



ANNUAL CHAIRMAN'S REPORT
PEARL VALLEY HOMEOWNERS ASSOCIATION
ANNUAL GENERAL MEETING
7 JUNE 2016

Good evening, ladies and gentlemen,

First and foremost, I would like to thank each of you for your attendance this evening; for taking time out of your busy schedules and showing your invested interest in this world-class estate that you call home.

In August 2015, Standard Bank South Africa signed the sale agreement stipulating the purchase of Pearl Valley by a Pearl Valley Investments consortium, comprising the Val de Vie Development Company, AMDEC and the Mantis Consortium. The sale was approved as a going concern by the Competition Commission of South Africa in November 2015.

The sale was finalised in March 2016 and as such, we entered into a new chapter. We envision working together with you, as a body where homeowners have a voice and where we operate as a team to maintain the estate's excellence and strive towards even greater heights.

As it stands, we had the privilege of being voted the Top Residential Estate for 2015 by New World Wealth which not only reiterated Pearl Valley's world-class status and its position amongst the best, but furthermore pointed to the combined efforts and dedication shown by the Developer, Trustees and Stakeholders. Pearl Valley has consistently been rated amongst the top five best golf courses in South Africa over the past ten years and we believe that it has all the right characteristics to be named one of the best golf destinations in the world as part of the Val de Vie Estate.

It is thus a privilege for us to be part of the management of this prestigious and renowned golf course and to become a part of the history that is being created in the Cape Winelands and South Africa.

This evening, we are reporting on matters pertaining to the financial year from January 2015 to December 2015. Further to this, we will focus on that which has been achieved in the past six months, along with the progress that has been made in the implementation of a new strategy as we enter a new chapter.

1. TRUSTEES

As we begin to delve into matters this evening, we would like to note that we did receive a motion for this AGM to be held earlier in the calendar year. It is included in items put out for the vote later on. Perhaps just to mention that it was duly considered by the trustees. We realise that June is not an ideal time for some members who have left for the European summer; however, as we envisage that the year-end of the homeowner's association (HOA) will be adjusted to February, it will practically be problematic to hold the AGM with 4 weeks of the new year-end as we must afford the audited, sub-committees and trustees sufficient time to finalise the audit and financial statements. We kindly remind you as members of your constitutional privilege to appoint a proxy who may participate in the AGM on your behalf.

We would like to extend our sincere thanks to the trustees who oversaw matters in 2015. The board held seven meetings during the year and gave selflessly of their time and efforts in contributing to the success that we are now able to report on. These trustees were Andre Pepler, Basil de Sousa, Carole Day, Mike Latham, Hein Koegelenberg, Colin Laity, Evert Nel, Rory Roriston, Gawie Marx and Pieter Schoeman. The homeowner trustees for the ensuing term will be elected tonight.

Thank you to those who have stepped forward and agreed to be nominated. The current board of trustees have also approved the formation of several sub-committees. Their role is to provide additional forums for homeowners to participate in the planning and decision making processes. These committees cover the areas of security, landscaping, finance, governance, building and aesthetics, sport, facilities and estate amalgamation. The latter will be handled by a combination of Val de Vie and Pearl Valley homeowner trustees who must look at all the intricacies of joining the two estates.

2. SECTIONAL TITLE BODY CORPORATE

Pearl Valley Resort Lodges Sectional Title Body Corporate appointed trustees and a managing agent in terms of the Sectional Title Act. The individual sectional title owners and the body corporate are members of the Pearl Valley Home Owners Association. At the time that this Chairman's Report was compiled, there were 66 lodges completed and 24 sectional title units awaiting completion.

3. SECURITY

We are ever mindful that safety and security remains the number one reasons that you have chosen to invest in and live at Pearl Valley. We therefore recognise that this aspect

of estate living should enjoy the attention which it deserves as security systems form our first line of defense. Tenacious rigor, energy and skill is required by all responsible stakeholders to uphold the vision of the safety and security contingent, which is: to ensure that everyone within the borders of the estate, whether they are residents or visitors, are presented with a safe and secure environment.

This is achieved by:

- o Being aware of all risks and threats (within the estate and immediate surroundings)
- o Ensuring that we have an effective physical barrier and monitoring system
- o Acting promptly and effectively against security threats and breaches
- o Providing all visitors to the estate with a pleasant and safe experience
- o Improving our socio-economic environment

The financial year under review saw a few minor incidents as well as a hugely unfortunate incident at the end of the year, when a water-unsafe toddler drowned in the estate pool. It was a massive shock to everyone and resulted in intensive introspection as to how the estate can assist parents and guardians in preventing such tragedies. We believe that aspects of the security upgrade will assist in this cause.

During March 2016, the newly formed board of trustees considered the recommendations of a detailed risk assessment as well as the results of an audit of the current security systems. The amalgamation of manpower into one security team for both estates was recommended and the following enhancements and upgrades were approved:

- Biometric access control
- Guest access control (residents' visitors will be notified via SMS of an access code to allow for seamless access to the estate)
- Offsite monitoring – thermal and IP cameras independently monitored offsite
- Installation of "hot spot" cameras
- 24-hour armed response outside perimeter unit
- Online intelligence reporting system (electronic & facilities incident management)
- Upgrade of the boma security with a physical fence along the Berg River

The guards employed by Securus were transferred to Thorburn when Securus' contract expired at the end of March. This gave management an opportunity to introduce new skills and knowledge into the team at the gatehouse.

In keeping with our philosophy of being completely transparent, we reported in detail about a spate of incidents which took place during March to May. These were

opportunistic incidents that took place during broad day light and in most cases easy access to homes made it easier for the criminals to take their chances. In some of the incidents, as many as 12 individuals were found having access to the homes over a period of time and this made it difficult to track down the perpetrators.

In an official circular, we asked homeowners to exercise standard personal safety measures, such as locking doors when leaving and not handing out access cards and access codes to any third parties. Without going into too much detail, we can say that the investigation and resultant circumstantial evidence resulted in 9 garden staff and 2 private domestics being dismissed and banned from the estate.

In one serious case, a homeowner's car was stolen by a contractor who has had legitimate access to the estate and who was doing private maintenance work on several homes for an extended period of time. Our camera footage and data assisted the police in recovering the vehicle and making an arrest. Thanks to these efforts, the perpetrator is currently residing in Polsmoor prison.

The trustees are unwaveringly determined to bring these incidents to a zero and to keep it that way. The newly formed security sub-committee is monitoring the upgrade and improvement projects, with a value of R1.7 m, on a daily basis. Many improvements have already been achieved. We are confident that these technological and systems upgrades – together with improved management and involvement by the security sub-committee – will establish an environment and culture that will deter and discourage any criminal mind.

4. GARDENS MAINTENANCE & LANDSCAPING

Residential Garden Maintenance

The garden team currently cares for approximately 315 gardens and we expect another 30 gardens to be added to this number in the next 12 months.

The extremely dry summer that we've just experienced and the resultant water restrictions implemented by Drakenstein took a toll on gardens, predominantly large ones where lawns are showing the signs of damage. For some homeowners however, these restrictions enabled them to discover new water-saving practices. The landscaping and facilities sub-committees are monitoring the valley dam levels as well as borehole and river pump flows carefully to ensure responsible usage. This will furthermore allow us to start planning for next summer's watering schedule.

The garden maintenance team now reports to Servest Landscaping instead of the Development Company. This was one of the activities, along with the food and beverage department, which Pearl Valley Investments has decided to outsource. We view this in a positive light and we expect an improvement in service as staff members are taken under the wing of specialist service providers, in terms of employment and reporting structures. The staff members will thus remain the same, but we ask homeowners to bear with the new managers. We follow a result driven approach, so we ask you to be open minded about some changes that they will want to implement to achieve our desired outcomes.

Food and beverage operations are now entrusted to Dish Food & Social and we are confident that positive developments can be expected. Please send any feedback you might have directly to Gawie Marx and his team. They have daily contact with the restaurant to ensure that the transition is as smooth as possible.

As explained by the Development Company during their information session on 11 February 2016, operational activities such as landscaping, food and beverage and hotel operations do not fall within the core business of the Development Company or the HOA and should therefore be entrusted to reputable specialists in those fields.

We confirm that employees who were employed by Pearl Valley Investments and who were affected by the outsourcing were consulted in terms of the Labour Relations Act (LRA) and were transferred in terms of section 197 of the LRA on an equal basis. It was noted at a trustee meeting that no director or shareholder of the Development Company or managing agent has any direct or indirect interest in Servest, Thorburn or Dish Food & Social.

Open Areas

Golf Data has been tending to the routine maintenance of the open areas since April 2014. The teams follow a comprehensive maintenance programme specifically designed for each open area. Various flower beds on the estate have been filled with new plant material. All the roads are swept with a sweeping machine and various areas such as road verges and lakes have remained focus areas in 2015.

The post office parklands, main traffic island, bridge house playschool were improved with new plants. The boma surrounds were landscaped soon after construction was completed and now provides residents and visitors with a playground for children. We hope to see further improvement of the overall appearance and quality of the estate's open areas now that Val de Vie management has become involved.

Berg River Rehabilitation Project

Following the devastating winter flood of 2013, 2,4 ha (the entire 1,2 km strip) along the Berg River was rehabilitated with indigenous plants. This was done in two phases, with a project that spanned over two years from April 2014 to April 2016. This was carried out in partnership with the Western Cape Government's Berg River Improvement Plan, endorsed by the Department of Environmental & Development Planning and the Department of Water Affairs, and was designated as one of the World Design Capital 2014 projects.

The aim of this rehabilitation process along the riparian zone of the Berg River was to combat erosion caused by flooding and simultaneously eradicate all alien species. These were replaced with more than 15 000 indigenous plants to ultimately create an indigenous riparian zone.

5. PROPERTY AND DEVELOPMENT

At the end of 2015, the Pearl Valley had:

- Total houses completed 307
- Lodges completed 66
- Developer houses 5
- Private plots 72
- Homes under construction 12

The estate's building manuals are continuously updated to ensure that they are user friendly and encouraging of the latest technology within the building industry. Regular onsite building inspections, regarding the quality of construction as well as adherence to the guidelines are carried out on the homes under construction.

Lew Geffen Sotheby's International Realty Winelands, was solely responsible for selling developer stock during 2015. With a complement of sales agents on site, a total of 36 developer stands, one developer house and the Watervliet farm were sold at a total value of R60 910 000.00 during the course of the year.

Cape Winelands Properties, which has been operating at Val de Vie for some time, has now also been appointed by Pearl Valley Investments. They are including the Pearl Valley erven and homes on the larger Val de Vie offering and this will certainly give a broader exposure to Pearl Valley sales.

A recent 19% increase in property prices is an encouraging sign that the estate is benefitting from the inclusion in the larger Val de Vie Estate and the over-arching marketing strategy.

We are encouraged by the Development Company's focus on the goal of achieving constantly appreciating property prices. As a result, homeowners are bound to benefit from the broader marketing and branding strategy.

Hotel

Looking at other property developments, Mantis Collection, a shareholder in Pearl Valley Investments, commenced with the construction of the 80 room hotel in May this year. The first phase of 40 rooms is sold out and is expected to be completed by December 2016.

6. COLLECTION OF LEVIES & DEBTORS

Normal levies billed for the year amounted to R9 605 972.99

Currently, there are only 10 properties (translating to roughly 2% of total levy payers) that do not settle their monthly HOA levies in a timeous fashion. All of these accounts have been handed over for collection to our attorneys, and are all in various stages of the legal collection process. All accounts in arrears for three months or longer will continue to be handed over to our attorneys for collection. An amount of R1,058,795 of long outstanding overdue levies (previously provided for as bad debt) was collected in 2015.

7. ADJACENT SAFARILAND AND DE HOOP DEVELOPMENTS

The HOA, and a large number of homeowners were recently notified by the authorities of two applications for rezoning, namely:

1. Application for consolidation, subdivision, rezoning and consent use: Remainder of Farms 838/1 and 893 Paarl, which is the De Hoop Farm running along the R301, in the immediate vicinity of Pearl Valley. Owner: Paul Roux Trust. Developer André du Toit. Please click here to peruse the application.
2. Application for rezoning and subdivision: Farm 1265 Paarl Division (Old Lama Farm) Owner: Estate of the late Schulz Uwe Detlef. Developer: Kabod Group. Please click here to peruse the application.

We have received many objections from individual homeowners to the proposed developments and as a result, this prompted a trustee meeting, which took place on 10 May 2016. During this meeting, the concerns raised by the homeowners were tabled and discussed. The trustees agreed that it is our fiduciary duty to put the concerns of the homeowners forward to the relevant authorities in the form of valid objections, in order

to protect the interest of the homeowners. We duly objected to both developments and will have several opportunities during the rezoning process to interject as interested and affected party to ensure that only developments which are beneficial and complementary to Pearl Valley will be developed. The trustees will continue to monitor the process and involve us, as the HOA, at the appropriate junctions.

8. MARKETING

A comprehensive marketing campaign, primarily aimed at achieving a sales target for developer stands was implemented and is delivering good results. This is evident in the recent 19% increase in developer sales prices.

Advertisements appeared in several magazines and newspapers throughout the year, enhanced by advertising via social media channels and other digital platforms such as Google AdWords.

Several press releases were syndicated nationally as part of a strategic PR campaign. This achieved a total of R10 324 073 in PR value for the year, an increase of R2 552 705 compared to 2014. Press coverage generated by the Lightstone media conference, conceptualised and hosted by Pearl Valley in March, directly contributed R1, 6 million in PR value. Coverage included the estate being featured on CNBC Africa.

Another significant contributor to press coverage was the announcement of the Top Residential Estate status in April, generating excellent national publicity in both print and broadcast media.

Lee-Anne Pace, in her capacity as Pearl Valley Golf Ambassador, also had a valuable impact, creating both local and international awareness for the Pearl Valley brand.

In 2015, Pearl Valley became an official conservation partner of the Wilderness Foundation and R120 000 was raised at the Celebrity Golf Day specifically for their Forever Wild Rhino Protection initiative.

The Management Company is negotiating with a major golf event, for it to be hosted at Pearl Valley soon.

The Pearl Valley signage and branding has been adapted to reflect that Pearl Valley now forms part of the greater Val de Vie development and over-arching branding. The logo was redesigned to reflect a seamless synergy between the Val de Vie crest, Pearl Valley and the Jack Nicklaus Signature Golf Course.

A comprehensive project to update all the various elements on which the new logo appears was implemented and is now largely complete. I can confirm that the feedback from homeowners has been positive. The new logo now shows on all directional signage, the website, social media channels (Facebook, Twitter, Instagram), YouTube, various printed elements (brochures, estate map, gift bags, folders, letterheads, e-mail signatures and banners, posters on notice boards etc.) as well as on golf carts and signage in the golf shop.

New vinyls will shortly be applied on the glass windows of the golf shop, property office, the gym, as well as on the outside of the boardroom.

The entrance, security area and clubhouse are also receiving a much needed external facelift to complement the new look. With Dish Food & Social taking over the management of food and beverage, The Valley Restaurant and Bar has introduced a new menu and has undergone decorative changes, creating a cozier and more welcoming atmosphere.

9. GOLF COURSE

After an intensive 2014 / 2015 project schedule, where the Development Company invested significantly to speed up the conversion of the "in play" flower bed project, the projects for 2015 were scaled down. A total of R 1,5 million was invested in upgrades and capital expenditure for 2015.

Two projects were identified as top priorities, being the practice chipping greens re-configuration (due to the adjacent property being sold) and the addition of extra irrigation heads due to the "in play" flower bed conversion.

On the environmental front, various initiatives were implemented. During the summer period we installed five owl boxes and a releasing cage, after which we successfully released nine juvenile Spotted Eagle Owls. We hosted the Cape Bird Club for a day-long project, resulting in the verification and update of the official Pearl Valley Bird List.

A number of capital improvement projects are currently being undertaken by the development company. These include levelling of tees, capillary bunker conversion, repair of concrete access roads, green complex conversion, wash bay maintenance yard and pesticide storeroom upgrades, Audubon certification, main pump station alterations and the conversion of the 9th waste bunker.

* For the comprehensive Golf Course report, please refer to the documentation sent out prior to the Golf AGM in April 2016.

10. ESTABLISHMENT OF ADDITIONAL PARKS

In line with the vision of making the estate more family-friendly, the development company has sanctioned the establishment of three more parks at an estimated cost of R 2,3 million. We feel that this is a much needed lifestyle facility for families living on the estate.

11. FIBRE OPTICS ROLL-OUT

The development company is in the advanced stage of rolling out fibre optics throughout the estate. As matters stand, you can expect the benefit of connecting to the internet in this manner towards the end of 2016. Connecting homes directly to fibre optic cable enables enormous improvements in the bandwidth that will be provided to residents and businesses.

12. EQUESTRIAN CENTRE

It is the view of the Development Company that the equestrian centre and the surrounding area are currently under-utilised, and therefore plans for the expansion of the facilities are being discussed. You will be updated by the trustees as soon as anything concrete emerges.

13. GYM

We confirm that the gym was due for an upgrade and the R 1 million invested to purchase new equipment resulted in a welcome improvement of the facility. A second round of upgrade will be done by September.

14. OPERATIONAL MATTERS

During the April trustee meeting the Development Company shared their long-term vision "to deliver luxury residential and leisure experiences in a sustainable, secure and picturesque environment to serve the broader community and provide financial returns for stakeholders." They envisage achieving this vision, by implementing several key operational thrusts in the short- to medium-term. These include:

- Incorporating the current employees into the streamlined operational structures of the Val de Vie management team
- Establishing cultural alignment amongst all stakeholders across the larger estate
- Gaining in-depth understanding of very specific value drivers and exploring opportunities for costs savings, optimisation, economies of scale and income advancers.
- Implementing a brand plan and brand repositioning strategy, which must leverage from the all the positive aspects of the Val de Vie and Pearl Valley brands

Many of the aforementioned projects are directly related to the implementation of these strategic thrusts. Other ground level projects which are underway and which were not already mentioned include: the painting of the clubhouse, landscaping improvements – especially around the entrances, electronic metering of the potable water, planning for an internal transport system, an extensive clubhouse revamp in 2017 and planning for the possible moving of the security fence from its existing line to include the boma and entire equestrian farm inside the estate.

We are pleased that a strategic approach is followed in a measured and consultative manner. We sense that the bow of the ship is pointing in the right direction and that we will reap the benefits in appreciating property values and better quality of life.

15. IN CLOSING

We continue to work together toward the goal to “To deliver luxury residential and leisure experiences in a sustainable, secure and picturesque environment to serve the broader community and provide financial returns for stakeholders.”

In light of the progress and plans that were discussed this evening, I can confidently conclude that we are on track in achieving this. We thank you for your passion, loyalty and ambassadorship as we work together towards a very promising future.

Kind regards,

Chairman

PEARL VALLEY HOMEOWNERS ASSOCIATION