

THE PEZULA HOTEL SECTIONAL SCHEME BODY CORPORATE

SS293/2007

Chairman's Report

Financial Year ending 28 Feb 2017

For this period, the following owners served the Body Corporate (BC) as Trustees: -

Raimund Pouliart

Claus Martin

Warren Kilborn

Saul Berman (alt) resigned and replaced by

Johannes Lategan

All Trustees attended all Trustee meetings unless otherwise excused.

Introduction and Progress during the Preceding Year

As the Membership may or may not be aware, there have been a number of developments in the preceding year that have a material bearing upon the Body Corporate and its Members, which the Trustees feel it imperative that they are brought to the Members attention for consideration.

The first development is that the provisions of the long awaited Sectional Title Schemes Management Act and Community Schemes Ombud Services Act are now in force. Each sectional title scheme have to register with the Community Schemes Ombud, who will serve as the holder of all scheme governance documentation (previously, the local deeds registry kept copies of all scheme documentation). The members of each scheme also has to start making contributions to a newly established reserve fund to provide for all future maintenance of the common property, in addition to the usual contributions to the scheme's administrative fund.

The second development is that the Pezula Resort Hotel and Spa (Pty) Ltd company, being the historic owner, has been placed under Business Rescue. This development has a material impact upon the Body Corporate, as this entity via the Room Revenue Agreement, has picked up the

majority of all the Body Corporate expenditure in respect of Common Property, Municipal Services and other related third party liabilities, and thus its failure to do so would represent a material foreseeable liability to the Body Corporate.

Currently the Body Corporate's expenditure is indeterminate as consequence of the actual costs attributable to the common property not being accessible to the Trustees, a matter which we hope to resolve with the Business Rescue practitioner, and secondly as a consequence of uncertainty as to the exact nature and extent of various aspects of common property, also a matter which the Trustee hope to remedy in due course.

Further to the above the follow matters are thus brought to the Members attention:

1. The Pezula Hotel Body Corporate (The "Body Corporate"), has only been functional for approximately 4 years, with no evidence of being formally active before then going back to the incorporation of the scheme in 2007. Hence there are a number of procedural and administrative aspects that are non-compliant with the old Sectional Titles Act and more importantly with the new legislation that need to be remedied a matter of urgency.
2. As referred to above, notwithstanding the Room Revenue Agreement, to which the Body Corporate as a separate juristic vehicle is not party to, the Body Corporate is obligated under the law to determine a budget and provide for all expenditure associated with the administration and maintenance of the Body Corporate and its common property. Currently, the Body Corporate cannot make provision for its expenditure apropos the common property, municipal services, insurance premiums and related third party costs, such as Home Owners Association contributions. While the Hotel may currently be assuming the responsibility for these costs, the Body Corporate does not have the authority to delegate this responsibility, and needs to make provision for it in terms of its accounts.
3. As a consequence of the above the draft Annual Financial Statements presented will need to be updated to take cognisance of the relevant expenditure per the legislation,

inclusive of the new CSOS Levy, Maintenance Reserve, and Repair Replacement and Maintenance Plan.

4. The matter of insurance will also need to be remediated and cover secured in the name of the Body Corporate, inclusive of the newly stipulated fidelity cover. This is currently in the process of being remediated together with the Business Rescue Practitioner in line with the new legislation, and as above, the financials will need to be amended to make provision for same.

To assist in this compliance process and to ensure the appropriate ongoing sectional management, the Trustees have taken the decision to appoint a professional Managing Agent in Sandak Lewin, represented by Carl Smit, and to engage Nolands Forensics as represented by Simon Woolley, and Judith van Walt, an attorney specializing in sectional title matters, to advise the Body Corporate on the appropriate remedial actions, assist with the anticipated engagement of the various related parties, including the Hotel and Business Rescue practitioner, and ultimately the implementation thereafter.

Financial Considerations

The draft Annual Financial Statements have been circulated for perusal by the Members.

As at year end, outstanding levies amounted to R24,923.00 and by end of March 2017 this had grown to R610,415.00

I look forward to meeting all the members at the general meeting scheduled for Tuesday, 28 March 2017 at 11:00 at the Bay Hotel, Camps Bay, Cape Town.

Raimund Pouliart Chairman