

Financial Report for AGM

5. YEAR TO DATE REPORT: Financial account of what has been expended year to date.

Annexure B of the notice sent to members on 6 November included the audited financials for the year ended 30 June 2023.

The income statement reflects revenue of R5.4m received from members. This income along with general donations of R100k was used to pay for expenditure of R5.4m and resulted in a surplus of R0.1m, before we deduct R0.6m of depreciation.

Although this revenue level is a very similar amount to previous year, I would like to remind members that this was achieved without an increase in membership fees. The Board would like to thank the members for their continued support even in the tough financial times that we experienced during the year and are experiencing now with the increased cost of living resulting from inflation and interest rates.

Turning to expenses now, I would like to draw your attention to some key items of expenditure. Expenses have been well managed, and the Board holds in high regard the trust that has been placed in them to spend funds in an economical and effective manner.

The overhead expenses base increased from R5m for 2022 to R5.4m. This increase of R400k was a result of:

R308k	increase in Security costs
R198k	increase in Greening (gardens and conservancies maintenance)
-R56k	saving in Marketing
-R50k	other savings across departments.
R400k	increase

Our main security expense was Blue Security which make up around 58% of our overheads. Their fees increased from R3.25m to 3.45m, an increase of 6% driven by inflation. This cost includes the 24/7 call centre operator dedicated only to CHE members, two armed response vehicles that are ring-fenced to our boundary and member's homes only. These costs also include the management of our license plate monitoring where the license plates of high risk vehicles are flagged by our cameras and responded to proactively. They also include access for our members to the Blue Security Mobile Panic app that allows our members to receive assistance anywhere in KZN.

Taking a look now at the Balance sheet...

The bank balance including the money market account was R287k (prior yr R228k). In addition, members' balances owed were R376k where at least 3/4s of this amount is collected via debit order clearing into our bank account on the in the first week of the new month. With suppliers owed R567k, this left the Estate in a fair liquidity position to start the new financial year with R148k in net current assets. That said, the finance committee would prefer net current assets of R450k so we did run leaner than hoped.

We invested R140k in fixed assets for crisis management equipment as well as greening equipment and resources for our green spaces. Our cumulative investment in CCTV equipment was R3m where the camera count is now x72 oversight cameras, x18 ANPR cameras for reading vehicle license plates and x2 trail cameras where locations of foot traffic in bushy areas can be monitored. This brings our total camera count to 92.

6.5 ORDINARY RESOLUTION NUMBER 05: APPROVAL OF BUDGET 2023/2024

Annexure C of the notice sent to members on 6 November was the 2023/2024 Budget with supporting notes.

Overall, the 2024 budget reflects a surplus of R93,228 where the full amount of surplus is budgeted to be invested in CCTV equipment.

Detailed notes were included within page 2 of the budget. The main factors to considered are:

Member Fee Income is assumed to increase marginally by 8% as a result of the fee increase implemented in September this year.

Our main sponsors Shelley Residential and Mendo Holdings have renewed their support for the next 12 months and as such our donation income is budgeted at a similar level as the prior year. The CHE Board would like to thank our sponsors for their kind support.

Turning to the budgeted expenses, the total of R6.4m is 6.5% higher than 2023. The general driver of the increase is an inflationary increase in most departments with the exception of Security where our equipment has now aged nearly 4 years and a larger allocation of cost for repairs and maintenance of our equipment is necessary. As a whole, the Security department cost is budgeted to increase by 8% on 2023 actuals.

In summary I would like to note that this budget is tight and if it is achieved it will not result in an increase in our cash reserves, which I mentioned earlier are below the ideal level. That said, I do have some good news which we have solidified after this budget was set. CHE has recently become VAT registered which means that a portion of the cost base will now be able to be claimed as a refund of input VAT. The effect of this will be a VAT refund of R30k per month which is not reflected in the budgeted surplus. By 30 June 2024 approximately R200k is expected to have been received, which will take our cash holdings close to the R450k cash balance target.

Do our members have any questions before I ask for a proposer that the budget be approved?

ENDS