

Message from the President

The 2008 year was a very challenging period for the club because of the profound affect that the global economic meltdown had on the progress of The Houghton development and by direct implication the Houghton Golf Club.

By the year end the key stakeholders, namely the developer Asvid, the main contractor Murray & Roberts (M&R) and the Houghton Golf Club were in discussions to resolve the cash flow problems being experienced by the developers and their funders in the global credit crunch.

Progress of the Development

Initially the progress of the development was in accordance with the project plan but as the impact of the global and local financial pressures began to become evident the construction of certain elements of the development were postponed.

The intention of the developer was to build the hotel and manage the facility through a professional third party hotel operator. The required investment to construct the hotel was however considered to be too high and risky so Asvid decided to secure a prominent and successful hotel owner/operator to invest and construct the hotel. Unfortunately in the current financial turmoil it became impossible to find a willing investor.

The construction of the apartments continued during the year with a show apartment complex being constructed to provide prospective buyers with a clear vision of the layout and style of 2 and 3 bedroom apartments. Sales of apartments by the marketing agents Montagu Properties were impacted by the significant downturn in the domestic residential market and the negative economic sentiment prevailing.

Progress of Club Facilities

The construction of the golf course, which continued during most of the year, is substantially complete except for the 2nd hole located next to the development, the tee complexes of the 3rd hole, the 12th fairway and the new and expanded dams.

The delays at the year end were the direct result of the cash flow problems being experienced by the developer as M & R, because of non payment, remained reluctant to move their construction equipment and facilities to allow Golf Data to these areas to continue construction.

The construction of the permanent clubhouse began in July 2008 after extensive negotiations about the orientation, layout and functionality of the building. However Tristar, the principle contractor, ceased construction activities in October 2008 after completion of the basement because of non payment by the developer.

Legal Agreements

The club and developer eventually concluded the third addendum to the agreement on 27 January 2009. The key aspects of this Third Addendum, which needs to be read in conjunction with the main Agreement and the First and Second addendums, were as follows.

- Confirmation of the relocation of clubhouse in the centre of the golf course
- Construction of a Jack Nicklaus Signature golf course by 15 June 2009
- Erection of a temporary clubhouse by 01 May 2009
- Construction of the permanent clubhouse by 01 August 2009
- Developer pays golf course maintenance costs until permanent clubhouse completed
- Ownership of showroom units transferred to club but allowing limited use by the developer
- Granting of servitude to developer for promenade between the golf course and development

- Payment of all the rates payable to the City of Johannesburg until the transfer of the land

The Asvid strategy in terms of the development was firstly to finalise the agreement with the club in order to secure ownership of the land, secondly to come to terms with M & R and the other creditors using the land as security, and thirdly to determine how to progress in the poor economic environment. The club's understanding is that Asvid will now mothball the development for a period to allow the global economy to recover and the local domestic property market to improve.

Settlement Offer

The Main Committee realised that the developers were unable to resolve their financial issues and recommence construction of the club's facilities in terms of the Third Addendum. The club therefore cancelled the agreement on the basis of the alleged non performance of the developer which allowed the settlement offer to become the key to resolving the dispute.

The Main Committee however remain concerned whether the terms and deadlines in the Third Addendum could actually be met.

The Main Committee has therefore accepted a settlement offer from the developer Asvid that effectively allows the club to control its own destiny.

The main terms of the settlement offer are as follows.

- The club retains all the cash and non cash benefits that it has received to date
- A cash amount of R 75.0 million (m) excluding value added tax in full and final settlement
- Payable in 3 tranches of R 7.5m immediately, R 17.5m in 14 days and R 50.0m on transfer
- Guarantees for the payment of the R 50 m would be received
- The developer pays the City of Joburg the rates and endowment account of approximately R 15 m
- The club retains ownership of the show units with beneficial use by the developer
- The developer is granted 12 months to secure options for social membership and hotel rounds
- Legal issues related to other stakeholders in the development are accommodated

Club management has committed to spending the funds wisely by restricting the expenditure on the facilities in order to retain cash reserves to sustain the business.

Golf Course

The club has paid Golf Data to ensure that they remained on site and continue the construction of the golf course. M & R has in terms of a legal agreement removed their equipment on the golf course that was impeding the construction of the 2nd hole.

The club is also actively removing the obstacles preventing the construction of the dams using a consultant Dr Shan Holmes to liaise with the relevant authorities, namely Gauteng Department of Agriculture, Conservation and Environment (GDACE) and Department of Water Affairs and Forestry (DWAF).

The club is reviewing the costs of maintenance by obtaining quotations from various external service providers and comparing these to an internal maintenance operation.

Clubhouse

The clubhouse design has been reviewed in line with the new economic realities. The size of the club has been reduced to from 3 to 2 floors without materially affecting the extent and quality of facilities provided to members. The clubhouse is about 2 325 square metres with parking for 107 cars and 40 golf carts in the basement and a further 88 surface bays. The design is flexible and the option of adding an additional floor is retained.

The clubhouse construction will recommence in May 2009 with the original contractor Tristar in control. The club will enter into a new agreement with Tristar which will include payment for the basement work already completed.

Club management have retained the services of selected professionals to manage the construction process and ensure that the clubhouse is completed within a strict budget and timeline.

Members

Members have either joined other golf club as a member on a temporary basis or have remained Houghton members playing golf at various clubs as an affiliated visitor.

Many Houghton members continue to enjoy the facilities of other golf clubs, especially Royal Johannesburg Kensington, Wanderers, Killarney, Parkview, Glendower, Kyalami and Randpark. The Main Committee thanks these golf clubs for their significant support and understanding and trusts that members will return to their home club.

Members that have played as visitors at other golf courses have continued to use the Houghton Golf Club membership card with the affiliation fee and handicap service fee paid by the club on their behalf. The Main Committee wishes to thank all those golf clubs that continue to welcome Houghton members and allow them the use of their facilities.

The former bowling members have joined Wanderers Bowling Club as a group and have become well established there.

Membership

Membership was difficult to track during the year because of the lack of communication from members. The club reviewed the member database twice during the year by conducting telephonic confirmation of member details, more specifically email addresses.

Members were kept informed by electronic newsletter and meetings including the Annual General Meeting and two General Meetings. The club continuously urges those members who not receiving email communication to contact our General Manager to rectify the problem, which often may relate to incorrect data or technical issues such as email blocking and spam filtering.

The membership database will still require intensive review and the reopening of the club will provide an opportunity to accomplish this as members are requested to confirm their membership and sign formal documents of acceptance.

The Main Committee remains deeply concerned that the delay in the reopening of the club has affected the member's desire to return to Houghton Golf Club. The committee is keenly aware of the need to both hasten the reopening and to ensure that the offer to existing members remains attractive.

Welfare of the Caddies

The welfare of the caddies continues to be monitored under the auspices of the Houghton Caddy Trust as the caddies are not employees of the club. About 65 permanent caddies that

are expected to return to offer their services when the club reopens. The funeral benefit is still being provided for all permanent and temporary caddies. The club wishes to thank all those members that have given so generously to the appeal funds that have assured the welfare of the caddies and their families.

Financial Stability

The club did not trade at all during 2008 but has, in terms of the Constitution of the Houghton Golf Club, retained an administration and management office.

The key functions of this office are financial management of the Houghton Golf Club and Houghton Caddy Trust, secretarial support to the Main Committee and Trustees, club member communication and interaction, resolution of legacy administration and financial problems, club representation with the development's professional team, liaison with the golf associations, union and neighbouring clubs, and formulation of business plans including budgets.

The club experienced an operating loss as expected but has sufficient funds to maintain a sustainable business. The Treasure's Report will provide details of the financial performance and its current financial position.

Houghton Golf Club Re-Opening

The objective remains coordinating the construction of both the clubhouse and golf course for completion by December 2009 with the reopening scheduled for January 2010.

Gratitude

I wish to thank my fellow Office Bearers and all other Main Committee members for their ongoing contribution to the club. I wish to thank all members for their continued interest in the affairs of the club while it has been closed for redevelopment.

Club management appreciate the patience and understanding that members have displayed during this difficult period and trust that members will return to their home club to enjoy the new facilities.