

# HOUGHTON GOLF CLUB

## ANNUAL FINANCIAL STATEMENTS

*Year ended 31 December 2009*

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<b>Contents</b>	<b>Page</b>
Approval of the annual financial statements	2
Report of the independent auditors	3 & 4
Report of the main committee	5
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in capital	8
Statement of cash flows	9
Notes to the annual financial statements	10 - 13
Miscellaneous golf course and bowling green expenses	14
Miscellaneous administration expenses	15

## HOUGHTON GOLF CLUB

### APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

*Year ended 31 December 2009*

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The main committee is responsible for adopting sound accounting policies and practices, for maintaining an adequate and effective system of internal control and for the preparation of the annual financial statements.

The financial statements are prepared on the basis of accounting set out in note 1 to the financial statements.

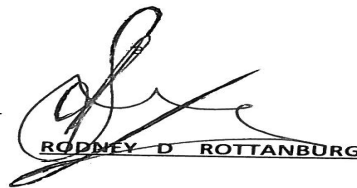
The basis of accounting and presentation and disclosures contained in the financial statements are not required or intended to and do not comply, in all respects, with South African Statements of Generally Accepted Accounting Practice.

The financial statements have been prepared on the going concern basis since, following the sale of a portion of land and the temporary closure of the club for major renovations, there will be adequate resources in place to continue operating on re-opening in January 2010.

The annual financial statements have been approved by the main committee and have been signed on its behalf by:



G BUSKIN  
PRESIDENT



R D ROTTANBURG  
TREASURER

8 April 2010

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Houghton Golf Club, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 13.

#### *Management's Responsibility for the Financial Statements*

The main committee is responsible for the preparation and fair presentation of these financial statements in accordance with the stated accounting policies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the main committee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been prepared in all material respects in accordance with the basis of accounting described in note 1.

**Supplementary information**

The supplementary schedules set out on pages 14 and 15 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

PKF (Jhb) Inc.

Chartered Accountants (S.A.)  
Registered Auditors  
Registration number 1994/001166/21  
Johannesburg  
8 April 2010  
BF/6462

## **HOUGHTON GOLF CLUB**

### **REPORT OF THE MAIN COMMITTEE**

*Year ended 31 December 2009*

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#### **Nature of business**

The club operates as a Golf Club.

#### **General review**

The club disposed of a portion of its land for a total cash consideration of R 75 000 000 excluding Value Added Tax and improvements amounting to R 28 212 419. In addition the club erected a new club house and made course related improvements amounting to R 54 571 858 excluding Value Added Tax.

Buildings and improvements were revalued at the end of the year by R 20 029 770.

The club reopened during January 2010.

#### **Events subsequent to balance sheet date**

The main committee is not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affects the financial position of the company or the results of its operations.

# HOUGHTON GOLF CLUB

## STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	R	2008 R
<b>Assets</b>			
<i>Non current assets</i>			
Property, machinery and equipment	2	102 813 130	1 809 443
<i>Current assets</i>			
Accounts receivable	3	1 722 379	459 066
Bank balances and cash		26 158 265	2 600 679
<b>Total assets</b>		<u>130 693 774</u>	<u>4 869 188</u>
<b>Capital and liabilities</b>			
<i>Capital and reserves</i>			
Capital and accumulated funds		121 070 324	(190 506)
		<u>121 070 324</u>	<u>(190 506)</u>
<i>Current liabilities</i>			
Accounts payable	4	9 623 450	5 059 694
<b>Total capital and liabilities</b>		<u>130 693 774</u>	<u>4 869 188</u>

**HOUGHTON GOLF CLUB****STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2009*

	Notes	R	2008 R
<b>Operating revenue</b>	7	260 581	234 575
<b>Operating expenditure</b>	8	(1 691 315)	(785 297)
<b>Operating loss</b>		<u>(1 430 734)</u>	<u>(550 722)</u>
Material items disclosed separately		102 670 535	(204 965)
Net interest received		1 363 272	247 576
Opening day expenses		(103 537)	-
Legal fees		-	(83 281)
Profit on disposal of land		101 410 800	-
Bowls agreement		-	(234 350)
Consultancy fee		-	(134 910)
Gain/(loss) after separately disclosed items		<u>101 239 801</u>	<u>(755 687)</u>
Depreciation of machinery and equipment		(8 741)	(5 618)
<b>Net profit/(loss) for the year</b>		<u><u>101 231 060</u></u>	<u><u>(761 305)</u></u>

**HOUGHTON GOLF CLUB**

**STATEMENT OF CHANGES IN CAPITAL**

*Year ended 31 December 2009*

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	Revaluation reserve R	Accumulated funds R	Total R
<b>Balance at 31 December 2007</b>	-	570 799	570 799
Net loss for the year	-	(761 305)	(761 305)
<b>Balance at 31 December 2008</b>	-	(190 506)	(190 506)
Net profit for the year		101 231 060	101 231 060
Revaluation of buildings and improvements	20 029 770	-	20 029 770
<b>Balance at 31 December 2009</b>	<u>20 029 770</u>	<u>101 040 554</u>	<u>121 070 324</u>

**HOUGHTON GOLF CLUB**

**STATEMENT OF CASH FLOWS**

*Year ended 31 December 2009*

	Note	R	2008 R
<b>Cash generated by operating activities</b>		3 129 444	8 786
Cash generated by/(utilised in) operations	1	1 766 224	(238 677)
Interest received		1 363 272	247 576
Interest paid		(52)	(113)
<b>Cash generated in investment activities</b>		20 428 142	-
Proceeds on disposal of assets		103 212 419	-
Additions to property, machinery and equipment		(82 784 277)	-
<b>Increase in bank and cash balances</b>		<u>23 557 586</u>	<u>8 786</u>
Balance at the beginning of the year		2 600 679	2 591 893
<b>Balance at the end of the year</b>		<u><u>26 158 265</u></u>	<u><u>2 600 679</u></u>

**Note:**

**1. Reconciliation of operating income with cash generated by/(utilised in) operations:**

Net profit/(loss) for the year	101 231 060	(761 305)
Interest received	(1 363 272)	(247 576)
Interest paid	52	113
Depreciation	8 742	5 618
Profit on disposal of assets	(101 410 800)	-
(Decrease)/increase in accounts receivable	(1 263 313)	1 746 128
Increase/(decrease) in accounts payable	4 563 755	(981 655)
Cash generated by/(utilised in) operations	<u><u>1 766 224</u></u>	<u><u>(238 677)</u></u>

# HOUGHTON GOLF CLUB

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Year ended 31 December 2009*

### 1. Accounting policies

The financial statements incorporate the following principal accounting policies.

#### 1.1 Fixed assets and depreciation

Property, machinery and equipment acquired prior to 1 January 2002 is stated at valuation with subsequent additions at cost. Land and buildings were previously not depreciated. In the current year there was a significant amount of additions, thus the accounting policy referred to below was adopted to reflect a more realistic and accurate estimate of the value of the assets in terms of their operational use and the results reflect a more accurate estimate of the costs of the depreciation of fixed assets being consumed by the operations.

Depreciation has not been provided for on all assets since some of the assets were only available for use at the end of the year. The periods applied to write off the assets over their expected useful lives are as follows:

<i>Expected useful lives:</i>	<i>Years</i>
Land and buildings	20
Loose tools	2
Machinery and equipment	5
Computers	3
Furniture	6
Office equipment	4
Motor vehicles	5

Land and buildings are reflected in the accounts as long as the club has legal title over it.

#### 1.2 Impairment

The carrying value of assets is reviewed at each statement of financial position date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to the recoverable amount.

#### 1.3 Revenue

Revenue is accounted for on the accrual basis and includes subscriptions, entrance fees, golf fees, bowls fees, bar and catering incomes and rental income.

#### 1.4 Other income

Other income comprise interest received and sundry income.

During the year a profit on disposal of assets is reflected being the invoiced value of the proceeds less the cost of the land disposed of.

#### 1.5 Trade and other receivables

Trade and other receivables are stated at cost less a provision for doubtful debts.

#### 1.6 Trade and other payables

Trade and other payables are stated at amortised cost.

# HOUGHTON GOLF CLUB

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Year ended 31 December 2009*

2. Property, machinery and equipment	Valuation/ cost R	Accumulated depreciation R	Net book value R
2009			
Land and buildings	99 041 978	-	99 041 978
Computer equipment	66 841	(21 644)	45 197
Computer software	280 230	-	280 230
Course accessories	464 180	-	464 180
Furniture	2 974 685	-	2 974 685
Office equipment	6 860	-	6 860
	<u>102 834 774</u>	<u>(21 644)</u>	<u>102 813 130</u>
2008			
Land and buildings	1 801 619	-	1 801 619
Computers	20 727	(12 903)	7 824
Course accessories	49 000	(49 000)	-
	<u>1 871 346</u>	<u>(61 903)</u>	<u>1 809 443</u>
	R		2008 R
<i>Movement for the year :</i>			
Net book value at beginning of year	1 809 443		1 815 061
Additions	82 784 277		-
Land and building	79 012 208		-
Computer equipment	46 114		-
Computer software	280 230		-
Course accessories	464 180		-
Furniture	2 974 685		-
Office equipment	6 860		-
<i>Depreciation</i>			
Computer equipment	(8 741)		(5 618)
<i>Disposals</i>			
Land and buildings	(1 801 619)		-
<i>Revaluations</i>			
Land and buildings	20 029 770		-
Net book value at end of the year	<u>102 813 130</u>		<u>1 809 443</u>

Improvements have been valued by R 20 029 770 to R 48 242 189 at the end of the year by the committee.

## HOUGHTON GOLF CLUB

### STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	R	2008 R
<b>3. Accounts receivable</b>		
Proceeds on disposal of assets	-	80 675
Sundry debtors	1 702 145	378 391
The Houghton Caddy Trust	20 234	-
	<u>1 722 379</u>	<u>459 066</u>
<b>4. Accounts payable</b>		
Creditors	4 833 400	5 059 694
Fees received in advance	4 790 050	-
	<u>9 623 450</u>	<u>5 059 694</u>
<b>5. Capital commitments</b>		
Capital commitments amount to R 4 055 000 excluding Value Added Tax at 31 Decemeber 2009.		
<b>6. Contingent liabilities</b>		
In the 2008 financial year, there was uncertainty regarding municipal rates received from the city of Johannesburg		
Prior to the transfer of the land, the developer undertook to pay the full rates account in terms of the agreement.		
In the current year the developer has paid the full rates for the property prior to the sub-division of the land. It is envisaged that the club and the developer will resolve these issues with the help of Fluxmans attorneys.		
<b>7. Revenue</b>		
Cellular mast rental received	<u>260 581</u>	<u>234 575</u>

# HOUGHTON GOLF CLUB

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Year ended 31 December 2009*

	R	2008 R
<b>8. Expenditure</b>		
<i>Golf course expenses</i>		
Miscellaneous (Annexure A)	68 014	37 426
<i>Administration expenses</i>	1 623 301	747 871
Salaries, wages and rations	779 794	515 000
Interest paid	52	113
Insurance and licences	48 414	24 998
Printing and stationery	25 865	5 043
Security (net of recoveries)	211 215	-
Miscellaneous (Annexure B)	557 961	202 717
	<u>1 691 315</u>	<u>785 297</u>

**HOUGHTON GOLF CLUB**

*Annexure A*

**MISCELLANEOUS GOLF COURSE AND BOWLING GREEN EXPENSES**

*Year ended 31 December 2009*

	R	R	20087	R
<b>Golf expenses</b>		59 998		37 426
League	3 776		7 512	
Handicap service fee	21 987		29 185	
Golf cart hire	20 377		-	
Cards	728		729	
Cart area expenses	13 130		-	
	<hr/>		<hr/>	
<b>Course expenses</b>		8 016		-
Driving range expenses	8 016		-	
	<hr/>	<hr/>	<hr/>	<hr/>
		68 014		37 426

**HOUGHTON GOLF CLUB***Annexure B***MISCELLANEOUS ADMINISTRATION EXPENSES***Year ended 31 December 2009*

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	R	2008 R
Affiliate fees	23 020	42 720
Audit fees	67 330	50 922
Bank charges	26 575	8 626
Computer expenses	32 445	3 597
Donations and gifts	7 247	4 680
Entertainment	59 671	2 613
Electricity and water	525	9 685
Licenses	21 737	-
Meeting expenses	-	2 336
Office infrastructure	60 370	35 548
Motor and travelling expenses	180	-
Repairs and maintenance	64 302	-
Refreshments	7 170	-
Showroom apartment expenses	26 680	-
Storage charges	24 250	16 650
Subscriptions	255	5 250
Sundries	-	2 170
Telephone	51 315	17 920
Towels	46 066	-
Uniforms	38 823	-
	<u>557 961</u>	<u>202 717</u>

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**HOUGHTON GOLF CLUB**

**FINANCIAL STATEMENTS : 31 DECEMBER 2009**

**HOUGHTON GOLF CLUB**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**