

REPORT FROM BOARD OF DIRECTORS

FOR THE YEAR 2016 TO 2017

1. INTRODUCTION

The Vision for the Estate, as formulated by the Craig Zaayman (as Chairman) and the Board was to create a Home for its residents. A place where you can return after a long day of hard work and relax in a peaceful and safe environment.

As part of the Annual General Meeting, it is the responsibility for the Chairman and Board to reflect on the year last year. The question is how well did the estate perform over the last year and how is this measurable?

The stated goal of the Board of Directors to have a stable, safe and peaceful environment. Judging from the members and residents visiting the offices of the Estate and the number of issues raised by them, it would be fair to say that we have achieved this goal over the last year.

It is always a concern when an Estate is characterised by disputes and infighting leading to an unstable environment. This Estate 5 years ago came from a place where it was insolvent due to acrimonious disputes and infighting. It was simply not a “happy” environment.

By no means do we say that there are not ongoing issues and room for improvement.

2. BOARD OF DIRECTORS

At the last AGM the following directors were elected:

Craig Zaayman – Chairman
Louis van der Vyver – Vice Chairman
Michelle Marais
Leon Viljoen
Danel Nel
Don de Koker
Louis Alberts

The Board co-opted Ian Pollard as director in January 2017.

Unfortunately, in February 2017 Craig Zaayman resigned as Chairman and Director. Craig did sterling work for the estate and spent enormous time in managing the affairs of the estate. Especially during the period where the Estate was without an Estate Manager, many hours were dedicated by Craig. At no time did Craig ask to be remunerated for his work. The Board decided to compensate him for the period September 2016 to February 2017, a total amount of R 45 000. This amount does not remotely reflect the calibre of the individual but is a sign of appreciation. This payment was warranted, given the fact that during this period we had no Estate Manager and many of his functions had to be performed.

It was decided that Louis van der Vyver as Vice Chairman will move into the position as Chairman for the remaining period till the next AGM.

During the year Don de Koker and Louis Alberts also resigned as result of time constraints.

We want to extend a word of thanks to the Board members who have spent enormous time and effort in running the Estate, much appreciated.

At the previous AGM, a decision was taken not to compensate directors for serving on the Board of Directors. This decision still stand. However, we as directors have experienced great difficulty in attracting capable directors to serve on the Board. For example, we could not convince anyone to act as Financial Director. We have approached most of the CA's living on the Estate, but all have declined. One or two indicated that if they were exempt from levies, they might consider it.

We wish we could be in a situation where Directors can spend minimal time and we could even have Board meetings every two months, but that is unlikely. If directors fulfil his or her duties as per their portfolios, a lot of time must be spent outside of Board meetings.

We have either one of two choices:

- We compensate directors if they act as a consultant and pay them for the job done; alternatively
- We appoint outside consultants and pay them on an arm's length basis.

We cannot deny that even with an Estate Manager in place, the directors have far more on their plates than a few meetings. This has lead over the last couple of years to situation where members accept nomination but soon after being appointed resign because of time. Nobody is prepared to put their directors position over their day job or family.

3. ESTATE MANAGER

During the last year Mr Rob Wesseloo as you are aware of, resigned his position. The background to this decision is simply a matter where the Board felt that additional procedures and controls need to be brought in on the payment procedures. In the past the Estate manager approved the invoice and payment was made by the Administration in the form Lorraine. The Board requested that the payment must be loaded and then a second person must release.

The Board also felt it would be appropriated to meet with no employees of the Estate to be present. The Board meetings had no independency and was dominated by the Estate Manager.

This would also bring us to the management style of an Estate manager. In the past few years it was more a structure where the Estate manager is the CEO and seeking the approval of the Board. But in the process, many decisions were taken without the knowledge of the Board. For example, Mr Wesseloo started an employee loan scheme and funded short terms loans to the employees and security staff. This was repaid by deductions from their salaries. The Board immediately put an end to this practice.

The approach of the CEO scenario is that the home owners are more treated as shareholders and all power vests practically in the hands of the CEO. First, we as homeowners are not shareholders with a profit motif. We want a well operated Estate where everyone is entitled to his or her opinion which can be freely aired. Historically the Board became less and less independent and it became extremely difficult to take responsibility. Facts were presented from a CEO perspective (who does not live on the Estate) and not considering the views of the Board or the members.

The Board did not immediately rush into the appointment of a new estate manager. First the board wanted to establish the KPI (Key Performance Areas) of the estate manager. Previously these were based on the business model with profit motive, where the mandate given to the CEO and he had to perform.

Fundamentally we as Estate do not chase profit. We want to cover our cost in the form of levies. We don't pursue the idea of shareholders with dividends.

Therefore, when we set down and started looking for a new estate manager, we were looking for an experienced manager that knows the environment. Where relationships are more important and creation of a service orientated environment.

4. SECURITY

We unfortunately experienced a serious incident on 28 April 2017 where one of our members was held up at gunpoint in his driveway. We have appointed our own investigator and are also fully co-operating with the SAPS. At the time of drafting this report there were still many unanswered questions. We will elaborate further at the AGM.

At the last AGM, it was decided to strengthen the security network and ensure that always, even when there are power failures to be fully operational. This project contracted out to Camsecure for an amount of R 1.6 million was successfully completed during the year.

One of the challenges was to integrate the old system with the new. One of the last items that was not included was the placement of a new server to do all the back-ups etc. this was done in the March 2017 at a cost of R 40 000.

We have discovered during that the electrical fence needs serious investment. The methodology was simply to repair on an ad hoc basis. The result was that the electrical fence consisted of so many components and was no longer effective. It resulted in many false alarms which were simply ignored by the guards.

The Board called in experts who advised that the fence is no longer a proposition to be managed and is on the brink of complete failure. Nobody is prepared to maintain the fence other than on a cost-plus basis and nobody is prepared to work on someone else's fence with guarantees.

A new specification was obtained and the first section of the fence has been replaced at the new standards. This fence runs from the gatehouse at Phase 1 to the last house on the second tee box of the golf course.

We in the process of planning the next priority area.

It is of concern that the southern portion of the golf course bordering Lyttleton Road is vulnerable during the day. At night time the cameras can pick up movement on the course. This area is not monitored during the day and no one will respond if there is a problem. We have identified this a risk area.

This need to be addressed by a combination of electrical fences and cameras. The challenge is that the river regularly floods in this area and wash away all the infrastructure and huge costs.

Another consideration is the monitoring of the cameras during the day. It is only monitored at night time. The cameras have an alarm and any movement triggers the visual on a screen with the alarm. Effectively there is lots of movement during the day which pose no security risk but the members need to be made aware of the current practice. We will propose that we introduce a 24 hour a day monitoring of the cameras.

5. FINANCES

At the last AGM, the members approved the following budget surplus:

Levies	R 344 000
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The Board is grateful to announce the following:

Levies	R 1 271 000
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The budgets exclude non cashflow items such as depreciation and provisions. We will deal in greater detail when we discuss the financials.

In short the results were much better than anticipated.

Based on this we as Board propose a small increase of 3% to the levy structure and retain the capital fund contributions on the R 350 per month level.

The ZHOA also have a total cash reserves of R 3,266 million. The Strategic Maintenance Reserve stands currently on R 1 355 000.

Based on all the new requirements of the Schemes Act, the Estate operate well above the margins.

6. GENERAL ISSUES

a. WATER RESTRICTIONS

During the year, the City of Tshwane announced water restrictions which has recently been amended. It is has not been lifted unconditionally.

The entrance and car park is serviced by borehole water. This might explain the reason why these areas have been irrigated.

No boreholes are allowed on the estate. During the drought, many of the lawns have taken quite a hammering many members have expressed concerns that the Estate is not kept at the level at which it should be kept.

The reality is that we cannot force the residents to water their lawns and we had to endure the situation.

b. MAINTENANCE OF INFRASTRUCTURE

Unfortunately like in the case of the homes of the residents, this is an ongoing issue.

On the garden and surrounds as well as repairs & maintenance we have spent R505 000.

So often we don't see any fruits of this expenditure. What was wrong or broken has now been fixed, it looks normal again.

c. COMMUNICATION

The HOA has sent regular newsletters out during the year.

Several notices were sent through the year.

The feedback we receive is that members don't regularly read these communications. We can only encourage members to do so.

d. RISK MANAGEMENT

The Directors have developed an extensive risk management program. This is monitored on a regular basis.

One of the pertinent risks is that of Dolomite and sinkholes. We are monitoring various points and levels to maintain a high level of alertness to this potential risk.

7. CONCLUSION

The financial position of the Estate is in a healthy one. The operations are functioning well and the appointment of the Estate Manager has been concluded.

We have identified areas that should receive further attention such as security and maintenance. Within these themes we have identified several projects.

We trust that with a newly elected Board in place, there can be continuance in the running of the Estate.