

**CONTINUOUS DISCLOSURE NOTICE**  
**QUESTUS LAND DEVELOPMENT FUND**  
ARSN 116 602 076

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**ASIC REGULATORY GUIDE 46**  
**DATED 31 JULY 2014**

**FUND STATUS – CLOSED**

*ASIC Regulatory Guide 46 - Unlisted property schemes: Improving disclosure for retail Investors ("RG46") sets out six benchmarks and eight disclosure principles which ASIC have designed to help investors understand, compare and assess unlisted property schemes such as the Fund. Set out in the table below are each of the disclosure benchmarks and principles and a summary of how each is addressed by us or a reference to the relevant section that will provide you with more information.*

*Questus Funds Management Limited ("QFML" or "RE") is the Responsible Entity ("RE") of the Questus Land Development Fund ("Fund", "Scheme" or "QLDF"). The Fund is an open ended unlisted property fund. The Fund has suspended applications and withdrawals and is, therefore, presently a closed scheme under RG46.*

*This document presents the eight disclosure principles in relation to the Fund and will be updated for any material changes should they occur. It should be read in conjunction with the Fund's annual and half yearly audited financial statements and are available on the Questus website at*

[www.questus.com.au](http://www.questus.com.au)

NO.	PRINCIPLE / BENCHMARK	ASIC DEFINITION
P1	Gearing Ratio – Principle	<p>The higher gearing ratio means a high reliance on external liabilities (primary borrowings) to fund assets. This exposes the scheme to increased funding costs if interest rates rise. A highly geared scheme has a lower asset buffer to rely upon in times of financial stress.</p> <p>Gearing Ratio = <math>\frac{\text{Total interest bearing liabilities}}{\text{Total assets}}</math></p>
B1	Gearing Policy – Benchmark	<p>The RE maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.</p>

NO.	PRINCIPLE / BENCHMARK	ASIC DEFINITION
P2	Interest Cover Ratio – Principle	<p>A property scheme’s interest cover is a key indicator of its financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. A scheme with low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.</p> <p>Interest Cover = <math>\frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest Expenses}}</math></p>
B2	Interest Cover Policy – Benchmark	<p>The RE maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.</p>
P3	Scheme Borrowing – Principle	<p>Relatively short-term borrowings and credit facilities with short expiry dates are a risk factor if they are used to fund assets intended to be held long term. If the scheme has a significant proportion of its borrowings that mature within a short time frame, it will need to refinance. There is a risk that the refinancing will be on less favourable terms or not available at all.</p> <p>If the scheme cannot refinance, it may need to sell assets on a forced sale basis with the risk that it may realise a capital loss.</p> <p>Breach of a loan covenant may result in penalties being applied, or the loan becoming repayable immediately. This means that the scheme may need to refinance on less favourable terms or sell assets. Termination of critical financing could also mean the scheme is no longer viable.</p>
B3	Interest Capitalisation – Benchmark	<p>The interest expense of the scheme is not capitalised.</p>
P4	Portfolio Diversification – Principle	<p>Generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.</p>
B4	Valuation Policy – Benchmark	<p>The RE maintains and complies with a written valuation policy</p>
P5	Related Party Transactions – Principle	<p>A conflict of interest may arise when property schemes invest in, make loans or provide guarantees to related parties.</p>

NO.	PRINCIPLE / BENCHMARK	ASIC DEFINITION
B5	Related Party Transactions – Benchmark	The RE maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.
P6	Distribution Practices – Principle	This principle provides investors with information on the Schemes distribution practices and will assist investors in assessing the sources of distributions and sustainability of distributions from sources other than realised income.
B6	Distribution Practices – Benchmark	The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.
P7	Withdrawal Arrangements – Principle	Unlisted property schemes often have limited or no withdrawal rights. This means they are usually difficult to exit.
P8	Net Tangible Assets – Principle	The value of your investment is determined by reference to the net tangible assets (that is, the physical assets that have been acquired with your equity) (“NTA”).

**1) Disclosure Principle – Gearing Ratio**

Information relating to the manner in which the Fund and Fund subsidiaries borrow money and gearing levels are disclosed in Section 2.6 of the PDS issued 24 September 2007.

The current gearing ratio is currently above the expected long-term gearing ratio range of the Fund, the gearing ratio is inappropriate to report due to the realisation of the sale of the Funds underlying investments.

**Benchmark – Gearing Policy**

The RE meets this benchmark, the Fund does not have any senior banking facilities at this time, and the RE is not looking to make any further investment.

**2) Disclosure Principle - Interest Cover Ratio**

ASIC Regulatory Guide 46 paragraph 122 provides for a disclosure principle to be omitted if the information is likely to mislead Investors or is clearly inappropriate.

As the Fund’s activities are residential land development; the use of an interest coverage ratio is inappropriate. Interest cover generally refers to typical commercial type assets, which are leased, and the resultant interest cover is from the rental income received from these assets. Interest is a component of development costs and is generally capitalised within the overall development costs of a project.

**Benchmark – Interest Cover Policy**

The RE meets this benchmark, as the Fund does not have any material assets and as such there is no interest cover ratio appropriate to report, as there are no senior banking facilities which require servicing by the Fund.

**3) Disclosure Principle – Scheme Borrowing**

Principle – Information on the risks associated with borrowings is detailed in Section 5 of the PDS issued 24 September 2007.

In the event of the Fund assets being sold, secured creditors will receive any cash distributions ahead of unit holders in the Fund. This means the Senior Banking facilities will be paid in priority to other secured creditors, and all creditors in advance of Unitholders in the Fund.

**Benchmark – Interest Capitalisation**

The RE meets this benchmark.

***SUMMARY OF LOAN FACILITIES******RG 46 Disclosure Notice – December 2009***

The Manager advises that loan facilities provided to the subsidiaries of the Fund by both St George and Bank of Queensland are all currently expired and have been since May 2009 and December 2009 respectively.

***QLDF Development 2 Pty Ltd (Burma Road) & QLDF Development 3 Pty Ltd (Karnup Estate)  
February 2012***

The Manager advises that the Bank of Queensland issued a Statutory Demand on Questus Limited; the Manager is a wholly owned subsidiary of Questus Limited.

Questus Limited provided a Guarantee and Indemnity for the facilities provided by Bank of Queensland. Questus Limited is a related party to the Manager. Questus Limited as part of an agreed settlement with the Bank of Queensland has acquired the facilities held by Bank of Queensland in order to negotiate a settlement of the Statutory Demand.

***May 2012***

On the 3 May 2012 the Manager was in receipt of correspondence from PPB Advisory that they completed a sale of the assets owned by QLDF Development 3 Pty Ltd.

The Manager advises that as at the date of this notice that the facilities associated with QLDF Development 3 Pty Ltd and QLDF Development 2 Pty Ltd have been assigned to Questus Limited.

A significant impact on the Land Fund has been the failure of Addwealth Pty Ltd (Addwealth) the formally appointed investment manager of the Addwealth Achiever Fund to undertake and fulfil its obligations under the agreements it entered into in relation to the Land Fund. This conduct has severely impacted on the performance of the underlying assets and your investment in the Land Fund.

### **QLDF Development 1 Pty Ltd (Receivers and Managers Appointed)(Pinjarra Springs)**

#### ***RG 46 Disclosure Notice – December 2009***

St George issued Letters of Demand to QLDF Development 1 Pty Ltd on 1 December 2009 for the full repayment of expired facility owed to St George by QLDF Development 1 Pty Ltd.

The Manager sought a loan extension or renewal approval from St George for the QLDF Development 1 Pty Ltd expired facility, but as at the date of this notice has been unable to secure any commitment from St George to extend or renew the expired facility. The Manager obtained a period of forbearance in respect to the QLDF Development 1 Pty Ltd expired facility until the 16 January 2011 and requested further forbearance from St George.

St George has stated to the Manager that it considers the QLDF Development 1 Pty Ltd expired facility to be in default and is charging a default rate of interest on the expired facility. Further, St George has advised that it considers itself under no obligation to agree to any proposal or grant any extension of the expired facility.

#### ***RG 46 Disclosure Notice – August 2010***

St George issued Letters of Demand to QLDF Development 1 Pty Ltd on 30 June 2010 for the full repayment of expired facility owed to St George by QLDF Development 1 Pty Ltd. In correspondence from St George dated 16 August 2010, St George advised of their intention to appoint Investigating Accountants (IA) to QLDF Development 1 Pty Ltd for the purpose of providing a IA Report to St George. QLDF Development 1 Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

#### ***RG 46 Disclosure Notice – January 2011***

On the 26 November 2010, St George advised of their intention to again appoint Investigative Accountants to QLDF Development 1 Pty Ltd for the purpose of providing an updated IA Report to St George. QLDF Development 1 Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

#### ***RG 46 Disclosure Notice – August 2011***

As at the date of this notice the Manager advises that KordaMentha has been appointed by Westpac Banking Corporation Limited (St George) as receivers and managers to QLDF Development 1 Pty Ltd.

***RG 46 Disclosure Notice – May 2012***

The Manager has been verbally advised that the Receiver and Manager has achieved a sale of the lots within the Estate and net proceeds of these sales will be applied to a reduction in the senior bank debt.

***RG 46 Disclosure Notice – December 2013***

The Manager has not received any additional advice from the Receiver and Manager as at the date of this notice

***RG 46 Disclosure Notice – July 2014***

QLDF 1 has been joined to an action as a plaintiff with the RE and Questus Limited against Valuestream Investment Management Limited and Primary Securities Limited as the responsible entity for the Addwealth Achiever Fund for non performance under the MoU and the resultant losses suffered by QLDF 1. The outcome if this WA Supreme Court Action is unknown at this time. The matter is ongoing.

**Yalop Pty Ltd (The Tuarts Private Estate) (Asset Sold)**

***RG 46 Disclosure Notice – December 2009***

St George has advised the Manager that the expired facility for Yalop Pty Ltd is considered to be in default and St George is charging a default rate of interest on the expired facility. St George issued Letters of Demand on 1 December 2009 for the full repayment of the expired facility.

The Manager had sought to obtain a loan extension or renewal from St George for the Yalop Pty Ltd expired facility, but has been unable to secure any commitment from St George to extend or renew the expired facility.

***RG 46 Disclosure Notice – August 2010***

St George issued Letters of Demand to QLDF Development 1 Pty Ltd on 30 June 2010 for the full repayment of expired facility owed to St George by QLDF Development 1 Pty Ltd.

Since 1 January 2010, Yalop Pty Ltd has made \$2.10m in principal repayments to St George. Despite the significant debt reduction and progression of the development, St George have advised that it considers itself under no obligation to agree to any proposal or grant any extension of the Yalop Pty Ltd expired facility.

In correspondence from St George dated 16 August 2010, St George advised of their intention to appoint Investigative Accountants to Yalop Pty Ltd for the purpose of providing a report to St George. Yalop Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

***RG 46 Disclosure Notice – January 2011***

St George in correspondence dated 26 November 2010 advised of their intention to again appoint Investigative Accountants to Yalop Pty Ltd for the purpose of providing an updated IA Report to St George. Yalop Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

***RG 46 Disclosure Notice – August 2011***

As at the date of this notice the Manager advises that KordaMentha have been appointed by Westpac Banking Corporation Limited (St George) as receivers and managers to Yalop Pty Ltd.

***RG 46 Disclosure Notice – May 2012***

The Manager continues to work with various parties to seek a refinance of the facilities with St George.

***RG 46 Disclosure Notice – October 2012***

The Manager has been informed that the receivers and managers have accepted an offer and settlement of the underlying project land has recently occurred. The Manager has been verbally informed that the offer was in the vicinity of \$4. Million and there is no surplus funds from the sale for a return on investment or return of capital to investors.

***RG 46 Disclosure Notice – December 2013***

The underlying assets of Yalop have been realised through a receiver and manager appointed sale on behalf of the secured lender. The company has nil remaining material assets.

Yalop has recently been joined to an action as a plaintiff with the Manager and Questus Limited against Valuestream Investment Management Limited and Primary Securities Limited as the responsible entity for the Addwealth Achiever Fund for non performance under the MoU and the resultant losses suffered by Yalop. The outcome of this WA Supreme Court Action is unknown at this time. The matter is ongoing.

**QLDF Development 2 Pty Ltd (Lane Park) (Asset Sold)**

***RG 46 Disclosure Notice – August 2010***

The facility for QLDF Development 2 Pty Ltd with Bank of Queensland has expired.

Bank of Queensland issued a Letter of Demand on the 4 May 2010 and a proposal has been submitted to Bank of Queensland for an extension to the expired facility. At this stage no agreement has been reached on the extension of the expired facility.

***RG 46 Disclosure Notice – August 2011***

PPB Advisory had been appointed by Bank of Queensland Limited as receivers and managers to QLDF Development 2 Pty Ltd.

***RG 46 Disclosure Notice – May 2012***

As at the date of this Notice Questus Limited has acquired the debt associated with the asset from Bank of Queensland in order to reach settlement on the Statutory Demand issued against Questus Limited in February 2012.

**QLDF Development 3 Pty Ltd (Harvey Road) (Asset Sold)**

***RG 46 Disclosure Notice – August 2010***

The facility for QLDF Development 3 Pty Ltd with Bank of Queensland has expired and the Manager has been seeking to meet with Senior Management of Bank of Queensland but has not been afforded a meeting. Bank of Queensland issued a Letter of Demand on 4 May 2010 and a proposal has been submitted to Bank of Queensland for an extension to the expired facility. At this stage no agreement has been reached on the extension of the expired facility.

The Manager is currently unable to advise if an agreement will be reached with respect to the extension of the Bank of Queensland facility. In the event that an agreement cannot be reached Bank of Queensland may seek to enforce their security.

***RG 46 Disclosure Notice – August 2011***

PPB Advisory had been appointed by Bank of Queensland Limited as receivers and managers to QLDF Development 3 Pty Ltd.

***RG 46 Disclosure Notice – May 2012***

As at the date of this notice the Manager advises that PPB Advisory have completed a sale of the underlying security assets being Lots 2, 3 and 4 Harvey Road Karnup WA.

Questus Limited has acquired the debt associated with the asset from Bank of Queensland in order to reach settlement on the Statutory Demand issued against Questus Limited in February 2012.

***RG 46 Disclosure Notice – December 2013***

The underlying assets of QLDF 3 have been realised through a receiver and manager appointed sale on behalf of the secured lender. The company has nil remaining material assets.

QLDF 3 has recently been joined to an action as a plaintiff with the Manager and Questus Limited against Valuestream Investment Management Limited and Primary Securities Limited as the responsible entity for the Addwealth Achiever Fund for non-performance under the MoU and the resultant losses suffered by QLDF 3. The outcome if this WA Supreme Court Action is unknown at this time. The matter is ongoing.

### **Convertible Notes – Issued to Addwealth Achiever Fund (Ongoing Court Action).**

The Fund has issued unsecured Convertible Notes (notes) to the Addwealth Achiever Fund (Lender). A summary of the key features of the notes is detailed below:

Facility Amount:	\$10.0m
Amount Drawn:	\$9.67M
Term:	24 months from advance (Part Expired)
Interest Rate:	Fixed at 12% per annum
Conversion to Equity:	The Lender can covert during the term of the Convertible Note at the current unit price of the time.

#### ***August 2010***

Under a Memorandum of Understanding with Addwealth Pty Ltd (Addwealth), as the appointed Investment Manager for the Addwealth Achiever Fund committed to financially support the Questus Land Development Fund, the monies raised from the convertible note where used to meet costs of the Fund.

#### ***February 2012***

The Responsible Entity for the Addwealth Achiever Fund, Valuestream Investment Management Limited (VIML) has issued a Statutory Demand on the Manager for the repayment of the Convertible Note.

The Manager has commenced action in the Supreme Court of WA to defend the Statutory Demand.

#### ***October 2012***

The Manager has commenced legal action against Addwealth Pty Ltd as the investment manger for the Addwealth Achiever Fund and the responsible entity Valuestream Investments Manager.

In August 2010 Questus Limited which is the parent company of Questus the responsible entity for the Land Fund, entered into an agreement with Addwealth, in which Addwealth and the Addwealth Achiever Fund agreed to; undertake the recapitalisation and refinance of the Land Funds existing senior banking facilities, provide additional funds to support the Land Fund during this refinance process, and further, that Questus would resign as manager and Addwealth would seek to have its nominated responsible entity Valuestream appointed.

In September 2011, Questus put forward a further restructuring proposal to Addwealth and Valuestream in relation to the unsecured convertible notes and the senior debt facilities of the Land Fund to seek to ensure the ongoing value to investors was maintained.

In December 2011, Questus was informed of a stop order by the Australian Securities and Investments Commission (ASIC) being placed on the Addwealth Achiever Fund, with the resultant effect that the investment manager Addwealth and the Addwealth Achiever Fund was unable to complete and effect a settlement of the proposed refinance offers which Addwealth had provided to the respective senior lenders of the Land Fund, being; St George Banking Group Limited (St George Bank) and the Bank of Queensland.

Despite the Addwealth Achiever Fund not being unable to fulfil its obligations under the agreement, the responsible entity of the Addwealth Achiever Fund, Valuestream saw it fit to place a Statutory Demand on Questus for the repayment of the monies advanced via the unsecured convertible notes. This action was undertaken, despite Addwealth agreeing to provide additional funding support to the Land Fund, and agreeing to refinance the various senior banking facilities associated with the Land Funds underlying investments.

This action by Valuestream has resulted in the forced sale of assets by the appointed receivers and managers to these assets, and significant losses now incurred by the Land Fund.

This action has placed the Land Fund in a position in which Questus has been required to expend significant resources and expense to defend this action.

Questus on behalf of investors in the Land Fund, has now commenced legal action in the Supreme Court of Western Australia for damages, against; Valuestream and Addwealth for the recovery of losses and interest on those losses due to the breach of agreements and financial commitments in respect to the Land Fund. At this stage the timing on an outcome in this matter is indeterminate.

#### ***RG 46 Disclosure Notice – December 2013***

The Manager and Questus Limited continue to seek to pursue Valuestream Investment Management Limited and Primary Securities Limited as the responsible entity for the Addwealth Achiever Fund for non performance under the MoU and the resultant losses suffered by the fund and its related entities.

The outcome if this WA Supreme Court Action is unknown at this time. The matter is ongoing.

#### **QMFFIS Mortgage Funds Limited**

Questus Mortgage Funds Limited (QMF) is a related entity to the Fund. QMF has provided additional funding of \$3,277,006 to the Fund in the form of loans and is charging a rate of 15% per annum on these monies.

The loans are due to be re-paid on the 30 June 2012. In providing the loans, the QMF has obtained charges from the Fund subsidiaries as security for the loan.

As at 7 September 2012 the Trustee of the QMFFIF has appointed Receivers and Managers to the underlying loans of the Company.

As at the date of this RG46 QMFFIS is in liquidation.

**4) Disclosure Principle & Benchmark - Portfolio Diversification & Valuation Policy**

Principle – Information on Fund assets is contained within Section 4 of the PDS issued 24 September 2007.

Information on the Investment Strategy, Investment Objective and Investment Criteria of the Fund is detailed in Section 2 of the PDS issued 24 September 2007.

As the fund is closed, no new investments are being considered or made by the Manager and as such the portfolio diversification will vary, as any remaining assets are realised from time to time.

Benchmark – Valuation Policy The Fund’s valuation policy is detailed in Section 3.7 of the PDS issued 24 September 2007.

Valuations are undertaken on an “As Is” basis, however to secure construction funding from a financier, the financier may require an “As if Complete” valuation for their internal risk assessment purposes. The Manager does not rely on “As if Complete” valuations in calculating the unit price of the Fund.

The valuation of assets will be staggered over this three year period so that approximately one third of Fund’s assets will be valued each year.

Please note that as the fund is closed, and the majority of underlying assets sold and the remaining assets are in external administration, the Manager has not instructed valuations on assets during the period and as such the Fund is not currently meeting its Valuation Policy.

The Manager has determined that there is no material adverse affect to investors by not undertaking Valuations under the Fund’s valuation policy as above.

**5) Disclosure Principle & Benchmark - Related Party Transactions**

Benchmark – The RE meets this benchmark, the Manager has a policy of full disclosure of related party transactions. Details on related party transactions are disclosed in Section 10.4 of the PDS issued 24 September 2007.

The following related party transactions have occurred since the issue of the PDS.

- Additional funding sourced from Questus Mortgage Funds Ltd in the amount of \$3,277,006. This facility is due to expire on the 30 June 2011.
- A Deed of Assignment of Securities dated 27 April 2012 entered into between the Bank of Queensland and Questus Limited for the acquisition of the loans associated with QLDF Development 3 Pty Ltd and QLDF Development 2 Pty Ltd and Yalop Pty Ltd by Questus Limited due to a Statutory Demand against a Guarantee and Indemnity provided by Questus Limited.

The Fund's Compliance Plan provides the basis on which related parties transactions are to be approved and managed. A summary of these provisions are as follows:

- All transactions in which a benefit is received by the Manager or a related party must be approved by the Board and disclosed to the Unitholders and Compliance Manager.
- Related party transactions are reviewed annually.
- A register of related party transactions is kept by the Manager.

**6) Disclosure Principle & Benchmark – Distribution Practices**

The Fund's distributions policy is detailed in Section 3.4 of the PDS issued 24 September 2007 and are summarised as follows:

- "Distributions (if any) are paid on a quarterly basis and may comprise income and/or capital".

The RE has placed distributions on hold and the Fund has not made a distribution since the quarter ending December 2007.

Benchmark – the RE meets this benchmark.

**7) Disclosure Principle – Withdrawal Arrangements**

The underlying nature of the investments made by the Fund means it cannot be deemed liquid under the terms of the Corporations Act and as such withdrawals from the Fund can only be made when a withdrawal offer is open for the Fund. The Fund is deemed to be an "illiquid" Fund and withdrawal offers will be made in accordance with the Fund's constitution and the Corporations Act.

Full information regarding withdrawal arrangements for the Fund are detailed in Sections 3.8 and 5.2 of the PDS issued 24 September 2007.

The withdrawal offer will be made in accordance with the relevant provisions of the Corporations Act and the Fund's Constitution. The Manager may not make any withdrawal offers if it does not consider it is in the best interests of all Investors to offer withdrawals at any point in time.

The manager does not believe that there is any likelihood of a withdrawal offer in the immediate future until the outcome of the MOU action is known.

**8) Disclosure Principle – Net Tangible Assets**

The RE's Unit Pricing Policy states the NTA of each Fund is determined by valuing all property, rights and income of the Fund and then subtracting any liabilities of the Fund. A copy of the Unit Pricing policy may be viewed at our office.

The NTA per Unit is calculated by dividing the NTA (as adjusted with any other adjustments) by the number of Units in the Fund on issue. NTA per Unit at 31 July is \$0.00.

