

## **Message from the President**

The club entered into the New Year with uncertainty over the timing of the temporary closure because the management committed to keeping the club open for members as long as possible while the developer actively tried to obtain the required building authorisations.

### **Focus on the Development**

The club and developer continued to fine tune the agreement as the plans for the development evolved. The first and second addendums to the original agreement of 17 August 2005 were signed on 31 May 2007 and 07 June 2007 respectively. The first addendum was a legal formality allowing the developer an additional week to provide certain guarantees while the second addendum dealt with more substantive issues.

The current agreement reflects a purchase price of R 23.96 million for the land, with commitments to build a Jack Nicklaus Signature golf course, at an estimated cost of R 60.00 million and a brand new equipped clubhouse at an estimated cost of R 56.00 million. The club has to date received R 20.96 million with the other R 3.00 million due in two equal tranches of R 1.50 million, the first on the day of transfer of the land and the second one year later. The R 20.96 million received consisted of R 1.96 million in cash for option fees, R 17.00 million that was immediately repaid to the developer, being R 15.00 million as a contribution to the golf course and R 2.00 million for a payment to Johnnic the township owner, and the R 2.0 million cash received for operational costs.

The club received an additional R 2 million from the developer on the basis of an interest free loan for a 7 year period to assist in establishing its business model and ensuring financial stability. The third addendum to the agreement is in the process of being drafted and deals with issues such as the location of the bowling greens and operational business issues. The key outstanding issue is the transfer of land from the club to the developer which is awaiting rates clearance. The relationship with the developer continues to be excellent and both parties continue to make decisions that they believe are mutually beneficial.

### **A Sad Farewell**

The development became a greater reality with the closure of the club on an emotional Saturday afternoon on 30 June 2007. Members played their last round in the morning and attended a luncheon to celebrate the end of the old Houghton. Beautiful framed pictures of the old clubhouse were handed to Life Members and members of the Main Committee in appreciation of their patronage and service.

Dale Hayes was an excellent guest speaker relating many fine stories about the great history of the club while urging management to celebrate the memories of past in the construction of the future club. A band, consisting of bagpipe and drum players, marched up the ninth fairway and played a sad farewell while members toasted the old club for the last time.

### **Temporary Closure**

The June 2007 timing of the temporary closure was planned with the intention of immediately starting the reconstruction of the golf course and the demolition of the clubhouse. There were unfortunately unexpected delays in obtaining the required permission from the South African Heritage Resource Agency (SAHRA). Extensive project planning continued during this period but actual physical work was delayed by about 2 months.

The key issues in planning for the closure of the club was organising future playing arrangements for existing members, negotiating an equitable settlement for permanent and temporary personnel, providing for the welfare of both permanent and temporary caddies, and selling all the movable assets of the club.

### **Playing Arrangements for Members**

The golf members were offered two alternatives. Those Houghton members that wished to ensure that they secured a regular game joined selected participating clubs as a temporary member on the agreed basis that no entrance fee was levied and that prorated subscriptions would be payable for normal member playing rights. Houghton Golf Club wish to thank all those golf clubs that offered a home to our members, especially Royal Johannesburg Kensington, Wanderers, Killarney, Parkview, Glendower, Kyalami and Randpark. Those Houghton members, who were willing to play at a variety of clubs and prepared to accept the risk of tee-off time availability, played at any club willing to accept an affiliated visitor.

Bowling members voted to join Wanderers Bowling Club as a group and moved across in April 2007. After extensive discussions between the developer, Main Committee and the bowling section, consensus was reached that new bowling greens would not be built because of the lack of a suitable location and related logistical problems. An agreement was signed with the bowling section that ensured its continuity and funding by providing for the payment of R 1 500 per annum for a period of 15 years for all existing bowlers of good standing that remain playing at the selected club.

### **Employees Compensation**

Negotiations with both unionised and non unionised personnel began early as all parties were aware of the impending closure. The developer assisted negotiations by providing additional funding thus allowing the club to be more generous in the determination of a termination package that was far above the legal minimum requirement of 1 week's remuneration per completed year of service.

All permanent personnel were paid a retrenchment package of 4 weeks salary for each completed year of service, a cash relocation allowance of R 5 000, any personal leave pay due, and the full capital balance of their provident fund. Personnel living on the property were also given adequate time to move their belongings from the staff quarters.

The club also provided assistance in seeking for alternative employment through contacts with the Club Managers Association of Southern Africa (CMASA). Members played an important role by offering both employees and caddies employment opportunities.

### **Welfare of the Caddies**

The welfare of the caddies was considered under the auspices of the Houghton Caddy Trust as the caddies are not employees of the club. Management realised that a significant sum of money was required to support the caddies and that the trust had limited reserves available. The club in conjunction with the trust decided to launch an appeal fund to generate the funds required for caring for the welfare of the caddies.

The appeal fund generated about R 1 090 803, which was slightly short of its initial target of R 1 125 000. Fortunately the developer generously agreed to match each donation from a member on a Rand for Rand basis. The beneficiaries consists of permanent caddies that are totally dependent on Houghton for their livelihood as it provides their sole source of income, and temporary caddies that supplement their incomes by providing their services at Houghton.

Permanent caddies were divided into those that wished to continue providing their caddy services in the future and those that wished to retire for various reasons including ill health, age and incapacity. All permanent caddies were offered a support package totalling R 24 000 with the 67 graded working caddies being paid R 1 500 per month for an 18 month period and the 34 retirees being paid R 2 000 per month for a 12 month period. Monthly payments began in July 2007 and are paid in the first week of every month.

The 46 temporary caddies were given two lump sum payments with the amount payable being dependent on their years of service. The first payment was in July 2007 and the second payment in December 2007. The average amount payable was about R 2 000 for each payment. Certain special appeals received both verbally and in writing were heard and appropriate action taken. The funeral benefit for caddies is still being provided for both permanent and temporary caddies.

The trust effectively had sufficient funds to provide for the caddies for a limited period of time, initially estimated to be October 2007. The delayed reopening of the club until March 2009 will create a funding shortfall and plans are in progress to resolve this issue. The club wishes to thank all this members that gave so generously to the fund and have assured the welfare of the caddies and their families.

### **Disposal of Movable Assets**

The club disposed of all its movable assets through a trade in of all golf course equipment to Smith Turf and a public sale of all furniture, equipment and motor vehicles through an auctioneer. The club only retained two personal computers and a printer for administration purposes, and kept certain golf course accessories such as the ball washers and dustbins for the tees. The club's memorabilia has been retained and the interior decorators will assist in ensuring that it is properly displayed.

### **Membership and Golf Rounds**

The membership database requires intensive review and the temporary closure of the club will provide an opportunity to accomplish this. There has been a significant decrease in the total number of

members from 1182 to 810 mainly because of a decline in the number of absentee and special golf members.

The absentee category of member is for those people that have emigrated but wish retain membership so that they may play at the club as a member when visiting South Africa. A cleanup of the database has significantly reduced the numbers. The special members relate to The World of Golf (TWOG) sunrise members that were allowed to play in terms of limited period agreement. The incremental subscription revenue of R 150 000 received from TWOG during the 18 month period prior to the closure was certainly beneficial during a financially difficult time.

The key full golf and related categories reflects an increase of about 6% indicating that most of the existing active members remained at the club despite the club undergoing major change and a few new members joined to benefit from an entrance fee saving.

The total number of golf rounds for the 6 months trading decreased by 7.7% from 17 813.5 to 16 559.5. The key reason for the decline was the decline of 31.1% in corporate rounds because of the unwillingness of the club to take bookings after March 2007. The 5.4% decline in member rounds was offset by an increase of 6.3% in visitor rounds.

Club management naturally wishes that in future the club becomes a more member centric and that the current member playing levels of less than 50% of total rounds improves dramatically. The club is being rebuilt for its members and visitors should mainly be guests of members, or guests of corporations that have paid a significant premium to use the facilities of the club.

### **Golf Course Well Maintained**

The condition of the golf course was not allowed to decline before the closure and remained well maintained during the final 6 months of playing time. The greens, which consisted mainly of poa annua, were resilient and remained in good condition despite the affects of the lack of any hollowtyning. The traditional spring treatment was not undertaken because of the pending closure but the greens were regularly vertidraind to ensure that they remained in good condition.

### **Golfing Activities**

The Men and Ladies club championships were jointly held on the same day with Mathew Rottanburg and Sue Cogswell being the deserved final champions on the old course. The club, although it ran its normal weekend competitions, decided not to host any of the other formal club competitions because of the pending closure. The men did not participating in handicap and scratch leagues but the ladies decided to participate playing without a home course.

### **Financially Stability**

Management continued to operate the club during the first half year in a difficult working environment because of members and personnel's reaction to the club's imminent closure. The key objective of maintaining an operational breakeven, was essentially achieved with the club recording a small operational loss.

The operating loss before depreciation of R 46 392 in 2007 does not compare favourably to the previous year profit of R 872 806 achieved in 2006. The reason for this poor result was that there was only six months trading and the pending closure of the club created a difficult trading environment.

Subscription revenue was good because of the retention of members and an increase in rates for those members not paying within the time limit of January 2007. Green fee income was in line with expectations despite a decline in total number of rounds because of the incremental revenue generated the price increase in February 2007. Catering results were disappointing with the revenue per round declining by 12.2% reflecting reduced spend and the reduced number of golf rounds. Margin declines reflected the difficult and unusual trading conditions.

The net loss of R 1 702 837 was negatively impacted by exceptional costs, which included the retrenchment cost of personnel of R 1 662 112, and positively influenced by income of R 818 887 related to the development. The cash flow from operations paid for the functioning of the club but would not be sufficient to pay for the closure costs. The net receipt of R 4 million from the developer ensured that the club remained cash positive and able to meet all its obligations.

### **Houghton Golf Club Revitalised**

The future outlook for the club is positive with the Jack Nicklaus Signature Golf Course well on track for completion by the end of December 2008. The new clubhouse, now centrally located in the middle of the golf course, has been designed and plans in the process of being approved. The objective remains coordinating the constructing of both the clubhouse and golf course for completion by February 2009 with the reopening thereafter.

I wish to thank my fellow Office Bearers and all other Main Committee members for their ongoing contribution to the club. On behalf of all members I wish to thank all the previous personnel for their years of service in providing members with a comfortable and pleasant club environment, and wish them well in their future endeavours.

I wish to thank all members for their continued support of the club while it traded during the first six months of the year. Club management appreciate the patience and understanding that members have displayed during this immense disruption to their normal golfing life. We believe that their pain and suffering will be rewarded in that the revitalised Houghton Golf Club will live up to its expectations.