

Demo Strata Inspections Pty Ltd (fictional) · Strata records inspection

Strata Inspection Report

The Owners – Strata Plan No. 91234 · “Example Street Residences”
12 Example Street, Sydney NSW 2000

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Report number	DSI-2026-0917
Lot inspected for	Lot 23 (Apartment 504, Level 5) with part-lot car space B1-17 and storage cage S-23
Unit entitlement of lot	212 of an aggregate 10,000 (2.12%)
Prepared for	Sample Buyers Agency Pty Ltd (fictional), acting for a prospective purchaser
Records inspected at	Offices and online portal of Sample Strata Management Pty Ltd (fictional), Level 3, 1 Demo Lane, Sydney NSW 2000
Date of inspection	Tuesday 29 September 2026, 9:30 am to 2:15 pm
Date of report	Thursday 1 October 2026
Inspector	Alex Morgan, Senior Strata Inspector (fictional)
Authority to inspect	Written authority of the registered owner of Lot 23 (the vendor) dated 24 September 2026, under section 182 of the <i>Strata Schemes Management Act 2015</i> (NSW)
Overall risk rating	HIGH — see the executive summary on page 2

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Money amounts are in Australian dollars and include GST where GST applies, unless stated otherwise. “FY2026” means the owners corporation's financial year from 1 October 2025 to 30 September 2026. Figures for FY2026 are unaudited and were taken from the strata manager's ledgers printed on 28 September 2026.

1. Executive summary and risk rating

Overall rating: HIGH RISK. The scheme is in active litigation over building defects, has combustible cladding that is not yet funded for removal, faces a proposed \$2.4 million special levy at the November 2026 AGM, and its capital works fund is forecast to go into deficit in FY2029. Lot 23 itself is behind on its levies and is subject to a current notice to comply about its timber flooring. These items should be reviewed with your conveyancer or solicitor before exchange.

1.1 Key findings

#	Topic	Finding	Rating	Section
1	Combustible cladding	Aluminium composite panels with a polyethylene core cover about 1,150 m ² of the northern and eastern facades and the balcony soffits on Levels 2–8. Removal is estimated at \$2,380,000 and is not yet funded. The local council issued a notice of intention to give a fire safety order on 14 July 2026; a remediation plan is due by 12 October 2026 .	HIGH	7
2	Proposed special levy	A \$2,400,000 cladding special levy is proposed for the AGM on 26 November 2026 . Lot 23's share would be \$50,880 , payable in four quarterly instalments of \$12,720 from 1 February 2027.	HIGH	5
3	Defects litigation	The owners corporation is suing the developer and the builder in the Supreme Court of NSW for about \$4.7 million of defects (including cladding). The builder is in liquidation. A \$650,000 settlement offer from the developer was rejected in June 2026. Legal costs to date are \$312,500; the solicitors estimate \$780,000 to the end of a trial.	HIGH	8
4	Lot 23 levy arrears	Lot 23 owes \$9,683.44 (the 1 July 2026 quarterly levy, special levy instalment 2 and interest). A further \$9,529.40 fell due on 1 October 2026. A final notice was issued on 1 September 2026.	HIGH	3
5	Capital works fund	Balance \$379,647.74 at 30 September 2026, but the forecast shows deficits in FY2029 (~\$28,945) and FY2030 (~\$58,698). The 2022 plan excludes all defect and cladding work and is due for review by May 2027.	HIGH	6
6	Notice to comply — Lot 23	Timber floating floors were installed in Lot 23 in 2024 without approval. After noise complaints from Lot 18, a notice to comply with by-law 14 was issued on 21 August 2026. It requires acoustic certification or removal by 20 October 2026 .	MEDIUM	10
7	Insurance	Building sum insured \$38,500,000, policy expires 30 November 2026 . The premium rose 41% to \$164,820. The water damage excess is \$50,000 and cladding-related losses are excluded. The insurer has said renewal depends on a funded cladding plan. The last replacement valuation (March 2021) is more than five years old.	HIGH	9
8	Short-term letting	Special by-law 9 (registered 2 May 2026) prohibits short-term rental accommodation unless the lot is the host's principal place of residence. Investors relying on holiday letting income cannot do so.	MEDIUM	10
9	NCAT claim against the owners corporation	The owner of Lot 31 claims \$48,500 for water damage from a leaking balcony. Hearing on 12 November 2026 .	MEDIUM	8
10	Administrative fund	FY2026 spending was \$453,238.45 against a budget of \$412,000. The closing balance is only \$14,286.21 while \$61,880.15 of administrative levies are unpaid across the scheme. A transfer from the capital works fund is proposed.	MEDIUM	4
11	Levy increases	Quarterly levies for Lot 23 rose from \$2,279.00 (FY2024) to \$3,169.40 (FY2026). The draft FY2027 budget would take them to \$3,858.40 a quarter (+21.7%).	MEDIUM	3
12	Lifts	Lift 2 was out of service for a total of 41 days in FY2026. Modernisation of both lifts is quoted at \$380,000–\$420,000 and is planned for FY2027.	MEDIUM	6, 11
13	Embedded electricity network	Owners must buy electricity through an embedded network under a contract running to 19 November 2030.	LOW	12
14	Records and governance	Records were well kept and minutes were complete. Commissions were disclosed at the AGM. One committee member resigned in June 2026 after disagreeing with the rejection of the settlement offer.	LOW	11

1.2 Potential cost exposure for Lot 23

Item	Scheme amount	Lot 23 share (2.12%)	Status
Levy arrears owed by Lot 23 at 29 September 2026	—	\$9,683.44	Overdue
Levies and special levy instalment due 1 October 2026	—	\$9,529.40	Due
Proposed cladding special levy (AGM 26 November 2026)	\$2,400,000	\$50,880.00	Proposed
All defects and cladding if nothing is recovered from the developer	\$4,740,000	\$100,488.00	Possible
Draft FY2027 levies (admin \$468,000 + capital works \$260,000)	\$728,000	\$15,433.60 a year	Proposed

The \$100,488 figure includes the proposed \$50,880 cladding levy; it is not additional to it. Lot shares are calculated on unit entitlement (212 / 10,000).

2. Scheme and owners corporation details

2.1 Strata plan

Owners corporation	The Owners – Strata Plan No. 91234 (fictional)
Building name	Example Street Residences
Address	12 Example Street, Sydney NSW 2000
Strata plan registered	20 November 2020
Occupation certificate (whole building)	9 November 2020
Number of lots	48 (46 residential apartments and 2 ground-floor commercial lots)
Aggregate unit entitlement	10,000
Building	Nine-storey concrete-framed building over two basement car park levels (B1 and B2); 54 car spaces held as part-lots; 2 passenger lifts; rooftop communal terrace with barbecue area; bicycle storage on B1
Facade	Face brick to Levels 1–2; aluminium composite panel cladding to Levels 3–8 on the northern and eastern elevations; glazed curtain wall to the southern elevation
Developer	Example Developments Pty Ltd (fictional)
Builder	Apex Example Constructions Pty Ltd (in liquidation) (fictional) — liquidators appointed 3 August 2023
Strata Building Bond and Inspections Scheme	Does not apply. The building contract was signed on 11 August 2017, before the scheme commenced on 1 January 2018.
Statutory warranty (major defects)	Six years from completion: expires 9 November 2026
Statutory warranty (other defects)	Two years from completion: expired 9 November 2022
Strata renewal or collective sale	No proposal on record

2.2 Lot 23

Description	Apartment 504, Level 5, two bedrooms, two bathrooms, internal area about 86 m² plus a 12 m² balcony facing north-east
Part-lots	Car space B1-17 and storage cage S-23
Unit entitlement	212
Lot-specific by-laws	Special by-law 5 (2022): ducted air-conditioning condenser on the balcony and penetrations through common property (see section 10.5)
Occupancy	Tenanted. Notice of tenancy on file; lease ends 31 January 2027 at \$1,050 per week.
Approved works on record	Kitchen renovation approved as a minor renovation on 12 February 2024
Works without approval on record	Timber floating floors to the living area and both bedrooms (2024) — see section 10.3

2.3 Strata committee (elected at the AGM on 27 November 2025)

Name (fictional)	Lot	Office	Notes
Priya Natarajan	41	Chairperson	Owner-occupier
Daniel Okafor	12	Secretary	Owner-occupier
Margaret Ellis	30	Treasurer	Owner-occupier
Rebecca Hall	19	Member	Owner-occupier
Simran Kaur	1	Member	Company nominee for the commercial lot owner
Marcus Bell	36	Member	Investor owner
Tom Nguyen	7	Member (resigned 16 June 2026)	Resigned after the committee rejected the developer's settlement offer

2.4 Strata manager and building manager

Strata managing agent	Sample Strata Management Pty Ltd (fictional), ABN 00 000 000 000, licence no. SAMPLE-0042
Strata manager	Jordan Lee · 02 5550 0142 · jordan.lee@sample-strata.example
Agency agreement	Three years from 1 July 2024 to 30 June 2027 . Base fee \$38,640 a year (including GST) plus additional-services fees listed in Schedule B of the agreement.
Building manager	Example Building Services Pty Ltd (fictional). Contract to 31 March 2028 at \$96,800 a year. On site Monday to Friday, 7:30 am to 3:30 pm.
After-hours emergencies	02 5550 0199 (sample number)

3. Levies and the lot’s levy account

3.1 How levies are set

Levies are raised quarterly in advance on 1 October, 1 January, 1 April and 1 July. Each lot pays its share of the administrative fund and capital works fund budgets in proportion to its unit entitlement. Contributions not paid within one month of the due date attract simple interest at 10% a year, as allowed by the Act. The owners corporation’s debt recovery policy (adopted 27 November 2025) provides for a reminder at 14 days, a final notice at 60 days and referral to the debt collector or solicitor at 90 days.

3.2 Levy history for Lot 23

Financial year	Admin fund budget	Capital works fund budget	Lot 23 admin / quarter	Lot 23 capital works / quarter	Lot 23 total / quarter	Change
FY2024	\$310,000	\$120,000	\$1,643.00	\$636.00	\$2,279.00	—
FY2025	\$348,000	\$150,000	\$1,844.40	\$795.00	\$2,639.40	+15.8%
FY2026 (current)	\$412,000	\$186,000	\$2,183.60	\$985.80	\$3,169.40	+20.1%
FY2027 (draft, to AGM)	\$468,000	\$260,000	\$2,480.40	\$1,378.00	\$3,858.40	+21.7%

Until the AGM strikes new levies, the 1 October 2026 instalment is payable at the FY2026 rate of \$3,169.40. If the draft budget is adopted, Lot 23’s annual levies would be **\$15,433.60**, excluding special levies.

3.3 Lot 23 levy ledger (1 January 2026 to 29 September 2026)

Due date	Description	Amount	Paid	Balance owing
1 Jan 2026	Quarterly levy (admin \$2,183.60 + capital works \$985.80)	\$3,169.40	14 Jan 2026	\$0.00
1 Apr 2026	Quarterly levy	\$3,169.40	28 Apr 2026	\$0.00
1 Apr 2026	Special levy SL-1, instalment 1 of 3	\$6,360.00	29 Apr 2026	\$0.00
1 Jul 2026	Quarterly levy	\$3,169.40	Unpaid	\$3,169.40
1 Jul 2026	Special levy SL-1, instalment 2 of 3	\$6,360.00	Unpaid	\$6,360.00
to 29 Sep 2026	Interest at 10% a year from 1 August 2026 (59 days on \$9,529.40)	\$154.04	Unpaid	\$154.04
Arrears at 29 September 2026				\$9,683.44
1 Oct 2026	Quarterly levy (notice issued 1 September 2026)	\$3,169.40	Not yet due at inspection	—
1 Oct 2026	Special levy SL-1, instalment 3 of 3	\$6,360.00	Not yet due at inspection	—
Total payable on 1 October 2026 if arrears are not cleared (plus further interest)				\$19,212.84

A reminder was sent on 15 July 2026 and a final notice on 1 September 2026. The ledger notes that the vendor’s managing agent asked for a payment plan on 9 September 2026; no plan had been agreed at the date of inspection. **An incoming owner can become jointly liable with the former owner for contributions that are unpaid when they become the owner.** Ask your conveyancer to make sure all arrears and interest are paid or adjusted at settlement, and obtain a levy certificate (section 184 certificate) close to settlement.

3.4 Scheme-wide arrears (arrears report dated 28 September 2026)

Fund	Arrears	Lots in arrears
Administrative fund	\$61,880.15	11 lots in total; 3 lots more than 60 days overdue (Lots 8, 23 and 44)
Capital works fund	\$27,402.60	
Special levy SL-1	\$97,137.25	
Total	\$186,420.00	About 31% of one year’s regular levies

Lot 8 owes \$24,316.70. The owners corporation obtained judgment against the owner of Lot 8 in the Local Court on 4 August 2026; enforcement is pending (section 8.3). High arrears put pressure on cash flow and may lead to further levy increases for owners who pay on time.

4. Administrative fund

The administrative fund pays for day-to-day running costs: insurance, management, cleaning, utilities, maintenance contracts and minor repairs. The FY2026 figures below are unaudited.

4.1 FY2026 budget compared with actual spending

Expense	Budget FY2026	Actual FY2026	Variance
Insurance premiums	\$132,000.00	\$164,820.00	-\$32,820.00
Strata management fees and disbursements	\$38,000.00	\$38,640.00	-\$640.00
Building manager	\$92,000.00	\$94,200.00	-\$2,200.00
Cleaning	\$32,000.00	\$31,580.00	\$420.00
Electricity (common property)	\$26,000.00	\$24,915.32	\$1,084.68
Water and sewerage	\$7,000.00	\$6,402.18	\$597.82
Lift maintenance and call-outs	\$28,000.00	\$33,870.00	-\$5,870.00
Fire services maintenance	\$17,500.00	\$18,960.00	-\$1,460.00
Repairs and maintenance	\$25,000.00	\$22,190.00	\$2,810.00
Legal fees (advice before the February 2026 EGM)	\$5,000.00	\$8,250.00	-\$3,250.00
Audit, tax and accounting	\$5,000.00	\$4,950.00	\$50.00
Sundry (bank fees, meeting costs, postage)	\$4,500.00	\$4,460.95	\$39.05
Total	\$412,000.00	\$453,238.45	-\$41,238.45

The budget adopted at the AGM on 27 November 2025 used the broker's indicative insurance renewal of \$132,000. The final premium, set on 30 November 2025 after the insurer applied a loading for the cladding, was \$164,820.

4.2 Fund position at 30 September 2026

Opening balance 1 October 2025	\$52,118.40
Levies raised	\$412,000.00
Interest on arrears and other income	\$3,406.26
Expenditure	\$453,238.45
Closing balance 30 September 2026	\$14,286.21
Administrative levies unpaid (included in the balance above)	\$61,880.15
Unpaid creditors at 28 September 2026	\$22,940.00 (including a lift contractor invoice of \$8,420.00)

Because the closing balance includes unpaid levies, the cash actually available is lower than the balance suggests. In his report to the committee of 18 August 2026 the strata manager said the fund “cannot meet creditors as they fall due” without a short-term transfer. The notice for the 2026 AGM proposes a motion to transfer **\$40,000 from the capital works fund to the administrative fund**, to be repaid within the period set out in the motion.

4.3 Draft FY2027 administrative budget

The draft budget of \$468,000 (+13.6%) allows \$198,000 for insurance (the broker expects \$190,000 to \$230,000 if the policy is renewed at all), \$41,500 for lift maintenance under the new comprehensive contract, and \$24,000 for legal fees not covered by the special levy.

5. Special levies

5.1 Special levy SL-1 — legal costs and urgent works (raised)

Resolution	EGM of 18 February 2026, motion 2 (carried 29 votes to 11)
Total	\$900,000: \$520,000 for legal and expert costs of the defects proceedings and \$380,000 for urgent make-safe works
Instalments	Three equal instalments of \$300,000, due 1 April 2026, 1 July 2026 and 1 October 2026
Lot 23 share	\$19,080.00 in total, i.e. \$6,360.00 per instalment
Lot 23 status	Instalment 1 paid; instalment 2 unpaid; instalment 3 due 1 October 2026
Held in	A separate special levy ledger within the capital works fund

SL-1 ledger at 28 September 2026

Item	Amount
Instalments 1 and 2 raised	\$600,000.00
Less: unpaid by owners	-\$97,137.25
Collected	\$502,862.75
Legal and expert fees paid	-\$164,300.00
Make-safe works paid (temporary membranes to six balconies; B2 pump and drainage upgrade)	-\$286,450.00
Balance	\$52,112.75

Legal costs *incurred* to the end of August 2026 total \$312,500, of which \$148,200 has been billed but not yet paid or is work in progress. The solicitors estimate total costs to the end of a trial at about \$780,000, so the \$520,000 legal allowance in SL-1 is expected to run out in mid-2027. **A further special levy for legal costs is likely** unless the case settles.

5.2 Proposed special levy SL-2 — cladding remediation (AGM 26 November 2026)

Proposed by	Strata committee resolution of 18 August 2026
Total	\$2,400,000 (cladding removal and replacement, scaffolding, design, approvals and a 15% contingency)
Instalments	Four quarterly instalments of \$600,000 from 1 February 2027
Lot 23 share	\$50,880.00 in total, i.e. \$12,720.00 per instalment
Alternative being explored	A strata loan of up to \$2.4 million over 10 years. Repayments would be funded through higher capital works levies (about \$7,240 a year for Lot 23 at the indicative 7% interest rate quoted). A loan requires a resolution at a general meeting.

If the cladding levy is struck at the AGM, the instalments will fall due after a settlement in late 2026 and will normally be payable by the new owner. Purchasers should ask their conveyancer whether a special condition dealing with special levies is appropriate.

5.3 Earlier special levies

No special levies were raised between registration in 2020 and February 2026.

6. Capital works fund and 10-year forecast

6.1 FY2026 movements (excluding the SL-1 special levy ledger)

Item	Amount
Opening balance 1 October 2025	\$402,615.30
Capital works levies raised	\$186,000.00
Interest earned	\$8,112.44
Building defects report and facade inspections (Sample Building Consultants)	-\$72,600.00
Lift 2 controller replacement	-\$64,880.00
Fire engineering design for cladding remediation, stage 1 (of \$64,000 approved)	-\$38,400.00
Intercom replacement	-\$28,940.00
Car park entry door motor	-\$12,260.00
Closing balance 30 September 2026	\$379,647.74

Including the SL-1 ledger balance of \$52,112.75, the total held in the capital works fund was \$431,760.49. Capital works levies of \$27,402.60 were unpaid.

6.2 The 10-year capital works fund plan

The current plan was prepared by Sample Quantity Surveyors Pty Ltd (fictional) and dated 3 May 2022. It must be reviewed at least every five years, so a review is due by **May 2027**. The plan **assumes that all building defects and the cladding will be fixed at the developer's cost** and contains no allowance for them. It also allowed only \$260,000 for lift modernisation, compared with current quotes of \$380,000 to \$420,000.

The forecast below was prepared by the strata manager in August 2026 for budgeting. It uses the plan's works program, indexed costs, the highest lift quote, and capital works contributions starting at the current \$186,000 a year and increasing by 3% a year.

Year	Opening balance	Contributions	Interest	Major works planned	Spending	Closing balance
FY2027	\$379,648	\$186,000	\$7,000	Modernisation of both lifts	\$420,000	\$152,648
FY2028	\$152,648	\$191,580	\$3,000	External repainting and sealant renewal (excluding cladding); car park line marking	\$328,000	\$19,228
FY2029	\$19,228	\$197,327	\$500	Rooftop terrace membrane and pavers; CCTV upgrade	\$246,000	-\$28,945
FY2030	-\$28,945	\$203,247	\$0	Hot water plant replacement; lobby and corridor carpets	\$233,000	-\$58,698
FY2031	-\$58,698	\$209,344	\$0	Fire indicator panel replacement; fire pumps	\$138,000	\$12,646
FY2032	\$12,646	\$215,624	\$300	Garage doors and gates; balustrade upgrades	\$174,000	\$54,570
FY2033	\$54,570	\$222,093	\$1,100	Access control; internal common area painting	\$156,000	\$121,763
FY2034	\$121,763	\$228,756	\$2,400	Common area air-conditioning; stormwater pumps	\$116,000	\$236,919
FY2035	\$236,919	\$235,619	\$4,700	Switchboards and LED lighting; planter box waterproofing	\$138,000	\$339,238
FY2036	\$339,238	\$242,688	\$6,800	Facade sealant renewal (15-year cycle)	\$186,000	\$402,726

6.3 Inspector's comments

- At current contribution levels the fund falls into **deficit in FY2029 and FY2030**. The draft FY2027 capital works budget of \$260,000 would reduce, but not remove, the shortfall unless the lift work is staged.
- The forecast excludes defect rectification (about \$2,360,000) and cladding replacement (\$2,380,000). Anything not recovered in the court case will need further special levies or a strata loan.
- If the roof terrace membrane is fixed as part of the defects claim, the FY2029 spending would fall by \$210,000.
- The \$40,000 transfer to the administrative fund proposed for the AGM would reduce the FY2027 opening balance.

7. Building defects, cladding and remediation

7.1 Reports on file

Report	Author (fictional)	Date	Summary
Facade fire engineering assessment	Sample Fire Engineering Pty Ltd	7 April 2025	Confirms polyethylene-core aluminium composite panels on the northern and eastern facades and the balcony soffits of Levels 2–8, about 1,150 m². Rates the facade fire risk as high and recommends full replacement with non-combustible panels.
Building defects report	Sample Building Consultants Pty Ltd	23 September 2025	Identifies 8 defect categories. Estimated rectification cost \$4,740,000 including cladding. Classifies items 1, 2, 3, 4 and 6 as likely “major defects” under the <i>Home Building Act 1989</i> (NSW).
Annual fire safety statement 2025	Sample Fire Services (accredited practitioner)	15 December 2025	Lodged with two essential fire safety measures not meeting the standard of performance: fire doors (19 doors) and fire-stopping of service penetrations.

7.2 Defects register

#	Defect	Location	Estimated cost	Status
1	Failed balcony waterproofing membranes; water entering lots below and corroding balcony slab edges	24 balconies, Levels 3–8 (including the Lot 23 balcony, which shows staining to the soffit below)	\$1,120,000	Temporary membranes to 6 worst balconies (May 2026); permanent repair in claim
2	Water entering through the B2 retaining wall; efflorescence; exposed and corroding reinforcement	Basement B2, eastern wall	\$640,000	Pump and drainage upgraded (June 2026); structural repair in claim
3	Inadequate fire-stopping of service penetrations between floors	Service risers, all levels	\$185,000	In claim; referred to in the council notice
4	Combustible cladding (polyethylene-core aluminium composite panels)	Northern and eastern facades; balcony soffits Levels 2–8	\$2,380,000	Design under way; funding proposed (SL-2); in claim
5	Deteriorated roof membrane and drummy pavers	Rooftop communal terrace	\$210,000	In claim
6	Non-compliant fire doors (gaps, missing self-closers, non-compliant tags)	19 doors, stair and corridor	\$68,000	In claim; interim repairs to 7 doors done in August 2026
7	Concrete cracking and spalling	Car park ramp between B1 and B2	\$95,000	In claim
8	Render cracking, paint failure, minor items	Various	\$42,000	Out of the statutory warranty period; owners corporation to fund
Total estimated rectification cost			\$4,740,000	

7.3 Council notice of intention to give a fire safety order

On 14 July 2026 the local council gave the owners corporation notice that it intends to issue a fire safety order covering the cladding, fire doors and fire-stopping (reference FSO-2026-0000, sample). The notice asks for a remediation plan, prepared by a fire engineer, within 90 days (by **12 October 2026**), and indicates that the order would require the work to be finished within 18 months. On 18 August 2026 the committee instructed Sample Fire Engineering to prepare the plan. The minutes do not confirm that the plan will be ready by 12 October 2026. If a fire safety order is issued, the owners corporation must comply with it regardless of the outcome of the court case.

7.4 Statutory warranty and limitation dates

- The six-year statutory warranty period for major defects ends on **9 November 2026**. The court proceedings were started on 9 March 2026, within the period, for the defects then identified. Any new major defects found after that date may not be claimable under the statutory warranties.
- Claims in negligence under the *Design and Building Practitioners Act 2020* (NSW) are pleaded in the alternative and are generally subject to a 10-year long-stop limitation period.
- The builder is in liquidation. The developer, Example Developments Pty Ltd, is a single-project company. The solicitors’ report of 10 August 2026 warns that even a successful judgment may not be fully recoverable.

7.5 Remediation timeline (indicative, from the strata manager’s report of 18 August 2026)

Step	Target date
Fire engineer’s remediation plan to council	12 October 2026
Cladding special levy or loan decided at AGM	26 November 2026
Tender for cladding works	February–March 2027
Cladding works (scaffold on two elevations, about 9 months)	May 2027 – February 2028
Balcony and B2 permanent repairs	After the court case is resolved; not scheduled

During the cladding works, balconies on the northern and eastern elevations, including Lot 23’s, are expected to be unusable for periods of several weeks, and scaffolding will cover windows. This may affect rent and the tenant’s quiet enjoyment.

8. Legal proceedings, orders and disputes

8.1 Supreme Court of NSW — building defects

Proceedings	<i>The Owners – Strata Plan No 91234 v Example Developments Pty Ltd & Anor</i> , Technology and Construction List, no. 2026/00000 (sample)
Commenced	9 March 2026, authorised by resolution at the EGM of 18 February 2026 (carried 34 votes to 6)
Defendants	(1) Example Developments Pty Ltd, developer; (2) Apex Example Constructions Pty Ltd (in liquidation), builder — leave to proceed against the company in liquidation was granted on 21 April 2026
Claim	About \$4,698,000 plus interest and costs: breach of the statutory warranties under the <i>Home Building Act 1989</i> (NSW) and breach of the statutory duty of care under the <i>Design and Building Practitioners Act 2020</i> (NSW), for defects 1–7 in section 7.2
Solicitors	Sample Construction Lawyers (fictional)
Status	The developer's defence was served on 28 September 2026. Next directions hearing 4 December 2026 . Court-ordered mediation is expected in the first half of 2027. A trial is unlikely before 2028.
Settlement offer	On 12 June 2026 the developer made an offer of \$650,000 inclusive of costs, open for 28 days. On legal advice the committee rejected it on 16 June 2026. The offer may be relied on in arguments about costs if the owners corporation recovers less at trial.
Costs	\$312,500 incurred to 31 August 2026; estimate to the end of trial about \$780,000. If the claim fails, the owners corporation may be ordered to pay part of the developer's costs.

8.2 NSW Civil and Administrative Tribunal (NCAT)

Matter	Parties	Details	Next date
SC 26/00000 (sample)	Owner of Lot 31 v The Owners – SP 91234	Claim of \$48,500 for damage to floors and ceilings and lost rent, alleging the owners corporation failed to repair the leaking common property balcony above (failure to maintain and repair common property). The owners corporation's insurer declined the related claim (section 9.3), so any award would be paid from the administrative fund.	Hearing 12 November 2026
SC 26/00001 (sample)	The Owners – SP 91234 v Owner of Lot 42	Application for a civil penalty for repeated breaches of special by-law 9 (short-term letting) after two notices to comply (June and July 2026). The owner of Lot 42 has said they will argue the by-law is invalid.	Conciliation 20 October 2026

8.3 Local Court — levy recovery

Judgment for \$24,316.70 plus costs was entered against the owner of Lot 8 on 4 August 2026. A writ for the levy of property was being prepared at the date of inspection.

8.4 Notices to comply and orders affecting Lot 23

- **Notice to comply with by-law 14 (floor coverings)**, issued 21 August 2026 to the owner of Lot 23. It requires the owner, within 60 days (by **20 October 2026**), either to provide an acoustic engineer's certificate showing that the timber floors meet the by-law standard, or to replace them with compliant floor coverings. See section 10.3.
- No orders of NCAT or any court have been made against Lot 23.

8.5 Other disputes recorded in the minutes

- Owners of Lots 42 and 44 (both investors) dispute the validity of the short-term letting by-law.
- Several owners objected at the EGM to the size of SL-1. The owner of Lot 44 asked for a hardship payment plan; none had been approved.
- At the 2025 AGM the owner of Lot 12 raised a possible conflict of interest of a committee member who had worked for a related company of the developer. The member declared the interest and left the room for the defects discussion; no further action was taken.
- Ongoing complaints between the commercial tenant of Lot 1 (café) and residents about grease-trap odours and early-morning deliveries.

9. Insurance

9.1 Current policy

Insurer	Example Mutual Insurance Ltd (fictional)
Broker	Sample Insurance Brokers Pty Ltd (fictional)
Policy number	SMP-0000-SAMPLE
Period	4:00 pm 30 November 2025 to 4:00 pm 30 November 2026
Premium	\$164,820.00 including GST and charges (previous year \$116,890.00; up 41%)
Commissions disclosed	Broker 20% of base premium; strata manager \$6,120 (disclosed at the AGM of 27 November 2025)

9.2 Covers and excesses

Cover	Sum insured	Excess / notes
Building (replacement and reinstatement)	\$38,500,000	\$10,000 standard excess
Loss of rent and temporary accommodation	\$5,775,000	15% of the building sum insured
Common contents	\$385,000	\$10,000
Water damage (any cause)	Included	\$50,000 excess for each and every water damage claim (endorsement E-09)
Public liability	\$30,000,000	\$1,000 excess
Office bearers' liability	\$1,000,000	\$2,500
Fidelity guarantee	\$250,000	Nil
Voluntary workers	\$200,000 death / \$2,000 a week	7-day waiting period
Machinery breakdown	\$100,000	\$1,000
Government audit costs / appeal expenses / legal defence	\$25,000 / \$100,000 / \$50,000	Legal defence excludes the defects proceedings
Lot owners' fixtures and improvements	\$250,000 per lot	\$10,000
Workers compensation	As required by law	The owners corporation has no direct employees

Exclusion E-14: the policy excludes any loss, damage or liability arising from the combustibility of external cladding, or from the defects identified in the Sample Building Consultants report of 23 September 2025.

9.3 Claims history

Date of loss	Description	Amount	Outcome
12 Feb 2025	Water ingress into Lot 31 from the balcony above	\$46,300	Declined — gradual damage and defective workmanship exclusions
3 Aug 2025	Lift 2 motor failure	\$18,400	Paid less \$1,000 excess
21 May 2026	Storm water entering basement B2	\$41,860	Below the \$50,000 water damage excess; withdrawn

9.4 Renewal and valuation

- In a letter dated 18 August 2026 the insurer said renewal will depend on receiving a cladding remediation plan with evidence that the work is funded. Without it, the insurer may decline to renew or apply a further loading. The broker has approached two other insurers; neither had quoted at the date of inspection.
- The last replacement-cost valuation was prepared by Sample Valuers Pty Ltd (fictional) on 15 March 2021 at \$34,900,000. The sum insured has since been indexed to \$38,500,000. Owners corporations must have the building valued for insurance at least once every five years, so a new valuation was due by **15 March 2026 and is overdue**. A valuation is on the draft AGM agenda. If the building is under-insured, owners could face a shortfall after a major loss.
- If the policy is not renewed by 30 November 2026, the owners corporation would be in breach of its duty to insure, and lenders may decline to finance purchases in the building.

10. By-laws

The by-laws were consolidated by a change of by-laws registered on 2 May 2026 (dealing AU000000, sample). The scheme adopted by-laws based on the model by-laws for residential schemes at registration in 2020, with the special by-laws listed below. Purchasers and their tenants are bound by all registered by-laws.

10.1 Summary of registered by-laws

No.	Title	Key terms
1–3	Vehicles, parking and car spaces	No parking on common property; car spaces are for registered vehicles only; no storage of goods in car spaces.
4	Changes to common property	No changes to common property without approval, except as allowed by the Act or a special by-law.
5–7	Noise, behaviour and children	No noise likely to interfere with the peaceful enjoyment of others, especially between 10:00 pm and 7:00 am.
8	Smoking	No smoking on common property. Smoke from a lot or balcony must not penetrate other lots or common property.
9	Appearance of lot	No washing, signs or items visible from outside the building on balconies above the balustrade height.
10	Garbage and recycling	Waste to be placed in the B1 garbage room; bulky items by arrangement with the building manager.
11	Keeping of animals	See section 10.2.
12	Moving furniture	Lift must be booked with the building manager 48 hours in advance; lift protection pads to be used; moves between 8:00 am and 6:00 pm only.
13	Window coverings and safety devices	Window coverings visible from outside must be white or off-white; window safety devices must not be removed.
14	Floor coverings	See section 10.3.
Special 3	Renovations	See section 10.4.
Special 5	Lot 23 air-conditioning	See section 10.5.
Special 6	Exclusive use — commercial lots	Lots 1 and 2 have exclusive use of the footpath dining area and are responsible for its cleaning, repair and public liability insurance.
Special 7	Electric vehicle chargers	Owners may install a charger in their own car space at their own cost with committee approval; it must be connected to a separate sub-meter and the load management system; the owner is responsible for maintenance and removal.
Special 8	Exclusive use — penthouse roof areas	Lots 46, 47 and 48 have exclusive use of the adjoining roof areas and must maintain their membranes and planters.
Special 9	Short-term rental accommodation	See section 10.6.
Special 10	Rooftop terrace	Open 7:00 am to 10:00 pm; maximum 20 people; bookings for exclusive use limited to 4 hours; \$250 cleaning bond.

10.2 Pets (by-law 11)

An owner or occupier may keep an animal in their lot with the prior written approval of the strata committee, which must not unreasonably refuse approval. The committee may impose reasonable conditions. No more than two animals may be kept in a lot without further approval. Dogs must be leashed, and cats carried, on common property; animals are not permitted on the rooftop terrace. The owner must clean up after the animal and is liable for any damage it causes to common property. Assistance animals do not need approval, but the committee must be notified and may ask for evidence that the animal is an assistance animal. (Records show 14 approved animals in the building, none of them in Lot 23.)

10.3 Floor coverings (by-law 14) and the Lot 23 notice to comply

An owner must not install or replace hard floor coverings (timber, laminate, tiles, vinyl plank or similar) in any room other than a kitchen, bathroom or laundry without the prior written approval of the strata committee. Approval requires an acoustic engineer's report confirming that the installed floor achieves an impact sound rating of **L'nT,w 50 or better** (equivalent to the AAAC 4-star rating) with a minimum 5 mm acoustic underlay, and the owner must give a post-installation acoustic test certificate within 30 days of completing the work.

Lot 23: The strata committee minutes of 14 April 2026 record complaints from the occupier of Lot 18 (Apartment 404, directly below) about footfall and furniture noise since mid-2024. An inspection on 6 May 2026 by the building manager confirmed timber floating floors in the living area and both bedrooms. No approval application or acoustic report is on file. The notice to comply issued on 21 August 2026 requires compliance by **20 October 2026**. If it is not complied with, the owners corporation may apply to NCAT for a civil penalty and an order to rectify. The obligation attaches to the lot, so **a purchaser may inherit the cost of compliance** (indicatively \$9,000 to \$14,000 to replace the floors with compliant flooring and underlay, or the cost of acoustic testing if the floors already comply).

10.4 Renovations (special by-law 3, 2021)

- **Cosmetic work** (for example painting, hanging pictures, installing built-in wardrobes) may be done without approval, as allowed by the Act.
- **Minor renovations** (for example kitchen renovations, changing internal walls that are not structural, wiring or recessed lighting, and floor coverings) require approval by the strata committee, which the general meeting has delegated to the committee.

- **Major renovations** (anything involving structural changes, waterproofing, or changes to the external appearance) require a special resolution at a general meeting and, if they affect common property, a by-law.
- Work hours: 8:00 am to 5:00 pm Monday to Friday and 8:00 am to 1:00 pm Saturday. No work on Sundays or public holidays. Noisy work (drilling or jack-hammering) only between 9:00 am and 3:00 pm on weekdays.
- A refundable bond of **\$2,000** is payable before work starts. Contractors must be licensed and insured (minimum \$20 million public liability).
- Bathroom work requires a licensed waterproofer and a waterproofing certificate complying with AS 3740, provided to the strata manager within 14 days of completion.
- The owner is responsible for the ongoing maintenance of the renovation and must indemnify the owners corporation against any damage it causes.

10.5 Lot 23 air-conditioning (special by-law 5, 2022)

Gives the owner of Lot 23 the right to keep a ducted air-conditioning condenser on the balcony and the associated pipework and penetrations through common property. The owner of Lot 23 for the time being must maintain, repair and replace these works at their own cost, keep them insured under a public liability policy of at least \$20 million, and indemnify the owners corporation. During the balcony waterproofing and cladding works the owner of Lot 23 must, at their own cost, disconnect and reinstate the condenser if the owners corporation asks. **These obligations pass to a purchaser.**

10.6 Short-term rental accommodation (special by-law 9, 2026)

Made by special resolution at the EGM of 18 February 2026 and registered on 2 May 2026. It prohibits any lot from being used for short-term rental accommodation (a letting of 21 days or less) **unless the lot is the host's principal place of residence**. Hosts who are allowed to let must register under the state short-term rental accommodation register, give the building manager the guest's name and dates at least 24 hours before arrival, and ensure guests comply with the by-laws. Breaches may lead to a notice to comply and civil penalties imposed by NCAT. Lot 23 is currently let on a 12-month lease, which is not affected.

11. Meetings and minutes

11.1 Annual general meeting — 27 November 2025

Held at the rooftop terrace and online. Quorum present: 31 of 48 lots in person, by proxy or electronically.

No.	Motion	Result
1	Confirm minutes of the 2024 AGM	Carried
2	Adopt FY2025 financial statements and auditor's report	Carried
3	Renew insurances on the broker's recommendation; disclosure of commissions noted	Carried
4	Adopt FY2026 budgets (admin \$412,000; capital works \$186,000) and strike levies	Carried, 27 for and 4 against
5	Elect a strata committee of seven	Seven nominees elected unopposed
6	Authorise the committee to obtain legal advice and expert reports on building defects, up to \$60,000	Carried
7	Install EV charging backbone in the car park (\$148,000 from the capital works fund)	Lost, 12 for and 19 against
8	Adopt a by-law restricting short-term letting	Not put; deferred to an EGM because of insufficient notice
9	(Motion by the owner of Lot 31) Repair the balcony waterproofing above Lot 31 urgently	Carried; referred to the committee
10	Adopt a debt recovery policy	Carried

General business: owners raised the repeated breakdowns of lift 2, odour complaints about the café, and a possible conflict of interest of a committee member (see section 8.5). The minutes record that discussion “became heated” and the chair adjourned the meeting for ten minutes.

11.2 Extraordinary general meeting — 18 February 2026

Quorum present: 40 of 48 lots.

No.	Motion	Result
1	Commence proceedings in the Supreme Court against the developer and builder for building defects, and retain Sample Construction Lawyers	Carried, 34 for and 6 against
2	Raise special levy SL-1 of \$900,000 in three instalments	Carried, 29 for and 11 against
3	Make special by-law 9 (short-term rental accommodation) — special resolution	Carried; votes against were 14.6% of unit entitlement
4	Engage Sample Fire Engineering to design the cladding remediation (up to \$64,000 from the capital works fund)	Carried

The owners of Lots 42 and 44 recorded objections to motion 3 and said they may challenge the by-law. The owner of Lot 44 described SL-1 as “unaffordable” and asked for a payment plan.

11.3 Strata committee meetings

Date	Main items
14 April 2026	Approved make-safe contractor for six balconies (\$168,000). Reviewed arrears and authorised Local Court action against Lot 8. Noted noise complaint from Lot 18 about Lot 23's floors; resolved to inspect and write to the owner of Lot 23. Approved one pet application (Lot 9).
16 June 2026	Considered the developer's \$650,000 settlement offer of 12 June 2026; rejected it on the solicitors' advice (five in favour of rejecting, one against). Tom Nguyen (Lot 7) resigned from the committee. Noted lift 2 out of service for 19 days in May–June and asked for modernisation quotes. Noted the storm-water entry into B2 on 21 May and approved the pump upgrade (\$118,450).
18 August 2026	Considered the insurer's renewal letter and the council's notice of 14 July 2026. Instructed the fire engineer to prepare the remediation plan. Resolved to issue a notice to comply to Lot 23 (by-law 14). Resolved to propose SL-2 (\$2.4 million) and a \$40,000 fund transfer at the AGM, to seek strata loan quotes, and to commission an insurance valuation. Received lift modernisation quotes of \$380,000 and \$420,000. Noted the strata manager's report on the administrative fund cash position.

11.4 Next general meeting

The AGM is scheduled for **Thursday 26 November 2026** at 6:30 pm. Draft motions include: FY2027 budgets and levies; special levy SL-2 (\$2,400,000) or, alternatively, a strata loan; transfer of \$40,000 from the capital works fund to the administrative fund; insurance renewal and a new replacement valuation; lift modernisation (\$420,000); review of the 10-year capital works fund plan; and an update on the defects proceedings (in camera, to protect legal privilege).

12. Correspondence, notices and contracts

12.1 Correspondence of note (last 12 months)

Date	From / to	Summary
9 Oct 2025	Owner of Lot 31 to strata manager	Reports a further leak through the ceiling during rain; asks for urgent repairs and says they will claim compensation.
12 Jun 2026	Developer's solicitors to Sample Construction Lawyers	Settlement offer of \$650,000 inclusive of costs, open for 28 days.
14 Jul 2026	Local council to owners corporation	Notice of intention to give a fire safety order (cladding, fire doors, fire-stopping); remediation plan due within 90 days.
10 Aug 2026	Sample Construction Lawyers to strata committee	Advice on prospects, recoverability against a single-project developer and updated costs estimate (\$780,000 to trial). Privileged; summary only provided to the inspector.
18 Aug 2026	Insurer (via broker) to owners corporation	Renewal conditional on a funded cladding remediation plan.
21 Aug 2026	Strata manager to owner of Lot 23	Notice to comply with by-law 14 (floor coverings) within 60 days.
1 Sep 2026	Strata manager to owner of Lot 23	Final notice for unpaid levies and special levy instalment 2; warns of referral to the debt collector after 30 days.
9 Sep 2026	Managing agent for Lot 23 to strata manager	Asks for a payment plan for the arrears and mentions that the lot is being sold.
22 Sep 2026	Occupier of Lot 18 to strata committee	Says the footfall noise continues and asks when the notice to comply will be enforced.

12.2 Contracts register

Contract	Contractor (fictional)	Annual value	Expiry
Strata management agency agreement	Sample Strata Management Pty Ltd	\$38,640	30 June 2027
Building management	Example Building Services Pty Ltd	\$96,800	31 March 2028
Lift maintenance (comprehensive from 1 October 2026)	Sample Lifts Pty Ltd	\$41,500	30 June 2027
Fire services maintenance	Sample Fire Services Pty Ltd	\$17,600	Annual, renews 1 December
Cleaning	Demo Cleaning Co.	\$31,200	Month to month
Embedded electricity network	Sample Energy Pty Ltd	Usage based	19 November 2030

Embedded network: the building has a private electricity network. Residents buy electricity from Sample Energy Pty Ltd under the network agreement signed by the developer before registration. Residents may choose another retailer only by paying for a separate meter and connection; the owners corporation cannot end the agreement early without paying an exit fee set by a formula in the agreement.

12.3 Work health and safety, and essential services

- Asbestos register: not applicable (building completed in 2020).
- WHS risk assessment of common property last done in March 2025; it flagged the balcony soffit staining and the B2 water as hazards.
- Annual fire safety statement due by **15 December 2026**. The 2025 statement noted two measures not meeting the standard (section 7.1).
- Swimming pool: none.

13. Key dates

Date	Event	Section
1 October 2026	Quarterly levy (\$3,169.40) and special levy SL-1 instalment 3 (\$6,360.00) due for Lot 23; arrears of \$9,683.44 already overdue	3, 5
12 October 2026	Fire engineer's remediation plan due to council	7.3
20 October 2026	Deadline under the Lot 23 notice to comply (floor coverings)	8.4, 10.3
20 October 2026	NCAT conciliation: owners corporation v owner of Lot 42 (short-term letting)	8.2
9 November 2026	Six-year statutory warranty period for major defects ends	7.4
12 November 2026	NCAT hearing: owner of Lot 31 v owners corporation (\$48,500)	8.2
26 November 2026	AGM: FY2027 budgets, special levy SL-2 (\$2.4 million) or strata loan, fund transfer, valuation, lifts	11.4
30 November 2026, 4:00 pm	Building insurance expires; renewal not yet confirmed	9
4 December 2026	Supreme Court directions hearing (defects proceedings)	8.1
15 December 2026	Annual fire safety statement due	12.3
31 January 2027	Lot 23 residential lease ends	2.2
1 February 2027	First SL-2 instalment (\$12,720 for Lot 23), if adopted	5.2
May 2027	10-year capital works fund plan review due	6.2
30 June 2027	Strata management agency agreement and lift contract expire	2.4, 12.2
19 November 2030	Embedded electricity network agreement expires	12.2

Overdue at the date of inspection: insurance replacement valuation (due 15 March 2026).

14. Questions to ask before exchange

1. Will the vendor pay all Lot 23 levy arrears, interest and the 1 October 2026 instalments before or at settlement? Ask for an updated levy certificate.
2. Who will pay special levy SL-2 if it is struck at the 26 November 2026 AGM, and should the contract include a special condition about it?
3. Has the vendor obtained an acoustic report for the timber floors? If not, will the vendor fix the floors before settlement or reduce the price?
4. Was the fire engineer's remediation plan lodged with council by 12 October 2026? Has a fire safety order been issued?
5. Has the building insurance been renewed from 30 November 2026, on what premium and excesses, and has the new valuation been done?
6. Will your lender finance a purchase in a building with combustible cladding and current defects litigation?
7. What is the latest legal advice on the defects case, including the risk of an adverse costs order after the rejected settlement offer?
8. Has the scheme decided between a special levy and a strata loan for the cladding, and what would loan repayments add to levies?
9. When will the balconies on the northern and eastern sides be out of use during the cladding works, and how will that affect the tenant?
10. Are there any further notices, orders or complaints about Lot 23 since 29 September 2026?
11. Has the outcome of the Lot 31 NCAT claim been decided, and how will any award be funded?
12. When will the capital works fund plan be reviewed, and will it include an allowance for unrecovered defect costs?

15. Scope, records inspected, limitations and glossary

15.1 Scope of this inspection

This report summarises the records of the owners corporation that were made available to the inspector on 29 September 2026. The inspector did not inspect the building or Lot 23, did not verify the accuracy of the records, and did not obtain information from council, NSW Land Registry Services, NCAT, the courts, the insurer or any other third party. Where records were missing or incomplete, this is noted in section 15.2. Amounts described as unaudited may change when the FY2026 audit is completed.

15.2 Records inspected

Strata roll; registered by-laws and dealing for the consolidation registered 2 May 2026; minutes of the 2024 and 2025 AGMs, the February 2026 EGM and strata committee meetings from October 2025 to August 2026; FY2024–FY2026 financial statements and levy ledgers; arrears report dated 28 September 2026; the 10-year capital works fund plan (May 2022); insurance schedule, renewal correspondence and claims register; building defects report (September 2025); facade fire engineering assessment (April 2025); solicitors' reports to the committee; NCAT and court documents held on file; correspondence register; contracts register; annual fire safety statement for 2025.

Not available or incomplete: the full exchange of correspondence with council about the proposed fire safety order (only the council's notice of 14 July 2026 and the committee's acknowledgement were on file); the developer's defence (served 28 September 2026, not yet uploaded); the audited FY2026 financial statements (audit not yet complete).

15.3 Limitations

- This report is not legal, financial, building or insurance advice. You should obtain advice from a solicitor or licensed conveyancer, and where relevant a building consultant and your lender, before entering into a contract.
- Records change after the date of inspection. Levy amounts, arrears, meeting outcomes and the status of proceedings may be different by the time of exchange or settlement.
- Estimates of rectification costs are taken from reports and quotes held by the owners corporation and have not been checked.
- Lot shares of costs are calculated on unit entitlement and assume that each cost is levied in the ordinary way.

15.4 Glossary

Term	Meaning in this report
Administrative fund	The fund for day-to-day running costs of the scheme.
Capital works fund	The fund for larger, less frequent costs such as painting, replacing equipment and major repairs (formerly the "sinking fund").
Unit entitlement	The number given to each lot in the strata plan that sets its share of levies and its voting weight on a poll.
Special levy	A one-off contribution raised by a general meeting for costs that the funds cannot meet.
Special resolution	A resolution where the votes against are not more than 25% of the votes cast (by number or by unit entitlement, as applicable).
Notice to comply	A formal notice from the owners corporation requiring an owner or occupier to stop breaching a by-law.
NCAT	The NSW Civil and Administrative Tribunal, which deals with most strata disputes.
Major defect	A defect in a major element of a building (such as fire safety systems, waterproofing or the structure) that is likely to make the building uninhabitable, threaten its collapse or destroy part of it.
ACP	Aluminium composite panel. Panels with a polyethylene core are combustible.
Section 184 certificate	A certificate from the owners corporation stating the levies and other amounts owing for a lot, used at settlement.
Embedded network	A private electricity network that supplies a building through a single parent meter.

Alex Morgan
Senior Strata Inspector, Demo Strata Inspections Pty Ltd (fictional)
1 October 2026

END OF SAMPLE REPORT. Every name, company, address, plan number, case number, phone number, amount and date in this document is fictional and was created to test document-checking software. Phone numbers use ranges reserved for fictional use. It is not a real strata inspection report and must not be relied on.