

Twenty Macleay Street Limited

Report to Shareholders: 2022

This year's Report sets out the major achievements, activities and financial performance of the last financial year and provides guidance on the budget and plans for the year ahead.

Directors

DIRECTORS' MEETINGS

During the financial year, 4 meetings of directors were held. Attendances were as follows:

| Director | Eligible to Attend | Number Attended |
|----------------------|--------------------|-----------------|
| Barbara Stewart | 4 | 4 |
| Amy Rose Sadubin | 4 | 3 |
| Bruce Miller (Chair) | 4 | 4 |

Board meetings were held 14th February, 17th May, 29th August and 11th November. The Board also met informally during the year as all members are residents of Twenty during the financial year. The number of meetings does not reflect the quantum of work done by the directors. Many tasks have been carried out by one residential director, Barbara Stewart, whose energy and commitment to Twenty and its residents we acknowledge and appreciate.

Building governance

In response to legal advice, the Board agreed to revised House Rules (circulated to shareholders and residents by email on 19 October).

- the new Rules do not change much in substance, but are drafted in a more professional format that will be more easily enforced legally, if required;
- do a better job of explaining the purpose and the context of rules, including reference to obligations imposed by law that have always applied, but were not referred to in our previous rules (eg on noise, fire safety and pets)
- Are more consistent with the rules of other company title buildings.

The Board believes that the re-drafted rules offer shareholders greater protection, and provide all shareholders and residents greater clarity on the rules that apply in Twenty. We also took the opportunity to strengthen and to streamline in some areas:

- Requiring a Renovation Deed, not just approval and an indemnity. This will allow shareholders to assure prospective purchasers that renovations that have taken place over

the years have had Company approval

- Defining with greater precision the difference between major renovations, where board approval is required, and cosmetic renovations, where it is not.
- Introducing a Licence To Occupy to apply between the Company and tenants approved for residence. This will for the first time give the Company directly enforceable rights against tenants who breach the Rules.
- Requiring shareholders who have not appointed a letting agent or authorised representative to inspect the Residential Unit or authorise the Board to inspect the Residential Unit every 3 months starting from the commencement date of the licence or lease.

Otherwise, the content of the new Rules should be familiar to shareholders and residents.

Financial Performance

Costs are rising, particularly for utilities and building maintenance, but the Company has operated within the FY22 budget, which was itself unchanged from FY21. At this time, the Board proposes no change in the FY23 budget as set at last year's AGM, but we will be closely monitoring costs over the next financial year, and may have to review the budget. We expect utilities' bills to rise, but have room to manage this within our existing allocation.

| FY22 Budget | Actual | Proposed Budget |
|-----------------------------------|----------------|------------------------|
| | \$ | \$ |
| Maintenance Levy | 260,000 | 260,000 |
| Special Levy | 0 | 0 |
| Other income | 13,000 | 11,000 |
| Total Income | 273,000 | 271,000 |
| | | |
| Other building maintenance | 64,000 | 72,000 |
| Fire protection/ monitor | 16,000 | 16,000 |
| Legal and accounting | 8,000 | 7,000 |
| Utilities | 73,000 | 73,000 |
| Management fees | 22,000 | 19,000 |
| Cleaning | 32,000 | 31,000 |
| Insurance | 36,000 | 33,000 |
| Consultant's fees | 12,000 | 10,000 |
| Other admin costs | 10,000 | 10,000 |
| Total Expenses | 273,000 | 271,000 |
| Surplus/(Deficit) for Year | 0 | 0 |

Capital works, renovation and ongoing maintenance upgrades

We regret that we are unable to report much progress on capital works. While for two years we were constrained by the pandemic, post-pandemic shortages of labour and materials have slowed us further, as has the poor weather for much of this year, which has stymied even the securing of quotes. At the time of preparing this report, we have received a quote of \$900,000 for the North-East Works and for the replacement of the roof. (As flagged at last year's AGM, replacement of the existing tiled roof given sourcing existing tiles is becoming more and more difficult).

While we have reserves available to fund some of this, they are not sufficient to fund a project of this size. The Board has made no decisions, and will seek further quotes. The Board is also considering our options, including for a more limited project, but we note that there are financial savings in the long-term to completing both roof and north-east facades in one go. We expect that we would need to put in place a special levy should we decide to carry out these works. We note that current levies are not high for a building of this type in this area.

With the continuing delays, the Board has undertaken smaller tasks, many of which have been in response to damage arising from the wet and stormy conditions Sydney has endured this year:

- exterior inspections and remedial work tracing water penetration for a number of apartments
- Windows, Plumbing and roof repairs

The largest on-going maintenance work otherwise has been the Shareholder self-funded 'Phase 3 Electrical Works' within each apartment. While we are happy to report that we have seen considerable progress, but CTM has yet to receive certificates of compliance (CCEW) issued by the contractor for apartments 2, 3, 5, 7, 8, 12, 18, 22, 25, 26, 29,31, 39, 55,56,59 &60. The Board needs certificates to be satisfied that apartments are in full compliance with regulations and to maintain our insurance coverage. 'Phase 3' involves replacing the outdated cloth-covered wiring with new wiring that meets modern standards within each apartment and a certificate of compliance issued to the Board.

General building maintenance and compliance with our renovations policy has been supervised largely by Barbara Stewart. Ensuring waterproofing and sealing continues to be a high priority.

The Board continues to take a vigorous due diligence process in assessing renovation applications for compliance with our rules and adequacy of insurance cover. These have been embedded in the revised Rules. Prior and post inspections by our resident plumber and electrician maybe carried out as part of the renovation process to eliminate future problems experienced in the past.

House Management

Interview of new Shareholders and tenants

This activity is primarily undertaken by CTM's Danielle Marchand, and the Board thanks Danielle for her diligence in these interviews. Twenty welcomed four new Shareholders: Apartments 1, 30, 39 &

46. A total of 14 tenancy interviews were conducted. These approvals were granted for Apartments 6, 6, 7, 7, 14, 16,16,20, 23, 32, 45, 47, 49, and 58.

Noise and Damage to Property

Complaints by shareholders and residents are handled by CTM's Danielle Marchand, but generally require close involvement by the three resident directors.

Despite the high ratio of tenancies, there have only been a few cases of bad behaviour breaching our House Rules. High levels of working from home and concern for residents' mental health during the pandemic required us to manage complaints about breaches of our House Rules with greater flexibility. But with the end of pandemic-related restrictions, we are reverting to an approach of enforcing our House Rules consistently and have done so recently in relation to several complaints from shareholders and residents.

Residents need to be mindful of the fact that we are living in close proximity, and that noise carries throughout Twenty. Many apartments have exposed floorboards, TV sets are audible in adjoining apartments given volume especially with open windows in the warmer months, all of which affect fellow residents' quiet enjoyment of their own apartment.

Airbnb

We do not allow Airbnb leases. The House Rules clearly state that apartments may not be rented for short durations. Furthermore, occupants unless residing casually with the approved Shareholder or resident must be interviewed by CTM on behalf of the Board. The Directors continue to monitor rental and short-term letting websites, including Airbnb.

We take this opportunity to remind Shareholders that residency at Twenty is reserved exclusively for Shareholders, their immediate families and, in specifically approved cases, for other, longer term residents approved by the Board, in apartments where rental has been authorised.

Fire safety

We continue to place a high priority in ensuring our compliance with fire safety regulations. We have been successful in removing all illegal iron grill front doors, which can attract significant fines for non-compliance. Synergy Fire finalised the 2022 Annual Fire Safety inspection with the Sydney City Council, providing the 2022 Fire Safety Statement. The Board is aware that these is only a single exit path from the upper floors in the case of a fire. There is little that can be done about this issue.

Emergency Access Keys

The emergency access keys have again been used on a limited number of occasions during the year, always with one director at least present. These occasions were primarily to facilitate access for the mandatory Annual Fire Safety inspection, or emergencies e.g., storm water penetration. These keys are used as a last resort as the Board would much prefer Shareholders were present for the inspections. Fire inspections are a legal requirement and we have no choice but to comply for all apartments in Twenty – no exceptions.

Strategic Planning

The board continues to devote time looking into the major risks confronting the company.

The primary issue remains succession planning. Due to a lack of interest at the last AGM, we have only three directors on the Board, the absolute minimum, which has workload consequences for all three. If re-elected to the Board at the AGM, the current Chair is only able to serve one more year in the position. Ensuring the right balance of skills and experience among directors continues to prove challenging, particularly in the area of project management, given our long-term capital works programme. We encourage shareholders to consider nominating for a position on the Board.

Other matters:

1. Directors remain reminded of their key obligations of Directors under the Corporations Act.
2. Insurance policies coverage review continues with next review scheduled for 2023 including level of cover and types of risks insured. The existing policies are assessed as appropriate with the status of the electrical wiring upgrade disclosed and noted by the insurers.
3. We have objected to a proposed development at 1 Onslow Place, on the grounds that it would impede light and views from apartments on the eastern and southern sides of the building, and likely bring further sources of noise pollution such as rooftop compressors close to apartments. At the date of this report, this remains outstanding, although we have facilitated an inspection by third party consultants required by Council as a result of our objection.

Annual General Meeting

The Annual General Meeting of Twenty Macleay Street Limited will be held on **Monday 5th December commencing at 6:00pm (18:00)** when a quorum is confirmed. We will dispatch video link closer to the time.

The Board
Twenty Macleay Street Limited