

# Hermanusdoorns Shareblock Limited

## MINUTES OF THE ANNUAL GENERAL MEETING HELD ON THE FARM ON

09 August 2014 AT 11H00

### 1. Welcome

The Chairman opened the meeting at 11h00 by welcoming all shareholders present and extending a special welcome to new shareholders.

### 2. Apologies

Dawid Mostert  
Belrup (Rupert and Bellini)  
John Rees  
Michael Fikkert

### 3. Notice Convening Meeting and Quorum

There being 85 of the 100 shareholders present in person or by proxy, the Chairman declared that as there was a quorum, proceedings could continue.

Subsequently it was determined that the 14 proxies gathered by Andre Cochrane were invalid in terms of the MOI and they were disqualified (See under introduction to Point 6 – Special Business).

The revised number of people present in person or by proxy was then reduced to 71, with 36 votes needed to carry an ordinary resolution and 57 needed to carry a special resolution.

The Chairman explained that voting would be done by way of show of cards with each card corresponding to one share and one vote.

Keith Smith and Willie Vos volunteered from the floor to act as referee and assist in vote counting.

### 4. Chairman's Report

4.1 The Chairman welcomed new shareholders as there had been a sale of 4 shares since the previous AGM.

4.2 A minute's silence was held to pay respect to a few shareholders who had passed away since the last AGM:

- Mike Twiggs
- Karin Battenhausen
- Jenny Stroud

4.3 Before beginning his presentation, the Chairman gave some background to the year under review, mentioning:

- Reduction in expenses – diesel usage had been halved amongst other things
- Pool repair
- Floods
- Auction of shares
- Special levy notification in October 2013 and the request to pay 2014/15 levies early in an attempt to avert this
- Short term unsecured bridging finance which was provided by the Chairman in his personal capacity to avoid the onerous task of securing a bank loan

4.4 He questioned the intent of certain shareholders who, without the facts, were trying to derail the business to the extent that litigation had been instituted in the last week against the company.

4.5 The Chairman gave a detailed presentation of the previous year's activities divided into a number of headlines:

- Financial Position
- Stakeholder Issues
- Corporate Governance
- Infrastructure & Asset Management
- Human Capital
- Service Provision
- Fauna & Flora

The detailed presentation would be made available on the website.

#### 4.5.1 Financial Position

The presentation:

- Reflected the financial status of the company
- Proved that it was in a sound state
- Proved that the company is well managed and that expenses are under control

Operational finances remained extremely healthy with good cost management with the exception of a few essential / unavoidable items – electricity, legal fees, investment in protective clothing and computer upgrades, and remuneration.

The income statement excluding capex was shown to be healthier than in 2013. Most expenses for 2014 were lower than the budgeted amounts.

He also addressed remuneration which was a hot topic and indicated an amount of R 68k which was higher than the theoretical value, largely influenced by two farm management handovers in the period under review, which were essentially double salaries for 3 months.

The remuneration, excluding these extraordinary events, was shown to be decreasing from 2014 to 2015 even with the addition of an extra assistant farm manager to better manage the operations.

Late levies were in fact worse at 31 March 2014 than a year earlier – R 387k vs R 321k although the position at 31 July was better – R 77k vs R 158k.

Of the 5 shareholders handed over for legal action in 2013 owing to unpaid levies, 2 shares had been attached and were now ready to proceed to auction. Of the remaining 3 that had settled, 2 were in default again a year later. This had led to unnecessary legal expenses reflected in the income statement.

The levy for the 2015/16 financial year was indicated to increase 2.5% to R 22 750 pa on the proviso that the special resolution for a special levy was adopted. Should the special levy not be adopted, then a higher percentage increase might be necessary. Cleaning and laundry charges would remain unaltered but the electricity charge would increase 20%, driven by Eskom increases. Alarm monitoring would also increase.

Levies were due by 31 March each year. Mr Johan Hoffman remarked that he did not receive levy invoices. The Chairman requested those who had trouble receiving invoices and communications to check the email addresses on record with John Hill.

#### 4.5.2 Stakeholder Issues

The new farm management structure was presented which was more cost effective with an additional assistant manager providing for clear roles and responsibilities and back-up to avert the situation that occurred a year ago when at a stage there was no management on the farm in the middle of fire season. There was in fact a fire in the mountain 2 weeks ago caused by a cable fault.

There was improved maintenance of assets, better controls and higher visibility of farm management to shareholders, as well as a director (Mr Johan Kotze who is a permanent resident) "on site".

A Department of Labour inspection had taken place during the period under review and the company was fully compliant after rectifying a few minor findings.

Quotations for the implementation of a new security system were in the process of being obtained.

The chairman also thanked various shareholders for donations of assets, upgrade to roads and entrance together with the makeover of Snoepie and the office and the provision of a sound system for the AGM.

#### 4.5.3 Corporate Governance

The MOI, which was approved at the 2013 AGM, had been implemented and an exercise was to begin to update all shareholder agreements to reflect the MOI.

New share certificates had been issued which also reflected the site numbers.

#### 4.5.4 Infrastructure and Asset Management

Road upgrading and repair to bridges and dams as a result of the floods remained a priority. Continual replacement of sub-standard electrical cable to the mountain was ongoing.

A test would be run on installing a solar borehole pump to determine the viability. This was part of an effort to reduce the electricity bill and would be extended in 2016 if the project proved successful.

Vehicles were in a far better state of maintenance than they had been for a long time.

Some shareholders residences were in need of maintenance and the Chairman asked shareholders to ensure that their houses were in a fit state of repair.

#### 4.5.5 Human Capital

Succession planning and training and skills development were important. The headcount excluding management was 9 (3 female and 6 male).

#### 4.5.6 Flora & Fauna

Bush clearing was still a priority, and although the introduction of cattle was agreed as a preferred method at the last AGM, this also had its own problems with ticks, "snotsiekte" etc.

Mr Twiggs also advised that the introduction of cattle was detrimental as it worsened the spread of sekelbos as the cattle dispersed the seed.

A game capture exercise was currently under way utilizing a passive capture method rather than helicopters as in the past.

The intent was to capture kudu and impala. The passive capture was proving to be very successful with the kudu so far. These had in previous years evaded capture using a helicopter.

Proceeds from game capture were to be put back into game and would be utilized to strengthen the gene pool.

Mr Jan Swanepoel commented that he saw few animals as it was. The Chairman advised that it is the mix of different types of game rather than the numbers that is important.

#### 4.5.7 Service Provision

The charges for the next year had already been discussed.

Shareholders should please phone farm management to arrange house cleans and other services, rather than utilizing SMS or email for this purpose.

### 5. **Ordinary Business**

#### a. Ordinary Resolution 1

Resolved as Ordinary Resolution 1 to approve the minutes of the previous Annual General Meeting held on 10 August 2013.

A correction was made to the 2013 minutes. Mr Johannes Venter and not Mr Jurie Venter had made the suggestion regarding the re-introduction of hunting under Point 8 "General" on the last page of the minutes.

The resolution was put to the vote.

Proposed: Mr. Hannes Venter  
Seconded: Mr Bill Benecke

There were no abstentions or votes against, and the resolution carried.

b. Ordinary Resolution 2

Resolved as Ordinary Resolution 2 to receive and adopt the Company's annual financial statements for the year ended 28 February 2014 together with the reports of the directors and auditors.

Mr Vosloo commented that the AFS was 22 pages long yet there was not enough detail on expenses. He requested a breakdown of admin expenses as well as the productive portion of salaries and wages. After Mr du Plessis had summarized stating that more detail could take the AFS to 30 pages long, Mr Willie Botha clarified that only the Income Statement at page 9 is a requirement for compliance with the Act. The last 2 pages with more detail of income and expenditure are for information only.

Mr Vosloo and Mr Cochrane then attempted to discredit Mr Du Plessis on certain issues. Mr Vosloo enquired of Mr du Plessis whether he was an executive or non-executive director to which Mr du Plessis responded that he was a non-executive director. Mr Cochrane said that he had asked him a question via email in his capacity as Financial Director, to which Mr du Plessis responded that he was a non-executive director and also not the Financial Director, Mr Cochrane responded that Mr du Plessis had been ratified as a director in 2009. Mr du Plessis explained the differences in terms of the Act between an executive, non-executive and independent non-executive director.

Mr Cochrane queried the fact that Mr du Plessis being a non-executive director indicated then that he was **NOT** involved in the day to day administration. Mr du Plessis replied that Mr Cochrane should know as they had never dealt with each other on day to day operations while Mr Cochrane was farm manager.

In response to statements from Mr Vosloo of Mr du Plessis knowledge of the King Commission, Mr du Plessis stated that all the directors were non-executive directors as they were not in full-time executive roles.

As far as the bridging finance of the Chairman is concerned, Mr Vosloo stated that in terms of the King Commission, the Chairman could not even make a loan to the company of 1%.

Mr Willie Botha assisted by explaining that the provisions of Section 226 of the old Companies Act or Section 75 of the new Companies Act, prohibited the company from making loans **TO** directors (not **FROM** directors). The directors are unable to encumber the assets without a resolution. In this instance the short term finance from the Chairman was **UNSECURED** – at the Chairman's risk. He also explained that there was a difference between getting finance and raising a loan.

Mr du Plessis stated that it was clear by October 2013 that there would be a shortfall (due mainly to the unforeseen pool repairs). Although shareholders had been asked to help by paying levies earlier, only 5 had paid. In terms of 20.2.1 of the MOI, directors may from time to time at their discretion borrow from the members for the purposes of the company.

At the end of December there were only 3 alternatives:

1. Approach the bank and have the company again FICA'd
2. Not pay creditors
3. Call a special meeting for bridging finance of R 200 000

These were not practical and shareholders should be thanking the Chairman for providing the money, unsecured in his personal capacity. This had also been spelt out clearly in the AFS.

Mr du Plessis said that the recent experience simply means that should the company ever end up in a similar situation, the Chairman should not provide bridging finance and the company would have a special meeting to raise the necessary funds.

Mr Sean Twigg thanked the Chairman for his generosity.

Proposed: Mr M. Perrie  
Seconded: Mr P. Groenewald

There were no abstentions or votes against, and the resolution carried.

c. Ordinary Resolution 3

Resolved as Ordinary Resolution 3 to re-appoint Russell James and Company Incorporated (Incorporating Core Chartered Accountants (SA)) as auditors to the Company until conclusion of the next Annual General Meeting.

Mr Vosloo raised the question of rotation of auditors and the nature of the rotation – whether it was just a rotation of the partner or the firm. The partner at least needed to rotate.

Mr Maritz responded that the profession had received guidance from IRBA (Independent Regulatory Board for Auditors) and the 5 year period began in January 2014. He would provide Mr Vosloo with a copy of the guidance.

Proposed: Mr M. Perrie  
Seconded: Mr. S. Twigg

There was 1 vote against, and the resolution carried.

## 6. **Special Business**

To consider, and if deemed fit, to pass with or without modification the following resolutions, which are proposed as special resolutions:

Before the resolutions were tabled, Mr Vosloo enquired whether the farm had applied for permits - more particularly a water usage license, scope of the dam, and an environmental impact study were needed for the Department of Water Affairs to classify it as a Category 1, 2, or 3 dam. They would only give the go ahead for a Category 1.

He enquired further whether the boreholes in the mountain were registered.

The paperwork for a dam project could take up to 2 years and he offered to help as he had some experience in this regard from a farm he owned in the Free State.

Mr Jaques Marais stated that the law was not clear that we needed to register the boreholes. He further stated that a D9 bulldozer was needed to mine coal in Mpumalanga and was not so sure that that was necessary for our project !

Mr Andre Cochrane then insinuated that the Chairman had not been honest about the financial status of the share block and was good at telling people things they want to hear. While the company had financial constraints he questioned the money spent on air conditioners, small paving projects, the pool and security gates.

He also questioned the purchase of a generator a few years ago, quoting an incorrect price. He further slated an incorrect payment of R 95 000 to the bookkeeper for not doing her job. Mr Cochrane was also dissatisfied since he had requested, but not received details of which shareholders were in debt to the share block since he had cleaned up the accounts when he was responsible for collections and we were "going back to where we were". No mention had been made

to shareholders of R 110 000 coming from Eskom for the servitude, a bakkie bought a few years ago, and the change in the VAT on share blocks. In Mr Cochrane's opinion, shareholders had been steamrollered into funding unnecessary projects. He alluded to the fact that he had many more examples.

He further stated that the levy structure was not applicable to 2 directors, Mr Perrie and Mr du Plessis, and they paid single levies while they were in consortiums. Mr Perrie disputed this and said he paid a 2-consortium levy and would even produce his last levy invoice to prove this.

Mr du Plessis explained the background to the Bof transaction which took place 10 years ago. Bof initially did not wish to sell but reached agreement with Hermanusdoorns so as to provide access to the de Backer property. He explained the restrictions on land use in the agreement, and also the fact that one non-resident levy will always be applicable. Why Mr Cochrane made this allegation was unclear to Mr du Plessis as Mr Cochrane was well aware of the agreement as he was part of the negotiation. The existence of the transaction was also incorporated into the MOI.

Mr du Plessis made it clear that he was not satisfied with the misrepresentation to shareholders by Mr Cochrane.

Before the Special Resolutions were discussed and put to the vote, Mr du Plessis asked to address the meeting.

He outlined the fact that it had come to the board's attention via a number of concerned shareholders that there had been a proxy hunt by Mr Cochrane and the concern of the board was that the proxy hunt was based on misrepresentation.

He read a letter from a shareholder to the board withdrawing a blanket proxy that had been given to Mr Cochrane when the shareholder did not know the facts as the notice had not yet been received by the shareholder. The proxy was subsequently withdrawn and given to another shareholder in accordance with the form of proxy in the notice.

He also read a letter from Mr Cochrane to another shareholder who had forwarded it to the board. The letter, apart from indicating his opinion on how to vote, stated inter alia, with respect to the general state of expenses - "this is completely out of control and must be addressed".

Mr du Plessis asked shareholders to decide for themselves whether the "financials" were out of control.

Any proxy needed to be done in accordance with the rules and processes of the company. The MOI is the constitution and contains the ground-rules of the company and Mr Cochrane must be aware of the proxy instrument as outlined in Annexure 3 of the MOI which lists the various resolutions and/or decisions and allows the member to vote for, against or abstain from these decisions.

The proxies circulated by Mr Cochrane were not in this format as required in the MOI and gave no opportunity for the shareholder to choose to vote. Mr du Plessis pointed out to those present that the proxies were invalid and should be discarded. A special resolution can have the effect of changing the MOI, and this cannot be allowed to happen based on a misrepresentation and invalid proxies.

He recommended that the 14 proxies hunted by Mr Cochrane not be accepted.

Mr Gideon van Zyl enquired of Mr Cochrane why, if he was aware of the various allegations he made against the company from his time as director or farm manager, he did not inform shareholders.

Mr Vosloo said that the format of the proxies was a technical issue to which Mr du Plessis responded that it was in fact constitutional.

Mr Cochrane then informed the meeting that it was in fact he who had instituted legal proceedings against the company as outlined in the Chairman's opening and background remarks under Point 4.3 and threatened that the decision on the proxies was going to cost the company a lot of money. The Chairman responded by asking Mr Cochrane whether the company had honoured its obligations with respect to the legal proceedings instituted by himself. Mr Cochrane responded that he was not at liberty to disclose this information.

The Chairman proposed to let the meeting vote to determine whether to accept the proxies obtained by Mr Cochrane which were all in the same format

Votes For: 13  
Abstain: 3

The motion to accept these proxies did not carry.

The proxies handed in by Mr Cochrane were not accepted and he handed the chairman the voting card and directors' voting slips.

The number of persons present in person or by proxy was reduced from 85 to 71.

The meeting then proceeded with the consideration of the two special resolutions before it.

a Special Resolution 1

o Preamble to Special Resolution 1

As a result of the floods that occurred during the first quarter of 2014, the farm infrastructure suffered severe damage. Some of the damage inflicted includes:

- Structural damage to the bridges at Breekloof and Donkerkloof on the Eastern side of the farm.
- Severe erosion in Donkerstroom in the North Eastern portion of the farm. This erosion cut into the neighbour's farm rendering the existing fence useless. Our neighbour has already replaced 50% of the eastern boundary fence, at his expense.
- Structural damage to the main road and bridges leading into the mountain – the Breekloof road
- Destruction of the coffer dam at the bottom of Breekloof
- General damage to roads on the northern boundary of the farm.

The estimated cost to rehabilitate the above is in the region of R 380,000. In addition to the above, the farm incurred unbudgeted costs of R 270,000 for reconstruction of the pool during the last financial year. Thus the total unbudgeted capital expenditure will be R 650,000.

These combined effects have depleted the cash resources of the company and resulted in the company having to secure short term borrowings to fulfil its financial commitments during the last financial year.

Rehabilitation costs are estimated as follows:

- Repairs and widening of both abovementioned bridges (already completed)
  - o R 25,000
- Rerouting of Donkerstroom away from the eastern boundary to align its flow with the culvert in the main tar road, backfill of the old river and construction of an alternative road
  - o R 125,000 (Road already completed)
- Construction of dam in Breekloof river to reduce and control flooding
  - o R 25,000
- Completion of the lower portion of the eastern boundary fence that was damaged in the flood
  - o R 80,000
- Temporary repair to non-mountain roads (already done)
  - o R 15,000
- Temporary repair of Mountain Roads (Already Done)
  - o R 25,000
- Reconstruction of bridges and gullies in Breekloof
  - o R 60,000
- Reconstruction of the coffer dam
  - o R 25,000

Careful financial planning and cost cutting over the last 18 months requires that the Company does not need to raise the total of the above in the amount of R 650,000 but

requires the raising of a single special levy of R 376,000. This translates to R 4,000 per share, excluding the shares (6) that are in the process of being repurchased as per Special Resolution 2 from the 2013 AGM

- Special Resolution 1

Resolved as Special Resolution 1 to raise a once off special levy in the amount of R 3,500 per share

Proposed: Mr M. Perrie  
Seconded: Mr. A. du Plessis

Votes Against: 24  
Votes For: 44  
Abstain: 3

The resolution did not carry.

b Special Resolution 2

Prior to the tabling of the resolution, a discussion ensued, and it was agreed at the suggestion of Mr Willie Botha to restrict the buy-back of the shares on auction to 2 shares, for which the company already had a warrant of execution.

A vote was held to waive the notice period which carried.

- Preamble to Special Resolution 2

As part of our on-going efforts to recover outstanding debts from shareholders we are now in a position to auction 2 shares to cover all outstanding debts as well as legal fees. It is the Board's intention to participate in the auction and offer the outstanding debt, inclusive of legal fees as the price for these shares. This is in effect the buy-back of these shares and as such a Special Resolution is required.

- Special Resolution 2

Resolved as Special Resolution 2 to authorise the Board to buy back 2 shares that get put on auction as a result of defaults in levy and other payments by the shareholders.

Proposed: Mr M. Perrie  
Seconded: Mr. H. Venter

Votes Against: 9  
Votes For: 62  
Abstain: 0

The resolution carried and was passed.

## 7. Election of Directors

Mr M. Perrie and Mr C. Hattingh were due for retirement and made themselves available for re-election. Voting was by secret ballot.

Before the ballot Mr du Plessis requested to say a few words.

He said Mr Perrie had a lot of institutional memory and introduced a lot of initiatives and guided the board. He could not be replaced by existing members of the board. He did not need the farm, but the farm needed him.

Both directors were re-elected.

## 8. General

Mr Vosloo enquired whether a Procurement policy was in place. As there was none, the Chairman undertook to investigate the necessity.

Mr Vosloo further pointed out that if a non-executive director served on the Audit Committee, he needed to be re-elected every year. Mr Willie Botha clarified that the company did not have an Audit Committee, which is really for large listed companies, but rather had a Financial Reporting Committee, the requirements of which were less onerous.

Mr Dawie Botha requested that the date for the AGM be shifted to the July school holidays to accommodate those shareholders who lived far away and could not travel up over a weekend. The Chairman responded that time pressures for the audit made it almost impossible to shift to that time frame and that it would provisionally remain in August.

Mr Hoffman requested feedback on bow hunting on the farm. There was no further progress and he requested it to be kept on the agenda.

Mr van der Merwe raised the problem of baboons and the destruction they cause to houses again. There were currently 3 troops on the farm. The Chairman responded that enquiries done had testified to the fact that a permit was needed to shoot a few. This was being progressed.

Mrs Taylor commented that house cleaning is not like it used to be. The concern was more the person allocated to clean when they requested a cleaner while visiting. Some cleaners were better able to understand and communicate than others. It should be noted that it is not always possible to have a cleaner or particular cleaner, depending on the demand at the time.

A shareholder enquired about parking for people visiting the farm on motor-bikes. The Chairman replied that a space would be made available.

There were no further issues raised by shareholders.

The Chairman thanked those shareholders who had attended and for their input. He also expressed his gratitude to his co-directors, Financial Reporting Committee and auditors and especially thanked the staff and farm management for their hard work and for maintaining the farm in such good condition.

There being nothing more to discuss, the Chairman invited everyone to a kudu potjie and freshly baked home-made bread which was superbly prepared and presented by the farm management.

Meeting closed at 13h30

Proposed: The entire meeting.

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