



QUESTUS

LAND DEVELOPMENT FUND

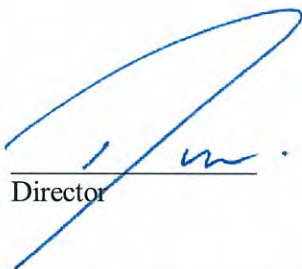
ARSN 116 602 076

Financial Report

for the

half-year ended 31 December 2011

This is annexure A of 16 pages referred to in Form 7051: Notification of half-yearly reports



Director

Dated this 15 day of March 2012

C O N T E N T S

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QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

The Directors of the Questus Funds Management Limited, the Responsible Entity of Questus Land Development Fund ('the Fund'), present their report together with the financial report of the Fund, for the half-year ended 31 December 2011.

Directors

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

David Somerville

Robert Olde

Anthony Brennan

Review of Operations

The principal activities of the Fund during the financial period consisted of seeking and investing 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.

On 1 July 2011, Questus Land Development Fund lost control of Yalop Pty Ltd and QLDF Development 1 Pty Ltd. The loss of control was due to the appointment of Receiver Managers. Due to this loss of control, the results of these two subsidiaries have been deconsolidated at that date.

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

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

The operating loss of the Fund after income tax was \$14,665,517 (2010: loss of \$587,933).

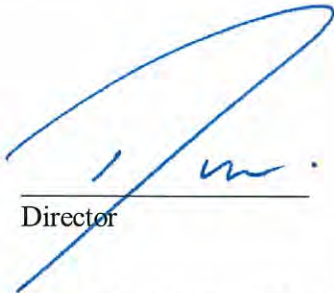
The operating loss has been analysed in the table below:

			\$
Loss from continuing operations			(1,066,070)
Deferred tax asset reversed			(5,548,400)
Loan provisions			(5,203,749)
	Yalop Pty Ltd	(2,679,829)	
	QLDF Dev 1 Pty Ltd	(1,576,436)	
	QLDF Dev 2 Pty Ltd	(122,936)	
	QLDF Dev 3 Pty Ltd	(824,549)	
Loss on deconsolidation			(2,847,298)
	Yalop Pty Ltd	(4,971,765)	
	QLDF Dev 1 Pty Ltd	(664,349)	
	QLDF Dev 2 Pty Ltd	1,287,369	
	QLDF Dev 3 Pty Ltd	1,501,447	
			(14,665,517)

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the Fund's auditors. The declaration is included as part of the financial report.

Signed in accordance with a resolution of the Directors of Questus Funds Management Limited.



Director

Dated this 15 day of March 2012

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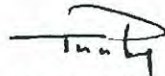
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Questus Land Development Fund for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Questus Land Development Fund ("the Fund") which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Questus Funds Management Limited, the responsible entity of the Fund, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Questus Land Development Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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scheme approved
under Professional
Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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RSM Bird Cameron Partners

Chartered Accountants

Independence

In conducting our review, 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 review report.

Bases for Adverse Conclusion

Financial position and performance of controlled entities

We issued a disclaimer of opinion in the audit report on the financial report for the year ended 30 June 2011 due to four out of the six controlled entities of the Fund being the subject of formal insolvency administrations. As a result, all of the accounting and statutory records of those entities in formal insolvency administrations were in the possession of the Receivers and Managers. During the half-year ended 31 December 2011, the Fund has deconsolidated those four entities in formal insolvency administrations due to a loss of control by the responsible entity.

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 review procedures. We were unable to determine whether the loss on the de-consolidation of subsidiaries recognised in the statement of comprehensive income for the half-year ended 31 December 2011 was recorded at the correct amount.

Going Concern Assumption

We draw attention to Note 1 in the financial report, which indicates that the Fund incurred a net loss of \$14,665,517 and had net cash outflows from operating activities of \$75,796 during the half-year ended 31 December 2011 and, as of that date, had a net current liabilities of \$13,235,882. These events indicate that the going concern basis is not appropriate and therefore, the Fund may be unable to realise its assets and discharge its liabilities in the normal course of business.

Adverse Conclusion

Based on our review, which is not an audit, because of the significance of the matters discussed in the Basis for Adverse Conclusion paragraphs, the half-year financial report of Questus Land Development Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2012


QUESTUS LAND DEVELOPMENT FUND

DIRECTORS' DECLARATION

In the opinion of the Directors of Questus Funds Management Limited, the Responsible Entity of Questus Land Development Fund (the Fund):

1. The financial statements and notes thereto of the Fund, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Fund's financial position as at 31 December 2011 and of its performance for the half-year then ended.
2. 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 signed in accordance with a resolution of the Board of Directors of Questus Funds Management Limited.



Director

Dated this 15 day of March 2012

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2011

	Consolidated	
Note	Half-Year Ended 31 December 2011 \$	Half-Year Ended 31 December 2010 \$
<u>Continuing operations</u>		
Revenue from sale of land	-	1,685,313
Cost of sales	-	(1,516,608)
Gross Profit	-	168,705
Other revenue	609	19,533
Administration expenses	(33,482)	(314,544)
Finance costs	(683,196)	(738,719)
Loss on option fee to purchase land	(350,000)	-
(Loss) before income tax benefit	(1,066,070)	(865,025)
Income tax expense	(5,548,400)	277,092
(Loss) from continuing operations	(6,840,249)	(587,933)
<u>Discontinued operations</u>		
(Loss) from discontinued operations	2 (8,051,047)	-
Other comprehensive income for the period	-	-
Total comprehensive (loss) for the period	(14,665,517)	(587,933)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	Consolidated	
		31 December 2011 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		7,500	95,347
Trade and other receivables		18,569	76,507
Inventories		-	9,165,912
TOTAL CURRENT ASSETS		<u>26,069</u>	<u>9,337,766</u>
NON CURRENT ASSETS			
Inventories		-	30,321,130
Other assets		-	350,000
Deferred tax asset		-	2,077,842
TOTAL NON CURRENT ASSETS		<u>-</u>	<u>32,748,972</u>
TOTAL ASSETS		<u>26,069</u>	<u>42,086,738</u>
CURRENT LIABILITIES			
Trade and other payables		2,026,615	2,656,337
Borrowings		11,235,336	36,700,763
TOTAL CURRENT LIABILITIES		<u>13,261,951</u>	<u>39,357,100</u>
NON CURRENT LIABILITIES			
Trade and other payables		-	1,300,003
TOTAL NON CURRENT LIABILITIES		<u>-</u>	<u>1,300,003</u>
TOTAL LIABILITIES		<u>13,261,951</u>	<u>40,657,103</u>
NET (LIABILITIES) / ASSETS		<u>(13,235,882)</u>	<u>1,429,635</u>
EQUITY			
Issued capital	3	12,368,953	12,368,953
Accumulated losses		(25,604,835)	(10,939,318)
TOTAL DEFICIENCY IN EQUITY		<u>(13,235,882)</u>	<u>1,429,635</u>

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2011

Consolidated	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010	11,535,625	(4,170,739)	7,364,886
Loss for the period	-	(587,933)	(587,933)
Total comprehensive loss for the period	-	(587,933)	(587,933)
Balance at 31 December 2010	11,535,625	(4,758,672)	6,776,953
Balance at 1 July 2011	12,368,953	(10,939,318)	1,429,635
Loss for the period	-	(14,665,517)	(14,665,517)
Total comprehensive loss for the period	-	(14,665,517)	(14,665,517)
Balance at 31 December 2011	12,368,953	(25,604,835)	(13,235,882)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2011

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Cash flows from operating activities		
Receipts from customers	93,535	1,710,939
Payments to suppliers and employees	-	(2,005,957)
Interest received	-	998
Interest and borrowing costs paid	(169,331)	(1,653,272)
Net cash flows (used in) operating activities	(75,796)	(1,947,292)
Cash flows from investing activities		
Net cash outflow due to subsidiary de-consolidations	(12,051)	-
	(12,051)	-
Cash flows from financing activities		
Net proceeds from borrowings	-	2,010,159
Net cash flows provided by investing activities	-	2,010,159
Net (decrease)/increase in cash held	(87,847)	62,867
Cash held at the beginning of the period	95,347	6,529
Cash held at the end of the period	7,500	69,396

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2011

1. STATEMENT OF ACCOUNTING POLICIES

(a) Reporting Entity

Questus Land Development Fund is a registered managed investment scheme under the *Corporations Act 2001*.

(b) Basis of Preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Questus Land Development Fund during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below.

New and Revised Accounting Standards

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Fund's accounting policies.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2011

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 incurred a loss of \$14,665,517 and had net cash outflows from operating activities of \$75,796 for the half-year ended 31 December 2011. As at that date, the Fund had net current liabilities of \$13,235,882.

These factors indicate significant uncertainty as to whether the Fund will continue as a going concern and therefore whether it will realise its assets and extinguish its 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 will be able to continue as a going concern, after consideration of the following factors:

- The proceeds which will be available from the sale of inventories, It is noted that these assets are not included in the statement of financial position as at 31 December 2011 due to loss of control of the underlying subsidiary which these assets are held in. The loss of control is due to the bank appointing receiver managers to the companies as disclosed in Note 2;
- Although the balance of interest bearing liabilities disclosed as a current liability is \$11,235,336, the directors are confident that the refinancing of loans with the subsidiaries will be achieved allowing the companies to come out of formal administration. This will allow the projects to proceed and the full potential return of the developments to be realised;
- The Directors also have a memorandum of understanding from a third party agreeing to financially support the fund;
- The Directors can raise capital through the issue of a product disclosure statement for the issue of new units in the Fund; and
- The Fund can sell off some of the inventories before full completion to realised funds, if required (subject to the refinancing of the underlying primary debt against these properties).

Accordingly, the Directors of the responsible entity believe that the Fund will be able to continue as a going concern 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 consolidated entity does not continue as a going concern.

**QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2011**

2. DISCONTINUED OPERATIONS

On 1 July 2011, the Fund lost control of Yalop Pty Ltd and QLDF Development 1 Pty Ltd. The loss of control was due to the appointment of Receiver Managers. Due to this loss of control, the results of these two subsidiaries have been deconsolidated at that date.

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

Full impairments have been provided for in Questus Land Development Fund for the investments and loans advanced to the entities.

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

	Balance in formal administration	
	\$	
Total assets		36,173,530
Total liabilities		(32,197,242)
Loss on de-consolidation		(8,051,047)

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.

3. ISSUED CAPITAL

a) Paid up capital

	31 December 2011	30 June 2011
	\$	\$
Ordinary units	12,368,953	12,368,953

b) Movements

Date	Details	Number of securities	Value \$
1 July 2011	Opening balance	18,517,708	12,368,953
31 December 2011	Closing balance	18,517,708	12,368,953

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2011

4. **DIVIDENDS**

There are no dividends declared or paid by the consolidated entity during the half-year.

5. **EVENTS SUBSEQUENT TO REPORTING DATE**

There have been no events subsequent to reporting date that would significantly affect the operations or the state of affairs of the fund.

6. **CONTINGENT LIABILITIES**

There were no contingent liabilities at the reporting date.

7. **SEGMENT INFORMATION**

The responsible entity has determined the operating segments based on the report reviewed by the responsible entity that is used to make strategic decisions. The responsible entity considers the business from both a geographic and business segment perspective and has identified one reportable segment.

The identifiable reportable segment is the property development sector in Western Australia.