



QUESTUS

LAND DEVELOPMENT FUND

ARSN 116 602 076

Financial Report

for the year ended 30 June 2011

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for the year ended 30 June 2011

C O N T E N T S

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QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

The Directors of the Responsible Entity present their report together with the financial report of the Questus Land Development Fund ('the Fund') for the year ended 30 June 2011.

Principal Activity

The Fund's investment objective is to provide investors with returns and capital growth potential from investments in a portfolio of property development projects predominantly located in Western Australia.

The Fund seeks to invest principally in residential property development projects and master planned residential communities. This involves the purchase of land for rezoning to residential or special rural lots, through subdivision, development and subsequent sale.

Result

The loss of the Fund after income tax was \$6,768,579 (2010: \$2,676,741).

Review of Operations

The Fund during the past year continued to experience very limited opportunity in the debt markets to refinance its expired facilities currently with its existing primary lenders. The Funds ability to actively move forward on its underlying investments has been hindered through the lack of development finance in the current Australian financial markets. The Fund has been focused on sourcing alternative finance and funding over the past 12 months to seek to remove the limitations placed on its underlying investments by its primary financiers. The Fund was required to undertake a non-renounceable rights issue during the year to assist in meeting its operating costs.

The underlying investments of the Fund and their activities for the year are summarised below;

QLDF Development 1 Pty Ltd (Pinjarra Springs) Stage 1 continued to be marketed during the year with 35 of the completed development of 55 individual residential lots now sold and settled.

Yalop Pty Ltd (The Tuarts Private Estate) The project located on Old Mandurah, Baldivis, had development works commence on Stage 1, however these have stopped following the placing into receivership of the works contractor. Balance construction works have been retendered in May of this year with a commitment to recommence once refinancing has been completed, the pre-selling of these lots is progressing.

QLDF Development 2 Pty Ltd (Lot 9000 Burma Road, Baldivis) This asset comprises a 50-hectare parcel of land with subdivision approval in place for a lifestyle special rural subdivision, at this stage the development of this project is on hold.

QLDF Development 3 Pty Ltd (Karnup Estate) This asset is a contiguous parcel of 3 lots, with an urban deferred zoning in place. The project has also obtained an extractive sand licence which the Fund will be able to proceed with sand mining and receipt of associated revenues once the refinancing with primary and secondary financiers is in place.

QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

Distributions to Unitholders

There were no distributions paid during the year ended 30 June 2011.

Likely Developments and Expected Results

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

Environmental Regulation

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

Insurance of Directors and Officers

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

The Directors

The names and qualifications of each person who has been a Director of the Responsible Entity in office at any time during or since the end of the year are:

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

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

Meetings Attended: 3 of 3

Robert Olde (Dip FS, AIMM)

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.

Meetings Attended: 3 of 3

QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

The Directors (continue)

Professor Tony Brennan (appointed 30 November 2010)

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.

Meetings Attended: 2 of 2.

Alexander James Kelly (MA – Fund Mg, Dip FP) Company Secretary (Resigned 18 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 (FPA).

Meetings Attended: 1 of 1

Directors' Units

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

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

Auditor's Independence Declaration

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



Director

Dated this 30th day of September 2011

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9111
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Questus Land Development Fund for the year ended 30 June 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



Perth, WA
Dated: 30 September 2011

TUTU PHONG
Partner

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUESTUS LAND DEVELOPMENT FUND

We were engaged to audit the accompanying financial report of Questus Land Development Fund (the Fund), which comprises the statement of financial position as at 30 June 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the fund and the entities it controlled at the year's end or from time to time during the financial year.

Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Bases for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independence

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

Bases for Disclaimer of Opinion

Financial position and performance of controlled entities

As disclosed in Note 15(b) to the financial statements, four out of the six controlled entities of the Fund are the subject of formal insolvency administrations. As a result, all of the accounting and statutory records of those entities who are subject of formal insolvency administrations are now in the possession of the Receivers and Managers. The accounting and statutory records provided to us did not enable us to obtain all the information and explanations that we required to complete our audit procedures. We were unable to obtain sufficient appropriate audit evidence in respect of the financial position and performance of these entities.

The consolidated net assets of the Fund, are primarily represented by the net assets of controlled entities and in particular, by the four controlled entities who are subject to formal insolvency administrations, as disclosed in Note 15(b). Accordingly, the limitation on the scope of our audit described in the preceding paragraph is pervasive to our audit of the consolidated entity. As a result, we were unable to determine whether any adjustments were necessary in respect of the financial statements of the consolidated entity for the year ended 30 June 2011.

Basis of preparation

As disclosed in Note 15(b), to the financial statements, the Fund's consolidated financial statements include the assets, liabilities and performance of entities over which the Fund has lost control, due to those entities being placed into formal insolvency administrations prior to the reporting date. The Fund did not control these entities during the period between them being placed into receivership and reporting date. The consolidation of these entities is, in our opinion, not in accordance with Australian Accounting Standards, specifically the requirements of AASB 127 *Consolidated and Separate Financial Statements*. As a result of the limitation of scope described in the preceding paragraphs, we are unable to quantify the effect of this potential misstatement.

Disclaimer of Opinion

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2011

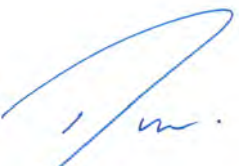
QUESTUS LAND DEVELOPMENT FUND

DIRECTORS' DECLARATION

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

1. the financial statements and notes of the Fund are in accordance with the Corporations Act 2001, including:
 - (a) give a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the year ended on that date of the Fund; and
 - (b) comply with Australian Accounting Standards, the Corporations Regulations 2001 and the provisions of the Fund's Constitution.
2. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 2(a); and
3. in the Directors' opinion there are reasonable grounds to believe that the Fund 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 of Questus Funds Management Limited.



Director

Dated this 30th day of September 2011

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

CONSOLIDATED			
	Note	2011	2010
		\$	\$
Revenue	3	120,762	27,280
Management fees		(214,340)	(304,897)
Impairment of investments		-	(523,310)
Impairment of inventory		(4,873,000)	(1,915,325)
Other expenses	4	(306,724)	(322,074)
Loss before finance and income tax costs		(5,273,302)	(3,038,326)
Interest and borrowing costs		(1,495,277)	(852,312)
Loss before income tax		(6,768,579)	(3,890,638)
Income tax benefit	5	-	1,213,897
Loss after income tax		(6,768,579)	(2,676,741)
Other comprehensive income		-	-
Total comprehensive income for the year		(6,768,579)	(2,676,741)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		CONSOLIDATED	
		2011	2010
		\$	\$
	Note		
CURRENT ASSETS			
Cash and cash equivalents	14(a)	95,347	6,529
Trade and other receivables	6	76,507	52,412
Inventories	7	9,165,912	9,178,732
TOTAL CURRENT ASSETS		9,337,766	9,237,673
NON CURRENT ASSETS			
Inventories	7	30,321,130	31,872,365
Other assets	8	350,000	350,000
Deferred tax asset	9	2,077,842	2,077,847
TOTAL NON CURRENT ASSETS		32,748,972	34,300,212
TOTAL ASSETS		42,086,738	43,537,885
CURRENT LIABILITIES			
Trade and other payables	10	2,656,337	1,022,985
Borrowings	11	36,700,763	26,850,014
TOTAL CURRENT LIABILITIES		39,357,100	27,872,999
NON CURRENT LIABILITIES			
Trade and other payables	10	1,300,003	1,300,000
Borrowings	11	-	7,000,000
TOTAL NON CURRENT LIABILITIES		1,300,003	8,300,000
TOTAL LIABILITIES		40,657,103	36,172,999
NET ASSETS		1,429,635	7,364,886
EQUITY			
Issued capital	13	12,368,953	11,535,625
Accumulated losses		(10,939,318)	(4,170,739)
TOTAL EQUITY		1,429,635	7,364,886

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

CONSOLIDATED	Issued capital	Accumulated losses	Total
	\$	\$	\$
At 1 July 2010	11,535,625	(4,170,739)	7,364,886
Loss for the year	-	(6,768,579)	(6,768,579)
Total comprehensive loss for the year	-	(6,768,579)	(6,768,579)
Issue of units	833,328	-	833,328
At 30 June 2011	12,368,953	(10,939,318)	1,429,635
At 1 July 2009	11,320,411	(1,493,998)	9,826,413
Loss for the year	-	(2,676,741)	(2,676,741)
Total comprehensive loss for the year	-	(2,676,741)	(2,676,741)
Issue of units	215,214	-	215,214
At 30 June 2010	11,535,625	(4,170,739)	7,364,886

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Note	CONSOLIDATED	
		2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,969,303	2,283,162
Payments to suppliers		(2,331,364)	(2,245,617)
Interest received		4,021	2,919
Interest and borrowing costs paid		(3,216,223)	(3,791,648)
		(3,574,263)	(3,751,184)
Net cash flows used in operating activities	14(b)	(3,574,263)	(3,751,184)
Cash flows from financing activities			
Net proceeds from unit issue		833,328	215,214
Loans (repayment) / proceeds from related entities		(54,152)	323,265
Proceeds from borrowing		2,883,905	3,199,020
		3,663,081	3,737,499
Net cash flows from financing activities		3,663,081	3,737,499
Net increase / (decrease) in cash and cash equivalents		88,818	(13,685)
Cash and cash equivalents at beginning of year		6,529	20,214
Cash and cash equivalents at end of year	14(a)	95,347	6,529

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1. TRUST INFORMATION

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

This financial report of Questus Land Development Fund for the year ended 30 June 2011 comprises the Fund and its subsidiaries ('the consolidated entity').

The registered office and principal place of business of the Responsible Entity is located at 884 Canning Highway, Applecross, WA 6153.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

Going Concern

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

As disclosed in the financial statements, the fund and consolidated entity incurred net losses of \$5,314,994 and \$6,768,579 respectively. The consolidated entity also had net cash outflows from operating activities of \$3,574,263. As at 30 June 2011, the fund and consolidated entity had net current liabilities of \$12,293,644 and \$30,019,334 respectively.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern (Continue)

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

The Directors of the Responsible Entity believe that there are reasonable grounds to believe that the fund and consolidated entity will be able to continue as going concerns, after consideration of the following factors:

- The proceeds which will be available from the sale of inventories disclosed as a current asset;
- Although the balance of interest bearing liabilities disclosed as a current liability is \$36,700,763, the directors intend to extend the maturity dates of some loans and re-finance others. As at date of this report, wholly owned entities of the Fund - QLDF Development 1 Pty Ltd, QLDF Development 2 Pty Ltd, QLDF Development 3 Pty Ltd and Yalop Pty Ltd were in formal solvency administrations (Receivers and Managers appointed), pending the refinancing of their primary debt facilities with St George Bank and Bank of Queensland. At reporting date, St George Bank was owed \$9,908,587 and Bank of Queensland was owed \$12,572,789.
- Additional units can be issued in accordance with the *Corporations Act 2001*; and
- The consolidated entity has the ability to sell inventories disclosed as a non-current asset, if required.
- The Fund has continued to receive financial support and various offers of guarantees to assist in the refinancing of the Fund's investments, from the Addwealth Group Pty Ltd.

Accordingly, the Directors of the Responsible Entity believe that the fund 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 fund or consolidated entity do not continue as going concerns.

Statement of compliance

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 to which they apply. In accordance with Accounting Standard AASB 101 Presentation of Financial Statements, compliance with Australian equivalent to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(c) Basis of consolidation

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

Where controlled entities have entered or left the Fund during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 15(b) to the financial statements.

It is noted that the Fund's 100% owned subsidiaries - Yalop Pty Ltd and QLDF Development 1 Pty Ltd - have been placed into formal administration by their primary debt provider, St George Bank on 6 June 2011. The Responsible Entity is working with various parties to secure a refinancing of the primary debt, which will bring these entities out of formal administration.

Even though Yalop Pty Ltd and QLDF Development 1 Pty Ltd are in formal administration, the Directors of the Responsible Entity, are of the opinion that the Fund maintained control of these entities from 6 June 2011 to 30 June 2011 because of the following reasons:

- 1) It is highly likely that the entities will secure new finance for the these projects in the near future;
- 2) The Responsible Entity is an integral party to the refinancing process; and
- 3) The Responsible Entity is working with the appointed administrators in regard to the refinancing process and is still maintaining the status of the developments.

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

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(d) Income tax

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

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

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

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

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

Tax Consolidation

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(e) Cash and cash equivalents

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

(f) Trade and other receivables

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

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

(g) Inventories

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

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

(h) Borrowing Costs

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

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

(i) Investments and other financial assets

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(j) Impairment of assets

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

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

(k) Trade and other payables

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

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

(l) Revenue

Sale of land

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

Interest revenue

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

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

(m) Goods and Services Tax (GST)

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

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(n) Financial Instruments

Initial recognition and measurement

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

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

Classification and Subsequent Measurement

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

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

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

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

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

i. Financial assets at fair value through profit or loss

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(n) Financial Instruments (Cont'd)

ii. Loans and receivables

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

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

iii. Held-to-maturity investments

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

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

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

iv. Available-for-sale financial assets

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

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

Available-for-sale financial assets are included in non-current assets where they are expected to be 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 using the effective interest rate method.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(n) Financial Instruments (Cont'd)

Fair value

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

Impairment

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

Derecognition

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

(o) Comparative Figures

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

(p) Critical accounting estimates and judgments

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

Recovery of deferred taxes

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(p) Critical accounting estimates and judgments (continue)

Taxation

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

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

Impairment of inventories

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

At reporting date, the Fund has provided an impairment of \$4,873,000 (2010: \$1,915,325).

CONSOLIDATED

2011 **2010**
 \$ \$

3. REVENUE

Sale of land	1,944,781	2,333,799
Less cost of land sold	(1,846,576)	(2,329,126)
Gross profit	98,205	4,673
Other activities:		
Interest income	3,256	2,919
Rental income	19,301	19,688
	120,762	27,280

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$	\$
4. OTHER EXPENSES		
Audit and accounting fees	58,890	37,875
Advertising and marketing	600	-
Legal expenses	110,779	81,589
Others	12,073	21,331
Property expenses	69,572	117,686
Responsible officer fees	51,892	32,548
Consulting	2,918	31,045
	306,724	322,074
Included in other expenses are:		
Amounts received or due and receivable by RSM Bird Cameron Partners for:		
- Audit or review of the financial report	45,120	30,500
- Audit of compliance plan	4,079	3,500
- tax compliance services	9,690	-
	58,889	34,000
5. INCOME TAX EXPENSE		
The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss before income tax at 30% (2010: 30%)	2,030,574	1,167,191
Tax effect of:		
— non-assessable items	449	1,348
— non-deductible items	(132)	(587)
— equity raising (sec 40-880)	18,561	45,945
Tax benefits not being brought to account	(2,049,452)	-
Income tax benefit	-	1,213,897

The Fund is consolidated for income tax purposes. At balance date, the tax consolidated group had tax losses of \$25,307,577 (2010: \$15,391,289) which are available to offset future years' taxable income.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

5. INCOME TAX EXPENSE (Continue)

The future income tax benefit of these tax losses is \$7,592,273 (2010: \$4,617,387). This benefit has been partially recognised as an asset in the statement of financial position (\$5,542,817) as the Fund believes it is probable that that part of the benefit recognized as an asset will be realised. The benefits will only be obtained if:

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

	CONSOLIDATED	
	2011	2010
	\$	\$
6. TRADE AND OTHER RECEIVABLES		
GST receivable	32,877	28,495
NRAS tax offset	-	4,490
Advance to related entities	31,290	10,290
ATO running balance account	12,340	8,372
Withholding tax	-	765
	76,507	52,412

7. INVENTORIES

Current		
Land held for resale	9,165,912	9,178,732
Non Current		
Land held for resale	37,533,160	34,211,395
Impairment	(7,212,030)	(2,339,030)
	30,321,130	31,872,365
Total	39,487,042	41,051,097

Borrowing costs, interest and holding costs incurred are capitalised during the year which amounted to \$3,347,195 (2010: \$3,161,578).

8. OTHER ASSETS

Option fees paid	350,000	350,000
	350,000	350,000

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

		CONSOLIDATED	
		2011	2010
		\$	\$
9. DEFERRED TAX ASSET			
Deferred tax asset		2,077,842	2,077,847
Deferred tax asset comprises the following:			
Provisions and accruals		5,500	5,550
Sec 40-880 deductions unexpired		34	145
Tax losses not utilised		5,542,817	4,617,387
Deferred tax liability	12	(3,470,559)	(2,545,235)
		2,077,842	2,077,847
All movements in deferred tax assets have been recognised in the statement of comprehensive income.			
10. TRADE AND OTHER PAYABLES			
Current			
Trade creditors and accruals		881,802	686,530
Distribution payable		1,334	1,334
Interest payable		1,773,201	335,121
		2,656,337	1,022,985
Non-Current			
Deposit on land sales		1,300,003	1,300,000
		1,300,003	1,300,000
11. BORROWINGS			
Current			
Loan – Bank of Queensland (a)		12,572,789	11,319,066
Loan – St George Bank (b)		9,908,587	10,658,409
Loan – Questus Mortgage Funds Ltd (c)		3,003,725	3,028,725
Loan - FRSL		40,000	-
Loan – Questus Limited (d)		845,662	893,814
Loan – Designrite Constructions (f)		-	250,000
Loan – Margen Pty Ltd (e)		400,000	400,000
Loan – Addwealth Achiever Fund (e)		9,630,000	-
Debenture notes (e)		300,000	300,000
		36,700,763	26,850,014
Non-current			
Loan – Addwealth Achiever Fund (e)		-	7,000,000

- (a) The short term loan is secured by registered first mortgages over the land held by QLDF Development 2 Pty Ltd and QLDF Development 3 Pty Ltd. The loan is repayable now. The interest is calculated on 30 days BBSY rate from time to time plus a margin. The margin is 5.50% p.a. for QLDF Development 2 Pty Ltd and QLDF Development 3 Pty Ltd.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

11. BORROWINGS (cont)

- (b) Borrowings with St George Bank for QLDF Development 1 Pty Ltd and Yalop Pty Ltd, are secured by way of 1st Registered Mortgage over land held by QLDF Development 1 Pty Ltd and Yalop Pty Ltd. Borrowings are due for repayment now and are being charged a rate of 13.3%.
- (c) The short term loans are unsecured, charged with interest of 15% and repayable within the next 12 months.
- (d) The short term loans are unsecured, charged with interest of 12% p.a. and repayable within the next 12 months.
- (e) The loans are secured, charged with interest of 12% (\$9,630,000), 20% p.a. (\$400,000) and 8%p.a (\$300,000).
- (f) The loan was received on 28 June 2010 and repaid on 2 July 2010. No interest was charged during that period.

	Note	CONSOLIDATED	
		2011	2010
		\$	\$
12. DEFERRED TAX LIABILITY			
Deferred tax liability		3,470,559	2,545,235
Deferred tax liability comprises the following:			
Capitalised interest costs		2,959,799	2,132,486
Capitalised borrowing costs		299,455	256,053
Capitalised holding costs		211,305	156,696
Offset against deferred tax assets	9	(3,470,559)	(2,545,235)
Closing balance		-	-

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

13. ISSUED CAPITAL

	Note	CONSOLIDATED	
		2011	2010
		\$	\$
13. ISSUED CAPITAL			
Unitholders		12,368,953	11,535,625
Reconciliation		2011	2010
		\$	\$
		No.	No.
At the beginning of reporting period	11,535,625	11,320,411	11,946,471
Issued of units	901,079	219,010	6,571,237
Unit raising costs	(67,751)	(3,796)	-
At reporting date	12,368,953	11,535,625	18,517,708

Capital Management

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

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

There are no externally imposed capital requirements.

The Responsible Entity effectively manages the Fund's capital by assessing the Fund's 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.

The current debt to equity ratio of 97% (2010: 83%) is due to the arrangement of debt financing for project development. The Responsible Entity is exploring various options to optimise capital efficiency and strategise to work towards a Fund's gearing ratio of 30% to 50%.

The gearing ratios for both financial years are as follows:

Total borrowings	10,11	40,657,103	36,172,999
Less cash and cash equivalents	14(a)	(95,347)	(6,529)
Net debt		40,561,756	36,166,470
Total equity		1,429,635	7,364,886
Total capital		41,991,391	43,531,356
Gearing ratio		97%	83%

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14. NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2011	2010
	\$	\$
(a) Reconciliation of cash		
<p>For the purpose of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:</p>		
Cash at bank and on hand	95,347	6,529
(b) Reconciliation of net cash provided by operating activities to loss after tax		
Loss after tax	(6,768,579)	(2,676,741)
<i>Non cash items:</i>		
Impairment of inventory	4,873,000	1,915,325
Impairment of investments	-	504,500
<i>Movement in assets and liabilities:</i>		
Receivables	5,987	(70,325)
Payables	1,624,274	(392,350)
Inventories	(3,308,945)	(1,817,697)
Deferred tax assets and liabilities	-	(1,213,897)
Net cash used in operating activities	(3,574,263)	(3,751,185)

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

15. RELATED PARTY DISCLOSURES

(a) Responsible Entity

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

(b) Controlled entities

Investments in controlled entities at cost less impairment:

Name	EQUITY INTEREST		CARRYING VALUE	
	2011	2010	2011	2010
	%	%	\$	\$
QLDF Development 1 Pty Ltd [1]			1,760,002	1,760,002
QLDF Development 2 Pty Ltd [2]	100	100	763,002	763,002
QLDF Development 3 Pty Ltd [2]	100	100	2,460,002	2,460,002
QLDF Development 4 Pty Ltd	100	100	496,002	496,002
QLDF Development 68 Road Pty Ltd	100	100	60,002	60,002
Yalop Pty Ltd [1]	100	100	5,315,002	5,315,002
Impairment			(5,665,359)	(2,494,831)
			5,188,653	8,359,181

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

[1] Placed into formal administration by their primary debt provider, St George Bank on 6 June 2011. The Responsible Entity is working with various parties to secure a refinancing of the primary debt, which will bring the companies out of formal administration.

As disclosed in note 2(c), even though Yalop Pty Ltd and QLDF Development 1 Pty Ltd are in formal administration, the Directors of the Responsible Entity, are of the opinion that the Fund maintained control of these entities from 6 June 2011 to 30 June 2011. Accordingly, the the Fund's consolidated financial statements include the assets, liabilities and performance of these entities during and at the end of this period.

[2] Placed into formal administration by their primary debt provider, Bank of Queensland on 23 August 2011. The Responsible Entity is working with various parties to secure a refinancing of the primary debt, which will bring the companies out of formal administration.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

15. RELATED PARTY DISCLOSURES (continue)

(b) Controlled entities (continue)

The summary of the assets and liabilities of the entities at 30 June 2011 that are in formal administration at the date of this report are:

	Consolidated	Balance in formal administration
	\$	\$
Total assets	42,086,738	41,937,747
Total liabilities	(40,657,103)	(28,203,828)
Net loss for the year	(6,768,579)	(4,964,395)

(c) Related party transactions

CONSOLIDATED
2011 **2010**
\$ **\$**

Payables:

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

Questus Asset Management Pty Ltd	154,000	198,000
David Somerville	-	30,791
Questus Funds Management Ltd	53,102	-
Questus Mortgage Funds Ltd	446,296	120,430
	<u>653,398</u>	<u>349,221</u>

Loans payable:

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

Questus Limited	845,662	893,814
Questus Mortgage Funds Ltd	3,003,725	3,028,725
Financial Resources Securities Pty Ltd	40,000	-
	<u>3,889,387</u>	<u>3,922,539</u>

Loans receivable:

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

Questus Capital Group Pty Ltd	30,290	6,290
Questus Capital Solutions Pty Ltd	1,000	4,000
	<u>31,290</u>	<u>10,290</u>

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

15. RELATED PARTY DISCLOSURES (continue)

(c) Related party transactions (continue)

CONSOLIDATED
2011 **2010**
\$ **\$**

Services received by the Ultimate Parent Entity and its subsidiaries

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

Disposal fees	13,942	32,022
Management fees	117,798	207,235
Contribution fees	14,158	859
Expense recoveries	265,986	73,403
Interest expense	-	22,344
	411,884	335,863

Transactions between entities with common directors

The following fees were paid or payable to Questus Capital Solutions Pty Ltd:

Commission expense	126,094	186,427
	126,094	186,427

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

Interest expense	456,705	429,232
	456,705	429,232

The following fees were paid or payable to Questus Asset Management Pty Ltd:

Project management fees	480,000	480,000
	480,000	480,000

The following fees were paid or payable to Questus Ltd:

Interest expense	149,234	60,687
	149,234	60,687

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

15. RELATED PARTY DISCLOSURES (continue)

CONSOLIDATED	
2011	2010
\$	\$

Transactions between Questus Land Development Fund and Key Management Personnel

Sale of inventory	-	161,580
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(d) Details of key management personnel

Directors

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

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

David Somerville
 Robert Olde
 Anthony Brennan (Appointed 30 November 2011)
 Alexander James Kelly (Resigned 28 March 2011)

(e) Compensation of key management personnel

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

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

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

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

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

16. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

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

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

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

	Note	Consolidated Entity	
		2011	2010
		\$	\$
Financial Assets			
Cash and cash equivalents	14(a)	95,347	6,529
Loans and receivables	6	43,630	23,917
Total Financial Assets		138,977	30,446
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	10	3,956,340	2,322,985
— Borrowings	11	36,700,763	33,850,014
Total Financial Liabilities		40,657,103	36,172,999

(i) Treasury Risk Management

The Board of the Responsible Entity meet on a regular basis to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

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

Risk management policies are approved and reviewed by the Board of the Responsible Entity on a regular basis. These include credit risk policies and future cash flow requirements.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

16. FINANCIAL INSTRUMENTS (continue)

(ii) Financial Exposures and Management

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

Interest rate risk

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

At 30 June 2011, approximately 39% of the Fund's debt is fixed.

It is the policy of the Fund to keep between 0% and 50% of debt on fixed interest rates, dependent on market interest rate trends.

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

Liquidity risk

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

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

2011

	Within 1 year	1 to 5 years	Total
	\$	\$	\$
Financial Assets			
Cash assets	95,347	-	95,347
Receivables	43,630	-	43,630
	138,977	-	138,977
Financial Liabilities			
Payables	(2,656,337)	(1,300,003)	(3,956,340)
Borrowings	(36,700,763)	-	(36,700,763)
	(39,357,100)	(1,300,003)	(40,657,103)

2010

	\$	\$	\$
Financial Assets			
Cash assets	6,529	-	6,529
Receivables	23,917	-	23,917
	30,446	-	30,446
Financial Liabilities			
Payables	(1,022,985)	(1,300,000)	(2,322,985)
Borrowings	(26,850,014)	(7,000,000)	(33,850,014)
	(27,872,999)	(8,300,000)	(36,172,999)

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

16. FINANCIAL INSTRUMENTS (continue)

Credit risk

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

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

There are no amounts of collateral held as security at 30 June 2011.

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

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

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

The receivables balances at 30 June 2011 and 30 June 2010 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

b. Financial Instruments Composition and Maturity Analysis

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

2011

	Weighted average Interest rates	Variable	Fixed		Non- interest	Total
		\$	1 year \$	1 to 5 years \$	\$	\$
Financial Assets						
Cash assets	-%	95,347	-	-	-	95,347
Receivables		-	-	-	43,630	43,630
		95,347	-	-	43,630	138,977
Financial Liabilities						
Payables		-	-	(1,300,002)	(2,656,338)	(3,956,340)
Borrowings*	11.25%	(22,481,376)	(14,219,387)	-	-	(36,700,763)
		(22,481,376)	(4,589,387)	(10,930,002)	(2,656,338)	(40,657,103)
Net financial (liabilities)		(22,386,029)	(4,589,387)	(10,930,002)	(2,612,708)	(40,518,126)

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

16. FINANCIAL INSTRUMENTS (continue)

b. Financial Instruments Composition and Maturity Analysis (cont)

b. Financial Instruments Composition and Maturity Analysis
2010

	Weighted average Interest rates	Variable	Fixed		Non- interest	Total
			1 year	1 to 5 years		
		\$	\$	\$	\$	\$
Financial Assets						
Cash assets	-%	6,529	-	-	-	6,529
Receivables		-	-	-	23,917	23,917
		<u>6,529</u>	<u>-</u>	<u>-</u>	<u>23,917</u>	<u>30,446</u>
Financial Liabilities						
Payables		-	-	(1,300,000)	(1,022,985)	(2,322,985)
Borrowings*	12.03%	(23,121,289)	(3,728,725)	(7,000,000)	-	(33,850,014)
		<u>(23,121,289)</u>	<u>(3,728,725)</u>	<u>(8,300,000)</u>	<u>(1,022,985)</u>	<u>(36,172,999)</u>
Net financial (liabilities)		<u>(23,114,760)</u>	<u>(3,728,725)</u>	<u>(8,300,000)</u>	<u>(999,068)</u>	<u>(36,142,553)</u>

* All the bank loans are current and repayable within the next 12 months.

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

	Consolidated Entity	
	2011	2010
	\$000	\$000
Less than 6 months	2,656,337	1,022,984
6 months to 1 year	-	-
1 year to 2 years	1,300,003	1,300,000
	<u>3,956,340</u>	<u>2,322,984</u>

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

16. FINANCIAL INSTRUMENTS (continue)

c. Net Fair Values

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

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

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

	2011		2010	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial assets				
Cash	95,347	95,347	6,529	6,529
Receivables	12,340	12,340	13,627	13,627
Loans	31,290	31,290	10,290	10,290
	138,977	138,977	30,446	30,446
Financial liabilities				
Borrowings	36,700,763	36,700,763	33,850,014	33,850,014
Trade and other payables	3,956,340	3,956,340	2,322,985	2,322,985
	40,657,103	40,657,103	36,172,999	36,172,999

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

16. FINANCIAL INSTRUMENTS (continue)

d. Sensitivity Analysis

Interest Rate Risk

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

Interest Rate Sensitivity Analysis

At 30 June 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:

	Carrying amount \$	-1% change		+1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
2011					
<i>Financial Assets</i>					
Cash and cash equivalents	95,347	(953)	(953)	953	953
<i>Financial liabilities</i>					
Borrowings	22,481,376	224,814	224,814	(224,814)	(224,814)
Total Increase/(Decrease)		<u>223,861</u>	<u>223,861</u>	<u>(223,861)</u>	<u>(223,861)</u>
	Carrying amount \$	-1% change		+1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
2010					
<i>Financial Assets</i>					
Cash and cash equivalents	6,529	(65)	(65)	65	65
<i>Financial liabilities</i>					
Borrowings	23,121,289	231,213	231,213	(231,213)	(231,213)
Total Increase/(Decrease)		<u>231,148</u>	<u>231,148</u>	<u>(231,148)</u>	<u>(231,148)</u>

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

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

17. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 23 August 2011, the Fund's 100% owned entities, QLDF Development 2 Pty Ltd and QLDF Development 3 Pty Ltd, have been placed into formal administration by their primary debt provider. The Responsible Entity is working with various parties to secure a refinancing of the primary debt, which will likely bring the entities out of formal administration.

18. CONTINGENT LIABILITIES

There were no contingent liabilities at the reporting date.

19. PARENT ENTITY DISCLOSURES

a) Financial Information Parent	2011	2010
	\$	\$
Loss for the year	(6,141,144)	(2,162,557)
Total comprehensive loss	<u>(6,141,144)</u>	<u>(2,162,557)</u>
Assets		
Current assets	3,262,496	3,946,392
Non current asset	11,837,427	12,982,118
Total Assets	<u>15,099,923</u>	<u>16,928,510</u>
Liabilities		
Current liabilities	12,392,427	1,836,270
Non current liabilities	-	7,000,000
Total Liabilities	<u>12,392,427</u>	<u>8,836,270</u>
Equity		
Issued capital	12,292,025	11,535,625
Accumulated losses	(9,584,529)	(3,443,385)
Total Equity	<u>2,707,496</u>	<u>8,092,240</u>

b) Guarantees

The Fund did not enter into a deed of cross guarantee for its subsidiaries for both financial years ended 30 June 2011 and 30 June 2010.

c) Other Commitments and Contingencies

Questus Land Development Fund has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

20. 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