

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

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 2014 and 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 Fund 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 internal 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 half-year 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 2014 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.

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.

Basis for Adverse Conclusion

We draw attention to Note 1 in the financial report, which indicates that the Fund incurred a net loss of \$1,152,377 for the half-year ended 31 December 2014 and as at that date, had net current liabilities of \$31,842,481. In our opinion, the use of 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.

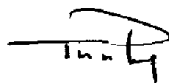
Adverse Conclusion

Based on our review, which is not an audit, because of the significance of the matter discussed in the Basis for Adverse Conclusion paragraph, 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 2014 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



TUTU PHONG
Partner

Perth, WA
Dated: 13 March 2015

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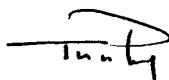
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Questus Land Development Fund for the half-year ended 31 December 2014, 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



TUTU PHONG
Partner

Perth, WA
Dated: 13 March 2015



QUESTUS

LAND DEVELOPMENT FUND

ARSN 116 602 076

Financial Report

for the half-year ended 31 December 2014

C O N T E N T S

Directors' Report

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Directors' Declaration

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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 half-year ended 31 December 2014.

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 Fund was dormant during the financial period. The Responsible Entity has continued its action against parties in relation to various breaches of contract. The actions are being undertaken to seek compensation for the significant losses incurred by the Fund as a direct result of the those breaches.

The operating loss after income tax was \$1,152,377 (2013: loss \$853,083).

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 13th day of March 2015

Auditor's Independence Declaration
to the Directors of Questus Land Development Fund

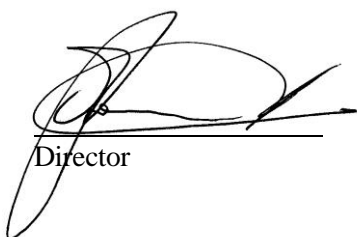
QUESTUS LAND DEVELOPMENT FUND

DIRECTORS' DECLARATION

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

1. at the date of this report, having regards to Note 1(b), the financial statements and notes of the Fund 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 2014 and of its performance for the half-year then ended.

This declaration is made in accordance with a resolution of the Board of Directors of Questus Funds Management Limited.



Director

Dated this 13th day of March 2015

QUESTUS LAND DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2014

		Consolidated	
	Note	Half-Year Ended 31 December 2014 \$	Half-Year Ended 31 December 2013 \$
<u>Continuing operations</u>			
Other revenue		3,378	79
Total Revenue		3,378	79
Administration expenses		-	12,890
Finance costs		(676,049)	(666,052)
Impairment of inventory		-	(200,000)
Loss on reconsolidation of subsidiary	6	(479,706)	-
(Loss) before income tax benefit		(1,152,377)	(853,083)
Income tax expense		-	-
(Loss) from continuing operations		(1,152,377)	(853,083)
Other comprehensive income for the period		-	-
Total comprehensive (loss) for the period		(1,152,377)	(853,083)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Consolidated	
Note	31 December 2014	30 June 2014
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	9,548	6,170
Trade and other receivables	31,290	78,093
Inventories	-	-
TOTAL CURRENT ASSETS	40,838	84,263
TOTAL ASSETS	40,838	84,263
CURRENT LIABILITIES		
Trade and other payables	8,130,348	7,315,534
Borrowings	23,752,971	23,458,833
TOTAL CURRENT LIABILITIES	31,883,319	30,774,367
TOTAL LIABILITIES	31,883,319	30,774,367
NET LIABILITIES	(31,842,481)	(30,690,104)
EQUITY		
Issued capital	2 12,368,953	12,368,953
Accumulated losses	(44,211,434)	(43,059,057)
TOTAL DEFICIENCY IN EQUITY	(31,842,481)	(30,690,104)

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 2014

Consolidated	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2013	12,368,953	(41,397,253)	(29,028,300)
Loss for the period	-	(853,083)	(853,083)
Total comprehensive loss for the period	-	(853,083)	(853,083)
Balance at 31 December 2013	12,368,953	(42,250,336)	(29,881,383)
Balance at 1 July 2014	12,368,953	(43,059,057)	(30,690,104)
Loss for the period	-	(1,152,377)	(1,152,377)
Total comprehensive loss for the period	-	(1,152,377)	(1,152,377)
Balance at 31 December 2014	12,368,953	(44,211,434)	(31,842,481)

The accompanying notes form part of these financial statements

QUESTUS LAND DEVELOPMENT FUND

STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2014

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	51,102	38,277
Interest income	79	79
Payments to suppliers and employees	-	(17,935)
Net cash flows provided by operating activities	<u>51,181</u>	<u>20,421</u>
Cash flows from financing activities		
Net repayment of borrowings	(47,803)	-
Net cash flows used in investing activities	<u>(47,803)</u>	<u>-</u>
Net increase in cash held	3,378	20,421
Cash held at the beginning of the period	6,170	6,170
Cash held at the end of the period	<u>9,548</u>	<u>26,591</u>

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 2014

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

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Fund is for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This 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 2014 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

The Fund has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Fund's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Fund.

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 net loss of \$1,152,377 for the half-year ended 31 December 2014. As at that date, the Fund had net current liabilities of \$31,842,481.

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.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

1. STATEMENT OF ACCOUNTING POLICIES (Continue)

Going Concern (cont.)

The Directors of the Responsible Entity believe there are reasonable grounds that the Fund will be able to continue as a going concern, after consideration of the following factors:

- The successful judgement against Valuestream Investments Management Ltd as Responsible Entity for the Addwealth Achiever Fund, regarding its original statutory demand;
- An expected favourable resolution regarding Primary Securities Pty Ltd as Responsible Entity for the Addwealth Achiever Fund, regarding its Writ of Summons;
- An expected favourable resolution with the Responsible Entity for the Addwealth Achiever Fund in the in the Fund's claim against it, for non-performance pursuant to the Memorandum of Understanding dated 10 August 2010;
- The ability of the Responsible Entity to financially support the Fund;
- Questus Limited's position of not presently pursuing the Fund, for payment of monies owed;
- The structure of the Fund's investment such that the Fund can divest itself of its subsidiary investments without further cost;
- All lending being non-recourse to the unit holders of the Fund; and
- The ability of the Fund, to issue additional units, in accordance with the provisions of the *Corporations Act 2001*.

Accordingly, the Directors of the Responsible Entity based on the above factors consider that the Fund is deemed to be a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Chapter 5C of the Corporations Act, Section 601FC (2) provides for managed investment schemes to be treated as trusts and as such are not legal entities. The Directors of the Responsible Entity will be required to call a meeting of Unitholders to seek to wind up the Fund if they consider the purpose of the Fund cannot ultimately be achieved. Alternatively, the Directors of the Responsible Entity may apply to the Court, under Section 601ND(1)(a), to seek a winding up order for the Fund, in certain circumstances.

Until such time as an outcome of the claims against Valuestream Investment Management Limited as the former responsible entity and Primary Securities Limited as the current responsible entity of the Addwealth Achiever Fund are known, in the opinion of the Directors, it is appropriate to continue the operations of the Fund and in consideration of the matters disclosed above, it is also appropriate to continue to adopt the going concern basis of accounting for the Fund.

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 does not continue as a going concern.

QUESTUS LAND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

		31 December 2014 \$	30 June 2014 \$
2.	ISSUED CAPITAL		
	<i>a) Paid up capital</i>		
	Ordinary units	<u>12,368,953</u>	<u>12,368,953</u>
	<i>b) Movements</i>		
		Number of securities	Value \$
	Date		
	1 July 2014	<u>18,517,708</u>	<u>12,368,953</u>
	31 December 2014	<u>18,517,708</u>	<u>12,368,953</u>
	Details		
	Opening balance		
	Closing balance		

3. **DIVIDENDS**

There are no dividends declared or paid by the Fund during the half-year. (2013: nil)

4. **EVENTS SUBSEQUENT TO REPORTING DATE**

There are no other matters or circumstances that have arisen since 31 December 2014 that have or may significantly affect the operations, results, or state of affairs of the Future in future financial periods.

5. **CONTINGENT LIABILITIES**

Questus Funds Management Limited (QFML), the responsibility entity of the Fund, has commenced proceedings against Addwealth Pty Ltd (now discontinued), Valuestream Investment Management Limited as the former responsible entity and Primary Securities Limited as the current responsible entity of the Addwealth Achiever Fund for breach of the Memorandum of Understanding in respect of which it is believed that the undertakings given and commitments made in the context of the Memorandum of Understanding have not been fulfilled. The WA Supreme Court ordered the plaintiff to undertake an Independent Expert Report on the amounts claimed, which has since been filed with the WA Supreme Court and the defendants.

Primary Securities Limited has on the 13 November 2013, recommenced proceedings against QFML for the repayment of the amounts advanced by the Addwealth Achiever Fund to the Questus Land Development Fund. An application was made by the plaintiffs and defendants jointly to have the matters heard contemporaneously. The WA Supreme Court has acquiesced this request and at this stage no hearing date has been set.

QUESTUS LAND DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

5. CONTINGENT LIABILITIES (Continue)

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

Apart from the above, there has been no change in contingencies since the issue of the 30 June 2014 annual financial report.

6. LOSS FROM RECONSOLIDATION OF SUBSIDIARY

	CONSOLIDATED	
	2014	2013
	\$	\$
Net loss on consolidation of subsidiary	(479,706)	-
	<u>(479,706)</u>	<u>-</u>

On 1 July 2011, Questus Land Development Fund lost control of QLDF Development 1 Pty Ltd. The loss of control was due to the appointment of receivers and managers. Due to this loss of control, the results of this subsidiary have been deconsolidated at that date.

On 30 October 2014, Questus Land Development Fund regained control of QLDF Development 1 Pty Ltd. The control regained was that the receivers and managers handed the companies back to Questus Land Development Fund. Due to this, the results of these subsidiaries have been reconsolidated at that date.

The loss above is a reflection of activities during the period when control of the company was regained during the half-year.

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REVIEW REPORT

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