

# CEO'S ANNUAL REPORT

01 APRIL 2006 – 31 MARCH 2007

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# 1 INTRODUCTION

This report aims to give a cursory overview of the financial year 2006/2007 and reflects on the successes and failures of the year with the view to build on and improve the procedures and facilities currently employed.

The 2006/2007 financial year commenced with the General Manager taking up his position on 01 April 2006, some time after the position becoming vacant. The challenges that faced the Board and the staff during the year and, where applicable, the resolutions to most of these challenges are enumerated in this report.

## 2 Finances

### 2.1 *Income*

The protection of the Estate's income was an immediate and urgent priority.

On 31 March 2006 our 90 day debtors against whom no legal action has been taken, totalled R456 156.

In addition to the above the PGHOA had already instituted legal action against 6 homeowners, owing a further R185 824

At 31 March 2007 our 90 day debtors stands at R14 498. A year-on-year improvement of R441 688. Our legal debtors has been reduced to three homeowners of which two are consistently paying an agreed settlement amount and the third being a deceased estate is in the process of being wound up.

More remarkable is the fact that all outstanding monies, with the exception of approximately R7 000, which consisted of two fines levied upon homeowners, was collected and it was not necessary to write any of the outstanding monies off as bad debts. In fact we were fortunate to collect two debts already written off in previous years that was considered at the time as uncollectible providing an additional income of R15 826

As a result of the above the budgeted income from Estate levies has been exceeded by approximately R109 000.

The golf revenue also exceeded expectations. The green fee revenue, which was in July 2006 some R86 632 below budget was addressed and came in on budget. In this regard it is necessary to note that the actual golf revenue for the year is approximately 27% higher than the actual collected in 2005/2006.

The income from the pro-shop was under severe stress early in the financial year with a R10 000 deficit against budget at the end of May 2006. With the opportunity to restructure the pro-shop in June 2006 a significant improvement was achieved and at the end of the year the pro-shop will have achieved a surplus over budget of just more than R100 000. It must be noted that the above result was achieved despite the fact that, for the first time, the pro-shop salaries was allocated against pro-shop income and not golf income.

The income projected for Security was not achieved due to an agreement with Lot 215 (25 units) in August 2006 in terms of which no security levy will be payable until 01 March 2008 or until the site is being developed and individual stands are transferred to third parties.

The income for Administration has been exceeded with the building committee and golf committee the only areas where our expectations on income were not reflected in the actual income received.

In respect of the golf committee a very pleasing and significant development was the signing of a title sponsorship agreement of R100 000 with Standard bank for the National Amateur tournament. This was a very welcome boost and elevated this tournament to such a level that the 2008 tournament will, for the first time, be accredited by the South African Golf Association. This is no small feat as no other tournament in South Africa, which does not form part of the respective province's "open amateur championships", is afforded this prestigious honour.

In conclusion the net effect on income as at 31 March 2007 will be a sum of R86 482 better than budget.

## 2.2 *Expenditure*

On the expenditure side we managed to keep expenses in line with budget with a projected "surplus" over budget of some R100 000 by the end of the financial year.

The net effect of the better than expected income and expenditure yielded a "surplus" over budget of R200 000 providing a net surplus of R835 968 for the year, which, with the income received from the levy stabilisation fund and the course reserve fund, will add R1,421,151 to the Estate's reserve.

### **3 Estate**

#### **3.1 Office upgrade**

One of the immediate needs identified included the upgrade of the HOA offices and surrounding area to convey an understated but professional image. The offices were in a desperate state contributing little to the improvement of staff morale and efficiency. This project will continue into the new financial year.

#### **3.2 Water reticulation**

The Estate's water reticulation system was found in a perilous state with the water supply limited to a single borehole. Significant water supply interruptions were experienced during the period April to June 2006. These prompted some urgent repairs to the water reticulation system and the reconnection of two more boreholes to supply the main water purification system and reservoir. We also introduced a new valve system between the two reservoirs ensuring the confinement of a water problem to a particular part of the Estate.

New sewerage pumps were installed in Ginger beer road.

#### **3.3 Roads**

The Estate's roads are in good condition and four new "speed bumps" were installed. The district road leading to the Estate is now showing serious signs of deterioration and was "repaired" on a two monthly basis. It is clear that the "black top" surface put on this road is entirely inadequate for the traffic it must endure. In this respect meetings were held with the Provincial Roads Department and a verbal agreement has been reached whereby PGHOA and the Department will share the costs to resurface the road with a "13mm chip and spray" surface. This should be a significant improvement. The non surfaced part of the road was also maintained with the assistance of the roads department. Apart from levelling the road on three occasions during the year, the department assisted by covering the road with reclaimed tar and gravel from other projects. This is providing a better travel surface although of a temporary nature.

New road/direction signs were introduced throughout the Estate.

#### **3.4 Security**

An immediate priority in April 2006 was the rehabilitation of the fence and security camera system. Several on-site meetings with the two security service providers were held and the fence was reinstated. The cameras required cleaning which could be done in-house and "Alarm fencing", at their costs, repaired the radios linking the control room with the various fence zones. This work made the provision of just more than R250 000 on capital expenditure superfluous. A daily reporting system on the fence and cameras was also introduced ensuring the security personnel check the entire fence line twice every day and log all problems as well as communications with IPS security.

Despite a countrywide strike by security personnel certified with various incidents of violence and in certain unfortunate cases death, the impact on Prince's Grant was limited with very few homeowners or visitors being aware of the turmoil in the industry.

A number of security incidents were logged through the year and remedial steps were taken. These include:

- A breach in the fence line and theft from a motor vehicle at the beach – the culprit was apprehended and turned over to the police.
- Four incidents of reported thefts from residences, but without any sign of breaking and entering. – Despite questioning a number of individuals no one could be identified.
- Two incidents involving caddies allegedly stealing from golf bags – the second incident in February 2007 resulted in the caddies being suspended from working at Prince's Grant.
- A reported incident of an armed robbery at the beach. – The suspects were identified by PG security guards going off duty and were arrested by the SAPS.
- An incident involving the unauthorised use of two golf carts by individuals renting at Prince's Grant, resulting in some damage to one of the carts, occurred in January 2008
- A system identifying all domestic workers with visible ID cards was introduced.

### 3.5 Building Sites

The 2006 year saw frenetic action in respect of new dwellings being erected. At the height of this activity in June 2006 some 50 buildings were in the process of being erected. Thirty five different building contractor units with a daily labour force of more than 450 individuals were active on the Estate during this period. The decision to do away with the "build-by" clause in April 2006 contributed to a slow down in building activity and at 31 March 2007 there are 35 building sites being worked on.

The conflict between presenting a resort to homeowners who visits Prince's Grant as a holiday experience and the homeowners building on the estate became immediately apparent. Despite one-on-one meetings with builders the condition and neatness of building sites remained an eye sore throughout the year. This problem resulted in the board taking a decision in October 2006 to appoint an individual fencing contractor to fence all building sites according to a predetermined standard. This action had an immediate positive impact on the presentation of building sites to those using the Estate for vacation or residential purposes.

### 3.6 Estate Amenities

The main swimming pool was relined and the swimming pool pumps fixed. The proposed work on the squash courts ablution facilities were scaled down and some minor tiling work were completed. The land tenure of this facility remains unresolved and it was decided no significant work will be undertaken before this matter has been resolved.

### 3.7 Holiday periods

The December holidays were supplemented with a daily children's programme. Two life guards were employed for a three week period and additional security were hired. A successful new-years celebration was held and various additional facilities such as a coffee shop at the conference centre were arranged by the Lodge. Overall we had some very pleasing and complimentary feedback from homeowners and visitors during this period.

### 3.8 Building Committee

The Building committee had an eventful year. The approval of building plans in accordance with the building code is an emotive issue with a number of very difficult decisions during the year. On two occasions homeowners were asked to break down existing work due to the impact, unapproved structures would have had on the Estate. Nineteen new plans of 36 submissions were approved during the year and 14 amendments to existing buildings or approved plans were approved. The work of the building committee is arguably the most important influence for the preservation of improved property values on the Estate. A significant amount of time was therefore spent during the year to make the process more understandable and reducing the risks associated therewith. One of the major interventions was the reduction of the amount of architects that are allowed to design on the Estate.

## **4 GOLF**

#### 4.1 Golf Course

The golf course showed a consistent improvement throughout the year. Greens and tees that were infested with “foreign” grass types and thought to have been beyond repair showed remarkable improvement and have been rehabilitated without any dramatic interventions. This was mainly done by a well executed fertilisation and watering program with regular verti-cutting. Fairways were for the first time holo-tined and received bi-monthly verticutting, resulting in a significant improvement on most holes.

The golf course showed significant drainage problems on particularly the 1<sup>st</sup> and 12<sup>th</sup> holes which were addressed and resolved.

Other course upgrading work as approved by the golf course custodians committee consisted of:

- Construction of cart paths on the 6<sup>th</sup>, 11<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> holes;
- Stabilising measures for the 2<sup>nd</sup> and 6<sup>th</sup> dams
- Rehabilitation of the water feature surrounding the 18<sup>th</sup> green
- Upgrading of the cart path between the 12<sup>th</sup> and 13<sup>th</sup> holes
- Upgrading of the irrigation network and reinstatement of the lagoon pump
- Replacement of all signage on the course
- Tree removal around the 3<sup>rd</sup> and 7<sup>th</sup> greens
- Introducing three new “swales” around the 11<sup>th</sup> green

The golf course equipment was also upgraded with the acquisition of the following:

- Toro 6500D Fairways cutting machine
- Verticut rotors for the fairway machines
- Toro GM 1000 Walk behind lawnmower
- Toro 3250 D Greens machine
- Polaris run-around
- 5 x Brush cutters
- 1 x Toro Sandpro bunker rakes
- 1 x edge trimmer

Overall the condition of the golf course was very good throughout the year with various industry specialists stating that in their view the conditioning of the course is the best in KZN. Our golf course ranking according to the golf Digest magazine remained at 21st amongst the 446 golf courses in South Africa. Our status as one of 14 “five star golf experience” facilities as measured by the complete golfer magazine was also retained.

The golf course continued throughout the year to provide pleasure for those that played on it and pride for those that feels part of it either as a part-owner or employee.

#### 4.2 Golf Rounds

Prince's Grant showed an increase of 5,3% in the amount of golf rounds for members and an increase of 1,1% in the amount of visitors in comparison with the previous year. More encouraging was the fact that the revenue generated from visitors golf rounds was up 24,8% over the previous year and the income per round up 23,5% to R146.29 per round. The total number of rounds played during the year was 26 248 with the actual income from visitors amounting to R2 628 042.

#### 4.3 The Pro Shop

One of the successes of the year was the turn-around in the fortunes of the pro-shop. The financial success of this facility has already been discussed above. The service it provides with marshalling and retail experiences also showed a marked improvement.

#### 4.4 The National Amateur

This tournament is no doubt the flagship golf event for Prince's Grant. The introduction of a major sponsor in the form of Standard Bank contributed significantly to the success of this year's tournament. The tournament has been accepted by the South African Golf Association as one of their "ranking point tournaments", which will contribute to see the continued participation of the best amateurs in South Africa.

#### 4.5 Caddie Program

During October 2006 a caddie development program has been started. Prince's Grant employs some 20+ caddies on a regular basis providing valuable employment opportunities for the area. Caddies are considered a valuable asset for the golf experience and could be an additional benefit to distinguish Prince's Grant from other golf courses.

## 5 Administration

### 5.1 Legal Issues

Various legal matters have been dealt with during the year. The most significant of these are as follows:

#### 5.1.1 Rates

During June 2006 the KwaDukuza Municipality advertised their proposed rates for the 2006/2007 financial year. Prince's Grant use to receive a rebate on their rates of 70%. This was significantly higher than other estates or "gated communities". The municipality advertised that from 1<sup>st</sup> July all areas known as "excluded services areas" will receive a uniform rebate of 15 %. The advertisement did not mention Prince's Grant but referred to all excluded services areas which have an agreement on rebates as part of their services agreement with the municipality. The Prince's Grant services agreement made no mention of rates as Prince's Grant was established before the incorporation of agricultural areas as part of Municipalities. After obtaining legal advice and several meetings with the Municipality the Board decided in March 2007 not to proceed with legal action against the Municipality. The main reasons for this decision were:

- Given the economic and social impact a decision on the non payment of rates will have. As well the fact that the setting of rates is considered a legislative function, the Court is reluctant to interfere unless the failure to do so will lead to gross injustice.
- Even if the court found in favour of Prince's Grant it is highly unlikely that they will set the rates or the appropriate rebate, but will merely refer the matter back to the Municipality to rectify any procedural irregularities.
- The Municipality is in the process of changing the system in which they charge rates and will start levying rates from July 2007 in terms of the Municipal Property Rates Act, 2004. The risk of occurring significant legal costs for a very short term relief seemed excessive.

## 5.2 Marketing

A marketing committee bringing together the Lodge and the HOA was created under the chairmanship of the Don Schoeman. The committee achieved the following:

- Creating a new look corporate identity – ***"Prince's Grant – The way life should be lived"***. This involved the development of new stationary and brochures.
- A marketing schedule ensuring Prince's Grant featuring prominently in two of South Africa's most prominent golf magazines as well as the SAA in-flight magazines.
- Creating for the first time a professional website under the domain name Prince's Grant.
- Ensuring co-operation between the marketing efforts of the lodge, the Golf Director and the Prince's Grant Homeowners' Association.
- Ensuring co-operation between the marketing efforts of the Estate Agents and the HOA.

### 5.3 The Umhlotaan

Four editions of the Umhlotaan magazine were published during the year. The focus of the magazine has shifted somewhat to display the community at Prince's Grant in conjunction with the natural attributes and beauty of the Estate

### 5.4 Estate Agents and property sales

During the year the positioning of the accredited Estate agents was raised as a concern for some homeowners. An office for Pam Golding, who was operating on the Estate, but had no premises, was considered. After a failed attempt to accommodate them at the Pro-shop, negotiations were entered into between the HOA and the Steve Ferris Family Trust regarding the sales office at the entrance to the Estate. Pursuant to several meetings with the Estate Agents an agreement was reached to accommodate three Agencies at the sales office. The Estate Agencies will pay a monthly rental to the HOA, who will in turn pay a rental to the Steve Ferris Family trust. The new sales office opened its doors on the 1<sup>st</sup> of February 2007.

Property sales were buoyant throughout the financial year with 59 properties to a value of R71 250 000 changing hands .

### 5.5 Finalisation of Prince's Grant Layout Plan

The original Prince's Grant Town planning scheme provides for 462 residential erven and 8 commercial Lots. Over the years this scheme has seen many amendments, the most significant being the change from medium density housing to individual conventional free hold stands. These changes resulted in 486 approved subdivisions of which only 462 can be developed as residential units. A comprehensive exercise was done to narrow down the possible subdivisions that may be developed. In consultation with the developer it led to 15 subdivisions being excluded for future development and these subdivisions will be consolidated with the golf course and/or open space. Four hundred and sixty eight subdivisions remained as potential residential developments.

### 5.6 Staff movements and development

During May 2007 the services of the Estate Manager was terminated. This allowed us to restructure the staff component and provide for various in-house promotion opportunities.

- Vani Moodley was promoted to the position of Estate Manager.

- Denise Saul was promoted to Debtors controller
- Vimla Naicker was appointed Secretary to CEO/ Receptionist.
- Commenced with student training programme and Billy Woods was taken on as the first student.

Some functions that resorted under the Estate Manager were reassigned to other members of staff.

Staff development was considered a priority and included the following:

- In-house training on legal authority and estate management for the Estate Manager and the Debtors Clerk.
- Debtors Clerk attended and successfully completed a 3 month "Introduction to Pastel" course
- Greens Manager and Assistant Greens Manager completed a 2 day irrigation course.
- Finance Manager enrolled for Pastell payroll course and will complete same in May 2007.
- Estate Manager enrolled for a LLB law degree through Unisa.
- Golf Director and CEO attended the Club Managers of South Africa annual conference in September 2006 at Selbourne
- CEO attended Golf Summit at Fancourt during March 2007
- Greens manager, Golf Director and CEO visited the following golf courses during the year for practical experience and comparisons:
  - CEO: Atlantic Beach, Pezula, Simola, Fancourt, Oubaai, Leopard Creek, Selbourne
  - Golf Director: Pezula, Simola, Fancourt, Oubaai, The links at St Francis, Humewood, Selbourne
  - Greens Manager: Pezula, Simola, Fancourt, the Links at St Francis, Humewood, Leopard Creek.

## 6. Conclusion

6.1 The 2006/ 2007 financial year was a very positive year for the development of the Prince's Grant Golf Estate.

We are confident that the new financial year will accommodate the Estate's growth and will contribute to our slogan: Prince's Grant: The way life should be lived.

**CEO**  
**April 2007**