

Treasurer's Report for the Year Ended 31 December 2008

Ladies and Gentleman,

It is with pleasure that I present my report for the year ended 31 December 2008. I present the audited financial statements of the club for the year, copies of which have been made available to all members from the club's website www.houghton.co.za. Below are some of the more salient features thereof

The club did not operate during the year but retained an administration and management office. The designated portion of the Houghton Golf Club property has not been transferred to the developer and the sale transaction has therefore not been recorded in the financial statements.

Balance Sheet

The Balance Sheet reflects a sound financial position for the club.

Non Current assets mainly comprise the Property, which is stated at historical municipal rateable values. The temporary closure of the club allowed for the disposal of most movable assets with only some IT equipment and golf course accessories being retained.

Accounts Receivable does not include any trade debtors. All doubtful member debts were written off in the previous financial period.

Therefore the value of accounts receivable consists of R 331 thousand due by Fluxmans for interest earned from monies held in trust with regard to the development, R 80 thousand for the sale of golf equipment, R 47 thousand for payment of utility accounts and a sundry item of R 3 thousand.

The funds at Fluxmans are being held in trust to fund any legal fees and to meet our commitment for rates.

R 4 million of Accounts Payable is for the sale of property that will be recognised on completion of the settlement offer with the developers.

The balance of Accounts payable comprises the liability to the Houghton Caddy Trust for appeal fund donations R 153 thousand, City of Johannesburg R 603 thousand for utility and rates provisions, deferred cellular revenue totalling R 149 thousand and sundry creditors of R 110 thousand for miscellaneous provisions.

Bank Balances and Cash of R 2.6 million effectively reflects the net proceeds from the development less the net loss for the year.

Capital Expenditure

There was no capital expenditure during the year.

Operating Income and Expenditure

The club incurred an operating loss of R 550 722 as the limited income from cellular revenue could not offset the expenses of salaries and administration expenses.

This loss increased to R 761 305 after including a depreciation charge of R 5 618 and net exceptional items of R 204 995 as detailed below.

Net Exceptional items:

Bowls subscriptions including trophy cabinet	234 350
Consulting fees (development)	134 910
Legal fees (agreements)	83 281

	452 541
Less interest received	(247 576)

Total	204 965

Contingent Liability

The club has received a rates account of R 4 725 669 from the City of Johannesburg which relates to the period August 2002 to December 2008. Portion of the rates account of R 80 807 allocated to the club was subject to special rebates for sports associations and relate to the period 02 August 2002 to 15 November 2006, the date on which a portion of the property was rezoned for development.

The balance of the account R4 644 862 was allocated to the developer as they relate to the period 16 November 2006 to December 2008 and were subject to normal commercial rates. This portion of the account is not payable by the club in terms of our various legal agreements with the developer.

The developer has undertaken to pay the full rates account before the property is transferred and at present the club has a bank guarantee to ensure compliance.

Post Balance Sheet Event and Settlement Offer

To date the Houghton Golf Club has received value from the original development of R 43, 6 million consisting of the initial cash and interest received of R 6, 6 million, the settlement of the township owner Johnnic of R 2 million and improvements to the golf course totalling R 35 million. The developers proposed a settlement offer to the club, comprising an amount of R 75 million excluding value added tax, plus the show houses situated on the clubs property and retention of all receipts, whether in cash or kind previously received by the club. Further, the developer will pay the endowment and rates accounts (approximately R 15 million) due to the City of Johannesburg.

The total value of all receipts whether in cash or kind would approximate R 128.6 million.

After a lengthy deliberation, the Main Committee were of the opinion that the total value received was acceptable and acceptance of the settlement offer was in the clubs best interest. The club would now be in control of the completion of the golf course and club house facilities.

The potential of future commercial synergies and annuity income streams from the development remain.

The club will obtain guarantees to ensure payment of the settlement offer prior to the transfer the property to Asvid Holdings.

The Club is at present finalising all legal agreements

Golf Course

The club received a first tranche of R 7.5 million before the signature of the settlement offer in the form of a loan and immediately paid Golf Data R 2.5 million on account to ensure that they remained on site and continue the construction of the golf course.

The club is reviewing the costs of maintenance by obtaining quotations from various external service providers and comparing these to an internal maintenance operation. Initial pricing is about R 350 000 per month or R 4.2 million per annum excluding the provision of turf equipment. The capital cost of the turf equipment would approximate R 5 million and would either be acquired on a lease or rental basis possibly through the external service provider.

Bowls

The former bowling members have joined Wanderers Bowling Club as a group and have become well established there. Houghton Golf Club continues to pay compensation of R 1 500 per active playing member to the Houghton Bowling club in terms of the agreement signed. The Main committee agreed to pay for a large wood crafted cabinet to house their trophies as a farewell gift to the bowls members.

The Houghton Caddy Trust

The Houghton Golf Club has in conjunction with the Houghton Caddy Trust paid about R 2.8 million to the caddies during the closure of the club,

The club paid those 33 permanent caddies who were retired due to various reasons including ill health, age and incapacity until June 2008. They all received R 24 000 over the period July 2007 to June 2008 in monthly instalments of R 2000.

The club did not pay the 46 temporary caddies any more contributions during the 2008 calendar year as it was agreed that their settlement would be restricted to the two lump sum payments, amounting to an average of R 2 000 each, paid in July and December 2007.

The club continue to pay the 67 permanent caddies who may return to the club at the reopening. The original agreement provided for a monthly payment of R 1 500 for the period July 2007 until October 2008. These payments, amounting to R 24 000, were concluded in October 2008 but since the golf course had not reopened as scheduled, it was decided to continue funding until April 2009 but at a reduced level of R 500 per month.

A second appeal fund was held but unfortunately did not reach its required target of R 200 000 despite a generous donation of R 100 000 from the Lubner family. The club will provide the shortfall until April 2009 and will again review the situation in light of the postponed reopening.

Membership Fees

The Main Committee announced the fee structure including entrance fees and annual subscriptions at a general Meeting of members in November 2008. The existing members were informed that they would all receive the benefit of no entrance fees and a reduced annual subscription as previously promised.

Due to the nature of the development and completion thereof having changed, the fee structures announced in November 2008 will need to be reviewed before the club's reopening scheduled for January 2010. Club management understands the extent of the negative impact that the poor economic outlook has on members' financial situation and will endeavour to create a more flexible affordable structure. The club however wishes to retain a composite fee as it commits members to patronising and supporting the club which is crucial for its sustainability.

The overhead structure of the club which is naturally fixed in nature will be closely reviewed especially in respect of the key costs, namely personnel and golf course maintenance. Club management intend to structure personnel in a more efficient manner by either outsourcing specifically selected operations or employing skilled staff that are capable of multitasking. Factors such as the extended operating hours of clubs and the significant fluctuations in the number of members and guests persons that patronise the club of a club need to be carefully considered when deciding on the personnel complement.

Financial Sustainability

The Main Committee wish to assure all members that they will endeavour to deliver a sustainable business model to members that will assure the future of their home club. The settlement offer will not only allow the club to complete all the facilities but more importantly be in control of its own cash flow. The club will only endeavour to spend no more than R 65 million for the completion of the facilities and retain approximately R 10 million in reserve to ensure that the club can weather the initial operating losses that are expected and still remain financially sound.

Thanks

In conclusion, Ladies and Gentleman, it has been a privilege once again for me to serve as your Treasurer of the Houghton Golf Club and I thank you for your support. I also express my thanks to my colleagues in the Main Committee and General Manager Eric van der Velde for their assistance and dedication.