

D R A F T
ANNUAL GENERAL MEETING OF SILVER LAKES HOMEOWNERS ASSOCIATION NPC
HELD ON MONDAY, 22 FEBRUARY 2016 AT 20:00 OR AS SOON AS POSSIBLE AFTER THE CGM

PRESENT

As per attendance register.

WELCOME

The Chairperson welcomed all present to the 22nd Annual General Meeting (AGM) of the Silver Lakes Homeowners Association NPC.

QUORUM

The Chairperson confirmed that the necessary quorum for the meeting in terms of the Memorandum of Incorporation (MOI) was present. The meeting was declared duly constituted and officially open.

Voting

It was stated that voting would take place by means of a poll unless otherwise indicated by the Chairperson.

Scrutineers

The appointment of scrutineers would be by means of a show of hands. The Chairperson called for a proposal that a representative from Grant Thornton, the Association's auditors, be nominated to act as scrutineer. The motion was proposed by Mr Chris de Weerd (stand 556) and seconded by Mr Jaco Coetzee (stand 1453). The motion was put to the vote and was carried.

For Information Purposes

It was mentioned that poll forms were handed out at registration to Members, representatives of Members and proxy holders. The signature on the top right of each poll form and the one at the bottom of the form needed to be the same.

The meeting would be digitally recorded for record purposes. The meeting was requested and agreed to adhere to basic meeting rules as outlined by the Chairperson.

Notice of the Meeting

A notice dated 26 January 2016 that convened the Annual General Meeting was delivered to Members in accordance with the MOI. The Chairperson called for a proposal that the notice of the meeting be taken as read. The motion was proposed by Mr Chris de Weerd (stand 556) and seconded by Ms Barbara Green (stand 26). The Chairperson declared that the notice of the meeting be taken as read.

The Chairperson proceeded to handle those items referred to in the notice, namely:

CONFIRMATION OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 11 AUGUST 2014

The Chairperson called for a proposal that the minutes be taken as read. Proposed by Mr Gideon van Wyk (stand 431) and seconded by Mrs Linda Bodenstein (stand 1671/R). The Chairperson then called for a proposal from the meeting to adopt the minutes. Proposed by Mr Chris de Weerd (stand 556) and seconded by Mr Jaco Coetzee (stand 1543). The Chairperson declared that the minutes be taken as read and adopted.

CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 10 NOVEMBER 2014

The Chairperson called for a proposal that the minutes be taken as read. Proposed by Mr Chris de Weerd (stand 556) and seconded by Mr Andre van Breda (stand 534). The Chairperson declared the minutes taken as read. The Chairperson then called for a proposal from the meeting to adopt the minutes. Proposed by Mr Chris de Weerd (stand 556) and seconded by Mr Andre van Breda (stand 534). The Chairperson declared the minutes adopted.

CHAIRPERSON'S REPORT 2015

The full Chairperson's Report was delivered to Members with the notice of the AGM. The Chairperson proceeded to highlight a few salient points from the report to the meeting.

Mr Frikkie Geysler, Security Director addressed the meeting followed by Mrs Corlia Mathews, Environment Director.

A resident congratulated the security department on the new visitor management app. Mr Philip van Vuuren (Stand 409) wanted an update with regard to the removal of the invasive weeds in the dam on the 5th hole. Mrs Mathews stated that removal of the weeds would be resumed the following week as part of the Environmental Management Plan.

Mr Godycki (stand 1454) enquired if the building of a bowling green at the Clubhouse would be considered. Mrs Mathews stated that the bowling green was still envisaged and that a firm proposal for approval will be made to Members at the appropriate time.

It was mentioned by Mr Martin te Groen (stand 1710) that the organic growth in the dams was due to sewerage spillages. Members were informed that the problem was being dealt with and the water quality in the dams was regularly checked and monitored.

The Chairperson called for a proposal that the report be taken as read. The proposal was proposed by Mr Keith Laing (stand 1583) and was seconded by Mr Andre van Breda (Stand 534). The Chairperson declared that the report be taken as read.

The following resolutions of which due and proper notice had been given are proposed to be passed, with or without modification:

ORDINARY RESOLUTION NUMBER 1: ANNUAL FINANCIAL STATEMENTS

The Chairperson called for a proposal that the audit report be taken as read. This proposal was proposed by Mr Keith Laing (stand 1583) and seconded by Mr Jan de Wet (stand 600). The Chairperson declared that the audit report for the financial statements for the year ended 31 March 2015 be taken as read.

Both the Board of Directors and the Audit and Risk Committee recommended that Members approve the Annual Financial Statements.

The Finance Director, Mr Theo O'Neil was asked to address the meeting.

Mr O'Neil thanked the Board, management, finance department and the Audit Committee for guidance and the extraordinary efforts to strengthen the financial performance and controls. He mentioned that the financial statements were prepared according to the International Financial Reporting Standards (IFRS) and the Companies Act 71 of 2008. A more detailed slide presentation aiming at transparency of the financial results was presented to Members.

It was stated by Mr O'Neil that the comprehensive income for the Association was R6,7 million which had increased from R4,7 million a year ago. After 3 years of operating losses from 2011 to 2013 the last 2 years to 2015 showed a healthy turnaround to operating surpluses. The VAT exemption on levies meant that the Estate expenses increased from the previous year because the Estate could no longer claim VAT on its expenses, despite this there was still significant savings of R1,3 million against budget by the Estate. Total expenses for all operations remain within budget. It is expected that such savings against budget will continue into the new financial year.

Mr O'Neil mentioned that the biggest disappointment was the Clubhouse where there was a R630 000 operating loss due mainly to much higher than budgeted property rates payable following a revaluation of the property by Tshwane, as well as unforeseen expenses on long-overdue essential repairs and maintenance. Lower sales support and gross margins added to the below budget performance. This loss was offset by pursuing savings on other Estate expenses. It is the objective of the Board and management to drive the Clubhouse and golf operations into an operating surplus which can be allocated towards reducing levies. This is not expected to be achieved in the 2016 financial year due to the adverse turnover impact during the Clubhouse upgrade. However a turnaround should be achieved after the Clubhouse outsourcing is in full swing from early 2016.

At the end of March 2015 the Association continues to meet the solvency and liquidity criteria with cash resources increasing to approximately R9 million, most of which will be used to fund the capital expense upgrade to the Clubhouse.

It was stated by Mr O'Neil that over the last two years the Association had improved its financial performance mainly due to savings on expenditure whilst over the previous three years the Association had been over budget. Those three years included part of the fraud write-off which exceeded R7 million over several years. Mr O'Neil stated that this improvement in the financial results was achieved without increasing levies over the last two years which was a positive for Members.

As the figures demonstrate, the current Board is managing Member funds responsibly. This was confirmed by the Audit and Risk Committee. It will remain the aim of the Board to keep the levies as low as possible by ensuring the Estate is operating efficiently.

As at the previous AGM, Mr O'Neil mentioned that when the Clubhouse and Golf Course were originally purchased, several owners paid R19 000 upfront while other owners elected to pay the amount monthly over 10 years. There is currently about R24 million payable to the bank and other parties including interest up to March 2021, however only about R19 million would be collected from Members over the repayment period until December 2019.

Because part of the upfront payments received from Members in 2010/11 was applied to fund the occupational rent for the Clubhouse and Golf Course pending the transfer and other operating losses, there would be a shortfall of about R4,8 million at the end of the loan term. The Board will propose solution options to fund the shortfall at the appropriate time.

On the Golf Course side, Mr O'Neil stated that there was a net profit of around R300 000 which was below budget by R286 000 mainly due to lower sponsorships after the Telkom withdrawal.

Mr O'Neil expressed his overall satisfaction with the financial performance of the Estate and that the Estate was soundly solvent to continue adding value to the wonderful investment.

The Chairperson called for a proposer for the motion that the Annual Financial Statements of the Association for the year ended 31 March 2015 be and are hereby adopted. Proposed by Mr Chris de Weerd (stand 556) and seconded by Mr Andre van Breda (stand 534). The motion was put to the vote and Members were given the opportunity to indicate their vote on their poll form.

ORDINARY RESOLUTION NUMBER 2: AUDITORS

The Chairperson called for a proposer for the motion that Grant Thornton Pretoria be appointed as the auditors of the Association for the ensuing year and that the audit remuneration be fixed at no more than R171 735 (excluding Audit Committee attendances, statutory filings, VAT and disbursements) for the year ended 31 March 2016. The motion was proposed by Mr Keith Laing (stand 1583) and seconded by Mr Chris de Weerd (stand 556). The motion was put to the vote and Members were given the opportunity to indicate their vote on their poll form.

SPECIAL RESOLUTION NUMBER 1: DIRECTOR REMUNERATION

The Chairperson stated that the Board proposes not to increase the elected Directors' remuneration for the next financial year and that the motion be withdrawn.

The Chairperson called for a proposer for the withdrawal of the motion. Proposed by Mr Chris de Weerd (stand 556) and seconded by Mr Jaco Coetzee (stand 1453).

By show of hands the meeting approved the withdrawal of the motion.

The completed poll form number 1 was collected.

ORDINARY RESOLUTION NUMBER 3: PROPOSED BUDGET

The Chairperson called for a proposer for the motion that the proposed budget for 2016/2017 and the determination of levies and the approval thereof be and are hereby adopted. Proposed by Mrs Deliana Schoeman (stand 571/1) and seconded by Mr Chris de Weerd (stand 556).

Mr Jan de Wet (CEO) was requested to present the proposed budget to Members.

Mr de Wet mentioned that it was proposed that there would be no increase in the operating levy but that the capital development fund levy (special levy) would increase by R35 per month.

One refuse removal bin per stand would now be included in the normal monthly levy. Additional bins would be charged for separately at the same rate as before.

It was stated that the budget for the Estate was calculated by dividing expenses by the number of levy paying units. In terms of the Clubhouse and Golf Course a combined surplus of R650 000 was projected. In addition, the Association would continue on its course of cost savings which enables the Board to again propose that normal levies are not increased.

It was mentioned by Mr de Wet that the property values in Silver Lakes were higher than the surrounding estates and this could be attributed to having a golf course and game reserve. Maintaining these entities to a high standard would be beneficial to all Members.

Mr de Wet stated that the profit forecast for the golf operations until 31 March 2016 was under pressure because of the major construction work at the Clubhouse, which unavoidably impacted negatively on corporate golf days and visitors. This would however be temporary and all efforts would be made to regain lost business.

Estate

Prescribed building deposits were written back to the value of over R1,3 million. On the expense side the Estate was budgeting a 6,5% overall increase in expenditure in line with expected inflation rates. Large expenditure items include ongoing Estate maintenance, additional expenditure for the game reserve and an increase in operating rentals due to the installation of a new generator at the HOA office buildings. R233 000 was budgeted for legal fees for the 2016/2017 financial year. There was also an expense of R20 000 per month for the fibre-to-the-home project, which was justified by the provision of a dedicated call centre and offerings of reduced broadband fees for residents. This cost would further be recovered from advertising revenue from digital advertising screens supplied as part of the contract.

Clubhouse

Mr de Wet mentioned that the cost of sale and sales income would in future be replaced with a turnover based rental payable by the outsource operator as per the outsourcing agreements concluded. The net result was that a substantial loss for the current year would be turned into an initial anticipated profit of R345 000 for the coming year. The loss for this year was R1,6 million which included food and beverage losses as well as R700 000 spent on major essential maintenance.

Golf Course

Membership fees would be increased in the new financial year to be in line with fees charged by surrounding golf courses. Some staff members were moved from the Clubhouse operations to golf operations to fill certain operational needs. Large capital items would still be funded by the Association's reserves.

The motion was put to the vote and Members were given the opportunity to indicate their vote on their poll form.

ORDINARY RESOLUTION NUMBER 4: PROPOSED CAPITAL DEVELOPMENT FUND LEVY

The Chairperson called for a proposer for the motion that the proposed capital development fund levy of R3 250 per annum per Unit (payable before 31 March 2016) for the year 2016/2017 or R285 per month per Unit for 12 months be and is hereby adopted. Effective from 1 April 2016. Proposed by Mr Adriaan Coetzee (stand 828) and seconded by Mrs Liezel Jordaan (stand 1483).

Estate

Capital projects include the construction of the new roof over Lynnwood Gate, R520 000 for communal gardens, trees and planter boxes as well as R250 000 for erosion control around the dams and R120 000 for speed measuring devices.

Clubhouse

R1,3 million was earmarked for two new tennis courts and screening for the generator at the Club.

Golf Course

Upgrade to the cart paths on the Golf Course would be continued and the course irrigation system replaced. With the devaluation of the Rand, the cost of the irrigation system would now be in the region of R8,7 million. It was envisaged that the project would be undertaken in two phases with the first phase commencing in the new financial year. The funds allocated to phase one of the project was R4,5 million, which makes provision for some depreciation of the Rand against the dollar.

Mr Andre van Breda (stand 534) asked about the tender process and queried the expenditure of R710 000 on the new children's play area. Mr de Wet mentioned that there was approximately R250 000 worth of civil work, the equipment itself was R300 000 and the artificial grass was about R200 000. All the aforementioned went through a formal quotation process which was transparent. In terms of the irrigation quotes, Mr de Wet mentioned that three reputable suppliers all tendered for the work. The quotes were considered by the Golf Executive Committee and the Board of Directors and eventually Rainbird was provisionally selected to base the budget proposal on.

Mr Martin te Groen (stand 1710) requested that tenders should be circulated internally to residents as well which could result in savings for the Estate as the Estate had a vast resource of talent and know-how on its doorstep, its residents. Mr de Wet mentioned that should the capital reserve fund levy be approved, Mr te Groen and other Members would be consulted on implementation of the irrigation project.

Mr Adriaan Coetzee (stand 828) stated that on the master plan for the redevelopment of the Clubhouse area, a facility was approved to serve the golfers as a halfway house and to act as a kiosk for the tennis courts and swimming pool. Mr Coetzee requested that this facility now be built as it would serve a variety of different groupings on the Estate. Mr de Wet mentioned that the cost to build this facility would be in the region of R850 000 which was currently not included in the proposed budget.

MOTION PROPOSED FROM THE FLOOR BY MR ADRIAAN COETZEE

Mr Coetzee proposed a motion that the Board include a provision for a dedicated halfway house facility and that this be included in the 2017/2018 budget. The motion was seconded by Mr Visser du Plessis (stand 1543). By show of hands, the motion was carried.

The motion to approve the capital reserve fund levy was put to the vote and Members were given the opportunity to indicate their vote on their poll form.

Poll form number 2 was collected.

Due to also being an election candidate and to avoid a potential conflict of interest, Dr Pretorius stood down as chairperson of the remainder of the meeting and handed over to Mr Eugene Kruger, Vice Chairperson of the Board.

Mr Kruger mentioned that the run-up to the meeting had been very unpleasant but that the meeting thus far had been civil and requested that this continue for the rest of the meeting. Candidates standing for election would be given equal time to address the meeting and questions from the floor should be cordial and in good spirit.

ELECTION OF ENVIRONMENT DIRECTOR

Mrs Corlia Mathews was asked to briefly address the meeting. Mrs Marna Pretorius also addressed the meeting.

It was mentioned by Mrs San-Karin Jacobs (stand 734) that the environment portfolio should be split between the two candidates. Dr Pretorius stated that the current Memorandum of Incorporation determined the composition of the Board and that such a motion with the effect of amending the MOI could not be submitted for consideration by the meeting.

ELECTION OF CHAIRPERSON

Dr Steven Pretorius was asked to briefly address the meeting. Mr Manie Swart also addressed the meeting.

Poll form number 3 was collected.

DECLARATION OF POLL RESULTS

The result of the voting was as follows:

ORDINARY RESOLUTION NUMBER 1 - ANNUAL FINANCIAL STATEMENTS

As the requisite majority of Members entitled to vote at this meeting voted in favour of this ordinary resolution, the resolution was duly and properly passed.

ORDINARY RESOLUTION NUMBER 2 - AUDITORS

As the requisite majority of Members entitled to vote at this meeting voted in favour of this ordinary resolution, the resolution was duly and properly passed.

SPECIAL RESOLUTION NUMBER 1 - DIRECTOR REMUNERATION

Special Resolution Number 1 was removed from the agenda.

ORDINARY RESOLUTION NUMBER 3 - PROPOSED BUDGET

As the requisite majority of Members entitled to vote at this meeting voted in favour of this ordinary resolution, the resolution was duly and properly passed.

ORDINARY RESOLUTION NUMBER 4 - PROPOSED CAPITAL DEVELOPMENT FUND LEVY

As the requisite majority of Members entitled to vote at this meeting voted in favour of this ordinary resolution, the resolution was duly and properly passed.

ELECTION OF ENVIRONMENT DIRECTOR

As Mrs Marna Pretorius had received the most number of votes, Mrs Pretorius was duly elected.

ELECTION OF CHAIRPERSON

As Mr Manie Swart had received the most number of votes, Mr Swart was duly elected.

CLOSURE

As there was no further business to transact at the meeting, the AGM was declared duly closed and the proceedings at an end.

DR STEVEN PRETORIUS
CHAIRPERSON

DATE

MR EUGENE KRUGER
CO-CHAIRPERSON

DATE