



CHAMPAGNE SHARE BLOCK



4th MAY 2020

NEWSLETTER NUMBER 72

IMPORTANT NOTES ON THE REVISED BOOKING RULES AND CANCELLATION POLICY IN RESPONSE TO COVID-19

INTRODUCTION

May is upon us. That beautiful time of year in the Berg when the evenings get chilly and the air is clear. The trees along the golf course and amongst the chalets are turning beautiful shades of red and gold, the clear days glint off the leaves, it almost makes you catch your breath. This wonderful spectacle is seen by a few staff only. It's dead quiet. A unique time in the history of the resort.

While this is an economic crisis for our country, it is first and foremost a humanitarian one, and while we stand in solidarity with the measures that have been taken thus far to enable us as a country to manage our way through this pandemic, how we proceed from here onwards will have profound effects on our economy and by extension on your timeshare at Champagne Sports Resort.

Operationally, there is quiet activity around the care and maintenance of the resort infrastructure and a substantial increase in security, which was considered essential. All chalets have had their TV's and appliances removed and placed in storage. They are regularly inspected, aired and sanitised - They could be unoccupied for a long time.

The new world is upon us, it is no longer business as usual - your Board have been having online meetings using Zoom - a small example of the reset we are all experiencing. Certainly, our Chairman, a Professor of Environmental Law, was gratified with the carbon savings!

For those who don't consider this missive gripping reading in the time of Covid-19 (there, I had to put THAT word in), we commence with a summary of what you really want to hear about.

EXECUTIVE SUMMARY

- Those owners that lost their bookings during the lockdown period, and who are unable to secure a booking prior to year-end, will have a full credit of their levy against their account.
- The amount remaining on their account will not be refunded, at this stage, in order to maintain the financial integrity of your company, however it will remain as a credit against future levies.
- Any outstanding interest and arrear levy balances will still be payable.
- This decision results in a simple situation - those owners who are still able to occupy a week this year, and/or have occupied a week, pay the levy. Those who don't, get a credit. It is simple, fair and equitable.
- Alternatively, owners who lost their bookings during the lockdown and are unable to secure a booking prior to year-end are encouraged to spacebank their week. The hotel has also offered a special for those owners wishing to spacebank their week – see below.
- To achieve this, the Board took into account that the reserve will need to be used to meet the resulting shortfall in the income of the company.
- In a worst-case scenario of opening only in January, it may even result in a negative reserve figure. However, if one includes the property values and loan obligations, the books still look very healthy.
- This will involve a careful saving regime this year, holding back on any unnecessary expenditure, and the final financial outcome will be dependent on when the resort opens.
- It does mean that all refurbishment projects underway will have to be halted, and your company will need to gradually rebuild its reserves to maintain our asset as it deserves. This will need to be dealt with in next year's budget.

SITUATIONAL ANALYSIS

An unprecedented situation has arisen from the lockdown which is now indefinite. With the slow easing of the lockdown, and with hospitality being at level 1, the resort will be one of the last sectors to open.

As a scenario, if we open for occupancy on Friday the 2nd October, about 51% of share block owners will not have been able to occupy a week. Another scenario, if we only open at the end of the year for January occupancy, there will be about 24% of weeks occupied. By careful management, bearing in mind that there are high fixed costs associated with the industry, with severe cuts to variable costs, expenses will drop substantially, and these will feed through to owners in proportion to the levies.

Your board have considered various proposals, each one having a detailed analysis. They need to be flexible as they can only be finalised once we have greater certainty as to the opening date of the resort. The key criteria were that it be fair and equitable, that we maintain our owner base, that the solvency and sustainability of CSB be secured, and that we demonstrate social solidarity including with our staff at all levels.

The industry as a whole has been as accommodative as possible, given their individual resources and survival needs. The Board's original plan was to give the occupiers of the 5 week lockdown a single free move which meant substantial planning to have the space available to meet that requirement. In the planning process the very big implications of any further extensions in the lockdown became evident. It was decided to hold back and watch further developments before finalising the position.

Once the indefinite extension for the hospitality industry was announced, the Board had to look at the worst case scenario and work backwards from there. We are, as a company, most fortunate to have our large reserve. We had budgeted for the building refurbishment project this year and it had commenced, with some 11 of the chalets completed before the first lockdown started. We had spent some R4,5m on this so far, but have stopped all capex immediately. However, taking that from the reserves of R13.7m gives us a remainder of R9m in reserves.

Should the resort open in October, then this will reduce to R3m, as additional expenses kick in. Should the resort open in January, as a worst case, then we would have R4m of negative reserves. It was felt that this could be handled in the next year's budget. The ring-fencing of these reserves into separate silos is no longer applicable in these circumstances, and we will have to rebuild these reserves.

Your Board reserves the right to make adjustments at their discretion should further developments occur, or should information become available that requires changes to this strategy. This situation was never envisaged, but your Board was elected to manage and take decisions and this has been done after much deliberation.

Practically, this will result in more owners than there are weeks available to book before year end, so there will need to be some interaction between owners and reservations staff. This will require a balancing act until the end of the year to determine the correct levy position per owner, however, we encourage owners to decide on their booking plans, secure that should the lockdown extend through their booked week, they will receive a credit to their levy account, or alternatively may move their booking to another available week or spacebank their week.

SPECIAL OFFER

There's always a ray of sunshine somewhere. A special offer has been made by the hotel - if you spacebank your week with RCI for this year, you will be able to add an additional flexi week of RCI points for 50% of the normal levy. Theoretically, it could be booked back into your own resort next year, subject to availability. It's the best deal we could come up with to try and bring value to our members and make available more space for our own members to occupy.

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

THE RESET

It is said there will be a reset of many activities and timeshare will no doubt be affected in some way. All manner of different methodologies may need to be applied in future, certainly, it is unlikely that the Hotel Pool, where the hotel pays the owners levy and occupies the week, will be continued next year. The Board will need to give serious consideration as to how to deal with the complexities that arise from the operation of the flexi system, including bulk banking and space banking. Banking of weeks is critical to our functioning and this matter has been raised time and time again at the AGM's and in newsletters. It has many moving parts and is managed on our behalf by our managers. Our managers, also having been associated with the development of the resort, have taken on much of the risk themselves in the past. This will need to be restructured for the future and your Board are engaging with this matter.



The beautiful Autumn colours this weekend (and nobody to see them)

THE AGM

While, at present, gatherings and travel are restricted and the audit is delayed due to the lockdown, we cannot have our AGM at the resort as planned in May. We will have to advise you shortly when and how we intend to have our AGM.

The entire team of directors, management and staff wish you all well during this trying time. Your resort is being maintained in pristine condition and will be made available to you as soon as possible. The skeleton staff on site are working hard to achieve this.

With Best Regards,

Your Managers.

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

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