

LA LUCIA SANDS SHAREBLOCK (PTY) LIMITED

(Registration No.1974/001166/07)

MINUTES OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS HELD AT COCO'S, UMHLANGA SANDS RESORT, 44 LAGOON DRIVE, UMHLANGA ROCKS, 4320 ON WEDNESDAY, 21 NOVEMBER 2018 AT 11H00

PRESENT: Viljoen, DP Chairman
Levy, BR Director
Lishman, PJ Director
Manthey, DA Director
Rossouw, L
Smith, B
Da Silva, A
Zunckel, P
Ebrahim, Z
Adams, H
Halligey, J

IN

ATTENDANCE: Charlton, W Frontline Resort Management (Pty) Ltd
Ritchie, A Frontline Resort Management (Pty) Ltd
Mills, R Frontline Resort Management (Pty) Ltd
Spink, T La Lucia Sands Shareblock (Pty) Ltd
Samuels, T Baker Tilly Morrison Murray
Dand, L Baker Tilly Morrison Murray

APOLOGIES: Bewsher, R
Phillips, D
Taylor, C

1. OPEN AND WELCOME:

The Chairman welcomed those present to the Annual General Meeting ("AGM") for the financial year ended 31 December 2017.

He then introduced the panel of Board members, representatives of Frontline Resort Management and external auditor.

2. NOTICE:

The Chairman said he would take the Notice of Meeting as read and no objections thereto were raised.

3. ATTENDANCE, PROXIES AND APOLOGIES:

Those in attendance in person, represented or by way of proxy, represented 1043 ordinary shares, being 55.4% of the issued share capital of the Company.

<u>PROXY HOLDERS</u>	<u>PROXIES RECEIVED</u>	<u>NO OF VOTES</u>
INDIVIDUALS	129	215
TRAFALGAR HOLIDAY RESORT	1	2
FLEXI CLUB	1	142
CLUB PROPERTY HOLDINGS	1	124

PREMIER VACATION CLUB	1	20
FUTURE HOLIDAYS INVESTMENTS	1	43
EASY HOLIDAYS TRUST	1	497
	135	1043

Apologies were received from Mr. D Phillips, Mr. C Taylor and Mr. R Bewsher.

4. ESTABLISHMENT OF A QUORUM:

The Chairman then declared the meeting properly constituted, there being more than 3 shareholders present in person or by representation, holding in excess of 25% of the issued share capital of the Company, as required by the Companies Act 71 of 2008.

5. PRESENTATION OF THE MINUTES OF THE AGM HELD ON 13TH DECEMBER 2017:

The minutes of the meeting of the Annual General Meeting held on 13 December 2017, which had been circulated in the meeting packs, were tabled and taken as read.

It was noted that the Memorandum of Incorporation amendments had been made, submitted and registered.

The Chairman called for questions from the Shareholders, and when there were none, asked for a proposer and a seconder for their adoption. Mr. H. Adams proposed the adoption of the minutes and Mr. D. Manthey seconded the motion.

ORDINARY RESOLUTION 1: ACCEPTANCE OF MINUTES OF AGM

THAT the minutes of the Annual General Meeting held on 13th December 2017 be accepted as a true record of the proceedings.

The resolution was passed on the poll of a majority of 98.8% of the votes cast in favour with 1.2% abstentions.

6. PRESENTATION OF CHAIRMAN'S REPORT:

The Chairman's Report was presented and was taken as read.

7. PRESENTATION AND ACCEPTANCE OF AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017:

The Audited Annual Financial Statements for La Lucia Sands Share Block (Pty) Ltd for the year ended 31 December 2017 were presented. The Chairman noted that there was a printing error on Page 26 of AGM booklet, being the revenue figure for 2017. The figure should read as R12 590 962. He then opened the floor for questions.

Mr. Ebrahim enquired about the following:

- Clarification of the repairs and maintenance figures (page 13 – Chairman's report and 37 of the Annual Financial Statements). The Chairman confirmed that the figure included the replacement of air conditioner units.
- The onsite process for the air-conditioners. T Spink explained that metered units were installed in each unit for air-conditioner use and that on check-in, the guest could purchase a voucher to load onto the unit. Guests were no longer charged for the full unit electricity usage on check-out.
- Was solar power an option? The Chairman mentioned that it would be a huge capital cost and currently the focus was on the unit condition before other projects could be undertaken.
- The total cost of refurbishment, the Chairman confirmed that the estimated cost was

- approximately R27 million over 3 years.
- The rates categorization. The Chairman noted that La Lucia Sands was currently categorized as commercial and an objection had been submitted accordingly. There were many challenges involved with this and was an ongoing matter for many Durban and Umhlanga resorts.
- If the admin fees being paid were a market related percentage of revenue. The Chairman confirmed that it was 12% of vat exclusive levies raised. Mr. H Adams added that the fees are slightly below market norms.

The floor asked about the cost of WIFI and if the income it generated covered the costs thereof? Tristan noted that the Wi-Fi cost is quite reasonable, however, the aim was to provide the guests with a service that had become a necessity currently. The resort would be upgrading to a fiber line in future to improve the coverage in the resort.

The Chairman then called for a proposer and a seconder. Mr. H Adams proposed the acceptance of the Annual Financial Statements and Mr. A L Rossouw seconded the motion.

ORDINARY RESOLUTION 2: ACCEPTANCE OF ANNUAL FINANCIAL STATEMENTS

THAT the annual financial statements for the year ended 31 December 2017 having been approved by the Board of directors and presented to shareholders as required by the Companies Act be accepted.

The resolution was passed on the poll of a majority of 99.0% of the votes cast in favour and 1.0% abstentions.

8. APPOINTMENT OF AUDITORS:

The Chairman recommended the reappointment of the auditors, Baker Tilly Morrison Murray. This was proposed by Mr. B Levy and seconded by Mr. H Adams.

ORDINARY RESOLUTION 3: APPOINTMENT OF AUDITORS

THAT Baker Tilly Morrison Murray be and are hereby appointed as auditors, to hold office until the conclusion of the next annual general meeting.

The resolution was passed on the poll by a majority of 99.7% of the votes cast in favour and with 0.3% abstentions.

9. ELECTION AND APPOINTMENT OF DIRECTORS:

The Chairman reported that two directors were retiring by rotation and were available for re-election and that one director had recently resigned, leaving a new vacancy on the Board. Additional nominations had been received for Mr H Adams, L Rossouw and Z Ebrahim.

The appointment of each director needed to be voted upon separately and the vote would therefore be taken on a poll. Amended poll forms comprising the new nominations, had been submitted to the shareholders to vote.

The Chair asked that the new nominees introduce themselves to the attending shareholders and Board.

H Adams: Noted that he is a qualified Chartered Accountant working in the timeshare industry with over 30 years' experience. He is involved in resort management and represents points clubs on around 54 boards.

Z. Ebrahim: Resides in Durban and believes he could add value to the board with his property experience. He is also an owner at the resort.

L. Rossouw: Noted that he resides in Johannesburg, is a semi-retired Insurance practitioner as well as an owner at La Lucia Sands for almost 30 years.

A Ritchie explained the polling process to the floor. Voting 3 for and 2 against (includes the 2 rotating directors and new director).

ORDINARY RESOLUTION 4: APPOINTMENT OF MR B LEVY

THAT Mr. B Levy be and is hereby elected as a director of the Company.

The resolution was passed on the poll by a majority of 69.8% of the votes cast in favour, with 29.3% against and 0.9% abstentions.

ORDINARY RESOLUTION 5: APPOINTMENT OF MR P LISHMAN

THAT Mr P Lishman be and is hereby elected as a director of the Company.

The resolution was passed on the poll by a majority of 70.3% of the votes cast in favour, 28.8% against and with 1.0% abstentions.

ORDINARY RESOLUTION 6: TO ELECT MR H ADAMS AS DIRECTOR

THAT Mr H Adams be and is hereby elected as a director of the Company

The resolution was rejected on the poll by a majority of 70.6% of the votes cast against, 29.3% for and with 0.1% abstentions.

ORDINARY RESOLUTION 7: TO ELECT MR L ROSSOUW AS DIRECTOR

THAT Mr L Rossouw be and is hereby elected as a director of the Company.

The resolution was passed on the poll by a majority of 99.1% of the votes cast in favour, 0.8% against and with 0.1% abstentions.

ORDINARY RESOLUTION 8: TO ELECT MR Z EBRAHIM AS DIRECTOR

THAT Mr Z Ebrahim be and is hereby elected as a director of the Company

The resolution was rejected on the poll by a majority of 70.8% of the votes cast against, 29.1% for and with 0.1% abstentions.

10. SPECIAL RESOLUTION 1: TO APPROVE DIRECTORS REMUNERATION.

The Chairman explained that per the Companies Act, director's remuneration must be approved by a special resolution every two years. The current fee per director was R 4000 per director per meeting attended.

The resolution was passed on the poll by a majority of 97.2% of the votes cast in favour, 0.7% against and with 2.1% abstentions.

11. PRESENTATION AND ACCEPTANCE OF INSURANCE VALUES:

The Chairman explained that the acceptance by the Shareholders of the insurance values was a requirement of the Share Blocks Control Act, and described the cover detailed on page 38 and 39 of the booklets.

The floor enquired when property was last evaluated. Mr. W Charlton noted that professional evaluators performed an evaluation of the property around two months before the meeting. The Chairman added that the resort is adequately insured. Mr. Rossouw noted that the R40 000 fidelity insurance appeared insufficient and that Lucia Sands should investigate insurance on loss of revenue. The floor noted that

the resort should have cover in terms of the SESA Act. CSOS scheme act. H Adams asked that the managing agents follow up regarding this requirement and implement the insurance cover as soon as possible.

The Chairman then called for a proposer and a seconder. Mr. B Levy proposed the acceptance of the Insurance Values and Mr. P Lishman seconded the motion.

12. GENERAL:

Mr W Charlton asked that the following correspondence received from a shareholder, Mr C Taylor, be read into the minutes:

Owner: Mr C Taylor

Queries raised:

1. Why a refurbishment budget increase from R23 million at 2017 AGM to R27 million when final refurbishment plan was announced.
2. Is a 10% non-payment rate estimate sufficient?
3. Should we have held an SGM to approve refurbishment?
4. Should the meetings not be held in Johannesburg, where there are more shareholders present?

Answers:

1. The budget was refined in the months following the 2017 AGM and R27 million was the upper limit of the budget. Essential refurbishment works will cost 24 million and optional common area improvements, such as reception, parking and corridor remodelling could make up the balance should levy collection be at the levels required.
2. Yes, half of the shareholders, being clubs, have already committed to the special levy. In other resorts undergoing major refurbishment, the non-payment rates are typically around 5%, so we believe this to be more than reasonable.
3. It is not a legal requirement that a refurbishment decision be passed as a special resolution at an AGM. It is also costly to hold an SGM, plus only a small minority of members would be able to attend. Our approach in this matter has been that we have liaised with members at the 2017 AGM, plus via an onsite unit 5 mock-up, plus via 3 separate communication outlining the refurbishment plans which also called for comment. Using this method was, we feel, the most inclusive was of determining shareholder appetite for the refurbishment. We received highly positive feedback in the majority.
4. It was decided at the last AGM that the board would seriously consider holding an AGM in JHB, however while the refurbishment is in progressing, the Board endeavours to save costs and as such, the AGM's would be held in Durban. To move an AGM to JHB will cost approximately an additional R 30 000 per annum.

The Chairman added that they had received a lot of feedback from owners regarding the mock-up unit. Most owners are comfortable and happy with the refurbishment proposal and many had provided some positive input. The input provided was considered and some of the specifications of the refurbishment were amended in line with what owners were recommending, such as the kitchen countertops – will be changed to stone countertops.

Mr Rossouw asked about the refurbishment insurance arrangements. Mr W Charlton noted that the Project Management company, Falconer Designs had the relevant insurances in place.

Mrs Halligey enquired about the additional cost per shareholder. Mr W Charlton explained that the special levy was confirmed at R 5 000 per share block owned payable by February for three years. A discount would of R500 would be offered for special levies paid before 31st December each year. The floor also wanted to know if the refurbishment would result in additional maintenance costs, the Chairman confirmed that that the costs should go down.

Mr Adams reported that there were still items outstanding regarding the forensic audit investigation. Mr W Charlton noted that all information requested had been submitted to the attorneys, however, he would follow up on the query to ensure all was in order.

Mr P Lishman gave feedback regarding the beautification project. The new fence and paving had been completed and a braai zone with include tables and benches was being installed. It was unanimously agreed by all in attendance that the resort looked better than ever before.

Mr Ebrahim asked if the pools were heated. The Chairman confirmed that the pool was not heated and that it was on the wish list for future consideration.

He also asked about the kiddie's entertainment. Tristan confirmed that there was entertainment arranged during holidays. Mr Lishman also added that they were looking at changing the tennis court to a multi-functional court. The resort needs to get to new level before looking at "wants" or Nice to haves".

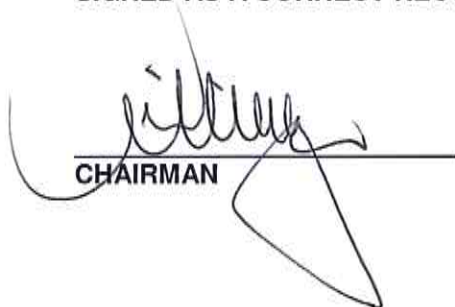
Mr Ebrahim asked about changing the shower mixers as it was difficult to get the right temperature. Mr P Lishman agreed and noted that this would be address. Mr W Charlton confirmed that the plumbing would be stripped and redone as part of the refurbishment project.

13. CLOSURE:

The Chairman thanked shareholders, directors and the management for their attendance. He also thanked T Spink, the onsite team and the managing agents for the hard work over the past year.

There being no further business he declared the meeting closed at 12h10.

SIGNED AS A CORRECT RECORD



CHAIRMAN

DATE: 2-3-2019