



Annual Report



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CORPORATE DIRECTORY

DIRECTORS	DJ Somerville (Executive Chairman) (Appointed 22 October 2007) RW Olde (Executive Director) (Appointed 7 November 2007) Prof. A Brennan (Non-Executive Director) (Appointed 30 November 2010) AJ Kelly (Executive Director) (Resigned 30 November 2010)
COMPANY SECRETARY	EBH Lee (Jointly Appointed 1 February 2011) AJ Kelly (Resigned 22 March 2011)
REGISTERED AND PRINCIPLE OFFICE	884 Canning Highway APPLECROSS WA 6153 Telephone: +61 8 6310 5040 Facsimile: +61 8 6310 5041
AUDITORS	RSM Bird Cameron Partners Chartered Accountants 8 St George's Terrace PERTH WA 6000
SOLICITORS	Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Alexandrea House Suite 1, 770 Canning Highway APPLECROSS WA 6153 Telephone: + 61 8 9315 2333 Facsimile: + 61 8 9315 2233
STOCK EXCHANGE LISTING	Questus Limited shares are listed on the Australian Securities Exchange under the code QSS.
WEB SITE	www.questus.com.au
COMPANY DOMICILE AND LEGAL FORM	Questus Limited is a public company limited by shares, incorporated and domiciled in Australia.

29 September 2011

Dear Shareholder,

The Board of Directors of Questus Limited (Questus), herewith provide the Annual Report for the company for the year ended 30 June 2011.

The results of the company for the financial year reflect a loss of \$896,000 for the period. This is comprised of two components – firstly an operational loss from activities within the year of \$596,000 and secondly a write down in asset values of \$300,000.

The write-down of assets relates to an investment made by the Company in DNA NRAS Limited, an administrative platform designed to provide an institutional strength delivery platform for the roll-out of the National Rental Affordability Scheme (NRAS) across Australia. The protracted delivery of NRAS has not seen an institutional involvement in the sector, and although Questus is supportive of an institutional model in NRAS moving forward, the recoverability of the asset is by no means certain.

The operational losses of the company over the past 12 months are due to the Company continuing to establish and develop its position in delivering the Governments' NRAS across Australia. Substantial capital and operational expenses have been incurred in obtaining NRAS allocations and creating the QRIF and its initial rollout, and income streams from these activities will be received and reflected in the accounts of the Company in the ensuing financial years.

In addition, Questus has during the year created an North West NRAS delivery model, which will be very effective in remote mining regions with a particular focus on the North West of WA.

Questus, with the support of the WA Department of Housing, the regional shires of the North West of WA, and landholders in the region, has applied under the NRAS to deliver 1,840 NRAS properties in the North West. This has been a substantial commitment by Questus and will provide for a sustained roll-out of affordable housing across the North West over the next 5 years.

Questus involvement in NRAS continues to escalate:

- Questus has now completed and delivered 376 properties in Queensland and Western Australia to derive upfront revenue of \$1.88m plus the ongoing fees associated with the QRIF for each NRAS property.
- Questus currently has been issued with 1,135 entitlements in Queensland, 227 entitlements in NSW for delivery by 2012 through to 2014. These current entitlements will derive revenue to Questus of over \$7.0m over the next two years.

LETTER FROM THE CHAIRMAN

- Questus has additional applications submitted with the Federal Government (excluding North West) for over 2,000 properties. Assuming a proportion of these is successful in being allocated NRAS entitlements, this will provide additional strong revenue streams to the company over the next 4 years.
- The North West opportunity is substantial and as previously identified, has incurred considerable cost, but again, if successful, will provide significant revenue streams for the company over the ensuing 5 years.

In summary the activities of the company over the financial year, have provided for a period of stabilising, and an ability to continue to refocus the direction of the Company, in preparation for the large-scale delivery of NRAS across Australia for the next 5 years.

The Board and Management of Questus are extremely positive about the company's position and growth opportunities in the NRAS space and confident of a strong return to profitability and growth in the ensuing years.

Yours sincerely



DAVID SOMERVILLE
Executive Chairman

DIRECTOR'S REPORT

Your directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names of the company's directors in office during the year and until the date of this report are as below. AJ Brennan was newly appointed from 29 November 2010. Other directors were in office for this entire period unless otherwise stated:

DJ Somerville	Age 51	first appointed 22 October 2007	Executive
RW Olde	Age 40	first appointed 7 November 2007	Executive
AJ Brennan	Age 38	first appointed 29 November 2010	Non Executive
AJ Kelly	Age 53	first appointed 11 August 2008 , resigned 29 November 2010	Executive

DIRECTORSHIPS OF OTHER LISTED COMPANIES

David Somerville is a director of CI Resources Ltd, an ASX Listed Company. David is also a director of EMC Solar Ltd, a public unlisted company.

Anthony Brennan is a directors of CI Resources Ltd, an ASX listed company. Anthony has also been a director of public unlisted companies Phosphate Resources Limited and Western Potatoes Limited in the past 3 years.

The current directors do not hold and have not held directorships of any other listed companies in the past three years other than the companies mentioned above.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The directors of the Company and their qualifications are set out below.

David Somerville (B.Bus, MBA, CPA, AFAIM)

Executive Chairman

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)

Executive Director

Robert studied Commerce at Murdoch University and holds a Diploma in Financial Planning. Robert is a member of the Australian Institute of Management and also holds a Certificate of Registration as a Real Estate and Business Sales Representative from the Real Estate Institute of Western Australia.

DIRECTOR'S REPORT

Anthony Joseph Brennan (LLB) (Appointed 29 November 2010)

Non-Executive Director

Tony holds a Bachelor of Laws degree from the University of Queensland, a Graduate Diploma in Legal Practice and worked as a solicitor with national law firm Clayton Utz in the area of corporate advisory, mergers and acquisitions and banking and finance. Having worked for local and state government bodies, Australian blue chip companies and national and international banks, Tony has experience in corporate banking and finance transactions including development finance and refinance transactions, infrastructure and project finance, loan facility and security documentation, general corporate banking matters and significant commercial property transactions. As Managing Director of Magellan Capital Advisors he is currently involved in mining, pharmaceutical, agricultural and medical projects throughout Arica, the Middle East and South East Asia. Tony is a member of the Mining Law committee, the International Construction Projects committee and the Maritime and Transport Law committee of the International Bar Association and is also one of the few Australian Lawyers to have studied Capital Market Development and Regulation; Arbitration and Dispute Resolution and Debt Rescheduling with the Paris Club through the United Nations Institute of Training and Research.

Tony is also a former facilitator for the Australian Institute of Company Directors Company Directors Course and currently serves as a non-executive director of both listed and unlisted companies in Australia and the Middle East.

Alexander James Kelly (MA Funds Management, Dip FP) (Resigned 29 November 2010)

Executive Director

Alexander has a Masters of Arts majoring in Funds Management from Macquarie University, a Diploma in Financial Planning from Deakin University and is a Fellow of the Financial Planning Association of Australia.

DIRECTORS' MEETINGS

The number of meetings of the Company's board of directors held during the year and the number of meetings attended by each director were:

DIRECTOR	NUMBER OF MEETINGS ATTENDED		NUMBER OF MEETINGS ENTITLED TO ATTEND	
	BOARD	AUDIT COMMITTEE	BOARD	AUDIT COMMITTEE
David Somerville	5	-	5	-
Robert Olde	5	-	5	-
Anthony Brennan (Appointed 29 November 2010)	3	-	3	-
Jamie Kelly (Resigned 29 November 2010)	2	-	2	-

DIRECTOR'S REPORT

DIRECTORS' INTERESTS

As at the date of this report, the direct and indirect interests of the Directors in the Company were:

DIRECTOR	SHARES		OPTIONS (UNLISTED)	
	In Own Name	In Other Names	In Own Name	In Other Names
David Somerville	-	15,130,715	2,025,000	5,000,000
Robert Olde	134,542	8,831	2,025,000	-
Anthony Brennan (Appointed 29 November 2010)	-	-	-	-
Jamie Kelly (resigned 29 November 2010)	20,000	-	540,000	-

COMPANY SECRETARY

Elizabeth Lee, Company Secretary – B Bus, FCIS, Grad.Dip. Corp. Gov. ASX Listed Entities (Appointed 1 February 2011)

Elizabeth has over 14 years experience in the areas of corporate governance and company secretarial functions. Prior to joining Questus, Elizabeth held company secretarial positions for Phosphate Resources Limited, Macmahon Holdings Limited, Corporate Compliance Partners and Lend Lease Primelife Limited. Elizabeth also performed contract company secretarial roles with Macquarie Bank Limited and Austrock Group Limited. Elizabeth holds a Bachelor of Business majoring in Finance and Business Law from Edith Cowan University, a Graduate Diploma in Corporate Governance from Chartered Secretaries Australia, a Graduate Diploma in Corporate governance for ASX Listed Entities from Kaplan Financial Institute and is a Fellow member of the Chartered Secretaries in Australia.

Alexander James Kelly - MA Funds Management, Dip FP (Resigned 22 March 2011)

Alexander has a Masters of Arts majoring in Funds Management from Macquarie University, a Diploma in Financial Planning from Deakin University and is a Fellow of the Financial Planning Association of Australia.

PRINCIPAL ACTIVITIES

The principal activities of the Group are boutique funds management, facilitation of capital raisings and as a participant in the State and Federal Government National Rental Affordability Scheme.

DIRECTOR'S REPORT

RESULTS AND REVIEW OF OPERATIONS

The consolidated income statement shows a loss after tax attributable to members of (\$896,283) (2010: profit of \$13,826).

The results of the company for the year ended 30 June 2011 reflects a loss after income tax of \$896,283. This is comprised of two components – firstly an operational loss from activities within the year of \$596,283 and secondly a write-down in asset values of \$300,000.

The write-down of assets relates to an investment made by the Company in DNA NRAS Limited, an administrative platform designed to provide an institutional strength delivery platform for the roll-out of the National Rental Affordability Scheme (NRAS) across Australia. The protracted delivery of NRAS has not seen an institutional involvement in the sector, and although Questus is supportive of an institutional model in NRAS moving forward, the recoverability of the asset is by no means certain.

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Questus involvement in NRAS continues to escalate:

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- Questus currently has been issued with 1,135 entitlements in Queensland, 227 entitlements in NSW for delivery by 2012 through to 2014. These current entitlements will derive revenue to Questus of over \$7.0m over the next two years.
- Questus has additional applications submitted with the Federal Government (excluding North West) for over 2,000 properties. Assuming a proportion of these are successful in being allocated NRAS entitlements, this will provide additional strong revenue streams to the company over the next 4 years.
- The North West opportunity is substantial and as previously identified, has incurred considerable cost, but again, if successful, will provide significant revenue streams for the company over the ensuing 5 years.

In summary the activities of the company over the financial year, have provided for a period of stabilisation, and an ability to continue to refocus the direction of the company, in preparation for the large-scale delivery of NRAS across Australia for the next 5 years.

DIRECTOR'S REPORT

DIVIDENDS

There was no dividend for the year ended 30 June 2011 paid on ordinary shares (2010: \$nil):

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

The Company is not subject to significant environmental regulation in respect of its operating activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes during the year.

REMUNERATION REPORT (AUDITED)

Remuneration Philosophy

The Board of Directors of Questus Limited is responsible for determining and reviewing compensation arrangements for directors and the executive team. The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Details

The Directors are remunerated based on the provision of services provided to the Company for executive management and for their services as Directors. The Directors fees are determined by the Company in general meeting and other consulting services are remunerated at levels agreed by the Board of Directors. Each non-executive director receives a fixed fee for their services as directors. Non-executive director's fees not exceeding an aggregate of \$150,000 per annum have been approved by the Company in a general meeting.

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement directors and executives are paid employee benefit entitlements accrued to date of retirement.

Directors and executives of the Company have received options (unlisted) as part of their remuneration during the financial year.

Employment contracts for Directors and Executives stipulate a range of one to three month resignation periods. Termination payments are generally not payable on dismissal for serious misconduct. The Company may terminate an employment contract without cause by providing the appropriate written notice under each contract or making payment in lieu, based upon the individual's remuneration together with a severance benefit.

Details of the nature and amount of each element of the remuneration of each director of the Company for the financial year are as follows:

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Directors

30 June 2011	Primary			Post Employment	Equity	Other	Total	
Name	Salary & Fees \$	Cash Bonus \$	Non Monetary benefits \$	Superan-nuation \$	Options \$	Un-listed Options \$	\$	Total option related %
Directors:								
David Somerville	207,692	-	-	18,692	-	36,450	262,834	13.87%
Robert Olde(2)	251,401	-	-	14,019	-	36,450	301,870	12.07%
Anthony Brennan (appointed 29 November 2010)(4)	34,585	-	-	1,610	-	-	36,195	-
Jamie Kelly (resigned 29 November 2010)(1)	106,202	-	-	-	-	9,720	115,922	8.38%
Andrew Boots (resigned 3 June 2011) (3)	108,699	-	-	8,892	-	-	117,591	-
Total remuneration:	708,579	-	-	43,213	-	82,620	834,412	9.90%

30 June 2010	Primary			Post Employment	Equity	Other	Total	
Name	Salary & Fees \$	Cash Bonus \$	Non Monetary benefits \$	Superan-nuation \$	Options \$	Un-listed Options \$**	\$	Total option related %
David Somerville	200,000	-	-	18,000	-	(61,274)	156,726	-
Robert Olde (2)	182,040	-	-	13,500	-	(61,274)	134,266	-
Jamie Kelly (1)	109,020	-	-	-	-	(16,339)	92,681	-
Andrew Boots (3)	112,452	-	-	9,248	-	-	121,700	-
Total remuneration:	603,512	-	-	40,748	-	(138,887)	505,373	-

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

*** Unlisted options issued to directors were cancelled during the year.*

Note: Salary includes consulting fees paid to directors and to related parties of directors.

(1) Mr Kelly was a Director of Questus Ltd and Questus Funds Management Ltd only. He was joint company secretary for all companies. The remuneration disclosed is for the period 01 July 2010 to 30 June 2011 and includes consulting income paid after he resigned as a director and the company secretary during the year.

(2) Payments to Mr Olde include payments made to his consulting company.

(3) Andrew Boots was appointed a director of Questus Warrants Pty Ltd from 04 February 2008. The remuneration disclosed is his total remuneration and includes salary income from other entities within the group.

(4) Payments to Mr Brennan include payments made to his consulting company.

There are no other contracts to which a Director is a party or under which a Director is entitled to a benefit other than as disclosed in these financial statements.

Remuneration of Executive Officers

There were no executive officers other than the directors directly accountable and responsible for the strategic direction and management of the affairs of the Company and the Group.

Share Options

During the financial year there were 4,590,000 options granted over unissued ordinary shares of the Company (2010: nil).

The issue was in accordance with the director's option plan. 4,590,000 options exercisable at \$0.05 were issued on the 15 January 2011 to the Directors of Questus. These options expire on the 13 January 2014.

The weighted average fair value of the options granted during the financial year was \$0.018 (2010:- \$nil).

This price was calculated by using a Black-Scholes option pricing model, in respect of option issue in the respective year are applying the following inputs:

Weighted average exercise price	\$0.05
Weighted average life of the option	3 years
Underlying share price	\$0.045
Expected share price volatility	75.0%
Risk free interest rate	5.20%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the statement of comprehensive income is \$82,620 (2010: \$nil), and relates, in full, to equity-settled share-based payment transactions.

[End of Remuneration Report]

DIRECTOR'S REPORT

SHARE OPTIONS

As at the date of this report the following options were on issue:

Option expiry date	Listed / Unlisted	Exercise price	Number on issue
13 January 2014	Unlisted	\$0.05	4,590,000
04 January 2012	Unlisted	\$0.06	810,000
31 December 2012	Unlisted	\$0.50	5,000,000

No person entitled to exercise the options has any right by virtue of the options to participate in any share issue of the Company or of any other entity within the consolidated group. Nil options were exercised during year ended 30 June 2011 (2010: Nil).

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has paid an insurance premium in respect of a contract insuring each of the Directors of the Company and its controlled entities and each executive officer against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law, other than conduct involving a wilful breach of duty in relation to the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to RSM Bird Cameron Partners for non-audit services provided during the year ended 30 June 2011:

	\$
Taxation services	6,506

DIRECTOR'S REPORT

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 these financial statements.

This report is made in accordance with a resolution of Directors.

RW Olde
Director

Dated at Perth this 30th day of September 2011

CORPORATE GOVERNANCE

Questus Limited is a boutique funds management company operating in the funds management industry. Questus Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. The Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Securities Exchange Corporate Governance Council recommendations.

The following summarises the ten recommended ASX Principles of Good Governance and the Company's policies and procedures against each of the principles. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1 – Lay solid foundation for management and oversight.

The Board which currently consists of three non-independent Directors, is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Questus Limited.

The Directors are aware of their responsibilities and obligations to protect shareholder's funds. Due care is taken to explain both the positive and negative aspects in all reports to highlight the inherent risks involved in the finance industry. The Board must ensure that Questus Limited acts in accordance with prudent commercial principles and satisfies shareholders – consistent with maximising the Company's long term value.

The Board of Directors, two of which work full time for the Company and one who works part time,, determine the strategic direction of the Company by regularly monitoring and evaluating the performance and status of each of the Company's projects and activities. and it is the shareholders who will determine if the Board is maximising and enhancing the reputation and performance of the Company to increase shareholder value

Advice on the performance of the Company's business operations and investments is also provided by consultants and employees, where required. No formal evaluation of Board members took place this financial year.

Principle 2 – Structure the board to add value.

The Board comprises an Executive Chairman, and two Executive Directors. Full details of the Company's Board of Directors and their relevant experience and skills are detailed within the Directors' Report. The Company's Constitution requires that one third of the members of the Board retire by rotation each year but they are eligible for re-election.

Any new Director appointed holds office only until the next general meeting and is then eligible for re-election. The Board will ensure that any such person to be appointed as a Director possesses an appropriate level of qualifications, expertise and experience. Due to its size, the Company does not have a Nomination Committee. Key terms and conditions relating to the appointment of non-executive directors are set out in a formal letter of appointment.

The Chairman is also the Managing Director, appointed by the full Board. The Board does not have a predominance of non-executive Directors. A majority of the Board are also substantial shareholders; there clearly are no independent directors. The Board considers that given the size of the company, it is more important that directors are motivated to perform as a result of their shareholding in the company

CORPORATE GOVERNANCE

Principle 3 – Promote ethical and responsible decision making.

The Board place great emphasis on ethics and integrity in all its business dealings. In regards to principles 3.1, the Board considers the business practices and ethics exercised by individual board members and key executives to be of the highest standards.

The Board being committed to the highest standards of ethical business conduct has adopted a formal Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Questus Limited 's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- ◆ acting with honesty and integrity
- ◆ abiding by laws and regulations
- ◆ respecting confidentiality and handling information in a proper manner
- ◆ maintaining the highest standards of professional behaviour
- ◆ avoiding conflicts of interest
- ◆ striving to be a good corporate citizen and to achieve community respect.

Questus Limited also has a number of specific policies, including the Directors Code of Conduct, that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Questus Limited , and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

A formal policy has been adopted which is to ensure compliance with the “insider trading” provisions of the Corporations Act by executive staff who may be in possession of sensitive information concerning the Company's affairs, prior to release to the market.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

A copy of the Directors Code of Conduct and the Corporate Code of Conduct can be found on the Questus website.

Principle 4 – Safeguard integrity in financial reporting.

The Board has not formally established Audit Committee, these responsibilities are undertaken by the Board. It is the Boards responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors. The Company has retained RSM Bird Cameron as its auditors.

CORPORATE GOVERNANCE

Principle 5 – Make timely and balance disclosure.

The Company complied with all disclosure requirements to ensure that it manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

The Executive Chairman and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures. The Executive Chairman and Company Secretary are responsible for ensuring compliance with the continuous disclosure to the Australian Securities Exchange, analysts, broker, shareholders, the media and the public.

The continuous disclosure requirements are set out in the ASX Listing rules. The rules require the company to immediately notify the ASX of any information concerning the Company, which a reasonable person would expect to have a material effect on the price of securities. When considering the disclosure of information due consideration should also be given to the exemptions (carve outs) granted under the ASX listing rules in respect of continuous disclosure.

The Company shall disclose:

- ◆ all information that is required to be disclosed pursuant to ASX Listings Rules.
- ◆ the Board, collectively, has primary responsibility for ensuring that the company complies with its disclosure obligations.
- ◆ the Board will monitor news sources and seek to avoid the emergence of a false market in the company's securities. However, it is recognised that this may not be possible pursuant to ASX Listing Rule 3.1.B.
- ◆ the confidentiality of corporate information will be safeguarded to avoid premature disclosure.
- ◆ the Company Secretary is appointed as the Disclosure Officer in compliance with ASX Listing Rules. All directors and employees must immediately inform the Disclosure Officer if they obtain material information.

A copy of the Continuous Disclosure Policy can be found on the Questus website.

Principle 6 – Respect the rights of shareholders.

The Company has a positive strategy to communicate with shareholders and actively promote shareholder involvement in the company. It aims to continue to increase and improve the information available to shareholders on its website. All company announcements, presentations to analysts and other significant briefings are posted on the company's website after release to the Australian Securities Exchange.

CORPORATE GOVERNANCE

Principle 7 – Recognise and manage risk.

The Board has adopted a formal Risk Management Policy. The Board's collective experience should assist in enabling accurate identification of the principal risks which may affect the Company's business. Identifying key operational risks and their management will be recurring items for deliberation at Board meetings.

The Board oversees the establishment, implementation and ongoing review of the company's risk management and internal control system. Recommendation 7.1 requires the establishment of a risk committee. During the year Questus Limited did not have a separately established risk committee. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

The board has received assurance from the Executive Chairman and the Financial Controller that, the directors declaration provided in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves the Managing Director, and senior executives. The Directors are remunerated based on the provision of services provided to the Company for executive management and for their services as Directors. The Directors fees are determined by the Company in general meeting and other consulting services are remunerated at levels agreed by the Board of Directors. Access is available to the Company's auditors and senior managers, and the ability to consult independent experts when necessary.

In relation to non-executive directors, there are presently no schemes for termination or retirement benefits, other than statutory superannuation.

The Board recognises that the interests of all stakeholders will be best served when the Company, its directors and staff adhere to highest standards of business ethics and comply with the law.

The Board expects a high standard of ethical behaviour from all directors and staff. A code of business ethics has been developed outlining the policies and procedures which operate within the company to ensure its exemplary reputation is maintained.

CORPORATE GOVERNANCE

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

The Company has complied with each of the Ten Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.1 and 2.2	A majority of the Board and Chairman should be independent directors	<p>Directors David Somerville (Managing Director and Chairman of the Board), Robert Olde (Executive Director) and Jamie Kelly (Executive Director) do not satisfy the test of 'independence' as set out in the ASX Corporate Governance Council Practice Recommendations.</p> <p>David Somerville and Robert Olde are Substantial Shareholders of the Company and David Somerville, Robert Olde and Jamie Kelly are executives of the Company.</p> <p>In light of the above, the Company does not comply with the Best Practice Recommendations requirement of having a majority of independent directors.</p>	The Board considers that given the current size of the company, it is more important that directors are motivated to perform as a result of their shareholding in the company and involvement in day-to-day activities.
2.4	The board should establish a nomination committee	The board does not have a nomination committee.	The Board members have concluded that no efficiencies would be achieved by establishing a separate nomination committee. The functions of any nomination committee are normally undertaken by the full board.

CORPORATE GOVERNANCE

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.5	Disclose the process for performance evaluation of the board and individual directors	The board and individual directors are constantly aware of the Company's share price, market capitalisation and its financial performance. There is no formal policy for evaluating performance. However, the Company maintains regular contact with financial advisors and stockbrokers seeking third party feedback on the Company's performance in order to continue to seek improvement in this area.	In a competitive environment such as the sector in which Questus Limited operates, market forces will ensure that the board and individual directors are judged based upon the performance of the company both relative to the market and relative to its particular circumstances.
8.1	The board should establish a remuneration committee	The Company does not have a remuneration committee.	Given the size and scope of the company's operations, and the size of the board it is not considered that a remuneration committee is necessary. Accordingly the company does not have a remuneration committee.
8.2	Clearly distinguish the structure of non-executive directors remuneration from that of executives	<p>Executive directors receive a fixed salary pursuant to a contract plus a fixed annual director's fee.</p> <p>Non-executive directors do not receive a fixed salary but are entitled to director's fees approved by shareholders and fees for additional services provided up to a maximum of \$150,000 per annum in aggregate.</p>	Individuals must be remunerated for the risks of being a director of a public company. It is not feasible to attract quality directors unless they can be appropriately remunerated for their efforts and the risks undertaken.

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Questus Limited for the year ended 30 June 2011, 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
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2011

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED	
		2011 \$	2010 \$
Revenue	3	2,487,468	2,663,108
Employee benefits expenses	3a	(1,013,018)	(823,339)
Depreciation and amortisation	3b	(17,054)	(17,426)
Impairment of assets		(391,300)	(41,918)
Other expenses	3c	(1,735,716)	(1,519,035)
(Loss) / profit before tax and finance costs		(669,620)	261,390
Finance costs	3d	(314,568)	(213,276)
(Loss) / profit before income tax		(984,188)	48,114
Income tax benefit / (expense)	4a	87,905	(34,288)
Net (loss) / profit after income tax		(896,283)	13,826
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(896,283)	13,826
(Loss) / Earnings per share (cents per share)	5		
- basic		(2.27)	0.04
- diluted		(2.27)	0.04

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

		CONSOLIDATED	
		2011	2010
	Notes	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,072,421	1,062,828
Trade and other receivables	7	857,200	1,995,001
Other assets	8	51,040	22,938
Total Current Assets		1,980,661	3,080,767
Non-Current Assets			
Financial assets	9,10	789,996	831,296
Trade and other receivables	7	3,075,762	1,833,972
Deferred tax asset	16	2,127,312	2,055,656
Plant and equipment	11	11,937	10,277
Intangible assets	12	2,528,847	2,540,709
Total Non-Current Assets		8,533,854	7,271,910
TOTAL ASSETS		10,514,515	10,352,677
LIABILITIES			
Current Liabilities			
Trade and other payables	13	1,395,852	1,158,456
Interest-bearing liabilities	14	1,452,525	846,994
Provisions	15	48,916	42,984
Total Current Liabilities		2,897,293	2,048,434
Non-Current Liabilities			
Deferred tax liabilities	16	402,598	418,845
Provisions	15	4,274	3,385
Total Non-Current Liabilities		406,872	422,230
TOTAL LIABILITIES		3,304,165	2,470,664
NET ASSETS		7,210,350	7,882,013
EQUITY			
Issued capital	17	18,606,370	18,464,370
Reserves		107,130	24,510
Accumulated losses		(11,503,150)	(10,606,867)
TOTAL EQUITY		7,210,350	7,882,013

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

		CONSOLIDATED	
		2011	2010
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers		1,903,142	3,274,637
Payments to suppliers and employees		(2,749,645)	(2,244,193)
Interest received		231,413	176,483
Interest paid		(109,446)	(90,153)
Net cash flows (used in)/from operating activities	18a	(724,536)	1,116,774
Cash flows from investing activities			
Net (repayment from)/investment in loans receivables		(26,941)	60,347
Payments for investments		(50,000)	(737,999)
Proceeds from investments		2,533	2,866
Purchase of plant and equipment		(6,852)	(1,824)
Net cash flows used in investing activities		(81,260)	(676,610)
Cash flows from financing activities			
Repayment of investor/depositor loans		-	(25,533)
Proceeds from the issue of shares		-	136,126
Net proceeds from funding arrangements		815,389	118,069
Net cash flows from financing activities		815,389	228,662
Net increase in cash and cash equivalents		9,593	668,826
Cash and cash equivalents at beginning of year		1,062,828	394,002
Cash and cash equivalents at end of year	6	1,072,421	1,062,828

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued capital	Accumulated losses	Share Option Reserves	Total
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2009	18,328,243	(10,620,693)	163,397	7,870,947
Total comprehensive income for the year	-	13,826	-	13,826
Issue of share capital	136,127	-	-	136,127
Share based payments	-	-	(138,887)	(138,887)
At 30 June 2010	18,464,370	(10,606,867)	24,510	7,882,013
At 1 July 2010	18,464,370	(10,606,867)	24,510	7,882,013
Total comprehensive loss for the year	-	(896,283)	-	(896,283)
Issue of share capital	142,000	-	-	142,000
Share based payments	-	-	82,620	82,620
At 30 June 2011	18,606,370	(11,503,150)	107,130	7,210,350

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 CORPORATE INFORMATION

This financial report of Questus Limited ('company') for the year ended 30 June 2011 comprises the Company and its subsidiaries ('Group' or 'consolidated entity'). The separate financial statements of the parent entity, Questus Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report of Questus Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011. Questus Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company and consolidated entity incurred losses of \$836,568 and \$896,283 respectively for the year ended 30 June 2011. The consolidated entity had net cash outflows from operating activities of \$724,536 for the year ended 30 June 2011. As at reporting date, the company and consolidated entity had net current liabilities of \$1,884,609 and \$916,632 respectively.

These factors indicate significant uncertainty as to whether the company 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 believe that there are reasonable grounds to believe that the company and consolidated entity will be able to continue as going concerns, after consideration of the following factors:

- Subsequent to 30 June 2011, as disclosed in note 23, the company signed an agreement for a convertible note issue of \$500,000;
- The company's ability to issue additional shares under the *Corporation Act 2001*;
- The consolidated entity has the ability to scale down its operations in order to save costs, in the event insufficient cash is available to meet future expenditure commitments; and
- The confirmed allocation of NRAS entitlements in Queensland, New South Wales and Western Australia, providing a definite future revenue stream in future reporting periods.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

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 company and consolidated entity do not continue as going concerns.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Questus Limited at the end of the reporting period. A controlled entity is any entity over which Questus Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the group 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 group have been eliminated on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, 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.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest

over the acquisition date fair value of net identifiable asset acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Intangible Assets

Australian Financial Services Licence

The expenditure incurred by the Company in relation to the issue by the Australian Securities and Investments Commission of an Australian Financial Services Licence has been capitalised. The amount is being amortised over 10 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) 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 therefore 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 unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable 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 realised 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 recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised 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 realisation 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 realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets and liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax consolidation

Questus Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group 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 tax consolidated group has entered a tax funding arrangement whereby each company in the consolidated group contributes to the income tax payable by the 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.

(c) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis to write off the net cost (including any expected residual value) over the estimated useful life of the asset as follows:

Plant and equipment - over 3 to 7 years

Office equipment - over 1 to 5 years

Impairment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments

Recognition and Initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of 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 (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as "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 amortisation 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 for 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 Group 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 either 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments (Continued)

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, except for those which are not expected to mature within 12 months after the end of the reporting period (All other loans and receivables are classified as non-current assets).

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 Group'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. All other investments are classified as current assets.

iv. Available-for-sale financial assets

Available-for-sale financial 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) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised 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 sold 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a 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 recognised 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 expire 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 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.

(e) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease..

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(f) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(g) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturity of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(i) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest

Revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(m) Good 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 Tax Office.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Lease receivables

Unearned Revenue

Unearned revenue is being progressively recognised over the period of the lease in a manner which produces a constant rate of return on the investment in the lease outstanding at the beginning of each lease payment period. For revenue recognition purposes, the investment in the lease represents the total lease payment receivable net of unearned revenue.

Investment in the Lease

The investment in the lease is allocated between current and non current elements. The principal component of the lease rental due as at the end of the succeeding financial year is shown as current and the remainder of the investment as non-current.

(o) Earnings per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing of equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with diluted potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(p) Comparative Figures

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

(q) 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 group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Critical Accounting Estimates and Judgments (continued)

Key Estimates — Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Goodwill

The Group determines whether goodwill with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill with indefinite useful life are discussed in note 12.

Trade receivables

No impairment has been recognised in respect of trade receivables for the year ended 30 June 2011 as the directors are of the opinion that all the debts are recoverable

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by the management using Black-Scholes option pricing model, using the assumptions detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity. *Taxation*

The Group'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 applicability 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3 REVENUE AND EXPENSES

	CONSOLIDATED	
	2011	2010
	\$	\$
Revenue		
Operating activities		
Finance revenue – bank and loan interest	273,389	214,281
NRAS income	1,003,745	873,374
Warrant revenue	8,000	21,094
Commission income	201,946	554,741
Project management fees	483,145	480,000
Management fees	208,743	202,180
Sundry income	22,396	13,793
	<hr/>	<hr/>
	2,201,364	2,359,463
Non-operating activities		
Recovery of expenses	259,804	195,935
Recovery of loans - FRL WA) Pty Ltd	26,300	107,710
	<hr/>	<hr/>
	286,104	303,645
	<hr/>	<hr/>
Total revenue	2,487,468	2,663,108
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3 REVENUE AND EXPENSES (CONTINUED)

	CONSOLIDATED	
	2011	2010
	\$	\$
Expenses		
(a) Employee benefits expense		
Wages and salaries (includes directors)	903,801	737,694
Superannuation costs	80,294	66,344
Other employment costs	28,923	19,301
	1,013,018	823,339
(b) Depreciation and amortisation		
Depreciation	5,192	5,564
Amortisation	11,862	11,862
	17,054	17,426
(c) Other expenses		
Payments to HSBC	28,003	63,855
Rent expense	142,694	178,193
Legal costs	61,864	109,086
Accounting, tax and audit fees	76,006	92,780
Consulting fee	378,993	265,068
Compliance fees	75,254	102,781
Share based payments	82,620	(138,887)
Advertising and marketing	19,303	35,889
Insurance	129,668	106,194
Commission and brokerage	270,753	373,339
Travel and entertainment	66,684	171,434
Other expenses	403,874	159,303
Total	1,735,716	1,519,035

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3 REVENUE AND EXPENSES (CONTINUED)

	CONSOLIDATED	
	2011 \$	2010 \$
(d) Finance costs		
Bank Financing Arrangement as per DOCA 2007	30,379	33,503
Customer deposits	45,044	47,131
Non-bank financing arrangements	239,145	132,642
	<u>314,568</u>	<u>213,276</u>

4 INCOME TAX

a. Major components of income tax expense comprise:

The components of tax expenses comprises:

Current tax	(87,905)	31,700
Under provision in respect of prior years	-	2,588
Income tax expense / (benefit)	<u>(87,905)</u>	<u>34,288</u>

b. The prima facie tax on profit / (loss) before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit / (loss) before income tax at 30% (2010: 30%)	(295,256)	14,434
Add tax effect of:		
Expenditure not allowable for income tax	68,282	(871)
Assessable income for tax purposes	4,684	51,533
Capital Loss tax benefit not brought to account	90,000	-
Tax benefits not brought to account	52,849	-
Less tax effect of:		
Income not assessable for income tax	(8,464)	(33,396)
Adjustments relating to previous years	-	2,588
Income tax attributable to entity	<u>(87,905)</u>	<u>34,288</u>

The applicable weighted average effective tax rates are as follows:

- 71%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

5 EARNINGS PER SHARE

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	CONSOLIDATED	
	2011	2010
	\$	\$
Net (loss)/profit attributable to ordinary shareholders for basic and diluted earnings per share	(896,283)	13,826
Weighted average number of ordinary shares for basic earnings per share	39,536,229	36,464,324
Weighted average number of ordinary shares dilutive earnings per share	39,536,229	37,274,324
Earnings per share (cents per share)		
- basic for profit for the year	(2.27c)	0.04c
- diluted for profit for the year	(2.27c)	0.04c

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

6 CASH AND CASH EQUIVALENTS

Cash at bank and on hand - unrestricted	856,838	929,722
Cash at bank - restricted	215,583	133,106
	<u>1,072,421</u>	<u>1,062,828</u>

Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

Cash at bank and on hand	1,072,421	1,062,828
	<u>1,072,421</u>	<u>1,062,828</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2011	2010
	\$	\$
CURRENT		
Trade receivables	259,359	442,729
Lease commitment receivables	94,687	204,127
Other related parties	132,222	956,751
Accrued income	305,960	22,791
Interest receivable [1]	-	62,147
Deposit regarding purchase of DNA NRAS shares	-	300,000
Other debtors	64,972	6,456
	857,200	1,995,001
NON-CURRENT		
Trade receivables	89,117	-
Trade receivables [1]	1,808,546	1,654,546
Other related parties [1]	898,826	-
Interest receivable [1]	104,122	-
Lease commitment receivables	182,996	179,426
Provision for doubtful debts- least commitments	(7,845)	-
	3,075,762	1,833,972

For terms and conditions relating to related party receivables, refer to note 22.

[1] Includes amounts of \$2,811,494 (2010: \$1,716,693) due from entities that are subject to a formal insolvency administration. In the opinion of the directors, the consolidated entity will be able to fully recover the amount disclosed and therefore, no impairment has been provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

	CONSOLIDATED	
	2011	2010
	\$	\$
Lease Commitments Receivable		
Current		
Lease commitments receivable	94,687	204,127
Accumulated allowance for uncollectible minimum lease payments receivable	-	-
	94,687	204,127
Non-current		
Lease commitments receivable	182,996	179,426
Accumulated allowance for uncollectible minimum lease payments receivable	(7,845)	-
	175,151	179,426
Total		
Lease commitments receivable	277,683	383,553
Accumulated allowance for uncollectible minimum lease payments receivable	(7,845)	-
	269,838	383,553

Time expected to elapse to expected date of receipt	Minimum Lease Payments \$	Lease Finance Revenue not yet Recognised \$	Lease Receivable \$
Consolidated 2011			
Not later than 1 year	98,524	(3,837)	94,687
Later than 1 year and not later than 5 years	182,996	-	182,996
	281,520	(3,837)	277,683
Consolidated 2010			
Not later than 1 year	235,078	(30,951)	204,127
Later than 1 year and not later than 5 years	184,320	(4,894)	179,426
	419,398	(35,845)	383,553

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8 OTHER ASSETS

	CONSOLIDATED	
	2011	2010
	\$	\$
CURRENT		
Prepaid insurance	51,040	22,938

9 FINANCIAL ASSETS

Non-current		
Available-for-sale financial assets	336,996	428,296
Held to maturity financial asset	453,000	403,000
	789,996	831,296

a. Available-for-sale financial assets

Listed investment, at fair value		
— Share in listed trust	133,861	133,861
Less: impairment provision	(115,670)	(116,343)
	18,191	17,518
— Units in unit trusts [**]	450,000	450,000
Less: impairment provision	(131,195)	(39,222)
	318,805	410,778
Total available-for-sale financial assets	336,996	428,296

b. Held-to-maturity financial assets comprise:

Deposit - Questus Mortgage Fund Limited	50,000	50,000
Debentures - Links Ridge Estate [*]	403,000	353,000
	453,000	403,000

[*] Links Ridge Estate is subject to a formal insolvency administration. In the opinion of the directors, the consolidated entity will be able to fully recover the amount disclosed and therefore, no impairment has been provided. Please refer to note 22b for additional information.

[**] Includes an investment with a net fair value of \$18,803 in Questus Land Development Fund where the underlying assets of the Fund are subject to formal insolvency administrations. In the opinion of the directors, the consolidated entity will be able to fully recover the amount disclosed and therefore, no impairment has been provided. Please refer to note 22b for additional information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10 CONTROLLED ENTITIES

a. Investments in controlled entities at cost less impairment:

	Country of incorporation	Percentage owned (%)		Investment	
		2011	2010	2011	2010
		%	%	\$	\$
Subsidiaries of Questus Limited:					
FRL (WA) Pty Ltd	Australia	100	100	-	-
FRL Contracting Pty Ltd	Australia	100	100	-	-
Financial Resources Securities Ltd	Australia	100	100	403,569	403,569
Questus Capital Solutions Pty Ltd	Australia	100	100	720,000	720,000
Questus Funds Management Limited	Australia	100	100	2,280,000	2,280,000
Questus Administration Services Pty Ltd	Australia	100	100	-	24,512
Questus Warrants Pty Ltd	Australia	100	100	2	2
Questus Asset Management Pty Ltd	Australia	100	100	2	2
Questus Property Management Pty Ltd	Australia	100	100	2	2
Subsidiaries of Questus Asset Management Pty Ltd:					
Ticsy Pty Ltd	Australia	100	100	1	1
Port Rockingham Marina Pty Ltd	Australia	100	100	2	2
				3,403,578	3,428,090
				3,403,578	3,428,090

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

11 PLANT AND EQUIPMENT

	CONSOLIDATED		
	Office Equipment	Plant and equipment	Total
	\$	\$	\$
2011			
Balance at beginning of year	9,022	1,255	10,277
Additions	5,754	1,098	6,852
Disposals	-	-	-
Depreciation	(4,289)	(903)	(5,192)
Balance at end of year	10,487	1,450	11,937
At Cost	46,261	12,310	58,571
Accumulated depreciation	(35,774)	(10,860)	(46,634)
Net carrying amount	10,487	1,450	11,937
2010			
Balance at beginning of year	12,285	1,732	14,017
Additions	1,487	337	1,824
Disposals	-	-	-
Depreciation	(4,750)	(814)	(5,564)
Balance at end of year	9,022	1,255	10,277
At Cost	40,506	16,211	56,717
Accumulated depreciation	(31,484)	(14,956)	(46,440)
Net carrying amount	9,022	1,255	10,277

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12 INTANGIBLE ASSETS

	CONSOLIDATED	
	2011	2010
	\$	\$
Goodwill at cost	2,481,368	2,481,368
Accumulated impairment losses	-	-
Net carrying value	2,481,368	2,481,368
Licences	118,620	118,620
Less accumulated amortisation	(71,141)	(59,279)
Net carrying value	47,479	59,341
Total intangibles	2,528,847	2,540,709

Reconciliation of carrying amounts at the beginning and end of the year:

	CONSOLIDATED	
	Goodwill	Licences
	\$	\$
2011		
At 1 July 2010	2,481,368	59,341
Additions	-	-
Amortisation charge	-	(11,862)
Impairment losses	-	-
At 30 June 2011	2,481,368	47,479
2010		
At 1 July 2009	2,481,368	71,203
Additions	-	-
Amortisation charge	-	(11,862)
Impairment losses	-	-
At 30 June 2010	2,481,368	59,341

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12 INTANGIBLE ASSETS (CONTINUED)

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an indefinite useful life.

Impairment Disclosures

Goodwill is allocated to cash-generating units.

	2011 \$	2010 \$
Questus Funds Management Pty Ltd	1,947,235	1,947,235
Questus Capital Solutions Pty Ltd	534,133	534,133
Total	2,481,368	2,481,368

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The discount rate applied to the cash flow projections for the year ended 30 June 2011 was 12% and 10% (2010:12%).

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Questus Funds Management Pty Ltd cash generating unit; and	1%	12%
Questus Capital Solutions Pty Ltd cash generating unit	1%	10%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets consider historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2011	2010
	\$	\$
Trade payables	345,306	386,100
Other payables	591,046	417,197
GST payable	46,440	25,758
Interest payable	337,458	132,335
Amount payable to related parties	75,602	197,066
	<u>1,395,852</u>	<u>1,158,456</u>

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 3 months.

14 INTEREST-BEARING LIABILITIES

	Effective interest rate %		
Current			
Debenture Notes - unsecured	10.0%	300,000	300,000
Investor loans - unsecured	9.7%	446,994	446,994
Convertible notes	12.0%	500,000	100,000
Loans - unsecured	10.0%	150,000	-
Loans - unsecured	-	50,000	-
Insurance funding - unsecured	14.1%	5,531	-
		<u>1,452,525</u>	<u>846,994</u>

The Debenture Notes un-secured and Loans – unsecured have been re-negotiated and the effective interest rate is now 10%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15 PROVISIONS

	CONSOLIDATED	
	2011	2010
	\$	\$
Analysis of Total Provisions		
Current	48,916	42,984
Non-current	4,274	3,385

	Long Service Leave	Annual Leave	Total
	\$	\$	\$
Opening balance at 1 July 2010	3,385	42,984	46,369
Additional provisions	889	41,759	42,648
Amounts used	-	(35,827)	(35,827)
Balance at 30 June 2011	4,274	48,916	53,190

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

16 INCOME TAX

	CONSOLIDATED				
	2011		2010		
	\$		\$		
CURRENT					
Income tax payable			-	-	
NON-CURRENT					
	Opening Balance	Charged to Income	Charged directly to Equity	Opening Balance Adjustment	Closing Balance
	\$	\$	\$	\$	\$
Deferred tax liability					
Trade and other receivables	-	901	-	-	901
Lease receivables	418,845	(17,148)	-	-	401,697
Balance at 30 June 2011	418,845	(16,247)	-	-	402,598
Deferred tax liability					
Trade and other receivables	1,405	(1,405)	-	-	-
Lease receivables	378,928	39,917	-	-	418,845
Balance at 30 June 2010	380,333	38,512	-	-	418,845

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

16 INCOME TAX (CONTINUED)

NON-CURRENT

	Opening Balance	Charged to Income	Charged directly to Equity	Opening Balance Adjustment	Closing Balance
	\$	\$	\$	\$	\$
Deferred tax asset					
Provisions	13,911	4,400	-	-	18,311
Trade and other payables	11,475	3,151	-	-	14,626
Others	426	(426)	-	-	-
Tax losses	2,001,769	77,238	-	-	2,079,007
Transaction costs on equity issue	28,075	(12,707)	-	-	15,368
Balance at 30 June 2011	2,055,656	71,656	-	-	2,127,312

Deferred tax asset

Provisions	10,981	2,930	-	-	13,911
Trade and other payables	15,605	(4,130)	-	-	11,475
Others	424	2	-	-	426
Tax losses	2,671,315	12,973	-	(682,519)	2,001,769
Transaction costs on equity issue	35,625	(7,550)	-	-	28,075
Balance at 30 June 2010	2,733,950	4,225	-	(682,519)	2,055,656

Deferred tax assets not brought to account::

- tax losses : \$52,849 (2010: \$nil)
- capital losses : \$99,751 (2010: \$9,751)

The company has recognised a net deferred tax asset of \$1,726,714. The company's deferred tax asset, in part, is a result of the company establishing and developing its position in the delivery of the government's National Rental Affordability Scheme. The company is now in the delivery phase of this activity and anticipates the utilisation of the deferred tax asset within the next three years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17 ISSUED CAPITAL

	Consolidated	
	2011	2010
	\$	\$
40,426,701 (2010: 37,271,146) fully paid ordinary shares	18,606,370	18,464,370

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

a. Movement in ordinary shares capital:

	Consolidated	
	Number	\$
At 1 July 2010	37,271,146	18,464,370
Additional shares issued	3,155,555	142,000
Balance at 30 June 2011	40,426,701	18,606,370
At 1 July 2009	35,909,883	18,328,243
Rights issue	1,361,263	136,127
Balance at 30 June 2010	37,271,146	18,464,370

b. Capital Management

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

The Group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains below 30%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17 ISSUED CAPITAL (CONTINUED)

The gearing ratios for the year ended 30 June 2011 and 30 June 2010 are as follows:

	Note	Consolidated	
		2011	2010
		\$	\$
Total borrowings	13,14	2,848,377	2,005,450
Less cash and cash equivalents	6	(1,072,421)	(1,062,828)
Net debt		1,775,956	942,622
Total equity		7,210,350	7,882,013
Total capital		8,986,306	8,824,635
Gearing ratio		19.8%	10.7%

18 CASHFLOW INFORMATION

a. Reconciliation of cash flow from operations with profit after income tax:

(Loss) / profit after income tax	(896,283)	13,826
Non-cash flows in profit		
Amortisation	11,862	11,862
Depreciation	5,192	5,564
Dividend and distribution Income	(2,533)	(2,866)
Share based payments	82,620	(138,887)
Provision for bad debts	7,845	-
Impairment loss	391,300	41,919
Change in operating assets and liabilities		
Trade and other receivables	(350,380)	790,878
Other assets	(28,103)	108,498
Deferred tax asset	(71,657)	678,295
Trade payables and accruals	(63,274)	128,568
Interest payable	205,123	(682,519)
Income taxes payable	-	38,512
Deferred tax liability	(16,248)	123,124
Net cash (outflow) / inflow from operations	(724,536)	1,116,774

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and has identified one reportable segment. The identifiable reportable segment is the provision of financial services for the domestic Australian market.

The Group is domiciled in Australia and all operating activities are located in Australia. All revenue from external customers is from customers located in Australia. Segment revenues are allocated based to the country in which the customer is located.

Revenues of approximately \$916,499 (2010 - \$1,056,000) are derived from a single external customer.

All the non-current assets are located in Australia.

20 FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

The Group'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, bills, leases, and promissory notes.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

Derivatives are not used by the Group.

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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Note	Consolidated	
		2011	2010
		\$	\$
Financial Assets			
Cash and cash equivalents	6	1,072,421	1,062,828
Trade and other receivables	7	3,627,002	3,806,182
Held to maturity investments	9(b)	453,000	403,000
Available for sale financial assets			
- listed investment (at fair value)	9(a)	18,191	17,518
- unlisted investment (at fair value)	9(a)	318,805	410,778
Total Financial Assets		5,489,419	5,700,306
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	13	1,349,412	1,132,698
— Borrowings	14	1,452,525	846,994
Total Financial Liabilities		2,801,937	1,979,692

Treasury Risk Management

The Group's exposure to Treasury Risk is considered minimal.

ii. Financial Risk Exposures and Management

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases, hire purchase contracts and funding arrangements.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Financial Risk Management Policies (continued)

Credit risk

The Group monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- The Group trades only with recognised, creditworthy third parties.
- It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

There are no significant concentrations of credit risk within the Group.

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 performance and notes to the financial statements.

Collateral has been given in the form of a guarantee and indemnity by Questus Ltd and Questus Asset Management Pty Ltd, to QLDF Development 3 Pty Ltd, which owes Bank of Queensland Ltd an amount of \$8,508,923. Should QLDF Development 3 Pty Ltd be unable to pay the outstanding debt within the agreed terms from its own assets the amount will be settled by Questus Ltd and Questus Asset Management Pty Ltd.

Collateral has been given in the form of a guarantee and indemnity by Questus Ltd and Questus Asset Management Pty Ltd, to QLDF Development 2 Pty Ltd, which owes Bank of Queensland Ltd an amount of \$4,063,866. Should QLDF Development 2 Pty Ltd be unable to pay the outstanding debt within the agreed terms from its own assets the amount will be settled by Questus Ltd and Questus Asset Management Pty Ltd.

QLDF Development 3 Pty Ltd and QLDF Development 2 Pty Ltd are entities controlled by Questus Land Development Fund of which Questus Funds Management Ltd, wholly owned subsidiary of Questus Ltd, is the responsible entity.

Collateral had been given in the form of a guarantee and indemnity by Questus Ltd to Seacombe Gardens Pty Ltd, which owed St George Bank Ltd an amount of \$12,000,000. The loan was fully repaid by Seacombe Gardens Pty Ltd on 14 December 2010.

Credit risk is managed on a Group basis and reviewed regularly. It arises from exposures to customers as well as through certain deposits with financial institutions.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated	
	2011	2010
	\$	\$
The aging of the Group's trade and other receivable at the reporting date was:		
Trade and other receivables		
Not past due	815,508	2,089,489
Subject to formal insolvency administrations [*]	2,811,494	1,716,693
Total	<u>3,627,002</u>	<u>3,806,182</u>

[*] The amount includes \$845,662 due from a related party where the underlying assets are subject to formal insolvency administrations.

Price risk

The Group's exposure to price risk is considered minimal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

i. Financial instrument composition and maturity analysis:

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	Weighted average effective interest rate	<1 Year \$	>1 - <5 Years \$	>5 Years \$	Total \$
2011					
Financial Assets – Fixed Rate					
Lease receivables	16.6%	94,687	182,996	-	277,683
Loan receivables	11.9%	-	885,662	-	885,662
		94,687	1,068,658	-	1,163,345
Financial Liabilities – Fixed Rate					
Obligations under insurance funding contracts	5.3%	(5,531)	-	-	(5,531)
Debenture notes – unsecured	50.0%	(300,000)	-	-	(300,000)
Convertible notes – unsecured	12.0%	(500,000)	-	-	(500,000)
Loans - unsecured	40.0%	(150,000)	-	-	(150,000)
Investor loans – unsecured	9.7%	(446,994)	-	-	(446,994)
		(1,402,525)	-	-	(1,402,525)
Financial Assets - Floating Rate					
Cash assets	0.4%	520,175	-	-	520,175
Cash assets	4.75%	552,246	-	-	552,246
		1,072,421	-	-	1,072,421

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Weighted average effective interest rate	<1 Year \$	>1 - <5 Years \$	>5 Years \$	Total \$
2010					
Financial Assets – Fixed Rate					
Lease receivables	16.8%	204,127	179,426	-	383,553
Loan receivables	10.0%	956,751	-	-	956,751
		1,160,878	179,426	-	1,340,304
Financial Liabilities – Fixed Rate					
Debenture notes - unsecured	47.5%	(400,000)	-	-	(400,000)
Investor loans – unsecured	9.7%	(446,994)	-	-	(446,994)
		(846,994)	-	-	(846,994)
Financial Assets - Floating Rate					
Cash assets	0.2%	273,818	-	-	273,818
Cash assets	4.5%	789,010	-	-	789,010
		1,062,828	-	-	1,062,828

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

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

	Consolidated	
	2011	2010
	\$	\$
Less than 6 months	1,349,412	1,132,698
	1,349,412	1,132,698

ii. Net Fair Values

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

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2011	2010	2011	2010
	\$	\$	\$	\$
CONSOLIDATED				
<i>Financial assets</i>				
Financial assets [*]	789,996	831,295	789,996	831,295
Cash and cash equivalent	1,072,421	1,062,828	1,072,421	1,062,828
Trade and other receivables [**]	3,627,002	3,806,182	3,627,002	3,806,182
	5,489,419	5,700,305	5,489,419	5,700,305
<i>Financial liabilities</i>				
Trade and other payables	1,349,412	1,132,698	1,349,412	1,132,698
Interest bearing loan and borrowings	1,452,525	846,994	1,452,525	846,994
	2,801,937	1,979,692	2,801,937	1,979,692

[*] Included in the balance of financial assets disclosed above is an amount of \$421,803 which has been invested in an entity that is subject to a formal insolvency administration - refer to note 9 & 22b.

[**] Included in the balance of trade and other receivables disclosed above is an amount of \$2,811,494 which are due from entities which are subject to formal insolvency administrations - refer to note 7 & 22b.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

iii. Sensitivity Analysis

Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance 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 2011, 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
2011	\$	\$	\$	\$	\$
<i>Financial Assets</i>					
Cash and cash equivalents	1,072,421	(10,724)	(10,724)	10,724	10,724
Total Increase/(Decrease)		<u>(10,724)</u>	<u>(10,724)</u>	<u>10,724</u>	<u>10,724</u>
2010					
<i>Financial Assets</i>					
Cash and cash equivalents	1,062,828	(10,628)	(10,628)	10,628	10,628
Total Increase/(Decrease)		<u>(10,628)</u>	<u>(10,628)</u>	<u>10,628</u>	<u>10,628</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets:				
<i>Held-to-maturity investments:</i>				
— fixed interest securities	-	-	-	-
<i>Available-for-sale financial assets:</i>				
— listed investments	18,191	-	-	18,191
— unlisted investments	-	318,805	-	318,805
	<u>18,191</u>	<u>318,805</u>	<u>-</u>	<u>336,996</u>
2010				
Financial assets:				
<i>Held-to-maturity investments:</i>				
— fixed interest securities	-	-	-	-
<i>Available-for-sale financial assets:</i>				
— listed investments	17,518	-	-	17,518
— unlisted investments	-	410,778	-	410,778
	<u>17,518</u>	<u>410,778</u>	<u>-</u>	<u>428,296</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

21 COMMITMENTS

Operating lease commitments

The Group has entered into a related party lease at commercial rates on one property. This lease is cancellable at any time.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated	
	2011	2010
	\$	\$
Within one year	17,028	27,053
After one year but not more than five years	41,151	20,258
	<u>58,179</u>	<u>47,311</u>

22 RELATED PARTY DISCLOSURE

The Company advanced and repaid loans, received loans and provided accounting and administrative assistance to other entities in the Group during the current financial year. These transactions were on commercial terms and conditions.

(a) Identification of related parties

The consolidated financial statements include the financial statements of Questus Limited and its subsidiaries listed in note 10a.

Questus Limited is the parent entity of Questus Funds Management Limited. Questus Funds Management Limited is the Responsible Entity of Questus Land Development Fund, Questus Residential Investment Fund and Questus Waterfront Property Trust.

(b) Related Companies in Administration

As at 30 June 2011, the following companies which are related to Questus Limited via the Questus Land Development Fund and common directorships were undergoing formal administration procedures as a result of the inability to refinance englobo land projects:

- QLDF Development 1 Pty Ltd
- QLDF Development 2 Pty Ltd
- QLDF Development 3 Pty Ltd
- Yalop Pty Ltd
- Links Ridge Pty Ltd
- Nevish Pty Ltd

Trade and other receivables of \$1,156,948 and financial assets of \$471,803 from the above related companies are included in the statement of financial position of the Group. The directors are actively involved in refinancing liabilities and restructuring agreements in the above entities to ensure the recoverability of the loan receivables. In the opinion of the directors, these amounts are fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

22 RELATED PARTY DISCLOSURE (CONTINUED)

(c) Short term Loans

The following table sets out the related party loans included in the statement of financial position of the Group.

		CONSOLIDATED	
Short term loans		2011	2010
Loan provided by:	Loan provided to/ (from):	\$	\$
Questus Limited and its subsidiaries	Questus Land Development Fund and its subsidiaries [1]	885,662	892,814
Questus Limited and its subsidiaries	Ticsy Pty Ltd	1,034	816
Questus Limited and its subsidiaries	R Olde (Director)	6,821	6,821
Questus Limited and its subsidiaries	D Somerville (Director)	2,000	2,000
Questus Limited and its subsidiaries	Questus Residential Investment Fund	-	100
Questus Limited and its subsidiaries	Questus Capital Group Pty Ltd [2]	(56,151)	(177,615)
Questus Limited and its subsidiaries	EMC Solar Ltd [3]	850	850
Questus Limited and its subsidiaries	Links Ridge Pty Ltd [2]	13,164	-
Questus Limited and its subsidiaries	Questus Water Front Property Trust	-	33,900
		853,380	759,686

[1] The loan is charged with interest of 10% p.a.

[2] DJ Somerville and RW Olde are directors of the company.

[3] DJ Somerville is a director of this company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

22 RELATED PARTY DISCLOSURE (CONTINUED)

(d) Debtors

The following amounts appeared as trade debtors or accrued income and trade creditors in the statement of financial position of the Group.

	CONSOLIDATED	
	2011	2010
Debtors	\$	\$
EMC Solar Ltd [1]	8,855	40,113
Barwick Mortgage Investments Ltd [2]	36,015	36,015
Questus Land Development Fund and its subsidiaries	210,247	198,000
Questus Mortgage Funds Ltd [1][2]	135	135
Questus Residential Investment Fund [3]	979	-
CI Resources Ltd [1]	13,271	-
	269,502	274,263

[1] DJ Somerville is a director of this company.

[2] RW Olde is a director of this company.

[3] This company has the same responsible entity as Questus Land Development Fund.

(e) Creditors

Creditors		
Questus Capital Group Pty Ltd [1][2]	-	2,445
Armada Consulting Pty Ltd [1]	-	250
Elizabeth Lee	2,275	-
Robert Olde	2,098	-
David J Somerville	-	87,455
	4,373	90,150

[1] RW Olde is a director of this company.

[2] DJ Somerville is a director of this company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

22 RELATED PARTY DISCLOSURE (CONTINUED)

(f) *Services provided by Questus Limited and its subsidiaries*

The following services were provided by Questus Limited and its subsidiary to related companies/ key management personnel.

		CONSOLIDATED	
		2011	2010
Service provided to	Nature of service	\$	\$
Questus Land Development Fund and its subsidiaries	Professional fees	597,798	714,203
Questus Land Development Fund and its subsidiaries	Assets disposal fees	30,177	-
Questus Land Development Fund and its subsidiaries	Commission	139,290	188,026
Questus Land Development Fund and its subsidiaries	Expense recoveries	293,197	70,882
Questus Land Development Fund and its subsidiaries	Interest on loans	149,234	83,030
CI Resources Ltd	Professional fees	65,164	-
EMC Solar Ltd and its subsidiaries	Professional fees and Expense recoveries	19,600	116,707
Links Ridge Pty Ltd [1]	Refinancing services	11,967	-
Questus Residential Investment Fund	Processing application fees	2,745	-

[1] DJ Somerville and RW Olde are directors of this company.

(g) *Services provided to Questus Limited and its subsidiaries*

Service provided by			
Questus Capital Group Pty Ltd	Expense recoveries	2,306	8,411
Questus Capital Group Pty Ltd	Interest	12,375	-
Questus Realty Pty Ltd [1]	Reimbursement of expenditure including leasing of premises	89,277	-

[1] DJ Somerville and RW Olde are directors of this company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

22 RELATED PARTY DISCLOSURE (CONTINUED)

(g) *Services provided to Questus Limited and its subsidiaries (Continued)*

Service provided to	Nature of service	CONSOLIDATED	
		2011	2010
		\$	\$
Alexander James Kelly	Consulting fees	106,202	109,020
Andrew Boots	Commission and fees	3,100	9,700
Armada Consulting Pty Ltd [1]	Commission and fees	95,632	32,039
Magellan Capital Advisors Pty Ltd [2]	Consulting services	16,700	-

[1] RW Olde is a director of this company.

[2] AJ Brennan is a director of this company.

23 EVENTS AFTER THE REPORTING DATE

On 28 September 2011, the Company signed an agreement for a convertible note issue of \$500,000 from Impact Group QLD Pty Ltd ("Impact"), a home builder and developer in Queensland.

Impact is a substantial Queensland builder and developer who is a strategic partner of Questus for the delivery of NRAS properties in Queensland under the current Round two and three of the NRAS.

The convertible note issue is an Unsecured Non-Interest Bearing Convertible Note of \$500,000 issued to Impact convertible at the Noteholder's discretion at a 20% discount to the 90day VWAP, with a term of 12 months, which is being undertaken pursuant to S708 of the Corporations Act (Cwth) 2001 and falls within the Company's 15% placement capacity under ASX Listing Rule 7.1 and is not subject to shareholders' approval

The funds from this share placement will be used for additional working capital for the continued expansion of the Company's delivery of NRAS properties nationally.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 AUDITOR'S REMUNERATION

	Consolidated	
	2011	2010
	\$	\$
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	65,500	49,500
— audit of AFSL licence	6,000	6,000
— taxation services	6,506	22,570

25 KEY MANAGEMENT PERSONNEL

- a. Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr. DJ Somerville	Executive Chairman
Mr. RW Olde	Executive Director
Mr. AJ Kelly	as Executive Director (resigned 29 November 2010) as Company Secretary (resigned 2 March 2011)
Mr. A Boots	General Manager (resigned 3 June 2011)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

- (a) Key management personnel remuneration

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	708,579	603,482
Post-employment benefits	43,213	40,748
Share based payment	82,620	(138,887)
	834,412	505,343

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Option holdings of key management personnel

2011	Balance 01 July 2010	Granted as Remunera tion	Options Cancelled	Balance 30 June 2011	Not Vested & Not Exercisable	Vested & Exercisable
Directors						
DJ Somerville	5,000,000	2,025,000	-	7,025,000	-	7,025,000
RW Olde	-	2,025,000	-	2,025,000	-	2,025,000
AJ Kelly*	-	540,000	-	540,000	-	540,000
A Boots**	540,000	-	-	540,000	-	540,000
Total	5,540,000	4,590,000	-	10,130,000	-	10,130,000

(b) Option holdings of key management personnel (continued)

The options are unlisted, issued for nil consideration and have a term of 3 years.

[1] Mr Kelly was a Director of Questus Ltd and Questus Funds Management Ltd only. He was joint company secretary for all companies. He resigned as a director and the company secretary during the year.

[2] Mr Boots resigned from the consolidated entity on 3 June 2011.

2010	Balance 01 July 2010	Granted as Remune ration	Options Cancelled	Balance 30 June 2011	Not Vested & Not Exercisable	Vested & Exercisable
Directors						
DJ Somerville	7,025,000	-	(2,025,000)	5,000,000	-	5,000,000
RW Olde	2,025,000	-	(2,025,000)	-	-	-
AJ Kelly	540,000	-	(540,000)	-	-	-
A Boots	540,000	-	-	540,000	-	540,000
Total	10,130,000	-	(4,590,000)	5,540,000	-	5,540,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25 KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shareholdings of key management personnel

	Balance 01 July 2010	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2011
2011	Ord	Ord	Ord	Ord	Ord
Directors					
DJ Somerville	15,130,715	-	-	-	15,130,715
RW Olde	143,373	-	-	-	143,373
AJ Kelly	20,000	-	-	(20,000)	-
A Boots	20,000	-	-	(20,000)	-
Total	15,314,088	-	-	(40,000)	15,274,088

	Balance 01 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
2010	Ord	Ord	Ord	Ord	Ord
Directors					
DJ Somerville*	15,130,715	-	-	-	15,130,715
RW Olde*	143,373	-	-	-	143,373
AJ Kelly	10,000	-	-	10,000	20,000
Andrew Boots*	20,000	-	-	-	20,000
Total	15,304,088	-	-	10,000	15,314,088

* Held either directly or indirectly

(d) Other transactions and balances with key management personnel

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

26 SHARE-BASED PAYMENTS

The following share-based payment arrangements occurred in the current financial year:

- On 14 January 2011, 4,590,000 share options were granted to directors to accept ordinary shares at an exercise price of \$0.05. The options are exercisable after 14 January 2011 but before 14 January 2014. The options hold no voting or dividend rights and are not transferable. When the director ceases employment the options are deemed to have lapsed. Since reporting date, no director has ceased their employment. At reporting date, no share option has been exercised.
- On 11 October 2010, 3,155,555 ordinary shares were issued in settlement of fees for services and a loan to the company.

	2011		2010	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	810,000	0.06	5,400,000	-
Granted	4,590,000	0.05	-	0.06
Cancelled	-	-	(4,590,000)	-
Lapsed	-	-	-	-
Outstanding at year-end	5,400,000	0.0515	810,000	0.06
Exercisable at year-end	5,400,000	0.0515	810,000	0.06

There were no options exercised during the year ended 30 June 2011.

The options outstanding at 30 June 2011 had a weighted average exercise price of \$0.0515 (2010: \$0.06) and a weighted average remaining contractual life of 2.6 years (2010: 1.5 years).

The weighted average fair value of the options granted during the financial year was \$82,620 (2010: \$nil).

This price was calculated by using a Black-Scholes option pricing model, in respect of option issue in the respective year are applying the following inputs:

	2011	2010
Weighted average exercise price	\$0.05	-
Weighted average life of the option	3 years	-
Underlying share price	\$0.045	-
Expected share price volatility	75.0%	-
Risk free interest rate	5.20%	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

27 CONTINGENT LIABILITIES

In the course of liquidation and administration of the various subsidiaries and investments of the company, consideration has been given to the guarantee in place. The directors do not consider that there is any claim against the head entity that will have a material impact on the Group.

In the course of its normal business the Group occasionally receives claims or writs for damages and other matters arising from its operations. Where, in the opinion of the directors, it is deemed appropriate, a specific provision is made in relation to such matters, otherwise the directors deem such matters to be either without merit or of such kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the Group if disposed of unfavourably. As at the date of this report, no specific provisions have been made in relation to such matters.

28 PARENT ENTITY DISCLOSURES

a) Financial Information Parent	2011	2010
	\$	\$
(Loss)/ profit for the year	(836,568)	132,544
Total comprehensive income	(836,568)	132,544
Assets		
Current assets	742,817	2,082,383
Non current asset	8,363,954	5,496,093
Total Assets	9,106,771	7,578,476
Liabilities		
Current liabilities	2,627,426	487,183
Total Liabilities	2,627,426	487,183
Equity		
Issued capital	18,574,552	18,432,552
Reserves	107,130	24,510
Accumulated losses	(12,202,337)	(11,365,769)
Total Equity	6,479,345	7,091,293

b) Guarantees

Cross guarantees have been provided by Questus Limited and its controlled entities as listed in note 20. The fair value of the cross guarantee has been assessed as \$nil based on the underlying performance of the entities in the closed group.

c) Other Commitments and Contingencies

Questus Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities other than those disclosed in the Note 27.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

29 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIOD

At the date of this financial report the following accounting standards, which may impact the consolidated entity in the period of initial application, 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 2013
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011

The consolidated entity does not anticipate the early adoption of any of the above Australian Accounting Standards.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting standards (IFRS); and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (i) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - (ii) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
 - (iii) the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

RW Olde
Director

Dated at Perth this 30th day of September 2011

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUESTUS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Questus Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and 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 company 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 the company 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, 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 audit opinions.

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 Questus Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Qualified Opinion

As set out in Notes 7 and 9 to the financial statements, the consolidated entity had receivables owing by debtors of \$2,811,494 and investments in financial assets of investees of \$421,803, which are the subject of formal insolvency administrations. We have been unable to obtain appropriate audit evidence as to the recoverability of these assets at reporting date, which are dependent upon the outcomes of those insolvency administrations.

As we have not been able to obtain appropriate audit evidence as to the level of recovery of the debts and the investments, that the consolidated entity may receive from the formal insolvency administrations, we are unable to determine whether or not the carrying amount of the assets, appropriately reflects their recoverable amounts at reporting date. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

- (a) the financial report of Questus Limited is 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 2011 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 also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without further qualification to the opinion expressed above, we draw attention to Note 2 in the financial report, which indicates that:

- (a) for the year ended 30 June 2011, the company and consolidated entity incurred net losses of \$836,568 and \$896,283 respectively;
- (b) for the year ended 30 June 2011, the consolidated entity had net cash outflows from operating activities of \$724,536; and
- (c) at reporting date, the company and consolidated entity had net current liabilities of \$1,884,609 and \$916,632 respectively.

These conditions along with the others matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

RSM Bird Cameron Partners

Chartered Accountants

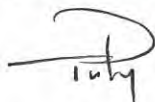
Report on the Remuneration Report

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Questus Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2011

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report. This information was prepared based on share registry information processed up to 30 June 2011 and using the share price on 30 June 2011 of 11 cents.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of listed equity security holders by size of holding:

	Ordinary shares	Share Options	Ordinary shares	Share Options
	2011		2010	
1 - 1,000	102	-	106	-
1,001 - 5,000	116	-	105	-
5,001 - 10,000	104	-	119	-
10,001 - 100,000	141	-	128	-
100,001 and over	43	-	42	-
	<hr/> 506	-	<hr/> 500	-
Number of shareholders holding less than a marketable parcel:	246	-	248	-

STATEMENT OF QUOTED SECURITIES

Listed on the Australian Securities Exchange are 40,426,701 (2010: 35,909,883) fully paid shares and zero (2010: nil) options. There are 5,000,000 unlisted options with an exercise price of \$0.50 exercisable before 31 December 2012, 810,000 unlisted options with an exercise price of \$0.06 exercisable before 04 January 2012 and 4,590,000 unlisted options with an exercise price of \$0.05 exercisable before 13th January 2014.

EQUITY SECURITY HOLDERS

The names of the twenty largest holders of equity securities are listed below:

Name	30 June 2011		30 June 2010	
	Ordinary shares		Ordinary shares	
	Number	% holding	Number	% holding
QUESTUS CAPITAL GROUP PTY LTD	15,130,715	37.43%	15,130,715	40.60%
WESTRADE RESOURCES PTY LTD	3,729,544	9.23%	-	-
MS CHERICE RAE HENLEY	2,559,750	6.33%	-	-
INVESTEC WA PTY LTD	-	-	2,559,750	6.87%
TPIC PTY LTD	-	-	1,525,100	4.09%
MILSOP PTY LTD	1,000,000	2.47%	1,000,000	2.68%
OAKPREY PTY LTD	1,000,000	2.47%	1,000,000	2.68%
POLLASTRI RAG & J	739,999	1.83%	590,000	1.58%
MR GEOFFREY WARD GEDGE	711,111	1.76%	-	-
HUNTER DEVELOPMENTS 2001 PTY LTD	700,000	1.73%	700,000	1.88%
HORSESHOE HOLDINGS PTY LTD	700,000	1.73%	700,000	1.88%
MCGAVIN RBA	628,808	1.56%	628,808	1.69%
CREAMY PTY LTD	600,000	1.48%	600,000	1.61%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <NEXT CUSTODIAN A/C>	590,000	1.46%	500,000	1.34%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <SETTLEMENT A/C>	526,127	1.30%	428,125	1.15%
MR RONALD MCLELLAN WILLIAMSON	416,895	1.03%	282,000	0.76%
MR QUENTIN JAMES OLDE	407,858	1.01%	278,858	0.75%
AMBER MANAGEMENT PTY LTD	395,000	0.98%	885,123	2.37%
CASEY JL + EA	390,000	0.96%	390,000	1.05%
FITEL NOMINEES LIMITED	-	-	300,000	0.80%
SELOM NOMINEES PTY LTD	240,000	0.59%	240,000	0.64%
PUMPITUP PTY LTD	240,000	0.59%	240,000	0.64%
COOK RC & KA	230,000	0.57%	230,000	0.62%
DIXON E & HN	225,000	0.56%	225,000	0.60%
	30,935,807	76.52%	28,433,479	76.29%

SUBSTANTIAL SHAREHOLDERS

Name	Ordinary shares	
	Number	
	2011	2010
QUESTUS CAPITAL GROUP PTY LTD	15,130,715	15,130,715

Unquoted equity securities

Analysis of numbers of unlisted equity security holders:

	Number on issue		Number of holders	
	2011	2010	2011	2010
Options Exercisable at \$0.50	5,000,000	5,000,000	1	1
Options Exercisable at \$0.06	810,000	810,000	2	2
Options Exercisable at \$0.05	4,590,000	-	3	-

Options exercisable at \$0.50 are all held by Questus Capital Group Pty Limited

Options exercisable at \$0.06 are held by current and past employees as part of the employee option plan

Options exercisable at \$0.05 are held by employees as part of the directors option plan

Equity Option Holders

The names of the twenty largest holders of equity options are listed below:

Name	2011		2010	
	Options		Options	
	Number	% holding	Number	% holding
No Listed Options on issue	-	-	-	-
	-	-	-	-

Voting Rights:

Ordinary Shares

All ordinary shares carry one vote per share without restriction.

Partly Paid Shares

No voting rights

Options

No voting rights.

