QUESTUS LIMITED

2016

Annual Report

105 Railway Road
Subiaco WA 6008

PO Box 1533
Subiaco WA 6904

Tel 08 9489 4444
Fax 08 9381 4963

if money matters

QUESTUS

TABLE OF CONTENTS

CORPORATE DIRECTORY

DIRECTORS	David James Somerville (Executive Chairman) Robert William Olde (Non-Executive Director) Prof. Anthony Joseph Brennan (Non-Executive Director)
COMPANY SECRETARY	Elizabeth Bee Hiang Lee
REGISTERED AND PRINCIPLE OFFICE	105 Railway Road SUBIACO WA 6008 Telephone: +61 8 9489 4444 Facsimile: +61 8 9381 4963
AUDITORS	RSM Australia Partners Chartered Accountants 8 St George's Terrace PERTH WA 6000
SOLICITORS	Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Alexandrea House Suite 1, 770 Canning Highway APPLECROSS WA 6153 Telephone: + 61 8 9315 2333 Facsimile: + 61 8 9315 2233
STOCK EXCHANGE LISTING	Questus Limited shares are listed on the Australian Securities Exchange under the code QSS.
WEB SITE	www.questus.com.au
COMPANY DOMICILE AND LEGAL FORM	Questus Limited is a public Company limited by shares, incorporated and domiciled in Australia.

LETTER FROM THE CHAIRMAN

31 August 2016

Dear Shareholders

I am pleased to present to shareholders the Annual Report of Questus Limited (Questus, or the Company) for the year ended 30 June 2016.

The results for the financial year reflect a profit after income tax of $2,782,123.

This profit has been generated, as advised in prior announcements, by the realisation of assets created by the Company during its engagement in the now discontinued, Federal Government's National Rental Affordability Scheme (NRAS). Since its inception, Questus has been involved in the delivery of some 2,513 NRAS entitlements across WA, SA, VIC, NSW & QLD.

Questus will continue to deliver a further 658 NRAS dwellings in Western Australia, through six Questus developments and a number of projects in partnership with Western Australian developers.

During the year, Questus created a new subsidiary, Australian Affordable Housing Securities Limited (AAHS), together with Horizon Housing Solutions Limited, a major partner of Questus in the delivery of over 1,300 NRAS dwellings in Queensland, and Social Ventures Australia Limited, a Social Impact Investor. Questus holds a 48% interest of the Ordinary shares in AAHS.

AAHS was established with an Australian Financial Services Licence (AFSL) and AAHS has been appointed as the Responsible Entity of the Australian Residential Investment Fund (formerly Questus Residential Investment Fund - the fund responsible for managing NRAS entitlements delivered by Questus in collaboration with developers and Community Housing Providers across Australia).

AAHS has aggregated the NRAS Compliance functions of a number of NRAS Approved Participants and is seeking to actively provide NRAS compliance services and AFSL services to the wide range of existing NRAS and Affordable Housing participants in the sector.

AAHS in conjunction with Questus has initiated a number of delivery models in the Affordable Housing market - which will be pursued in concert with State Government Housing initiatives - in collaboration with the Community Housing Sector.

As a result of the Federal Government's decision to discontinue the NRAS, the Board has focussed on the delivery of existing entitlements and an asset realisation program to repay existing long term liabilities.

In addition to the continuation of these activities and the establishment of AAHS, the Board is actively pursuing a number of strategic corporate opportunities for the future growth and development of the Company.

In closing, I would like to thank the Shareholders for their continued support, the Board and all of the staff for their efforts and commitment to the Company.

Yours sincerely

DJ SOMERVILLE
Executive Chairman

DIRECTORS' REPORT

DIRECTORS

The names of the Company's directors in office during the year and until the date of this report are as below.

DJ Somerville	Age 56	first appointed 22 October 2007	Executive
RW Olde	Age 45	first appointed 7 November 2007	Non-Executive
Prof. AJ Brennan	Age 43	first appointed 7 May 2014	Non-Executive

DIRECTORSHIPS OF OTHER LISTED COMPANIES

DJ Somerville is a director of CI Resources Ltd, an ASX Listed Company.

The current directors do not hold and have not held directorships of any other listed companies in the past three years other than the companies mentioned above**.**

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The directors of the Company and their qualifications are set out below.

David James Somerville (B.Bus, MBA, CPA, AFAIM)
Executive Chairman

Mr Somerville has a background as a Certified Practising Accountant with considerable experience in capital raising, business development and property development over 25 years. Mr Somerville 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. Mr Somerville was the founding director and shareholder of Questus Group in 2003.

Robert William Olde (Dip FS, AIMM)
Non-Executive Director

Mr Olde studied Commerce at Murdoch University and holds a Diploma in Financial Planning and also holds a Triennial Certificate as a Real Estate and Business Agent from the Real Estate Institute of Western Australia. Mr Olde has considerable experience in the Funds Management sector and is a responsible officer on the companies within the group that hold AFSL's.

Prof. Anthony Joseph Brennan (LLB)

Non-Executive Director

Professor Brennan holds a Bachelor of Laws degree from the University of Queensland, a Graduate Diploma in Legal Practice and has practiced with one of Australia's largest private law firms as a solicitor in the area of corporate advisory, mergers and acquisitions and banking and finance. Professor Brennan has worked for local and state government bodies, Australian blue chip companies and national and international banks. He brings to the Board extensive experience in corporate banking and finance transactions including development finance, general corporate banking matters and significant commercial property transactions.

COMPANY SECRETARY

Elizabeth Bee Hiang Lee, Company Secretary – B Bus, GCIS, Grad.Dip. Corp. Gov. ASX Listed Entities

Ms Lee has over 19 years' experience in the areas of corporate governance and company secretarial functions. Prior to joining Questus, Ms Lee held company secretarial positions for Phosphate Resources Limited, Macmahon Holdings Limited, Corporate Compliance Partners and Lend Lease Primelife Limited. Elizabeth also performed contract company secretarial roles with Macquarie Bank Limited and Austock Group Limited. Ms Lee holds a Bachelor of Business majoring in Finance and Business Law from Edith Cowan University, a Graduate Diploma in Corporate Governance from Governance Institute of Australia, a Graduate Diploma in Corporate governance for ASX Listed Entities from Kaplan Financial Institute and is a Fellow member of the Governance Institute of Australia.

DIRECTORS' MEETINGS & AUDIT, RISK & COMPLIANCE MEETINGS

The number of meetings of the Company's board of directors held during the year and the number of meetings attended by each director were:

DIRECTOR	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS ENTITLED TO ATTEND
DJ Somerville	6	6
RW Olde	6	6
AJ Brennan	6	6

The number of meetings of the Company's Audit, Risk and Compliance Committee held during the year and the number of meetings attended by each committee member were:

COMMITTEE MEMBER	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS ENTITLED TO ATTEND
Jacqui Stewart	4	4
Reena Shah	4	4
Jamie Kelly	4	4

DIRECTORS' INTERESTS

As at the date of this report, the direct and indirect interests of the Directors in the Company were:

DIRECTOR	SHARES		OPTIONS (UNLISTED)	
	In Own Name	In Other Names	In Own Name	In Other Names
DJ Somerville	-	16,630,715		-
RW Olde	134,542	8,831		-
AJ Brennan	-	-	-	-

PRINCIPAL ACTIVITIES

The principal activities of the Group are as a participant in the State and Federal Government's National Rental Affordability Scheme incorporating boutique funds management.

RESULTS AND REVIEW OF OPERATIONS

The results of Questus Limited for the financial year reflect a profit after income tax of $2,782,123. (2015: loss of $2,705,999).

This profit has been generated, as advised in prior announcements, by the realisation of assets created by the Company during its engagement in the now discontinued, Federal Government's National Rental Affordability Scheme (NRAS). Since its inception, Questus has been involved in the delivery of some 2,513 NRAS entitlements across WA, SA, VIC, NSW & QLD.

Questus will continue to deliver a further 658 NRAS dwellings in Western Australia, through six Questus developments and a number of projects in partnership with Western Australian developers.

During the year, Questus created a new subsidiary, Australian Affordable Housing Securities Limited (AAHS), together with Horizon Housing Solutions Limited, a major partner of Questus in the delivery of over 1,300 NRAS dwellings in Queensland, and Social Ventures Australia Limited, a Social Impact Investor. Questus holds a 48% interest of the Ordinary shares in AAHS.

AAHS was established with an Australian Financial Services Licence (AFSL) and AAHS has been appointed as the Responsible Entity of the Australian Residential Investment Fund (formerly Questus Residential Investment Fund - the fund responsible for managing NRAS entitlements delivered by Questus in collaboration with developers and Community Housing Providers across Australia).

AAHS has aggregated the NRAS Compliance functions of a number of NRAS Approved Participants and in seeking to actively provide NRAS compliance services and AFSL services to the wide range of existing NRAS and Affordable Housing participants in the sector.

As a result of the Federal Government's decision to discontinue the NRAS, the Board has focussed on the delivery of existing entitlements and an asset realisation program to repay existing long term liabilities.

FINANCIAL POSITION

The net assets of the consolidated entity were $3,319,638 as at 30 June 2016 (2015: $537,515).

DIVIDENDS

There was no dividend for the year ended 30 June 2016 paid or declared on ordinary shares (2015: Nil):

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

The Company is not subject to significant environmental regulation in respect of its operating activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

NIL

EVENTS AFTER THE END OF THE REPORTING PERIOD

There has not arisen in the interval between the end of the financial year and the date of this report any item. transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the result of those operations or the state of affairs, in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Questus will continue to deliver 658 NRAS dwellings in Western Australia through Questus' own developments and partnering with other West Australian developers as a result of the Federal Government's decision to discontinue the NRAS. Questus is actively pursuing a number of strategic corporate opportunities for the future growth and development of the company.

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Remuneration Philosophy

The Board of Directors of Questus Limited is responsible for determining and reviewing compensation arrangements for directors and the executive team. The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Details

The Directors are remunerated based on the provision of services provided to the Company for executive management and for their services as Directors. The Directors fees are determined by the Company in general meeting and other consulting services are remunerated at levels agreed by the Board of Directors. Each non-executive director receives a fixed fee for their services as directors.

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement directors and executives are paid employee benefit entitlements accrued to date of retirement.

Employment contracts for Directors and Executives stipulate a range of one to three month resignation periods. Termination payments are generally not payable on dismissal for serious misconduct. The Company may terminate an employment contract without cause by providing the appropriate written notice under each contract or making payment in lieu, based upon the individual's remuneration together with a severance benefit.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')

At the 2015 AGM, 99.53% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr DJ Somerville	Executive Chairman
Mr RW Olde	Non-Executive Director
Mr AJ Brennan	Non-Executive Director

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of the nature and amount of each element of the remuneration of each director of the Company for the financial year are as follows: Remuneration of Directors and Officers

30 June 2016	Primary			Post Employment	Equity	Total	
Name	**Salary & Fees $**	**Cash Bonus $**	**Non Monetary benefits $**	**Superan-nuation and Long Service Leave $**	**Options $**	**$**	**Total option related %**
Directors:							
DJ Somerville (1)	350,090	-	-	81,165	-	431,255	-
RW Olde (1)	72,000	-	-	-	-	72,000	-
AJ Brennan	50,000	-	-	4,750	-	54,750	-
Total remuneration:	472,090	-	-	85,915	-	558,005	-
30 June 2015	**Primary**			**Post Employment**	**Equity**	**Total**	
Name	**Salary & Fees $**	**Cash Bonus $**	**NonMonetary benefits $**	**Superan-nuation $**	**Options $**	**$**	**Total option related %**
Directors:							
DJ Somerville (1)	350,000	-	-	32,179	-	382,179	-
RW Olde (1)	72,000	-	-	-	-	72,000	-
PPT Chan	-	-	-	-	-	-	-
KSL Ang	-	-	-	-	-	-	-
AJ Brennan	50,000	-	-	4,750	-	54,750	-
Total remuneration:	472,000	-	-	36,929	-	508,929	-

(1) Salary includes consulting fees paid/payable to directors and to related parties of directors.

There are no other contracts to which a Director is a party or under which a Director is entitled to a benefit other than as disclosed in these financial statements.

Share-based compensation

There are no shares or options issued to directors as part of compensation during the year.

REMUNERATION REPORT (AUDITED) (CONTINUED)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Proportions of Elements of remuneration not related to performance Fixed salary/Fee %		Proportions of Elements of remuneration related to performance Options %	
	2016	2015	2016	2015
Directors:				
DJ Somerville	100%	100%		-
RW Olde	100%	100%		-
AJ Brennan	100%	100%		-

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2016	Balance 01 July 2015 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change Other Ord	Balance 30 June 2016 Ord
Directors					
DJ Somerville*	16,630,715	-	-	-	16,630,715
RW Olde	143,373	-	-	-	143,373
AJ Brennan	-	-	-	-	-
Total	16,774,088	-	-	-	16,774,088

* Held either directly or indirectly.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Option holding

The number options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2016	Balance 01 July 2015	Granted as Remunera tion	Options Cancelled	Net Change Other ~	Balance 30 June 2016	Vested & Exercisable
Directors						
DJ Somerville*	-	-	-	-	-	-
RW Olde	-	-	-	-	-	-
AJ Brennan	-	-	-	-	-	-
Total	-	-	-	-	-	-

* Held either directly or indirectly.

~Adjustment for share or option at the date of appointment or resignation, as applicable

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	$	$	$	$	$
Sales revenue	15,182,200	19,701,385	8,982,916	5,415,766	2,644,719
EBITDA	5,442,141	(2,154,307)	1,445,765	1,550,593	(4,516,669)
EBIT	5,349,385	(2,338,788)	1,296,692	1,507,882	(4,537,230)
Profit after income tax	2,782,123	(2,705,999)	181,877	199,062	(5,343,535)

REMUNERATION REPORT (AUDITED) (CONTINUED)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Share price at financial year end ($)	0.03	0.03	0.04	0.04	0.00
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	3.00	(2.92)	0.20	0.26	(11.36)

Other transactions with key management personnel and their related parties

(a) Loans

The following table sets out the related party loans included in the statement of financial position of the Group.

		2016
Loan provided by:	**Loan provided to/ (from):**	**$**
Questus Capital Group Pty Ltd [2]	Questus Limited and its subsidiaries	(11,743)
Questus Limited and its subsidiaries	Questus Realty Pty Ltd [5]	167
Questus Limited and its subsidiaries	Australian Affordable Housing Security [4]	1,471,500
APMF Victoria Trust [3]	Questus Limited and its subsidiaries	7,450,000
APMF NSW Trust [3]	Questus Limited and its subsidiaries	2,065,000

(b) Creditors & Debtors

The following amounts appear as trade and other creditors and trade and other debtors respectively in the statement of financial position of the Group.

Creditors	
APIF Victoria Trust [3]	9,500
Questus Realty Pty Ltd [5]	48,503
Debtors	
Australian Affordable Housing Securities[4]	184,000

REMUNERATION REPORT (AUDITED) (CONTINUED)

(c) Services provided by Questus Limited and its subsidiaries

The following services were provided by Questus Limited and its subsidiaries to related companies/ key management personnel.

Service provided to	**Nature of service**	
Questus Land Development Fund [1]	Expense paid on behalf of	894,192
Australian Residential Investment Fund [1]	Processing application fees	15,633
Coinsea Pty Ltd[2]	NRAS Allocation fees	54,545
Australian Affordable Housing Securities Ltd[4]	Management fees	455,000
Questus Realty Pty Ltd[5]	Expense recoveries	59,215

(d) Services provided to Questus Limited and its subsidiaries

		2016
Service provided by	**Nature of services**	**$**
APMF NSW Trust [3]	Interest on loans	165,200
APMF Victoria Trust [3]	Interest on loans	796,604

[1] Questus Limited is the parent entity of Questus Funds Management Limited. Questus Funds Management Limited is the Responsible Entity of Questus Land Development Fund and Australian Residential Investment Fund (until September 2015).
[2] DJ Somerville is a director of this company.
[3] DJ Somerville and RW Olde are Directors of the Trustee Company for the trust.
[4] Associate company of the Group where DJ Somerville is the director of the company.

[End of Remuneration Report]

SHARE OPTIONS

As at the date of this report there were no options on issue:

No options were exercised during year ended 30 June 2016 (2015: Nil).

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Questus Limited issued during the year on the exercise of options granted.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has paid an insurance premium in respect of a contract insuring each of the Directors of the Company and its controlled entities and each executive officer against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law, other than conduct involving a wilful breach of duty in relation to the Company.

INDEMITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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 these financial statements.

This report is made in accordance with a resolution of Directors.

DJ Somerville
Executive Chairman

Dated at Perth this 31st day of August 2016

CORPORATE GOVERNANCE

Questus Limited is a boutique funds management company operating in the funds management industry. Questus Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. The Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the ASX Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council (third edition).

The following summarises the eight recommended ASX Principles of Good Governance and the Company's policies and procedures against each of the principles. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1 – Lay solid foundations for management and oversight

The Board which currently consists of one independent and two non-independent Directors, is the governing body of the Company. The Board and the Company act within a statutory framework – principally the *Corporations Act* and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determines the policies and controls the affairs of Questus Limited.

The Directors are aware of their responsibilities and obligations to protect shareholder's funds. Due care is taken to explain both the positive and negative aspects in all reports to highlight the inherent risks involved in the finance industry. The Board must ensure that Questus Limited acts in accordance with prudent commercial principles and satisfies shareholders – consistent with maximising the Company's long term value.

The Board of Directors determines the strategic direction of the Company by regularly monitoring and evaluating the performance and status of each of the Company's projects and activities.

Advice on the performance of the Company's business operations and investments is also provided by consultants and employees, where required. No formal evaluation of Board members took place this financial year.

Senior executives are provided with a written employment agreement which sets out the terms and conditions of their appointment. Senior executives' annual performance evaluations are conducted following the end of the financial year. No formal evaluation of senior executives took place this financial year.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Diversity Policy

Questus Limited recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. Questus believes its diverse workforce is the key to its continued growth, improved productivity and performance.

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated.

As at 30 June 2016 the Company has a 60% proportion of females in employment and 25% of proportion of the Board executives and Company Secretary are female.

A copy of the Diversity Policy can be found on the Questus website.

Principle 2 – Structure the board to add value

The Board comprises an Executive Chairman and two Non-Executive Directors. Full details of the Company's Board of Directors and their relevant experience and skills are detailed within the Directors' Report. The Company's Constitution requires that one third of the members of the Board retire by rotation each year but they are eligible for re-election.

Any new Director appointed holds office only until the next general meeting and is then eligible for re-election. The Board will ensure that any such person to be appointed as a Director possesses an appropriate level of qualifications, expertise and experience. Due to its size, the Company does not have a Nomination Committee. Key terms and conditions relating to the appointment of non-executive directors are set out in a formal letter of appointment.

The Chairman is also the Managing Director, appointed by the full Board. The Board has a predominance of non-executive Directors. A majority of the Board are also substantial shareholders and there is one independent director. The Board considers that given the size of the Company, it is more important that directors are motivated to perform as a result of their shareholding in the Company.

Principle 3 – Act ethically and responsibly

The Board places great emphasis on ethics and integrity in all its business dealings. In regards to principles 3.1, the Board considers the business practices and ethics exercised by individual board members and key executives to be of the highest standards.

The Board being committed to the highest standards of ethical business conduct has adopted a formal Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Questus Limited's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- acting with honesty and integrity
- abiding by laws and regulations
- respecting confidentiality and handling information in a proper manner
- maintaining the highest standards of professional behaviour
- avoiding conflicts of interest
- striving to be a good corporate citizen and to achieve community respect.

Questus Limited also has a number of specific policies, including the Directors Code of Conduct that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Questus Limited, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

A formal Securities Trading Policy has been adopted, lodged and released to the market. This is to ensure compliance with the "insider trading" provisions of the *Corporations Act* by executive staff who may be in possession of sensitive information concerning the Company's affairs, prior to release to the market.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the *Corporations Act*, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

A copy of the Directors Code of Conduct, the Corporate Code of Conduct and the Securities Trading Policy can be found on the Questus website (www.questus.com.au).

Principle 3 – Act ethically and responsibly (continued)

The Board expects a high standard of ethical behaviour from all directors and staff. A code of business ethics has been developed outlining the policies and procedures which operate within the Company to ensure its exemplary reputation is maintained.

Principle 4 – Safeguard integrity in Corporate reporting

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Board has established an Audit Risk & Compliance Committee on 31st March 2014. It has 3 members, all of whom are external consultants. The Committee is chaired by an independent Chair who is an external consultant. The Committee's members are Jacqui Stewart (Chairperson), Reena Shah, Jamie Kelly.

Meetings are held at least quarterly or more frequently if required. Details of the number of times the Audit Risk & Compliance Committee met throughout the 2016 financial year and individual attendances of the members at those meetings is contained in the committee meetings section of the Directors' Report on page 9 of the 2016 Annual Report.

A copy of the charter of the Audit, Risk & Compliance Committee is available on the corporate governance page on the Company's website (www.questus.com.au).

The Company is responsible for the appointment of the external auditors of the Company, and will time to time review the scope, performance and fees of those external auditors. The Company has retained RSM Australia Partners as its auditors. The RSM Australia Partners managing this external audit will attend the 2016 AGM and be available to respond to shareholder questions relating to the external audit.

Principle 5 – Make timely and balanced disclosure

The Company complied with all disclosure requirements to ensure that it manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

The Executive Chairman and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures. The Executive Chairman and Company Secretary are responsible for ensuring compliance with the continuous disclosure to the Australian Securities Exchange, analysts, broker, shareholders, the media and the public.

The continuous disclosure requirements are set out in the ASX Listing Rules. The rules require the Company to immediately notify the ASX of any information concerning the Company, which a reasonable person would expect to have a material effect on the price of securities. When considering the disclosure of information due consideration should also be given to the exemptions (carve outs) granted under the ASX listing rules in respect of continuous disclosure.

Principle 5 – Make timely and balanced disclosure (Continued)

The Company shall disclose:

- All information that is required to be disclosed pursuant to ASX Listings Rules.
- The Board, collectively, has primary responsibility for ensuring that the Company complies with its disclosure obligations.
- The Board will monitor news sources and seek to avoid the emergence of a false market in the Company's securities. However, it is recognised that this may not be possible pursuant to ASX Listing Rule 3.1.B.
- The confidentiality of corporate information will be safeguarded to avoid premature disclosure.
- The Company Secretary is appointed as the Disclosure Officer in compliance with ASX Listing Rules. All directors and employees must immediately inform the Disclosure Officer if they obtain material information.

A copy of the Continuous Disclosure Policy can be found on the Questus website (www.questus.com.au).

Principle 6 – Respect the rights of security holders

The Company has a positive strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It aims to continue to increase and improve the information available to shareholders on its website. All Company announcements, presentations to analysts and other significant briefings are posted on the Company's website after release to the Australian Securities Exchange.

In addition, the Company has made available an email address for shareholders and investors generally to make enquiries of Questus and to register with the Share Registry to receive communications electronically.

Questus encourages and welcomes shareholder participation at general meetings with the AGM being the major forum for shareholders to ask questions about the performance of Questus and to provide feedback.

Principle 7 – Recognise and manage risk

The Board has adopted a formal Risk Management Policy. The Board's collective experience should assist in enabling accurate identification of the principal risks which may affect the Company's business. Identifying key operational risks and their management will be recurring items for deliberation at Board meetings.

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires the establishment of a risk committee. Refer to details of Audit Risk & Compliance Committee under Principle 4.

The Board has received assurance from the Executive Chairman and the Chief Financial Officer that, the directors' declaration provided in accordance with section 295A of the *Corporations Act*, is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

The Board is responsible for determining and reviewing compensation arrangements for the Directors, the Executive Chairman and Senior Executives. The Directors are remunerated based on the provision of services provided to the Company for executive management and for their services as Directors. The Directors fees are determined by the Company in general meetings and other consulting services are remunerated at levels agreed by the Board of Directors. Access is available to the Company's auditors and senior managers, and the ability to consult independent experts when necessary.

Principle 8 – Remunerate fairly and responsibly (continued)

In relation to non-executive directors, there are presently no schemes for termination or retirement benefits, other than statutory superannuation.

The Board recognises that the interests of all stakeholders will be best served when the Company, its directors and staff adhere to highest standards of business ethics and comply with the law.

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

The Company has complied with each of the Eight Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council (third edition).") other than in relation to the matters specified below.

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.6	Disclose the process for performance evaluation of the board, individual directors and senior executives	The board and individual directors are constantly aware of the Company's share price, market capitalisation and its financial performance. There is no formal policy for evaluating performance. However, the Company maintains regular contact with financial advisors and stockbrokers seeking third party feedback on the Company's performance in order to continue to seek improvement in this area.	In a competitive environment such as the sector in which Questus Limited operates, market forces will ensure that the Board and individual directors are judged based upon the performance of the Company both relative to the market and relative to its particular circumstances. Given the size and scope of operations and the size of the Board, day to day management is conducted under the control of the Executive Chairman and all major decisions are assessed at Board level. Accordingly the Company does not evaluate the performances of senior executives.
2.1	The board should establish a nomination committee	The board does not have a nomination committee.	The Board members have concluded that no efficiencies would be achieved by establishing a separate nomination committee. The functions of any nomination committee are normally undertaken by the full board.

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.3, 2.4 and 2.5	Disclose the names of directors considered to be independent directors The majority of the Board and the Chairman should be independent directors and the Chair should not be the same person as the CEO	Directors DJ Somerville (Managing Director and Chairman of the Board) and RW Olde (Non-Executive Director) do not satisfy the test of 'independence' as set out in the ASX Corporate Governance Council Practice Recommendations. DJ Somerville and RW Olde are Substantial Shareholders of the Company. DJ Somerville is an executive of the Company. In light of the above, the Company does not comply with the Best Practice Recommendations requirement of having a majority of independent directors.	The Board considers that given the current size of the Company, it is more important that directors are motivated to perform as a result of their shareholding in the Company and involvement in day-to-day activities.
8.1	The Board should establish a remuneration committee	The Company does not have a remuneration committee.	Given the size and scope of the Company's operations, and the size of the board it is not considered that a remuneration committee is necessary. Accordingly the Company does not have a remuneration committee.
8.2	Clearly distinguish the structure of non-executive directors remuneration from that of executives	Executive directors receive a fixed salary pursuant to a contract plus a fixed annual director's fee. Non-executive directors do not receive a fixed salary but are entitled to director's fees approved by shareholders and fees for additional services provided up to a maximum of $150,000 per annum in aggregate.	Individuals must be remunerated for the risks of being a director of a public Company. It is not feasible to attract quality directors unless they can be appropriately remunerated for their efforts and the risks undertaken.

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Questus Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 31 August 2016

DAVID WALL
Partner

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED 2016 $	2015 $
Revenue	4	15,182,200	19,701,385
Employee benefits expenses		(1,655,984)	(1,425,672)
Direct development costs		(1,584,061)	(15,806,754)
Selling costs		(515,253)	(1,025,144)
Depreciation and amortisation		(92,756)	(184,481)
Impairment of assets and investments	4a	(988,621)	(677,603)
Provision for non-recoverable amounts	4b	(112,911)	(55,000)
Goodwill on consolidation written off	14	(1,947,234)	-
Other expenses	4c	(2,935,995)	(2,865,519)
Profit/(loss) before tax and finance costs		5,349,385	(2,338,788)
Finance costs		(1,365,406)	(1,562,026)
Profit/(loss) before income tax		3,983,979	(3,900,814)
Income tax (expense) / benefit	5a	(1,201,856)	1,194,815
Net profit/(loss) from continuing operations		2,782,123	(2,705,999)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		2,782,123	(2,847,003)
Earnings per share (cents per share)	6		
- basic and diluted for profit/(loss) for the year		3.00	(2.92)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	CONSOLIDATED 2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,103,056	1,072,462
Trade and other receivables	8	4,589,129	3,671,275
Inventories	9	5,565,598	6,480,524
Other assets	10	109,280	331,177
Total Current Assets		11,367,063	11,555,438
Non-Current Assets			
Financial assets	11	5,390	10,780
Trade and other receivables	8	960,955	279,017
Other assets	10	34,800	34,800
Inventories	9	1,698,683	2,207,717
Deferred tax asset	18	1,717,673	2,919,530
Plant and equipment	13	66,503	84,233
Intangible assets	14	534,134	2,608,588
Investment accounted for using equity method	30	405,087	-
Total Non-Current Assets		5,423,225	8,144,665
TOTAL ASSETS		16,790,288	19,700,103
LIABILITIES			
Current Liabilities			
Trade and other payables	15	1,762,348	2,691,518
Interest-bearing liabilities	16	3,412,593	2,206,128
Provisions	17	70,838	67,947
Total Current Liabilities		5,245,779	4,965,593
Non-Current Liabilities			
Other payables	15	-	745,000
Interest-bearing liabilities	16	8,160,301	13,395,000
Provisions	17	64,570	56,995
Total Non-Current Liabilities		8,224,871	14,196,995
TOTAL LIABILITIES		13,470,650	19,162,588
NET ASSETS		3,319,638	537,515
EQUITY			
Issued capital	19	19,556,370	19,556,370
Reserves	20	152,890	152,890
Accumulated losses	21	(16,389,622)	(19,171,745)
TOTAL EQUITY		3,319,638	537,515

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED 2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		11,767,370	19,927,307
Payments to suppliers and employees		(6,090,850)	(5,412,106)
Payments for inventories		(1,638,173)	(7,420,799)
Interest received		18,905	40,093
Interest and borrowing costs paid		(1,192,959)	(2,022,688)
Net cash flows from /(used in) operating activities	22a	**2,864,293**	**5,111,807**
Cash flows from investing activities			
Purchase of investments		(415,000)	-
Purchase of plant and equipment		(9,009)	(3,430)
Proceeds from disposal of other asset		1,623,063	177,200
Loans to related parties:			
- payments made		(6,219)	-
- proceeds from borrowings		-	-
Net cash flows from investing activities		**1,192,835**	**173,770**
Cash flows from financing activities			
Proceeds from borrowings		546,997	2,079,555
Repayments of borrowings		(693,531)	(2,920,555)
Loans from related parties:			
- proceeds from borrowings		-	695,000
- payment made		(3,880,000)	(5,855,943)
Net cash flows (used in) from financing activities		**(4,026,534)**	**(6,001,943)**
Net (decrease) increase in cash and cash equivalents		30,594	(716,366)
Cash and cash equivalents at beginning of year		1,072,462	1,788,828
Cash and cash equivalents at end of year	7	**1,103,056**	**1,072,462**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital	Accumulated Losses	Share Option Reserves	Total
	$	$	$	$
CONSOLIDATED				
At 1 July 2014	19,556,370	(16,465,746)	152,890	3,243,514
Total comprehensive loss for the year	-	(2,705,999)	-	(2,705,999)
At 30 June 2015	19,556,370	(19,171,745)	152,890	537,515
At 1 July 2015	19,556,370	(19,171,745)	152,890	537,515
Total comprehensive profit for the year	-	2,782,123	-	2,782,123
At 30 June 2016	19,556,370	(16,389,622)	152,890	3,319,638

The accompanying notes form part of these financial statements.

1 CORPORATE INFORMATION

This financial report of Questus Limited (‘Company’) for the year ended 30 June 2016 comprises the Company and its subsidiaries (‘Group’ or ‘Consolidated Entity’).

The separate financial statements of the parent entity, Questus Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001.*

Questus Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards as issued by the International Accounting Standards Board*.* The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

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

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of subsidiaries controlled by Questus Limited at the end of the reporting period.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the group have been eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of Consolidation (Continued)

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

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- The consideration transferred;
- Any non-controlling interest; and
- The acquisition date fair value of any previously held equity interest

Over the acquisition date fair value of net identifiable asset acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are 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 outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, 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 and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

Tax consolidation

Questus Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group 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 tax consolidated group has entered a tax funding arrangement whereby each company in the consolidated group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis to write off the net cost (including any expected residual value) over the estimated useful life of the asset as follows:

Leasehold improvements – 10 years

Office Equipment – 2 to 10 years

Computer Software – 2.5 years

Impairment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Intangible Assets except goodwill

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measure reliably. After initial recognition, an intangible asset with a finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful life is calculated on the straight line basis. The expected useful life of the asset as follows:

Licence – 10 years

Software Development costs – 2.5 years

Australian Financial Services Licence

The expenditure incurred by the Company in relation to the issue by the Australian Securities and Investments Commission of an Australian Financial Services Licence has been capitalised.

Software Development costs

Software that is an integral part of the related hardware is recognised as plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Development costs incurred in relation to developing internally generated intangible assets are capitalised only when the future economic benefit of the project is probable. Other costs are expensed off as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible Assets except goodwill (Continued)

Impairment

Management makes an assessment at each reporting period on whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Financial Instruments

Initial Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (all other loans and receivables are classified as non-current assets).

iii. Held-to-maturity investments

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

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

iv. Available-for-sale financial assets

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

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

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

Impairment

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

Derecognition

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

(f) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(g) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee Benefits (Continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(h) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturity of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(j) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Inventories

Inventories, including land held for resale, are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories (Continued)

Cost includes the cost of acquisition, development costs, holding costs and directly attributable interest on borrowed funds where the development is a qualifying asset. Capitalisation of borrowing costs is ceased during extended periods in which active development is interrupted. When a development is completed and ceases to be a qualifying asset, borrowing costs and other costs are expensed as incurred.

(l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(m) 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.

(n) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest

Revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue (Continued)

Development projects and land sales

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.

(p) Good 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 Tax Office.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) Lease receivables

Unearned Revenue

Unearned revenue is being progressively recognised over the period of the lease in a manner which produces a constant rate of return on the investment in the lease outstanding at the beginning of each lease payment period. For revenue recognition purposes, the investment in the lease represents the total lease payment receivable net of unearned revenue.

Investment in the Lease

The investment in the lease is allocated between current and non-current elements. The principal component of the lease rental due as at the end of the succeeding financial year is shown as current and the remainder of the investment as non-current.

(r) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing of equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with diluted potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the financial year. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(u) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(v) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Comparative Figures

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

(x) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(y) Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(z) 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 group.

Key Estimates — Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Goodwill

The Group determines whether goodwill with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill with indefinite useful life are discussed in note 14.

Trade receivables

No other impairment has been recognised in respect of trade and other receivables other than those already disclosed in the financial statements for the year ended 30 June 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Critical Accounting Estimates and Judgments (Continued)

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, forecasted projected cash flow and other factors that affect inventory obsolescence.

Taxation

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

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

On 26 October 2012, the Group failed the continuity of ownership test ("COT") in order to carry forward the tax losses to be utilised in future taxable profits. However, the directors have considered the same business test ("SBT") and believe that the Group is able to satisfy the SBT test in the future period when tax losses are utilised. On that basis, no adjustment is provided against the deferred tax balances. Should the Group fail the SBT in a future period, a reversal of deferred tax assets would be recognised in statement of comprehensive income. The balance of deferred tax assets related to carry forward tax losses is disclosed in note 18.

3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

4 REVENUE AND EXPENSES

	CONSOLIDATED	
	2016 $	2015 $
Revenue		
Operating activities		
NRAS income	4,134,413	2,254,862
Sale of development stock	1,642,246	16,387,956
Commission income	8,653	210,300
Management fees	1,038,552	653,031
Finance revenue – bank and loan interest	41,242	52,115
Sale of rent roll	6,128,450	-
Gain on de-consolidation	1,967,611	-
Sale of assets	132,000	-
Sundry income	89,033	132,316
	15,182,200	19,690,580
Non-operating activities		
Recovery of expenses	-	10,805
	-	10,805
Total revenue	15,182,200	19,701,385

Expenses

(a) Impairment of assets and investments

	2016 $	2015 $
Impairment of assets	982,330	676,255
Impairment of investments	5,390	1,348
Impairment of loans	901	-
Total	988,621	677,603

4 REVENUE AND EXPENSES (Continued)

	CONSOLIDATED	
	2016 $	2015 $

(b) Provision for non-recoverable amounts

	2016 $	2015 $
Bad debt from current receivables	112,911	55,000

(c) Other expenses

Material other expenses consist of:

	2016 $	2015 $
Consultants and Contractors	708,245	630,446
Legal Costs	235,266	203,329
Rent and Outgoings	532,786	735,623
Expenses in Capacity as RE/Trustee	734,825	646,986
Other expenses	714,960	649,135
Share of profits of associates accounted for using the equity method	9,913	-
	2,935,995	2,865,519

5 INCOME TAX

	CONSOLIDATED	
	2016	**2015**
	$	**$**
a. Major components of income tax expense comprise:		
The components of tax expenses comprises:		
Current tax	-	-
Deferred tax	1,201,856	(1,194,815)
Income tax (benefit)/expense	1,201,856	(1,194,815)
b. The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) before income tax at 30% (2015: 30%)	1,195,194	(1,170,244)
Add tax effect of:		
Expenditure not allowable for income tax	6,662	(19,560)
Tax benefits brought to account	-	(5,011)
Income tax (benefit)/expense attributable to entity	1,201,856	(1,194,815)
The applicable weighted average effective tax rates are as follows:	30.2%	30.6%

6 EARNINGS PER SHARE

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	CONSOLIDATED	
	2016 $	2015 $
Net profit/(loss) from continuing operations attributable to ordinary shareholders for basic and diluted earnings per share	2,782,123	(2,705,999)
Net profit/(loss) from discontinuing operations attributable to ordinary shareholders for basic and diluted earnings per share	-	-
Weighted average number of ordinary shares for basic earnings per share	92,707,553	92,707,553
Weighted average number of ordinary shares dilutive earnings per share	92,707,553	92,707,553

7 CASH AND CASH EQUIVALENTS

Cash at bank and on hand – unrestricted	1,093,190	1,057,950
Cash at bank - restricted	9,866	14,512
	1,103,056	1,072,462

Reconciliation of cash:

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

Cash at bank and on hand	1,103,056	1,072,462
	1,103,056	1,072,462

8 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2016	2015
	$	$
CURRENT		
Trade receivables	2,519,477	1,551,538
Other related parties receivables	1,196,801	1,297,511
Less: impairment of receivable	(1,398,601)	(1,408,226)
Accrued income	1,913,586	1,751,131
Other debtors	357,866	479,321
	4,589,129	3,671,275
NON-CURRENT		
Other related parties	1,225,131	1,242,554
Less: impairment	(1,225,131)	(1,223,132)
Bonds	143,068	152,631
Other debtor	817,887	106,964
	960,955	279,017

For terms and conditions relating to related party receivables, refer to Note 26.

8 TRADE AND OTHER RECEIVABLES (Continued)

Provision for Impairment of Receivables

Movement in the provision for impairment of receivables is as follows:

		Opening Balance 01/07/2015	Charge for the Year	Amounts Written Off	Closing Balance 30/06/2016
		$	$	$	$
	Consolidated				
(i)	Current trade receivables	104,500	110,911	(120,536)	94,875
(ii)	Current other related parties	1,303,726	-	-	1,303,726
(iii)	Non-current other related parties	1,223,132	2,000	-	1,225,132
		2,631,358	112,911	(120,536)	2,623,733

		Opening Balance 01/07/2014	Charge for the Year	Amounts Written Off	Closing Balance 30/06/2015
		$	$	$	$
	Consolidated				
(i)	Current trade receivables	49,500	55,000	-	104,500
(ii)	Current other related parties	1,303,726	-	-	1,303,726
(iii)	Non-current other related parties	1,223,132	-	-	1,223,132
		2,576,358	55,000	-	2,631,358

9 INVENTORIES

	CONSOLIDATED	
	2016 $	2015 $
Land held for resale – at cost		
Current	5,565,598	6,480,524
Non-current	1,698,683	2,207,717
	7,264,281	8,688,241

Borrowing costs, interest and holding costs incurred are capitalised during the year which amounted to $255,153 (2015: $730,482).

10 OTHER ASSETS

	CONSOLIDATED	
	2016 $	2015 $
CURRENT		
Prepaid Borrowing Costs	4,716	193,792
Prepaid Commissions	36,960	41,088
Prepaid Insurance	67,604	58,891
Prepaid Interest	-	37,406
	109,280	331,177
NON-CURRENT		
Prepaid Commissions	34,800	34,800
	144,080	365,977

11 FINANCIAL ASSETS

NON-CURRENT			
Available-for-sale financial assets	11a	5,390	10,780
Held to maturity financial asset	11b	-	-
		5,390	10,780

a. Available-for-sale financial assets

Listed investment, at fair value		
— Share in listed trust	133,861	133,861
Less: impairment provision	(128,471)	(123,081)
	5,390	10,780
— Units in unit trusts	150,000	150,000
Less: impairment provision	(150,000)	(150,000)
	-	-
Total available-for-sale financial assets	5,390	10,780

11 FINANCIAL ASSETS (Continued)

	CONSOLIDATED	
	2016	2015
	$	$
b. Held-to-maturity financial assets comprise:		
Debentures	100,000	100,000
Less: impairment	(100,000)	(100,000)
	-	-
Total Held-to-maturity financial assets	-	-

Provision for Impairment of Investments

Movement in the provision for impairment of receivables is as follows:

		Opening Balance 01/07/2015	Charge for the Year	Amounts Written Off	Closing Balance 30/06/2016
		$	$	$	$
	Consolidated				
(i)	Held-to-maturity financial assets	100,000	-	-	100,000
(ii)	Available-for-sale financial assets	273,081	5,390	-	278,471
		373,081	5,390	-	378,471

		Opening Balance 01/07/2014	Charge for the Year	Amounts Written Off	Closing Balance 30/06/2015
		$	$	$	$
	Consolidated				
(i)	Held-to-maturity financial assets	100,000	-	-	100,000
(ii)	Available-for-sale financial assets	271,733	1,348	-	273,081
		371,733	1,348	-	373,081

12 CONTROLLED ENTITIES

a. Controlled entities consolidated:

	Country of incorporation	Percentage owned (%)	
Subsidiaries of Questus Limited		**2016**	**2015**
Questus Capital Solutions Limited	Australia	100	100
Questus Funds Management Limited	Australia	100	100
Questus Administration Services Pty Ltd	Australia	100	100
Questus Warrants Pty Ltd	Australia	100	100
Questus Asset Management Pty Ltd	Australia	100	100
Questus Project Management Pty Ltd (Formerly known as Questus Property Management Pty Ltd)	Australia	100	100
Financial Resources Securities Pty Ltd	Australia	100	100
FRL (WA) Pty Ltd	Australia	100	100
Questus Migrant Services Pty Ltd (was Ticsy Pty Ltd)	Australia	100	100
Questus Securities Pty Ltd	Australia	100	100
Questus Holdings Pty Ltd	Australia	100	100
Australian Affordable Housing Securities Limited	Australia	-	100
Subsidiaries of Questus Asset Management Pty Ltd:			
McNicholl Rockingham Pty Ltd	Australia	100	100
Dalmatio Broome Pty Ltd	Australia	100	100
Port Rockingham Marina Pty Ltd	Australia	100	100
Binnar Erskine Pty Ltd	Australia	100	100
Ardmore Ellenbrook Pty Ltd	Australia	100	100
Commonage Dunsborough Pty Ltd	Australia	100	100
Clifton Bunbury Pty Ltd	Australia	100	100
Harper Woodbridge Pty Ltd (Formerly known as Catamore South Hedland Pty Ltd)	Australia	100	100
Ellen Stirling Ellenbrook Pty Ltd	Australia	100	100
Nishji Broome Pty Ltd	Australia	100	100
Nakamura Broome Pty Ltd	Australia	100	100
St Andrews Yanchep Pty Ltd	Australia	100	100
QE Busselton Pty Ltd	Australia	100	100
Beechboro Bayswater Pty Ltd	Australia	100	100

12 CONTROLLED ENTITIES (Continued)

	Country of incorporation	Percentage owned (%)	
Subsidiaries of Questus Asset Management Pty Ltd (continued)		**2016**	**2015**
Yelverton Woodbridge Pty Ltd	Australia	100	100
Sharana Pty Ltd	Australia	100	100
Subsidiaries of Questus Project Management Pty Ltd			
Combined Investment Management Pty Ltd	Australia	100	100
Subsidiary of Questus Funds Management Limited			
APIF Victoria Pty Ltd	Australia	100	100
Subsidiary of Questus Holdings Pty Ltd			
APMF Victoria Pty Ltd	Australia	100	100
APMF NSW Pty Ltd	Australia	100	100
KMD Residential Pty Ltd	Australia	100	100

* Newly incorporated during the year.

Associate:			
Australian Affordable Housing Securities Limited	Australia	48	100

13 PLANT AND EQUIPMENT

CONSOLIDATED

	Office equipment	Computer software	Leasehold improvements	Total
	$	$	$	$
2016				
Balance at beginning of year	69,141	2,733	12,359	84,233
Additions	6,413	2,596		9,009
Disposals				
Depreciation	(22,253)	(2,765)	(1,721)	(26,739)
Balance at end of year	53,301	2,564	10,638	66,503
Cost	170,007	18,330	17,205	205,542
Accumulated depreciation	(116,706)	(15,766)	(6,567)	(139,039)
Net carrying amount	53,301	2,564	10,638	66,503

13 PLANT AND EQUIPMENT (Continued)

CONSOLIDATED

	Office equipment	Computer software	Leasehold improvements	Total
	$	$	$	$
2015				
Balance at beginning of year	85,815	4,253	14,079	104,147
Additions	3,170	260	-	3,430
Disposals	-	-	-	-
Depreciation	(19,844)	(1,780)	(1,720)	(23,344)
Balance at end of year	69,141	2,733	12,359	84,233
Cost	163,594	15,733	17,205	196,532
Accumulated depreciation	(94,453)	(13,000)	(4,846)	(112,299)
Net carrying amount	69,141	2,733	12,359	84,233

14 INTANGIBLE ASSETS

	CONSOLIDATED	
	2016	2015
	$	$
Goodwill at cost	534,134	2,481,368
Accumulated impairment losses	-	-
Net carrying value	534,134	2,481,368
Licences	118,620	118,620
Less accumulated amortisation	(118,620)	(115,256)
Net carrying value	-	3,364
Software development costs	-	375,922
Less accumulated amortisation	-	(252,066)
Net carrying value	-	123,856
Total intangibles	534,134	2,608,588

Reconciliation of carrying amounts at the beginning and end of the year:

	Goodwill	Licences	Software development costs
	$	$	$
2016			
At 1 July 2015	2,481,368	3,364	123,856
Amortisation charge	-	(3,364)	(65,419)
Disposal/written off	(1,947,234)	-	(58,437)
At 30 June 2016	534,134	-	-
2015			
At 1 July 2014	2,481,368	14,132	274,224
Additions	-	-	-
Amortisation charge	-	(10,768)	(150,368)
At 30 June 2015	2,481,368	3,364	123,856

14 INTANGIBLE ASSETS (Continued)

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an indefinite useful life.

Impairment Disclosures

Goodwill is allocated to cash-generating units (CGU).

	CONSOLIDATED	
	2016 **$**	**2015** **$**
Questus Capital Solutions Limited and Questus Fund Management Limited - the delivery and management of dwellings and incentives for the State and Federal Government National Rental Affordability Scheme	534,134	2,481,368

2016

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Questus Capital Solutions Limited and Questus Fund Management Limited cash generating unit	-%	12%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

The Board has determined there are no reasonably possible changes that could occur in the key assumptions that would cause the carrying amount of this CGU to exceed their recoverable amount.

2015

The recoverable amount of the cash-generating unit above is determined based on fair value less cost to sell using the following input:

- using an earnings multiple sourced from public available data (level 3 category of fair value)

- observable market data directly or indirectly (level 2 category of fair value)

The key assumption is the price earning multiple observed, which were in the range of 2 to 3.

No reasonable change in any of the key assumptions would result in impairment.

15 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2016	2015
Current	$	$
Trade payables	1,295,359	1,145,431
Other payables	266,687	949,427
GST payable	152,022	418,997
Interest payable	40,576	169,791
Amount payable to related parties	7,704	7,872
	1,762,348	2,691,518

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 3 months.

Non-current		
Other payables	-	745,000

16 INTEREST-BEARING LIABILITIES

CURRENT		
Loans – secured [1][2][3]	3,301,345	1,997,148
Loans – unsecured [4]	50,000	150,000
Insurance funding - unsecured	61,248	58,980
	3,412,593	2,206,128
NON-CURRENT		
Loans – secured [1][2][3]	8,060,301	13,395,000
Loans – unsecured [4]	100,000	-
	8,160,301	13,395,000
The carrying amounts of current assets pledged as security are:		
Inventories	7,264,281	6,792,426
	7,264,281	6,792,426

[1] The loans are secured by a general security deed as well as specific inventories assets of the group.
[2] Includes loan in APMF Victoria Pty Ltd.
[3] Includes loans with APMF NSW Pty Ltd.
[4] Related to loan advanced from buyers to secure over the inventories.

16 INTEREST-BEARING LIABILITIES (Continued)

Summary of Material terms of Loan agreements with APMF Victoria Pty Ltd

Questus Limited (the Company), Questus Funds Management Ltd (QFML) being a wholly owned subsidiary of the company, Questus Capital Solutions (QCS) being a wholly owned subsidiary of the Company entered into an agreement with APMF Victoria Pty Ltd for a loan facility totalling $6,600,000 and reduced to $6,450,000. The facility was fully drawn down at 30 June 2016. The loan is secured by a general Security Deed over the company, QFML and QCS. The maturity date of the loans are 31 December 2016 ($1,000,000) and 31 October 2017 ($5,450,000). The loan is charged with interest of 8%p.a (2015:8%p.a).

Nishji Broome Pty Ltd (NB) a wholly owned subsidiary of Questus Limited, entered into an agreement with APMF Victoria Pty Ltd for a loan facility of $300,000. At 30 June 2016, the loan facility was fully drawn. The loan is secured by a registered first mortgage over a Nishji property asset. The maturity date of the loan is 30 November 2016. The loan is charged with interest of 8%p.a (2015:8%p.a).

Commonage Dunsborough Pty Ltd (Commonage), a wholly owned subsidiary of Questus Limited, entered into an agreement with APMF Victoria Pty Ltd for a loan facility of $700,000. At 30 June 2016 the facility was fully drawn. The loan is secured by a registered first mortgage over a Commonage property asset. The maturity date of the loan is 11 September 2016. The loan is charged with interest of 8%p.a (2015:8%p.a).

Summary of Material terms of Loan agreements with APMF NSW Pty Ltd

Questus Limited (the company) Questus Fund Management Ltd (QFML), being a wholly owned subsidiary of the Company, Questus Capital Solutions Pty Ltd (QCS) being a wholly owned subsidiary of the Company entered into an agreement with APMF NSW Pty Ltd for a loan facility totalling $2,100,000 and reduced to $2,065,000. The facility was fully drawn down at 30 June 2016. The loan is secured by a general Security Deed over the Company, QFML and QCS. The maturity date of the loan is 28 February 2018. The loan is charged with interest of 8%p.a (2015:8%p.a).

Summary of Material terms of Loan agreements with the following borrowers

Bank:

Questus Assets Management Pty Ltd (QAM), being a wholly owned subsidiary of the consolidated entity, entered into an agreement with the Bank for a loan facility totalling $1,275,000 and reduced to $562,149. The facility was drawn to $562,149 at 30 June 2016. The loan is secured by the asset in QAM and personnel guarantee by the directors of company. The maturity date of the loan is 3 February 2017. The loan is charged with interest of 6.15% p.a (2015:5.33% p.a).

Commonage Dunsborough Pty Ltd (CD), being a wholly owned subsidiary of the consolidated entity, entered into an agreement with the Bank on 5 August 2015 for a loan facility totalling $1,000,000. The facility was drawn to $545,301 at 30 June 2016. The loan is secured by the asset in CD, term deposit held in the bank amounted to $117,405 (at 30 June 2016) and personnel guarantee by the directors of company. The maturity date of the loan is 31 August 2017. The loan is charged with interest of 5.68% p.a.

16 INTEREST-BEARING LIABILITIES (Continued)

Financier:

St Andrews Yanchep Pty Ltd (SAY) being a wholly owned subsidiary of the consolidated entity, entered into an agreement with the financier for a loan facility totalling $739,200. The facility was fully drawn down at 30 June 2016. The loans are secured by the asset in SAY as well as guarantor by the directors of the company. The maturity date for the loan is 30 October 2016 and interest is charged at 15%p.a (2015:15%)

McNicholl Rockingham Pty Ltd (MR) being a wholly owned subsidiary of the consolidated entity, entered into an agreement with the financier for loan facilities totalling $150,000. These facilities were fully drawn down at 30 June 2016. The loans are unsecured. The maturity dates for the loans are 29 April 2018 and 30 June 2016 and interest is charged at 15%p.a (2015:15%).

Financing arrangements:

	CONSOLIDATED	
	2016	2015
	$	$
Working capital facilities - related party	9,515,000	13,600,000
Amount utilised	(9,515,000)	(13,395,000)
Amount unused at reporting date	-	205,000
Working capital facilities - non related party	2,451,348	1,997,149
Amount utilised	(1,996,649)	(1,997,149)
Amount unused at reporting date	454,699	-
Total	454,699	205,000

17 PROVISIONS

Analysis of total provisions

Current	70,838	67,947
Non-current	64,570	56,995

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Employee benefits obligation expected to be settled after 12 months	9,152	17,127

18 INCOME TAX

NON-CURRENT

	Opening Balance	Charged to Income	Charged to Equity	Opening Balance Adjustment	Closing Balance
Deferred tax asset	**$**	**$**	**$**	**$**	**$**
Provisions	944,205	(613,748)	-	128,759	459,216
Trade and other payables	(16,397)	(63,542)	-	57,598	(22,341)
Borrowing costs	(212,823)	82,633	-	77,560	(52,630)
Others	-	62,740		-	62,740
Tax losses	4,104,256	(1,106,939)	-	(248,475)	2,748,842
Deferred tax assets not brought to account	(1,899,711)	50,255	-	371,302	(1,478,154)
Balance at 30 June 2016	2,919,530	(1,588,601)		386,744	1,717,673
Deferred tax asset					
Provisions	1,058,440	(114,235)	-	-	944,205
Trade and other payables	25,211	(41,608)	-	-	(16,397)
Borrowing costs	-	(212,823)	-	-	(212,823)
Tax losses	2,234,120	1,410,933	-	459,203	4,104,256
Others	25,043	(25,043)	-	-	-
Deferred tax assets not brought to account	(1,618,098)	177,590	-	(459,203)	(1,899,711)
Balance at 30 June 2015	1,724,716	1,194,814	-	-	2,919,530

The company has recognised a net deferred tax asset of $1,717,673 (2015: $2,919,530). The company's deferred tax asset, in part, is a result of the company establishing and developing its position in the delivery of the government's National Rental Affordability Scheme. The company is now in the delivery phase of this activity and anticipates the utilisation of the deferred tax asset within the next two years.

On the 26th October 2012 the company had a change in ownership of more than 50% and therefore uses the "Same Business Test" to test the deductibility of carried forward losses. The company believes that the conditions allowing the deductibility of the carried forward losses of $9,550,494 under the same business test (SBT) method have been met as at 30 June 2015. Should the SBT not satisfied at the time been tested, the carried forward losses will not be able to be utilised. At 30 June 2016, the company utilised carried forward losses of $5,271,139 that is subject to SBT test. A deferred tax asset of $252,637 (2015: $1,508,598) related to carried forward losses recognised.

19 ISSUED CAPITAL

	Consolidated	
	2016	2015
	$	$
92,707,553 (2015: 92,707,553) fully paid ordinary shares	19,556,370	19,556,370

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

a. Movement in ordinary shares capital:

	Consolidated	
	Number	$
At 1 July 2015	92,707,553	19,556,370
Shares issued	-	-
Balance at 30 June 2016	92,707,553	19,556,370
At 1 July 2014	92,707,553	19,556,370
Shares issued	-	-
Balance at 30 June 2015	92,707,553	19,556,370

b. Capital Management

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

The Group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

19 ISSUED CAPITAL (Continued)

The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

	Note	Consolidated 2016 $	Consolidated 2015 $
Total borrowings	15,16	13,335,242	19,037,646
Less cash and cash equivalents	7	(1,103,056)	(1,072,462)
Net debt		12,232,186	17,965,184
Total equity		3,319,638	537,515
Total capital		15,551,824	18,502,699
Gearing ratio		79%	97%

20 EQUITY- RESERVE

Share option reserves	152,890	152,890

Share option reserves:

The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

Movement in reserves:
There are no movements in share option reserve during the year.

21 EQUITY- ACCUMULATED LOSSES

Accumulated losses at beginning of the financial year	(19,171,745)	(16,465,746)
Profit/(loss) after income tax for the year	2,782,123	(2,705,999)
Accumulated losses at the end of the financial year	(16,389,622)	(19,171,745)

22 CASH FLOW INFORMATION

	Consolidated	
	2016	**2015**
	$	**$**
a. Reconciliation of cash flow from operations with profit/(loss) after income tax:		
Profit/(loss) after income tax	2,782,123	(2,705,999)
Non-cash flows in profit:		
Capitalised development costs written off	982,330	676,255
Gain on de-consolidation	(1,967,611)	-
Depreciation and amortisation	92,755	184,481
Provision for doubtful debts	112,911	55,000
Impairment loss	5,390	1,348
Amortisation of borrowing costs	315,350	-
Change in operating assets and liabilities		
Trade and other receivables	(1,399,483)	(8,133)
Inventories	441,630	6,504,505
Other assets	1,960,746	320,459
Trade payables and accruals	(1,534,490)	1,680,585
Interest payable	(129,215)	(401,880)
Deferred tax asset	1,201,857	(1,194,814)
Net cash inflow / (outflow) from operations	2,864,293	5,111,807

23 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and has identified one reportable segment. The identifiable reportable segment is the delivery and management of dwellings and incentives regarding the National Rental Affordability Scheme (NRAS) for the domestic Australian market.

The Group is domiciled in Australia and all operating activities are located in Australia. All revenue from external customers is from customers located in Australia. Segment revenues are allocated based to the country in which the customer is located.

The Group has a large number of customers to which it provides both products and services. The Group does not rely on any single customer for a significant portion of revenues.

24 FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

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

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

Derivatives are not used by the Group.

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

	Note	Consolidated	
		2016	**2015**
Financial Assets		**$**	**$**
Cash and cash equivalents	7	1,103,056	1,072,462
Trade and other receivables*	8	3,636,498	2,199,161
Available for sale financial assets			
- listed investment (at fair value)	11(a)	5,390	10,780
Total Financial Assets		4,744,944	3,282,403
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables**	15	1,343,639	1,323,094
- Borrowings	16	11,572,894	15,601,128
Total Financial Liabilities		12,916,533	16,924,222

* Excludes GST receivable and accrued revenue.

** Excludes GST payable and accrued expenses.

24 FINANCIAL RISK MANAGEMENT (Continued)

a. Financial Risk Management Policies (Continued)

Treasury Risk Management

The Board of Directors are responsible for managing financial risk exposure of the Group. The Board of Directors monitor the Group's financial risk management policies and exposures and approve financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk liquidity risk and interest rate risk. The Board of Directors meets on a regular basis to discuss the financial risk exposure of the Group.

Financial Risk Exposures and Management

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. At reporting date, the Group fixed 97% (2015: 96%) of its debts at fixed rate.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases, hire purchase contracts and funding arrangements.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The Group monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- The Group trades only with recognised, creditworthy third parties.
- It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

There are no significant concentrations of credit risk within the Group.

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

Credit risk is managed on a Group basis and reviewed regularly. It arises from exposures to customers as well as through certain deposits with financial institutions.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Price risk

The consolidated entity is not exposed to any significant price risk.

24 FINANCIAL RISK MANAGEMENT (Continued)

	Consolidated	
	2016 $	2015 $
The aging of the Group's trade and other receivable at the reporting date was:		
Trade and other receivables		
Not past due	3,636,498	2,199,161
Total	3,636,498	2,199,161

i. Financial instrument composition and maturity analysis:

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	Weighted average effective interest rate	<1 Year	>1 - <5 Years	>5 Years	Total
2016	%	$	$	$	$
Financial Liabilities – Fixed Rate					
Loans – secured	8.34%	(3,351,345)	(8,160,301)	-	(11,511,646)
Loans – unsecured	5.30%	(61,248)	-	-	(61,248)
		(3,412,593)	(8,160,301)	-	(11,572,894)
Financial Assets - Floating Rate					
Cash assets	0.05%	1,103,056	-	-	1,103,056
		1,103,056	-	-	1,103,056

24 FINANCIAL RISK MANAGEMENT (Continued)

	Weighted average effective interest rate	<1 Year	>1 - <5 Years	>5 Years	Total
2015	%	**$**	**$**	**$**	**$**
Financial Liabilities – Fixed Rate					
loans – secured/unsecured	8.41%	(1,997,149)	(13,395,000)	-	(15,392,149)
loans –secured	12.31%	(208,980)	-	-	(208,980)
		(2,206,129)	(13,395,000)	-	(15,601,129)
Financial Assets - Floating Rate					
Cash assets	0.05%	662,907	-	-	662,907
Cash assets	3.5%	409,555	-	-	409,555
		1,072,462	-	-	1,072,462

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

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

	Consolidated	
	2016	**2015**
	$	**$**
Less than 6 months	1,343,639	1,323,094
	1,343,639	1,323,094

ii. Net Fair Values

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

iii. Sensitivity Analysis

Interest Rate Sensitivity Analysis

At 30 June 2016, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant are immaterial. This is due to 90% (2015: 96%) of the debts are fixed and the cash at bank do not have high yield interest rate.

25 COMMITMENTS

Capital commitments

The Group has the following capital commitments at reporting date:

	Consolidated	
	2016	**2015**
	$	**$**
Capital expenditure projects	600,005	5,493,156

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

Within one year	386,630	459,129
After one year but not more than five years	60,344	398,363
	446,974	857,492

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum. An option exists to renew the lease at the end of the fifth-year term for an additional term of 5 years.

26 RELATED PARTY DISCLOSURE

(a) Parent entity

Questus Limited is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 12.

(c) Associates

Interests in associates are set out in note 30.

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report in the directors' report.

(e) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates unless otherwise stated.

(f) Loans

The following table sets out the related party loans included in the statement of financial position of the Group.

26 RELATED PARTY DISCLOSURE (Continued)

		CONSOLIDATED	
		2016	2015
Loan provided by:	**Loan provided to/ (from):**	$	$
Questus Capital Group Pty Ltd [1]	Questus Limited and its subsidiaries	(11,743)	(11,743)
Questus Limited and its subsidiaries	Questus Realty Pty Ltd[5]	167	-
Questus Limited and its subsidiaries	Australian Affordable Housing Security Limited[4]	1,471,500	-
Questus Land Development Fund and its subsidiaries [2]	Questus Limited and its subsidiaries	-	6,408
APMF Victoria Trust [3]	Questus Limited and its subsidiaries	7,450,000	11,330,000
APMF NSW Trust [3]	Questus Limited and its subsidiaries	2,065,000	2,065,000

(g) Creditors and debtors

The following amounts appear as trade and other creditors and trade and other receivables respectively in the statement of financial position of the Group.

	CONSOLIDATED	
	2016	2015
	$	$
Creditors		
APIF Victoria Trust [3]	9,500	9,500
Questus Realty Pty Ltd [5]	48,503	56,699
Debtors		
Australian Affordable Housing Securities Limited[4]	184,000	-

26 RELATED PARTY DISCLOSURE (Continued)

(h) Services provided by Questus Limited and its subsidiaries

The following services were provided by Questus Limited and its subsidiaries to related companies/ key management personnel.

		Consolidated	
Service provided to	**Nature of service**	**2016**	**2016**
Questus Land Development Fund and its subsidiaries [2]	Expenses paid on behalf	894,192	-
Australian Residential Investment Fund [2]	Processing application fees	15,633	13,270
Coinsea Pty Ltd[1]	NRAS allocation fees	54,545	-
Australian Affordable Housing Security Limited[4]	Management Fees	455,000	-
Questus Realty Pty Ltd[5]	Management Fees & expense recoveries	59,215	-

(i) Services provided to Questus Limited and its subsidiaries

Service provided by	**Nature of services**		
APMF NSW Trust [3]	Interest on loans and borrowing costs	165,200	266,159
APMF Victoria Trust [3]	Interest on loans and borrowing costs	796,604	1,223,198

[1] DJ Somerville is a director of this company.
[2] Questus Limited is the parent entity of Questus Funds Management Limited. Questus Funds Management Limited is the Responsible Entity of Questus Land Development Fund and Australian Residential Investment Fund (until September 2015).
[3] DJ Somerville and RW Olde are Directors of the Trustee Company for the trust.
[4] Associate company of the Group where DJ Somerville is the director of the company.
[5] DJ Somerville and RW Olde are directors of this company.

27 AUDITORS' REMUNERATION

	CONSOLIDATED	
	2016	**2015**
	$	**$**
Remuneration of the auditor for:		
— Auditing or reviewing the financial report- RSM Australia Partners	125,800	77,300
— Audit of AFSL licence- RSM Australia Partners	8,800	8,700
— Taxation services- RSM Australia Pty Ltd	27,915	37,553
— Other audit services -- RSM Australia Partners	-	46,750
	162,515	170,303

28 KEY MANAGEMENT PERSONNEL

Key management personnel remuneration

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2016.

Short-term employee benefits	472,090	472,000
Post-employment benefits	85,915	36,929
	558,005	508,929

29 SHARE-BASED PAYMENTS

The following share-based payment arrangements occurred during the financial year:

Recognised share based payment transaction

There is no share based payment transaction during the year.

There were no options outstanding during the year ended 30 June 2016.

30 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

On 3 December, 2015, Questus Limited diluted its interest by 52% of the investment in Australian Affordable Housing Securities Limited, retaining 48% ownership. Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	**%**	**%**
Australian Affordable Housing Securities Limited	48.0	-

30 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

SUMMARISED FINANCIAL INFORMATION

	2016
	$
Current assets	2,483,741
Non-current assets	2,533,461
Total assets	5,017,202
Current liabilities	1,248,972
Non-current liabilities	2,743,211
Total liabilities	3,992,183
Net assets	1,025,019
Summarised statement of profit or loss and other comprehensive income:	
Revenue	735,536
Expenses	(749,018)
(Loss) / profit before income tax	(13,482)
Income tax expense	(10,048)
(Loss) / profit after income tax	(23,530)
Other comprehensive income	-
Total comprehensive (loss) / income	(23,530)
Reconciliation of the consolidated entity's carrying amount	
Opening carrying amount	-
Fair value acquired during period	415,000
Share of (loss) / profit after income tax	(9,913)
Closing carrying amount	405,087

31 FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

2016	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares available-for-sale	5,390	-	-	5,390
Total assets	5,390	-	-	5,390

2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares available-for-sale	10,780	-	-	10,780
Total assets	10,780	-	-	10,780

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

32 CONTINGENT LIABILITIES AND ASSETS

There are no contingent assets at reporting date.

In the course of liquidation and administration of the various subsidiaries and investments of the company, the directors do not consider that there is any claim against the head entity that will have a material impact on the Group.

Questus Funds Management Limited has commenced proceedings against Addwealth Pty Ltd and Valuestream Investment Management Limited as the 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 proceedings are currently at the stage of mediation between the parties.

In the course of its normal business the Group 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 Group if disposed of unfavourably. As at the date of this report, no specific provisions have been made in relation to such matters.

33 PARENT ENTITY DISCLOSURES

a) Financial Information Parent

	2016	2015
	$	$
(Loss) for the year	(2,505,942)	(2,626,787)
Total comprehensive (loss)	(2,505,942)	(2,626,787)
Assets		
Current assets	5,297,671	7,055,806
Non-current asset	1,325,763	6,182,670
Total Assets	6,623,434	13,238,475
Liabilities		
Current liabilities	1,076,862	305,962
Non-current liabilities	7,515,000	12,395,000
Total Liabilities	8,591,862	12,700,962
Equity		
Issued capital	19,524,552	19,524,552
Reserves	152,890	152,890
Accumulated losses	(21,645,870)	(19,139,928)
Total Equity	(1,968,428)	537,514

b) Guarantees

Questus Limited is guarantor for funding arrangements by its subsidiaries. Total value of loans to which Questus Limited is guarantor is $1,996,649 (2015: $1,562,149).

c) Other Commitments and Contingencies

Questus Limited has no other commitments to acquire property, plant and equipment, and has no contingent liabilities other than those disclosed in the Note 25 and 32.

34 EVENTS AFTER THE END OF THE REPORTING PERIOD

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the result of those operations or the state of affairs, in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Questus Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

- (i) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) Comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS);

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

2. This declaration has been made after receiving the declarations required to be made by the directors in accordance with sections of 295A of the *Corporations Act 2001* for the financial year ending 30 June 2016.

On behalf of the Board

DJ Somerville
Executive Chairman

Dated at Perth this 31st day of August 2016

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

QUESTUS LIMITED

Report on the financial report

We have audited the accompanying financial report of Questus Limited, which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on 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 about 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 entity'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 entity'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.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Questus Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Questus Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS

David Wall

DAVID WALL
Partner

Perth, WA
Dated: 31 August 2016

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report. This information was prepared based on share registry information processed up to 30 June 2016 and using the last traded share price of 3.0 cents.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of listed equity security holders by size of holding:

	Ordinary shares	**Share Options**	**Ordinary shares**	**Share Options**
	2016		**2015**	
1 - 1,000	107	-	108	-
1,001 - 5,000	96	-	97	-
5,001 - 10,000	80	-	82	-
10,001 - 100,000	106	-	118	-
100,001 and over	51	-	53	-
	440	-	456	-
Number of shareholders holding less than a marketable parcel:	292			-

STATEMENT OF QUOTED SECURITIES

Listed on the Australian Securities Exchange are 92,707,533 (2015: 92,707,553) fully paid shares and Nil (2015: Nil) options.

ADDITIONAL INFORMATION

EQUITY SECURITY HOLDERS

The names of the twenty largest holders of equity securities are listed below:

	30-Jun-16		30-Jun-15	
	Ordinary shares		Ordinary shares	
Name	Number	% holding	Number	% holding
HSBC CUSTODY NOM AUST LTD	49,803,602	53.72%	49,803,602	53.72%
SOMERVILLE SUPER FUND PL	12,556,198	13.54%	0	0.00%
NWR GRP PL	5,000,000	5.39%	5,000,000	5.39%
AMBER MGNT PL	3,750,000	4.04%	3,500,000	3.78%
QUESTUS CAP GRP PL	2,574,517	2.78%	15,130,715	16.32%
COINSEA PL	1,500,000	1.62%	1,000,000	1.08%
OAKPREY PL	1,000,000	1.08%	1,000,000	1.08%
HAY TREVOR NEIL	738,165	0.80%	0	0.11%
HUNTER DEVELOPEMENTS 2001	700,000	0.76%	700,000	0.76%
MCGAVIN ROBERT BERNARD A	628,808	0.68%	628,808	0.68%
HOWELLS PETER	600,000	0.65%	600,000	0.65%
POLLASTRI REMO + JEANNE	595,000	0.64%	595,000	0.64%
PJWO PL	590,000	0.64%	590,000	0.64%
ALSFORD PL	526,125	0.57%	526,125	0.57%
OLDE QUENTIN JAMES	447,858	0.48%	447,858	0.48%
MURRAYDALE NOM PL	435,000	0.47%	435,000	0.47%
WILLIAMSON R M + K P	416,895	0.45%	416,895	0.45%
CASEY JL + EA	390,000	0.42%	390,000	0.42%
KAEMPF HANSPETER + ANITA	370,000	0.40%	360,898	0.39%
GEDGE G W + ADAM-GEDGE S	325,000	0.35%	325,000	0.35%
	82,947,168	89.48%	81,449,901	87,98%

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

Name	Ordinary shares Number 2016	2015
CREST CAPITAL ASIA PTE LTD	49,803,602	49,803,602
SOMERVILLE SUPER FUND PTY LTD	12,556,198	0

Unquoted equity securities

Analysis of numbers of unlisted equity security holders:

	Number on issue		Number of holders	
	2016	**2015**	**2016**	**2015**
Options Exercisable at $0.10	-	-	-	-
Options Exercisable at $0.05	-	-	-	-

Options exercisable at $0.50 are all held by Questus Capital Group Pty Limited and were cancelled 31 December 2012

Options exercisable at $0.10 are held by Crest Capital Asia Pte Ltd and employees as part of the directors option plan Options exercisable at $0.05 are held by employees as part of the directors option plan

Equity Option Holders

The names of the twenty largest holders of equity options are listed below:

	2016 Options		2015 Options	
Name	**Number**	**% holding**	**Number**	**% holding**
No Listed Options on issue				

Voting Rights:

Ordinary Shares

All ordinary shares carry one vote per share without restriction.

Partly Paid Shares

No voting rights

Options

No voting rights