Owners Corporation 1 Plan Number REDCATED

Owners Corporation 1 is a 18 level multi complex with predominantly residential apartments approximately 6 years old. We note the plan also has 1 limited Owners Corporation.

Key considerations for this OC are:

1. **Cost allocation** between unlimited and limited Owners Corporation
2. **Cost & Budget control**

<u>Owners Corporation 1 - Administrative</u>

- Opening Equity (1 October 2024): **$89,789**
- Net Surplus (FY25): **$24,657 (vs. a budgeted deficit of $44,278)**
- Closing Equity (30 September 2025): **$114,446**

Some notable variances against budget and last year actual are as follows:

Account	Budget Variance	Notes/Comments
Income		
Recovery	+$3,589	Higher recovery than anticipated, lower than year before.
Expense		
Consultant & Legal	+$10,440	Reduction in legal and consultancy fees
BM - additional	-$13,484	Additional BM costs
Chute	-$3,982	More chute blockages than prior year
Insurance	+$48,034	Reduction in premium against budget, though increase in YoY.
Electricity	+$5,407	Reduction in electricity costs, likely from procuring better rates.

+ denotes net positive variance
- denotes net negative variance

Despite deficit budget, through cost control, the Owners Corporation achieved a surplus for the financial year. Majority of the positive variance is coming from insurance premium which has come below the budgeted/anticipated costs. In addition, by procuring better rates, electricity cost has also declined. The Owners Corporation should be mindful of maintenances in future to protect itself against further cost increases arising out of resident behaviour.

Owners Corporation 1 – Balance Sheet

	2025	2024	Net Change
Cash at bank			
Administrative	$103,028	$207,680	-$104,652
Maintenance	$80,562	$16,690	+$63,872
Term Deposit	$52,894	$50,579	+$2,315
Arrears	$25,027	$16,704	+$8,323
Inter OC Transfer	$7,282	$2,932	+$4,350
Payables	-$5,347	$141,689	-$147,036
Net Assets	$234,871	$146,638	$88,233

- Administrative cash reduction due to reduction in payables
- Meaning increase in Maintenance fund bank balance
- Arrears slowly creeping up – we note some balances towards Lot 409 are dated 2021 – Accordingly, in 18 months, it may be statute barred to recover the arrears. Once VCAT is successful, Sheriff warrant should be looked into to reduce overall arrears
- Inter OC balance is slowly creeping up – refer to below.
- The cash balance reduction is predominantly due to clearing the payables. Had payables remained the same, cash balance would have increased.
- Net assets shows significant increase despite deficit budget. This is to be congratulated on.

Miscellaneous

Maintenance Plan

We are unable to provide further comments as we have not sighted the maintenance plan, however we understand that the maintenance plan may be in draft stage based on expenditure incurred.

Inter OC Transfers

We note inter OC liability (under OC 1) and asset (under OC 2) of $608.49 is becoming stagnant and inter OC asset balances are rising. Before the balances become greater, we would recommend a transfer between the OCs to clear the assets/liabilities.

Investment

We note 3 monthly rollover of balance $50,000.
With increase in cash balance, we recommend higher deposits to the term deposits. We would suggest a separate tranche of term deposits created so that liquidity is not tied up to a single maturity. Based on the year end financials, advice may be
$50,000 of the Maintenance Fund and $30,000 of the Administrative Fund.

Conclusion

Whilst the Owners Corporation's financial health is sound, we feel that there could be small improvements with receivables. We have confidence that the Owners Corporation is soundly managed as demonstrated by reduction in insurance and cost control against a deficit budget and I look forward to the continued stable position.

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Owners Corporation 2 Plan Number REDCATED

Owners Corporation 2 appears to be 5 Lots with 2 ground floor tenancies and 3 Lots from Levels 1 – 3, we suspect the Lots to be commercial. The common property is limited to separate Owners Corporation 2 foyer with a lift and stairwell servicing exclusively OC 2 members. Due to the limited nature of the common property, the financials are very simple with minimal variances.

We would only question whether the pest control which was previously expensed under Owners Corporation 2 is still continuing. Given that Owners Corporation 1 had its pest control scope potentially reduced, it may have been cancelled for a reason.

Despite minimal complexity to the financial statement, we offer the below comments for consideration.

GST

Given the turnover, the entity is not required to be registered for GST. Whilst there may be some costs for registration under the Owners Corporation, if the Lot owners are GST registered entity, we understand that there will be followed through benefit for the Lot owners. If the Lot owners are not registered for GST (IE residential owners), then GST registration cancellation would be suggested.

Maintenance Fund & Current Balances

We have not sighted the maintenance fund to provide commentary on the current balance. We note that current equity to be $9,217 of which $5,071 belongs to the maintenance fund. We note the current equity balance to be healthy for day-to-day operation of the Owners Corporation.
In saying so, we note that the Common property 2 includes a lift and that the building is reaching its 6th year. Given the capital cost to replace a lift, to avoid a large special levy when the lift fails to the 5 Lot owners, we would suggest that disclosures be made to the Lot owners on the benefit of increasing the maintenance fund levies to increase collection rate. If the replacement cost was $100,000 + GST, cost would be reflected as follows.

Lot	LL	Once off special levy	Annually Raised over 5 years	Annually Raised over 15 years	Annually raised over 20 years
G3	118	$10,835	$2,167	$722	$542
G4	40	$3,673	$735	$245	$184
104	346	$31,770	$6,354	$2,118	$1,588
204	348	$31,953	$6,391	$2,130	$1,598
304	346	$31,770	$6,354	$2,118	$1,588
Total	1198	$110,000	$22,000	$7,333	$5,500

As you will see, the burden is significantly reduced annually the more time the Lot owners have.

Conclusion

Whilst the Owners Corporation's financial health is sound, we feel that the Lot owners will significantly benefit from preparing early.