

Further to an email dated 11/2/2026 from Rose McKergow (Director) –

Thank you Rose for inviting me to update my queries list to account for the information provided in the Clarification document issued on 9/2/2026 and information communicated at the Q&A meeting held on 10/2/2026. Unfortunately, the majority of my queries remain outstanding. The report and matters discussed at the meeting raise even more questions.

I have been a resident of the Sovereign Islands for 15 years, and I have always paid the levies. In the last 15 years, I have never questioned a levy notice, and I have never questioned the financial statements. It wasn't until late last year when I took a quick look at the financial statements, I could immediately see some discrepancies which raised some questions. Please bear in mind, it is the residents' money that the Directors are spending through the Sovereign Companies. The residents have trusted the Board of Directors to collect levies in order to pay for the on-site security services through the Gateway Company, and to conduct the affairs in the best interests of the company and residents. The residents that pay their levies should be allowed to understand how the Directors are choosing to spend their money, and if the expenditure relates to the purpose of the Sovereign Companies within the terms of their governing documents (Deeds and Constitution) and within the law (Corporations Act 2001 and Common Law). My updates are noted in blue text for ease of reference. My original queries remain in **black text**.

The below queries were emailed to the Board of Directors on 9/2/2026. The source of information for the queries were the 2024/2025 Financial Statements which were emailed to members on 12/9/2025 and the audit report dated 11/9/2025 (the 'September Financials').

On 9/2/2026, the company emailed a report to members titled "Independent Financial Clarification Study" (the 'Clarification Report'). I didn't see this report until in the late evening after I had already sent my queries list. Since this report was only emailed to members the day before the Q&A meeting, this did not leave sufficient time to review the report. Although this report is called "Independent", I believe the report is not Independent at all. On the top right hand side on the first page it states that Rose McKergow contributed to the study. Rose being a Director is not independent from the company. My understanding is that a report is considered independent if it is written/contributed by persons who have no stake in the company, not an officer of the company and is not personally acquainted with the Directors. There is no name of the author nor their qualification. The report does not address the core financial concerns raised by members. Also, there are some items which are addressed by "... are matters for the board and Strata management only", which demonstrates the Company's refusal to provide transparency. Along with the audit report, the two reports imply that the financial statements have been reviewed by two different experts and are correct, which I believe is not the case. The purpose of my queries and accompanying document is to bring some matters to your attention and to demonstrate why I believe that the 2024/2025 Financial Statements are not correct, so you have an opportunity to rectify them. I believe it is a breach of the Corporations Act 2001 for Directors to approve and 'pass' financial statements they know are incorrect.

When I was reading the Clarification Report, this was the first time I realised that the September Financials had been changed, because the Clarification Report referred to figures different to those presented on the September Financials. Having sifted through my old emails, I then found an email from the company dated 17/12/2025 which contained a Notice of AGM scheduled for 15/1/2026. This was a 53 page document that also contained a proposed amended Constitution and the second version of the 2024/2025 Financials were at the very end of the 53

page document. In the body of the email, it did not alert members that the attached document contained financials that had been changed (or what prompted the change), nor the proposed amended Constitution. It could be assumed that the financials contained in this 53 page document were the same as the September Financials, without having the time to sit down and go through the figures line by line comparing it to the September Financials. There was nothing noted in the email that would prompt a need for such comparison. Being just before Christmas, when a lot of people go away on holidays, and everyone shuts down for the Christmas break, this didn't allow time for members to realise the very important contents of the document, and if they did actually scroll through a 53 page document and read it all, it didn't allow time to seek their own legal advice. This second version of the 2024/2025 Financials included an auditors report signed and dated 24/11/2025 (the 'November Financials').

**What prompted the requirement to change the 2024/2025 Audited Financial Statement dated in September 2025 and issue a new version of Audited Financial Statements dated in November 2025?**

On 10/2/2026 a Q&A meeting was held. This meeting was intended to serve as a forum for members to present questions to the Board of Directors concerning financial matters, and for the Board to deliver comprehensive responses. However, a lot of responses lacked clarity, and there were also instances where inaccuracies were communicated. The Directors were not forthcoming with some information until they were pressed by members. For example, when it was raised that only \$100 of share capital is showing on the financials, it was revealed that \$1 shares have never been issued to lot owners (in breach of the governing documents). It was then asked who owns the 100 shares. One Director said no one owns them. Then various members insisted that someone has to own them, which then prompted a different Director to admit that the 5 Directors own all of the shares, 20 shares each. An example of inaccurate information being told to members is when a member asked how much the company has spent on legal fees so far. A Director answered saying approx \$100,000. The 'Clarification Report' emailed out to members just the day before stated on page 11 with reference to the legal fees "the downloaded Strata accounts for the next 6 months to Dec 2025, show an expense of \$97,930". Being approximately the same figure as what the Director said (\$100,000) members could actually believe that was true. The 'Clarification Report' initiation was announced by email on 21/1/2026, and finalised on 6/2/2026.

**Why did the 'Clarification Report' state \$97,930 when the amount was really \$154,469.03 on 21/1/2026? Why were the legal fees unnecessarily quoted with a historical date rather than a true current figure?**

**Then when the Directors were asked how much has been spent on legal fees so far, why did they respond with approx \$100,000 but it was really \$154,469.03 as at 4/2/2026 (a week before the Q&A meeting)?**

In addition to the incorrectly quoted legal fees, the Clarification Report also states on page 11 "While it is not required to be shown in the June accounts, it was known to the Directors as the legal case is mentioned in the Directors report at the time of the audit without an indication of potential cost". On the November Financials at Note 16 it states "The legal case is unresolved therefore any financial impact to the company can not be confirmed or documented". On the Directors Report it states "The financial impact or outcome of this case is unknown at the time of reporting". My understanding of the process is that Solicitors have a professional obligation to give their client a cost agreement before commencement of work, and an estimate of costs is

*provided to the client prior to the commencement of any work on their case, and it is regularly updated throughout the course of the proceedings to estimate each phase as the case progresses. I believe it is highly unlikely that the Directors did not know what the estimate of legal fees will be. Further, the disclosures regarding the legal case on the November Financials do not include the cause of action, nature and status of the proceedings, as required by s.300(15) of the Corporations Act 2001.*

*After reviewing the Clarification Report and attending the Q&A meeting on 10/2/2026, updates to my queries are noted below -*

### **Queries regarding the Sovereign Islands Gateway Company Ltd ('the Gateway Company') –**

The following statements quoted/summarised from documentation provided by the Gateway Company must be considered when addressing the below queries.

#### **A. Background –**

1. On 19<sup>th</sup> December 2016, the Gateway Company notified the residents of Sovereign Islands that on **9 December 2016** the Gateway Company and Precincts 3-6 companies officially took over the administration and management of the Sovereign Islands.
2. The Sovereign Islands is not a body corporate estate.
3. The Lots on the Sovereign Islands are Freehold Lots.
4. The Sovereign Islands system for collection of levies is based on Deeds.
5. The Gateway Company can only obtain financial contributions from owner members “in terms of **owners’ deeds as agreed with members**”.

#### **B. Summary of key statements from the Constitution dated October 2022 –**

1. Part 6.1 - Definition of Contribution - The contribution by each member are to meet the costs of the **Nightgate** including –
  - (a) ornamental gardens within the **Nightgate land**; and
  - (b) audit costs;
  - (c) security services;
  - (d) use and maintenance of the **Nightgate** (incl maintenance, wages, insurance & outgoings pursuant to the Lease);
  - (e) the establishment maintenance and collection of the **Reserve Fund**; and
  - (f) the cost of all matters incidental to any of the above.
2. Part 6 - Definition of Special Resolution – the correct notice period must be given and the resolutions must be passed by **at least 75%** of present members votes.
3. Part 12.1 – Membership Rights – The Board of Directors will admit to membership of the company anyone that has –
  - (a) Purchased a Sovereign Islands Lot;
  - (b) Subscribed for a share and membership in the Company; and
  - (c) Executed all documentation (implies the Deed); and
4. Part 12.2 – The members have a right to attend and vote at AGM’s and other general meetings.
5. Part 19 – The Company may only by Special Resolution in General Meeting alter the provisions of this Constitution. In accordance with Part 6, a Special Resolution must be passed by **at least 75%** of present members votes.
6. Part 24.1 – the number of Directors must not be less than 3 nor more than 7 and must be an uneven number.

**C. Summary of key facts from a Deed presented in July 2015 –**

1. Part 1(a) – “The Gateway Company, a **non profit** company, has been incorporated to provide **security services** to The Sovereign Islands and its residents”.
2. Part 1(a) - The buyer agrees to become a \$1 shareholder, or member.
3. Part 1(b) – “The objective of the company is provide **on site security**”.
4. Part 1(c) – “The Company will be a non profit organisation as mentioned above and will hire the services of professional **security guards** and/or **security guard organisations** to undertake its function”.
5. Part 1(g) – the current levy is \$600 + gst per half year.
6. The current levies for the Gateway fund is currently \$1,102 (incl gst) for 6 months, which represents a 67% increase.
7. Part 1(g) – The levy will be reviewed “from time to time and adjusted so that the levy reflects the **genuine pre-estimate** of the cost required to meet the total annual costs”.
8. The Deed only refers to costs associated with security services.

**D. Summary of key data from the 30 June 2025 Financial Statements -**

1. Directors’ Report - The “Principal Activities” stated is that of “operation and maintenance of the **Nightgate**” and “providing **security services**”.
2. Directors’ Report - The “Short term and long-term objectives” states “to provide ongoing operation and maintenance of the **Nightgate** main entrance and provision of security services”.
3. Directors’ Report - The “Strategy for achieving the objective” states that the Company obtains financial contributions from owner members “in terms of **owners’ deeds as agreed with members**”.

**E. Queries regarding the Constitution –**

1. I note that on the ASIC register, a new Company Constitution was filed with ASIC showing the effective date as 15/1/2026. This is on the same day as the last AGM was held, where the Chairperson/Directors refused to discuss the proposed changes to the Constitution. Can you please confirm which version of the Constitution was lodged with ASIC on 15/1/2026. If it was the last known Constitution dated October 2022, the ASIC register says it is **effective on 15/1/2026**. Can you please provide a copy of the Constitution that was effective for the period 9/12/2016 to 15/1/2026? *Remains unanswered*
2. Was the Constitution dated October 2022 passed by at least 75% of member’s votes? If so, do you have any evidence of this? *Remains unanswered*
3. There were 2 Notifications of Resolution Altering the Constitution, lodged with ASIC on 19/11/2025 and 15/12/2025. What were these Resolutions for? Can you please provide a copy of the lodged forms and attachments/documents that the Resolutions relate to? *Remains unanswered*
4. Have the Deeds been updated, reissued, and signed by all Lot owners to reflect the changes in the Constitution that effect the meaning of the prior Deeds? *Remains unanswered*
5. On what legal basis is the Gateway Company allowed to enforce the provisions of the Constitution when those provisions are not included in a Deed and the Lot owner has not agreed to those provisions, especially when the Constitution has been changed after the Lot owner purchased their Sovereign property but the Deeds have not been

updated? How is this consistent with the Directors' Report which states that the Company obtains financial contributions from owner members "in terms of **owners' deeds as agreed with members**"? *Remains unanswered*

**F. Queries regarding the 30 June 2025 Financial Statements –**

(please note, the Chairperson has promised "transparency" in various recent correspondence issued by the Gateway Company.)

1. There are 6 Directors listed on the Directors' Report including the Chairperson, plus one Secretary. It appears that the Gateway Company is not in compliance of Part 24.1 of the October 2022 Constitution, which states that the number of Directors must be an uneven number (which excludes a Secretary). *Answered at the Q&A meeting – there are currently 5 Directors (as of the date of the Q&A meeting on 10/2/2026). Further note – the September Financials misrepresented Michael McKergow and Phyllis Ann Robilotta-Glenister. On the November Financials Michael McKergow is listed as a Director but resigned on 7/10/2025 (after 30 June 2025), therefore there were 6 Directors as at 30 June 2025, therefore the Gateway Company did not comply with Part 24.1 of the Constitution at the date of the Financial Statements. This non-compliance was not revealed to the members during the Q&A meeting.*
  
2. Page 8 – Profit & Loss Statement –
  - (a) What asset/s are being depreciated which equates to a depreciation expense of \$2,194? *Remains unanswered*
  - (b) Why is there no depreciation schedule attached to the financial statements? Please provide a copy. *Remains unanswered*
  - (c) Please provide a detailed breakdown of the "Security Expenses" of \$927,528, to show the different categories of wages, workcover, super, vehicle fuel, rego, insurance, or any other costs included in this category. *Remains unanswered. Further note - It appears that the security services are provided by a subcontractor (rather than the security personnel being employed directly by the Gateway Company) and no tender process has even been undertaken. It was revealed during the Q&A meeting that the same security contractor has worked on the Sovereign Islands for many years (possibly >15 years) and has never been required to go through a tender process. In the Clarification Report, it was stated with reference to the security costs on page 12 "Members have no visibility, and no need for commercial in confidence detail information on scope of contract and its cost components". The security expenses (almost one million pa) is the largest cost to the Gateway Company and the members are the ones who are paying for it, but we are blocked from understanding what we are paying for and blocked from understanding if the charges are competitive and commercial. The Directors are required under the Corporations Act 2001 to act in the best interests of the Corporation. The fact that there has never been a tender process or a legitimate quote comparison for this high value contract I believe is not working in the best interests of the company.*
  - (d) How many security men are employed? *Remains unanswered*
  - (e) How many security vehicles are maintained? *Remains unanswered*
  - (f) Please provide a detailed breakdown of the "Repairs and Maintenance Expenses" of \$31,512. Do all of these expenses relate to providing security services and the

**Nightgate?** *Remains unanswered. Further note - there is no visible evidence of repairs and maintenance being provided to the Nightgate to substantiate this amount of expenditure. Upon further investigation, it is revealed that \$28,014.07 is for "R&M - Grounds Contractor". This represents expenses incurred predominantly from BTM Garden Management and Girraween Holdings Pty Ltd. Girraween is owned by Michael McKergow, a former Director and Director while receiving payments from the company, and now husband to current Director (Rose McKergow). It was revealed during the Q&A meeting that Girraween mow the vacant Freehold Lots that are owned by Freehold owners (at \$85 per lot). BTM maintain the parks and attend to the pond repairs and maintenance. There are no parks or ponds or vacant Lots on the Nightgate land, so these expenses specific to those areas may fall outside the scope of authorised use. Gardening maintenance expenses for parks, ponds and vacant Freehold Lots are not included in the governing documents of the Gateway Company. The governing documents only provide for "ornamental gardens within the Nightgate land". Further, the mowing services undertaken by Girraween, owned by a former Director, Michael McKergow, and husband to a current Director, Rose McKergow, appears to be a conflict of interests, and without members' approval or a legitimate quote process to ensure the services are at market rates, this could possibly present a breach of the Corporations Act 2001. If, in the situation when a Director is privy to quotes from other service providers, and then say he can do it for cheaper, that may not satisfy the requirements under s181/s182 of the Corporations Act 2001. The related party transactions were not disclosed on the September Financials, and have since appeared on the November Financials, but that alone may not satisfy other requirements under the Corporations Act 2001. On another matter regarding the mowing of vacant Lots, a Director has recently confirmed that they own a vacant Freehold Lot on the Sovereign Islands, which is being mowed by Michael's company and the expenses have been paid by one of the Sovereign Companies. This was verbal confirmation by the owner themselves, but yet to be validated.*

- (i) Can the Directors please disclose if there are any other Directors that own/or have owned vacant Lots that are currently or previously been mowed by Michael's company at the Sovereign Companies' cost?**
- (ii) Can the Directors please request Michael McKergow to disclose a schedule of vacant Lots he has been mowing and invoiced costs which should correlate to the tax invoices going through the companies' accounts** (this may assist the Director/s should they wish to repay the expenses).
- (iii) With reference to 'BTM Garden Management', based on searches on the ABR and ASIC websites, there is no ABN, ACN or registered business trading name for the entity 'BTM Garden Management'. Can the Directors please advise the correct entity name and their ABN?** (the ABN should be on their tax invoice).
- (iv) The amounts being paid to BTM Garden Management, with the Gateway Company together with Precincts 3-6 companies, is a high value contract. Can the Directors please disclose if the services undertaken by BTM Garden Management have been subject to a tender process, and who approved the contract/agreement?**

- (v) **Can the Directors please disclose if BTM Garden Management is related to (or a friend of) any of the Directors or their family members?**
- (vi) **How did the engagement of the BTM services come about? Who arranged the services with this entity?**

(g) What are “Rates and utilities expenses” of \$9,437 for? Does the company pay council rates for the land that the gatehouse is on? This amount seems to be higher than the rates and utilities (including water & electricity) for a whole house. The Gatehouse is a very small structure on a very small piece of land. *Remains unanswered. Further note – upon further review of my old records provided to me by the company, rates and water are paid on the Nightgate Lot, under the terms of the GCCC lease. On the lease it states the Nightgate lot being leased from the GCCC is Lot 511 on RP215032. This is the only Lot stated on the lease. Upon further investigation, it is evident that the Gateway Company has been paying for two Lots of Rates and two Lots of Water. Can you please advise if the GCCC lease has been amended to include a second Lot, and if so, which Lot relates to the second set of rates and water charges?*

(h) What are “Legal expenses” of \$1,000 for? Debt collection fees are included in Other Expenses. *Remains unanswered. Further note – the Legal Fees in the September Financials were \$1,000. It has been changed to \$4,320 in the November Financials. The original \$1,000 was legal expenses relating to the Kwok case. The extra \$3,320 is a portion that has been transferred from ‘Directors Expense’. The September Financials showed Directors Expense as \$10,445, but then it changed to \$0 on the November Financials. Hypothetically, the \$3,320 coming from Directors Expense would ordinarily imply that a Director paid for that expense, then was reimbursed by the company.*

**Can you please confirm if these legal fees relate to the collection of unpaid levies or for something else? Was the invoice written out to the Gateway Company, or to someone else?**

(i) “Other expenses” of \$77,550 on the Profit & Loss Statement is scheduled at Note 5 (page 15). The schedule of “Other expenses” at Note 5 total \$84,394. I assume the discrepancy of \$6,844 is Income Tax (and rounding)? The Income Tax expense is listed separately to “Other expenses” on the Profit & Loss Statement, therefore it should be excluded from Note 5 in order to reconcile it to \$77,550.

3. Page 15 – Note 5 “Other Expenses” –

- (a) What is “Cleaning” of \$1,716 for? The Gatehouse is very small and I would assume that the cleaning products required would be very minimal. *Remains unanswered.*
- (b) What is “Consultant’s Fee” of \$1,066 for? To whom was it paid to and for what service? *Remains unanswered.*
- (c) What is “Insurance” of \$6,013 for? Director’s insurance and/or building insurance for the Gatehouse? Please provide the descriptions and breakup. *Remains unanswered.*
- (d) What is “Management Fees” of \$11,767 for, to whom was it paid to and for what services? *Remains unanswered. Further note – a portion of Capitol and Strata Influence expenses.*
- (e) What is “Pest control” of \$533 for? We pay \$230 per year to have pest control to fully spray inside and outside of a two storey 4 bedroom home with a lot of gardens over

1,200m2 of land. The Gatehouse is very small and occupies a tiny piece of land.

*Remains unanswered.*

- (f) What are “Disbursements” of \$3,251. To whom was that paid to and for what? *Remains unanswered. Further note – the September Financials stated \$3,251 but the November Financials stated \$7,003. More Capitol expenses, but the increase from September to November comprises of \$2,529.53 transferred from ‘Directors Expense’ and \$1,223.34 “website etc Ann Glenister” dated 1/7/24. Maybe an invoice dated on or prior to 1/7/24 was found after September 2025 and added into the accounts for the November 2025 version of Financials, being 17 months after the expense was incurred. The \$2,529.53 transfer from Directors Expense does not provide any clarity as to what these expenses are actually for.*
- (g) Please provide a detailed breakdown of “Sundry Expenses” of \$520. *Remains unanswered. Further note – the September Financials stated \$520 but the November Financials increased to \$1,449, but as noted on page 5 of the Clarification Report, the Strata Accounts state \$3,714. Included in this figure is – \$1,457.30 transferred from ‘Directors Expense’, no description; and Travel John Bate \$500; and Lunch 28.6.24 Ann Glenister \$1,094.40; and Travel & tape John Bate \$143.03; and Cartridge John Bate \$65. It is unclear if these expenses relate to providing on-site security services or costs associated with the Nightgate and Nightgate land.*
- (h) “Pond Maintenance” of \$15,615. Why is pond maintenance being charged to the Gateway Company, when the ponds are clearly not included in the definition of Contribution (Part 6.1) in the Constitution and the Deeds clearly state that the Gateway Company provides only security services? No where in the Deeds does it state that the Gateway Company will provide maintenance to the ponds. The Lot owners that have signed the Deeds did not agree to be charged for pond maintenance. *Insufficient answer – “it benefits all members”. Compliance with the governing documents remains unanswered. Further note - there are no ponds or parks on the Nightgate land nor on Precincts 1 and 2.*
- (i) Please provide a detailed breakdown of “Directors Expense” of \$10,445, including to whom it was paid to and for what? *The amount of \$10,445 was on the September Financials, but it changed to \$0 on the November Financials. **What prompted the reallocation of costs to various different expense categories between September 2025 and November 2025 that wasn’t already apparent when the September Financials were being finalised?** Due to other transfers being referenced from ‘Directors Expense’ above, and in order to avoid confusion, the following is the journal that was processed to clear out the ‘Directors Expense’ –*
- |  |                   |
|--|-------------------|
| <i>3/2/25 Meal and letter dist Ann Glenister</i> | <i>\$2,662.30</i> |
| <i>27/5/25 Expenses Ann Glenister</i>            | <i>\$4,654.26</i> |
| <i>Total:</i>                                    | <i>\$7,316.56</i> |
- (The difference between \$10,445 and \$7,316.56 has already disappeared off the Directors Expense account, so a reconciliation to the original amount is no longer possible).  
The \$7,316.56 that was in ‘Directors Expense’ was reallocated to –*

Legal expenses \$3,319.73

Asic Fees \$10

Disbursements \$2,529.53

Sundry \$1,457.30.

The clarity of these items still remain unresolved.

- (j) What is “Management Fees Additional Svc” of \$8,239 for? To whom was it paid to and for what services? Is this separate from “Management Fees” so it looks like it’s a lot less than what it actually is? The real total of Management fees is \$20,006.

*Remains unanswered. Refer to (d) above. This also relates to Capitol.*

- (k) What is “Fixed Disbursements” of \$2,850? To whom was it paid to and what for?

*Remains unanswered. More Capitol expenses. Refer to (d) and (j) above.*

*The total paid to Capitol/Strata Influence is as follows -*

*ie Management Fees \$11,767*

*Disbursements \$2,550.51*

*Management Fees Additional Svc \$8,239*

*Fixed Disbursements \$2,850*

*Total for Capital/Strata Influence = \$25,406.51*

*Together with fees allocated to Precinct 3-6 companies, the contract for strata management is of significant value.*

***Have comparative quotes been obtained before engagement of services? What prompted the move from Capitol to Strata Influence, bearing in mind that both Katie Todd and Lyn Heaton who currently work in Strata Influence also used to work in Capitol?***

- (l) “Pond Chemicals” of \$2,713 – refer to point (h) above. *Insufficient answer – “it benefits all members”. Compliance with the governing documents remains unanswered. Further note - there are no ponds or parks on the Nightgate land nor on Precincts 1 and 2.*

4. The expenses include \$18,328 of pond maintenance and chemicals. Pond maintenance is not included in the Gateway Company’s Constitution or Deeds. It appears to be unlawful for the Gateway Company to misappropriate funds for this type of expense. Taking a quick look at prior financial years, and taking into consideration that the levies for the 2025/2026 have already been invoiced, using the assumption that pond maintenance costs have been included in the 2025/2026 budget, the estimate of misappropriated funds for just this one type of expense is as follows –

	y/e 30/6/2024	y/e 30/6/2025	y/e 30/6/2026 (estimate)	Total
Pond maintenance	\$3,976	\$15,615	\$10,000	\$29,591
Pond chemicals	\$3,554	\$2,713	\$4,000	\$10,267
<b>Total -</b>	<b>\$7,530</b>	<b>\$18,328</b>	<b>\$14,000</b>	<b>\$39,858</b>

I note that on the 2024/2025 Budget there was \$4,000 budgeted for Pond Maintenance and \$4,000 budgeted for Pond Chemicals, totalling \$8,000. The Actual cost was \$18,328, a lot more than the budgeted figures. The estimated total of \$39,858 could possibly be classified as misappropriated funds. Should that be refunded to the Lot

owners that have paid their levies for the 30/6/24, 30/6/25 and 30/6/26 financial years?  
*Remains unanswered. Further note – the budget for pond chemicals is \$5,000, not \$4,000 as estimated above. Levies for the 2025/2026 have already been collected based on the inclusion of \$15,000 for pond expenses. The total cost just for pond maintenance is \$40,858. Pond maintenance does not fall within the scope of the Gateway Company’s governing documents and these expenses may fall outside of authorised use.*

5. Consultant’s Fees and Management Fees total \$21,072 for the 2024/2025 year. The total for the 2023/2024 year was \$26,836. Spreading these costs across 3 different categories, and listing them separately down the Other Expenses list, appears to be misleading and implies a lower cost of these type of fees. *Remains unanswered.*
6. Other unknown and vague expenses (Disbursements, Sundry Expenses, Directors Expense and Fixed Disbursements) total \$17,066 for the 2024/2025 year, which are spread across 4 different expense categories, and again, can be viewed as misleading. The total of these expenses for the 2023/2024 year is \$9,857. The increase for the 2024/2025 year is primarily due to the “Directors Expense” of \$10,445. The vague nature of these expense categories are far from “transparent” and they need to be justified to ensure they are within the category of costs associated with ‘security services’ and the ‘Nightgate’ in accordance with the Constitution and the Deeds. If these expenses are not for costs that fall within the ‘security services’ and ‘Nightgate’ categories, then the total over the two years of \$26,923 may possibly be misappropriated funds. Together with the \$39,858 estimate of pond maintenance, the total so far is estimated at \$66,781, and that doesn’t include a budget for the 2025/2026 year that has already been invoiced (or prior years figures). *The changes from September Financials to November Financials already discussed above.*
7. Page 9 – Statement of Financial Position (read in conjunction with Notes 6-13) –
  - (a) The cash held at 30 June 2025 is indicated to be \$733,042 (cash at bank \$172,922 plus \$560,120 term deposit, as detailed at Note 6).
  - (b) Included in “Trade and other receivables” as detailed at Note 7, includes \$784,157 of contributions receivable. This is a big increase from the previous financial year of \$375,004. Please provide a reason why this has increased so much, although debt collectors have been engaged and expensed. *No response, but I can see that the categorisations have changed in the November Financials to show the difference between overdue levies and levies not yet due. This breakup was missing in the September Financials. Have the Directors considered alternative methods of debt collections? If so, what?*
  - (c) What are the “Other debtors” of \$7,877 in Note 7? *Remains unanswered.*
  - (d) What are the “Other Assets” prepayments of \$10,072 for? Are these expenses for services relating to a period after 30 June 2025, and if so why are they required to be paid upfront? *Remains unanswered. Further note – this amount has now changed to \$8,961 in the November Financials.*
  - (e) “Borrowings” - \$50,000 current liability plus \$100,000 non-current liability = \$200,000 loan borrowed from Precinct 6, with \$50,000 paid back during the financial year. Please advise why the loan from Precinct 6 was necessary when there appears to be more than adequate cash funds in the Gateway Company of \$933,065 at the beginning of the financial year and \$733,042 at the end of the financial year? If the

cashflow was being managed effectively, the surplus funds held should have been more than sufficient, even with the amount of levies outstanding. *Answer provided in the Q&A meeting, the funds were locked up in the term deposit, but without running balance ledgers, it remains unclear. The loan was paid across to the Gateway Company without a formal loan agreement and without an interest agreement. Since the Gateway Company is involved in Supreme Court action, this could have put Precinct 6 at risk of not being able to recover the loan, and without any formal loan agreement, they possibly would have no claim to recover the loan if Administrators/Liquidators were appointed. The loan disadvantaged the Precinct 6 company because they missed out on earning interest on the funds while the funds were sitting in the bank account of the Gateway Company. I believe it is a breach of Directors' duties to disadvantage a company under the terms of the Corporations Act 2001. Further, it can possibly be viewed that the loan was given to the Gateway Company because it was struggling with cashflow and didn't have sufficient funds of their own to pay its debts as and when they fall due. In this scenario, the question of Insolvent Trading could be raised.*

- (f) "Other liabilities" of \$596,710, please advise what the "Levies not yet due" as indicated at Note 13. *Changed in the November Financials.*
  - (g) "Equity" – Issued capital is stated as \$100. This is consistent with an ASIC search, which shows there are \$100 of Ordinary Shares issued. A quick review of the financial statements for prior years, the issued capital has been \$100. For the purposes of my next query in Point 8 below, I refer to the following –
    - i. Part 1(a) of the Deed re the registered proprietor of a Lot will be issued a \$1 share; and
    - ii. Part 12.1 of the Constitution re a person/corporation that has purchased a Lot will be subscribed for a share and membership.
8. With reference to the \$100 of issued share capital, since there are 664 (642 due to amalgamations) Lots on the Sovereign Islands, why is there only \$100 in issued capital? Does this indicate that a \$1 share has not been issued to 564 (542) purchasers/Lot owners? *During the Q&A meeting, it was confirmed that no shares have ever been issued to Lot owners. I believe this is a breach of the Deeds and Constitution.* What is the reason for this large discrepancy? Are there 564 (542) Lot owners that haven't signed Deeds? *Confirmed as approx. 40 residents haven't signed Deeds. This does not clarify why \$1 shares have not been issued to the Lot owners who have signed Deeds.* Share capital structures cannot be changed retrospectively. Any alterations to the share capital (including the issuing of new shares) are required to be notified to ASIC within 28 days of the change. Is it correct to say that the Gateway Company can only issue shares to Lot owners that have signed a Deed? *Remains unanswered.*
9. Since there are only 100 shareholders/members, please advise how we can obtain a current Register of shareholders/members so we can find out if we are shareholders/members or not. *It was confirmed during the Q&A meeting that the 5 Directors own all of the shares, 20 shares each. Can you please confirm that the 5 Directors that own all of the shares are the current Directors and not any of the previous Directors?*

10. Page 11 – Statement of Cash Flows –

- (a) Cash Flows from Operating Activities – Receipts from customers are stated as \$764,257 (incl gst). This doesn't seem to reconcile to the Contributions Received at Note 4 and the movement in the Trade Debtors at Note 7. The Other Income at Note 4 (interest received from overdue levies and debt collection fees recovered) are not included in the Statement of Cash Flows. Please provide a schedule of reconciliation between cashflow receipts and total revenue stated on the Profit & Loss Statement. *Remains unanswered*
- (b) The Statement of Cash Flows indicate that the net cash outflow for the year was \$200,023 (\$933,065 - \$733,042). If the loan (\$200,000 less \$50,000 repaid) was not taken out during the financial year, then the net cash outflow for the year would have been \$350,023 and cash funds held at 30 June 2025 would have been \$583,042. It appears that holding \$583k in the Reserve Fund is more than enough to accommodate a \$350k cash outflow, and if the outstanding levies of \$784,157 were collected, then there would be excessive funds of \$1,367,199 held in the Reserve Fund. These cashflow figures indicate inadequate cashflow management, the loan was taken out unnecessarily, an over collection of levies, and it does not support an increase in levies. *Remains unanswered. Further note – the 2025/2026 Budget is showing an allowance for legal fees of \$110,000, grounds contractor \$30,000 (although there are no parks on the Nightgate land) and \$15,000 in Pond costs (although there are no ponds on the Nightgate land). The inclusion of these costs that don't belong to the Gateway Company have contributed to the increase in levies.*

11. Query regarding the Financial Statements for the prior years –

With regards to the financial years 2020/2021, 2021/2022 and 2022/2023 (and possibly prior years), the expenses listed on the Profit & Loss Statement are only categories as depreciation, administration, security and other expenses. On the schedules at Note 3 (plus the Auditors fees shown at Note 4), the figures do not reconcile to the figures on the Profit & Loss Statement. They fall well short. There are no other expenses detailed in the Notes. This indicates that the schedules at Note 3 are missing a large amount of expenses. Showing only 4 expense categories on the Profit & Loss Statement and not listing all of the expenses in the Notes is not transparent. The figures are as follows :

	2020/2021	2021/2022	2022/2023
Depreciation expenses – Note 3	\$2,660	\$3,050	\$2,529
Administration expenses – Note 3	\$27,915	\$36,401	\$38,567
Security expenses	\$756,384	\$735,840	\$762,306
Other expenses – Note 3	\$64,083	\$78,704	\$66,645
<b>Total -</b>	<b>\$851,042</b>	<b>\$853,995</b>	<b>\$870,047</b>
Less Security expenses excluded from Note 3	-\$756,384	-\$735,840	\$762,306
<b>Total of Note 3 should be -</b>	<b>\$94,658</b>	<b>\$118,155</b>	<b>\$107,741</b>
<b>Total of expenses shown at Note 3 + Note 4 Auditors fees</b>	\$48,071	\$52,586	\$42,790

<b>Shortfall of disclosure</b>	<b>\$46,587</b>	<b>\$65,569</b>	<b>\$64,951</b>
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Over the 3 years, there is a total of \$177,107 of expenses that are not detailed on the Financial Statements. How can the Financial Statements be passed by the Directors/members if no one can see what the \$177,107 expenses are for? *Remains unanswered.*

12. On the Financial Statements for the 2023/2024 year there are some large expenses, well above the budgeted figures as follows –

	<b>Budgeted</b>	<b>Actual</b>
R&M - Plumbing	\$3,500	\$44,162
R&M – Grounds Contractor	\$24,000	\$46,710

Please advise why the actual figures are a lot higher than the budgeted, and what were these expenses for (\$90,872 of actual costs)? Did they relate to security services or the Nightgate? Given the size of the gatehouse and the ornamental gardens within the Nightgate land is very small, *and there are no parks on the Nightgate land*, these costs appear to be extremely high. *Remains unanswered.*

#### **G. Other queries -**

1. The Gateway Company was originally set up with at least 1 representative from each precinct. Why has this changed and how can that be fair and equitable for all precincts? *During the Q&A meeting a Director agreed that this could be reviewed in the future.*
2. Are any contractors, engaged by the Gateway Company, residents of the Sovereign Islands, or a relative to a Sovereign resident? *Remains unanswered*
3. The Deed states at Part 1(g) that the levies may be adjusted “from time to time and adjusted so that the levy reflects the **genuine pre-estimate of the cost** required to meet the total annual costs of the Gateway Company **for the purposes of this Deed**”. I can’t find where we have received a copy of the Budget for the 2025/2026 financial year. We have received Budgets for previous financial years, but not the current financial year (2025/2026). We also usually receive comparative figures of the actuals and budgeted figures together. We haven’t received the comparative figures for the 2024/2025 year. The levy notices have already been issued for the whole of the 2025/2026 financial year, with a large increase, with no clarification or transparency as to what the Budget figures are nor allocations per entitlement for the 664 (*now 642*) Lots. If there is \$733,042 cash in the bank, and \$784,157 of outstanding levies, then it is even more important that the members that pay their levies are provided with the Budget figures and have an understanding of what they are being asked to pay for, taking into consideration the cash funds already held in the Reserve Fund, the cashflow required for each 6 months (based on the levies being paid every 6 months), and to substantiate the levies increase. The budget is also important to ensure that the Gateway Company is intending to only spend funds in accordance with the terms of the Deeds and Constitution (ie only for costs associated with providing security services and the Nightgate). Can you please provide a copy of the comparative figures for the 2024/2025 year (Budget v’s Actuals) and the Budget for the 2025/2026 year? *Remains unanswered – why were the Budgets for*

*2025/2026 never released prior to the issuance of the July 25 and Jan 26 levy notices?*

4. On what legal basis does the Gateway Company rely upon to expend funds from the Reserve Funds for costs that are not included in the Deed and Constitution? *Remains unanswered.*
5. As an example, pond maintenance and pond chemicals have been budgeted for in the 2024/2025 figures, and I assume the same has been done in the 2025/2026 budget (*correct assumption, \$15,000 has been included in the budget*). The Directors' Report states that the Company obtains financial contributions from owner members "**in terms of owners' deeds as agreed with members**". On what legal basis does the Gateway Company rely upon to obtain financial contributions from owner members to cover the budgeted costs of expenses that are not included in the Deed and Constitution? *Remains unanswered.*
6. If, in the event that it is proven that the Gateway Company has been operating outside of the scope of the Deeds and Constitution, in terms of collection of levies and possible misappropriation of funds for costs not included in the Deeds and Constitution, then doesn't this constitute a breach of the terms of the Deeds (a breach by the Gateway Company), rendering the Deeds invalid and therefore unenforceable? *Remains unanswered.*
7. With reference to the \$100 of issued capital - If a lot owner has signed a Deed, and if the Gateway Company has not issued a \$1 share to them, then doesn't that make the Gateway Company in breach of the terms of the Deed, therefore the Deed is invalid and unenforceable? The Gateway Company expects the Lot owners to comply with the terms of the Deed. The Gateway Company is also required to comply with the terms of the Deed and fulfill their part. *Remains unanswered.*
8. If a \$1 share hasn't been issued to a Lot owner (*correct*) (ie the Gateway Company has not complied with the terms of the Deeds, therefore the Deeds are invalid), on what legal basis are you issuing levy notices to non shareholders/non-members, forcing **unsolicited services** upon a **Freehold** Lot owner, and enforcing payment of wrongful billings? *Remains unanswered.*
9. If a Lot owner has not signed a Deed, then they have not agreed to become a shareholder (Part 1(a) of the Deed). If a Lot owner has not signed a Deed and is not a shareholder/member, then on what legal basis does the Gateway Company rely upon to lawfully force **unsolicited services** upon a **Freehold** Lot owner, issue levy invoices to the Lot owner, and enforce payment? *Remains unanswered*
10. When the Constitution is amended (referring to past and future amendments), and the changes effect the terms of the Deeds, if the Deeds are not updated and signed by the Lot owners, then aren't the old Deeds unenforceable? *Remains unanswered*

**H. New Queries –**

1. It has recently been alleged by a Director that they have never seen the Financials and have never approved any Financials. They allege that financial matters are not discussed at the Directors' Meeting, except for outstanding levies. The November Financials for the year ended 30 June 2025 were emailed to members on 17/12/2025 with the Directors' Report signed by two Directors, Phyllis Ann Robilotta-Glenister (Ann) and John Bate. The two signatories were the same to those on the September Financials. Distributing the financial statements to members with signatures on the Directors' Report serves as confirmation that two Directors have formally endorsed the Financials on behalf of the entire Board of five Directors, and that all five Directors have reviewed and approved the Financials. After speaking with one of the Directors, it seems apparent that not all of the Directors have reviewed and approved the financial statements and the two Directors are possibly proceeding to pass the financials at the upcoming AGM without full approval from all five Directors. The Director that signed the 2021/2022, 2022/2023 and 2023/2024 Director's Report was only Ann.

**Can each Director individually confirm that the second version of the 2024/2025 Audited Financial Statements (the November Financials) that are being put forward to the upcoming AGM for members' votes have been reviewed and approved by them?**

2. A major concern is the legal fees that are being paid out of the Gateway Company funds for the Kwok Supreme Court case. The governing documents only provide for expenses that relate to the collection of levies. This case is not related to the collection of levies.
  - a. **Do the Directors require members' approval to spend the members' levies on legal fees for a case not related to the collection of levies? (legally or out of courtesy?)**
  - b. **Can the Directors please provide an estimate of legal costs for the remainder of the proceedings through to completion?**
  - c. **Have the Directors signed an Undertaking to accommodate the repayment of legal costs back to the Gateway Company if in the event the Directors are unsuccessful in defending the proceedings and are found to have committed a 'non-indemnifiable' act?**

Approximately \$160,000 has already been spent on legal fees for this case so far, and the matter is still in progress with an upcoming 2 day trial at the end of March 2026. The Directors haven't disclosed the estimated cost to members, which Solicitors would usually provide as a professional obligation. The budgeted legal fees for the 2025/2026 financial year was \$110,000. Members' levies have already been invoiced for the whole of the 2025/2026 financial year. The legal fees of \$160,000 already expended (over budget), together with additional legal fees anticipated, allocating funds to legal expenses rather than standard operating costs may potentially result in a very large cash shortfall. My concern is that this extra expenditure on legal fees could possibly cause the Gateway Company to be unable to pay its debts as and when they fall due, and could possibly cause the company to slip into insolvent trading.

- *In an email dated 11/2/2026 from Rose McKergow, Rose wrote “Some of your questions should be answered and any that remain I am more than happy to address.”  
I look forward to your response and appreciate your attention to the outstanding queries as previously assured.  
Thank you.  
Regards, Karina Wenzel*