

## FINANCE

The audited Annual Financial Statements for the year ending 30<sup>th</sup> June 2016 have been approved by the Board and have been circulated to members for discussion. If they are deemed acceptable they are to be approved at the AGM.

The City Council operates on a cash accounting basis and as ZAPO is effectively a part of the City Council's finances it has to follow a similar accounting format.

Set out below is a comparison between the approved budget and actual income and expenditure for the year ending 30<sup>TH</sup> June 2016.

All figures are VAT exclusive.

<b>INCOME</b>	<b>BUDGET (Rands)</b>	<b>ACTUAL (Rands)</b>	<b>VARIANCE (Rands)</b>
Monthly instalments from Council	895 000	895 000	0
Refund of arrears	0	45 332	-45 332
Interest / Other	0	20 864	-20 864
<b>GROSS INCOME</b>	<b>895 000</b>	<b>961 196</b>	<b>-66 196</b>
<b>EXPENDITURE</b>			
Accounting	10 000	7 900	-2 100
Administration and Management Fees	66 000	58 500	-7 500
Advertising	3 500	3 595	95
Auditors remuneration	12 000	11 248	-752
Bank Charges	5 000	2 400	-2 600
Cleaning Services (fence strip clearing)	10 000	33 500	23 500
Common Area maintenance (fence)	100 000	40 562	-59 438
Contingencies	5 500	0	-5 500
Depreciation	95 500	96 004	504
Insurance (fence and directors liability)	10 000	15 904	5 904
Meeting expenses	1 000	2 138	1 138
Office expenses	9 500	0	-9 500
Printing and stationery	2 000	1 903	-97
Security	550 000	562 018	12 018
Services account ex CCT	15 000	4 014	-10 986
Subscriptions	0	200	200
<b>TOTAL EXPENSES</b>	<b>895 000</b>	<b>839 886</b>	<b>-55 114</b>
<b>CAPITAL EXPENSES</b>			
CCTV cameras	0	11 085	11 085
Electrification South fence	0	64 851	64 851
<b>TOTAL</b>	<b>0</b>	<b>75 936</b>	<b>75 936</b>

Income exceeded the budgeted income by R 66 196 as a result of:

- 1) the refund of the Bad debt provision by the City Council of R45 332. The refund of the Bad debt provision is due to the ZAPO members being sufficiently disciplined payers that the actual arrears at year end were less than the bad debt provision. The

City Council reimbursed ZAPO with 75% of the favourable balance. These funds will be placed in the company's reserves.

- 2) interest of R20 864 earned on the sinking fund account established for the future replacement of the fence components.

Operating expenses were R55 114 below budget. Fence costs were under budget due to the timing of a reclaim from MTO as a result of damage caused to the fence during the storms in March.

Profit for the year therefore was R121 310.

Capital cost exceeded the budget by R 75 936. There were 2 areas of capital spend in the year:

- 1) R58 658 - the Board resolved to continue the electric fence down the Southern boundary to Debaren Close. This was in response to the baboons ranging further down the South fence than before as they adapted to life after the March 2015 fires. Thus the Board deemed it prudent to try and increase the protection to residents along the Southern part of this boundary
- 2) R16 688 - Replacement of damaged camera and electric supply components

The funds for the additional capital come from existing surplus operating funds.

The bank balance of R529 030 includes the fence replacement sinking fund (R329 400) and operating reserves equivalent of at least 2 months future expenditure (R199 630). The operating reserve now includes the September 2015 refund of the bad debt provision from the City Council of R45 332 (see 2015 AGM Financial review).

Post the year end ZAPO received a further payment of R53 810 (excluding VAT) from the City Council.

This is a refund of the bad debt provision for the 2016 year. ZAPO members continue to be sufficiently disciplined payers that the actual arrears at year end were less than the bad debt provision and the City Council reimbursed ZAPO with 75% of the favourable balance. These funds will be partly used for a capital investment in a new camera installation for common area security (R30 000 excluding VAT) with the remainder placed in the company's reserves.