

SODWANA



Bay

LODGE

Dive & Fishing Resort



SODWANA BAY LODGE SHAREBLOCK LIMITED
(REG. NO. 1989/003310/06)

Annual Report: December 2013
AGM: 27 June 2014

MANAGED BY FIRST RESORTS
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FIRST RESORTS



SODWANA BAY LODGE SHAREBLOCK LIMITED
(Registration No. 1989/003310/06)
Directors: HM Adams, P Marx, TN Magagula, GV Nomandla, R Scott, JM Zikhali

26 May 2014

NOTICE TO SHARE HOLDERS

ANNUAL GENERAL MEETING

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

DATE: FRIDAY, 27 JUNE 2014

VENUE: THE RESORT

TIME: 14H00

J Jordaan
Managing Director
FIRST RESORTS MANAGEMENT (PTY) LTD



P O Box 1287, Pinetown, 3600
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SODWANA BAY LODGE SHAREBLOCK LIMITED

(Registration No.: 1989/003310/06)

DIRECTORS

Messrs HM Adams
P Marx
TM Magagula
GV Nomandla
R Scott
ZM Zikhali

MANAGING AGENTS, SECRETARIES AND TRANSFER SECRETARIES

First Resorts Management (Pty) Ltd.
1 Crompton Street
PINETOWN
3610

P.O. Box 1287
PINETOWN
3600

Tel: (031) 7177593
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Fax: (031) 7091680

AUDITORS

Moore Stephens CJL
5th Floor The Spinnaker
Albert Terrace
DURBAN
4001

P.O. Box 11800
MARINE PARADE
4056

BANKERS

Nedbank
Smith Street
DURBAN

SODWANA BAY LODGE SHAREBLOCK LIMITED

(REG. NO. 1989/003310/06)

INDEX TO ANNUAL REPORT 2013

	PAGE NO
For your information we enclose the following documents:	
1. Notice and Agenda for the Meeting	3 - 5
2. Minutes of the Annual General Meeting held on 27 September 2013	6 - 11
3. Chairman's Report	12 - 13
4. Audited Financial Statements for the year ended 31 December 2013	15 - 34
5. Insurance Summary	35
6. Calendar 2015	36
7. Credit Card Facility	38
8. Owner Contact Details Form	40
9. Nomination form for Directorship	42
10. Form of Proxy	44 - 46
11. Notice and Agenda for the General Meeting	48
12. Directors Report to the Members	50
13. Terms and Explanation of the Special and Ordinary Resolutions	51 - 53
14. Form of Proxy for General Meeting	54

SODWANA BAY LODGE SHAREBLOCK LIMITED

(Registration No.: 1989/003310/06)

NOTICE is hereby given that an Annual General Meeting of Shareholders of Sodwana Bay Lodge Shareblock Limited will be held at the resort on Friday, 27 June 2014 at 14h00, whereafter the General Meeting will follow to adopt the Company's MOI, in terms of the Companies Act No. 71 of 2008.

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 27 September 2013
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 Auditors Report and the Audit Committee Report, in respect of the year ended 31 December 2013
10. Approval of Auditor's remuneration
11. Appointment of Auditors for the financial year ending 31 December 2013
12. To determine the number of Directors for the ensuing year
13. Election of Directors.
NOTE: 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 Shareholder
14. Appointment of Audit Committee
Three Directors of the Company for appointment to the Company's Audit Committee
15. Presentation and acceptance of Insurance Values, subject to any amendment

16. General

- Social & Ethics Committee
- Memorandum of Incorporation
- Maintenance
- First Resorts/Resort Manager
- Access to Beach
- Parks Board

BY ORDER OF THE BOARD

First Resorts Management (Pty) Ltd

Per: J Jordaan

Pinetown, 26 May 2014

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 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 26 May 2014.

2. **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. **Identification**

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, 50% (Fifty Percent) 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 **Special Resolution**

In terms of the Company's MOI, 75% (Seventy Five Percent) 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)*.

SODWANA BAY LODGE SHARE BLOCK LIMITED

(REG. NO. 1989/003310/06)

**MINUTES OF ANNUAL GENERAL MEETING
HELD AT SODWANA BAY LODGE, SODWANA
ON FRIDAY, 27 SEPTEMBER 2013 AT 13H00**

PRESENT:

Mr H M Adams

Mr F Erasmus In the Chair

Mr R Scott

Mr M J Zikhali

Mrs B V Zikhali

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

IN ATTENDANCE:

Representing First Resorts Management (Pty) Ltd

Mr T Spencer

Ms A Ritchie

Ms M Schwab

Mr H Combrinck Resort Manager

1. WELCOME

Mr Erasmus welcomed all present and invited all attendees to introduce themselves to the meeting, which introductions were duly acknowledged.

2. NOTICE OF MEETING

The Chairman asked for and received confirmation from the Managing Agent that notice of the meeting had been properly served – this being in compliance with the Companies Act, 1973 and the Companies Act, 2008.

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

3. PROXIES/APOLOGIES

Apologies were received from Phillip Marx, David Laing and Yvonne Bastion.

The Managing Agent tabled 27 proxies totalling 18567 shares, which had been received within the prescribed time, namely:

- 3 Proxies in favour of the Chairman totalling 216 shares
- 5 Proxies in favour of H M Adams totalling 1264 shares
- 9 Proxies in favour of Richard Scott totalling 1844 shares
- 1 Proxy in favour of Lappies Labuschagne totalling 204 shares
- 1 Proxy in favour of Chris Rothmann totalling 204 shares
- 1 Proxy in favour of Clive King totalling 4 shares
- 1 Proxy in favour of Greg de Valle totalling 8 shares
- 1 Proxy in favour of Margot Seidle totalling 204 shares
- 1 Proxy in favour of Fanie Erasmus totalling 204 shares
- 1 Proxy in favour of T P Van Zyl totalling 204 shares

1 Proxy in favour of Tarryn Smart totalling 204 shares

1 Proxy in favour of M J Zikhali, M S Mnguni and B V Zikhali totalling 13803 shares

4. TO ESTABLISH A QUORUM

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

5. TO APPOINT A CHAIRMAN TO CHAIR THE MEETING

Mr F Erasmus was appointed as Chairman of the meeting.

Mr Zikhali requested the meeting to be chaired and minutes to be taken in English and isiZulu as he was present at the meeting on behalf of the Zulu speaking people. Mr Zikhali stated that as English was not his mother tongue, he had difficulty in understanding some of the English words. Mr Zikhali stated that as he would be reporting on the meeting to the Mbila Tribal Council he needed to fully comprehend the entire content of the meeting. Mr Zikhali requested, in view of the absence of an interpreter, that the meeting be postponed.

Mr G Prentice stated that he did not accept Mr Zikhali's request to postpone the meeting and left the meeting.

The Chairman stated that he took exception to this request and pointed out that if Mr Zikhali had made a timeous request for an interpreter, this request would have been accommodated. Mr Zikhali did not accept the offer of assistance from isiZulu speaking shareholders to assist him with the interpretation of the English discussion. Mr Zikhali did not accept the offer of chairing the meeting. It was pointed out to Mr Zikhali, that as a duly appointed Director of the Board, he was present at the meeting to represent the interest of the company.

The meeting expressed the view that as English was the language understood by the majority, notwithstanding English not being the mother tongue of Afrikaans and German speaking shareholders present, that the meeting should continue in English. It was not acceptable by some of the shareholders to postpone the meeting as it had been a costly exercise for some attendees to travel to the meeting. Mr Zikhali stated that notwithstanding the provisions of the Companies Act, he was prepared to leave the meeting. The Managing Agent confirmed that, on a show of hands, in addition to proxies already considered, a further 16 whole owners, each holding 204 shares, were present at the meeting. The Managing Agent pointed out that a quorum was still present in the absence of Mr Zikhali and it was possible for the meeting to continue.

The shareholders agreed to a short recess for the matter to be discussed with Mr Zikhali outside of the meeting.

The meeting reconvened. Mr Zikhali apologised for the interruption and stated that as the meeting was not being conducted in isiZulu he would be leaving the meeting and did so.

Mr Spencer confirmed that a quorum was present with a total number of 8028 shares being held by members present and by proxy.

The Chairman thanked Mr C King for his endeavours in attempting to resolve the issue. Mr King's appeal to Judge Jerome Ngwenya and Mr Zikhali to conduct this meeting in English and for future meetings to be held in both languages was turned down.

6. TO ACCEPT THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 27 JUNE 2012

The minutes of the Annual General Meeting held on 27 June 2012, having been circulated, were accepted and the Chairman was directed to sign them as a true record of the meeting.

7. TO PRESENT THE CHAIRMAN'S REPORT

It was unanimously agreed that the Chairman's report, having been circulated, be taken as read. The following issues were highlighted:

- Mr King expressed his dissatisfaction regarding the court case as itemised in point 7. Mr King requested an apology, or that the matter be withdrawn. The Chairman advised that he was under instructions from shareholders and the matter would follow the legal route. Mr King notified the Chairman that should the matter not be settled by the Board, then he would settle the matter.
- On a request from Ms M Lombard, the Managing Agent briefly explained the requirements of a Social and Ethics Committee in terms of the new Companies Act 2008. The Social and Ethics Committee would be elected at this meeting. Ms Lombard expressed her intention to support the Committee.

8. TO PRESENT THE ANNUAL FINANCIAL STATEMENTS, TOGETHER WITH THE REPORTS OF THE DIRECTORS AND INDEPENDENT AUDITORS THEREON, IN RESPECT OF THE YEAR ENDED 31 DECEMBER 2012

The Annual Financial Statements, together with the reports of the Directors and the independent Auditors, Moore Stephen CJL, thereon, in respect of the year ending 31 December 2012, were presented.

On a query from the floor the Chairman briefly explained the requirements of a replacement reserve fund. The Managing Agent advised that the industry supports a recommended reserve figure of 50% of the annual levy of the resort.

After discussion, it was unanimously RESOLVED that the Annual Financial Statements, together with the reports of the Directors and the independent Auditors, Moore Stephens CJL, thereon, in respect of the year ending 31 December 2012, be approved and adopted.

9. TO APPROVE THE REMUNERATION FOR THE AUDITORS, MOORE STEPHENS, CJL FOR THE PAST YEAR AND TO APPOINT AUDITORS FOR THE ENSUING YEAR

The remuneration of the Auditors, Moore Stephens CJL, for the past year, as provided for in the Annual Financial Statements, was unanimously approved.

It was unanimously RESOLVED that Moore Stephens CJL, be reappointed as auditors for the ensuing year.

10. TO RECEIVE, CONSIDER AND ADOPT THE SCHEDULE OF REPLACEMENT VALUES FOR INSURANCE PURPOSES

The meeting considered the insurance cover schedule. Mr King expressed concern regarding the fire cover category and offered to examine the Santam Policy.

11. TO APPROVE THE ESTIMATE OF INCOME AND EXPENDITURE (LEVY BUDGET) FOR THE YEAR ENDING 31 DECEMBER 2014

The Managing Agent explained that it was the company's intention to utilise the replacement reserve for refurbishment of the timeshare units and in order to grow the reserve, it was necessary to increase the levy. The timeshare levy increase was approved at 8%. It was explained to the meeting that no levy increases were proposed for the remaining entities, as their replacement reserves would be utilised to cover any budgeted increases.

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

It was unanimously RESOLVED that the number of Directors remain at six (6).

13. ELECTION OF DIRECTORS

The Chairman advised the meeting that the A1, A2, and A3 Class shareholders were entitled to elect three directors onto the Board and that the owners of the B1, B2 and B Class shares were entitled to elect three Directors to the Board.

The Managing Agent advised that three nominations had been received from the B Class shareholders, namely Mr M J Zikhali, Mrs B V Zikhali and Mr S Mnguni, who were not present at the meeting and therefore the vote could not be conducted for the B Class shares. The Chairman requested the Managing Agent to liaise with the MTC regarding their elected Directors for the B Class shares.

The Managing Agent advised that one nomination had been received for A1 Class shares, namely for Mr H M Adams. Mr F Erasmus was nominated for the A2 Class shares. Mr R Scott was nominated for the A3 Class shares. All three nominees confirmed that they were willing to act as Directors.

It was unanimously resolved that the Directors for the ensuing year for the A1, A2 and A3 class shares be:

Mr H M Adams

Mr F Erasmus

Mr R Scott

14. TO APPOINT THE AUDIT COMMITTEE FOR THE ENSUING YEAR IN TERMS OF SECTION 94(2) OF THE COMPANIES ACT

It was unanimously RESOLVED that the following be appointed as the Audit Committee:

Mr H M Adams

Mr F Erasmus (revert to point 15.4, last paragraph)

Mr R Scott

15. GENERAL

15.1 Social and Ethics Committee

The Chairman requested nominations for the Committee. Mr H Combrinck, Ms M Schwab and Mr F Blignaut were nominated. The nominations were accepted. Ms Lombard stated that she would be happy to support the Committee.

15.2 Memorandum of Incorporation (MOI)

The Chairman advised that the Memorandum of Incorporation had been published on the website. The Chairman proposed that the MOI not be approved at the Special General Meeting, to enable all shareholders to have adequate time to examine the document, and requested that the MOI be approved at the next Annual General Meeting. The meeting agreed.

15.3 Maintenance

No queries were raised.

15.4 First Resorts / Resort Manager

The meeting requested clarity from the Board on the role of First Resorts and the Resort Manager.

TS pointed out that the tenure of the management agreement with the company had expired and briefly described the function of First Resorts, which essentially is the role of Managing Agent with Herman Combrinck and on-site team reporting to Melanie Schwab and Tim Spencer – all actions of the Managing Agent being governed by the Board of Directors, including hours of employment of on-site management.

The meeting discussed, at length, the working hours of the Resort Manager. The Chairman stated that the timeshare division had structured employees' working hours to facilitate the hospitality industry and that a cost factor would be involved should the whole owners require a similar arrangement. The meeting agreed that there was no clarity in the roles and functions performed by the on-site management and the Managing

Agent. It was requested that the terms of reference for each role be available to shareholders to provide clarity of the situation.

TS explained that the day-to-day operation of the resort was the responsibility of the Resort Manager, with the Managing Agent performing tasks relating to training, policies and procedures, wage negotiations and back-office support functions. Included in the package was the Managing Agent's expertise as a leader in the industry and in timeshare products. TS detailed the impact of group benefits available to the resort, including purchasing power, legal and financial back-up.

Owners expressed the viewpoint that they expected 100% involvement and commitment of the Resort Manager and did not find it acceptable that the Resort Manager's working day finished at 16h00, as well as the arrangement that the Resort Manager was involved with running another business – this was the hospitality industry and these working hours were unusual. An owner remarked that there was a problem with the Resort Manager being answerable to the Chairman and not to the Managing Agent, the structure being perceived that First Resorts should report to the Board and the Resort Manager should report to First Resorts.

The Chairman pointed out that the perception that nobody was on duty after 16h00 was incorrect, and stated that until 21h00 the contact person for emergencies was the Receptionist, and thereafter the Duty Manager was on call. The Chairman stated that since the appointment of First Resorts, nothing had changed for the whole owners with regard to the availability of on-site management. The Chairman advised that should the whole owners require a hospitality-style structure, then this would have to be paid for. The Chairman advised that he and RS had agreed HC's conditions of employment at the time, as long as the running of HC's business did not interfere with his duties. The Chairman stated that if this was the incorrect decision, he was prepared to step down from the Board. The meeting suggested that, as HC had been employed under certain conditions, it was now a requirement, considering the hospitality focus of the resort, that the service by the Resort Manager be stepped up another level. The suggestion proposed was that a dedicated, fully committed Resort Manager be adequately compensated.

The Chairman confirmed that he was stepping down from the Board, as his views differed from those of the whole owners requiring a hospitality structure. The Chairman thanked the meeting for the time afforded him as a Director on the Board.

15.5 Court case : R250,000

The matter regarding the suing of five directors for a wrong decision was brought to the attention of the meeting with a request that the Chairman give direction on the matter going forward. The Chairman advised that instructions had been received from the shareholders at an AGM to pursue the matter, which was being handled by the attorneys.

After lengthy discussion, the meeting unanimously agreed that the court case be dropped. The meeting unanimously agreed that Attorney Shaun Hornby be instructed to liaise with the attorneys of the five Directors involved, to withdraw the action, with each party being responsible for its own costs. It is also noted that if the case was withdrawn, Mr. King undertook that he, and his associates, would not enter into any further litigation with the company and/or the company's Directors past and present.

Later - Mr de Valle returned to the topic and stated that Mr M White would not be happy with the decision as Mr King had stated that he would continue with the action for costs. The Managing Agent reminded Mr de Valle that the decision had been made (as above) by the meeting and that it was a unanimous decision of the meeting, including Mr King.

15.6 Future meetings

There was a request from Mr King that future meetings be held in Johannesburg. TS advised that after assessment of the responses to the meeting, the majority of responses were received from whole owners, hence the decision to hold the meeting at the resort. It was pointed out as well that the cost to accommodate the Board and Managing Agent in Johannesburg was a restriction.

15.7 Access to the beach

On a query from the floor it was confirmed that access to the beach was for Saturdays, Sundays, public holidays, and during school holidays, provided a permit had been obtained. 200 permits were available. 100 permits were issued to the Parks Board. The balance was available to the public.

15.8 Parks Board

There was a request from the floor to change the name Parks Board to Ezemvelo KZN Wildlife.

15.9 Directors remuneration

The Chairman advised that the present Board did not receive any remuneration but that travelling expenses were reimbursed, if necessary. A request had been received from the B Class Directors that a fee should be paid to Directors. The meeting unanimously resolved that Directors fees should be paid by the entity which the Directors represent.

15.10 Locker insurance

The Chairman pointed out that SBL insures the buildings of the company only and that owners needed to insure their own property, as the lockers were not fireproof and fuel is stored in the lockers.

15.11 First Resorts – Management Agreement

The meeting unanimously agreed to extend the Managing Agent’s contract for a further period of one year.

15.12 General

On a request from the floor, it was requested that the company consider the requirements of an Environmental Management Plan, recycling and the introduction of game to the resort.

There being no further business, the Chairman thanked everyone for their attendance and dissolved the meeting at 16h00.

Read and confirmed this _____ day of _____

CHAIR

SODWANA BAY LODGE SHARE BLOCK LIMITED

CHAIRMAN'S REPORT

For the year ending 31 December 2013

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

In a resort as large and complex as Sodwana Bay Lodge, there is an obligation to keep reserves at adequate levels to be able to meet any eventuality as well as to provide for future refurbishment.

The Management and staff threw themselves wholeheartedly into their tasks and dedicated themselves to providing the best possible service. These efforts were recently acknowledged when the resort was selected as one of the top 5 RCI Lifestyle Resorts of the Year for 2013.

The Board has provisionally approved the refurbishment proposal received from an Interior Designer for the upgrade of the timeshare chalets. The programme will include all softs, furniture, attention to kitchens and bathroom upgrades. The design team will be preparing "mock-up" units for the Board's final approval.

I am happy to announce that this refurbishment programme will be funded from existing reserves which have been accumulated over a number of years, and shareholders will not be required to contribute any additional funds. I would request shareholders and guests to be patient during the refurbishment period, as some inconvenience may be experienced.

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 :

- Jungle gym at whole owners' pool area enclosed. Grass planted at whole owners' pool.
- Replacement of all electrical power distribution kiosks completed.
- Chalet deck replacement programme continues. Completion is scheduled for end of October 2014.
- New handrails installed at all chalets.
- All boardwalks in timeshare and hotel areas replaced with paving. Ongoing maintenance is taking place on existing structures in whole owner areas.
- Fish cleaning area tiled and tidied up, roof extended, lighting added.
- Paving of most of road completed.
- A lot of attention has been given to common areas and grounds, including replacement of old wooden railings and dustbins.
- Boreholes drilled for extra water supplies to reservoir and timeshare and hotel areas, and storage tanks incorporated. The system is working very well. Two pump motors replaced and spare motor.
- Pop-up sprinklers installed in timeshare and lodges areas.

Planned Projects

- Upgrade of entrance gate.
- Gator to be purchased.
- Possible construction of additional lockers.

2. Financial

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. The strong trend of cancelling of Use and Occupancy Agreements (weeks attached and put out on tender) within the industry has thankfully not prevailed with us.

3. Levies

Levies outstanding at year end, amounting to R206,560 (2012: R926,920), were assessed by the Managing Agent and, based on their findings, a provision for bad debts amounting to R71,635 (2012: R313,674) was raised. To date, the levy collection rate has improved and will continue to be monitored closely.

4. Budget vs. Actual 2013

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

1. The Board approved a levy increase of only 5% for the year under review.
2. Due to our healthy bank balance and diligent cash flow management, R305,764 interest was earned (2012: R 175,356)

An additional expense for rates & taxes was included in the 2013 budget. It had come to the Boards attention that the land on which Sodwana Bay Lodge is built is being rated. As discussed under rates and taxes further on, the Share Block Company will make provision in the budget for these expense in anticipation of having to pay rates.

3. Reserve fund

The Audited Annual Financial Statements reflect a deficit of R629,803. This deficit has been deducted from our brought forward reserves, resulting in a total nett reserve of R 5,155,735.

The reserve split per section is as follows:

Hotel	R 153,341
Dive	R 75,663
Whole owners	R 1,200,599
Timeshare	R 3,633,876
Road Reserve Fund	R 92,256

4. Rates & taxes

We are currently being billed about R48,333 p.m. for rates and taxes, but the Board, with the help of the Managing Agent, is continuing to attempt to resolve the matter with the relevant departments. Although provision has been made for this expense in our financials, we have not been required to pay anything to date.

5. Court case

The court case in respect of the illegal authorization of payment of R250 000 towards legal costs has been resolved.

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

Sodwana Bay Lodge Share Block Limited
(Registration number 1989/003310/06)
Annual Financial Statements
for the year ended 31 December 2013

These annual financial statements were internally prepared by:
J H Jordaan
Financial Director of First Resorts Management Proprietary Limited

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Index

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

Index	Page
Company Secretary and Audit Committee Report	2
Directors' Responsibilities and Approval	3
Independent Auditor's Report	4
Directors' Report	5 - 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 unaudited:

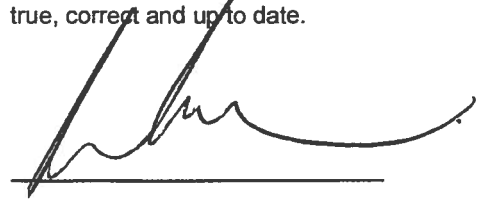
Detailed Income and Expenditure Statement	19
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Level of assurance : Audit

Sodwana Bay Lodge Shareblock Limited
(Registration number 1989/003310/06)
Annual Financial Statements for the year ended 31 December 2013

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 2013, 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 J Jordaan
On behalf of First Resort Management Proprietary Limited

Audit Committee Report
For the year ended 31 December 2013

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:

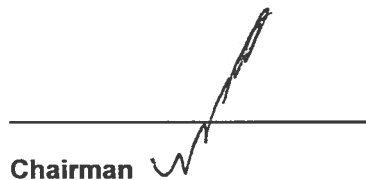
- | | |
|-------------|-------------------------------------------------|
| • H M Adams | Chairman and independent non-executive director |
| • P E Marx | Independent non-executive director |
| • R H Scott | Independent non-executive director |

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

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Directors' Responsibilities and Approval

The directors are required by the Companies Act No. 71 of 2008, 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 financial 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.

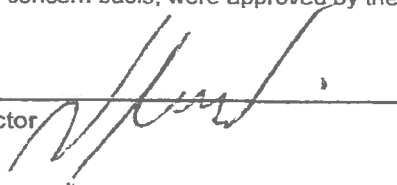
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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.

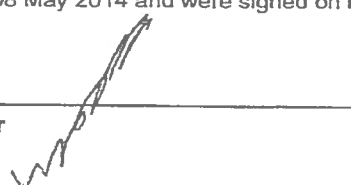
The external auditor is responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and the auditor's report is presented on page 4.

The annual financial statements and supplementary information set out on pages 5 to 19, which have been prepared on the going concern basis, were approved by the board of directors on 08 May 2014 and were signed on its behalf by:

Director



Director



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 2013, 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 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 2013, 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.

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 reports 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 2013, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between this 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 this report and the audited annual financial statements. However, we have not audited the directors' report and accordingly do not express an opinion thereon.


Moore Stephens C/J
Chartered Accountants (S.A.)
Registered Auditors

D Harryparsad

Durban
08 May 2014

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Directors' Report

The directors submit their report for the year ended 31 December 2013.

1. Review of activities

Main business and operations

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

The company's expenditure is defrayed from levies collected from members, which resulted in a deficit for the year of R629,803 (2012 : Levy surplus of R1,495,128) before transfer from the reserve funds of R629,803 (2012 : Transfer to reserves of R1,495,128).

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.

2. Events after the reporting period

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.

3. Authorised and issued share capital

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

4. Directors

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

Name	Changes
S P Erasmus	Resigned 27 September 2013
H M Adams	Re-appointed 27 September 2013
R H Scott	Re-appointed 27 September 2013
P E Marx	Appointed 27 September 2013
M J Zikhali	Re-appointed 27 September 2013
M S Mnguni	Resigned 27 September 2013
B V Zikhali	Resigned 27 September 2013
G G V Nomandla	Appointed 27 September 2013
N T Magagula	Appointed 27 September 2013

5. Managing agent

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

Business address	1 Crompton Street Pinetown 3610
Postal address	P.O. Box 1287 Pinetown 3610

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Directors' Report

6. 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.

7. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act No. 71 of 2008.

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
Assets			
Non-Current Assets			
Motor vehicles and equipment	2	110,768	231,686
Net financial asset	3	13,532	13,532
		<u>124,300</u>	<u>245,218</u>
Current Assets			
Inventories	4	40,739	-
Levies receivable	5	134,925	613,246
Other receivables		8,324	258,922
Cash and cash equivalents	6	7,269,279	5,981,979
		<u>7,453,267</u>	<u>6,854,147</u>
Total Assets		<u>7,577,567</u>	<u>7,099,365</u>
Equity and Liabilities			
Equity			
Share capital	7	13,532	13,532
Reserves		5,155,735	5,785,538
		<u>5,169,267</u>	<u>5,799,070</u>
Liabilities			
Non-Current Liabilities			
Other financial liabilities	8	38,961	98,631
Current Liabilities			
Other financial liabilities	8	83,082	150,861
Current tax payable		93,450	144,981
Other payables	9	1,424,129	479,941
Levies received in advance		768,678	425,881
		<u>2,369,339</u>	<u>1,201,664</u>
Total Liabilities		<u>2,408,300</u>	<u>1,300,295</u>
Total Equity and Liabilities		<u>7,577,567</u>	<u>7,099,365</u>

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Levy Statement

Figures in Rand	Note(s)	2013	2012
Levies raised	10	6,865,448	6,538,683
Other income		196,623	297,584
Expenditure		(7,153,891)	(4,842,353)
Refurbishment expenditure and replacements		(718,102)	(527,506)
Levy (deficit)/surplus before interest and taxation		(809,922)	1,466,408
Interest received		305,764	175,356
Interest paid		(32,195)	(38,791)
Levy surplus before taxation		(536,353)	1,602,973
Taxation	11	(93,450)	(107,845)
Levy (deficit)/surplus for the year		(629,803)	1,495,128

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Statement of Changes in Equity

Figures in Rand	Share capital	Reserves	Accumulated levy surplus	Total equity
Balance at 01 January 2012	13,532	4,290,410	-	4,303,942
Levy surplus for the year	-	-	1,495,128	1,495,128
Transfer to reserves	-	1,495,128	(1,495,128)	-
Balance at 01 January 2013	13,532	5,785,538	-	5,799,070
Levy deficit for the year	-	-	(629,803)	(629,803)
Transfer from reserves	-	(629,803)	629,803	-
Balance at 31 December 2013	13,532	5,155,735	-	5,169,267
Note	7			

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Statement of Cash Flows

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Cash receipts from shareholders		8,555,530	7,702,797
Cash paid to suppliers and employees		(7,269,369)	(6,002,148)
Cash generated from operations	13	1,286,161	1,700,649
Interest received		305,764	175,356
Interest paid		(32,195)	(38,791)
Tax paid	14	(144,981)	(20,688)
Net cash generated from operating activities		1,414,749	1,816,526
Cash flows from financing activities			
Repayment of other financial liabilities		(127,449)	(118,268)
Net cash utilised in financing activities		(127,449)	(118,268)
Total cash movement for the year		1,287,300	1,698,258
Cash at the beginning of the year		5,981,979	4,283,721
Total cash at end of the year	6	7,269,279	5,981,979

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

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. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value 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 Articles of Association 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. 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.

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

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.

Trade and other receivables

Trade receivables and levies 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.

Significant 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'.

Trade and other payables

Trade and other payables are initially 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.

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

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.

Contingent assets and contingent liabilities are not recognised.

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.

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

2. Motor vehicles and equipment

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	317,976	(211,984)	105,992	317,976	(148,389)	169,587
Motor vehicles	176,743	(171,967)	4,776	176,743	(114,644)	62,099
Total	494,719	(383,951)	110,768	494,719	(263,033)	231,686

Reconciliation of motor vehicles and equipment - 2013

	Opening balance	Depreciation	Total
Plant and machinery	169,587	(63,595)	105,992
Motor vehicles	62,099	(57,323)	4,776
	231,686	(120,918)	110,768

Reconciliation of motor vehicles and equipment - 2012

	Opening balance	Depreciation	Total
Plant and machinery	233,182	(63,595)	169,587
Motor vehicles	119,421	(57,322)	62,099
	352,603	(120,917)	231,686

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

Loans from shareholders	(16,288,806)	(16,288,806)
Right of use of property vested in shareholders	19,402,744	19,402,744
Transfer from non-distributable reserves	(3,005,083)	(3,005,083)
Transfer from replacement reserve	(95,323)	(95,323)
	13,532	13,532

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 building. 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	19,742	-
Gas cylinders	20,997	-
	40,739	-

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
5. Levies receivable		
Levies receivable	206,560	926,920
Provision for bad debts	(71,635)	(313,674)
	<u>134,925</u>	<u>613,246</u>
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3,449	8,858
Bank balances	2,242,775	2,473,121
Short-term deposits	5,023,055	3,500,000
	<u>7,269,279</u>	<u>5,981,979</u>
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	306
4,601 B1 Class ordinary shares of 50c each	2,300	2,300
4,601 B2 Class ordinary shares of 50c each	2,301	2,301
4,601 B3 Class ordinary shares of 50c each	2,301	2,301
	<u>13,532</u>	<u>13,532</u>
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 basis.		
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	<u>13,532</u>	<u>13,532</u>

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
8. Other financial liabilities		
Wesbank, A division of First Rand Bank Limited	122,043	175,245
This loan is secured by the plant and machinery referred to in note 2, bears interest at rates linked to the prime lending rate and is repayable in monthly installments of R 6,835 (2012 : R 6,442).		
Toyota Financial Services South Africa Proprietary Limited	-	74,247
This loan was secured by the motor vehicle referred to in note 2, bore interest at rates linked to the prime lending rate and was repayable in monthly installments of R 6,453 (2012 : R 6,453).		
	<u>122,043</u>	<u>249,492</u>
Non-current liabilities		
At amortised cost	38,961	98,631
Current liabilities		
At amortised cost	83,082	150,861
	<u>122,043</u>	<u>249,492</u>
9. Other payables		
Accounts payable	97,751	276,022
Value added taxation	1,877	38,094
Other payables	81,787	40,864
Provision for auditor's fees	43,200	40,000
Provision for leave pay	-	83,919
Provision for rates	1,199,514	-
	<u>1,424,129</u>	<u>478,899</u>
10. Levies raised		
Dive	126,411	120,396
Hotel	827,686	788,340
Timeshare	3,846,909	3,663,668
Whole owners	2,064,442	1,966,279
	<u>6,865,448</u>	<u>6,538,683</u>
11. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	93,450	108,178
Local income tax - recognised in current tax for prior periods	-	(333)
	<u>93,450</u>	<u>107,845</u>

A reconciliation of taxation charge is not considered appropriate as share block companies are liable for taxation only on their net non-levy income.

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.

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Auditor's remuneration		
Fees	43,200	31,000
Adjustment for previous year	6,410	1,150
Other services	1,895	9,000
	<u>51,505</u>	<u>41,150</u>
13. Cash generated from operations		
Levy surplus before taxation	(536,353)	1,602,973
Adjustments for:		
Depreciation	120,918	120,917
Interest received	(305,764)	(175,356)
Interest paid	32,195	38,791
Changes in working capital:		
Inventories	(40,739)	-
Levies receivable	478,321	104,304
Other receivables	250,598	21,676
Other payables	944,188	3,437
Levies received in advance	342,797	(16,093)
	<u>1,286,161</u>	<u>1,700,649</u>
14. Tax paid		
Balance at beginning of the year	(144,981)	(57,824)
Current tax for the year recognised in profit or loss	(93,450)	(107,845)
Balance at end of the year	93,450	144,981
	<u>(144,981)</u>	<u>(20,688)</u>
15. Directors' remuneration		
Executive		
2013		
For services as directors	<u>Travel</u> 6,949	<u>Total</u> 6,949
2012		
For services as directors	<u>Travel</u> 24,591	<u>Time spent at meetings</u> 20,000
		<u>Total</u> 44,591

Sodwana Bay Lodge Share Block Limited

(Registration number 1989/003310/06)

Annual Financial Statements for the year ended 31 December 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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16. 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 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 Article of Association 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.

17. Related parties

Relationships

Managing agent

First Resorts Management Proprietary Limited

Related party transactions

Management fees paid to related party

First Resorts Management Proprietary Limited	360,000	90,000
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SODWANA BAY LODGE SHARE BLOCK LIMITED
DETAILED INCOME AND EXPENDITURE STATEMENT
for the year ended 31 December 2013

	2013 ACTUAL	2013 BUDGET	2013 VARIANCE	2012 ACTUAL
LEVY INCOME				
Levies raised	6,865,448	6,870,491	(5,043)	6,538,683
SUNDRY INCOME				
Interest received	305,764	180,000	125,764	175,356
MTN tower recovery	82,290	68,878	13,412	63,776
Sundry income	9,494	-	9,494	46,831
Commission on rental pool	35,390	46,263	(10,873)	55,180
Gate levies (entrance fees)	69,449	50,547	18,902	52,467
Reversal of ground rental overprovision	-	-	-	32,400
Rentals received on maintenance weeks	-	-	-	46,930
	<u>502,387</u>	<u>345,688</u>	<u>156,699</u>	<u>472,940</u>
TOTAL INCOME	<u>7,367,835</u>	<u>7,216,179</u>	<u>151,656</u>	<u>7,011,624</u>
EXPENDITURE				
Accounting fees	-	-	-	45,784
Auditor's remuneration	51,505	53,500	1,995	41,150
Bank charges	42,316	37,800	(4,516)	34,078
Cleaning and laundry	109,450	102,830	(6,620)	99,055
Commission paid	10,445	19,480	9,035	16,774
DSTV and TV licences	51,079	43,593	(7,486)	55,923
Depreciation	120,918	120,918	(0)	120,917
Electricity	226,480	248,254	21,774	165,748
Gas	167,738	133,265	(34,473)	156,735
Guest supplies & entertainment	57,269	98,660	41,391	57,256
IT expenses	31,549	23,200	(8,349)	19,206
Insurance	379,975	400,000	20,025	368,336
Ground rental paid to Tribe	4,800	4,800	-	4,800
Legal expenses	286,750	35,000	(251,750)	27,959
Motor vehicle expense	23,565	64,936	41,371	58,461
Postage	26,636	1,500	(25,136)	3,099
Printing and stationery	75,819	63,900	(11,919)	58,087
Repairs and maintenance	548,149	577,899	29,750	311,094
Timeshare Replacements	451,533	151,250	(300,283)	124,747
Security	488,556	541,971	53,415	485,726
Shareholders and directors meetings	14,975	60,000	45,025	66,619
Telephone and fax	152,226	170,679	18,453	156,764
Travel	18,182	2,500	(15,682)	150
Utilities	1,287,549	632,900	(654,649)	51,200
Finance costs/Instalment sale agreements	26,817	39,500	12,683	36,231
Interest paid	5,378	-	(5,378)	2,560
Salaries and wages	2,099,284	2,353,848	254,564	1,799,872
Staff expenses	116,094	109,900	(6,194)	52,151
Sundry expenses	25,918	-	(25,918)	378
Management fees	360,000	360,000	-	90,000
	<u>7,260,956</u>	<u>6,452,083</u>	<u>(808,873)</u>	<u>4,510,859</u>
TOTAL EXPENDITURE	<u>7,260,956</u>	<u>6,452,083</u>	<u>(808,873)</u>	<u>4,510,859</u>
LEVY SURPLUS FOR THE YEAR before refurbishment expenditure and replacements, bad debts and taxation	<u>106,878</u>	<u>764,096</u>	<u>(657,217)</u>	<u>2,500,765</u>
Minus: Refurbishment expenditure and replacements	718,102	662,000	(56,102)	527,506
Minus : Bad debts	(74,870)	200,000	274,870	370,285
Add: Taxation prior year	-	55,686	55,686	(333)
Minus: Taxation	93,450	-	(93,450)	108,178
LEVY SURPLUS/(DEFICIT) FOR THE YEAR	<u>(629,803)</u>	<u>(153,590)</u>	<u>(476,212)</u>	<u>1,495,128</u>
TRANSFER FROM/(TO) RESERVE	<u>629,803</u>	<u>153,590</u>	<u>476,212</u>	<u>(1,495,128)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The supplementary information presented does not form part of the annual financial statements and is unaudited

**INSURED:**

SODWANA BAY LODGE SHAREBLOCK LIMITED

COMPANY:

SANTAM LIMITED

AGENCY:

NEDBANK LIMITED

POLICY NO:

42/55119864394/3/M

PERIOD OF COVER:

01 JANUARY 2014 TO 01 JANUARY 2015

DETAILS	SUM INSURED	MONTHLY PREMIUM INCLUDING VAT
FIRE	4,904,645	1,241
BUILDINGS COMBINED	174,245,139	36,169
OFFICE CONTENTS	540,000	397
BUSINESS INTERRUPTIONS	7,421,000	1,180
ACCOUNTS RECEIVABLE	751,000	63
THEFT	60,000	319
MONEY	23,000	65
GLASS	32,400	105
GOODS IN TRANSIT	26,000	83
ACCIDENTAL DAMAGE	501,000	146
PUBLIC LIABILITY	50,000,000	1,962
MOTOR	5,678,817	1,560
- 2009 TOYOTA HILUX 2.5 : NHL7456	186,700	
- 2010 NEW HOLLAND TRACTOR 5610 4WD	372,000	
- 2010 TRAILER	31,208	
- 2006 YAMAHA YFM 250 BRUIN	28,000	
- 2006 YAMAHA TIMBERWOLF 200CC 4W	35,909	
- 1995 REFUSE FIRE TRAILER	25,000	
- CONTINGENT LIABILITY	2,500,000	
- PARKING FACILITIES	2,500,000	
MACHINERY BREAKDOWN	551,000	848
- GENERATOR JOHN DEERE	175,000	
- GENERATOR SCENIA	376,000	
ELECTRINIC EQUIPMENT	205,660	501
- COMPUTER EQUIPMENT	143,660	
- LAPTOP	11,000	
- INCREASED COST OF WORKING	20,000	
- REINSTATEMENT OF DATA	31,000	
SASRIA		3,055
TOTAL	244,939,661	47,692

Sodwana Bay Lodge Share Block
2015 Calendar

Week	Start Date	End Date
1	03/01/2015	10/01/2015
2	10/01/2015	17/01/2015
3	17/01/2015	24/01/2015
4	24/01/2015	31/01/2015
5	31/01/2015	07/02/2015
6	07/02/2015	14/02/2015
7	14/02/2015	21/02/2015
8	21/02/2015	28/02/2015
9	28/02/2015	07/03/2015
10	07/03/2015	14/03/2015
11	14/03/2015	21/03/2015
12	21/03/2015	28/03/2015
13	28/03/2015	04/04/2015
14	04/04/2015	11/04/2015
15	11/04/2015	18/04/2015
16	18/04/2015	25/04/2015
17	25/04/2015	02/05/2015
18	02/05/2015	09/05/2015
19	09/05/2015	16/05/2015
20	16/05/2015	23/05/2015
21	23/05/2015	30/05/2015
22	30/05/2015	06/06/2015
23	06/06/2015	13/06/2015
24	13/06/2015	20/06/2015
25	20/06/2015	27/06/2015
26	27/06/2015	04/07/2015
27	04/07/2015	11/07/2015
28	11/07/2015	18/07/2015
29	18/07/2015	25/07/2015
30	25/07/2015	01/08/2015
31	01/08/2015	08/08/2015
32	08/08/2015	15/08/2015
33	15/08/2015	22/08/2015
34	22/08/2015	29/08/2015
35	29/08/2015	05/09/2015
36	05/09/2015	12/09/2015
37	12/09/2015	19/09/2015
38	19/09/2015	26/09/2015
39	26/09/2015	03/10/2015
40	03/10/2015	10/10/2015
41	10/10/2015	17/10/2015
42	17/10/2015	24/10/2015
43	24/10/2015	31/10/2015
44	31/10/2015	07/11/2015
45	07/11/2015	14/11/2015
46	14/11/2015	21/11/2015
47	21/11/2015	28/11/2015
48	28/11/2015	05/12/2015
49	05/12/2015	12/12/2015
50	12/12/2015	19/12/2015
51	19/12/2015	26/12/2015
52	26/12/2015	02/01/2016



FIRST RESORTS

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 _____

UNIT & WEEK _____

CONTACT TELEPHONE NUMBER _____

EMAIL ADDRESS _____

CARD HOLDER'S INITIALS & SURNAME _____

CARD HOLDER'S ID NUMBER _____

TYPE OF CARD (VISA, MASTER, etc) _____

CARD NUMBER

EXPIRY DATE

AMOUNT _____

DATE YOU WISH YOUR CARD TO BE DEBITED _____

CLIENTS LIVING OUTSIDE SOUTH AFRICA - CREDIT CARD FACILITY ON STRAIGHT ONLY

CVC Number Last 3 digits at the back of card

BUDGET (months) 6 12 24 36 48

CARD HOLDER SIGNATURE

DATE



FIRST RESORTS

360° Service

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: _____ WEEK: _____

MEMBERS DETAILS

First Names: _____ Title: _____

Surname: _____ Gender: M F

ID NO.: Birthday:

Street Address: _____

Postal Address: _____

City/Town: _____ Province: _____

Postal Code: _____ Email Address: (self) _____

Email Address: (spouse) _____

Email Address: (office) _____

Tel:(Home) _____ Tel:(Work) _____

Tel:(Cell 1) _____ Tel:(Cell 2) _____

Preferred Language: _____ Marital Status: _____

SIGNATURE

DATE

SODWANA BAY LODGE SHAREBLOCK LTD

REGISTRATION NO: 1989/003310/06

NOMINATION FORM FOR DIRECTORSHIP

I/We the undersigned _____

the owner/s of module _____

in Unit _____ duly authorised hereto as a member of the above Company, hereby nominate the following persons for election as Directors of the Company at the Annual General Meeting of the Company to be held on **27 JUNE 2014** and their signatures signify acceptance.

NAMES OF PROPOSED DIRECTORS

SIGNATURES OF PROPOSED DIRECTORS

Current Directors are:

HM Adams
R Scott
PE Marx
TN Magagula
GV Nomandla
JM Zikhali

Signed at _____ this _____ day of _____ 2014

MEMBER'S SIGNATURE _____

DOMICILIUM

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

POSTAL ADDRESS

P.O.BOX 1287
PINETOWN
3600
Fax: 031 701 9964/ 086 2956099
email: jorindav@firstresorts.co.za

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

Fax to: 031 701 9964/ 086 2956099 and email to jorindav@firstresorts.co.za will also be acceptable.

SODWANA BAY LODGE SHAREBLOCK LIMITED

(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 _____
(Name in block capitals)

Unit No.: _____ Week No.: _____ being a shareholder/s of SODWANA BAY LODGE SHAREBLOCK LIMITED and entitled to _____ 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 **27 JUNE 2014**, 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 ITEM		FOR	AGAINST	ABSTAIN
6.	To accept the minutes of the Annual General Meeting held on 27 September 2013			
9.	To accept the Annual Financial Statements in respect of the year ended 31 December 2013			
10.	To approve the auditors' remuneration for the year ended December 2013			
11.	To appoint auditors for the year ending December 2013 (on recommendation of the current Audit Committee)			
13.	To elect the Directors: HM Adams R Scott PE Marx TN Magagula GV Nomandla JM Zikhali			
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 2015			

Signed this _____ day of _____ 2014.

Signature

DOMICILIUM

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

POSTAL ADDRESS

P.O.BOX 1287
PINETOWN
3600
Fax: 031 701 9964/ 086 2956099
email: jorindav@firstresorts.co.za

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.

SODWANA BAY LODGE SHARE BLOCK LIMITED

REGISTRATION NO. 1989/003310/06

NOTICE is hereby given of a General Meeting of the Members of Sodwana Bay Lodge Share Block Limited ("the Company") to pass special and ordinary resolutions, which meeting is to be held at the Resort on Friday, 27 JUNE 2014 at 14H00

AGENDA

FOR THE GENERAL MEETING

1. Welcome
2. Notice convening the meeting
3. Present, apologies and acceptance of proxies
4. To establish a quorum for the passing of a Special Resolution
5. Directors Report
6. Ordinary and Special Resolutions

To consider the explanatory memorandum in the Directors' Report and if deemed fit, to then pass the following Special and Ordinary Resolutions, with or without amendments:

Special Resolution

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.

BY ORDER OF THE BOARD

Per: J Jordaan

Registered Office

C/o First Resorts Management (Pty) Limited
1 Crompton Street
Pinetown
3610

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a Member of the Company.
2. Proxy forms, duly completed, should be returned so as to reach the registered office of the Company not less than 48 (forty-eight) hours before the appointed time of the meeting.



FIRST RESORTS

360° of Service

First Resorts Management (Pty) Ltd
Registration No. 2004/015621/07
1 Crompton Street, Pinetown 3610
P.O. Box 1287, Pinetown, 3600
Tel: 031 717 7593 | Fax: 031 701 9964
www.firstresorts.co.za
facebook | twitter | YouTube | flickr | pinterest

SODWANA BAY LODGE SHARE BLOCK LIMITED

Registration No: 1989/003310/06

26 May 2014

DIRECTORS REPORT TO THE MEMBERS

Dear Member,

The Company needs to amend its registered Memorandum and Articles of Association to a Memorandum of Incorporation in terms of the Companies Act No. 71 of 2008. To attend to this amendment the Board of Directors is calling a General Meeting to pass the special and ordinary resolutions for the Company to comply with the provisions of the Act, whilst still adhering to the requirements and provisions of the Share Blocks Control Act and the Property Timesharing Control Act.

Notice of the General Meeting and the Memorandum of Incorporation are available online and can be accessed on the Resort's website or by viewing same at the Company's **registered office** or **at the Resort**.

Should you wish to have sight of this documentation, please contact **JORINDA VILJOEN** of First Resorts, Pinetown, Tel: 031 717 7593, Fax2Mail: 086 295 6099 and Email JorindaV@firstresorts.co.za, who will assist you and who, should you so request, will direct you to senior management of FIRST RESORTS to explain the resolutions in more detail.

For your further information you can access the **Companies Act No.71 of 2008** on www.info.gov.za and **The Companies Regulations** on www.dti.gov.za

Please read the document enclosed explaining the terms and effect of the special and ordinary resolutions to be passed.

The **special resolution** is to amend the Company's registered Memorandum and Articles of Association to a Memorandum of Incorporation (MOI) in terms of the Companies Act No. 71 of 2008.

Once passed, the acceptance of the **ordinary resolution** will enable the Directors and Company Secretary to complete the necessary documents for filing and registration at the Companies and Intellectual Property Commission.

In the event that you cannot attend the General Meeting **PLEASE COMPLETE THE ATTACHED PROXY FORM** as the quorum to consider the Special Resolutions is 25% of all the voting rights of the Company, represented in person or by proxy at the meeting, and to adopt a special resolution a 75% (Seventy Five percent) majority in favour of the resolution is required so your attendance and or Proxy is vitally important for us to hold a successful meeting.


The Board of Directors
Sodwana Bay Lodge Share Block Limited

Directors: JJ Jordaan (Managing), JH Jordaan, SJ Lamont, AN Ridi



SODWANA BAY LODGE SHARE BLOCK LIMITED

(Registration No: 1989/003310/06)

TERMS AND EXPLANATION OF THE SPECIAL AND ORDINARY RESOLUTIONS CONTAINED IN THE NOTICE OF THE GENERAL MEETING

1. SPECIAL RESOLUTION

1.1 TERMS:

“THAT THE CURRENT MEMORANDUM AND ARTICLES OF ASSOCIATION BE AMENDED TO A MEMORANDUM OF INCORPORATION IN TERMS OF THE COMPANIES ACT NO 71 OF 2008.”

In terms of the Companies Act, 2008, existing companies may file an amendment to their Memorandum of Incorporation (MOI) to “bring it in harmony” with the new Act.

The Company is currently registered as a public company.

In terms of the Share Blocks Control Act No. 59 of 1980, the share capital of the company consists of shares in the Company comprising share blocks with use and voting rights attached to them. The rights are indivisible.

The shares carry with them the right for Members to be paid out on winding up of the Company. After discharging all the Company’s liabilities, repayment to the Members is in respect of the share capital, then the repayment of the loan obligation and thereafter any amount remaining is distributable to Members in accordance with their respective share holding.

Shares in the company are freely transferable to Members and the public alike.

Since the commencement of the Companies Act No. 71 of 2008 on 1st May 2011, Section 8(1) decrees that two types of companies may be formed and incorporated under the Act, namely profit companies and non-profit companies.

Profit companies are either state owned, private, personal liability or public companies in any other case.

Share Block companies are not state owned, personal liability, or private companies and are therefore public companies.

They are not private companies as in terms of Section 8(2)(b) of the Act, private companies may not offer shares to the public and restricts the transferability of its shares.

The only amendment to the Share Blocks Act by the Companies Act is that reference to the 1973 Companies Act is reference to the 2008 Companies Act.

The Company’s MOI for adoption by the General Meeting is amended to incorporate the provisions of the Companies Act No.71 of 2008, the Share Blocks Act and the Property Time Sharing Control Act.

1.2 EXPLANATION FOR NOT “RING FENCING”

Section 11(3)(b) of the Act provides that if a company’s MOI includes any provision not dealt with in the Act or contemplated in Section 15(2)(b) or (c) restricting or prohibiting the amendment of any particular provision of such memorandum, the company’s name must immediately be followed by the expression “(RF)” which means “Ring-Fenced”.

The Share Blocks Control Act No. 59 of 1980 is the controlling and regulatory legislation for share block companies, and contains the governing provisions for share block companies and provisions which may not be amended and, to that extent, and, in respect of other provisions for the control of the business of the Company in compliance with the Act, share block companies are de facto “Ring-Fenced” Companies.

The Companies and Intellectual Properties Commission (CIPC), has advised that as share block companies are subject to the provisions of the Share Blocks Control Act, and that furthermore all share block companies are required in terms of the Share Blocks Control Act to have ‘share block’ as part of their name, CIPC will not require share block companies to have the ‘Ring Fenced (RF)’ provision as part of their name.

Details of the provisions of the Share Blocks Control Act (the de facto ring fencing provisions) are to be found in **Annexure 1** to the MOI.

1.3 GENERAL EXPLANATION

The use rights of Members are determined and defined in the **Use Agreement, Annexure 4** to the MOI and as the Use Agreement does not constitute a shareholders’ agreement contemplated in Section 15(7) of the Act, it is not an agreement between the Members of the Company, but rather between the Company and each Member in their individual capacity.

It therefore is not a binding provision of a rule or agreement made by the Board of Directors contemplated in Section 15(3) of the Act and is therefore not governed by the Companies Act under Section 15.

The original Use Agreement will be filed with the MOI as required by the Share Blocks Control Act with a **cover page** drawing Members’ attention to the following:

- Any references in the attached to the ‘Companies Act’ are to be read as references to the Companies Act No.71 of 2008, as amended.
- Any references in the attached to the ‘Articles of Association’ are to be read as references to the Company’s Memorandum of Incorporation.
- Any reference to a manager or management company is to be read as reference to the Managing Agent appointed from time to time by the Directors.

The MOI document includes:-

- The MOI
- Annexure 1 - Share Blocks Act Statutory Provisions
- Annexure 2 - Share Register
- Annexure 3 - Calendar
- Annexure 4 - Use Agreement

1.4 EFFECT:

The Company's MOI will be amended to incorporate the provisions of the Companies Act No.71 of 2008 for a public company.

2. ORDINARY RESOLUTION

2.1 TERMS:

“THAT THE BOARD OF DIRECTORS, 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.”

Following on from the acceptance and approval of the preceding Special Resolution, this Resolution is necessary to authorize the Directors and/or the Company Secretary to take such steps and sign and file such documents as may be necessary to give effect to the Special Resolution as decided by the Members in the General Meeting.

SODWANA BAY LODGE SHARE BLOCK LIMITED
REG. NO. 1989/003310/06

FORM OF PROXY

I / We _____
(Name in block capitals)

of Unit No. _____ Week No. _____ being a member / members of

Sodwana Bay Lodge Share Block Limited and entitled to _____ votes, hereby appoint
_____ of _____

or failing him/her, _____ of _____

or failing him, the Chairman of the meeting, as my proxy to attend and vote on my / our behalf at the General Meeting of the Company to be held on **27 JUNE 2014**, or at any adjournment thereof, as follows :

Agenda Item	For	Against	Abstain
<u>Special Resolution:</u> 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.			
<u>Ordinary Resolution:</u> That the Board of Directors, 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 Resolution.			

(Indicate instruction to proxy by way of cross in space provided above).
Unless otherwise instructed, my proxy may vote as he thinks fit.

Signed this _____ day of _____ 2014

Signature

Assisted by me (where applicable)

DOMICILIUM

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

POSTAL ADDRESS

P.O.BOX 1287
PINETOWN
3600
Fax: 031 701 9964/ 086 2956099
email: jorindav@firstresorts.co.za

NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company.
2. Proxies must be deposited at (delivered or faxed to) the offices of the Managing Agent not less than **48 (forty-eight) hours** before the appointed time of the meeting.