

KATE SHEPPARD BODY CORP 323230

CHAIRMAN'S REPORT FOR THE ANNUAL GENERAL MEETING OF OWNERS TO BE HELD ON MONDAY 19TH MARCH 2018,

The major topic of last years Annual Meeting was the earthquake which occurred on 14th November 2016, and it has taken from then until just recently to get the first stage of our claim with the Earthquake Commission settled. The first stage covers the interior of the building and we have received a payout from the Earthquake Commission to enable us to settle with those Owners who have already carried out their repairs and those that intend to carry out their own repairs. The next step is for us to arrange for Contractors to carry out repairs to Common Areas and in those Apartments where Owners wish us to attend to their repairs.

There is still the exterior of the Building for which there will be a second stage of the claim. We have engaged Building Surveyors to ascertain the full extent of the exterior damage and to prepare specifications that we can go to tender with to have all exterior damage repaired. This has been being promised to us for some time and it was expected for the Committee meeting held on Monday 26th February 2018, but still not received and hopefully will be received before the Annual General Meeting. Once received it will go to the Earthquake Commission to approve in principal and agree for us to go to tender. We can then accept the preferred tender and will receive payment for that amount and be able to proceed with repairs.

At this stage we do not know how extensive or intrusive those repairs will be but expect they will be substantial giving the damage to the surface of walls, to window and door frames, but we still understand there is no significant structural damage.

We have attended to urgent repairs where possible including replacement of broken glass, refixing interior windows, making showers useable and repaired the main entrance foyer. We have been reimbursed for this expenditure.

It is disappointing to have had to put up with obvious damage in Apartments and Common Areas for sixteen months but we hope to be able quickly get on with bringing our Apartment building back up to standard.

During the year we have also suffered from dust and dirt from nearby buildings be demolished, have carried out normal repairs and endeavoured to keep Owners informed on the progress of our claim.

The financial statements for the past year show a small surplus after taking up additional costs for Engineers work not claimable but a saving on window cleaning costs with cleaning delayed whilst work has gone on around us and further delayed with weather and staff absences. In the coming year we will have some surpluses from the claim to reimburse those unclaimable costs but will have significantly higher insurance premiums. The increase in premiums is due to the higher charges by Insurance companies to recover the cost of claims they have had to meet but also due to an increase in value of our property which had gone up from last valuation three years ago of just under \$50m to in excess of \$61m.

As a result of the higher insurance premiums we will be budgeting for the deficit for this year if we leave our Body Corp Levies at the same level which the Committee are recommending. We have accumulated surpluses and can cover the deficit this year and hopefully for a further year if premiums continue at a high level but expect them to come back lower if later years.

The deficit for the year is after transferring \$100,000 to our Replacement Reserve in line with our ten-year plan. However, if the contract for exterior works includes a substantial amount of repainting we may be able to move further out our repaint and it is almost certain that the repainting involved in common areas will allow us to defer some interior painting. Until the outcome is known we are not intending to review the ten year plan but it would certainly appear that we will be on the right side with our available funding.

Since we have taken over the Gas Contract and charging residents for their gas it has involved a consider amount of extra work but it is now settling down with most now on either direct debit to paying promptly each month. We are receiving good income from gas and also from power with residents being charged no more than they were before we took over these areas. We are also receiving good Income form Interest and will received even more this year with having Earthquake claim money invested until it is spent, although interest rates for short term are low.

Our Manager Glynis has had some health problems during the past year and is now receiving some assistance from her son but has still served us well dealing with many Contractors who have been involved in works in Apartments and this is likely to even more taxing in the year head. Our Committee meets quarterly and also attends to other issues as they arise during the year and I appreciate their support and assistance. In spite of earthquake damage there have been many successful Apartment sales over the past year and our Apartments are still very highly regarded as well managed and in demand by prospective purchases.

ALAN G. STEWART - BODY CORP CHAIRMAN