# EXPLANATORY NOTES

The aim of the Explanatory Notes is to provide a guide to the owners in understanding the items of business to be considered at the Annual General Meeting. The notes are set out in the order of the items in the notice of meeting and should be read with the notice.

**Minutes**
It is a requirement under the Strata Schemes Management Act 1996, that a motion be included at each general meeting of an owners corporation for the previous general meeting minutes to be adopted. The minutes are a brief official summary of the proceedings of the meeting.

**Financials**
Attached to the notice of the meeting are the financial statements of the owners corporation. The financial statements are reports that show the owners corporations financial position at the end of the schemes financial period. These reports outline the income/expenditure for both the administrative and sinking funds for the financial period.

As indicated above any questions relating to the financial statements should be directed to our office prior to the meeting, so we may provide a response. Questions that are raised at the meeting may not be able to be answered.

**Budget ("Contributions")**
At each Annual General Meeting, it is a statutory requirement to estimate how much money the owners corporation must contribute to the administrative and sinking funds. A proposed budget has been prepared by our office together with the duly appointed executive committee treasurer for the owner's consideration as enclosed with the agenda. The budget as adopted at the Annual General Meeting is done so by an ordinary resolution, which is on a majority basis.

In relation to your expenses over the past financial period, you will note that there was a deficit in the Administration Fund for the amount of -$9,110.59 however this has been offset by a surplus from the previous year leaving a balance of $33,758.14 (See Page 3 of the financial statements attached).

Due to the healthy surplus still remaining there is no requirement to make up the deficit of -$9,110.59 because it has been complete offset and no longer exists. The draft Administration budget that the treasurer and our office have prepared for the coming year has taken increased and actual costs into consideration. Accordingly, we are recommending that the administration fund budget be increased by less than 1% from $525,419.00 plus GST to $530,000.00 plus GST.

In respect to the Sinking Fund Budget, the treasurer of the Executive Committee has recommended that an amount of $320,000.00 be allowed due to forecast expenses over the coming year being as follows :

- Levy Discount Allowed – (Sinking Fund) $ 29,090.90
- Maint Bldg – Building Improvement (Roof) - $ 70,000.00*
- Maint Bldg – General Replacement (Zink Crack Repairs, Garden Bed Seepage) - $ 80,000.00 *
- Maint Bldg – Painting and Surface Finishes - (Balance of painting, Weep holes) $130,000.00
- Maint Bldg – Tiling – (Lot 104, Apt C76/Lot 105, Apt C77 Balcony Tiling) - $350,000.00*

*** Estimated total of works**

As at 28th February 2011, your sinking fund balance is $608,084.43. With anticipated sinking fund expenses of approximately $659,090.90 over the coming year, this will completely drain your current sinking fund therefore collecting a further $320,000.00 in total over the next 4 quarterly levy cycles, this will ensure that your sinking fund remains healthy to cover future costs such as the pool renovation which is anticipated during the year 2012 to 2013. This represents an increase of 92% to your current sinking fund levy.

**Overall the total proposed budget that the treasurer and our office have prepared for the coming year represents an increase of just under 22.9%. Any questions relating to the budget must be submitted to our office in writing prior to the mereting date to enable a formal response to be provided at the meeting.**

AGM Budget Notes

**Insurances Office Bearer's**
The office bearer's are the elected executive committee members of the owners corporation. The insurances for office bearer's cover matters in respect of damage to property, death or bodily injury for which the person elected as an office, being chairperson, secretary, treasurer or any member of the executive committee could become liable in damages due to an act or omission in good faith, in performing their functions.

**Auditor**
An audit is a systematic investigation of the statement of income and expenditure for the administrative and sinking fund and of the underlying accounting records for the schemes financial year, to determine whether those financial statements give a fair and true representation of the financial condition of the strata scheme, and whether the accounting standards have been applied with. Being classified as a large scheme, which is 101 Lots or more, as per the Strata Schemes Management Act 1996 you must have an audit carried out on your books and records each year.

**Restricting the Executive Committee**
The Strata Schemes Management Act 1996, allows the executive committee to exercise all the powers, duties, authorities, and functions of an owners corporation, except where the matters falls within the three restricted classes. Executive Committee decisions that do not fall within the three restricted matters, are taken as a decision on behalf of the owners corporation. The motion on the agenda is for the owners corporation to decide if they wish to restrict the decision making powers of the executive committee. If the owners corporation does restrict certain powers of the executive committee that they usually would make, a general meeting is required to be held for those restricted matters for resolution.

**Sinking Fund Forecast**
Owners corporations are required in accordance with the Strata Schemes Management Act 1996 to prepare a 10-year sinking fund plan (forecast) for future and anticipated expenditure that relates to capital expenses, or expenses that relate to the replacement of the common property.

**OH AND S Report**
On the 1st of September 2001 the Occupational Health & Safety Act 2000 and the Occupational Health & Safety Regulation 2001 were proclaimed.

The Strata Schemes Management Act requires that hazard identification and risk assessment is undertaken and risk control measures are implemented.

Advice from the Institute of Strata Title Management ("ISTM") is that all schemes irrespective of whether they are residential, commercial, industrial, community or a building management committee should have a Occupational Health and Safety report carried out to ensure that the scheme is not exposing themselves to a liability.

There are many areas of the common property that are used on daily basis as a place of work or where work is performed. An example of this is a cleaner who vacuums the hallways of the owners corporations property. Your owners corporation needs to consider having an OH & S report done on all areas of the common property to protect itself against any future potential claims.

**Removing Limitation**
In accordance with Section 80A of the Strata Schemes Management Act 1996, for a large scheme, the owners corporation must not in the period until the next Annual General Meeting, spend on any item or matter an amount greater than that determined amount (budget line items) for expenditure on the item or the matter plus 10%. This motion removes such limitation on the owners corporation, as at any stage the owners corporation could potentially be above 10% on any budgeted line item, which then requires the owners corporation to call a general meeting. The calling of general meeting can be expensive and burdensome on the owners corporation, and this motion gives the owners corporation the ability to remove this requirement.

**Election of the Executive Committee**
At each Annual General Meeting the owners corporation must elect an executive committee. The owners corporation can only elect between 1-9 members to the executive committee. Should there be

more nominations receive to that of the number of executive committee member positions as voted upon at the Annual General Meeting, or more than 9 nominations, the election of the executive committee must be done via a ballot.

**Re-Appointment of Strata Managing Agent & Execution of New Agency Agreement**
Due to a number of legislation changes over recent years to a variety of Acts and Regulations that affect strata schemes in NSW including the Occupational, Health and Safety (OH&S) Act, Sinking Funds requirements, debt collection and Fire Safety regulations, a new agency agreement has been recommended by the Institute of Strata Title Management to incorporate such changes. In addition, the Corporate Member of ISTM is no longer permitted to enter into a new agency agreement using previous versions of the ISTM Agency Agreement.

Our company has also recently undergone a name change from Strata Schemes Management Corporation Pty Ltd to "Vesture Pty Ltd" with a trading name of "Strata Title Management Group". To coincide with these changes, there have also some pricing amendments to additional services provided.

Your current agency agreement is due to expire on 1st September 2011 (approximately 5 months from now). Accordingly, we seek the agreement of the owners corporation under Motion 13 to enter into a new strata agency agreement with our firm for a term of 24 months at the current rate of $16,036.37 per annum plus GST which equates to an annual fee of $152.72 per lot, plus GST.

Should there be any questions in relation to our proposed reappointment, please do not hesitate to contact our office on 9540 4199.