



CHAMPAGNE SHARE BLOCK

NEWSLETTER NUMBER 70- 2019 LEVY

14 NOVEMBER 2018

EXECUTIVE SUMMARY

For those too busy to read! For more, read on.

Your levy for 2019 goes up by 8,4 % for the timeshare owners and the A shares. Whilst we based the budget on an inflation rate of 5.8%, and whilst the central unit costs were only 5.9%, the above inflation increase is mainly due to what we consider administered costs like insurance and rates. We continue negotiating, and we may still achieve savings on these items to provide a lower cost base next year.

The hotel property owning company, Hospitality Property Fund, is now controlled by Tsogo Sun, but the hotel management company, Champagne Sports Resort has signed a new lease and continues to operate with its own independent management. So our Share Block Company continues as normal.

The big questions that your board will deal with over the next year will be the roll out of fibre and Wi-Fi to the chalets, and the refurbishment of kitchens and bathrooms, in part for our owners and to meet industry standards.

A land claim has been lodged over much of our valley - we understand it is not even gazetted at this point and so it has a long way to go to see if it is valid. We need to manage our way through this complex process.

A LONG STORY

This is the 70th newsletter of Champagne Sports. I am typing it having just turned 70 myself, after nearly 28 years of management. Over those years there were many individual steps of development as we were able to buy adjoining land and expand the resort, seeking to find a level where sustainability was able to be optimised. The declaration of the World Heritage Site was probably the most important event because, besides recognising the area for its well-deserved status, it placed the future of the valley into a highly regulated situation by virtue of a highly restrictive town planning scheme.

With this thought I wondered around the resort, looking with mind far away, as one is allowed to do once over 70. I saw the clawless otter paw marks I always look for, and the fish shining back at me in the river, the ground scraper thrush - I won't mention the golf ball that was also in sight - and the timeshare cottages nestling amongst what is now verdant vegetation, families together starting up the braai, the sound of children playing - Yes, I thought, it's been worth it!



THE AGM

The AGM went off with its normal efficiency. The board was re-elected, with Noelene Feldon stepping down and Linda Ncube, a successful businessman and Marissa Da Costa, nearly a CA, being voted onto the board. So we now have the youth represented on the board. We want to extend a very big thank-you to Noelene for her dedication and for those many late meetings over many years, giving of her own time in her very busy life. This is a complex business with serious responsibilities, taking a real commitment, and Noelene has always given her best. Thank-you Noelene.

The levy for 2018 was approved together with the many formalities that are required. We had intended to approve the new Memorandum of Incorporation (MOI) at this meeting, but held up its approval due to a technicality to do with servitude law, which would need a change to the MOI that had not been specifically contemplated. Instead, we replaced this matter with a special resolution to approve the actions required to register the servitudes, to enable us to proceed with the MOI approval next year. Technical but necessary, and necessary to communicate to our owners.

THE BIG QUESTIONS

The main matters discussed were the requests from owners which involved finance outside of the scope of our levy budget. I might tell you that your board always look up in concern when out of budget matters are raised. Whilst your board has the right to determine the spending of the company's funds, they prefer to take guidance and establish our owners views first.

The first request was, again, when the Wi-Fi project would proceed. It was agreed that it will become an absolute standard sooner or later. The question was how to pay for it and whether technological readiness existed. The basic fibre network could be installed first, giving Wi-Fi in the units, and IP telephones, and could later could be built upon, with new tech TV's, etc. The project has demand from our owners but the network is costly to install, being some R900 per owner - a one off cost and then possibly around R180K pa to operate.

The second question was about a hard refurbishment, which fell outside of the present budget scope. This would involve new or updated kitchens and bathrooms, in particular for the older units 1-21, and of

these, in particular the old double storey 3 bedroom units. In all, this project has an indicative budget of some R22M or over R5 000 per owner at current costs.

For perspective, in the scope of our current budget, our Refurbishment program covers the replacement cycle of softs and furnishings, and the Long Term Maintenance (LTM) account covers the maintenance of certain parts of the building and the maintenance of the furnishings. These line items and their reserves are ring-fenced for these requirements. As a result, we mitigate the need for special levies. The new requests for Wi-Fi and hard refurbishment, (tiling bathrooms and looking at kitchen cupboards) fall outside the current scope and so would need special levies.

We all acknowledged that times are tough and we need to balance that fact with our owners' needs - many are happy without this extra spend. We are progressing the study and are doing a two and three bed chalet up to cost the project and we'll take it from there. With some work, we may find that we can phase this in over some years, and focus on prioritising the weak points.

This is also driven by the resort's status as a Gold Crown Resort - we need to be careful that we keep up with the industry standards. This then talks to long term sustainability and our quest to offer value for money relative to our peers in the industry. We can certainly claim to offer excellent value as we stand. Rest assured that we will keep you, the owners, informed, and no rash decisions will be taken.



LEVY BUDGET 2019

The year 2018 has given us direction for 2019. This is due to some excessive administered costs, where we are charged excessively by the local authorities for municipal rates, and a change in our insurance arrangements with HPF required us to go to the market for new insurance cover. The insurance industry has taken some knocks in 2018 and it seems they have made adjustments to risk assessments. This includes thatch risks, even though the resort has an outstanding claims record. Certain staff costs also came in above inflation, arising from a complex union negotiation which achieved a three year settlement and so some stability. However, there is still the possibility of making savings which could bring the increase back to inflation, as we will continue to renegotiate on certain costs. If we succeed, and spare funds become available, they will go to the Reserve fund and allow a lower cost base for next year.

Nonetheless, we could not escape from the large effects of these administered costs resulting in an 8,4% increase in the levy with the highest increases being insurance, budgeted up an astonishing 140% and municipal rates 19%. This would have had an outcome of a 9,3% overall rise, however we were able to

budget for higher interest income as this is now steady with the higher reserves, even though interest on outstanding levies is lower as a lot of these amounts were dealt with at no cost to the company.

Our reference point of levies for other comparable resorts show that we are very well priced, so we can be proud of the value for money offering of your company.

The levies approved by your board are as follows:

B SHARE LEVIES FOR 2019				
	2019 LEVY	REFURB PORTION	TOTAL	AFTER DISCOUNT
1 BEDROOM	R 6 510.66	R581.80	R7 092.46	R6 560.53
2 BEDROOM	R 7 269.76	R649.64	R7 919.40	R7 325.45
3 BEDROOM	R 8 276.98	R739.64	R9 016.62	R8 340.37
2 BEDROOM SPLIT	R 4 160.40	R371.78	R4 532.18	R4 192.27
3 BEDROOM SPLIT	R 4 671.31	R417.44	R5 088.75	R4 707.10
FRACTIONAL A SHARE LEVIES FOR 2019				
4 BEDROOM			R 13 258.72	R 12 264.31

PAYMENT OF THE LEVY

Levies are payable by the 01st of January 2019 in order to qualify for the 7.5% discount. However, due to the December break, we allow a grace period to the 31st of January 2019. From this point, the window in which to take your discount is over and interest at 1.25% per month then applies. It is not our intention to penalize our owners, but to see that at least the specific additional costs of delayed payments, including sending out additional statements, are borne by those specific owners.

If you pay by credit card, please note that from this year forward we are no longer allowed to accept card details without the card holder present. It's one of those policies adopted by the banks to lesson fraud. If you wish to pay by card, please contact Trudy at the office on 031-8153906 or e-mail her at shareblock@champagnesportsresort.com and she will provide you with a secure link to our online payment gateway.

If you wish to pay by cheque, please post to PO Box 763, Hillcrest, 3650 and most importantly if you pay by direct transfer, please include your account number as reference and send your deposit advice either by email to shareblock@champagnesportsresort.com or by fax to 031-7655195. As so many amounts are the same, this avoids confusion. The bank account details are as follows Standard Bank – Hillcrest, Account No. 250831686, Branch code 045726. The share block office in Hillcrest will close from the 15th of December 2018 to the 02nd of January 2019. E-mails for administrative matters will be dealt with from the 02nd of January 2019.

OWNER MATTERS

THE HOTEL RENTAL POOL

The rules implemented for 2018, will again apply to the 2019 Hotel Pool. The hotel will again accept only 200 weeks, at 80% of the levy and the owners will need to pay in 20% of the levy, which includes the refurbishment portion. Once again, the hotel has advised the Board that this service may be withdrawn if it continues being a financial drain on them.

COMMUNICATION

Please feel free to advise us if you have difficulty paying your levy. If you have a big problem, phone and speak to Trudy on 031-8153906 who will do her best to help and provide assistance where possible -

confidentially of course. Don't do nothing! If a levy goes unpaid and the space goes empty, everyone is the loser.

LAND CLAIM

We have an extraordinary situation to do with a possible land claim. We were first advised of the possibility by the Central Drakensberg Ratepayers Association (CDRA) in June 2006. A central fund for the Ratepayers affected was proposed to investigate it. This would have included a contribution from HPF the hotel owners. Nothing came of it at that time. We have noted the possible claim at our AGM's and in the Chairman's report. To keep up with accounting standards, and noting the more aggressive views around land, we also placed it as a risk in the notes to our accounts.

A document has now been sent to the CDRA of a land claim, claiming a large section of the valley, including the hotel property and the property of Champagne Share Block. As far as we know, it has not even been gazetted and it just records a claim. This document is dated from 1998, so it has been lying around the department's offices for a long time. We need to see it gazetted and then go through the whole process. On the surface it looks rather far-fetched.

An interesting aspect is that valuing a share block company like ours is an extraordinarily difficult matter. The property is not even reflected in the company's accounts, as the real value of ownership lies with individual owners. The current demand and supply equation in the industry, results in the majority of the weeks being valued by the market way below replacement value.

We can speculate about the matter until the cows come home, but the only thing we can do is to be patient and manage our way through it step by step. It seems highly unlikely that complex entities such as ours would be taken over as they are highly management intensive. It is our understanding that land transformation will not be allowed to damage the economy, meaning also employment. The claimants have a long way to go to establish such a claim.

PATTERNS OF BOOKING

This is one of those administrative matters which are of little interest but are of crucial importance to the company and need constant management. It also needs repetition. Flexi calendars like ours have, in practice, demonstrated imbalances over time, which have negative consequences.

In short, space that is not booked, which would otherwise go empty, is banked with RCI by the resort rather than have it wasted. So a bank of time is kept at RCI. When our owners wish to spacebank their weeks, they are allocated stored time by RCI from this bank rather than having to deposit new weeks. The problem arises when this is not in balance, as then the resort's time sits in this RCI bank and the right of use of it expires after two years. This means that it could cost the company a substantial amount of money for levies potentially written off. The package of measures designed to deal with this problem are imaginative and efficient. However, we watch this space and need to place on record the potential difficulties. Up until now, the hotel has taken over the risk, but they cannot be expected to do so if it causes large losses.

SOME GENERAL MATTERS

Resort Developments

HPF have been busy with some improvements to the facilities. The hotel reception has been refurbished and rethatched as many of you would have noticed on your last check-in, and has been well received. The golf clubhouse has also been refurbished and rethatched and some much improved shaded seating areas have been added. Along with these improvements a new café menu with excellent coffee and a wood fired pizza oven has been added! There is a new stairway to the putting green, with a new walkway down to the river. From our Share Block point of view, we are very happy to see it.

Cathkin Trails

An exciting development of the past year has been the building of the Cathkin Trails network in the valley. The Cathkin Trails MTB and Trail Running Club has built and marked 30km of excellent trails so far, and is in the process of including another 30km in the near future. We know that if all the bikes coming into the resort and all the runners out and about in our resort are anything to go by, we have many keen trail users amongst our owners.

The Club is a non-profit organisation which puts all the funds collected back into building and maintaining the trails for the benefit of all in the local community so please pay the small fee and sign an indemnity at the hotel reception and put the wristband on your arm or your bike and get out and enjoy the trails!



In conclusion, you have managers to deal with all of these serious matters. Our resort is actually designed to provide pleasure and you, the owners, have the responsibility of enjoying it!

The resort is looking beautiful and is waiting to enchant you, do enjoy your stay when you are next with us.

Very best wishes for the season and 2019.

With Kind Regards,

Your Managers

CHAMPAGNE SHARE BLOCK LIMITED (REG 1956/003056/06)

DIRECTORS : MR J. RIDL (CHAIRMAN), MR R. BOWDEN, MR C. DA COSTA, MR S. FREDERIC, MR K. RANDALL,

MRS M. DE LIMA, MISS M. DA COSTA, MR L. NCUBE, MR S.J. MACQUET & MR R.J. MACQUET

HEAD OFFICE : P.O. BOX 763, HILLCREST, 3650 **TEL NO :** 031-765 7100 **FAX:** 031-7655195

RESORT TEL NO : 036-4688000 **FAX:** 036-4681169 **EMAIL :** shareblock@champagnesportsresort.com