

MONDRIAN CHAIRPERSON'S REPORT

Significant Events in the Past Year and Challenges for the Coming Year

Dear Mondrian Owner,

I am writing to you on behalf of Mondrian's Executive Committee to give you some insight into what has been happening this past year at Mondrian. A lot has been happening, there is more in hand and there is still a great deal more to do.

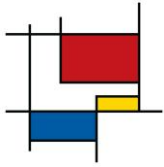
Some 2013/2014 Highlights

- New Building Management Appointed
- New Cleaning Contractor Appointed
- Building management software implemented
- Fire order finalised with City of Sydney
- Stage 1 Fire defects compliance completed on target
- Energy saving LED lights installed throughout car park & fire stairs
- Comprehensive key / fob audit carried out
- Pool compliance achieved for above ground pool
- 19 By Laws amended and put to EGM of Owners for approval
- Home Owner Warranty Defects works programme commenced
- Security cameras and recording units upgraded
- Mondrian Website launched

Where we are with Mondrian

Your committee has been focused on ensuring that Mondrian is recognised as a premium building amongst the numerous developments now happening in Waterloo. This has been a challenge because we are in the throes of getting rectified all those building defects that Allianz, the HOW insurer, has agreed to pay for. This process is likely to continue for some months yet.

In addition further major work to rectify specifically Fire Defects will be required in the coming year. This is likely to be intrusive and involve extensive access to individual apartments, but it is necessary if Mondrian is to achieve full fire compliance. At the same



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time we are using the opportunity to get on top of numerous other repair jobs that are overdue for attention - from fixing leaks and damage to re-landscaping the pool area.

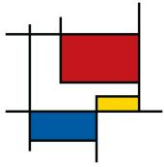
Improving Contractor Performance

Last year it became clear to the Executive Committee "EC" that we needed to move to a new level of performance with the major contractors we entrusted our building to. Strata Plus have remained our managing agents but only after changing our strata manager to an experienced senior Strata Plus employee, Guy Beresford. To find building management and cleaners of the necessary calibre we conducted a rigorous tender process. Selection of new contractors was concluded in October and has allowed us to move to a new level of service.

Mondrian did not have good building records of maintenance done and scheduled to be done. Implementing the MyBos building management software will allow proper asset registers to be built and maintenance to be done on a planned rather than ad hoc basis. Since December we have had Mick Collins from Australasian Building Management Services doing both the regular building management and managing the defect rectification work being done on site by Biltbeta Pty Ltd. We also have new cleaners, TH Building Maintenance Services who have received wide recognition of their efforts.

The key role of the EC and its Subcommittees

None of these key contractors could do their job to the full unless they had the support and direction from the EC. Upon appointment the current EC set up 7 subcommittees as forums where ideas for improvement could be developed and a lot of the groundwork for decision making done. I am indebted to these subcommittee members and their lead persons for making the process of EC decision making more accountable and effective. A quick look at the Subcommittees' Reports will give you a feel for the scale of the work undertaken. Without the out of hours work done by subcommittee members we would never have got through the workload we have. If the current initiatives are to be successfully concluded without adverse costs to Mondrian owners, it is vital, that the EC for the coming year, as well as being refreshed with new blood, retains the services of these key experienced members.



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Improving Communication with Mondrian Owners & Residents

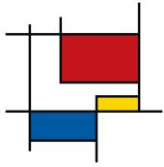
We hope that you as Mondrian Owners have benefited from an improved level of communication. We believe that the bimonthly MyMondrian newsletter is valued by those who want to keep up to date with what is happening at Mondrian and that the Mondrian Facebook page has a role in informal communication. Mondrian now has its own website www.MondrianWaterloo.com.au. The website provides Mondrian with an identity and owners and tenants with convenient access to building information, by-laws and the forms they need to communicate with our building and strata managers. The site was built by a Mondrian owner and is maintained by the Communications subcommittee. Apart from being the public face of the Mondrian, it now includes a password protected area where owners can access key documents, such as consultants' reports, financial information, subcommittee reports and minutes of past meetings. (You can obtain your password by contacting the strata manager.)

Financial Implications for Owners

To say that Mondrian's finances are in good shape would be simplistic because the picture is more complex. For its first 10 years of its life Mondrian has managed to fund its running costs, repairs and maintenance from the annual levies that owners pay. The only special levies that owners have been asked to pay have been for significant upgrade projects. Mondrian currently has some \$670,000 in its Sinking Fund, monies which must be used to pay for future repairs and maintenance works.

With the assistance of quantity surveyors we have modelled what these works are likely to be over the next 15 years. Within the next 3 years Mondrian will need a complete repaint and this alone will use up most of these funds. In addition there are upgrade works we need to do and we are taking the opportunity of having builders onsite to catch up with a backlog of repair work not covered by the HOW insurance, and this all has a cost.

Harder to establish but no less significant is what the financial impact will be of rectifying the fire defects identified in the City of Sydney Fire Order. The responsibility for this is still being negotiated with the HOW insurer Allianz. Until such time as terms of settlement are agreed, there remains the possibility of Mondrian owners having to contribute substantially to the costs of rectification. Without being able to know how successful we will be against Allianz and how much Allianz will contribute we do not have the information to budget realistically for these costs.



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A further matter which owners will eventually have to decide is whether or not to continue to fund the additional cost of having a full time, as opposed to a part time, building manager on site. The current full time appointment arises from the need to have a full time presence whilst Mondrian is going through the process of defect rectification. This may be harder to justify in the future.

The Budget and Levies for the coming year

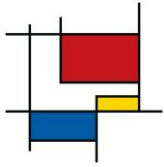
We have in conjunction with quantity surveyors Leary Partners done some modelling to forecast what levies will be required to maintain the scheme in coming years. The plan is for levies to be increased steadily in line with building costs year on year. This will however require an initial increase in levies for the coming year in excess of the building price index. The proposed rate of levy increase should enable Mondrian to fund its anticipated repairs and regular upgrade works, including the \$400,000 that needs to be spent on repainting within the next 3 years.

Following previous Mondrian policy Special Levies should only be necessary where there are significant one off project costs or defect repair costs of the type noted above that cannot be recovered from the insurer.

Mondrian levies remain very reasonable compared with those of comparable buildings in the area. If this situation is to continue, we will need a vigilant Treasurer to ensure that the financial controls that have been put in place are adhered to. The thinking behind the proposed budget will be explained to owners at the Annual General Meeting.

Mondrian Community Compliance and by-laws

All strata schemes have by laws and last November an Extraordinary Meeting of Owners "EGM" was called to fine tune our by-laws, to make them clearer & more effective as well as to bring them into line with current values. The changes were passed by the necessary 75% majority of owners, which is indicative of the support they have in the Mondrian community. No EC relishes the prospect of enforcing by-laws and the EC supports mediated outcomes wherever possible. However where non compliance threatens the prevailing standards in a building, then unless there is some active enforcement, unfortunate precedents can give rise to an erosion of standards that eventually devalue the building. A look around the neighbourhood provides evidence of buildings where care has not been taken in maintaining quality & appearance.



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The Outlook for 2014 / 2015

The coming year will hopefully see the changes that have been made bear fruit and the changes that are in progress being pursued under the watchful eye of an energetic executive committee. Mondrian is a work in progress on many fronts – to mention but a few;

- Negotiations with Allianz the HOW insurer to fund the cost of fire defect rectification
- Completion of the pool landscaping project and related works
- Completion of the current defect works by Biltbeta Pty Ltd
- Further upgrades to Mondrian security
- Further development of the MyBos building management system to provide improved reporting & recording of building assets to help contain maintenance costs
- Implementation of remaining energy saving measures including car park CO monitoring
- Further website enhancements in response to owner feedback
- Review of WHS obligations in relation to roof access etc.

Individual owners will have their own views on the work that has been done over the past year and the merits of what is proposed for the coming year. You may find the diagram overleaf assists with clarity.

I urge all owners to attend the Annual General Meeting on Thursday 24 July as there is much currently at stake. If you are unable to attend in person, then please take time to complete a Proxy Form in favour of someone whose views you trust. Thank you.

John Hutchinson

Chairperson

