

CHAIRPERSON'S REPORT 2017

This past year was challenging mainly from two perspectives. Firstly, that the Board of Directors with the exception of one director and the CEO were completely new and secondly, that this change needed the new directors to go into a sharp learning curve to become familiar with the environment of the company. Elected as Vice-Chairperson in February 2017 I assumed the role of the Chairperson when Dr Steven Pretorius resigned on 1 April 2017. The resultant vacancy on the Board was filled when Prof Lekan Ayo-Yusuf was co-opted to the Board on 30 May 2017.

It would be amiss of me not to recognise the positive efforts and commitment of immediate past directors in establishing certain policies and management processes which further secured the financial system and improved the environmental developmental plan and the security of the Estate. We can continue building on those platforms to ensure financial sustainability and an enhanced communal living space.

The CEO, Mr Jan de Wet resigned from his position in July 2017 and was replaced with effect from 16 October 2017 by Mr Henk Booysen. We thank Mr de Wet for his contributions during his tenure. During the transition period the administration of the Estate was in the very capable hands of Ms Liezel Jordaan, the Financial Manager, with direct accountability to the Board. She was ably assisted by the rest of the staff and we extend our gratitude to her and the staff for ensuring a smooth transition.

Earlier in the year the Board identified the need for focused formal strategic planning and to set strategic goals in order for it to meet its mandate and to assist management in delivering on its tasks. Management have reduced the strategic goals to writing and the supportive action plan frameworks have been developed. The overarching strategic focus areas are security, environment, finance, human resources, stakeholder engagement and country club operations. We are confident that the formal policies and processes emanating from this effort will result in positive returns and ensure further transparency, reduce expenditure and improve corporate governance. The Board is therefore cohesive in its determination to ensure for the foreseeable future that a positive relationship between members and the management of the company is sustained and that a culture of service delivery permeates to the betterment of this relationship. I ask of members to contribute willingly and unselfishly to make this relationship work and to that end members are requested to abide by the approved Estate Rules.

During the past year certain aspects of the Memorandum of Incorporation and Estate Rules were brought under scrutiny as there are certain parts which require amendment for purposes of legal compliance, clarification and technical impracticality and some which are unnecessarily burdensome. Due to the historic delays in getting the MOI finalised certain considerations for incorporation were forgotten. These have resurfaced and are considered as part of an amendment. Furthermore, due to recent court judgements impacting on certain aspects of residential estate living, the Association is also reviewing its rules which may be in conflict with the determinations as expressed in these judgements. This work as yet is not complete but we trust that the work will be concluded soonest to enable approval as necessary and implementation at the most opportune time.

During the preceding two years, culminating this year, major capital expenditure projects were launched on the back of member approval and member contributions. These amongst other projects included the completion of the revamped country club buildings and food and beverage operations, the halfway house, the third tennis court and new tennis hut and the completion of the golf course irrigation project. Albeit that these developments during the construction phases had detrimental impacts on country club revenues it is expected that going forward these will improve. In particular the Board would like to express its appreciation and thanks to Mr Martin te Groen who gratuitously and unselfishly ensured that the irrigation project and concomitant projects were managed competently and were delivered within budget. Going forward the capital investment is concentrated in enhanced security and the maintenance of the estate assets and the supportive environment, particularly the natural fauna and flora, dams, streams, and the common garden habitat. In addition, management is paying specific attention to developments in the areas surrounding the Estate.

This year the Board has committed itself and remains determined in its stance to avoid unnecessary expenditure particularly with regard to legal action. This in particular refers to legal action not directly associated with the collection of the mandatory member levies. To that end the Board has engaged with certain parties to reach accommodation on long outstanding legal matters that are negotiable and have in the interests of the Association either settled those matters or delayed progressing those matters whilst discussions are ongoing. It is however, extremely unfortunate that some parties of their own volition are continuing with costly legal action against the Association, the outcome of which may have an effect on all members. Due to the possible consequences of these actions the Association will need to defend against it as it is in the interest of all members to do so, even to those

who are implementing the action.

The financial position of the Association remains positive with reference to the financial period ended 31 March 2017, the Association's solvency has again seen improvement, with assets totalling R61 million (2016: R53 million) while total liabilities at R23 million compared to R25 million in 2016. The Estate (HOA) ended the year on a positive note with a surplus. Due to a number of factors the golf operations revenue streams diluted to end the year with a loss of R1.3 million (2016: R746 000). The loss in the main is attributable to the unpreventable effect on member and visitor rounds as some of the greens became unplayable due to negligent green keeping, which is being addressed by way of a claim against the service provider. Additionally, electricity and water charges related to the previous year was levied in the year by Tshwane Local Municipality. The dilatory effect of the irrigation project on golf revenues was taken into account but the full effect of a spread over two years on member and visitor rounds could not readily be anticipated. Positively, the clubhouse operation results improved to a profit of R400 000 (2016: R1.2 million loss), partly due to increased turnover-based rentals and late completion penalty income. Unfortunately, the inherited deficit increased from R5.9 million in 2016 to R6.6 million resulting from the aforementioned backdated electricity and water charges and the loss in golf. Measures have been put in place to stop this slide including long needed Strategic Imperatives for the Estate.

Albeit that the often mentioned Tshwane Local Municipality outfall sewer purportedly intended to cross the Estate has not materialised as a fact, the Association has taken some prudent action. To that end regarded professionals have been appointed or are being appointed to prepare factual reports in counter argument to the proposed route once that becomes necessary.

Of further interest is the fact that Marlene du Plessis, the erstwhile bookkeeper of the Association who was sent to prison for the circa R7 million fraud, was released early from prison after serving less than 4 years of her 12-year term. The Association's objection to the early release had no effect.

The Association has also developed an Estate Emergency Response Plan with assistance from volunteer experts to manage and deploy the necessary response teams to assist as necessary.

It is my pleasure to welcome Mr Henk Booysen as the CEO to Silver Lakes. In the short time that he has been here he has proven to have the mettle and necessary skills to deliver on the demands of the position. As it is the position of the Board to remain largely operationally neutral to ensure proper governance and accountability it is incumbent on the management to implement the necessary processes and procedures to ensure prompt delivery in accordance with their job descriptions. Under direction of the Board a process of proper performance assessment and performance management was implemented by senior management and the results of those positive engagements are already evident in the positive delivery from service providers and staff.

In conclusion, my sincere thanks and appreciation to my fellow directors for the unreserved commitment and time given to the betterment of the management of the Estate. Without their contributions we would not be able to have achieved the progress made during the year. My thanks to the management and staff for their commitment and dedication to their tasks and for remaining positive in a year which has seen much change at a senior management level. I trust that the reshaping of the mould will have the positive results envisaged.



MR JACO COETZEE
CHAIRPERSON