

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS OF AVALONSPRINGS BODY CORPORATE

HELD ON 28 AUGUST 2013 AT 18H00 AT THE PENINSULA HOTEL,
313 BEACH ROAD, SEA POINT

The Chairman, Mr Ross James, was unable to attend the meeting. The trustees appointed Mr Weston Dickson as the acting Chairman, and this motion was agreed by all present. He opened the meeting by extending a warm welcome to everybody present; he introduced all Trustees and Avalon staff.

1. Notice / Quorum

The notice had been circulated within the required period and was taken as read. The Chairman confirmed a quorum was present and accordingly the meeting was declared properly constituted.

2. Apologies

The following apologies were noted: Mr & Mrs Palmer, Mrs E Boshoff, Mr & Mrs James, Mr & Mrs Van Blerck, Mrs Eksteen, Mrs Schultz, Mr Edwards, Mrs Scherrer, Mr & Mrs Gunter, Mrs Heydenrych and Mr & Mrs Witter. Proxy forms were received from Mrs Eksteen, Mr Schultz, Mr Edwards, Mr & Mrs Gunter, Mrs Heydenrych, Mr & Mrs Witter appointing the Chairman. Flexi Club & Trafalgar Holiday Resort appointed Mr HM Adams.

3. Minutes of the last Annual General Meeting – 4 July 2012

The minutes of the previous Annual General Meeting had been circulated with the notice. As there were no comments or changes suggested, these minutes were signed as a true reflection of the meeting. This motion was proposed by Mr Hedley Adams and seconded by Mr Barrett.

4. Chairman's/Trustees Report

The Chairman advised the report had been drawn up by him and apologized for the error stating that he is the Chairman. This is incorrect and Mr Ross James remains the Chairman of the Body Corporate. He also noted that the report was entitled Chairman's Report, which is incorrect as it should be the "Trustees Report". This was not circulated with the notice, but copies were available at the door. The Chairman raised the following points:

- Avalon Springs is a very high demand resort with an occupancy rate of over 90%.
- In May 2012 the resort embarked on major refurbishment and was closed for about 12 weeks from May to June. He stated that an outstanding job was done as it involved re-tiling the floors, removing some walls, changing doors, refurnishing and repainting the units. There have been a lot of comments from all the owners, some positive and some not so positive. The upgrade was discussed at last year's AGM, as well as the year previously. There were two show units on display, reflecting different combinations and the end result was that all opted to go with first option being unit 102.
- RCI, our exchange facilitator, dramatically increased the points, which is very good for those owners who exchange their weeks locally and internationally.
- Avalon Springs was upgraded from a "Lifestyle Resort" to a "Silver Crown Resort"
- Mrs Lewenson had a query regarding the calendar, Nick Dickson explained that Avalon is on a rolling calendar where the seasons change from year to year, our calendar is based on the school holidays and there are certain rules embedded within our use agreement. Nick was instructed to contact Mrs Lewenson after the meeting.
- In October 2012 the Laundry burned down, we are currently in the process of rebuilding and it should be completed by end September 2013.
- New shade cloth has been installed on all the carport canopies.

- Levy increase for 2013/14 were 6.5%; two of the major cost drivers being Salaries & Wages and Electricity.
- A provident fund for Avalon employees was introduced resulting in the current year's salary bill to be over budget year ending 2014.
- We have entered into an agreement with a company called Energy Optimizers who will assist us for 24 months on electricity savings. The capital cost is R44, 000 and the monthly charge amounts to R4400.00 which will be split between the three entities. The capital cost mostly relate to the installation of meters to monitor the electricity demand.
- We are lucky that we are able to split certain costs between three entities, thereby reducing the levy cost.
- We have drawn up a 10 year Capex plan for the entire resort identifying which areas need work and where items need to be replaced. All work done or replacements relating to each entity will be for their own cost, and if we look at the common areas these costs will be shared. At the budget meeting which is scheduled for end October 2013, we will look at some of these serious items that need to be done. The pool area will have to be redesigned in 2014/2015, as the Island pool is too small for the demand from the Chalets, Timeshare Body Corporate & Hotel.
- Regarding the pool area to be refurbished Mrs Shaskolsky raised concern about the noise factor. She finds that every year they take their holiday, there is building repairs being undertaken. While, she appreciates the fact that the resort is being looked after, the drilling and banging is not fun when on holiday especially during peak season.
- Mrs Cousenes & a few other owners complained about the loud music being played at Cabana Bar, they feel when people go to a resort like ours they want to relax at the pools with quiet back ground music, and not music that is deafening and unsuited for the area. Mr Dickson apologized and instructed Andre Schoeman to ensure this does not happen in future.
- Mr Khan was at the resort during the June/July school holidays and expressed his concern regarding the state the pools & jacuzzi's were in. The pools were dirty and not chlorinated. In the past the pools were closed at 23H00 to be chlorinated and he noted that this is not happening. Andre Schoeman ensured him that we religiously chlorinate the pools at night, and should there still be a lot of hotel guests using the pools at 23H00; it gets chlorinated later during the night. Andre also mentioned that at the beginning of August all pools were emptied, repaired and cleaned.
- Mrs Shaskolsky also mentioned that there is no supervision in the pool area; you do not see a manager checking on guests. As a result, guests are drinking in the pools and glasses are being left next to the pools which is dangerous for kids and all guests should the glasses be broken or end up in the pool itself. Mr Dickson apologized and stated that this should not happen. Some guests have complained to management, but nothing is being done in this regard. Mr Dickson agreed that these are all valid points and the managing agent would investigate them.
- Mr Khan asked why the pools previously closed at 23H00 for day visitors, but this does not appear to be case now. He feels the rules should be enforced by management.
- Mr Khan also mentioned that unit 102 does not have a wardrobe or a mirror, Andre Schoeman will address the issue.
- Mrs Booley is of the opinion that although the units were supposedly upgraded, she feels they have been downgraded. She purchased the unit as a 6-sleeper and it is now a 4-sleeper. Mr Dickson advised that the two major shareholders are Dream Vacation Club and Flexi Club, who owns about 80% of the timeshare. They insisted from day one that the units are 4-sleepers. The refurbishment was discussed at last year's AGM, as well as the one previously, and the meeting agreed that A-type units will be changed to a four sleeper. The main reason for the change was that the units were overcrowded, and he feels that the upgrade is done and should be accepted. The units have been furnished for four people and it will stay this way.
- Mr Khan referred Mr Dickson to the title deed, which indicates that the units were bought as a six sleeper. Mr Dickson advised that, in the sectional title rules although it may state that the A-type units are six sleepers; the trustees can change the rules should it have

been approved at annual general meeting. He will be checking with our attorneys that the correct procedure was followed.

- There was an owner who wanted to know if the change in sleeper size affects the points they would get from RCI. Mr Dickson confirmed that with the upgrades, the points had doubled.
- Mrs Gunter expressed unhappiness with the new sleeper couches and requested that they be replaced with better ones. Mr Dickson stated that the trustees will look at what can be done in this regard.
- Mrs Fakier raised the point that not all owners can be at the AGM, they had to drive from St Helena Bay, the reason for her mentioning this is that when they are unable to attend the meeting, and other owners will make a decision on her behalf.
- The Chairman suggested that we do a survey where we contact all owners excluding the holiday clubs and find out if they want a 4 sleeper or a 6 sleeper. Based on this we might be able to identify 3-4 units that can be changed back to 6 sleepers. However he feels that should this be done, the levy of these units will have to increase as the cleaning & laundry cost, electricity cost, repairs & maintenance will be much higher on these units than the 4 sleepers.
- The chairman requested a show of hands for owners who are in favor of the units being 6 sleepers – the total show of hands was 5. The same request was made on how many owners would like the units to stay 4 sleepers – the total show of hands was much higher than 5. Mr Dickson suggested that all owners who are adamant about the six sleepers should email Andre Schoeman for him to try and find a solution to the problem.

5. Audited Annual Financial Statements for the year ended 28 February 2013

The full set of financials had been circulated with the notice of the meeting.

Income Statement

- The Chairman informed all that of the special levy received, we were over budget by +/- R85, 000. With a budget of R3.5 million, to be over budget with this amount is very good when taking into consideration the additional work done in the units.
- The income statement shows of loss of R130, 000 for the year; after transferring R3.8 million to the refurbishment reserve financed by R3.4 million from the special levy and R400, 000 from the reserve fund. Some reserves were used for the refurbishment work. However the Chairman feels that while this is not serious, it is something the Trustees do not want see done on the future.
- From a budget point of view we anticipated having a surplus of R32, 000 therefore it was quite a big swing to R130, 000.
- Some of the major costs were staff cost at just under R1.5 million; Electricity at just under R320, 000 and repairs & maintenance at R178, 000.

Balance Sheet

- The reserves at the end of February were R675, 000; with the Capex plan drawn up, the Chairman feels the reserve fund should be increased in order to keep the resort in a good state.

As there were no further comments or queries, the annual financial statements were approved. This was proposed by Mrs Di Gordon and seconded by Mr Hedley Adams.

6. Forecast of Income & Expenditure for the year ending 28 February 2014

The budget has been circulated with the notice. We budgeted for a surplus for the year of R1500.00. The levy increase was 6.5%, which the Chairman felt was a bit low. Going forward we will try to keep our running cost within the inflation figure between 5-7% and to increase the reserve fund contribution by 10-15%, for this reason the levy increase for 2014/15 could be slightly more and hopefully we will be able to keep it under 10%. The Chairman stressed the fact it is essential that the reserve fund be built up.

As there were no comments or questions the forecast of income & expenditure was approved and proposed by Mr Hedley Adams and seconded by Mrs Di Gordon.

7. Insurance Replacement Values

We recently had a valuator at the resort to value all assets of the properties and to ensure that we are properly insured; this was done at a cost to the company of R10, 000 and was shared between the three entities. We will be short on our insurance budget for year ending 2014 by +/-R40, 000 due to the revaluation that was done.

The Chairman referred everyone to page 2 on the financials for the insurance breakdown. Currently the insured value of the property is listed as follows:

- Buildings (Fire and allied perils) – R24 million
- Contents – R2.4 million
- Business Interruption (18 months with escalation) – R6.5 million
- Public Liability (applied to resort as a whole) – R50 million

8. Appointment of Auditors and approval of their fee

The auditors are PKF Inc (Cape Town) who is also the auditors for the Hotel & Mountain Chalets Body Corporates. The meeting confirmed PKF's reappointment and approval of their fee of R20, 000 which was proposed by Mr Roy Lipman and seconded by Mr Bruce.

9. Election of Trustees

No new nominations were received. The current trustees made themselves available for nomination, except for Mr Mike Thompson. The meeting confirmed the re-election of Ross James, Weston Dickson, Hedley Adams, Di Gordon, Ameen Amod, Moosa Lawrence, Roy Lipman and Hashmat Upadhey as trustees of the Body Corporate.

10. Placing any directions or restrictions on the Trustees

To date no restrictions had been placed on the Trustees and it was agreed that this situation should continue. However Mr Wentzel wanted assurance that the units will not be changed from 4 sleepers to 2 sleepers, which was agreed by the Chairman.

11. Domiciliumcitandiexecutandi

There has been no change in the Domicilium of the Body Corporate; therefore it remains at Avalon Springs Hotel, Uitvlucht Street, Montagu.

12. Special Business

The Chairman received three letters from owners of the 07 units. Two letters addressing the same concern that there is insufficient seating for 8 people in the B-type units. The Chairman advised that he was unaware of this issue, as it appears this has been the case since the resort was built. He has instructed Andre & Marius to address the issue. Mrs Shaskolsky also requested that two additional plastic stacking chairs be put on the balconies as was the case previously. The Chairman instructed Andre to see that this request is met.

The other letters from Mrs Basson & Mrs Edwards regarding the change from 6 sleeper to 4 sleeper units, had already been discussed

Mr Khan raised concerns about the John Montagu Bar, the gambling machines have been taken out and he would like to know why it is in the current state that it is. The Chairman advised that we had some issues with the gambling board and for this reason the machines were removed temporarily. The Chairman also mentioned that with the strict rules of the gambling board, no children can enter the bar when their parents are watching a rugby game, and this was what concerned him. Consideration would be given to changing the entire bar to an open plan area which can be used by all; this will be incorporated in the Capex plan.

Mr Khan explained that he is not worried about the slot machines, in previous years the bar use to be a place where guests could gather and play cards and chatted until all hours of the morning. Now the bar closes at 22H30, and they have to leave the area. According to Mr Schoeman the bar opens again at 10H00 in the mornings, however Mr Khan did not agree with this, as he noticed it only opening at 14H00 in the afternoon. Mr Dickson promised that he will look into this.

Mr Dickson mentioned that we will be looking at re-doing the entire pool area, as he feels it is very cramped and limited for guests to enjoy.

Mr Wium raised concern about the noise factor in the indoor swimming pool. Andre Schoeman replied that previously it was an Adults-only pool which caused parents with kiddies to get upset as they were prevented from using the pool. The rules were subsequently changed and kiddies were then allowed inside. Parents have to see that the noise factor is kept to a minimum as we also have guest at the reception area. This remains a problem and Andre will do his best to get this issue sorted.

Mr Dickson informed the owners of the e-guest questionnaire, this is e-mailed to all guests after their visit to the resort, he requested that it be completed and sent back to the resort. This would assist in small issues being resolved without owners having to wait for the AGM.

Mr Dickson asked those guests who have a problem with the 6-4 sleeper, to liaise with Andre Schoeman directly. The trustees will in the meantime try to find a solution to the problem.

As all items on the Agenda had been attended to, the Chairman thanked his fellow Trustees and everyone present for their input. The meeting concluded at 19H12.

CHAIRMAN

DATE