



QUESTUS
LAND DEVELOPMENT
FUND

ARSN 116 602 076

Financial Report

for the year ended 30 June 2013

QUESTUS LAND DEVELOPMENT FUND

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Financial Report

for the year ended 30 June 2013

C O N T E N T S

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QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

The Directors of the Responsible Entity present their report together with the financial report of the Questus Land Development Fund ('the Fund') for the year ended 30 June 2013.

Directors

The names of the Directors of the Responsible Entity who held office during or since the end of the year are:

David Somerville

Robert Olde

Maurizio Oteri (resigned on 13 September 2013)

Peter Chan (appointed on 13th September 2013, resigned 21 May 2014)

Katherine Ang (appointed on 13 September 2013, resigned 21 May 2014)

Anthony Brennan (appointed 7 May 2014)

David Somerville (B.Bus, MBA, CPA, AFAIM) – Chairman and Company Secretary

David has a background as a Certified Practising Accountant with considerable experience in capital raising, business development and property development over 25 years. David was a senior partner with a large Western Australian accounting practice, where he was responsible for a large number of clients across a broad range of industries, through the provision of accounting, taxation and management services. David was the founding director and shareholder of Questus Group in 2003.

Robert Olde (Dip FS, AIMM)

Robert studied Commerce at Murdoch University and holds a Diploma in Financial Planning and also holds a Triennial Certificate as a Real Estate and Business Agent from the Real Estate Institute of Western Australia. Robert has considerable experience in the Funds Management sector and is a responsible officer on the companies within the group that hold AFSL's.

Maurizio Oteri (MBA, JD)

Maurice has accumulated a wealth of SME and Corporate experience over the last 30 years as owner manager of numerous enterprises and consultant to others across a broad range of industries. Maurice's qualifications include a MBA in International Business; China Program, Juris Doctor (JD), Diploma of Business Administration and Graduate Diploma of Legal Practice which he collectively applies as an unrestricted legal practitioner within Western Australia with Robertson Hayles Lawyers and to the benefit of his Singapore Fund Manager client, Crest Capital Asia Pte Ltd who has recently taken an active financial interest in Questus Limited.

Anthony Brennan

Anthony holds a Bachelor of Laws degree from the University of Queensland, a Graduate Diploma in Legal Practice and has practiced with one of Australia's largest private law firms as a solicitor in the area of corporate advisory, mergers and acquisitions and banking and finance. Anthony has worked for local and state government bodies, Australian blue chip companies and national and international banks. He brings to the Board extensive experience in corporate banking and finance transactions including development finance, general corporate banking matters and significant commercial property transactions.

QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

Review of Operations

During the financial period the Fund's principal activities involved the management of the remaining underlying assets of the Fund. During the period the Responsible Entity has initiated further action against parties in relation to various breaches of contract, the actions are being undertaken to seek compensation for the significant losses incurred by the Fund as a direct result of the those breaches.

The Responsible Entity has initiated an action against Addwealth Pty Ltd and the previous responsible entity of the Addwealth Achiever Fund for non-performance pursuant to the Memorandum of Understanding dated 10 August 2010.

During the period the Responsible Entity successfully defended a Statutory Demand brought against it and Fund. The WA Supreme Court found in the Responsible Entity's favour and judgement was handed down on 10 October 2012.

On 24 April 2013, Questus Land Development Fund regained control of Yalop Pty Ltd after the cessation of the receivers and managers on that date. Due to this, the results of these subsidiaries have been re consolidated on that date.

Provisions have been made in Questus Land Development Fund to restate the investments in and loans to subsidiaries to their realisable values.

The operating loss of the consolidated entity after income tax was \$2,051,021 (2012: loss \$28,406,914).

The operating loss has been analysed in the table below:

Loss from other continuing operations	\$ (2,051,021)
Loss on discontinued operations due to loss of control	-
Loss on deconsolidation and then re consolidated subsidiaries	-
Loan write downs	-
Loss after income tax	<u>(2,051,021)</u>

Distributions to Unit holders

There were no distributions paid during the year ended 30 June 2013.

Likely Developments and Expected Results

Likely developments in the operations of the Fund and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Fund.

Environmental Regulation

The Fund's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

QUESTUS LAND DEVELOPMENT FUND
RESPONSIBLE ENTITY'S REPORT

Insurance of Directors and Officers

During the financial period, the Responsible Entity paid insurance premiums in respect of a contract insuring all the directors and officers against a liability incurred as their role as directors and officers of the entity, except where the liability arises from fraudulent or dishonest conduct.

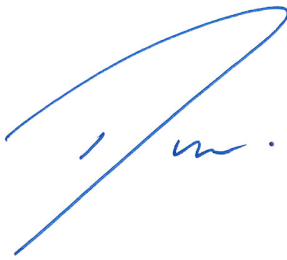
Directors' Units

No Directors have a direct interest in the Fund, nor do they have any rights or options over interests in the Fund or contracts to which the Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver an interest in the Fund.

The Directors hold shares directly and indirectly in Questus Ltd. Questus Capital Solutions Pty Ltd, a 100% owned subsidiary of Questus Ltd, owns 125,355.9229 units in the Fund (0.68%). David Somerville a director of Questus Funds Management Ltd, Questus Ltd and Questus Capital Group Pty Ltd is also a major shareholder of Questus Capital Group Pty Ltd. Questus Capital Group Pty Ltd owns 34,485.1369 units in the Fund (0.19%).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within the financial statements.



Director

Dated : 3 June 2014

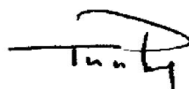
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Questus Land Development Fund for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 3 June 2014

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
QUESTUS LAND DEVELOPMENT FUND**

We have audited the accompanying financial report of Questus Land Development Fund (the Fund), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Questus Funds Management Limited, the responsible entity of the Fund, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the responsible entity, Questus Funds Management Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Bases for Adverse Opinion*Comparatives for the year ended 30 June 2012*

Our auditor's report dated 30 October 2012 in respect of the financial year ended 30 June 2012 contained an adverse opinion in respect of multiple qualifications relating to prior year comparatives, loss on deconsolidation of subsidiaries and the going concern assumption. Our opinion on the current year's financial report is also modified because of the possible effects of these matters on the comparability of the current year's figures with the corresponding figures.

Going Concern Assumption

We draw attention to the financial report, which indicates that the Fund and consolidated entity incurred net losses of \$366,601 and \$2,051,021 respectively. The consolidated entity had net cash outflows from operating activities of \$481 during the year ended 30 June 2013. As of that date, the Fund and consolidated entity had net current liabilities and net liabilities of \$15,373,846 and \$29,028,300 respectively. These events indicate that the going concern basis adopted in the preparation of the financial report is not appropriate and therefore, the Fund and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Adverse Opinion

In our opinion, because of the significance of the matters described in the Bases for Adverse Opinion paragraphs:

- (a) the financial report of Questus Land Development Fund is not in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report does not comply with *International Financial Reporting Standards* as disclosed in Note 2(a).

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

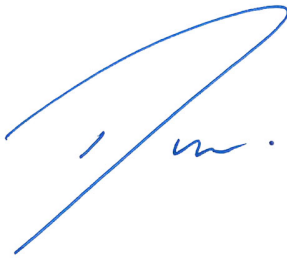
Perth, WA
Dated: 3 June 2014

QUESTUS LAND DEVELOPMENT FUND
DIRECTORS' DECLARATION

The Directors of the Responsible Entity, Questus Funds Management Limited, declare that:

1. the financial statements and notes of the Fund are in accordance with the Corporation Act 2001, including:
 - (a) give a true and fair view of the Funds financial position as at 30 June 2013 and of its performance for the year ended on that date of the Fund; and
 - (b) comply with Australian Accounting Standards, the Corporation Regulations 2001 and the provisions for the Fund's Constitution; and
2. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 2(a).

This declaration is made in accordance with a resolution of the Board of Directors of Questus Funds Management Limited.



Director

Dated : 3 June 2014

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2013

		CONSOLIDATED	
Continuing operations	Note	2013	2012
		\$	\$
Revenue	3	320,169	6,762
Impairment of assets		-	(350,000)
Write down of creditors		97,448	-
Impairment of loans	4(a)	-	(4,256,265)
Loss from re consolidating subsidiaries	4(b,c)	(2,166,561)	(13,206,557)
Other expenses	4(e)	(315,781)	(35,858)
(Loss) before finance and income tax expenses		(2,064,725)	(17,841,918)
Interest and borrowing costs		(1,480,987)	(1,275,439)
(Loss) before income tax		(3,545,712)	(19,117,357)
Income tax benefits / (expenses)	5,6	1,494,691	(3,653,443)
(Loss) after income tax		(2,051,021)	(22,770,800)
Discontinued operations			
(Loss) from discontinued operations after income tax	6,4(d)	-	(5,636,114)
Net loss for the year		(2,051,021)	(28,406,914)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,051,021)	(28,406,914)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

		CONSOLIDATED	
	Note	2013	2012
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	15(a)	6,170	6,976
Trade and other receivables	7	72,482	43,167
Inventories	8	1,500,000	1,500,000
TOTAL CURRENT ASSETS		1,578,652	1,550,143
TOTAL ASSETS		1,578,652	1,550,143
 CURRENT LIABILITIES			
Trade and other payables	11	6,164,898	3,036,576
Borrowings	12	24,442,054	25,490,846
TOTAL CURRENT LIABILITIES		30,606,952	28,527,422
TOTAL LIABILITIES		30,606,952	28,527,422
 NET LIABILITIES		(29,028,300)	(26,977,279)
 EQUITY			
Issued capital	14	12,368,953	12,368,953
Accumulated losses		(41,397,253)	(39,346,232)
TOTAL DEFICIENCY IN EQUITY		(29,028,300)	(26,977,279)

The accompanying notes form part of these financial statements

**QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2013**

CONSOLIDATED	Issued capital	Accumulated losses	Total
	\$	\$	\$
At 1 July 2012	12,368,953	(39,346,232)	(26,977,279)
Loss for the year	-	(2,051,021)	(2,051,021)
Total comprehensive loss for the year	-	(2,051,021)	(2,051,021)
Issue of units	-	-	-
At 30 June 2013	12,368,953	(41,397,253)	(29,028,300)
At 1 July 2011	12,368,953	(10,939,318)	1,429,635
Loss for the year	-	(28,406,914)	(28,406,914)
Total comprehensive loss for the year	-	(28,406,914)	(28,406,914)
Issue of units	-	-	-
At 30 June 2012	12,368,953	(39,346,232)	(26,977,279)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
For the year ended 30 June 2013

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
Cash flows from operating activities			
Receipts from customers		337,935	-
Payments to suppliers		(338,585)	(120,814)
Interest received		169	6,761
Interest and borrowing costs paid		-	(287,292)
Net cash flows used in operating activities	15(b)	(481)	(401,345)
Cash flows from investing activities			
Disposal of subsidiaries, net cash outflow	6	-	(11,232)
Disposal and acquisition of subsidiaries (net)		-	(100)
Acquisition of subsidiaries, net of cash acquired		(325)	-
Net cash flows used in investing activities		(325)	(11,332)
Cash flows from financing activities			
Proceeds from borrowings		-	324,306
Net cash flows from financing activities		-	324,306
Net decrease in cash and cash equivalents		(806)	(88,371)
Cash and cash equivalents at beginning of year		6,976	95,347
Cash and cash equivalents at end of year	15(a)	6,170	6,976

The accompanying notes form part of these financial statements

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

1. TRUST INFORMATION

Questus Land Development Fund ('the Fund') is an Australian registered management investment scheme. Questus Funds Management Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

This financial report of Questus Land Development Fund for the year ended 30 June 2013 comprises the Fund and its subsidiaries ('the consolidated entity').

The registered office and principal place of business of the Responsible Entity is located at 105 Railway Road, Subiaco, 6008.

The nature of the operations and principal activities of the Fund are described in the Responsible Entity's Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Constitution of Questus Land Development Fund, the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations) of the Australian Accounting Standards Board. The Fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the fund and consolidated entity incurred net losses of \$366,601 and \$2,051,021 respectively. The consolidated entity also had net cash outflows from operating activities of \$481. As at 30 June 2013, the fund and consolidated entity had net current liabilities of \$15,373,846 and \$29,028,300 respectively.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Going Concern (cont.)

These factors indicate significant uncertainty as to whether the Fund and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors of the Responsible Entity have considered the independent auditor's opinion and due to the reasons below there are reasonable grounds that the Fund and consolidated entity will be able to continue as going concerns, after consideration of the following factors:

- The proceeds which will be available from the sale of assets/inventory;
- The successful judgement against Valuestream Investments Management Ltd as Responsible Entity for the Addwealth Achiever Fund, regarding its original statutory demand;
- An expected favourable resolution regarding Primary Securities Pty Ltd as Responsible Entity for the Addwealth Achiever Fund, regarding its Writ of Summons;
- An expected favourable resolution with Addwealth Pty Ltd in the Fund's claim against it, for non-performance pursuant to the Memorandum of Understanding dated 10 August 2010;
- The ability of the Responsible Entity to financially support the fund;
- Questus Limited's position of not presently pursuing the Fund, for payment of monies owed;
- The structure of the Fund's investment such that the Fund can divest itself of its subsidiary investments without further cost;
- All lending being non-recourse to the unit holders of the Fund; and
- The ability of the Fund, to issue additional units, in accordance with the provisions of the *Corporations Act 2001*.

Accordingly, the Directors of the Responsible Entity based on the above factors and in consideration of the auditor's opinion contained in the Independent Auditor's Report consider that the fund and consolidated entity are deemed to be going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Chapter 5C of the Corporations Act, Section 601FC (2) provides for managed investment schemes to be treated as trusts and as such are not legal entities. The Directors of the Responsible Entity will be required to call a meeting of Unitholders to seek to wind up the Fund if they consider the purpose of the Fund cannot ultimately be achieved. Alternatively, the Directors of the Responsible Entity may apply to the Court, under Section 601ND(1)(a), to seek a winding up order for the Fund, in certain circumstances.

Until such time as an outcome of the claims against Addwealth Pty Ltd and Valuestream Investment Management Limited as the responsible entity of the Addwealth Achiever Fund are known, in the opinion of the Directors, it is appropriate to continue the operations of the Fund and consolidated entity and in consideration of the matters disclosed above, it is also appropriate to continue to adopt the going concern basis of accounting for the Fund and consolidated entity.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Fund or consolidated entity do not continue as going concerns.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Questus Land Development Fund at the end of the reporting period. A controlled entity is any entity over which Questus Land Development Fund has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Fund during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Fund have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Fund.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a Fund, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(c) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax related to items that are recognized outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognized only to the extent that it is probably that future taxable profit will be available against which the benefits of the deferred tax asset can be utilized.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognized where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realization and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realization and settlement of the respective asset and liabilities will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Questus Land Development Fund and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Fund recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Fund notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2006. The tax consolidated group has entered a tax funding arrangement whereby each entity in the Fund contributes to the income tax payable by the tax consolidated group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by or distribution to the head entity.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Fund will not be able to collect the debts. Bad debts are written off when identified.

(g) Inventories

Inventories consist of land held for development and sale and are valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Borrowing costs, foreign currency movements and holding charges incurred after development is completed, are expensed.

Revenue is brought to account on the settlement of contract of sale.

(h) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(i) Investments and other financial assets

The Fund's direct investments in its subsidiaries are carried at cost less any provision for impairment. Balances and transactions between the Fund and the subsidiaries have been eliminated in preparing the consolidated financial report.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(j) Impairment of assets

At each reporting date, the Fund reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and arise when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are recognised and carried at the nominal amount due.

(l) Revenue

Sale of land

Revenue and profits from the sale of blocks from completed stages of land subdivision are recognised on settlement of the sale. This represents the point when risk and rewards have passed to the buyer.

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Fund does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at ‘fair value through profit or loss’ when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Financial Instruments (cont.)

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Fund's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the Fund sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. Available-for-sale financial assets

Available-for-sale assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognized, the cumulative gain or loss pertaining to that asset previously recognized in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sole within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Financial Instruments (cont.)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Fund assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognized in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(o) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

There are no key estimates and judgments for the year ended 30 June 2013.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Critical accounting estimates and judgments (cont.)

Taxation

The Fund's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the applicable of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Impairment of inventories

The Fund assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Fund that may be indicative of impairment triggers. Recoverable amounts of the inventories are reassessed with the combined of independent valuation report and unit valuation of the Fund and its assets at reporting date in line with the discretionary unit pricing policy of the Fund.

At reporting date, the Fund has provided an impairment of \$6,392,923 (2012: \$6,392,923).

CONSOLIDATED	
2013	2012
\$	\$

3. REVENUE

Interest income	169	6,762
Recovery of assets previously written down	320,000	-
	320,169	6,762

4(a) Impairment of Loans

Impairment of related party loans	-	(4,256,265)
	-	(4,256,265)

Impairment of loans relates to loans to the subsidiaries Yalop Pty Ltd and QLDF Development 1 Pty Ltd where the Fund has loss control in 2012.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012**

	CONSOLIDATED	
	2013	2012
	\$	\$
4(b) Loss from Deconsolidation and then Reconsolidation of subsidiaries		
Net loss on consolidation of subsidiaries	-	(13,206,557)
	-	(13,206,557)

On 23 August 2011, Questus Land Development Fund lost control of QLDF Development 2 Pty Ltd and QLDF Development 3 Pty Ltd. The loss of control was due to the appointment of receivers and managers. Due to this loss of control, the results of these two subsidiaries have been deconsolidated at that date.

On 7 June 2012, Questus Land Development Fund regained control of QLDF Development 2 Pty Ltd and QLDF Development 3 Pty Ltd. The control regained was that the receivers and managers handed the companies back to Questus Land Development Fund. Due to this, the results of these subsidiaries have been reconsolidated at that date.

The loss above is a reflection of activities during the period when control of the company was lost and regained within the financial year.

4(c) Loss from Reconsolidation of subsidiaries

Net loss on Reconsolidation of subsidiaries	(2,166,561)	-
	(2,166,561)	-

On 23 August 2011, Questus Land Development Fund lost control of Yalop Pty Ltd. The loss of control was due to the appointment of receivers and managers. Due to this loss of control, the result of this subsidiary have been deconsolidated at that date.

On 24 April 2013, Questus Land Development Fund regained control of Yalop Pty Ltd. The control regained was that the receivers and managers handed the companies back to Questus Land Development Fund. Due to this, the results of these subsidiaries have been reconsolidated at that date.

The loss above is a reflection of activities during the period when control of the company as regained within the financial year.

4(d) Loss from discontinued operations

Yalop Pty Ltd	-	4,971,765
QLDF Development 1 Pty Ltd	-	664,349
	-	5,636,114

On 1 July 2011, Questus Land Development Fund lost control of QLDF Development 1 Pty Ltd. The loss of control was due to the appointment of receivers and managers. Due to this loss of control, the result of this subsidiary has been deconsolidated at that date.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

	CONSOLIDATED	
	2013	2012
	\$	\$
4(e) OTHER EXPENSES		
Audit and accounting fees	23,515	12,500
Legal expenses	230,076	-
Others	4,089	1,724
Property expenses	50,381	-
Responsible officer fees	7,720	20,734
Consulting	-	900
	315,781	35,858
Included in other expenses are: Amounts received or due and receivable by RSM Bird Cameron Partners for:		
- Audit or review of the financial report	18,500	16,500
- Audit of compliance plan	3,500	3,500
	22,000	20,000

5. INCOME TAX EXPENSE

The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on loss before income tax at 30% (2012: 30%)	1,063,714	7,370,445
Tax effect of:		
— non-assessable items	803,949	-
— non-deductible items	(1,453,917)	(3,097,438)
— equity raising (sec 40-880)	2,034	10,033
Tax benefit not being brought to account	(1,992,585)	(8,121,805)
Tax benefit re deconsolidated entity for accounting purposes	3,071,496	-
Tax benefit re discontinued operations		185,322
Income tax benefit/(expense)	1,494,691	(3,653,443)

The Fund is consolidated for income tax purposes. At reporting date, the tax consolidated group had tax losses of \$42,973,558 (2012: \$36,335,108) which are available to offset future years' taxable income.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

5. INCOME TAX EXPENSE (Continue)

The future income tax benefit of these tax losses is \$12,892,067 (2012: \$10,900,532). The benefits will only be obtained if:

- (a) the Fund derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Fund continues to comply with the conditions for deductibility imposed by the law; and
- (b) no changes in tax legislation adversely affect the Fund in realising the benefit from the deductions for the losses.

6. DISCONTINUED OPERATIONS

On 1 July 2011, the company deconsolidated the wholly owned subsidiaries of Yalop Pty Ltd QLDF Development 1 Pty Ltd due to the appointment of receivers and managers to these companies by the entities primary debt's financier.

The appointment of receivers and managers to these two companies on the 6 June 2011 after the Fund was unable to refinance the debts within the required time frame determined by the financier.

The companies were not deconsolidated for the financial year ended 30 June 2011 as at that point the directors were confident of a refinancing proposal being successful and were working with the receivers and managers to achieve this. Unfortunately, the Fund was not successful in finalising suitable terms and conditions for this finance proposal.

In the previous reporting year ended 30 June 2012, financial information relating to the discontinued operation to the date of deconsolidation is set out below.

The financial performance of the discontinued operations to the date of loss control, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

	CONSOLIDATED	
	2013	2012
	\$	\$
6. DISCONTINUED OPERATIONS (Cont)		
Revenue	-	-
Expenses	-	-
(Loss) before income tax	-	-
Income tax benefit/(expense)	-	-
(Loss) attributable to members of the parent entity	-	-
(Loss) on deconsolidation before income tax	-	(5,450,793)
Income tax benefit/(expense)	-	(185,321)
(Loss) on deconsolidation after income tax	-	(5,636,114)
Total (loss) after tax attributable to the discontinued operation	-	(5,636,114)

The net cash flows of the discontinued subsidiaries, which have been incorporated into the statement of cash flows, are as follows:

Net cash (outflow) from operating activities	-	-
Net cash (outflow) from investing activities	-	(11,232)
Net cash (outflow) from financing activities	-	-
Net cash (decrease) in cash generated by the discontinued division	-	(11,232)

Loss on disposal of the subsidiaries included in discontinued operations per the statement of comprehensive income.

7. TRADE AND OTHER RECEIVABLES

GST receivable	42,192	12,877
Advance to related entities	30,290	30,290
	<u>72,482</u>	<u>43,167</u>

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

	CONSOLIDATED	
	2013	2012
	\$	\$
8. INVENTORIES		
Current		
Land held for resale	7,892,923	7,892,923
Less: Impairment	(6,392,923)	(6,392,923)
	1,500,000	1,500,000
Borrowing costs, interest and holding costs incurred were not capitalised during the year (2012: \$nil).		
9. OTHER ASSETS		
Option fees paid	350,000	350,000
Less: Impairment	(350,000)	(350,000)
	-	-
10. DEFERRED TAX ASSET		
Deferred tax asset	-	-
Deferred tax asset comprises the following:		
Provisions and accruals	-	-
Sec 40-880 deductions unexpired	-	-
Tax losses not utilised	839,822	839,822
Deferred tax liability	13 (839,822)	(839,822)
	-	-
11. TRADE AND OTHER PAYABLES		
Current		
Trade creditors and accruals	432,089	280,966
Other creditors	1,300,000	-
Distribution payable	1,334	1,334
Interest payable	4,431,475	2,754,276
	6,164,898	3,036,576

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

	CONSOLIDATED	
	2013	2012
	\$	\$
12. BORROWINGS		
Current		
Loan – Questus Mortgage Funds Ltd (a)	2,795,284	1,868,284
Loan – Questus Limited (b)	11,316,770	11,106,368
Loan – Margen Pty Ltd (b)	400,000	-
Loan – Addwealth Achiever Fund (c)	9,630,000	9,630,000
Loan – Gilpear/Nunns (b)	300,000	-
Loan – Yalop Pty Ltd (b)	-	2,886,194
	24,442,054	25,490,846

(a) The short term loans are unsecured, charged with interest of 15% p.a and repayable on demand.

(b) The short term loans are unsecured and repayable on demand.

(c) The loans are unsecured charged with interest of 12% p.a and repayable on demand.

13. DEFERRED TAX LIABILITY

Deferred tax liability		-	-
Deferred tax liability comprises the following:			
Capitalised interest costs		761,748	761,748
Capitalised borrowing costs		23,305	23,305
Capitalised holding costs		54,769	54,769
Offset against deferred tax assets	10	(839,822)	(839,822)
Closing balance		-	-

All movements in deferred tax liability have been recognised in the statement of comprehensive income.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

	CONSOLIDATED	
	2013	2012
	\$	\$
14. ISSUED CAPITAL		
Unitholders	12,368,953	12,368,953

	2013	2012	2013	2012
	\$	\$	No.	No.
At the beginning of reporting period	12,368,953	12,368,953	18,517,708	18,517,708
Issued of units	-	-	-	-
Unit raising costs	-	-	-	-
At reporting date	12,368,953	12,368,953	18,517,708	18,517,708

Capital Management

The Responsible Entity controls the capital of the Fund in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Fund can fund its operations and continue as a going concern.

The Fund's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The gearing ratios for both financial years are as follows:

		CONSOLIDATED	
		2013	2012
		\$	\$
Total borrowings	11,12	30,606,952	28,527,422
Less cash and cash equivalents	15(a)	(6,170)	(6,976)
Net debt		30,600,782	28,520,446
Total equity		(29,028,300)	(26,977,279)
Total capital		1,572,482	1,543,167

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

CONSOLIDATED
2013 **2012**
\$ **\$**

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank and on hand	6,170	6,976
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(b) Reconciliation of net cash provided by operating activities to loss after tax

Loss after tax	(2,051,021)	(28,406,914)
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Non cash items:

Loss on deconsolidation and then reconsolidation of subsidiaries	-	13,206,557
Loss on reconsolidation of subsidiaries	4,846,389	5,450,793
Impairment of investments	-	350,000
Impairment of loans	(2,778,312)	4,256,265

Movement in assets and liabilities:

Receivables	17,935	-
Payables	1,459,218	1,252,924
Inventories	-	(349,734)
Deferred tax assets and liabilities	(1,494,690)	3,838,764

Net cash used in operating activities	(481)	(401,345)
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**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

16. CONTROLLED ENTITIES

(a) Controlled entities consolidated

Investments in controlled entities at cost less impairment:

Name	Country	EQUITY INTEREST	
		2013 %	2012 %
QLDF Development 1 Pty Ltd [1]	Australia	-	-
QLDF Development 2 Pty Ltd	Australia	100	100
QLDF Development 3 Pty Ltd	Australia	100	100
QLDF Development 4 Pty Ltd	Australia	100	100
QLDF Development 68 Road Pty Ltd	Australia	100	100
Yalop Pty Ltd [2] [3]	Australia	100	-

The above subsidiaries are all domiciled in Australia and have balance dates of 30 June, consistent with the Fund.

[1] Receivers and Managers appointed by the primary debt's financiers, St George Bank on 6 June 2011.

[2] Receivers and managers appointed by their primary debt provider, St George Bank of Queensland on 6 June 2011.

[3] Release from formal administration on 24 April 2013. The subsidiary was included in the consolidation entity for the year ended 30 June 2013.

(a) Acquisition of Controlled Entities

Yalop Pty Ltd has had notices lodged with Australian Securities Investment Commission (ASIC) notifying receivers and managers ceasing to act on the 24 April 2013. This event is treated as an acquisition of a company as control of the company has been returned to the Fund.

The fair value of the identifiable assets and liabilities of Yalop Pty Ltd as at the date of acquisition are:

	Recognised on acquisition
	\$
Trade and other receivables	5,876
Trade and other payables	(1,968,539)
Borrowings	(2,883,727)
Fair value of identifiable net liabilities	<u>(4,846,390)</u>

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

CONSOLIDATED
2013 **2012**
\$ \$

17. RELATED PARTY DISCLOSURES

(a) Responsible Entity

The Responsible Entity of the Fund is Questus Funds Management Limited, whose ultimate parent entity is Questus Limited.

(b) Related party transactions

Payables:

The following amounts appeared as trade creditors in Questus Land Development Fund or its subsidiaries at 30 June:

Questus Asset Management Pty Ltd	-	22,000
	-	22,000

Loans payable:

The following amounts appeared as loans payable in Questus Land Development Fund or its subsidiaries at 30 June:

Yalop Pty Ltd	-	2,886,194
Questus Limited	11,316,770	11,106,368
Questus Mortgage Funds Ltd	2,795,284	1,868,284
	14,112,054	15,860,846

Loans receivable:

The following amounts appeared as loans receivable in Questus Land Development Fund or its subsidiaries at 30 June:

Questus Capital Group Pty Ltd	30,290	30,290
	30,290	30,290

Services received by the Ultimate Parent Entity and its subsidiaries

The following fees were paid or payable to Questus Funds Management Limited:

Expense recoveries	320,000	-
	320,000	-

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

CONSOLIDATED
2013 **2012**
\$ \$

17. RELATED PARTY DISCLOSURES (cont.)

(b) Related party transactions (cont.)

Transactions between entities with common directors

The following fees were paid or payable to Questus Mortgage Funds Limited:

Interest expense	101,575	281,010
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The following fees were paid or payable to Questus Asset Management Pty Ltd:

Project management fees	(11,000)	-
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The following fees were paid or payable to Questus Limited:

Interest expense	210,402	65,306
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Transactions between Questus Land Development Fund and Key Management Personnel

(c) Details of key management personnel

Directors

The Directors of Questus Funds Management Limited, the Responsible Entity of Questus Land Development Fund are considered to be key management personnel of the Fund.

The names of the Directors of the Responsible Entity in office during the financial period were:

David Somerville
Robert Olde
Maurizio Oteri (resigned on 13 September 2013)
Peter Chan (appointed on 13 September 2013, resigned 21 May 2014)
Katherine Ang (appointed on 13 September 2013, resigned 21 May 2014)
Anthony Brennan (appointed 7 May 2014)

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

17. RELATED PARTY DISCLOSURES (cont.)

(d) Compensation of key management personnel

No payments were made to key management personnel by the Fund. The Responsible Entity as part of its services provided for its management fee has paid some of the key management personnel in regard to work performed in relation to the Fund.

(e) Units in the Fund held by key management personnel

Key management personnel do not hold any units in the Fund directly at year end, nor have they held any units in the Fund during the year.

David Somerville and Robert Olde hold shares directly and indirectly in Questus Ltd. Questus Capital Solutions Pty Ltd, a 100% owned subsidiary of Questus Ltd owns 125,356 units in the Fund (0.68%).

David Somerville holds shares indirectly in Questus Capital Group Pty Ltd , Questus Capital Group Pty Ltd owns 34,485 units in the Fund (0.19%).

18. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Fund's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries and loans from banks.

The main purpose of non-derivative financial instruments is to raise finance for the Fund's operations. Derivatives are not used by the Fund.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Entity	
		2013	2012
		\$	\$
Financial Assets			
Cash and cash equivalents	15(a)	6,170	6,976
Loans and receivables	7	30,290	30,290
Total Financial Assets		<u>36,460</u>	<u>37,266</u>
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	11	6,164,898	3,036,576
— Borrowings	12	24,442,054	25,490,846
Total Financial Liabilities		<u>30,606,952</u>	<u>28,527,422</u>

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

18. FINANCIAL INSTRUMENTS (cont.)

(i) Treasury Risk Management

The Board of the Responsible Entity reviews the financial risk exposure and evaluates management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Fund in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of the Responsible Entity on a regular basis. These include credit risk policies and future cash flow requirements. Due to appointment of the receivers and managers of the subsidiaries, the Responsible Entity is working on the strategy to minimise the risk exposure of the Fund and currently is working with various parties to secure a refinancing of the primary debt, which will bring the companies out of formal administration. The Responsible Entity is also pursuing parties over their failure to re finance as agreed.

(ii) Financial Exposures and Management

The main risks the Fund is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

At 30 June 2013, approximately 100% of the Fund's debt is fixed.

It is the policy of the Fund to keep more than 50% of debt on fixed interest rates, dependent on market interest rate trends.

The Responsible Entity will seek to actively manage interest rate risk in line with movements in interest rates.

Liquidity risk

The Fund manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Responsible Entity will actively manage the borrowings of the Fund in line with the status of various projects being undertaken by the Fund.

The table below reflects undiscounted contractual maturity analysis for financial assets and liabilities:

2013	Within 1 year	1 to 5 years	Total
	\$	\$	\$
Financial Assets			
Cash assets	6,170	-	6,170
Receivables	30,290	-	30,290
	36,460	-	36,460
Financial Liabilities			
Payables	(6,164,898)	-	(6,164,898)
Borrowings	(24,442,054)	-	(24,442,054)
	(30,606,952)	-	(30,606,952)

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013**

18. FINANCIAL INSTRUMENTS (cont.)

Liquidity risk (cont.)
2012

	Within 1 year	1 to 5 years	Total
	\$	\$	\$
Financial Assets			
Cash assets	6,976	-	6,976
Receivables	30,290	-	30,290
	<u>37,266</u>	<u>-</u>	<u>37,266</u>
Financial Liabilities			
Payables	(3,036,576)	-	(3,036,576)
Borrowings	(25,490,846)	-	(25,490,846)
	<u>(28,527,422)</u>	<u>-</u>	<u>(28,527,422)</u>

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Fund does not have any material credit risk exposure to a single receivable or group receivables under financial instruments entered into by the Fund.

There are no amounts of collateral held as security at 30 June 2013.

Credit risk is managed and reviewed regularly by the Board of the Responsible Entity. It arises from exposures to customers as well as through deposits with financial institutions.

Credit risk is monitored by actively assessing the rating quality and liquidity of counterparties:

- only banks and financial institutions with an ‘A’ rating are utilised;
- all potential tenants are rated for credit worthiness taking into account their size, market position and financial standing.

The receivables balances at 30 June 2013 and 30 June 2012 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

18. FINANCIAL INSTRUMENTS (cont.)

(iii) Financial Instruments Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the statement of financial position.

2013	Weighted average Interest rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non-interest	Total
		\$	\$	\$	\$	\$
Financial Assets						
Cash assets	-%	6,170	-	-	-	6,170
Receivables		-	-	-	30,290	30,290
		<u>6,170</u>	<u>-</u>	<u>-</u>	<u>30,290</u>	<u>36,460</u>
Financial Liabilities						
Payables		-	-	-	(6,164,898)	(6,164,898)
Borrowings	13%	-	(12,425,284)	-	(12,016,770)	(24,442,054)
		<u>-</u>	<u>(12,425,284)</u>	<u>-</u>	<u>(18,181,668)</u>	<u>(30,606,952)</u>
Net financial (liabilities)		<u>6,170</u>	<u>(12,425,284)</u>	<u>-</u>	<u>(18,151,378)</u>	<u>(30,570,492)</u>

2012	Weighted average Interest rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non-interest	Total
		\$	\$	\$	\$	\$
Financial Assets						
Cash assets	-%	6,976	-	-	-	6,976
Receivables		-	-	-	30,290	30,290
		<u>6,976</u>	<u>-</u>	<u>-</u>	<u>30,290</u>	<u>37,266</u>
Financial Liabilities						
Payables		-	-	-	(3,036,577)	(3,036,577)
Borrowings	13%	-	(11,498,284)	-	(13,992,562)	(25,490,846)
		<u>-</u>	<u>(11,498,284)</u>	<u>-</u>	<u>(17,029,139)</u>	<u>(28,527,423)</u>
Net financial (liabilities)		<u>6,976</u>	<u>(11,498,284)</u>	<u>-</u>	<u>(16,998,849)</u>	<u>(28,490,157)</u>

QUESTUS LAND DEVELOPMENT FUND
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18. FINANCIAL INSTRUMENTS (cont.)

(iii) Financial Instruments Composition and Maturity Analysis (cont.)

Trade and sundry payables are expected to be paid as follows:

	Consolidated Entity	
	2013	2012
	\$	\$
Less than 6 months	-	-
6 months to 1 year	-	3,036,576
1 year to 2 years	6,164,898	-
	<u>6,164,898</u>	<u>3,036,576</u>

(iv) Net Fair Values

For other assets and other liabilities the net fair value approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at reporting date:

	2013		2012	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	6,170	6,170	6,976	6,976
Trade and other receivables	30,290	30,290	30,290	30,290
	<u>36,460</u>	<u>36,460</u>	<u>37,266</u>	<u>37,266</u>
Financial liabilities				
Borrowings	24,442,054	24,442,054	25,490,846	25,490,846
Trade and other payables	6,164,898	6,164,898	3,036,576	3,036,576
	<u>30,606,952</u>	<u>30,606,952</u>	<u>28,527,422</u>	<u>28,527,422</u>

**QUESTUS LAND DEVELOPMENT FUND
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For the year ended 30 June 2013**

18. FINANCIAL INSTRUMENTS (cont.)

(v) Sensitivity Analysis

Interest Rate Risk

The Fund has performed sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

		-1% change		+1% change	
	Carrying amount \$	Profit \$	Equity \$	Profit \$	Equity \$
2013					
<i>Financial Assets</i>					
Cash and cash equivalents	6,170	(62)	(62)	62	62
<i>Financial liabilities</i>					
Borrowings	-	-	-	-	-
Total Increase/(Decrease)		<u>(62)</u>	<u>(62)</u>	<u>62</u>	<u>62</u>
		-1% change		+1% change	
	Carrying amount \$	Profit \$	Equity \$	Profit \$	Equity \$
2012					
<i>Financial Assets</i>					
Cash and cash equivalents	6,976	(69)	(69)	69	69
<i>Financial liabilities</i>					
Borrowings	-	-	-	-	-
Total Increase/(Decrease)		<u>(69)</u>	<u>(69)</u>	<u>69</u>	<u>69</u>

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Not all borrowings are on variable rate. Some borrowings are on predetermined fixed rates and hence a shift in interest rates will have no effect.

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19. EVENTS SUBSEQUENT TO THE REPORTING DATE

On the 10 October 2012, Questus Funds Management Limited received a favourable judgment regarding proceedings in the Supreme Court of WA to set aside the statutory demand issued by Valuestream Investment Management Limited as responsible entity for the Addwealth Achiever Fund.

Background: In December 2011, Valuestream Investment Management Limited as responsible entity for the Addwealth Achiever Fund served a statutory demand on Questus Funds Management Limited as responsible entity of the Questus Land Development Fund to seek repayment of an unsecured loan made to the Questus Land Development Fund in the form of Convertible Notes issued to the Addwealth Achiever Fund. Questus Funds Management Limited vigorously disputed that it has an obligation to repay the debt personally.

The debt was solely incurred in the name of the Questus Land Development Fund as Questus Funds Management Limited was acting only in its capacity as responsible entity for the Questus Land Development Fund. This unsecured loan was also made in conjunction with a Memorandum of Understanding entered into between the parties, which agreement provided for the continuance of future financial support from Addwealth Pty Ltd in its capacity as the duly appointed investment manager of the Addwealth Achiever Fund of which Valuestream Investment Management Limited was the responsible entity until its replacement by Primary Securities Limited who was appointed as the responsible entity on the 2012 .

Questus Funds Management Limited on 2 of October 2012 lodged proceedings in the WA Supreme Court against Addwealth Pty Ltd and Valuestream Investment Management Limited as the responsible entity of the Addwealth Achiever Fund for breach of the Memorandum of Understanding in respect of which it is believed that the undertakings given and commitments made in the context of the Memorandum of Understanding have not been fulfilled. No outcome has been received as at date of this report.

Primary Securities has on the 13 November 2013, recommenced proceedings against QFML for the repayment of the amounts advanced by the Addwealth Achiever Fund to the Questus Land Development Fund. An application was made by the Plaintiffs and Defendants jointly to have the matters heard contemporaneously. The WA Supreme Court has acquiesced this request and at this stage no hearing date has been set.

On the 9th April 2014 the Supreme Court of WA ordered that the company of Questus Mortgage Funds Ltd be wound up. The Fund and its subsidiaries have borrowings from this company.

There are no other matters or circumstances that have arisen since 30 June 2013 that have or may significantly affect the operations, results, or state of affairs of the company in future financial years.

20. CONTINGENT LIABILITIES

There are no contingent liabilities at date of this report.

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21. PARENT ENTITY DISCLOSURES

a) Financial Information Parent	2013	2012
	\$	\$
(Loss) for the year	(366,601)	(17,791,669)
Total comprehensive (loss)	<u>(366,601)</u>	<u>(17,791,669)</u>
Assets		
Current assets	12,523	6,258
Non-current asset	-	6,290
Total Assets	<u>12,523</u>	<u>12,548</u>
Liabilities		
Current liabilities	15,386,369	15,019,793
Total Liabilities	<u>15,386,369</u>	<u>15,019,793</u>
Equity		
Issued capital	12,368,953	12,368,953
Accumulated losses	(27,742,799)	(27,376,198)
Total deficiency in equity	<u>(15,373,846)</u>	<u>(15,007,245)</u>

b) Guarantees

The Fund did not enter into a deed of cross guarantee for its subsidiaries for both financial years ended 30 June 2013 and 30 June 2012.

c) Other Commitments and Contingencies

The Fund has no commitments to acquire property, plant and equipment, and has no contingent liabilities other than those disclosed in the Note 20.

**QUESTUS LAND DEVELOPMENT FUND
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22. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIOD

At the date of this financial report, the following standards and interpretations have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2015
AASB 13	Fair Value Measurement	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013

The consolidated entity has decided against early adoption of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.