



CHAMPAGNE SHARE BLOCK

NEWSLETTER NUMBER 71- 2020 LEVY

14 NOVEMBER 2019

EXECUTIVE SUMMARY

In this fast-moving world, for those who only need to know the basics, here is an exec summary - for the rest of you, this gripping newsletter follows.

Levy Background

The levy for 2020 has an adjustment to allow for a phased refurbishment of the chalets – we call it the Building Refurbishment project. The increase in the normal levy should be 5.4%, which is above the CPI due to the normal culprits, being higher increases in wages and electricity. However, the good news is that we have a large saving in insurance, which takes the increase down to some 2.9% before the adjustment required for the new building refurbishment project.

Building Refurbishment Project

This project was discussed extensively at the AGM. There are compelling reasons for the upgrade, primarily that the units are aging, and we cannot fall behind on the standard of our units – we only scraped home with the Gold Crown from RCI last year – and while RCI are not our only arbiter of standards, they are essential to the operations of the flexi-system resort. Two mock-up chalets were completed early this year for evaluation and demonstration to our owners. Whichever way we read it, we need to proceed with a program of upgrading the chalet buildings themselves i.e. tiles, bathrooms, kitchens, etc. This would cost some R35m in today's terms. If we spread the pain over 8 years, then an average increase would be R1084 per week per owner, or a 12% increase in the levy budget, on top of the 2.9%. This would give an increase of some 15%. However, your directors have structured a method which smooths the increase.

Phased Introduction

Your company, having decided to phase the project over 8 years, has also decided to subsidise the increase by using some R3m of its R13m reserves (as forecast to December 2019) and then to phase the cost in over two years to make it more palatable. This would result in having two years of single digit increases. Whilst this effect is nominal, it is implemented to signify to our owners that your board has done all it can to mitigate the effect of the increase. Thus, your board approved an increase of 9.9% for

2020, to set the project up. This would then need an increase of 9.7% the following year, all things being equal and thereafter revert to normality, say 5%, for a further 6 years. We hope to have achieved a fine balance in the interests of all.

Projects

Your board still have a number of projects to work on, such as re-fencing and IT, but the main building refurbishment project must take precedence. The softs refurbishment program is not affected, as it has its own ring-fenced reserve and this will be rolled out, commencing in about 2 years' time.

AND NOW OUR NEWSLETTER

Spring is here but the ground is dry in the valley. We have had 3 out of 10 years of drought. Farmers know these things, and although they had hoped that a late rainfall would fill their dams, many of the dry land crops could not be saved. It has been tough. The river is very low but we do have a reserve in our storage dam. Yet surprisingly, we have a larger family group of clawless otters near the number two hole than I have ever seen before. The ground hornbills put in their appearance almost daily and they help themselves to our veggie gardens like giant harvesters. As mentioned, also at the AGM, we will be moving a large number of buck off the property, to a new home in the mountains when the capture season arrives.

A rolling 5 year rainfall average over 30 years, shows a gradual increase, then a drop off over the last 15 years or so, back to roughly the starting point of the study in 1966. Of interest, over the past few years, February has been the wettest month, even though it's the shortest.



Greener Times at the Resort

THE AGM

The 2018 AGM was held on the 1st of June at the resort. Your board was re-elected with the welcome return of Noelene Feldon to the board, and Mr Riaan Erasmus as one of the HPF representatives.

The Memorandum of Incorporation (MOI) was held back for technical changes as a major shareholder was a public company.

The chairman noted that this was a difficult economic time and this and other factors had caused the resale market to struggle, and we need to keep a strong owner base. The chairman also noted that risk has increased and the financial accounts now show additional notes under risks and also show the reserves of the company going forward. This reserve situation, broken down into silos, gives comfort to the shareholders, particularly in these times.

LEVY BUDGET 2020

We come to the time when we need to bear our share of the costs. We have taken 5% as the inflation base. We have allowed for electricity and wages being above inflation, giving some 5.9% increase. The shared cost portion has similar pressures and this increases by 5.3%. The budget then allows for a large insurance saving and an increase in the interest income and a lowering of discounts, to arrive at a 2.9% increase. That is what our levies should have gone up by had we not decided to go ahead with the new project.

With this starting point, your board have searched for a way to smooth the costs and make it easier and considered many options, each requiring a detailed financial modelling. At a cost of R35m, we broke it down into 3, 5 and 8 year periods. If we did the project over 8 years, and added it to the levy in 8 parts, this would push up the first year levy by some 15%. The preferred methods were the shorter time periods and most efficient use of time as each week has a levy. Your board decided on the option of spreading it over 8 years and subsidising it from the reserve without jeopardising the financial wellbeing of the company.

Thus, with the above starting point of 2.9%, then drawing down the reserves by some R3m to support and subsidise the refurbishment cost, the levy increases by 9.9%. This number was deliberately stated to signify to our owners that your board have done their best to try and keep the shock down to single digits. Your board have followed a fine line between those who want to go ahead and just do it, and those with stricter budgets and to keep it more affordable for them.

The basic A share levy and the Fractional A share levy have gone up by 5.5% and 5% respectively. They do not share in the refurbishment levy as they have their own reserve fund.

The levies approved by your board are as follows:

B SHARE LEVIES FOR 2020				
	BASE LEVY	REFURB PORTION	TOTAL LEVY	AFTER DISCOUNT
1 BEDROOM	R 6 654.05	R 1 141.46	R 7 795.51	R 7 210.85
2 BEDROOM	R 7 429.88	R 1 274.55	R 8 704.43	R 8 051.60
3 BEDROOM	R 8 459.27	R 1 451.14	R 9 910.41	R 9 167.13
2 BEDROOM SPLIT	R 4 252.03	R 729.41	R 4 981.44	R 4 607.83
3 BEDROOM SPLIT	R 4 774.19	R 818.99	R 5 593.18	R 5 173.69
FRACTIONAL A SHARE LEVIES FOR 2020				
4 BEDROOM			R 13 915.39	R 12 871.74

PAYMENT OF THE LEVY

Levies are payable by the 1st of January 2020 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 2020. 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 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 e-mail Trudy at shareblock@champagnesportsresort.com or contact her at the office on 031-8153906 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 EFT, 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 share block office in Hillcrest will be closed from the 13th of December 2019 to the 2nd of January 2020. E-mails for administrative matters will be dealt with from the 2nd of January 2020.

The bank account details are as follows:

Standard Bank – Hillcrest

Account No. 250831686

Branch code 045726

A SHORT HISTORY OF THE FINANCIAL RESERVES

We have included below a broader discussion on the reserves of the company, to support the reasoning for the building refurbishment project. The timing is not cast in stone, and if it is possible to speed it up, either by drawing down and then replacing reserves or even speeding up the levy fund, we will do so. An interesting part is that once the project is complete, we would drop the levy so as to accumulate a smaller amount to a longer-term reserve. But I will be 80 years old by then and many of us will not be too concerned then; at least we leave it in good hands for the future generations.

At the AGM the chairman highlighted the financial planning of the company and specifically, the reserves. It is worth repeating this information in the context of funding this major project. Over the last 5 years, the company has developed a reserve of R13m (Forecast at December 2019 after the addition of our forecast for this year of a surplus of R2.3m). This reserve is allocated in silos, each directed, in principle, to meet a specific purpose in the future. These are displayed in the audited financial accounts. This helps focus your board on our priorities. Much of the surpluses that give rise to the reserves are not as a result of savings, but are in fact planned outcomes as we try to budget accurately. When the time comes to spend the reserves, the accounts may show an annual shortfall, as expenditure may be planned to be above income. That's arithmetic, and it helps to smooth the levy increases. In this process over many years we have had minimal special levies so we are on track. We prefer not to impose special levies but to build such needs into our budget.

At the same time, we have a very competitive levy due to the efficiencies we realize from our structures and the management of the resort which are the result of specific arrangements, directed at giving us sustainability over time. For example, in that time, we have not had to absorb a single bad debt. Your board and Chairman also have a policy of providing full information, even if at times it is a bit boring.

A further, critical point is the guiding objective of sustainability. At the AGM a question arose as to the future of our timeshare company. It requires many innovative approaches, like the RCI bulk bank, the



Lounge Area of Refurbished Chalets

funding of it, the hotel pool operated by management on an annual basis, and so on. We call that our virtuous circle.

Once we have decided to proceed with the building refurbishment project, comes the question of how to fund it. We have run various models over 1, 3, 5 and 8 years. Management, and the hotel owners, would prefer to have it done quickly, and step into the future as soon as possible, but we need to take our owner body with us. The model we are using in this budget is the 8 year model. We will transfer some R3m once-off from the LTM and Operating Reserve silo's, to help soften the initial increase.



Kitchen of Refurbished Chalets

The newly renovated chalets are clearly an upgrade and most owners I have spoken to, having seen them, say, "We want it, go for it! It adds to the pleasure of our holiday". Some of the older owners say, "Wow, we'll have to tighten our belts again!" So we hope we have achieved a fine balance in the interests of all of our owners.

OWNER MATTERS

THE HOTEL RENTAL POOL

The hotel rental pool has been useful to owners over the years. The hotel will again accept only 200 weeks, at 75% of the levy and the owners will need to pay in 25% of the levy, which includes the refurbishment portion. The Pool is on a first come-first served basis and will be closed once the number is reached. It may be described as a very reluctant service but a necessary one as it ties us into many personal reasons that it should not be our responsibility to resolve. The hotel reserves the right to amend this service, should economic conditions deteriorate further. For that reason, this pool can only be maintained for as long as it is viable.

BOOKING CALENDAR

Following requests from our owners to include the booking calendar with the newsletter, you will find it attached at the end of this newsletter. Remember, the calendar is already open for bookings.

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.

THE STATUS OF THE CHALETS

Many of our chalets are now 30 years old. We have taken various steps over time, changing from a simpler cottage look to a more upmarket resort look. But the sad fact is that we have dropped in our RCI rating, partly because the others have upgraded.

In our view, there is a key connection between RCI and the status of the resort. A key management area is the avoidance of empty weeks, especially in January when we can have potentially 60% of chalets empty in some weeks. We need a mechanism to recover those levies and we do this from the use of bulk banking. Thus, it is crucial that we have high demand from exchanges in order to keep the bulk bank system operating. To achieve that, we have no choice but for the standard of our units to compete with the market and to have attractions like golf, kids club etc. As a result we must upgrade our units. At the AGM, we had direction from the owner body to proceed as the board saw fit, to take the hard decisions.

OTHER PROJECTS

Thus, the funding of the other projects comes under pressure. This year, the company has allocated R1.17m for the installation of ceiling fans in every room. The security fence has been upgraded for a part of its length and the balance awaits funding. The IT project of Wi-Fi to the chalets is a R4m project. It is not as simple as it seems. The next softs refurbishment program will be rolled out in about two years' time, using the funds that have been accumulated in the Softs Refurbishment reserve. We will re-evaluate the other projects in the light of the overall levy over time. The plan forms a solid base to build from.

LOSKOP SCHOOLS PROJECT

The resort needs to assist the local communities and the team at the hotel liaise with the local communities to assess their needs. We have 22 primary and 11 high schools in the Loskop area that are actively trying to improve their standards. They follow the DEAR programme "DROP EVERYTHING AND READ" but they need the books! Any and all books! Boxes of them!

Our financial director, Priya (Cell 083 280 3217) drives the books project, and we contribute to set up a small library at every school. So, when you come up please bring books. And, in fact, anything they can use like sports kit, balls, boots, sports clothing, etc. We all have sporting junk lying around - even old bikes – leave it at reception. You can be sure it will be appreciated in Loskop.

Of interest, we have had the local Amahlubi Secondary School choir sing for events. What an eye opener - they are the next Ngcobo choir. Last year, Amahlubi had an under-privileged student produce 6 A's! He is now doing engineering at University.

ABOUT EVENTS AT THE RESORT

We don't normally write about events at the resort, however this one was so topical that many of our owners have expressed interest about it. You can look it up on the Kgalema Motlanthe Foundation website.

The KMF Inclusive Growth Forum is neither a talk shop nor a policy making forum but helps guide ideas that can be used. We had many distinguished guests – the former president, Ministers and ex Ministers, the Premier of KZN, some 9 ambassadors from Europe and Africa, 9 mayors, presidents of civil society organisations and various august bodies, trade unionists and members of all the main political parties.

A special guest was Hernando De Soto – google him – representing one of the top think tanks in the world, having spent some 40 years travelling the world looking at how developing countries realize dead capital. He has seen it all round the world, with every variation of the problems we have.

IN CONCLUSION

We would like to thank Monique Preece, who retired this year, for her many years of service at the resort. We also welcome Andries Brink to the new GM position, whilst Philip West takes on the role of Resort Director.

This is the 71st Newsletter from our company, written in my 71st year. May I thank our directors for many hours of their private lives given freely to the well-being of Champagne Share Block. They have been to a large degree, instrumental in its success.

And may we wish you all compliments of the season and good health. The resort is looking wonderful and is waiting to enchant you! Do enjoy your stay when you are next at the resort.

With Best 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 R. ERASMUS,

MRS M. DE LIMA, MRS N. FELDON, MR L. NCUBE, MR S. MACQUET & MR R. MACQUET

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BOOKING CALENDAR 2020

WEEK	NTL	TVL	OFS	CP	RCI	OCC DATE		KWAZULU NATAL FSSMTWT	GAUTENG	FREE	WESTERN
						DAY IN	DAY OUT		NORTH PROV MPUMALANGA FSSMTWT	STATE FSSMTWT	CAPE FSSMTWT
1	P12	P12	P12	P12	*	03-Jan	10-Jan	*****	*****	*****	*****
2	HF	HF	HF	HF	*	10-Jan	17-Jan	*****	*****	*****	*****
3	HF	HF	HF	HF		17-Jan	24-Jan				
4	MF	MF	MF	MF		24-Jan	31-Jan				
5	MF	MF	MF	MF		31-Jan	07-Feb				
6	MF	MF	MF	MF		07-Feb	14-Feb				
7	MF	MF	MF	MF		14-Feb	21-Feb				
8	MF	MF	MF	MF		21-Feb	28-Feb				
9	HF	HF	HF	HF		28-Feb	06-Mar				
10	HF	HF	HF	HF		06-Mar	13-Mar				
11	HF	HF	HF	HF		13-Mar	20-Mar				
12	P1	P1	P1	P1	*	20-Mar	27-Mar	*****	*****	*****	*****
13	P2	P2	P2	P2	*	27-Mar	03-Apr	****	****	****	****
14	HF	HF	HF	HF		03-Apr	10-Apr				
15	HF	HF	HF	HF		10-Apr	17-Apr				
16	HF	HF	HF	HF		17-Apr	24-Apr				
17	HF	HF	HF	HF		24-Apr	01-May				
18	MF	MF	MF	MF		01-May	08-May				
19	MF	MF	MF	MF		08-May	15-May				
20	MF	MF	MF	MF		15-May	22-May				
21	MF	MF	MF	MF		22-May	29-May				
22	HF	HF	HF	HF		29-May	05-Jun				
23	HF	HF	HF	HF		05-Jun	12-Jun				
24	P3	P3	P3	P3	*	12-Jun	19-Jun	*****	*****	*****	*****
25	P4	P4	P4	P4	*	19-Jun	26-Jun	*****	*****	*****	*****
26	P5	P5	P5	P5	*	26-Jun	03-Jul	*****	*****	*****	*****
27	HF	HF	HF	HF		03-Jul	10-Jul	****	****	****	****
28	HF	HF	HF	HF		10-Jul	17-Jul				
29	HF	HF	HF	HF		17-Jul	24-Jul				
30	MF	MF	MF	MF		24-Jul	31-Jul				
31	MF	MF	MF	MF		31-Jul	07-Aug				
32	MF	MF	MF	MF		07-Aug	14-Aug				
33	MF	MF	MF	MF		14-Aug	21-Aug				
34	MF	MF	MF	MF		21-Aug	28-Aug				
35	MF	MF	MF	MF		28-Aug	04-Sep				
36	MF	MF	MF	MF		04-Sep	11-Sep				
37	HF	HF	HF	HF		11-Sep	18-Sep				
38	P6	P6	P6	P6	*	18-Sep	25-Sep	*****	*****	*****	*****
39	P7	P7	P7	P7		25-Sep	02-Oct	****	****	****	****
40	HF	HF	HF	HF		02-Oct	09-Oct				
41	MF	MF	MF	MF		09-Oct	16-Oct				
42	MF	MF	MF	MF		16-Oct	23-Oct				
43	MF	MF	MF	MF		23-Oct	30-Oct				
44	MF	MF	MF	MF		30-Oct	06-Nov				
45	MF	MF	MF	MF		06-Nov	13-Nov				
46	MF	MF	MF	MF		13-Nov	20-Nov				
47	HF	HF	HF	HF		20-Nov	27-Nov				
48	HF	HF	HF	HF		27-Nov	04-Dec	***	***	***	***
49	P8	P8	P8	P8	*	04-Dec	11-Dec	*****	*****	*****	*****
50	P9	P9	P9	P9	*	11-Dec	18-Dec	*****	*****	*****	*****
51	P10	P10	P10	P10	*	18-Dec	25-Dec	*****	*****	*****	*****
52	P11	P11	P11	P11	*	25-Dec	01-Jan	*****	*****	*****	*****

1) ALL WEEKS, BOTH MF & HF ARE RED WEEKS FOR RCI EXCHANGE PURPOSES.

2) THIS CALENDAR IS A FRIDAY TO FRIDAY CALENDAR.

3) NOTE SHOULD THE SCHOOL HOLIDAYS CHANGE THEN ANY FLEXI WEEK BOOKING WHICH IS IN PEAK SPACE AFTER ADJUSTMENTS FOR A CHANGED HOLIDAY SHALL BE CANCELLED AND SUCH OWNER WILL BE ADVISED AND WILL HAVE TO RE-BOOK.

For bookings, availability and spacebanks, please contact Connie on Tel: 036-4688092 or E-mail timeshare@champagnesportsresort.com