1. SUMMARY (see accompanying Summary of Financial Results)

1.1 OPERATING INCOME

The comprehensive income of R11,5m for the year is considerably better than the surplus of R6,7m reported in the previous year. This income for the year includes capital levies of R9,8m transferred to reserve funds leaving an operating income of R1,7m. This is in accordance with financial reporting standards and can be seen on the Statement of Changes in Equity (page 9 of AFS). The total net operating income before capital levies of R 1,7m is marginally R240k better than the approved budget of R1,46m. The shortfall in income against budget from both the golf course and the clubhouse losses for 2016 has been more than offset by savings in the HOA/Estate operations.

The Board of Directors is confident that the losses in the clubhouse over the last 2 years will now be turned into a future positive net operating surplus as supported by the outsource to Cafe 41. Unfortunately the golf course loss will continue for probably the next 2 years but should be offset by the clubhouse operating surplus which will then not burden homeowners with additional levies.

1.2 SOLVENCY AND LIQUIDITY

The Statement of Financial Position (balance sheet page 7 of the AFS) shows that the negative net current assets (liquidity) has weakened marginally to R665k mainly due to the extensive capital expenditure undertaken which reduced cash from R8,7m to R4,9m. However, the financial position (solvency) shows a marked improvement with by example the equity exceeding total liabilities for the first time in many years by R3,5m. The debt to equity ratio has improved from 1,9 times to 0,9. In any event, after allowing for shorter term cash commitments, the available cash for major developments in the Estate remains limited and further funding from capital levies will be necessary should members wish to see marked improvements to the Estate facilities. As agreed last year this will be discussed in more detail at the AGM.

2. OTHER COMMENTS

2.1 HOA/ESTATE

The Estate, excluding the golf course and clubhouse, shows a net operating income of R3,6m which was based on a mere 1% increase in levies in 2016. This is considerably better than the budget of R763k and better than the R2,5m for the previous year. The revenue surplus includes the write back of prescribed building deposits of R1,3m. The expense savings of R1,7m are mainly from lower security costs, payroll reduction from workman's compensation provision not required and other cost saving measures. These budget savings are partly offset by higher estate maintenance, legal fees, an additional general meeting and sponsorships. Total expenses for 2016 of R28,3m are also lower than the R29,1m of the previous financial year. The details are shown in the accompanying comparatives of last year 2015, the forecast for the new financial year 2017 and the proposed budget for the 2018 financial year with further explanations to be given at the AGM.

2.2 GOLF COURSE

The golf course operation shows net operating loss of R745k for 2016 which is considerably worse than budget and the previous year. It is forecast that the financial results for 2017 will show a further deterioration in results with improvements only being evident from the 2018 budget year. For 2016 the main contributing factor to the loss was the considerably lower income from group golf days to only R0,4m as a result of the clubhouse alterations. For the 2017 financial year, we forecast that this income will more than double to over R1mil and increase to R1,2m in the 2018 budget. Adding to the lower group income for 2016 was the year on year increase in expenses of 14% to R11,7m which was also higher than budget by R0,9m or 8%. The main contributing factors to this increase in costs is from employee related expenses and the ever increasing utility charges which far exceed prior years. Although the increase in expenses is unacceptable, management continue to focus on controlling expenses and pursuing cost saving opportunities.

Although golf membership remains strong at 700 with over 40 000 rounds completed, the increase in expenditure to maintain and operate a highly rated golf course is a challenge to manage. For such reasons it will be necessary to continue obtaining capital funds from the HOA to support major golf course improvements which will be to the benefit of owners' property valuations. Our golf course is one of the very few where the HOA members do not subsidize the operating expenses by way of a levy.

2.3 CLUBHOUSE

The clubhouse reported a net loss of R1,2m in 2016 which is considerably worse than the budget net income of R345k. Furthermore, this was also worse than the R0,6m loss of the previous year. The major reason for the variances to budget was the outsource of the clubhouse operation that was not budgeted for as reported at the last AGM. The lower support during alterations added to the reduced revenue. Some compensation of R0,5m was received from the clubhouse operator for their late commencement and turnover disruption. Furthermore, expenses increased by R0,8m for necessary maintenance on electrical and water damage and R0,6m on mainly higher municipal rates.

Following many of the non-recurring adverse operating conditions and the fully outsourced clubhouse it is forecast that the budget for 2017 will be achievable with a net income exceeding R0,3m which will increase to R0,5m in the 2018 budget.

2.4 CAPITAL EXPENDITURE

Total expenditure amounted R10,7m which included R1,2m not spent in the previous year and carried forward in projects as disclosed in the last AGM papers. The balance was funded by capital levies from members and income of R9,5m.

The major capital projects completed for 2016 comprised the clubhouse and change rooms upgrade of R8,1m, construction of golf cart paths R1,1m and R0,7m on the children's play area. Although the total expenditure was in line with the capital budget, it was necessary to reassign the capital budget items in order to fund the higher than expected clubhouse upgrade costs. During construction, additional expenditure was incurred mainly on extending the upstairs patio, electrical rewiring, plumbing replacements and water dampness prevention.

2.5 OUTSTANDING LEVIES DUE FROM MEMBERS

With over R39 million in levies and levy related charges collected annually by the HOA it is inevitable that some defaulting debtor balances will arise.

As at the end of March 2016 the HOA had outstanding balances due from members for unpaid levies of R1,3 million, representing only 3% of annual levy income. The HOA believes that this shows that responsible credit management is being applied.

Of the unpaid levies, R 1,1 million consists of debts due from 11 of our members that have been handed over to attorneys for collection, or subject to litigation.