acceptance of nominated "B" class share holders once nominations and consents are received.

## 14. APPOINTMENT OF AUDIT COMMITTEE 3 Directors of the Company (but not the Chairman) form the Company's Audit Committee

### Ordinary Resolution No. 7

#### Resolved that:

Messrs H M Adams, R Scott plus a nominee to be appointed on behalf of the MTC for the "B" Class shareholders be, and are hereby, elected as Members of the Company's Audit Committee for the ensuing year.

### 15. PRESENTATION AND ACCEPTANCE OF INSURANCE VALUES, SUBJECT TO ANY AMENDMENT

The Managing Agent confirmed that each Whole Owner had accepted, in writing, the valuation of their house in terms of the insurance, with some Whole Owners decreasing and some owners increasing their cover.

### **Ordinary Resolution No 8**

### Resolved that:

The Schedule of Insurance Values be, and is hereby, accepted.

Proposed:

Mr J Ernst

Seconded: Mr C Rothmann

### 16. GENERAL

#### **16.1** Memorandum of Incorporation

In reply to a query, Mr Adams advised that in terms of the Companies Act and the Company and Intellectual Property Commission every Share Block Company is "ring-fenced" and the acronym "RF" after the name of the Share Block Company is therefore not required. This will be discussed further at the Special General Meeting to be held directly after this Annual General Meeting.

### 16.2 Access to beach

Owners had queried this item once again. The meeting agreed to remove this item from future discussions as no access would be granted to the resort.

### 16.3 Wi-Fi

The Managing Agent explained that final quotes had been obtained for the installation. The quotes had been broken down into the three entities: Whole Owners, Time Share and the Hotel. The initial quotes had to be revised as a result of issues relating to obstruction from trees.

### 16.4 Tree identification plaques

It was noted that some trees had been identified but further plaques were required. Mr Marx advised that he would request an expert to carry out the project free of charge.

### 16.5 Plants at the circle around reception

An owner had requested that funds be set aside in the budget for the purchase and planting of foliage in this area. It was noted that this was a Board decision. Mr Erasmus pointed out that the split for the cost of this project needed to be considered.

### 16.6 Access for the physically challenged - ramps

The Chairman stated that this issue would be sorted out at Board level.

### 16.7 Parking

Owners from House 43 had, through their proxy, advised that there is insufficient parking at House 43, 44 and 45 and made suggestions for solving the problem. The Chairman stated that this issue would be sorted out at Board level.

### 16.8 Security

The Chairman emphasised the security challenges in the area in general and reported that security at the resort had been intensified and he cautioned all to be careful. The Chairman stated that the security service provider is being scrutinised and that security is a priority. The Chairman drew attention to the increased amount budgeted for this service. It was noted that some owners had secured the services of Alpha Security, a Hluhluwe-based company, and their services were recommended. It was further noted that the Sodwana Mbila Neighbourhood Watch has been initiated, with participation from the Tribal Authority. The Chairman requested Mr G de Valle to forward an email to him regarding this information for discussion at the next Board Meeting.

### 16.9 Old lockers

The Chairman informed the meeting that owners needed to tidy up the old lockers and in the event of this not being attended to, the Board would do so and forward a bill to the owner for work done. Mr Adams advised that he would need to examine the Use and Occupation Agreement in respect of ownership of lockers but that he would discuss the matter with Mr R Scott after the meeting.

### 16.10 Thatching

The concern was expressed that thatched roofs were a fire hazard, with three homes having burnt down in the area. Mr Spencer advised that HarveyTile is a popular choice as insurance premiums drop significantly compared with those for thatched homes. The meeting discussed the suggestion that, should a ruling be allowed, the remaining thatched homes be requested to replace their thatched roofs. Mr Spencer reported that the stand-in Resort Manager has tested all fire equipment and is on fire alert as vegetation is very dry.

### 16.11 Managing Agent

Mr G de Valle stated that, at the Whole Owners meeting, members were informed that the Board had given the Managing Agent notice. Whole Owners were concerned and believed that the Board had been too hasty in its decision which was made just before this Annual General Meeting. It was the belief that a single General Manager would not have the capacity to manage the required administrative functions whilst

having to run the resort. The advantage of securing the services of a Managing Agent is that they are in a position to place a competent General Manager at the resort.

From the floor, the Chairman was asked why the Board had decided to get rid of the Managing Agent. The Chairman replied that there were various reasons for the decision. Mr M White agreed that he believed the Board was too hasty in its decision as he understood that non-performance of duties was the responsibility of the General Manager. Mr White further pointed out that the Managing Agent had realised good savings on rates and insurance for the company, and he further believed that the scope and substance of the Management Company could further realise savings for the benefit of the company. Mr White believed that, ethically speaking, the Board should have brought the consideration of terminating the services of the Managing Agent to the meeting prior to making this decision. Mr White proposed that the Board reconsider its decision. Mr F Erasmus informed the meeting that in the past he had expressed dissatisfaction with the Managing Agent's performance and he believed that it was not ethical to discuss the reasons for the termination of the Managing Agent's services. Mr Erasmus stated that this was not a hasty decision and agreed that the principle of securing the services of a Managing Agent was sound.

Mr Spencer stated that he had not been given reasons either but respected the opinions expressed in the meeting. The Managing Agent had inherited a General Manager and was requested to "work with him". This gentleman has since been given notice. Mr Spencer requested that the Managing Agent be given a contract for one year, with the Managing Agent's own General Manager, to prove what can be done at the resort. Mr Spencer informed the meeting that a well qualified management couple had been identified by the Managing Agent for the position and would be available to commence duties should the meeting so decide. Mr White believed that this was a good offer.

Mr King pointed out that the Board had made its decision and the Managing Agent has two months in which to serve its notice period.

Mr Ernst believed that the Board has the mandate to make a decision of this nature. Mr Ernst believed that Mr H Combrinck should have been managed by First Resorts. Mr Spencer informed the meeting that as of February this year, the Board gave Mr Spencer permission to manage Mr H Combrinck. Mr Combrinck's services were terminated in June with the approval of the Board.

The Chairman was requested to re-evaluate the Board's decision to give the Managing Agent notice, as this decision was not cast in stone. The Chairman noted the owners' comments and advised owners that they would be informed should there be any change in the Board's decision.

### 6.12 <u>Dustbin</u>

**CHAIRMAN** 

Mr White informed the Board that his dustbin was in a poor condition and looked unsightly. This would be dealt with by the Board.

Mr de Valle thanked the Chairman for his	efficient handling of the meeting.
There being no further business, the Chair	rman thanked everyone for their attendance, and closed the meeting.
Read and confirmed this	day of

### (REG. NO. 1989/003310/06)

# MINUTES OF THE SPECIAL GENERAL MEETING HELD AT THE RESORT ON FRIDAY, 31 JULY 2015 AT 14H45

### **DIRECTORS PRESENT:**

Mr H M Adams

Mr P Marx

In the Chair

Mr R H Scott

Members present in person or by proxy as per the attendance register

### **IN ATTENDANCE:**

Representing First Resorts Management (Pty) Ltd Mr T Spencer Mr W Bester

### 1. WELCOME

Mr T Spencer welcomed all present.

### 2. NOTICE OF MEETING

It was unanimously agreed that the notice of the meeting, having been circulated, be taken as read.

### 3. PROXIES/APOLOGIES

Apologies were received from Mr V G G Nomandla and Umntwana J Zikhali.

The Managing Agent tabled 15 proxies totalling 17460 shares, which had been received within the prescribed time.

### 4. TO ESTABLISH A QUORUM

Mr Spencer confirmed that a quorum was present. The meeting was declared properly constituted.

### 5. DIRECTORS' REPORT

It was unanimously agreed that the Directors' Report, having been circulated, be taken as read.

### 6. ORDINARY AND SPECIAL RESOLUTIONS

After consideration of the Ordinary and Special Resolutions tabled, and noting Mr King's objection to the passing of the Resolutions, the following Resolutions were approved by majority vote:

### **Special Resolution 1**

That the current Memorandum and Articles of Association be amended to a Memorandum of Incorporation for a public company in terms of the Companies Act No. 71 of 2008.

### **Ordinary Resolution**

That the Board of Directors be, and with the passing of the resolutions, are authorised to take such action/s and to do all things as may be necessary to give effect to the Special Resolutions.

There being no further business, t	e Chairman thanked all for their attendance, and dissolved the meeting	g.
Read and confirmed this	day of	
CHAIRMAN		

# SODWANA BAY LODGE SHARE BLOCK LIMITED CHAIRMAN'S REPORT

For the year ending 31 December 2015

It is my pleasure to report on the activities at the resort during the past financial year.

The land is occupied under Notarial Lease and Servitude for a period of 99 years commencing 1 December 1988 and is described as Sub 5 of Reserve No.14 of 15834, situate in the Administrative District of Province of KwaZulu Natal, in extent 34,297 hectares.

### 1. Improvements

During the past year, the resort has undertaken several improvement projects, all facilitated from the replacement reserve.

The following items have been or are in the process of being attended to :

- The resort got a new management couple Johan and Anthea van der Merwe.
- Roads paving ongoing
- The main gate project were successfully completed and thereby giving the entrance the much needed facelift.
- Chalet deck replacement program done.
- The Interior Designer Di Howes completed the upgrades of time share units. This included all softs, furniture, attention to kitchens and bathroom upgrades.
- Boardwalks in whole owner's areas replaced with paving. Ongoing maintenance is taking place on existing structures in whole owner areas.
- A security manager, Robin Newton has been employed that stays on site and has made a big difference in securing the site and managing the contractors.
- An extra borehole drilled for extra water supplies to reservoir. Two pump motors replaced and spare motor on site.
- Micro sprinklers installed in timeshare and lodges areas to maintain the gardens.

### **Planned Projects**

- Upgrade of the exterior of the timeshare units.
- The cabinets in the timeshare units will be upgraded.
- Polaris Ranger XP purchased for timeshare.
- Walkways at various locations will be upgraded to brick walkways.
- Since the introduction of Nyala 3 years ago, our herd has grown but unfortunately we lost two to wire snares. There is lot of young females at present and it will be monitored to prevent over stocking.

### 2. Financials

The Board is pleased to announce that the Share Block Company once again obtained an unqualified audited set of financials, which reaffirms the careful control and management by the Board of Directors through the Managing Agents.

### 3. Levies

The Board does recognize the difficult financial times experienced during the last few years and urges shareholders to contact the Managing Agents and make arrangements should they have any difficulty in paying their annual levies

### 4. Risk Assessment

A risk assessment were done of the property by Green Solutions to identify problem areas and legal compliance and for insurance cover. A program is put in place to bring the resort up to legal compliance. The Board has identified the risk pertaining to the Boardwalks after having two claims lodged against the company. Subsequently to this the Board has made the decision to pave where possible in order to minimize the risk.

### 5. Training

The staff have on a regular basis done some of the 22 module on offer by the training department.

I trust that you will be able to attend the Annual General Meeting and should you not be able to do so, please remember to complete and submit your Proxy form to the Managing Agent timeously.

In closing, I wish to thank my co-directors, the Managing Agents and Resort Management for their contributions to the effective management of the resort.

Phillip Marx Chairman

These annual financial statements were internally prepared by:
Wynand Bester AGA(SA)
Financial Manager of First Resorts and Hotel Management Proprietary Limited

Published 03 June 2016

### Index

The reports and statements set out below comprise the annual financial statements and supplementary information presented to the shareholders:

Contents	Page
Company Secretary and Audit Committee Report	2
Directors' Responsibilities and Approval	3
Independent Auditor's Report	4 - 5
Directors' Report	6
Statement of Financial Position	7
Levy Statement	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	11 - 13
Notes to the Annual Financial Statements	14 - 18
The following supplementary information does not form part of the annual financial statements and is ur	naudited:
Detailed Levy Statement	19

### Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008 and the Share Blocks Control Act No. 59 of 1980.

(Registration number 1989/003310/06)
Annual Financial Statements for the year ended 31 December 2015

### **Certificate by Company Secretary**

In our opinion as company secretary, we hereby confirm, in terms of the Companies Act No. 71 of 2008, that for the year ended 31 December 2015, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

**J** Jordaan

On behalf of First Resorts and Hotel Management Proprietary Limited

# Audit Committee Report For the year ended 31 December 2015

The Board of Directors constituted an audit committee as required in terms of the Companies Act No. 71 of 2008. The committee was charged with the duties as set out in the Act. The members of the audit committee comprise:

H M Adams

Chairman and independent non-executive director

• P E Marx

Independent non-executive director

R H Scott

Independent non-executive director

The external auditor, in the capacity of auditor to the company, attends the annual audit committee meeting. Members of the committee have at all times acted in an independent manner.

The committee has discharged its functions and attended inter alia to the following matters -

- Reviewed the year-end financial statements, culminating in a recommendation to your Board of Directors;
- Reviewed the external audit reports on the annual financial statements;
- Evaluated the effectiveness of financial risk management, controls and the governance process;
- Approved the engagement terms and audit fees of the external auditor; and
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provisions of non-audit services by the external auditor.

The committee reviewed a report by the external auditor, and after conducting its own review, confirmed the independence of the external auditor.

Chairman v

(Registration number 1989/003310/06) Annual Financial Statements for the year ended 31 December 2015

## **Directors' Responsibilities and Approval**

The directors are required by the Companies Act No. 71 of 2008 and the Share Blocks Control Act No. 59 of 1980, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements, however, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and the auditor's report is presented on pages 4-5.

The annual financial statements and supplementary information set out on pages 6 to 19, which have been prepared on the going concern backs, were approved by the board of directors on 03 June 2016 and were signed on their behalf by:

Director

Directo

### Independent Auditor's Report

### To the shareholders of Sodwana Bay Lodge Share Block Limited

We have audited the annual financial statements of Sodwana Bay Lodge Share Block Limited, as set out on pages 7 to 18, which comprise the statement of financial position as at 31 December 2015, the levy statement, the statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and requirements of the Companies Act No. 71 of 2008 and the Share Blocks Control Act No. 59 of 1980, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

#### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Sodwana Bay Lodge Share Block Limited as at 31 December 2015, and its financial performance and its 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 No. 71 of 2008 and the Share Blocks Control Act No. 59 of 1980.

#### Supplementary information

Without qualifying our opinion, we draw attention to the fact that the supplementary information set out on page 19 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

### Other report required by the Companies Act No. 71 of 2008

As part of our audit of the annual financial statements for the year ended 31 December 2015, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between that report and the audited annual financial statements. The directors' report is the responsibility of the directors. Based on reading the directors' report we have not identified material inconsistencies between that report and the audited annual financial statements. However, we have not audited the directors' report and accordingly do not express an opinion thereon.

### Independent Auditor's Report

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in the Government Gazette No. 39475 dated 04 December 2015, we report that Moore Stephens CJL has been the auditor of Sodwana Bay Share Block Limited for 10 years.

Hoose Stephenes CAL
Moore Stephens CJL

Chartered Accountants (S.A.)

Registered Auditor

D Harryparsad

Durban 3 June 2016

(Registration number 1989/003310/06) Annual Financial Statements for the year ended 31 December 2015

### **Directors' Report**

The directors submit their report for the year ended 31 December 2015.

### Review of activities

### Main business and operations

The company operates on a share block basis in respect of the development know as "Sodwana Bay Lodge" situated in Sodwana Bay, KwaZulu-Natal.

The company's expenditure is defrayed from levies collected from members, which resulted in a deficit for the year of R2,947,785 (2014: Levy deficit of R430,922) before transfer from the reserve funds of R2,947,785 (2014: R430,922).

The results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

#### Events after the reporting period 2.

The directors are not aware of any material matter or circumstance arising since the end of the financial year that requires disclosure in these annual financial statements.

### Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

### **Directors**

The directors of the company during the year and to the date of this report are as follows:

Changes Name

H M Adams R H Scott P E Marx

Not reappointed on 31 July B V Zikhali 2015

Not reappointed on 31 July G G V Nomandla

2015

Not reappointed on 31 July C King

2015

### Managing agent

The managing agent of the company is First Resorts and Hotel Management Proprietary Limited of:

1 Crompton Street Business address Pinetown

3610

P.O. Box 1287 Postal address

Pinetown 3610

#### Insurance

The share block units and the contents of units applicable to the A2 ordinary shares are insured. The company does not insure personal belongings of the individual timeshare guests. The company does not guarantee the provision of an alternative timeshare in the event of a disaster, and does not take out insurance against the occurrence of this risk.

### **Statement of Financial Position**

Figures in Rand	Notes	2015	2014
Assets			
Non-Current Assets			
Motor vehicles and equipment	2	-	23 289
Net financial asset	3	13 532	13 532
		13 532	36 821
Current Assets			
Inventories	4	223 905	29 869
Levies and other receivables	5	1 045 353	379 626
Prepayments		-	938
Cash and cash equivalents	6	2 577 625	7 481 383
		3 846 883	7 891 816
Total Assets		3 860 415	7 928 637
Equity and Liabilities			
Equity	7	13 532	13 532
Share capital	1	1 777 028	4 724 813
Reserves		1 790 560	4 738 345
11.1.199			
Liabilities			
Current Liabilities			
Other financial liabilities	8	-	48 948
Current tax payable	0	109 857	98 617
Other payables	9	1 378 110 581 888	2 626 488 416 239
Levies received in advance			
		2 069 855	3 190 292
Total Equity and Liabilities		3 860 415	7 928 637

### **Levy Statement**

Figures in Rand	Notes	2015	2014
Levies raised	10	7 688 646	7 182 642
Other income		221 132	241 629
Expenditure		(6 063 268)	(7 133 436)
Refurbishment expenditure		(5 014 941)	(921 502)
Levy deficit before interest and taxation		(3 168 431)	(630 667)
Interest received		334 387	350 477
Interest paid		(2 483)	(50 713)
Levy deficit before taxation		(2 836 527)	(330 903)
Taxation	11	(111 258)	(100 019)
Levy deficit for the year		(2 947 785)	(430 922)

## **Statement of Changes in Equity**

Figures in Rand	Share capital	Reserves	Accumulated levy surplus	Total equity
Balance at 01 January 2014 Levy deficit for the year Transfer between reserves	13 532	<b>5 155 737</b> - (430 922)	(430 922) 430 922	<b>5 169 269</b> (430 922)
Balance at 01 January 2015	13 532	4 724 813	-	4 738 345
Levy deficit for the year Transfer between reserves		(2 947 785)	(2 947 785) 2 947 785	(2 947 785)
Balance at 31 December 2015	13 532	1 777 028	-	1 790 560
Note	7			

### **Statement of Cash Flows**

Figures in Rand	Notes	2015	2014
Cash flows from operating activities			
Cash receipts from shareholders Cash paid to suppliers and employees		8 287 050 (13 373 746)	8 219 124 (8 138 837)
Cash (utilised in)/generated from operations Interest received	13	(5 086 696) 334 387 (2 483)	80 287 350 477 (50 713)
Interest paid Tax paid	14	(100 018)	(94 852)
Net cash (utilised in)/generated from operating activities		(4 854 810)	285 199
Cash flows from financing activities			
Repayment of other financial liabilities		(48 948)	(73 095)
Net cash utilised in financing activities		(48 948)	(73 095)
Total cash movement for the year Cash at the beginning of the year		<b>(4 903 758)</b> 7 481 383	<b>212 104</b> 7 269 279
Total cash at end of the year	6	2 577 625	7 481 383

(Registration number 1989/003310/06)
Annual Financial Statements for the year ended 31 December 2015

### **Accounting Policies**

#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act No. 71 of 2008 and the Share Blocks Control Act No. 59 of 1980. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value or amortised cost and incorporate the principal accounting policies set out below. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

### Leasehold improvements

Improvements to leasehold property have been funded by loans from shareholders. The company's Memorandum of Incorporation provide that such loans are not repayable and shareholders will only receive their share of any dividend in the event of the voluntary liquidation of the company. The Notarial Lease, in terms of which the company occupies the leasehold property, expires on 1 December 2087, following which the property and ownership of all improvements reverts to the lessor.

Leasehold improvements are not reflected on the statement of financial position as the right of use of these improvements have vested in the shareholders.

### Replacement reserve

Normal maintenance expenditure and capital expenditure is written off against the levy operating statement.

A reserve for expenditure on property, plant and equipment is provided for. This reserve is intended to provide for the acquisition, replacement and refurbishment of property, plant and equipment, including maintenance expenditure regarded by the directors as being beyond the scope of the normal maintenance component of levy expenditure. Levies collected annually include an amount in respect of the reserve for expenditure on property, plant and equipment and transfers are made to and from this reserve, having regard to surpluses, if any, in the levy operating statement and to amounts expended in respect of property, plant and equipment.

### Motor vehicles and equipment

Replacements of motor vehicles and equipment, additions to operating equipment and non-routine maintenance are charged against a reserve for motor vehicles and equipment replacement and maintenance.

Additions to motor vehicles and equipment which represent an increase in quantity of an existing type or the purchase of an entirely new category of asset, that are funded via the reserve, are also charged against this reserve. Additions to motor vehicles and equipment that are funded through borrowings are capitalised and not expensed against the reserve, instead they are written off over the period of the borrowing agreement.

The above accounting policy has been applied because the directors believe it is the most appropriate to the company, taking into account the purpose and use of the levy fund as prescribed by the Share Blocks Control Act No. 59 of 1980. The accounting policy in respect of motor vehicles and equipment charged against reserves differs from the relevant section of the International Financial Reporting Standard for Small and Medium-sized Entities (Section 17) which requires that the cost of the assets be capitalised, and depreciation be charged to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets.

(Registration number 1989/003310/06) Annual Financial Statements for the year ended 31 December 2015

### **Accounting Policies**

#### 1.2 Financial instruments

#### Initial measurement

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

#### Levies and other receivables

Levies and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

Siginificant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment is recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the impairment is recognised in the levy statement within the 'administrative expenses'.

### Other payables

Other payables are intially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks. These are initially and subsequently measured at fair value.

### 1.3 Tax

### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period date.

### Tax expenses

Current tax is recognised as income or an expense in surplus or deficit for the period.

### 1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### Operating leases - lessee

Lease expenses are recognised in surplus or deficit on a straight-line basis over the lease term, unless either:

- a) Another systematic basis is representative of the time pattern of the lessee's benefit from the leased asset, even if the payment of the rentals is not on that basis; or
- b) The payments by the lessee are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

(Registration number 1989/003310/06)
Annual Financial Statements for the year ended 31 December 2015

## **Accounting Policies**

### 1.5 Employee benefits

### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

### 1.6 Provisions and contingencies

Provisions are recognised when:

- the company has an obligation at the reporting date as a result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

#### 1.7 Revenue

Revenue comprises levies receivable from share block holders, as well as other investment revenue. Shareholders are obliged, by way of agreement, to contribute funds, in proportion to their shareholding, to enable the company to meet its expenditure.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(Registration number 1989/003310/06)
Annual Financial Statements for the year ended 31 December 2015

### **Notes to the Annual Financial Statements**

Figures in Rand	2015	2014

### 2. Motor vehicles and equipment

		2015			2014	
	Cost	Accumulated Carry depreciation and impairments	ing value	Cost	Accumulated Car depreciation and impairments	rying value
Plant and machinery	317 976	(317 976)	-	317 976	(294 687)	23 289
Motor vehicles	176 743	(176 743)	-	176 743	(176 743)	-
Total	494 719	(494 719)	-	494 719	(471 430)	23 289

### Reconciliation of motor vehicles and equipment - 2015

	Opening balance	Depreciation	Total
Plant and machinery	23 289	(23 289)	-

### Reconciliation of motor vehicles and equipment - 2014

	Opening balance	Depreciation	Total
Plant and machinery Motor vehicles	105 992 4 776	(82 704) (4 776)	23 289
	110 768	(87 480)	23 289

### Pledged as security

The plant and machinery and motor vehicles have been pledged as security in respect of the loans referred to in note 8.

### 3. Net financial asset

(16 288 806)	(16 288 806)
19 402 744	19 402 744
(3 005 083)	(3 005 083)
(95 323)	(95 323)
13 532	13 532
	19 402 744 (3 005 083) (95 323)

The loans from shareholders together with the share capital represent the shareholders' investment in the company, which investment in conjunction with a use agreement, gives right to accommodation in the resort. The right of use vested in the shareholders has been offset against the loans from shareholders. The net financial asset arises from the assignment of the right of use of the property owned by the company to the shareholders in excess of their loans.

### 4. Inventories

Consumables on hand	223 905	29 869

### **Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
5. Levies and other receivables		
Levies receivable	828 581	303 808
Provision for bad debts	(198 915)	(152 736)
VAT	221 156	216 408
Accrued income	58 622	-
Other receivables	54 754	12 146
Deposits	81 155	
	1 045 353	379 626
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 364	4 622
Bank balances	2 575 261	3 805 124
Short-term deposits	-	3 671 637
	2 577 625	7 481 383
7. Share capital		
Authorised		
4,488 A1 Class ordinary shares of 50c each	2 244	2 244
8,160 A2 Class ordinary shares of 50c each	4 080	4 080
612 A3 Class ordinary shares of 50c each	306 2 300	306 2 300
4,601 B1 Class ordinary shares of 50c each 4,601 B2 Class ordinary shares of 50c each	2 300	2 300
4,601 B3 Class ordinary shares of 50c each	2 301	2 301
	13 532	13 532

The A1 Class shares confer the right of use and occupation of a specific portion of the company's property for a specified period each year.

The A2 Class shares confer the right of use and occupation of a specific portion of the company's property on a permanent

The A3 Class shares confer the right of use and occupation, on a permanent basis, of the premises relating to the lodge operations.

The B1, B2 and B3 Class shares confer the right of use and occupation of specified business premises on the company's property on a permanent basis.

Issued		
Ordinary shares	13 532	13 532

### **Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
8. Other financial liabilities		
At amortised cost		
Wesbank, A division of First Rand Bank Limited	-	48 948
This loan was secured by the plant and machinery referred to in note 2, bore interest at rates linked to the prime lending rate and was repayable in monthly instalments of R $6,835$ (2014 : R $6,835$ ), and ws settled during the current year.		
Current liabilities		
At amortised cost	-	48 948
9. Other payables		
Accounts payable	1 266 580	852 024
Salary control	886	33 470
Other payables Boat Lockers - Whole Owners	93 888	93 888 80 644
Provision for auditor's fees	-	48 000
Accrued expense	16 756	4 540 400
Provision for rates	1 378 110	1 518 462 2 626 488
	1376110	2 020 400
10. Levies raised		
Dive	135 259	126 411
Hotel	885 701	827 758
Timeshare Whole owners	4 445 487 2 222 199	4 154 662 2 073 811
	7 688 646	7 182 642
11. Taxation		
Major components of the tax expense		
Current Local income tax - current period	111 258	100 019
Reconciliation of the tax expense  Reconciliation between accounting deficit and tax expense.		
		(000 000)
Accounting deficit	(2 836 527)	(330 903)
Tax at the applicable tax rate of 28% (2014: 28%)	(794 228)	(92 653)
Tax effect of adjustments on taxable income	(2 152 821)	(2 011 140
Less: Exempt levies Add: Disallowed expenses	3 072 307	2 217 812
S10(1)(e) exemption	(14 000)	(14 000)
	111 258	100 019

No provision for taxation on levies has been made as the company is exempt from taxation in terms of Section 10(1)(e) of the Income Tax Act, 1962. Taxation is provided on interest income and other non-levy income in excess of R 50,000 after deducting a proportionate share of certain administrative expenditure.

### **Notes to the Annual Financial Statements**

Figures in Rand		2015	2014
12. Auditor's remuneration			
Fees		- (0.000)	48 000
Adjustment for previous year Other services		(2 200) 6 786	6 000 4 550
	-	4 586	58 550
13. Cash (utilised in)/generated from operations			
Levy deficit before taxation  Adjustments for:		(2 836 527)	(330 903)
Depreciation		23 289	87 480
Interest received		(334 387)	(350 477)
Interest paid Levies received in advance		2 483 165 649	50 713 (352 439)
Changes in working capital:		103 043	(332 433)
Inventories		(194 036)	37 245
Levies and other receivables		(665 727) 938	(244 700) (18 989)
Prepayments Other payables		(1 248 378)	1 202 357
		(5 086 696)	80 287
14. Tax paid			
Palance at haginning of the year		(98 617)	(93 450)
Balance at beginning of the year Current tax for the year recognised in surplus or deficit		(111 258)	(100 019)
Balance at end of the year		109 857	` 98 617 <sup>´</sup>
	_	(100 018)	(94 852)
15. Directors' remuneration			
Executive			
2015			
For services as directors		Emoluments 13 036	<b>Total</b> 13 036
1 01 001 11000 40 4.11001.010			
2014			
For services as directors		Emoluments 20 372	<b>Total</b> 20 372
16. Related parties			
B.L.C. Library			
Relationships Managing agent	First Resorts and Ho Limited	tel Management Pro	oprietary
Related party transactions			
Management fees paid to related party First Resorts and Hotel Management Proprietary Limited		410 130	378 000
Tobolio and Fisio Management Topriotary Emited			, - <del></del>

(Registration number 1989/003310/06)
Annual Financial Statements for the year ended 31 December 2015

### **Notes to the Annual Financial Statements**

Figures in Rand	2015	2014

#### 17. Risk management

The company's activities expose it to the following financial risks: liquidity risk, interest rate risk and credit risk.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash resources to meet the operating requirements of the company. The shareholders are obliged to contribute levies sufficient to cover the costs of the maintenance, upkeep and management of the resort.

### Interest rate risk

Deposits and balances with banks attract interest at rates that vary with prime. The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus.

The company has no significant interest-bearing assets, except cash and cash equivalents. The company's income and operating cash flows are substantially independent of changes in market interest rates.

The only interest-bearing borrowings of the company are disclosed in note 8.

#### Credit risk

Credit risk exposure applies to cash deposits, cash and cash equivalents and levies in arrears. The company only deposits cash with major banks with high a quality credit standing and limited exposure to any one counter-party.

Credit risk arising from levies in arrears is managed by close monitoring of outstanding balances and prompt repossession of defaulting units through the exercise of a lien on shares as provided by the Memorandum of Incorporation of the company.

### Capital risk management

The funding of property, plant and equipment was initially provided by share capital, together with an association loan obligation.

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern. To achieve this all costs associated with the maintenance of the resort, including the refurbishment of the leasehold property and replacements of moveable property, plant and equipment, are financed out of the annual levies from shareholders.

	2015 ACTUAL	2015 BUDGET	2015 VARIANCE	2014 ACTUAL
LEVY INCOME				7 402 542
Levies raised	7 688 646	7 638 872	49 774	7 182 642
SUNDRY INCOME				
Interest received	334 387	362 000	(27 613)	350 477
MTN tower recovery	89 131	83 340	5 791	81 671
Sundry income	26 746	1 600	25 146	12 829
Commission on rental pool	43 527	44 570	(1 043)	48 956
Gate levies (entrance fees)	- 1	60 620	(60 620)	63 466
Rentals received	61 728	-	61 728	34 707
	555 519	552 130	3 389	592 106
TOTAL INCOME	8 244 165	8 191 002	53 163	7 774 748
TOTAL INCOME				
EXPENDITURE		55 310	50 724	58 550
Auditor's remuneration	4 586	54 000	33 944	38 330
Advertising	20 056	49 610	15 114	40 902
Bank charges	34 496 109 469	129 990	20 521	135 636
Cleaning and laundry	109 469	10 910	168	8 507
Commission paid	56 955	53 418	(3 537)	32 246
DSTV and TV licences	23 289	23 300	11	87 480
Depreciation	350 828	311 231	(39 597)	583 032
Electricity	84 407	143 640	59 233	125 644
Gas	84 746	104 378	19 632	93 891
Guest supplies & entertainment	138 335	67 922	(70 413)	52 739
IT expenses	346 992	259 065	(87 927)	263 276
Insurance	4 800	4 800	- 1	4 800
Ground rental paid to Tribe	ü1 385	29 270	(32 115)	67 806
Legal expenses	47 786	43 661	(4 125)	60 924
Motor vehicle expense	21 497	26 645	5 148	21 942
Postage	85 083	81 888	(3 195)	91 314
Printing and stationery	587 928	566 534	(21 394)	785 474
Repairs and maintenance	149 223	386 440	237 217	283 564
Timeshare Replacements	637 694	1 133 198	495 504	505 576
Security Shareholders and directors meetings	13 036	16 500	3 464	20 372
Telephone and fax	210 426	113 250	(97 176)	159 218
Travel	28 717	22 500	(6 217)	25 708
Utilities	(345 347)	538 665	884 012	606 036
Finance costs/Instalment sale agreements	2 483	2 500	17	10 394
Interest paid	-	-	-	40 319
Salaries and wages	2 580 858	2 882 041	301 183	2 338 632
Staff expenses	136 316	141 230	4 914	132 313
Sundry expenses	91 708	40 298	(51 410)	77 443
Management fees	410 130	410 130	-	378 000
TOTAL EXPENDITURE	5 988 624	7 702 324	1 713 700	7 091 737
LEVY SURPLUS FOR THE YEAR before refurbishment				
expenditure and replacements, bad debts and taxation	2 255 540	488 678	1 766 863	683 011
Minus: Refurbishment expenditure and replacements	5 014 941	1 139 000	(3 875 941)	921 502
Minus: Bad debts	77 126	140 596	63 470	92 412
	-	•	-	-
Add: Taxation prior year	111 258	150 000	38 742	100 019
Minus: Taxation LEVY DEFICIT FOR THE YEAR	(2 947 785)	(940 918)	(2 006 866)	(430 922)
	2 947 785	940 918	2 006 866	430 922
TRANSFER FROM RESERVE			-	-
				<del> </del>

### SODWANA BAY LODGE SHARE BLOCK LIMITED **INSURANCE COVER SCHEDULE**



INSURED:

SODWANA BAY LODGE SHAREBLOCK LIMITED

**COMPANY:** 

SANTAM LIMITED NEDBANK LIMITED

**AGENCY:** 

**POLICY NO:** 

42/55119864394/3

PERIOD OF COVER:

01 JANUARY 2016 TO 01 JANUARY 2017

	5 495 010 160 656 826 475 320 7 421 000 751 000 60 000 23 000	1 444 43 917 434 1 298 63
	160 656 826 475 320 7 421 000 751 000 60 000	43 917 434 1 298
	475 320 7 421 000 751 000 60 000	434 1 298
	7 421 000 751 000 60 000	1 298
	751 000 60 000	sc
	60 000	63
	23 000	250
		83
1	34 640	105
	26 000	83
	501 000	146
Ì	50 000 000	2 080
	5 750 817	2 033
183 700		
372 000		
31 208		
28 000		
35 909		
25 000		
75 000		
2 500 000		
2 500 000		
	551 000	848
175 000		
376 000		
	205 660	524
143 660		
11 000		
20 000		
31 000		
		4 027
	I	
	28 000 35 909 25 000 75 000 2 500 000 2 500 000 376 000 143 660 11 000 20 000	28 000 35 909 25 000 75 000 2 500 000 2 500 000 175 000 376 000 205 660 11 000 20 000

### Sodwana Bay Lodge Share Block 2017 Timeshare Calendar

Week	Start Date	End Date	Week Rank Name
2	07/01/2017	14/01/2017	Peak3
3	14/01/2017	21/01/2017	Peak1
4	21/01/2017	28/01/2017	High
5	28/01/2017	04/02/2017	High
6	04/02/2017	11/02/2017	High
7	11/02/2017	18/02/2017	High
	18/02/2017	25/02/2017	High
8	25/02/2017	04/03/2017	High
9	04/03/2017	11/03/2017	Medium
10	11/03/2017	18/03/2017	Medium
11	18/03/2017	25/03/2017	High
12	25/03/2017	01/04/2017	High
13	01/04/2017	08/04/2017	Peak3
14	08/04/2017	15/04/2017	Peak3
15	15/04/2017	22/04/2017	Peak1
16	22/04/2017	29/04/2017	High
17	29/04/2017	06/05/2017	High
18	06/05/2017	13/05/2017	Medium
19	13/05/2017	20/05/2017	Medium
20	20/05/2017	27/05/2017	Medium
?1	27/05/2017	03/06/2017	Low
22	03/06/2017	10/06/2017	Low
23	10/06/2017	17/06/2017	Low
24	17/06/2017	24/06/2017	
25	24/06/2017	01/07/2017	High
26	01/07/2017	08/07/2017	High
27	08/07/2017	15/07/2017	Peak2
28	15/07/2017	22/07/2017	Peak2
29	22/07/2017	29/07/2017	Peak2
30	29/07/2017	05/08/2017	High
31	05/08/2017	12/08/2017	Medium
32	12/08/2017	19/08/2017	High
33	19/08/2017	26/08/2017	High
34	26/08/2017		High
35	02/09/2017	02/09/2017	High
36	09/09/2017	09/09/2017	Medium
37	16/09/2017	16/09/2017	Medium
38		23/09/2017	Medium
39	23/09/2017	30/09/2017	Peak1
40	30/09/2017	07/10/2017	Peak2
41	07/10/2017	14/10/2017	Low
	14/10/2017	21/10/2017	Low
42	21/10/2017	28/10/2017	Low
43	28/10/2017	04/11/2017	Low
44	04/11/2017	11/11/2017	Medium
45	11/11/2017	18/11/2017	Medium
46	18/11/2017	25/11/2017	Medium
47	25/11/2017	02/12/2017	Medium
48	02/12/2017	09/12/2017	Peak1
49	09/12/2017	16/12/2017	Peak2
50	16/12/2017	23/12/2017	Peak3
51	23/12/2017	30/12/2017	
52	30/12/2017	06/01/2018	Peak4





PO BOX 1287 PINETOWN 3600, 1 CROMPTON STREET PINETOWN 3610 TEL: +27 31 7177404

Fax: +27 31 7091680 or 7017257 Email address info@firstresorts.co.za

### **CREDIT CARD FACILITY**

RESORT			7 11833.7	
UNIT & WEEK				
CONTACT TELEPHO	ONE NUMBER			
EMAIL ADDRESS				
CARD HOLDER'S IN	IITIALS & SURNAM	E		
CARD HOLDER'S ID	NUMBER			
TYPE OF CARD (VIS	SA, MASTER, etc)			
CARD NUMBER				
EXPIRY DATE				
AMOUNT				
DATE YOU WISH YO	OUR CARD TO BE I	DEBITED		
CLIENTS LIVING OU STRAIGHT ONLY	JTSIDE SOUTH AFF	RICA - CRED	IT CARD F	ACILITY ON
CVC Number		Last 3 dig	jits at the b	ack of card
BUDGET (months)	6 12 24	36	48	
CARD HOLDER SIG	NATURE			DATE



P.O Box 1287 Pinetown 3600, 1 Crompton Street Pinetown 3610
Tel: +27 31 717 7593 Fax: +27 31 709 1680
Email Address: info@firstresorts.co.za

RESORT:	UNIT:	WEI	EK:
MEMBERS DETAILS			
First Names:			Title:
Surname:			Gender: M F
ID NO.:		Birthday:	
Street Address:			
Postal Address:			
City/Town:	Province: _		190
Postal Code:	Email Address: (self)		
	Email Address: (spouse)		
	Email Address: (office)		
Tel:(Home)	Tel:(Work)_		
Tel:(Cell 1)	Tel:(Cell 2)		7 700
Preferred Language:	Marital Stat	us:	
SIGNATURE		DA	TE

Only applicable to owners who need to update their details.

**REGISTRATION NO: 1989/003310/06** 

### NOMINATION FORM FOR DIRECTORSHIP

I/We the undersigned			
the owner/s of module			
Company, hereby nominate	the following	othorised hereto as a member of g persons for election as Direct of the Company to be held on <b>16</b>	tors of the
NAMES OF PROPOSED DIRECTORS		SIGNATURES OF PROPOSED DIRECT	ORS
		***	
Current Directors are:		HM Adams PE Marx R Scott	
Signed at	this	day of	2016
MEMBER'S SIGNATURE			
DOMICILIUM SODWANA BAY LODGE SHAREBLOC c/o FIRST RESORTS & HOTEL MANA 1 CROMPTON STREET PINETOWN		POSTAL ADDRESS P.O.BOX 1287 PINETOWN 3600 Fax: 031 701 9964/ 086 295	5 6099

**N.B.** Nomination Forms should be completed and returned to First Resorts and Hotel Management (Pty) Ltd, P O Box 1287, Pinetown, 3600 so as to arrive no later than **48 (FORTY EIGHT)** hours before the meeting.

email: jorindav@firstresorts.co.za

Fax to: 031 701 9964/ 086 295 6099 and email to <a href="mailto:jorindav@firstresorts.co.za">jorindav@firstresorts.co.za</a> will also be acceptable.

3610

(Registration No.: 1989/003310/06)

### **FORM OF PROXY**

A member entitled to attend and vote at the meeting is entitled to appoint a proxy of his own choice to attend, speak and vote in his stead. A proxy need not be a member of the company.

I/ We	
	ne in block capitals)
Unit No.: Week No.: SHAREBLOCK LIMITED and entitled to	being a shareholder/s of SODWANA BAY LODG vote(s) do hereby appoint:
	(ID: No:)
of	or failing him :
	(ID: No:)
of	

failing him, the Chairman of the meeting, as my/our proxy to attend, and on a poll, vote on my/our behalf at the annual general meeting to be held on **16 July 2016**, or at any adjournment thereof, as follows:

(Indicate directions to proxy by way of a cross (X) in the space provided above.)

Unless otherwise instructed, the proxy may vote as he thinks fit.

AGENDA	offiess otherwise instructed, the proxy may vote	FOR	AGAINST	ABSTAIN
ITEM			7.07.11.101	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
6.	To accept the minutes of the Annual General			
	Meeting held on 31 July 2015			
6.	To accept the minutes of the Special General			
	Meeting held on 31 July 2015			
9.	To accept the Annual Financial Statements in			
	respect of the year ended 31 December 2015			
10.	To approve the auditors' remuneration for the			
	year ended December 2015			
11.	To appoint auditors for the year ending December			
	2016 (on recommendation of the current Audit			
	Committee)			
13.	To elect the Directors:			
	HM Adams			
	PE Marx			
	R Scott			
14.	To appoint the Audit Committee			
15.	To accept the schedule of insurance cover			
16.	To accept the levy budget for the year ending 31			
	December 2017			

Signed tills	uay oi	2016.
Signature		

dayof

#### **DOMICILIUM**

Cianad this

SODWANA BAY LODGE SHAREBLOCK LIMITED c/o FIRST RESORTS & HOTEL MANAGEMENT (PTY) LTD 1 CROMPTON STREET PINETOWN 3610

### **POSTAL ADDRESS**

P.O.BOX 1287 PINETOWN 3600

Fax: 031 701 9964/ 086 295 6099 email: jorindav@firstresorts.co.za

2010

**Note 1:** This proxy must be delivered or faxed to the Secretaries of the company not less than **FORTY EIGHT HOURS** before the time appointed for the meeting.

**Note 2:** A Member entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his stead, and such proxy need not also be a Member of the Company.

**Note 3**: This Proxy shall be binding upon the Member until such time as the Member personally withdraws it and it is limited to the voting on the special and ordinary resolutions referred to herein. Unless otherwise instructed, the proxy will vote as he thinks fit. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead.

Any alteration or correction made to this form of proxy (excluding the deletion of alternatives) must be initialled by the signatory. Documentary evidence establishing the authority of a Person signing this form of proxy in a representative capacity (i.e. on behalf of a Company, Close Corporation or Trust) must be attached to this form.

The completion and lodging of this form of proxy will not preclude the relevant Member from attending the meeting and speaking and voting in Person thereat, to the exclusion of any proxy appointed in terms thereof, should such Member wish to do so.

Emailed and facsimile copies of this proxy form must be duly verified before the commencement of the meeting to be eligible for acceptance. If any one of the requirements contained herein is not fulfilled, the proxy form and/or the nomination of the proxy will be null and void.

Proxy holders must present reasonably satisfactory identification before attending and participating in the meeting.