

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS OF AVALON SPRINGS MOUNTAIN CHALET BODY CORPORATE

HELD ON 4 JULY 2012 AT 15H00 AT THE PENINSULA HOTEL, 313 BEACH ROAD,
SEA POINT

The Chairman, Weston Dickson, opened the meeting by extending a warm welcome to everybody present; he also thanked everyone for taking time out of their busy schedules to attend.

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

Received from Mr & Mrs Pakendorf unit 608E.

3. Minutes of the last Annual General Meeting

The minutes of the previous Annual General Meeting held on 27 July 2011 had been circulated with the notice. As there were no comments or changes suggested, these minutes were adopted and signed off by the Chairman. This notion was proposed by Mr Esack and seconded by Mr Adams.

4. Trustees Report

The Trustees Report was added to the financials and circulated with the notice. The meeting decided it was unnecessary for the report to be read in view of the fact that everyone had received a copy.

The Chairman raised the following points:

- The Chairman reminded everyone that all three entities - the Mountain Chalets, Avalon Springs Body Corporate & the Avalon Springs Hotel - are all managed under one roof. This is very cost effective as expenses can be shared among the three entities and, as a result of this, the levy increases are able to be kept to a minimum.
- For information, the Chairman mentioned the Mountain Chalets' occupancy was 81% for the whole year, which is very high for any resort in South Africa.
- Spa baths remains a concern. Both heat pumps and solar panels have been tried out. These are fine for summer months but in winter the spa baths are quite cold. The word "heated", in relation to the spa baths, has been removed from all the advertising material and this seems to have reduced the complaints. The trustees are still exploring a few options on how to resolve this issue.
- Levy Increase – the increase was set at 9.3% which, the chairman stressed, was quite affordable if compared to other resorts.
- Currently happening - a second golf cart has been added, which is working quite effectively. A number of renovations were carried out to the back facing rooms in the hotel. The timeshare apartment block was also refurbished between 7th May and 22nd June.

5. Audited Annual Financial Statements for the year ended 29 February 2012

The full set of financials had been circulated with the notice of the meeting. The Chairman referred all present to page 6:

- From an income point of view, this was almost the same as the previous year. There was no levy increase from 2011 to 2012. We did try to redefine the expenses between timeshare, chalets & hotel and the chairman believes the split is being done in the fairest way possible. Laundry expenses did increase as it was decided that split was a bit unfair to the other two entities and this was adjusted. Electricity expenses also increased, unfortunately this is somewhat beyond

our control and is of concern. However the trustees are actively responding to the challenges of future Eskom hikes.

- Insurance – during the year our insurers were changed which resulted in an increase premium however this was mainly due to the chalets being insured as non-standard construction which was explained at the previous AGM.
- Rates & Taxes – this item increased due to the fact that we were only charged for eight months in 2011, and this year we incorporated twelve months.
- Repairs & Maintenance increased, which is quite normal as we are experiencing high occupancy rates.
- Salaries & Wages - increase is due to the two Bosbok drivers not budgeted for previously. The Chairman also informed the meeting that the resort embarked on an entertainment venture, and Richard Banda has been moved from reception to run these events. Programs are run five to six days per week and cover items such as entertainment in the restaurant, morning yoga sessions, fitness sessions, karaoke evenings, movie nights etc.
- We transferred R130, 800 to the reserve fund. There was a small surplus after income and expenses; however after the transfer to refurbishment reserve, there is a loss of R128, 756. The Chairman stated that not having a levy increase was probably not the best move.
- On the balance sheet - cash on call at the end of the financial year was just over R1.7 million, relating to levies for the wholly owned units payable quarterly in advance.
- Current reserve in the Body Corporate is R624, 000. Whilst this is not very substantial, when taken over 28 units, there is approximately R22, 000 available for each unit.

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

6. Forecast of Income & Expenditure for the year ending 28 February 2013

The budget has been circulated with the notice. The following items were discussed:

Security

Although this looks like a huge increase, it was explained that the security company's contract had been terminated. However this had proved not to be the best option and they were re-employed.

Subscriptions

Subscriptions were previously expensed under hire of equipment. With the introduction of a separate subscription budget, the hire of equipment charges reduced drastically.

Spa Bath Cleaning

An amount of R6000 was budgeted previously. The reason for the increase in spa bath cleaning cost is due to a change in system operation. Previously the water was flowing in and out of the Jacuzzis, this has now been changed to a ring feed system which obviously requires more cleaning materials.

Staff Costs

This item has increased by 10%, due to salary increases and the two additional Bosbok employees.

Rates & Taxes

The Municipality rated the valuation of the chalets at R3.5 million for 2012 – 2015, resulting in an increased rates & taxes account. The Managing Agent objected to this as the previous valuation was done at R1.35 million.

The objection has been accepted and the correction will be put through at R1.4 million per unit. As there were no comments of questions the forecast of income & expenditure was approved and proposed by Mr Okkers and seconded by Mr Adams.

7. Insurance Replacement Values

The Chairman referred everyone to page 3 on the financials for the insurance breakdown.

Currently the insured value of the property is listed as follows:

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|---|---------------|
| • Buildings (Fire and allied perils) | – R38 623 200 |
| • Contents | – R4 276 140 |
| • Business Interruption (18 months with escalation) | – R6 772 500 |
| • Public Liability (applied to resort as a whole) | – R50 000 000 |

8. Appointment of Auditors and approval of their fee

The auditors are PKF Inc (Cape Town) who are also the auditors for the Hotel & Timeshare Body Corporate. The meeting confirmed PKF's reappointment and approval of their fee of R17, 375.00 which was proposed by the Chairman and seconded by Mr Adams

9. Election of Trustees

The current trustees made themselves available for nomination. No new nominations were received therefore Weston Dickson, Di Gordon, Dawood Esack & Hedley Adams offered themselves for re-election and were accepted en bloc.

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.

11. Domicilium citandi executandi

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

No notice for any special business had been received.

As all items on the Agenda had been attended to, the Chairman requested any other comments from the floor.

- Andre advised that we are planning to take the entire maintenance team into the chalets after the school holiday.
- There is a problem with birds making nests under the chalets; the Managing Agent will see what can be done in this regard.
- Mr & Mrs Adams referred to their request that was made at the previous AGM, where they asked if it would be possible to add a door to access the chalet from the back for unit 607 & 608.
- Another request that was raised from the previous year was Mr Okkers's suggestion to remove the bath in one of the bathrooms and add a walk in shower.
- Andre advised that both points will be considered when doing the maintenance in the units.

Lastly, the Chairman, thanked his fellow Trustees and everyone present for their input. The meeting concluded at 15H45.

CHAIRMAN

DATE