

APPENDIX 4D – HALF YEAR REPORT

PERIOD ENDED 31 DECEMBER 2016

QUESTUS LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 100 460 035

Reporting Period

Half-year report for the period ended 31 December 2016. Previous corresponding half-year period ended 31 December 2015.

Results for Announcement to Market

	31 Dec 2016 \$	31 Dec 2015 \$	% Change
Revenue	3,104,849	11,077,005	(72)%
Profit/(Loss) from continuing operations	(567,427)	3,118,277	(118)%
Profit/(Loss) before tax attributable to members	(811,775)	4,463,908	(118)%
Net profit/(loss) for the period attributable to members	(567,427)	3,118,277	(118)%

Earnings per Share

	31 Dec 2016	31 Dec 2015
(Loss)/Profit per share (Basic and Diluted)	(0.61 cents)	3.36 cents

Net Tangible Assets per Security

	31 Dec 2016	31 Dec 2015
Net Tangible Asset backing	0.36 cents	1.67 cents

APPENDIX 4D – HALF YEAR REPORT (Continued)

Dividends

No dividends have been declared or paid during the half-year ended 31 December 2016.

Entities Acquired During the Period

No entities acquired during the period.

Details of associates entities

Name of associate	Reporting entity's percentage holding Reporting period %	Contribution to profit/(loss) Reporting period \$
Australian Affordable Housing Securities Limited	48%	\$19,300
<i>Group's aggregate share of associates entities' profit/(loss)</i>		
Profit/(loss) from ordinary activities before income tax		

APPENDIX 4D – HALF YEAR REPORT (Continued)

Compliance Statement

The report is based on financial statements reviewed by the auditor, a copy of which is attached.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Director
Perth
Dated 27th February 2017

QUESTUS LIMITED

ABN 26 100 460 035

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2016

LODGED WITH THE ASX UNDER LISTING RULE 4.2A

THIS INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE 30 JUNE 2016
ANNUAL REPORT

QUESTUS LIMITED

For the Half-Year Ended 31 December 2016

ABN 26 100 460 035

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QUESTUS LIMITED
CORPORATE DIRECTORY
 For the Half-Year Ended 31 December 2016
 ABN 26 100 460 035

DIRECTORS	David James Somerville (Executive Chairman)
	Robert William Olde (Non-Executive Director)
	Anthony Joseph Brennan (Non-Executive Director)
COMPANY SECRETARY	Elizabeth Bee Hiang Lee
REGISTERED AND PRINCIPAL OFFICE	105 Railway Road SUBIACO WA 6008 Telephone: +61 8 9489 4444 Facsimile: +61 8 9381 4963
AUDITORS	William Buck Audit (WA) Pty Ltd 3/15 Labouchere Rd SOUTH PERTH WA 6151
SOLICITORS	Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Alexandria House Suite 1, 770 Canning Highway APPLECROSS WA 6153 Telephone: + 61 8 9315 2333 Facsimile: + 61 8 9315 2233
SECURITIES 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.

QUESTUS LIMITED
DIRECTORS' REPORT
For the Half-Year Ended 31 December 2016
ABN 26 100 460 035

The Directors of Questus Limited ("Questus" or the "Company") submit herewith the consolidated financial report for the half-year ended 31 December 2016.

Directors

The names of the Directors of the Company during or since the end of the previous financial period and up to the date of this report are:

David James Somerville (Executive Chairman)

Robert William Olde (Non-Executive Director)

Anthony Joseph Brennan (Non-Executive Director)

Principal Activities

The principal activities of the Group are participating in the State and Federal Government National Rental Affordability Scheme, boutique funds management and facilitation of capital raisings.

Review of Operations

The Board of Questus herewith presents the Half Yearly Report for the consolidated entity for the period to 31 December 2016.

The results for the six month period reflect a net loss of \$567,427 (2015: profit of \$3,118,277).

The six month period has seen the continuation of the realisation of a number of asset sales, which is consistent with the advised direction of the company – being the completion of the delivery of affordable housing under the Federal and State Governments' National Rental Affordability Scheme (NRAS), and an asset realisation program to repay existing long term liabilities.

Under the NRAS, Questus has now delivered over 2,421 NRAS dwellings. With further developments in progress, these will be completed through to 2018.

Questus will continue to participate in development profits from projects distribution and NRAS fee revenues for the ensuing delivery periods.

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.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Director
Perth
Dated 27th February 2017

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF QUESTUS LIMITED

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'William Buck'.

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

A handwritten signature in black ink that reads 'Conley Manifis'.

Conley Manifis
Director

Dated this 27th day of February, 2017

**CHARTERED ACCOUNTANTS
& ADVISORS**

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QUESTUS LIMITED
DIRECTORS' DECLARATION
For the Half-Year Ended 31 December 2016
ABN 26 100 460 035

In the opinion of the directors of Questus Limited ('the company'):

1. The financial statements and notes thereto of the consolidated entity, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



Director
Perth
Dated 27 February 2017

QUESTUS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2016

ABN 26 100 460 035

	Half-Year Ended 31 December 2016 \$	Half-Year Ended 31 December 2015 \$
<u>Continuing operations</u>		
Revenue	3,104,849	9,109,394
Gain on deconsolidation of entity	-	1,967,611
Employee benefits expenses	(784,733)	(856,171)
Direct development costs	(1,452,700)	(816,008)
Inventory write downs	(177,576)	(233,409)
Selling costs	11,846	(210,587)
Administrative expenses	(1,116,429)	(1,709,993)
Provision for non-recoverable amounts	(14,125)	-
Finance costs	(373,342)	(760,458)
Depreciation and amortisation	(9,564)	(79,236)
Goodwill on consolidation written off		(1,947,235)
(Loss)/Profit before income tax expense	<u>(811,774)</u>	<u>4,463,908</u>
Income tax (expense)/benefit	244,347	(1,345,631)
(Loss)/Profit from continuing operations	<u>(567,427)</u>	<u>3,118,277</u>
Other comprehensive income for the period	-	-
Total comprehensive (loss)/income for the period	<u><u>(567,427)</u></u>	<u><u>3,118,277</u></u>
 Earnings Per Share: (cents per share)		
Continuing operations		
Basic and diluted profit/(loss) per share	(0.61 cents)	3.36 cents

The accompanying notes form part of these financial statements.

QUESTUS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

ABN 26 100 460 035

	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		1,180,323	1,103,056
Trade and other receivables		3,459,665	4,589,129
Inventories		4,813,216	5,565,598
Other assets		130,996	109,280
TOTAL CURRENT ASSETS		<u>9,584,200</u>	<u>11,367,063</u>
NON-CURRENT ASSETS			
Financial assets		8,085	5,390
Trade and other receivables		1,089,886	960,955
Other assets		34,800	34,800
Inventories		1,743,981	1,698,683
Deferred tax assets		1,962,020	1,717,673
Plant and equipment		60,360	66,503
Investment accounted for using equity method	8	424,387	405,087
Intangible assets		548,234	534,134
TOTAL NON-CURRENT ASSETS		<u>5,871,753</u>	<u>5,423,225</u>
TOTAL ASSETS		<u>15,455,953</u>	<u>16,790,288</u>
CURRENT LIABILITIES			
Trade and other payables		1,578,827	1,762,348
Interest-bearing liabilities		2,324,589	3,412,593
Provisions		40,763	70,838
TOTAL CURRENT LIABILITIES		<u>3,944,179</u>	<u>5,245,779</u>
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		8,702,148	8,160,301
Provisions		57,415	64,570
TOTAL NON-CURRENT LIABILITIES		<u>8,759,563</u>	<u>8,224,871</u>
TOTAL LIABILITIES		<u>12,703,742</u>	<u>13,470,650</u>
NET ASSETS		<u>2,752,211</u>	<u>3,319,638</u>
EQUITY			
Issued capital	3	19,556,370	19,556,370
Reserves		152,890	152,890
Accumulated losses		(16,957,049)	(16,389,622)
TOTAL EQUITY		<u>2,752,211</u>	<u>3,319,638</u>

The accompanying notes form part of these financial statements.

QUESTUS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2016

ABN 26 100 460 035

	Issued Capital \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	19,556,370	152,890	(19,171,743)	537,517
Profit for the period	-	-	3,118,277	3,118,277
Total comprehensive income for the period	-	-	3,118,277	3,118,277
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2015	19,556,370	152,890	(16,053,466)	3,655,794
Balance at 1 July 2016	19,556,370	152,890	(16,389,622)	3,319,638
Loss for the period	-	-	(567,427)	(567,427)
Total comprehensive income for the period	-	-	-	-
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2016	19,556,370	152,890	(16,957,049)	2,752,211

The accompanying notes form part of these financial statements.

QUESTUS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2016

ABN 26 100 460 035

	Half-Year Ended 31 December 2016 \$	Half-Year Ended 31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	3,970,924	6,888,355
Payments to suppliers and employees	(871,911)	(1,096,845)
Payments for inventories	(2,188,201)	(1,804,140)
Interest received	4,152	3,648
Interest and borrowing costs paid	(399,119)	(793,303)
Other	-	(750,708)
Net cash flows from operating activities	<u>515,845</u>	<u>2,447,007</u>
Cash flows from investing activities		
Proceeds from disposal of intellectual property	111,000	1,613,500
Payment for acquisition of investments	-	(415,000)
Payment for acquisition of other non-current assets	(3,419)	(8,553)
Loans repaid by other entities	-	30
Net cash flows from investing activities	<u>107,581</u>	<u>1,189,977</u>
Cash flows from financing activities		
Proceeds from borrowings	795,126	-
Repayments of borrowings	(1,341,283)	(3,501,081)
Net cash flows (used in) / provided by financing activities	<u>(546,157)</u>	<u>(3,501,081)</u>
Net increase in cash and cash equivalents	77,267	135,903
Cash and cash equivalents at the beginning of the period	1,103,056	1,072,462
Cash and cash equivalents at the end of the period	<u><u>1,180,323</u></u>	<u><u>1,208,365</u></u>

The accompanying notes form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Preparation

This general purpose financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The consolidated financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Questus Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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.

New and Revised Accounting Standards

The consolidated entity 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.

QUESTUS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016
ABN 26 100 460 035

2. SEGMENT REPORTING

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 considers 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.

3. ISSUED CAPITAL	31 December 2016 \$	30 June 2016 \$
<i>a) Paid up capital</i>		
Ordinary shares	<u>19,556,370</u>	<u>19,556,370</u>
<i>b) Movements</i>		
Details	Number of securities	\$
Opening balance	92,707,553	19,556,370
Issue of shares	-	-
Closing balance	<u>92,707,553</u>	<u>19,556,370</u>

4. COMMITMENTS

No changes in commitments noted from 30 June 2016 other than those described below.

Capital commitments

The Group has the following capital commitments at reporting date:

	Within one year	Within two to five years	Total
Operating Lease Commitments			
Future minimum rentals payable under non-cancellable operating leases are as follows	182,404	27,456	209,860
Capital expenditure projects	296,928		296,928
Total Capital Commitments	<u>479,332</u>	<u>27,456</u>	<u>506,788</u>

5. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2016 or in the prior period, and the directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2016.

6. CONTINGENT LIABILITIES AND ASSETS

There has been no change in contingencies since the issue of the 30 June 2016 annual financial report.

7. EVENTS SUBSEQUENT TO REPORTING DATE

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 the future financial years.

8. 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	31 December 2016 %	30 June 2016 %
Australian Affordable Housing Securities Limited	48%	48%

QUESTUS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016
ABN 26 100 460 035

8. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

SUMMARISED FINANCIAL INFORMATION

	31 December 2016	30 June 2016
	\$	\$
Current assets	2,117,476	2,483,741
Non-current assets	<u>2,276,289</u>	<u>2,533,461</u>
Total assets	<u>4,393,765</u>	<u>5,017,202</u>
Current liabilities	770,852	1,248,972
Non-current liabilities	<u>2,557,684</u>	<u>2,743,211</u>
Total liabilities	<u>3,328,535</u>	<u>3,992,183</u>
Net assets	<u><u>1,065,229</u></u>	<u><u>1,025,019</u></u>
Summarised statement of profit or loss and other comprehensive income		
Revenue	732,338	735,536
Expenses	<u>(658,078)</u>	<u>(749,018)</u>
Profit/(Loss) before income tax	74,259	(13,482)
Income tax expense	<u>(34,049)</u>	<u>(10,048)</u>
Profit/(Loss) after income tax	40,210	(25,530)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income/(loss)	<u><u>40,210</u></u>	<u><u>(25,530)</u></u>
Reconciliation of the consolidated entity's carrying amount		
Opening carrying amount	405,087	-
Fair Value of investment at divestment	-	415,000
Share of profit/(loss)after income tax	<u>19,300</u>	<u>(9,913)</u>
Closing carrying amount	<u><u>424,387</u></u>	<u><u>405,087</u></u>

QUESTUS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016
ABN 26 100 460 035

9. 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.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2016				
<i>Assets</i>				
Ordinary shares available-for-sale	8,085	-	-	8,085
Total assets	8,085	-	-	8,085
30 June 2016				
	\$	\$	\$	\$
<i>Assets</i>				
Ordinary shares available-for-sale	5,390	-	-	5,390
Total assets	5,390	-	-	5,390

There were no transfers between levels during the financial period.

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.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF QUESTUS LIMITED AND CONTROLLED ENTITIES

We have reviewed the accompanying half-year financial report of Questus Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 9 to 18, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Questus Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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South Perth WA 6951
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF QUESTUS LIMITED AND CONTROLLED ENTITIES (CONT)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Questus Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

A handwritten signature in black ink, appearing to read 'Conley Manifis'.

Conley Manifis
Director

Dated this 27th day of February, 2017