



Finsbury Estate Shareblock (Pty) Ltd

Chairman's Review for the Year Ended 30 June 2018

It is my pleasure to present a review of the activities of the Board and key developments that have taken place on Finsbury during the past financial year. It is apposite in this review to include some details of the reconstruction work that was undertaken on the Farm during August 2018 and certain resolutions of the Board in this regard.

As this review will reflect, the Board is driven by the Vision, Mission and Values of Finsbury Estate and the mandate by members to maintain Finsbury as a premier fly-fishing and family-orientated fun destination.

Membership

Sadly, during the past year, one of our longstanding Finsbury members, Ralph Ririe, passed away in a freak bicycle accident. Ralph and his family were frequent visitors to Finsbury and he took a keen interest in the state of fishing, staff welfare and governance in general. His feedback was valuable, honest and constructive. He will be greatly missed.

David Dampier purchased a share in Unit 2 from Brian and Lorraine Gibson. Brian was a longstanding Board member with diverse talents, especially in the field of public relations and communication. Reeve Jobson purchased a share from Wayne Christenson at Unit 24. We welcome David and Reeve into the Finsbury Family.

Staff Matters

During the past year, Don and Anne MacCrimmon came out of the starting blocks as the Management Couple and have quickly met our expectations. They have made a huge impact on the Farm in general and in relationships with staff and members.

As a Management Couple, they have many attributes. Suffice to mention their caring approach and attention to detail. As a couple, they have shown an empathetic approach to staff and have taken a personal interest in a number of staff who faced serious incapacity issues.

Central to their lives is the recent birth of Rose Elizabeth, their daughter. We share in their joy.

There is a low attrition rate amongst our staff. One-half of who have been with us for at least 10 years. We pre-empted the introduction of the National Minimum Wage in 2017. All staff received an above-inflation increase this year.

We are grateful to all of the employees on the Farm for their diligence, hard work and often for going the extra mile.

The facilities in the Staff Village were improved through the addition of two living rooms and associated facilities. The importance of maintaining and improving the facilities in the Village is recognised by the Board and this will be undertaken on a systematic basis. Included in the plans is the installation of solar water heating.

About a decade ago, a staff saving scheme was introduced; top-up contributions from employees are voluntary. Participants in the scheme have accumulated meaningful savings and receive annual statements. Your Board will undertake a review of the rules of the scheme in line with current best practice.

Trout Fishing

Members have commented on the much enhanced fishing experiences based on improved waters, plant growth on edges of streams and the stocking policy. There has been no material evidence of an increase in the otter population.

It is anticipated that the on-going deepening of pools and dams through the use of the sludge pump and the recent reconstruction work will decrease the predation rate of fish. At the same time, this work brings added variety of fishing spots and these are spread over much of the Farm.

Contrary to an understanding between the trout fishing industry and the Department of Environmental Affairs, draft legislation was recently gazetted in which trout is categorised as an invasive species and facilities, such as Finsbury, require to be licensed.

FOSAF has launched proceedings to interdict the Department on the basis of bad faith, absence of due process and many other technical reasons. Apparently the Department intends to defend the application. If FOSAF succeeds, the Department will have to restart the entire process and give stakeholders a proper opportunity to input on very important legislation that has wide socio-economic implications.

The operations of the hatchery continue to be successful. The facility has been expanded with an additional raceway. Fish sales of surplus stock were made and the resultant income used to counter the cost of fish food.

Further attention will be given to the eradication of reeds in rivers. A new herbicide was used on an experiential basis at the end of the summer period and appears successful in killing the reed fronds, as well as root structure.

Environmental Matters

Jimmy Whatmore exudes enthusiasm and passion for his work, and with his small team, he continues the task of removing alien vegetation in an effective and sustainable manner.

Visitors to Finsbury continue to praise our conservation approach to flora and the progress that has been made in this connection. Jimmy has further delighted us with the creation of the Hillside Walk between the southern valley and K9. Jimmy

enthral us with discoveries of both fauna and flora on the Farm and for his educational walks.

Rainfall during the 2016/17 period was 1147mm. The corresponding figure for 2017/18 was about 60% of this figure. Fortunately, last summer's rain came at regular intervals without heavy falls.

Communication

The Finsbury website was upgraded during the year by Rosa Leigh. Fantastic photographs by Nic Moore and others well illustrate the landscape of and activities on the Farm. In addition members have received regular newsletters from the Board, the management couple and the environmental officer that collectively reveal the multiple inputs that fashion our experiences at Finsbury.

Governance

As indicated earlier, the focus of the Board is on the mandate from members to improve the fishing and other experiences on the Farm, to continue with maintenance of the infrastructure and, flowing from last year's Annual General Meeting, to take active steps to improve the traversibility and sustainability of the access road.

The Board meets five times a year. Two of these meetings are held on the Farm.

The Johannesburg meetings, in particular, are well attended. All Board members actively participate, not only in Board meetings, but in championing specific issues that arise from time-to-time. We are grateful to all Board members for their continued efforts, diligence, energy and time given to Finsbury matters.

August Van Heerden and Charlie Stewart are long serving board members (over 10 years each) and are both available for re-election. Their institutional knowledge is hugely valuable as are their interest and energy in matters Finsbury. In line with good governance, we will do well to begin a process of succession planning at board level for persons who (a) can champion the accounting and administrative function and (b) provide environmental oversight. Interested members are invited to contact the Chairman.

Members asked the Board to develop a policy on the use of drones. A survey in this regard showed that members were equally divided on banning drones entirely versus setting a policy for the reasonable and sensitive use thereof. The use of drones is allowed on a controlled basis which respects the privacy of members.

A policy guideline was developed by the Board and distributed to members. It is encouraging that the use of drones is being applied within the policy guidelines. The topic will remain under constant review. Suggestions on improvements to the guidelines and questions over effective monitoring thereof can be directed the Chairman or Farm Manager.

August van Heerden is the Board member primarily responsible for financial issues. He is in regular liaison with Anne, who carries out the day-to-day administrative side of the Farm.

A separate Agenda item covers consideration of the Annual Financial Statements of the Company. This will be handled by August. In general terms, income and expenses for the year under review have been within budget, although variances do occur with individual expenses. Our primary source of income is through quarterly levies and, generally, members settle accounts timeously.

The financial results show a small operating surplus of R26k and capex undertaken during the year of R816K (mainly the environmental officer's accommodation and improvements to the staff village) that was serviced out of internal resources and without a special levy as was envisaged in 2016.

Reconstruction

As indicated earlier, the Board was tasked to address the safety and traversibility of the access road. In the true Finsbury family spirit, Gerald Chapman willingly, energetically and thoroughly advised us on the appropriate course of action to be taken and then undertook the subsequent execution thereof. This work was conducted on a favoured nation basis and executed over a 6-week period from the beginning of August 2018.

Fortunately the state of the access road was such that it could be rescued. The failure to take timeous action, say for another season, would have exposed the road to further deterioration and possibly having to rebuilding it. The cost of rebuilding the road would have far exceeded the restoration amount incurred.

This restoration work on the access road required the use of heavy civil engineering equipment that had to be transported to the Farm. The costs thereof were met through the Road Levy Reserve Account (the sum of the payments made when entering Finsbury) and small contributions from other owners in the valley.

It made imminent sense to take advantage of Gerald's expertise and that of his staff and heavy equipment (from the Digmin Group of Companies) to perform other priority work on rivers and internal roads. Besides restoring K9, K33 and S8, additional and non-budgeted work was undertaken on 16 weirs on the Kliprots and Steenkamps Rivers and the scope of work on internal roads was upgraded.

The scale of work on K9 and K33 exceeded the provisional estimates. The extra river work was undertaken with specialised equipment (an excavator and tipper trucks). The extent of this work exceeded the capabilities of the Farm. It quickly became apparent that the internal farm roads required, so to speak, a 'hair transplant rather than a haircut'.

Accordingly, given the needs and unique opportunity on hand, the Board approved the execution of this additional work.

Therefore we used the entire special levy on reconstruction work, as opposed to a portion being reserved for further work on the Staff Village. Even so, the budget was exceeded by an amount of R650 000 which the Board has resolved should be recovered through a special levy of R27500 on each unit, to be contributed in up to two tranches of R13750 - in October 2018 and January 2019. Members are

encouraged where possible to make these contributions at the earliest convenient date.

The condition of infrastructure on Finsbury Estate is about protecting our shared investment and adds to our enjoyment of the Farm in many ways, including reduced wear and tear on vehicles, plant and equipment.

Our task now is to ensure that the infrastructure is kept in an optimum state. The Farm Manager and his team benefited from the recent presence of skilled civil engineering operators on the Farm and are confident that they are positioned to identify and execute future maintenance of our infrastructure. A collaborative approach by owners in the Valley will attend to the upkeep of the access road.

The overwhelming feedback that we have received from members is very positive. We keenly look forward to the scars from this reconstruction work and the recent fire being repaired by nature and summer rains. The edges of streams affected by the operation of machines are being replanted with local grass.

Reality and budget constraints caused the reconstruction work to be halted before all road repairs were completed. It is planned to use internal farm resources to attend to the remaining internal roads over the forthcoming summer.

The value-add of this extensive reconstruction work will raise our overall enjoyment of the Farm. We are deeply indebted to Gerald Chapman and the Digmin Group for, but not limited to, their energy, time and the professional and accommodating manner in which the work has been carried out.

Risks

Mention has been made of the regulatory threat to the trout industry. Uncertainty over property rights and potential expropriation of land without compensation has had a major negative effect on sales of rural land. Despite the conservation status of the Mount Anderson Reserve (of which Finsbury is part) there are on-going attempts by persons to obtain exploration rights in the area; the provincial Departments of Nature Conservation and Forestry are allies in opposing these attempts.

Conclusion

Combined with the normal Farm operations, the reconstruction initiative and improvements to the Staff Village, Finsbury has been catapulted into a new and exciting era. We can all be very proud to be part of the Finsbury family. May our visits to the Farm in future bring us respite from a troubled world and the chance to recharge ourselves and give us the courage to make a real difference in our country.

Mike Beaumont
Chairman

25 October 2018