

# HOUGHTON GOLF CLUB

## ANNUAL FINANCIAL STATEMENTS

*Year ended 31 December 2007*

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### **Approval of the annual financial statements**

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 proposed 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.

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

PRESIDENT

G BUSKIN

TREASURER  
17 March 2008

R D ROTTANBURG

## HOUGHTON GOLF CLUB

### REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

*Year ended 31 December 2007*

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

We have audited the accompanying financial statements of Houghton Golf Club, which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 12.

#### *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.

#### *Auditor's 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 auditor's judgment, 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 auditor considers 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 13 to 16 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  
17 March 2008  
BF/6462

**HOUGHTON GOLF CLUB****BALANCE SHEET***At 31 December 2007*

	Notes	R	2006 R
<b>Assets</b>			
<i>Non current assets</i>			
Property, machinery and equipment	2	1 815 061	3 195 783
<i>Current assets</i>			
Stock - at cost		-	54 411
Accounts receivable	3	2 205 194	744 322
Bank balances and cash		2 591 893	771 556
<b>Total assets</b>		<u>6 612 148</u>	<u>4 766 072</u>
<b>Capital and liabilities</b>			
<i>Capital and accumulated funds</i>			
		570 799	2 273 187
<i>Non-current liabilities</i>			
Long term liabilities	4	-	149 316
<i>Current liabilities</i>			
Accounts payable	5	6 041 349	2 090 592
Subscriptions received in advance		-	252 977
<b>Total capital and liabilities</b>		<u>6 612 148</u>	<u>4 766 072</u>

**HOUGHTON GOLF CLUB****INCOME STATEMENT***Year ended 31 December 2007*

	Notes	R	2006 R
<b>Operating revenue</b>	8	4 956 447	9 867 521
<b>Operating expenditure</b>	9	(5 002 839)	(8 994 715)
<b>Operating (loss) income</b>		<u>(46 392)</u>	<u>872 806</u>
Exceptional items:		(1 379 693)	400 569
Interest received		575 948	-
Sale of option to acquire land		242 939	403 509
Staff retrenchment		(1 662 112)	-
Legal fees		(176 322)	-
Loss on disposal of assets		(46 865)	-
Bowls agreement		(183 000)	-
Consultancy fee		(130 281)	(2 940)
(Loss)/income after exceptional items		<u>(1 426 085)</u>	<u>1 273 375</u>
Depreciation of machinery and equipment		(276 303)	(744 773)
<b>Excess (expenses)/income</b>		<u><u>(1 702 388)</u></u>	<u><u>528 602</u></u>

**HOUGHTON GOLF CLUB**

**STATEMENT OF CHANGES IN CAPITAL**

*Year ended 31 December 2007*

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	R
<b>Balance at 31 December 2005</b>	1 744 585
Excess income over expense	528 602
<b>Balance at 31 December 2006</b>	<u>2 273 187</u>
Excess expenses over income	(1 702 388)
<b>Balance at 31 December 2007</b>	<u><u>570 799</u></u>

**HOUGHTON GOLF CLUB**  
**CASH FLOW STATEMENT**  
*Year ended 31 December 2007*

	Note	R	2006 R
<b>Cash generated by operating activities</b>		912 099	563 211
Cash generated by operations	1	167 356	562 837
Interest received		748 812	58 574
Interest paid		(4 069)	(58 200)
<b>Cash generated/(utilised) in investment activities</b>		1 057 554	(157 310)
Proceeds on disposal of assets		1 071 637	2 193
Additions to property, machinery and equipment		(14 083)	(159 503)
<b>Cash effects of financing activities</b>			
Decrease in long term borrowing		(149 316)	(147 704)
<b>Increases in bank and cash balances</b>		1 820 337	258 197
Balance at the beginning of the year		771 556	513 359
<b>Balance at the end of the year</b>		2 591 893	771 556

**Note:**

**1. Reconciliation of operating income with cash generated by operations:**

(Loss)/income after exceptional items	(1 426 085)	1 273 375
Decrease in subscriptions received in advance	(252 977)	(506 731)
Interest received	(748 812)	(58 574)
Interest paid	4 069	58 200
Profit on sale of motor vehicle	-	(2 193)
Impairment of machinery and equipment	-	46 348
Decrease in stock	54 411	7 604
Increase in accounts receivable	(1 460 872)	(379 693)
Increase in accounts payable	3 950 757	124 501
Loss on sale of assets	46 865	-
Cash generated by operations	167 356	562 837

# HOUGHTON GOLF CLUB

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Year ended 31 December 2007*

### 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. With the exception of land, buildings and dams, which are not depreciated, assets are written off over their expected useful lives.

Expected useful lives:	Year
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 balance sheet 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, bowls, bar and catering incomes, interest received and sundry income.

#### 1.4 Trade and other receivables

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

#### 1.5 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 2007*

<b>2. Property, machinery and equipment</b>	<b>Valuation/ cost</b>	<b>Accumulated depreciation / Impairment</b>	<b>Net book value</b>
2007	R	R	R
Land, buildings and dams	1 801 619	-	1 801 619
Computers	20 727	7 285	13 442
Course accessories	49 000	49 000	-
	<u>1 871 346</u>	<u>56 285</u>	<u>1 815 061</u>
2006			
Land, buildings and dams	1 970 138	-	1 970 138
Machinery and equipment	2 687 387	1 761 950	925 437
Computers	47 496	20 839	26 657
Furniture	41 682	21 531	20 151
Office equipment	245 822	144 170	101 652
Motor vehicles	119 473	68 178	51 295
Kitchen equipment	73 977	49 518	24 459
Course accessories	79 894	47 476	32 418
Tools	43 576	-	43 576
	<u>5 309 445</u>	<u>2 113 662</u>	<u>3 195 783</u>

**HOUGHTON GOLF CLUB**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

*Year ended 31 December 2007*

	R	2006 R
<i>Movement for the year :</i>		
Net book value at beginning of year	3 195 783	3 827 401
Additions / improvements	14 083	159 503
Machinery and equipment	-	135 500
Computers	14 083	23 026
Office equipment	-	977
<i>Depreciation</i>	276 303	744 773
Machinery and equipment	194 414	615 766
Computers	10 234	12 157
Furniture	20 489	40 979
Kitchen equipment	8 629	16 684
Office equipment	4 744	8 342
Motor vehicles	11 947	23 895
Course accessories	25 846	26 950
<i>Impairment</i>	-	46 348
Machinery and equipment	-	44 225
Office equipment	-	2 123
<i>Disposals</i>	1 118 502	-
Machinery and equipment	731 022	-
Computers	17 065	-
Furniture	81 163	-
Course accessories	6 571	-
Kitchen equipment	15 831	-
Office equipment	15 407	-
Land and buildings	168 519	-
Motor vehicles	39 348	-
Tools	43 576	-
Net book value at end of the year	<u>1 815 061</u>	<u>3 195 783</u>

**HOUGHTON GOLF CLUB****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***Year ended 31 December 2007*

	R	2006 R
<b>3. Accounts receivable</b>		
Proceeds on disposal of assets	662 100	264 266
Payments in advance	-	429 974
Amounts outstanding from developer	1 090 804	-
Sundry debtors	452 190	50 082
	<u>2 205 194</u>	<u>744 322</u>
<b>4. Long term liabilities</b>		
<i>Instalment sale agreements</i>		
Total due	-	546 418
Less amount payable within the year	-	(397 102)
	<u>-</u>	<u>149 316</u>
<p>The instalment sale agreements are secured over machinery and equipment with a book value of included under note 2. The liabilities bear interest at prime less 1%, and are repayable in monthly instalments of RNil (2006 : R36 265) inclusive of interest.</p>		
<b>5. Accounts payable</b>		
Creditors	6 041 349	1 693 490
Current portion of loans payable	-	397 102
	<u>6 041 349</u>	<u>2 090 592</u>

**6. Capital commitments**

There are no capital commitments at 31 December 2007.

# HOUGHTON GOLF CLUB

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2007

	R	2006 R
<b>7. Contingent liabilities</b>		
The club has been negotiating with the Municipality for assessment rates and taxes in terms of the Municipal Provisional Valuation Roll. Certain affected clubs in Gauteng have created an alliance and have employed the services of a legal and property advisory team. This team is engaging with the Municipality in ensuring that the rebates in the form of Grant in Aids, previously implemented were retained. The club is confident that the favourable rates position will be maintained in the future.		
<b>8. Revenue</b>		
<i>Golf course and bowling green revenue</i>	3 415 341	6 500 994
Subscriptions	1 429 193	2 474 700
Golf and bowls revenue	1 757 798	3 658 750
Golf - other income	228 350	367 544
<i>Administration revenue</i>	391 850	458 109
Interest received	172 864	58 574
Sundry income	218 986	364 042
Surplus on sale of machinery and equipment	-	2 193
The 5000 Club	-	33 300
<i>Bar revenue</i>	368 808	960 712
Sales	367 763	955 280
Other income	1 045	5 432
<i>Catering revenue</i>	780 448	1 947 706
Sales	755 536	1 910 631
Other income	24 912	37 075
	<u>4 956 447</u>	<u>9 867 521</u>

**HOUGHTON GOLF CLUB****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***Year ended 31 December 2007*

	R	2006 R
<b>9. Expenditure</b>		
<i>Golf course and bowling green expenses</i>	1 813 023	3 574 184
Salaries, wages and rations	931 318	1 950 317
Fuel and maintenance	178 012	345 227
Greens maintenance	181 028	426 078
Electricity and water	137 484	212 785
Miscellaneous (Annexure C)	385 181	639 777
<i>Club house expenses</i>	483 668	803 697
Salaries, wages and rations	136 719	219 108
Electricity and water (net of recoveries)	206 226	319 366
Maintenance, laundry and uniforms	140 723	265 223
<i>Administration expenses</i>	1 484 949	2 120 119
Salaries, wages and rations	731 858	816 225
Interest paid	4 069	58 200
Insurance and licences	141 899	152 616
Printing and stationery	38 656	88 923
Security (net of recoveries)	122 434	250 747
Miscellaneous (Annexure D)	446 033	753 408
<i>Bar expenses</i>	393 752	735 261
Cost of sales	190 632	431 737
Salaries, wages and rations	193 740	276 326
Other	9 380	27 198
<i>Catering expenses</i>	827 447	1 761 454
Cost of sales	458 581	862 434
Salaries, wages and rations	349 866	853 572
Other	19 000	45 448
	<u>5 002 839</u>	<u>8 994 715</u>

**HOUGHTON GOLF CLUB**  
**BAR TRADING ACCOUNT**  
*Year ended 31 December 2007*

*Annexure A*

	R	R	2006 R	R
<b>Bar sales</b>		367 763		955 280
<b>Bar cost of sales</b>		190 632		431 737
Opening stock	35 540		40 923	
Purchases	155 092		426 354	
	<u>190 632</u>		<u>467 277</u>	
Closing stock	-		(35 540)	
<b>Gross profit</b>		<u>177 131</u>		<u>523 543</u>
Other income		1 045		5 432
		<u>178 176</u>		<u>528 975</u>
<b>Bar expenses</b>		203 120		303 524
Salaries, wages and rations	193 740		276 326	
Other	9 380		27 198	
<b>Net bar (loss)/income</b>		<u>(24 944)</u>		<u>225 451</u>

**HOUGHTON GOLF CLUB***Annexure B***CATERING TRADING ACCOUNT***Year ended 31 December 2007*

	R	R	2006	R
<b>Catering sales</b>		755 536		1 910 631
<b>Catering cost of sales</b>		458 581		862 434
Opening stock	18 871		21 091	
Purchases	439 710		860 214	
	<u>458 581</u>		<u>881 305</u>	
Closing stock	-		(18 871)	
<b>Gross profit</b>		<u>296 955</u>		<u>1 048 197</u>
Other income		24 912		37 075
		<u>321 867</u>		<u>1 085 272</u>
<b>Catering expenses</b>		368 866		899 020
Salaries, wages and rations	349 866		853 572	
Other	19 000		45 448	
<b>Net catering (loss)/profit</b>		<u>(46 999)</u>		<u>186 252</u>

**HOUGHTON GOLF CLUB***Annexure C***MISCELLANEOUS GOLF COURSE AND BOWLING GREEN EXPENSES***Year ended 31 December 2007*

	R	R	2006	R
<b>Golf expenses</b>		289 045		396 514
Golf advertising	6 295		8 865	
Competitions	21 916		94 217	
Members day expenses	80 668		37 031	
Club day expenses	3 070		-	
Entertainment	8 078		29 599	
League	1 542		46 047	
Main - Golf accessories	-		5 527	
Golf cart hire	16 200		29 700	
Golf gifts	3 711		2 132	
Golf prizes	121 571		106 701	
Subscriptions	4 275		2 800	
Sundry expenses	1 875		3 063	
Telephone	19 000		29 693	
Uniforms	-		389	
Cards	844		-	
Printing and stationery	-		750	
<b>Course expenses</b>		96 136		243 263
Compound	12 830		28 061	
Entertainment	138		113	
Fuel and oil	72 682		181 333	
Hire of equipment	1 200		865	
Protective clothing	-		9 857	
Sundry expenses	8 672		13 641	
Telephone	614		9 393	
		<u>385 181</u>		<u>639 777</u>

**HOUGHTON GOLF CLUB***Annexure D***MISCELLANEOUS ADMINISTRATION EXPENSES***Year ended 31 December 2007*

	R	2006 R
Advertising	-	1 001
Audit fees	75 000	54 000
Bank charges	33 496	41 584
Ball spotters	220	-
Committee	3 817	7 513
Computer expenses	12 582	25 697
Discount allowed on credit card deposit	43 452	75 087
Donations	8 500	15 300
Entertainment	13 350	14 658
Gifts	-	1 274
Long service award	19 500	40 000
Loss on disposal of assets	-	46 348
Maintenance – general	4 655	16 718
Maintenance – manager’s house	-	800
Medical aid	15 665	35 933
Motor and travelling expenses	9 206	19 483
Photostat machine	16 746	12 924
Provident fund	59 873	130 624
Refreshments	5 688	12 068
Salaries - casual	21 471	50 630
Skills development levy	13 874	29 497
Staff training	375	3 443
Subscriptions	-	3 975
Sundries	33 135	21 147
Telephone	41 805	38 167
Unemployment insurance fund	13 623	27 360
Workmens compensation	-	17 434
Wits Reg Services Council	-	10 743
	<u>446 033</u>	<u>753 408</u>



chartered accountants  
& business advisers

**HOUGHTON GOLF CLUB**

**FINANCIAL STATEMENTS : 31 DECEMBER 2007**

**HOUGHTON GOLF CLUB**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**