



ARSN 116 602 076

FINANCIAL REPORT

For the year ended 30 June 2009

MANAGED BY:

Questus Funds Management Limited

ABN 52 111 325 556

AFSL 286318

QUESTUS LAND DEVELOPMENT FUND

ARSN 116 602 076

Financial Report

for the year ended 30 June 2009

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 2009.

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 \$830,175 (2008: \$456,590).

Review of Operations

The Fund completed the construction of Stage 1 of Pinjarra with the development of 55 individual residential lots. The Fund has commenced the selling and settlement of lots created.

The Fund has obtained subdivision approval for Stage 1 of the Tuart's project located on Mandurah Road Baldivis and has commenced pre-selling of these lots.

The Funds has also received subdivision approval for the Burma Road project in Baldivis.

Distributions to Unitholders

There were no distributions paid during the year ended 30 June 2009.

Likely Developments and Expected Results

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

Environmental Regulation

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

QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

Insurance of Directors and Officers

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

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: 8 of 8

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: 8 of 8

Alexander James Kelly (MA – Fund Mg, Dip FP)

Alexander holds a Masters of Arts majoring in Funds Management from Macquarie University and a Diploma in Financial Planning from Deakin University.

Meetings Attended: 8 of 8

Remo Pollastri (Resigned 11/08/2008)

Remo holds an Honours in Accounting from University of Zimbabwe, and is a qualified Chartered Management Accountant in the United Kingdom. Remo continues to be involved in the investment and merchant banking sectors in Australia and overseas.

Meetings Attended: 1 of 8

QUESTUS LAND DEVELOPMENT FUND

RESPONSIBLE ENTITY'S REPORT

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 40,296.5828 units in the Fund (0.34%). 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 (0.29%).

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 29 day of September 2009

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
QUESTUS FUNDS MANAGEMENT LIMITED

As lead auditor for the audit of the financial report of Questus Land Development Fund for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Perth, WA
Dated: 29 September 2009

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



T PHONG
Partner

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUESTUS LAND DEVELOPMENT FUND

Scope

We have audited the accompanying financial report of Questus Land Development Fund (“the Fund”), which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration of the consolidated entity comprising the Fund and the entities it controlled at the year’s end or from time to time during the financial year.

Directors of Questus Funds Management Limited’s Responsibility for the Financial Report

The directors of Questus Funds Management Limited, the responsible entity of the Fund, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor’s Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Audit Opinion

In our opinion:

- (a) the financial report of Questus Land Development Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's and consolidated entity's financial position at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Material Uncertainty regarding Continuation as a Going Concern

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

- (a) During the year ended 30 June 2009, the Fund and consolidated entity incurred net losses of \$894,201 and \$830,175, respectively;
- (b) During the year ended 30 June 2009, the Fund and consolidated entity had cash outflows from operating activities of \$164,368 and \$4,584,442, respectively; and
- (c) At balance date, the Fund and consolidated entity had net current liabilities of \$2,614,632 and \$23,938,032, respectively.

These conditions along with the others matters as set forth in Note 2 (a), indicate the existence of a material uncertainty which may cast significant doubt about the Fund's and consolidated entity's ability to 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.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



Perth, WA
Dated: 29 September 2009

T PHONG
Partner

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 and the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Fund's and consolidated entity's financial position as at 30 June 2009 and of the performance for the year ended on that date of the Fund; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and the provisions of the Fund's Constitution.
2. 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 29 day of September 2009

QUESTUS LAND DEVELOPMENT FUND

INCOME STATEMENT

For the year ended 30 June 2009

		CONSOLIDATED ENTITY		PARENT ENTITY	
	Note	2009 \$	2008 \$	2009 \$	2008 \$
Revenue	3	44,478	14,461	114,488	2,422
Management fees		(264,871)	(219,380)	(249,871)	(219,380)
Impairment of investments		-	-	(716,799)	-
Impairment of inventory		(423,705)	-	-	-
Other expenses	4	(147,538)	(111,886)	(107,075)	(88,686)
Loss before finance and income tax costs		(791,636)	(316,805)	(959,257)	(305,644)
Interest and borrowing costs		(460,578)	(400,572)	(76,593)	(37,139)
Loss before income tax		(1,252,214)	(717,377)	(1,035,850)	(342,783)
Income tax benefit	5	422,039	260,787	141,649	147,812
Loss after income tax		(830,175)	(456,590)	(894,201)	(194,971)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND

BALANCE SHEET

As at 30 June 2009

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	15(a)	20,214	108,775	1,857	5,831
Trade and other receivables	6	13,055	98,475	40,516	494,740
Inventories	7	6,248,230	5,282,942	-	-
Other current assets	8	854,500	914,765	-	-
TOTAL CURRENT ASSETS		7,135,999	6,404,957	42,373	500,571
NON CURRENT ASSETS					
Inventories	7	34,900,495	32,284,374	-	-
Financial assets	9	-	-	10,137,213	9,943,012
Deferred tax asset	10	2,517,432	1,306,792	2,517,002	323,743
TOTAL NON CURRENT ASSETS		37,417,927	33,591,166	12,654,215	10,266,755
TOTAL ASSETS		44,553,926	39,996,123	12,696,588	10,767,326
CURRENT LIABILITIES					
Trade and other payables	11	1,452,674	1,355,177	2,016,419	135,108
Borrowings	12	29,621,357	27,931,233	640,586	510,190
TOTAL CURRENT LIABILITIES		31,074,031	29,286,410	2,657,005	645,298
NON CURRENT LIABILITIES					
Trade and other payables	11	1,300,000	-	-	-
Borrowings	12	700,000	-	-	-
Deferred tax liabilities	13	1,653,482	864,881	-	-
TOTAL NON CURRENT LIABILITIES		3,653,482	864,881	-	-
TOTAL LIABILITIES		34,727,513	30,151,291	2,657,005	645,298
NET ASSETS		9,826,413	9,844,832	10,039,583	10,122,028
REPRESENTED BY:					
Unitholder interest liabilities	14	9,826,413	9,844,832	10,039,583	10,122,028
TOTAL UNITHOLDERS INTEREST LIABILITIES		9,826,413	9,844,832	10,039,583	10,122,028

STATEMENT OF CHANGES IN EQUITY

Due to the finite life clause contained within the constitution of the Fund, as a result of applying AASB 132, the amount representing unitholder interests are classified as liabilities. As a result there is no equity at the start or end of the financial period. Changes in Unitholder Interest Liabilities are disclosed at note 14.

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND

CASH FLOW STATEMENT

For the year ended 30 June 2009

	Note	CONSOLIDATED ENTITY 2009	2008	PARENT ENTITY 2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		979,193	3,600	-	-
Payments to suppliers		(3,550,752)	(9,417,194)	(247,431)	(356,705)
Interest received		3,474	12,376	114,488	3,042
Interest and borrowing costs paid		(2,016,357)	(2,362,191)	(31,425)	(22,862)
Net cash (used in) operating activities	15(b)	(4,584,442)	(11,763,409)	(164,368)	(376,525)
Cash flows from investing activities					
Payments for investments		-	-	(911,000)	(2,447,002)
Net cash (used in) investing activities		-	-	(911,000)	(2,447,002)
Cash flows from financing activities					
Net proceeds from unit issue		811,757	2,425,721	811,757	2,425,721
Payment of dividends		-	(733,585)	-	(733,585)
Loans from controlled entities		-	-	129,241	136,845
Loans from related entities		455,843	-	130,395	614,520
Proceeds from borrowing		3,228,281	9,428,812	-	-
Net cash from financing activities		4,495,881	11,120,948	1,071,394	2,443,501
Net (decrease) in cash held		(88,561)	(642,461)	(3,974)	(380,026)
Cash held at the beginning of the financial year		108,775	751,236	5,831	385,857
Cash held at the end of the financial year	15(a)	20,214	108,775	1,857	5,831

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

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.

The registered office and principal place of business of the Responsible Entity is located at 47 Kishorn Road, 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 the Questus Land Development Fund, the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations).

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

As disclosed in the financial report, the Fund and consolidated entity recorded operating losses of \$894,201 and \$830,175 and had cash outflows from operating activities of \$164,368 and \$4,584,442 respectively, for the year ended 30 June 2009. At balance sheet date, the Fund and consolidated entity had net current liabilities of \$2,614,632 and \$23,938,032 respectively. These factors indicate significant uncertainty 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 after consideration of the above matters, that the Fund and consolidated entity will be able to continue as going concerns because 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 \$29,621,357, the directors intend to extend the maturity dates of the loans. At the date of this report, the Directors are in discussions with the Fund's bankers and have a reasonable expectation, that the loan facilities will be renewed at their maturity dates and will be extended;
- Additional loan funding which can be secured against the inventories of the consolidated entity;
- 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.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Going Concern (Cont'd)

Accordingly, the directors of the responsibility entity believe that the Fund and consolidated entity will obtain sufficient funding to enable them to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

The financial report does not contain any adjustments 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.

(b) Statement of compliance

Australian Accounting Standards set out accounting policies that the Australia Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply 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.

(c) Basis of consolidation

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 its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 17b to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated entity during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Income tax (cont.)

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 consolidated entity 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 consolidated entity notified the Tax Office that it had formed an income tax consolidated group to apply from 1 July 2006. The tax consolidated entity has entered a tax funding arrangement whereby each company in the consolidated entity contributes to the income tax payable by the consolidated entity in proportion to their contribution to the consolidated entity'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.

(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 balance sheet.

(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 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. Profits are brought to account on the settlement of contract of sale.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 income in the period in which they are incurred.

(i) Investments and other financial assets

The Fund's direct investment 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.

(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 income statement.

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.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 income

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 balance sheet are shown inclusive of GST.

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

(n) Comparative Figures

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) Critical accounting estimates and judgments

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

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.

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 balance sheet. 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 income statement.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
3. REVENUE				
Sale of land	902,257	-	-	-
Less cost of land sold	(861,811)	-	-	-
Gross profit	40,446	-	-	-
Other activities:				
Interest income	4,032	10,861	114,488	2,422
Rental income	-	3,600	-	-
	<u>44,478</u>	<u>14,461</u>	<u>114,488</u>	<u>2,422</u>
4. OTHER EXPENSES				
Audit and accounting fees	17,565	33,825	17,538	33,375
Advertising and marketing	25,990	-	25,500	-
Legal expenses	33,740	16,450	25,050	7,175
Others	11,704	6,172	1,615	1,820
Property expenses	21,167	9,123	-	-
Responsible officer fees	37,372	46,242	37,372	46,242
Travel and entertainment	-	74	-	74
	<u>147,538</u>	<u>111,886</u>	<u>107,075</u>	<u>88,686</u>
Included in other expenses are:				
Amounts received or due and receivable by RSM Bird Cameron Partners for:				
- Audit or review of the financial report	25,000	27,375	25,000	27,375
- Compliance plan audit	3,000	6,000	3,000	6,000
	<u>28,000</u>	<u>33,375</u>	<u>28,000</u>	<u>33,375</u>

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	CONSOLIDATED		PARENT	
	ENTITY		ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
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% (2008: 30%)	375,665	215,213	310,755	102,835
Tax effect of:				
— non-allowable items	-	597	-	-
— non-deductible items	-	597	(169,095)	-
— equity raising	45,945	44,977	-	44,977
Under/over provision prior years	429	-	(11)	-
Income tax benefit	422,039	260,787	141,649	147,812

The Fund is consolidated for income tax purposes. At balance date, the consolidated group had tax losses of \$8,373,389 (2008: \$4,325,767) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$2,512,016 (2008:\$ 1,297,730). This benefit has been recognised as an asset in the balance sheet as it is probable the 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
- (c) no changes in tax legislation adversely affect the Fund in realising the benefit from the deductions for the losses.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
6. TRADE AND OTHER RECEIVABLES				
GST receivable	-	89,577	5,006	7,848
Rent receivable	-	2,400	-	-
Loans to controlled entities	-	-	29,220	480,602
Advance to related entities	12,290	6,290	6,290	6,290
Withholding tax	765	208	-	-
	<u>13,055</u>	<u>98,475</u>	<u>40,516</u>	<u>494,740</u>
7. INVENTORIES				
Current				
Land held for resale – cost	6,248,230	5,282,942	-	-
Non Current				
Land held for resale – cost	34,900,495	32,284,374	-	-
	<u>41,148,725</u>	<u>37,567,316</u>	<u>-</u>	<u>-</u>
Borrowing costs, interest and holding costs incurred are capitalised during the year which amounted to \$2,624,005 (2008: \$1,939,868).				
8. OTHER CURRENT ASSETS				
Option fees paid	854,500	854,500	-	-
Prepaid interest and borrowing costs	-	60,265	-	-
	<u>854,000</u>	<u>914,765</u>	<u>-</u>	<u>-</u>
9. FINANCIAL ASSETS				
Shares in controlled entities – cost	-	-	10,854,012	9,943,012
Less: impairment	-	-	(716,799)	-
	<u>-</u>	<u>-</u>	<u>10,137,213</u>	<u>9,943,012</u>
10. DEFERRED TAX ASSET				
Deferred tax asset	<u>2,517,432</u>	<u>1,306,792</u>	<u>2,517,002</u>	<u>323,743</u>
Deferred tax asset comprises the following:				
Provisions and accruals	4,200	9,062	4,200	6,970
Sec 40-880 deductions unexpired	1,215	-	785	-
Tax losses not utilised	2,512,017	1,297,730	2,512,017	316,773
Closing balance	<u>2,517,432</u>	<u>1,306,792</u>	<u>2,517,002</u>	<u>323,743</u>

All movements in deferred tax asset's balance has been recognised in the income statement.

QUESTUS LAND DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
11. TRADE AND OTHER PAYABLES				
Current				
Trade creditors and accruals	713,556	812,281	23,900	23,644
GST payable	54,722	-	-	-
Distribution payable	1,334	1,334	1,334	1,334
Interest payable	268,003	29,659	59,446	14,277
Amount due to related companies	415,059	511,903	202,268	95,853
Loans from controlled entities	-	-	1,729,471	-
	1,452,674	1,355,177	2,016,419	135,108
Non-Current				
Deposit on land sales	1,300,000	-	-	-
	1,300,000	-	-	-
12. BORROWINGS				
Current				
Loan – Bank of Queensland (a)	11,660,641	11,899,562	-	-
Loan – St George Bank (b)	14,359,442	12,892,240	-	-
Loan – Questus Mortgage Funds Ltd (c)	2,731,725	2,232,675	340,368	244,368
Loan – Questus Capital Group Pty Ltd (d)	-	306,605	-	-
Loan – Questus Limited (d)	571,422	277,882	2,091	-
Loan – Questus Funds Management Ltd (d)	298,127	322,269	298,127	265,822
	29,621,357	27,931,233	640,586	510,190
Non Current				
Loan – Margen Pty Ltd (e)	400,000	-	-	-
Debenture notes (e)	300,000	-	-	-
	700,000	-	-	-

- (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 within the next 12 months. 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 5.50% p.a. for QLDF Development 3 Pty Ltd.
- (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 currently subject to a renewal application with St George Bank. The facilities matured on the 31 May 2009 and are being charged a rate of 11.55%, pending completion of the assessment of the renewal application.
- (c) The short term loans are unsecured, charged with interest between 15% and 17.5% and repayable within the next 12 months.
- (d) The short term loans are unsecured, charged with interest of 10% p.a. and repayable within the next 12 months.
- (e) The loans are secured, charged with interest of 20% p.a. (\$400,000) and 8%p.a (\$300,000).

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
13. DEFERRED TAX LIABILITY				
Deferred tax liability	1,653,482	864,881	-	-
Deferred tax liability comprises the following:				
Capitalised interest costs	1,320,508	674,449	-	-
Capitalised borrowing costs	220,443	151,318	-	-
Borrowing costs deductible in future periods	-	4,098	-	-
Capitalised holding costs	112,531	36,725	-	-
Accrued revenue	-	720	-	-
Accrued interest	-	(2,429)	-	-
Closing balance	1,653,482	864,881	-	-

All movements in the deferred tax liability balance has been recognised in the income statement.

14. UNITHOLDER INTEREST LIABILITIES

Unitholders' interests	9,826,413	9,844,832	10,039,583	10,122,028
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Reconciliation

At the beginning of reporting period	9,844,832	8,375,092	10,122,028	8,390,670
— July	485,000	52,832	485,000	52,832
— August	221,250	161,000	221,250	161,000
— September	31,000	345,000	31,000	345,000
— October	75,000	130,439	75,000	130,439
— November	-	178,000	-	178,000
— December	50,000	318,772	50,000	318,774
— January	80,000	88,006	80,000	88,006
— February	16,674	32,000	16,674	32,000
— March	8,147	5,000	8,147	5,000
— April	-	30,000	-	30,000
— May	50,000	245,305	50,000	245,302
— June	32,149	1,112,582	32,149	1,112,582
Units redeemed during the period	(211,221)	(49,257)	(211,221)	(49,257)
Unit raising costs	(26,243)	(223,957)	(26,243)	(223,957)
Return of capital distributions	-	(499,392)	-	(499,392)
Changes in net assets attributable to unitholders	(830,175)	(456,590)	(894,201)	(194,971)
At reporting date	9,826,413	9,844,832	10,039,583	10,122,028

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
15. NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of cash				
For the purpose of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash at bank and on hand	20,214	108,775	1,857	5,831
(b) Reconciliation of net cash provided by operating activities to loss after tax				
Loss after tax	(830,175)	(456,590)	(894,201)	(194,971)
Non cash items:				
Impairment of inventory	423,705	-	-	-
Impairment of investments	-	-	716,799	-
Movement in assets and liabilities:				
Receivables	76,378	(14,606)	-	620
Payables	112,537	227,836	154,682	(34,362)
Inventories	(3,944,849)	(11,259,261)	-	-
Tax assets/liabilities	(422,038)	(260,788)	(141,648)	(147,812)
Net cash used in operating activities	(4,584,442)	(11,763,409)	(164,368)	(376,525)
16. NET ASSET BACKING PER UNIT				
Basic net asset backing per unit	0.84	0.88		

Basic net asset backing per unit is calculated by dividing the unitholder interest liability by the number of units on issue at the year end.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

17. RELATED PARTY DISCLOSURES

(a) Responsible Entity

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

(b) Related party transactions

The consolidated financial statements include the financial statements of Questus Land Development Fund and the subsidiaries listed in the following table:

Name	EQUITY INTEREST HELD BY CONSOLIDATED ENTITY		QUESTUS LAND DEVELOPMENT FUND	
	2009	2008	2009	2008
	%	%	\$	\$
QLDF Development 1 Pty Ltd	100	100	1,760,002	1,760,002
QLDF Development 2 Pty Ltd	100	100	763,002	478,002
QLDF Development 3 Pty Ltd	100	100	2,460,002	2,116,002
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	100	100	5,315,002	5,033,002
			<u>10,854,012</u>	<u>9,943,012</u>

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

All related party transactions are conducted on normal commercial terms and conditions. Related party receivables and payables, unless otherwise stated, are unsecured, receivable or payable within 30 days and do not bear interest.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

17. RELATED PARTY DISCLOSURES (CONT.)

(b) Related party transactions (cont.)

	2009	2008
	\$	\$
<i>Wholly-owned subsidiary loan accounts:</i>		
Questus Land Development Fund loaned the following amounts to wholly controlled entities:		
QLDF Development 1 Pty Ltd	(144,094)	88,643
QLDF Development 2 Pty Ltd	(520,338)	1,245
QLDF Development 3 Pty Ltd	(421,025)	2,085
QLDF Development 4 Pty Ltd	29,220	5,750
QLDF Development 68 Road Pty Ltd	(16,939)	3,013
Yalop Pty Ltd	(627,075)	379,866
	(1,700,251)	480,602
 Interest charged by Questus Land Development Fund to its subsidiaries	 112,572	 -

Loans made by Questus Land Development Fund to wholly owned entities are charged interest at 10%p.a, unsecured and repayable on demand.

Payables:

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

Company showing creditor	Creditor		
QLDF Development 1 Pty Ltd	Questus Asset Management Pty Ltd	-	66,000
QLDF Development 2 Pty Ltd	Questus Asset Management Pty Ltd	66,000	11,000
QLDF Development 3 Pty Ltd	Questus Asset Management Pty Ltd	66,000	66,000
Yalop Pty Ltd	Questus Asset Management Pty Ltd	-	55,000
QLDF Development 1 Pty Ltd	David Somerville	30,791	-
QLDF Development 1 Pty Ltd	Questus Capital Group Pty Ltd	-	33,000
QLDF Development 2 Pty Ltd	Questus Capital Group Pty Ltd	-	33,000
QLDF Development 3 Pty Ltd	Questus Capital Group Pty Ltd	-	46,000
Yalop Pty Ltd	Questus Capital Group Pty Ltd	-	11,000
QLDF Development 1 Pty Ltd	Questus Funds Management Ltd	-	13,800
QLDF Development 3 Pty Ltd	Questus Funds Management Ltd	50,000	81,250
Questus Land Development Fund	Questus Funds Management Ltd	209,522	95,853
Questus Land Development Fund and its subsidiaries	Questus Mortgage Funds Ltd	260,379	8,098
		682,692	520,001

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

17. RELATED PARTY DISCLOSURES (CONT.)

(b) Related party transactions (cont.)

	2009	2008
	\$	\$
<i>Loans payable:</i>		
The following amounts appeared as loans payable in Questus Land Development Fund or its subsidiaries at 30 June:		
Company showing loan	Loan from	
QLDF Development 3 Pty Ltd	Questus Capital Group Pty Ltd	- 95,153
QLDF Development 68 Pty Ltd	Questus Capital Group Pty Ltd	- 211,452
Questus Land Development Fund	Questus Funds Management Ltd	298,127 265,822
Yalop Pty Ltd	Questus Funds Management Ltd	- 56,447
Questus Land Development Fund	Questus Limited	2,091 -
QLDF Development 1 Pty Ltd	Questus Limited	- 51,636
QLDF Development 2 Pty Ltd	Questus Limited	201,722 -
QLDF Development 3 Pty Ltd	Questus Limited	277,715 101,141
Yalop Pty Ltd	Questus Limited	89,894 125,105
Questus Land Development Fund	Questus Mortgage Funds Ltd	340,368 244,368
QLDF Development 1 Pty Ltd	Questus Mortgage Funds Ltd	348,441 213,641
QLDF Development 2 Pty Ltd	Questus Mortgage Funds Ltd	528,666 429,666
QLDF Development 3 Pty Ltd	Questus Mortgage Funds Ltd	904,250 680,000
QLDF Development 4 Pty Ltd	Questus Mortgage Funds Ltd	- 165,000
QLDF Development 68 Pty Ltd	Questus Mortgage Funds Ltd	- 100,000
Yalop Pty Ltd	Questus Mortgage Funds Ltd	610,000 400,000
	3,601,274	3,139,431

	2009	2008
	\$	\$
<i>Loans receivable:</i>		
The following amounts appeared as loans receivable in the books of Questus Land Development Fund or its subsidiaries at 30 June:		

Company showing loan	Loan from	
Questus Land Development Fund	Questus Capital Group Pty Ltd	6,290 6,290
QLDF Development 1 Pty Ltd	Questus Capital Solutions Pty Ltd	6,000 -
	12,290	6,290

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

17. RELATED PARTY DISCLOSURES (CONT.)

(b) Related party transactions (cont.)

	CONSOLIDATED ENTITY		QUESTUS LAND DEVELOPMENT FUND	
	2009	2008	2009	2008
	\$	\$	\$	\$

Services received by the Ultimate Parent Entity and its subsidiaries

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

Acquisition fees	-	375,000	-	-
Management fees	249,871	219,380	249,871	219,380
Contribution fees	10,245	90,495	10,100	90,495
Expense recoveries	33,724	99,763	33,724	99,763
Interest expense	23,799	12,609	28,558	-
	317,639	784,638	322,253	409,638

Transactions between entities with common directors

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

Commission expense	39,276	-	-	-
Expense recoveries	20,000	-	20,000	-
PDS preparation	-	75,000	-	75,000
	59,276	75,000	20,000	75,000

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

Interest expense	380,379	312,900	44,915	25,909
	380,379	312,900	44,915	25,909

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

Project management fees	-	210,000	-	-
	-	210,000	-	-

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

Project management fees	480,000	240,000	-	-
	480,000	240,000	-	-

The following fees were paid or payable to Questus Ltd:

Interest expense	40,551	-	91	-
	40,551	-	91	-

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

17. RELATED PARTY DISCLOSURES (CONT.)

	CONSOLIDATED ENTITY		QUESTUS LAND DEVELOPMENT FUND	
	2009	2008	2009	2008
	\$	\$	\$	\$

Transactions between Questus Land Development Fund Group and Key Management Personnel

Sale of blocks	480,062	-	-	-
	480,062	-	-	-

(c) Details of key management personnel

Directors

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

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

David Somerville
 Robert Olde
 Alexander James Kelly
 Remo Pollastri (resigned 11 August 2008)

Other key management personnel of the Company:

Andrew Boots

(d) Compensation of key management personnel

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

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

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

Key management personnel all hold shares directly and indirectly in Questus Ltd. Questus Capital Solutions Pty Ltd, a 100% owned subsidiary of Questus Ltd owns 40,296.5828 units in the Fund (0.34%).

David Somerville 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 (0.29%).

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

18. FINANCIAL INSTRUMENTS

a. **Financial Risk Management Policies**

The Fund's financial instruments consist mainly of deposits with banks, long-term investments, accounts receivable and payable, loans from banks and a loan to a subsidiary.

The Fund does not have any derivative instruments at 30 June 2009.

(i) Treasury Risk Management

The directors 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 directors' 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.

(ii) Financial Exposures and Management

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

Interest rate risk

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

At June 2009 approximately 14% 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.

Foreign currency risk

The Fund is not exposed to fluctuations in foreign currencies.

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.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

18. FINANCIAL INSTRUMENTS (CONT.)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet 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 2009.

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 2009 and 30 June 2008 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Price risk

The Fund is not exposed to any material price risk.

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 balance sheet.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

18. FINANCIAL INSTRUMENTS (CONT.)

2009

	Weighted average Interest rates	Variable	Fixed		Non- interest	Total
			1 year	1 to 5 years		
		\$	\$	\$	\$	\$
Financial Assets						
Cash assets	0.1%	20,214	-	-	-	20,214
Receivables		-	-	-	13,055	13,055
		<u>20,214</u>	<u>-</u>	<u>-</u>	<u>13,055</u>	<u>33,269</u>
Financial Liabilities						
Payables		-	-	-	(2,752,674)	(2,752,674)
Borrowings*	10.9%	(26,020,083)	(4,301,274)	-	-	(30,321,357)
		<u>(26,020,083)</u>	<u>(4,301,274)</u>	<u>-</u>	<u>(2,752,674)</u>	<u>(33,074,031)</u>
Net financial (liabilities)		<u>(29,601,143)</u>	<u>(4,301,274)</u>	<u>-</u>	<u>(2,739,619)</u>	<u>(33,040,762)</u>

2008

	Weighted average Interest rates	Variable	Fixed		Non- interest	Total
			1 year	1 to 5 years		
		\$	\$	\$	\$	\$
Financial Assets						
Cash assets	3.6%	108,775	-	-	-	108,775
Receivables		-	-	-	98,475	98,475
		<u>108,775</u>	<u>-</u>	<u>-</u>	<u>98,475</u>	<u>207,250</u>
Financial Liabilities						
Payables		-	-	-	(1,355,177)	(1,355,177)
Borrowings*	9.9%	(24,791,802)	(3,139,431)	-	-	(27,931,233)
		<u>(24,791,802)</u>	<u>(3,139,431)</u>	<u>-</u>	<u>(1,355,177)</u>	<u>(29,286,410)</u>
Net financial (liabilities)		<u>(24,683,027)</u>	<u>(3,139,431)</u>	<u>-</u>	<u>(1,256,702)</u>	<u>(29,079,160)</u>

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

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

18. FINANCIAL INSTRUMENTS (CONT.)

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

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Less than 6 months	1,452,674	1,355,177	286,948	135,108
6 months to 1 year	-	-	-	-
1 year to 2 years	1,300,000	-	-	-
	2,752,674	1,355,177	286,948	135,108

c. Net Fair Values

For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Fund intends to hold these assets to maturity.

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

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

	2009		2008	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial assets				
Cash	20,214	20,214	108,775	108,775
Receivables	965	965	92,184	92,184
Loans	12,290	12,290	6,290	6,290
	33,469	33,469	207,249	207,249
Financial liabilities				
Borrowings	30,321,357	30,321,357	27,931,233	27,931,233
Trade and other payables	2,752,674	2,752,674	1,355,177	1,355,177
	33,074,031	33,074,031	29,286,410	29,286,410

QUESTUS LAND DEVELOPMENT FUND
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For the year ended 30 June 2009

18. FINANCIAL INSTRUMENTS (CONT.)

d. Sensitivity Analysis

Interest Rate Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2009, 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 \$
2009					
<i>Financial Assets</i>					
Cash and cash equivalents	20,214	(202)	(202)	202	202
<i>Financial liabilities</i>					
Borrowings	26,020,083	260,201	260,201	(260,201)	(260,201)
Total Increase/(Decrease)		<u>259,999</u>	<u>259,999</u>	<u>(259,999)</u>	<u>(259,999)</u>
	Carrying amount \$	-1% change		+1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
2008					
<i>Financial Assets</i>					
Cash and cash equivalents	108,775	(1,087)	(1,087)	1,087	1,087
<i>Financial liabilities</i>					
Borrowings	24,791,802	247,918	247,918	(247,918)	(247,918)
Total Increase/(Decrease)		<u>246,831</u>	<u>246,831</u>	<u>(246,831)</u>	<u>(246,831)</u>

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

QUESTUS LAND DEVELOPMENT FUND
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For the year ended 30 June 2009

19. **RESTATEMENT OF PRIOR PERIOD COMPARATIVES**

The consolidated entity has restated its prior period comparative to take into account a change in the presentation of \$37,567,316 of inventories which were previously presented as current in the balance sheet as at 30 June 2008 under AASB 101 Presentation of Financial Statements.

The reason for the reclassification is that the original classification did not take into account that it was not, and still is not, the board's intention to sell these land inventories within a twelve month period.

The changes to the 30 June 2008 restated balances are detailed below.

BALANCE SHEET	30 June 2008	
	Consolidated Entity	Consolidated Entity Restated
	\$	\$
Current asset		
Inventories	37,567,316	5,282,942
Non current asset		
Inventories	-	32,284,374

There is no change to total inventories or the net assets of the consolidated entity as at 30 June 2008.

There are no changes to the income statement and cash flow statement as a result of the above restatement.

20. **SEGMENT REPORTING**

The Company only operates in one business segment, being property development, and only one geographical segment, being Australia.

21. **EVENTS SUBSEQUENT TO THE REPORTING DATE**

There were no events subsequent to reporting date that had a material effect on the results or state of affairs of the parent and consolidated entity.

22. **CONTINGENT LIABILITIES**

There were no contingent liabilities at the reporting date.

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For the year ended 30 June 2009

23 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIOD

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Fund has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Fund follows:

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Fund. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Fund as a policy of capitalising qualifying borrowing costs has been maintained by the Fund.

The Fund does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Fund's financial statements.

24. FUND DETAILS

The registered office and principal place of business of the Fund is:

Level 3
47 Kishorn Road
APPLECROSS WA 6153