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CORPORATE DIRECTORY

DIRECTORS	DJ Somerville (Executive Chairman) (Appointed 22 October 2007) RW Olde (Executive Director) (Appointed 7 November 2007) AJ Kelly (Executive Director) (Appointed 11 August 2008)
COMPANY SECRETARY	AJ Kelly (Appointed 5 August 2008)
REGISTERED AND PRINCIPLE OFFICE	884 Canning Highway APPLECROSS WA 6153 Telephone: +61 8 6310 5040 Facsimile: +61 8 6310 5041
AUDITORS	RSM Bird Cameron 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.

29 September 2010

Dear Shareholder

I am pleased to present the Questus Limited (the Company) Financial Report for the year ended 30 June 2010, which shows a profit before tax of \$48,114 (after tax \$13,826) for the Company.

In a year that can best be described as the aftermath of the Global Financial Crisis, the property based funds management sector has continued to struggle in Australia and internationally.

This has been evidenced in the reduced lending by Australian Banks for the provision of property and development funding, and specifically the banks have retracted from englobo land subdivision and development. Much has been reported in the Australian press in relation to the Banks in this regard, with the restricted liquidity position unlikely to be resolved within the immediately ensuing period. These implications have had a major impact on Questus Limited, its subsidiaries and funds under management.

We previously reported and announced to the Australian Securities Exchange (ASX) on 10 August 2010 that Questus Funds Management Limited (QFML) as Responsible Entity for the Questus Land Development Fund (QLDF) had entered into a Memorandum of Understanding with Addwealth Pty Ltd (Addwealth) to seek to allow the QLDF to achieve a refinancing of facilities for the underlying projects within the QLDF with the support of the Addwealth group.

Addwealth is a major participant in the QLDF and they have offered their support and financial guarantees to the QLDF. To facilitate this support, Addwealth will provide a nominee Responsible Entity to undertake the responsible entity duties of the QLDF, whilst the Company will continue to provide management services to the underlying projects within the QLDF.

An area of substantial growth and opportunity for Questus has been the participation in the Federal Governments' National Rental Affordability Scheme (NRAS), which is a Federal and State Government initiative to address the shortage of affordable housing throughout Australia.

The Questus Residential Investment Fund (QRIF) was established specifically to participate in the NRAS, and the QRIF was successful in applying and partnering with a number of developers across Australia for the delivery of over 250 rental dwellings for the year ended 30 June 2010 worth over \$90 million.

In consortium with some of Australia's largest home-builders and developers, Questus is applying for NRAS entitlements in Western Australia, Queensland, New South Wales, Victoria and South Australia.

On Friday 24 September 2010, Questus was advised by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) that it was successful in receiving a reserve allocation of 1,022 NRAS entitlements in Queensland. These entitlements will see the delivery of some \$400 million in completed affordable housing projects in 11 locations across Queensland by 30 June 2012.

Working in conjunction with five consortium developers, and Horizon Housing / Gold Coast Housing Company Limited, Questus will be facilitating the sale of these 1,022 properties through the Questus Residential Investment Fund and a proposed wholesale investment trust, the Australian Residential Housing Trust.

The Board of Questus are extremely positive about a long term participation in NRAS together with consortium parties in the affordable housing sector, and providing a return to strong profits from 2010/2011 and beyond.

On behalf of the Board, I would like to thank all staff for their exceptional efforts over the difficult circumstances of the last two years.

I would also like to thank Shareholders for their continued support and look forward to re-building value to Shareholders through new opportunities in an improved investment horizon.

Yours sincerely



DAVID SOMERVILLE
Executive Chairman

DIRECTOR'S REPORT

Your directors submit their report for the year ended 30 June 2010.

DIRECTORS

The names of the company's directors in office during the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated:

DJ Somerville	Age 50	first appointed 22 October 2007	Non Independent
RW Olde	Age 39	first appointed 7 November 2007	Non Independent
AJ Kelly	Age 52	first appointed 11 August 2008	Non Independent

DIRECTORSHIPS OF OTHER LISTED COMPANIES

David Somerville is a director of CI Resources Ltd, an ASX Listed Company . David is also a director of EMC Solar Ltd, a public unlisted 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 two companies mentioned above.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

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

David Somerville (B.Bus, MBA, CPA, AFAIM)

Executive Chairman

David has a background as a Certified Practising Accountant with considerable experience in capital raising, business development and property development over 25 years. David was a senior partner with a large Western Australian accounting practice, where he was responsible for a large number of clients across a broad range of industries, through the provision of accounting, taxation and management services. David was the founding director and shareholder of Questus Group in 2003.

Robert Olde (Dip FS, AIMM)

Executive Director

Robert studied Commerce at Murdoch University and holds a Diploma in Financial Planning. Robert is a member of the Australian Institute of Management and also holds a Certificate of Registration as a Real Estate and Business Sales Representative from the Real Estate Institute of Western Australia.

Alexander James Kelly (MA Funds Management, Dip FP)

Executive Director

Alexander has a Masters of Arts majoring in Funds Management from Macquarie University, a Diploma in Financial Planning from Deakin University and is a Fellow of the Financial Planning Association of Australia.

Alexander held various positions with the Commonwealth Bank of Australia, before commencing with Mercantile Mutual (now ING Australia) in 1988 as manager of investment products, firstly in Western Australian and subsequently New South Wales and the Australian Capital Territory. He commenced with Challenger Financial Services Group in 2000 and held roles of State Manager, National Sales Manager and Manager of a range of managed investment products.

Alexander has over thirty years experience in funds management industry in both retail and wholesale funds management environment.

DIRECTOR'S REPORT

DIRECTORS' 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	
	BOARD	AUDIT COMMITTEE	BOARD	AUDIT COMMITTEE
David Somerville	6	-	6	-
Robert Olde	6	-	6	-
Jamie Kelly	6	-	6	-

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
David Somerville	-	15,130,715	-	5,000,000
Robert Olde	134,542	508,831	-	-
Jamie Kelly	20,000	-	-	-

COMPANY SECRETARY

Alexander James Kelly - MA Funds Management, Dip FP (Appointed 5 August 2008)

Alexander has a Masters of Arts majoring in Funds Management from Macquarie University, a Diploma in Financial Planning from Deakin University and is a Fellow of the Financial Planning Association of Australia (FPA).

Alexander held various positions with the Commonwealth Bank of Australia, before commencing with Mercantile Mutual (now ING Australia) in 1988 as manager of investment products, firstly in Western Australian and subsequently New South Wales and the Australian Capital Territory. He commenced with Challenger Financial Services Group in 2000 and held roles of State Manager, National Sales Manager and Manager of a range of managed investment products.

Alexander has over thirty years experience in funds management industry in both retail and wholesale funds management environment.

KJ Kitney LL.B.B.Com (Appointed 14 January 2008, resigned 21 September 2009)

Kristen is a Barrister and Solicitor of the Supreme Court of Western Australia, admitted to practice in December 1998, after graduating Murdoch University in 1997 with a Bachelor of Law and Bachelor of Commerce. Kristen has ten years experience in corporate, commercial and insurance litigation.

DIRECTOR'S REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Group are boutique funds management, facilitation of capital raisings and the provision of lease and general financing.

RESULTS AND REVIEW OF OPERATIONS

The consolidated income statement shows a profit after tax attributable to members of \$13,826 (2009: profit of \$437,789).

In a difficult year, embroiled in the aftermath of the Global Financial Crisis, the property based funds management sector has continued to struggle in Australia and internationally.

Questus Limited, through its subsidiary, Questus Funds Management Limited (QFML) has continued to manage its key property investment funds:

- Questus Land Development Fund
- Questus Waterfront Property Trust
- Questus Residential Investment Fund

The Questus Land Development Fund (QLDF) as announced to the ASX on 10 August 2010, has subsequent to Balance Date, entered into a Memorandum of Understanding for the Responsible Entity duties to be undertaken by a nominee of Addwealth Pty Ltd (Addwealth). Addwealth is a major participant in the QLDF who have offered their support and financial guarantees to the QLDF to enable a refinancing of the facilities for the underlying projects held within the QLDF. QFML will continue to provide management services to underlying projects within the QLDF.

The Questus Waterfront Property Trust maintains its interest in the Port Rockingham Marina, which continues to progress towards development of this exciting project – encompassing over 400 boat pens and commercial facilities in Rockingham.

The Questus Residential Investment Fund (QRIF) was established specifically to participate in the Federal Government's initiative into affordable housing – the National Rental Affordability Scheme. For the year ending 30 June 2010, the QRIF facilitated over 250 rental dwellings to be sold and constructed. Applications have also been lodged with the Federal Government for the provision of over a further 3,000 properties across Australia.

The Board of Questus is optimistic that its participation in the NRAS through its current product the QRIF, coupled with the proposed wholesale investment trust the Australian Residential Housing Trust, will be a significant contributor to the company over the coming years.

DIVIDENDS

There was no dividend for the year ended 30 June 2010 paid on ordinary shares (2009: \$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

There have been no significant changes during the year.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED)

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. Non-executive director's fees not exceeding an aggregate of \$150,000 per annum have been approved by the Company in a general meeting.

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.

Directors and executives of the Company has received options (unlisted) as part of their remuneration during the financial year.

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.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

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:

30 June 2010	Primary			Post Employment		Equity	Other	Total	
Name	Salary & Fees \$	Cash Bonus \$	Non Monetary benefits \$	Superannuation \$	Retirement benefits \$	Options \$	Un-listed Options \$		Total option related %
David Somerville	200,000	-	-	18,000	-	-	(61,274)	156,726	-
Robert Olde(2)	182,040	-	-	13,500	-	-	(61,274)	134,266	-
Jamie Kelly(1)	109,020	-	-	-	-	-	(16,339)	92,681	-
Andrew Boots (3)	112,452	-	-	9,248	-	-	-	121,700	-
Total remuneration:									
Directors	603,512	-	-	40,748	-	-	(138,887)*	505,373	

* The option was cancelled during the year.

30 June 2009	Primary			Post Employment		Equity	Other	Total	
Name	Salary & Fees \$	Cash Bonus \$	Non Monetary benefits \$	Superannuation \$	Retirement benefits \$	Options \$	Un-listed Options \$		Total option related %
David Somerville	200,000	-	-	18,000	-	-	61,274	279,274	22
Robert Olde (2)	152,207	-	-	19,269	-	-	61,274	232,750	26
Jamie Kelly(1)	104,486	-	-	-	-	-	16,340	120,826	13.5
Andrew Boots (3)	105,633	-	-	9,248	-	-	16,340	131,221	12.4
Total remuneration:									
Directors	562,326	-	-	46,517	-	-	155,228	764,071	

Note: Salary includes consulting fees paid to directors and to related parties of directors.

(1) Mr Kelly is a Director of Questus Ltd and Questus Funds Management Ltd only. He is joint company secretary for all companies. The remuneration disclosed is for the period 27 November to 30 June 2008 and includes consulting income paid prior to becoming a director on of Questus Ltd on 11 August 2008.

(2) Payments to Mr Olde include payments made to his consulting company.

(3) Andrew Boots was appointed a director of Questus Warrants Pty Ltd from 04 February 2008, The remuneration disclosed is his total remuneration and includes salary income from other entities within the group.

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.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

Remuneration of executive officer:

There were no executive officers other than the directors directly accountable and responsible for the strategic direction and management of the affairs of the Company and the Group.

SHARE OPTIONS

During the financial year there were 4,590,000 of the 5,400,000 options issued in 2009 cancelled. The 2009 options issued were over unissued ordinary shares of the Company. (2009: 5,400,000 issued).

The cancellation was in accordance with the employee option plan. 5,400,000 options exercisable at a \$0.06 were issued on the 15 January 2009 to Staff of Questus Administration Services Pty Ltd (100% owned subsidiary of Questus Ltd, this includes the executive directors). These options expire on the 04 January 2012. The options issued to the directors were cancelled.

The weighted average fair value of the options granted during the financial year was \$Nil (2009:- \$0.03026). This price was calculated by using a Black-Scholes option pricing model, in respect of option issue in the respective year are applying the following inputs:

2009 Options issued

Weighted average exercise price	\$0.06
Weighted average life of the option	3 years
Underlying share price	\$0.065
Expected share price volatility	63.1%
Risk free interest rate	3.03%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the statement of comprehensive income is reversal of \$138,887 (2009: \$163,397-expense), and relates, in full, to equity-settled share-based payment transactions.

As at the date of this report the following options were on issue:

Option expiry date	Listed / Unlisted	Exercise price	Number on issue
04 January 2012	Unlisted	\$0.06	810,000
31 December 2012	Unlisted	\$0.50	5,000,000

No person entitled to exercise the options has any right by virtue of the options to participate in any share issue of the Company or of any other entity within the consolidated group. Nil options were exercised during year ended 30 June 2010 (2009: Nil).

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

DIRECTOR'S REPORT

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

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.

The following fees were paid or payable to RSM Bird Cameron for non-audit services provided during the year ended 30 June 2010:

	\$
Taxation services	<u>22,570</u>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 19 of the financial report

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



RW Olde
Director

Dated at Perth this 30th day of September 2010

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 Australian Securities Exchange Corporate Governance Council recommendations.

The following summarises the ten 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 foundation for management and oversight.

The Board which currently consists of three 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, determine the policies and control 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, two of which work full time for the Company and one who works part time,, determine the strategic direction of the Company by regularly monitoring and evaluating the performance and status of each of the Company's projects and activities. and it is the shareholders who will determine if the Board is maximising and enhancing the reputation and performance of the Company to increase shareholder value

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.

Principle 2 – Structure the board to add value.

The Board comprises an Executive Chairman, and two 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 does not have a predominance of non-executive Directors. A majority of the Board are also substantial shareholders; there clearly are no independent directors. 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

CORPORATE GOVERNANCE

Principle 3 – Promote ethical and responsible decision making.

The Board place 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 policy has been adopted which 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 and the Corporate Code of Conduct can be found on the Questus website.

Principle 4 – Safeguard integrity in financial reporting.

The Board has not formally established Audit Committee, these responsibilities are undertaken by the Board. It is the Boards 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 Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors. The Company has retained RSM Bird Cameron as its auditors.

CORPORATE GOVERNANCE

Principle 5 – Make timely and balance 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.

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.

Principle 6 – Respect the rights of shareholders.

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.

CORPORATE GOVERNANCE

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. During the year Questus Limited did not have a separately established risk committee. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

The board has received assurance from the Executive Chairman and the Financial Controller 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 themselves the Managing Director, 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 meeting 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.

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.

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.

CORPORATE GOVERNANCE

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

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

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.1 and 2.2	A majority of the Board and Chairman should be independent directors	<p>Directors David Somerville (Managing Director and Chairman of the Board), Robert Olde (Executive Director) and Jamie Kelly (Executive Director) do not satisfy the test of 'independence' as set out in the ASX Corporate Governance Council Practice Recommendations.</p> <p>David Somerville and Robert Olde are Substantial Shareholders of the Company and David Somerville, Robert Olde and Jamie Kelly are executives of the Company.</p> <p>In light of the above, the Company does not comply with the Best Practice Recommendations requirement of having a majority of independent directors.</p>	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.
2.4	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.

CORPORATE GOVERNANCE

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.5	Disclose the process for performance evaluation of the board and individual directors	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.
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 Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9111
www.rsmi.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 2010, 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 Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED			
	Notes	2010 \$	2009 \$
Revenue	3	2,663,108	3,602,957
Employee benefits expenses	3	(823,339)	(855,090)
Depreciation and amortisation	3	(17,426)	(15,984)
Impairment of assets		(41,918)	(16,170)
Other expenses	3	(1,519,035)	(2,905,951)
Profit / (loss) before tax and finance costs		261,390	(190,238)
Finance costs	3	(213,276)	(144,730)
Profit /(loss) before income tax		48,114	(334,968)
Income tax (expense) / benefit	4	(34,288)	772,757
Net profit after income tax		13,826	437,789
Other comprehensive income		-	-
Total comprehensive income for the year		13,826	437,789
Earnings per share (cents per share)	5		
- basic		0.04	1.2
- diluted		0.04	1.1

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		CONSOLIDATED	
	Notes	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,062,828	394,002
Trade and other receivables	7	1,995,001	2,445,604
Other assets	8	22,938	109,716
Total Current Assets		3,080,767	2,949,322
Non-Current Assets			
Financial assets	9,10	831,296	435,215
Trade and other receivables	7	1,833,972	1,877,653
Other assets	8	-	21,719
Deferred tax asset	16	2,055,656	2,733,950
Plant and equipment	11	10,277	14,017
Intangible assets	12	2,540,709	2,552,571
Total Non-Current Assets		7,271,910	7,635,125
TOTAL ASSETS		10,352,677	10,584,447
LIABILITIES			
Current Liabilities			
Trade and other payables	13	1,158,456	1,014,742
Interest-bearing liabilities	14	846,994	126,775
Provisions	15	46,369	36,604
Income tax payable	16	-	682,519
Total Current Liabilities		2,051,819	1,860,640
Non-Current Liabilities			
Interest-bearing liabilities	14	-	472,527
Deferred tax liabilities	16	418,845	380,333
Total Non-Current Liabilities		418,845	852,860
TOTAL LIABILITIES		2,470,664	2,713,500
NET ASSETS		7,882,013	7,870,947
EQUITY			
Issued capital	17	18,464,370	18,328,243
Reserves		24,510	163,397
Accumulated losses		(10,606,867)	(10,620,693)
TOTAL EQUITY		7,882,013	7,870,947

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

		CONSOLIDATED	
	Notes	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		3,274,637	2,543,126
Payments to suppliers and employees		(2,244,193)	(3,227,319)
Interest received		176,483	265,984
Interest paid		(90,153)	(144,304)
Net cash flows (used in)/from operating activities	18a	1,116,774	(562,513)
Cash flows from investing activities			
Purchase of controlled entities, net of cash acquired		-	-
Net investment in loans receivables		60,347	10,006
Payments for investments		(737,999)	(215,002)
Proceeds from investments		2,866	17,529
Purchase of plant and equipment		(1,824)	(11,832)
Net cash flows (used in)/from investing activities		(676,610)	(199,299)
Cash flows from financing activities			
Repayment of investor/depositor loans		(25,533)	(204,473)
Proceeds from the issue of shares		136,126	-
Net (payment) / proceeds from funding arrangements		118,069	(34,707)
Net cash flows (used in)/from financing activities		228,662	(239,180)
Net (decrease) / increase in cash and cash equivalents		668,826	(1,000,992)
Cash and cash equivalents at beginning of year		394,002	1,394,994
Cash and cash equivalents at end of year	6	1,062,828	394,002

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Issued capital	Accumulated losses	Share Option Reserves	Total
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2008	18,328,243	(11,058,482)	-	7,269,761
Profit for the year	-	437,789	-	437,789
Share based payments	-	-	163,397	163,397
At 30 June 2009	18,328,243	(10,620,693)	163,397	7,870,947
At 1 July 2009	18,328,243	(10,620,693)	163,397	7,870,947
Profit for the year	-	13,826	-	13,826
Issue of share capital	136,127	-	-	136,127
Share based payments	-	-	(138,887)	(138,887)
At 30 June 2010	18,464,370	(10,606,867)	24,510	7,882,013

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1 CORPORATE INFORMATION

This financial report of Questus Limited ('company') for the year ended 30 June 2010 comprises the Company and its subsidiaries ('Group').

The financial report of Questus Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 29 September 2010.

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

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. In accordance with Accounting Standard AASB 101 Presentation of Financial Statements, compliance with Australian equivalent to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Adoption of new and revised accounting standards

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

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008) AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 8 Operating Segments

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented. There has been no change to the way goodwill is allocated. There has been no other impact on the measurement of the Group's assets and liabilities and no restatement of 2009 comparatives has been necessary.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Questus Limited at the end of the reporting period. A controlled entity is any entity over which Questus Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

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. A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

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 and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

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. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (cont'd)

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income 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.

(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:

Plant and equipment - over 3 to 7 years

Office equipment - over 1 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Borrowing costs

Borrowing costs are recognised as an expense when incurred. It includes interest on bank overdrafts and short-term and long-term borrowings, ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

(e) Intangible assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible Assets

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. The amount is being amortised over 10 years.

(f) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

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. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (Cont'd)

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

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.

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 statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (Cont'd)

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.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets 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 financial assets are classified as current assets).

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

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.

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 prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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 either 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 statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

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.

(h) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(i) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(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) 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 income statement on a straight-line basis over the lease term.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income tax

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income tax

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.

(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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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.

(s) Comparative Figures

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

(t) 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 directors have identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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 with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill with indefinite useful life are discussed in note 12.

Trade receivables

No impairment has been recognised in respect of trade receivables for the year ended 30 June 2010 as the directors are of the opinion that all the debts are recoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Critical Accounting Estimates and Judgments(cont'd)

Recovery of deferred taxes

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by the management using Black-Scholes option pricing model, using the assumptions detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

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 balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

2010	2009
\$	\$

3 REVENUE AND EXPENSES

Revenue

Operating activities

Capital raising fees	-	200,000
Finance revenue – bank/loan interest	214,281	282,042
NRAS income	873,374	30,000
Warrant revenue	21,094	55,828
Commission income	554,741	652,925
Project management fees	480,000	480,000
Management fees	202,180	243,777
Sundry income	13,793	41,858
	<u>2,359,463</u>	<u>1,986,430</u>

Non-operating activities

Recovery of expenses	195,935	134,784
Recovery of FRL(WA) Ltd loans	107,710	1,481,743
	<u>303,645</u>	<u>1,616,527</u>
Total revenue	<u>2,663,108</u>	<u>3,602,957</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

2010	2009
\$	\$

3 REVENUE AND EXPENSES (CONT'D)

Expenses

(a) Employee benefits expense

Wages and salaries	387,694	424,248
Directors' remuneration	350,000	350,000
Superannuation costs	66,344	71,474
Other employment costs	19,301	9,368
	<u>823,339</u>	<u>855,090</u>

(b) Depreciation and amortisation

Depreciation	5,564	4,122
Amortisation	11,862	11,862
	<u>17,426</u>	<u>15,984</u>

(c) Other expenses

Payments to HSBC	63,855	1,224,535
Rent expense	178,193	170,773
Legal costs	109,086	179,771
Accounting, tax and audit fees	92,780	118,436
Consulting fee	265,068	190,679
Compliance fees	102,781	95,233
Share based payments	(138,887)	163,397
Advertising and marketing	35,889	102,990
Insurance	106,194	141,750
Commission and brokerage	373,339	319,364
Travel and Entertainment	171,434	31,235
Other expenses	159,303	167,788
Total	<u>1,519,035</u>	<u>2,905,951</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

2010
\$

2009
\$

3 REVENUE AND EXPENSES (CONT'D)

(d) Finance costs

Payments to HSBC	33,503	78,234
Customer deposits	47,131	51,427
Non bank financing arrangements	132,642	15,069
	213,276	144,730

4 INCOME TAX

a. Major components of income tax expense comprise:

The components of tax expenses comprises:

Current tax	31,700	(784,552)
Under provision in respect of prior years	2,588	11,795
Income tax expense / (benefit)	34,288	(772,757)

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% (2009: 30%)	14,434	(100,489)
Add tax effect of:		
Expenditure not allowable for income tax	(871)	426,537
Assessable income for tax purposes	51,533	1,802
Less tax effect of:		
Expenditure allowable for income tax	-	(667,786)
Income not assessable for income tax	(33,396)	(444,616)
Adjustments in respect of current income tax of previous years	2,588	11,795
Income tax attributable to entity	34,288	(772,757)

The applicable weighted average effective tax rates are as follows:

71% 0%

The increase in the weighted average effective consolidated tax rate for 2010 is a result of a timing different of assessable income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5 EARNINGS PER SHARE

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

	CONSOLIDATED	
	2010 \$	2009 \$
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	13,826	437,789
Weighted average number of ordinary shares for basic earnings per share	36,464,324	35,909,883
Weighted average number of ordinary shares dilutive earnings per share	37,274,324	38,380,568
Earnings per share (cents per share)		
- basic for profit for the year	0.04c	1.2c
- diluted for profit for the year	0.04c	1.1c

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

6 CASH AND CASH EQUIVALENTS

Cash at bank and on hand - unrestricted	929,722	318,017
Cash at bank - restricted	133,106	75,985
	1,062,828	394,002

Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

Cash at bank and on hand	1,062,828	394,002
	1,062,828	394,002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

2010	2009
\$	\$

7 TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	442,729	1,057,338
Lease commitment receivables	204,127	220,793
Other related parties	956,751	911,497
Accrued income	22,791	188,069
Interest receivable*	62,147	24,349
Deposit regarding purchase of DNA NRAS shares	300,000	-
Other debtors	6,456	43,558
	<u>1,995,001</u>	<u>2,445,604</u>

* Interest receivable relates to an entity that is subject to a formal insolvency administration. In the opinion of the directors, the consolidated entity will be able to fully recover the amount disclosed and therefore, no impairment has been provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

2010	2009
\$	\$

7 TRADE AND OTHER RECEIVABLES (CONT'D)

NON-CURRENT

Trade receivables*	1,654,546	1,654,546
Lease commitment receivables	179,426	223,107
	<u>1,833,972</u>	<u>1,877,653</u>

For terms and conditions relating to related party receivables, refer to note 22.

* Trade receivables relates to an entity that is subject to a formal insolvency administration. In the opinion of the directors, the consolidated entity will be able to fully recover the amount disclosed and therefore, no impairment has been provided.

Lease Commitments Receivable

Current

Lease commitments receivable	204,127	220,793
Accumulated allowance for uncollectible minimum lease payments receivable	-	-
	<u>204,127</u>	<u>220,793</u>

Non-current

Lease commitments receivable	179,426	223,107
Accumulated allowance for uncollectible minimum lease payments receivable	-	-
	<u>179,426</u>	<u>223,107</u>

Total

Lease commitments receivable	383,553	443,900
Accumulated allowance for uncollectible minimum lease payments receivable	-	-
	<u>383,553</u>	<u>443,900</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7 TRADE AND OTHER RECEIVABLES (CONT'D)

Time expected to elapse to expected date of receipt	Minimum Lease Payments \$	Lease Finance Revenue not yet Recognised \$	Lease Receivable \$
Consolidated 2010			
Not later than 1 year	235,078	(30,951)	204,127
Later than 1 year and not later than 5 years	184,320	(4,894)	179,426
	419,398	(35,845)	383,553
Consolidated 2009			
Not later than 1 year	278,377	(57,584)	220,793
Later than 1 year and not later than 5 years	246,391	(23,284)	223,107
	524,768	(80,868)	443,900

8 OTHER ASSETS

	CONSOLIDATED	
	2010	2009
	\$	\$
CURRENT		
Prepaid insurance	22,938	109,716
NON-CURRENT		
Prepaid insurance	-	21,719

9 FINANCIAL ASSETS

Non current		
Available-for-sale financial assets	428,295	70,213
Held to maturity financial asset	403,000	365,000
Associated companies	1	2
	831,296	435,215

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		CONSOLIDATED	
		2010	2009
		\$	\$
9	FINANCIAL ASSETS (CONT'D)		
a.	Available-for-sale financial assets		
	Listed investment, at fair value		
	— Share in listed trust	133,861	133,861
	Less: impairment provision	(116,343)	(113,648)
		<u>17,518</u>	<u>20,213</u>
	— Units in unit trusts	450,000	50,000
	Less: impairment provision	(39,223)	-
		<u>410,777</u>	<u>50,000</u>
	Total available-for-sale financial assets	<u>428,295</u>	<u>70,213</u>
b.	Held-to-maturity financial assets comprise:		
	Deposit - Questus Mortgage Fund Limited	50,000	50,000
	Debentures - Links Ridge Estate*	<u>353,000</u>	<u>315,000</u>
		<u>403,000</u>	<u>365,000</u>
c.	Associated companies		
	Associated companies	<u>1</u>	<u>2</u>

* Links Ridge Estate is subject to a formal insolvency administration. In the opinion of the directors, the consolidated entity will be able to fully recover the amount disclosed and therefore, no impairment has been provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9 FINANCIAL ASSETS (CONT'D)

<u>Name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Shares</u>	<u>Ownership interest</u>		<u>Carry amount of investment</u>	
Unlisted:				2010	2009	2010	2009
				%	%	\$	\$
Davack Pty Ltd (Sold 8/9/2009)	Dormant	Australia	-	-	50	-	1
Ticsy Pty Ltd	Dormant	Australia	1	100	50	1	1

10 CONTROLLED ENTITIES

a. Investments in controlled entities at cost less impairment:

	<u>Country of incorporation</u>	<u>Percentage owned (%)</u>		<u>Investment</u>	
Subsidiaries of Questus Limited:		2010	2009	2010	2009
		%	%	\$	\$
FRL (WA) Limited	Australia	100	100	-	-
FRL Contracting Pty Ltd	Australia	100	100	-	-
Financial Resources Securities Ltd	Australia	100	100	403,569	403,569
Questus Capital Solutions Pty Ltd	Australia	100	100	720,000	720,000
Questus Funds Management Limited	Australia	100	100	2,280,000	2,280,000
Questus Administration Services Pty Ltd	Australia	100	100	24,512	163,399
Questus Warrants Pty Ltd	Australia	100	100	2	2
Questus Asset Management Pty Ltd	Australia	100	100	2	2
Questus Property Management Pty Ltd	Australia	100	100	2	2
Port Rockingham Marina Pty Ltd	Australia	100	-	2	-
				3,428,089	3,566,974

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11 PLANT AND EQUIPMENT

	CONSOLIDATED		
	Office Equipment	Plant and equipment	Total
	\$	\$	\$
2009			
Balance at beginning of year	4,926	1,381	6,307
Additions	9,909	1,923	11,832
Disposals	-	-	-
Depreciation	(2,550)	(1,572)	(4,122)
Balance at end of year	12,285	1,732	14,017
At Cost	39,019	15,874	54,893
Accumulated depreciation	(26,734)	(14,142)	(40,876)
Net carrying amount	12,285	1,732	14,017
2010			
Balance at beginning of year	12,285	1,732	14,017
Additions	1,487	337	1,824
Disposals	-	-	-
Depreciation	(4,750)	(814)	(5,564)
Balance at end of year	9,022	1,255	10,277
At Cost	40,506	16,211	56,717
Accumulated depreciation	(31,484)	(14,956)	(46,440)
Net carrying amount	9,022	1,255	10,277

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 INTANGIBLE ASSETS

	CONSOLIDATED	
	2010	2009
	\$	\$
Goodwill at cost	2,481,368	2,481,368
Accumulated impairment losses	-	-
Net carrying value	2,481,368	2,481,368
Licences	118,620	118,620
Less accumulated amortisation	(59,279)	(47,417)
Net carrying value	59,341	71,203
Total intangibles	2,540,709	2,552,571

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

	CONSOLIDATED	
	Goodwill	Licences
	\$	\$
2009		
At 1 July 2008	2,481,368	83,065
Additions	-	-
Amortisation charge	-	(11,862)
Impairment losses	-	-
At 30 June 2009	2,481,368	71,203
2010		
At 1 July 2009	2,481,368	71,203
Additions	-	-
Amortisation charge	-	(11,862)
Impairment losses	-	-
At 30 June 2010	2,481,368	59,341

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 INTANGIBLE ASSETS (CONT'D)

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 infinite life.

Impairment Disclosures

Goodwill is allocated to cash-generating units.

	2010 \$	2009 \$
Questus Funds Management Pty Ltd	1,947,235	1,947,235
Questus Capital Solutions Pty Ltd	534,133	534,133
Total	2,481,368	2,481,368

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 discount rate applied to the cash flow projections for the year ended 30 June 2010 was 12% (2009:12%).

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

	Growth Rate	Discount Rate
Questus Funds Management Pty Ltd cash generating unit; and	1%	12%
Questus Capital Solutions Pty Ltd cash generating unit	1%	12%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets consider 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	CONSOLIDATED	
	2010	2009
	\$	\$
13 TRADE AND OTHER PAYABLES		
Trade payables	386,100	277,266
Other payables	417,197	434,857
GST payable	25,758	33,887
Interest payable	132,335	-
Amount payable to related parties	197,066	268,732
	<u>1,158,456</u>	<u>1,014,742</u>

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.

14 INTEREST-BEARING LIABILITIES

	Effective interest rate %		
Current			
Insurance Funding – unsecured	16.5%	-	126,775
Debenture Notes - unsecured	47.5%	400,000	-
Investor loans - unsecured	9.7%	446,994	-
		<u>846,994</u>	<u>126,775</u>
Non-current			
Investor loans - unsecured	9.7%	-	472,527
		<u>-</u>	<u>472,527</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

2010 2009
\$ \$

15 PROVISIONS

	Long Service Leave	Annual Leave	Total
	\$	\$	\$
Opening balance at 1 July 2008	3,470	61,771	65,241
Additional provisions	1,100	32,697	33,797
Amounts used	(2,285)	(60,149)	(62,434)
Balance at 30 June 2009	2,285	34,319	36,604

	Long Service leave	Annual Leave	Total
	\$	\$	\$
Opening balance at 1 July 2009	2,285	34,319	36,604
Additional provisions	1,100	39,460	40,560
Amounts used	-	(30,795)	(30,795)
Balance at 30 June 2010	3,385	42,984	46,369

Analysis of Total Provisions

Current	46,369	36,604
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

16 TAX

CONSOLIDATED

2010 2009

\$ \$

CURRENT

Income tax payable	-	682,519
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NON-CURRENT

	Opening Balance	Charged to Income	Charged directly to Equity	Opening Balance Adjustment	Closing Balance
	\$	\$	\$	\$	\$
Deferred tax liability					
Trade and other receivables	5,232	464	-	(4,291)	1,405
Lease receivables	340,756	27,978	-	10,194	378,928
Balance at 30 June 2009	345,988	28,442	-	5,903	380,333
Deferred tax liability					
Trade and other receivables	1,405	(1,405)	-	-	-
Lease receivables	378,928	39,917	-	-	418,845
Balance at 30 June 2010	380,333	38,512	-	-	418,845

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

16 TAX (CONT'D)

NON-CURRENT

	Opening Balance	Charged to Income	Charged directly to Equity	Opening Balance Adjustment	Closing Balance
	\$	\$	\$	\$	\$
Deferred tax asset					
Provisions	19,573	(8,592)	-	-	10,981
Trade and other payables	6,833	8,772	-	-	15,605
Others	423	1	-	-	424
Future income tax benefits attributable to tax losses	1,657,014	1,014,301	-	-	2,671,315
Transaction costs on equity issue	47,500	(11,875)	-	-	35,625
Balance at 30 June 2009	1,731,343	1,002,607	-	-	2,733,950
Provisions	10,981	2,930	-	-	13,911
Trade and other payables	15,605	(4,130)	-	-	11,475
Others	424	2	-	-	426
Future income tax benefits attributable to tax losses	2,671,315	12,973	-	(682,519)	2,001,769
Transaction costs on equity issue	35,625	(7,550)	-	-	28,075
Balance at 30 June 2010	2,733,950	4,225	-	(682,519)	2,055,656

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 2(o) occur:

- temporary differences : \$nil (2009: \$nil)
- tax losses : \$nil (2009: \$nil)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17 ISSUED CAPITAL

	Consolidated	
	2010	2009
	\$	\$
37,271,146 (2009: 35,909,883) fully paid ordinary shares	18,464,370	18,328,243

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 2008	35,909,883	18,328,243
Balance at 30 June 2009	35,909,883	18,328,243
At 1 July 2009	35,909,883	18,328,243
Rights issue	1,361,263	136,127
Balance at 30 June 2010	37,271,146	18,464,370

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. This strategy is to ensure that the Group's gearing ratio remains below 30%.

The gearing ratio's for the year ended 30 June 2010 and 30 June 2009 are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17 ISSUED CAPITAL (CONT'D)

	Note	Consolidated	
		2010	2009
		\$	\$
Total borrowings	13,14	2,005,450	1,614,044
Less cash and cash equivalents	6	(1,062,828)	(394,002)
Net debt		942,622	1,220,042
Total equity		7,882,013	7,870,947
Total capital		8,824,635	9,090,989
Gearing ratio		10.7%	13.4%

18 CASHFLOW INFORMATION

a. Reconciliation of cash flow from operations with profit after income tax:

Profit after income tax	13,826	437,789
Non-cash flows in profit		
Amortisation	11,862	11,862
Depreciation	5,564	4,122
Dividend and distribution Income	(2,866)	2,451
Share based payments	(138,887)	163,397
Write-downs to recoverable amount	-	72,500
Impairment loss	41,919	16,170
Change in operating assets and liabilities		
Trade and other receivables	790,878	(796,292)
Other assets	108,498	3,001
Deferred tax asset	678,295	(1,002,606)
Trade payables and accruals	128,568	294,818
Interest payable	(682,519)	426
Income taxes payable	38,512	195,504
Deferred tax liability	123,124	34,345
Net cash inflow / (outflow) from operations	1,116,774	(562,513)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

18 CASHFLOW INFORMATION (CONT'D)

b. Acquisition and disposal of entities

Port Rockingham Marina Pty Ltd was formed during the year to hold the company's investment in the Port Rockingham Unit Trust.

Davack Pty Ltd, a company held 50% by Questus Limited, was transferred to a third party with all costs associated with its creation being recouped from the new owner. The company was a \$2.00 shelf company with no assets or liabilities.

19 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 provision of financial services 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.

Revenues of approximately \$1,056,000 (2009 - \$854,000) are derived from a single external customer.

All the non-current assets are located in Australia.

20 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

	Note	Consolidated	
		2010	2009
		\$	\$
Financial Assets			
Cash and cash equivalents	6	1,062,828	394,002
Loans and receivables	7	3,806,182	4,135,188
Held to maturity investments	9(b)	403,000	365,000
Available for sale financial assets			
- listed investment (at fair value)	9(a)	17,518	20,213
- unlisted investment (at fair value)	9(a)	410,777	50,000
Total Financial Assets		5,700,305	4,946,403
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	13	1,132,698	980,855
— Borrowings	14	846,994	599,302
Total Financial Liabilities		1,979,692	1,580,157

i. Treasury Risk Management

The Group's exposure to Treasury Risk is considered minimal.

ii. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

a. Financial Risk Management Policies (CONT'D)

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 balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Collateral has been given in the form of a guarantee and indemnity by Questus Ltd and Questus Asset Management Pty Ltd, to QLDF Development 3 Pty Ltd, which owes Bank of Queensland Ltd an amount of \$7,525,000. Should QLDF Development 3 Pty Ltd be unable to pay the outstanding debt within the agreed terms from its own assets the amount will be settled by Questus Ltd and Questus Asset Management Pty Ltd.

Collateral has been given in the form of a guarantee and indemnity by Questus Ltd and Questus Asset Management Pty Ltd, to QLDF Development 2 Pty Ltd, which owes Bank of Queensland Ltd an amount of \$3,796,000. Should QLDF Development 2 Pty Ltd be unable to pay the outstanding debt within the agreed terms from its own assets the amount will be settled by Questus Ltd and Questus Asset Management Pty Ltd.

Collateral has been given in the form of a guarantee and indemnity by Questus Ltd to Seacombe Gardens Pty Ltd, which owes St George Bank Ltd an amount of \$12,000,000. Should Seacombe Gardens Pty Ltd be unable to pay the outstanding debt within the agreed terms from its own assets the amount will be settled by Questus Ltd.

QLDF Development 3 Pty Ltd and QLDF Development 2 Pty Ltd are entities controlled by Questus Land Development Fund of which Questus Funds Management Ltd, wholly owned subsidiary of Questus Ltd, is the responsible entity.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

	Consolidated	
	2010	2009
	\$	\$
The aging of the Group's trade and other receivable at the reporting date was:		
Trade and other receivables		
Not past due	2,089,489	4,135,188
Subject to formal insolvency administrations	1,716,693	-
Total	3,806,182	4,135,188

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Price risk

The Group's exposure to price risk is considered minimal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

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:

2010	Weighted average effective interest rate	<1 Year \$	>1 - <5 Years \$	>5 Years \$	Non Interest Bearing \$	Total \$
Financial Assets – Fixed Rate						
Lease receivables	16.8%	204,127	179,426	-	-	383,553
Loan receivables	10.0%	956,751	-	-	-	956,751
Trade receivables	-	-	1,654,546	-	742,729	2,397,275
Interest receivables	-	-	-	-	62,147	62,147
Other debtors	-	-	-	-	6,456	6,456
		1,160,878	1,833,972	-	811,332	3,806,182
Financial Liabilities – Fixed Rate						
Trade creditors	-	-	-	-	(386,100)	(386,100)
Other payables	-	-	-	-	(746,598)	(746,598)
Debenture notes - unsecured	47.5%	(400,000)	-	-	-	(400,000)
Investor loans – unsecured	9.7%	(446,994)	-	-	-	(446,994)
		(846,994)	-	-	(1,132,698)	(1,979,692)
Financial Assets - Floating Rate						
Cash assets	0.2%	273,818	-	-	-	273,818
Cash assets	4.5%	789,010	-	-	-	789,010
		1,062,828	-	-	-	1,062,828

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

2009	Weighted average effective interest rate	<1 Year \$	>1 - <5 Years \$	>5 Years \$	Non Interest Bearing \$	Total \$
Financial Assets – Fixed Rate						
Lease receivables	16.7%	220,793	223,107	-	-	443,900
Loan receivables	10.0%	911,497	-	-	-	911,497
Trade receivables	-	-	-	-	2,711,884	2,711,884
Interest receivables	-	-	-	-	24,349	24,349
Other debtors	-	-	-	-	43,558	43,558
		1,132,290	223,107	-	2,779,791	4,135,188
Financial Liabilities – Fixed Rate						
Trade creditors	-	-	-	-	(277,266)	(277,266)
Other payables	-	-	-	-	(703,589)	(703,589)
Obligations under insurance funding contracts	16.5%	(126,775)	-	-	-	(126,775)
Investor loans – unsecured	9.7%	-	(472,527)	-	-	(472,527)
		(126,775)	(472,527)	-	(980,855)	(1,580,157)
Financial Assets - Floating Rate						
Cash assets	0.2%	313,226	-	-	-	313,226
Cash assets	3.0%	80,776	-	-	-	80,776
		394,002	-	-	-	394,002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

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	
	2010	2009
	\$	\$
Less than 6 months	1,132,698	980,855
	<u>1,132,698</u>	<u>980,855</u>

ii. Net Fair Values

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

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2010	2009	2010	2009
	\$	\$	\$	\$
CONSOLIDATED				
<i>Financial assets</i>				
Financial assets*	831,295	435,213	831,295	435,213
Cash and cash equivalent	1,062,828	394,002	1,062,828	394,002
Trade and other receivables**	3,806,182	4,135,188	3,806,182	4,135,188
	<u>5,700,305</u>	<u>4,964,403</u>	<u>5,700,305</u>	<u>4,964,403</u>
<i>Financial liabilities</i>				
Trade and other payables	1,132,698	980,855	1,132,698	980,855
Interest bearing loan and borrowings	846,994	599,302	846,994	599,302
	<u>1,979,692</u>	<u>1,580,157</u>	<u>1,979,692</u>	<u>1,580,157</u>

* Included in the balance of financial assets disclosed above is an amount of \$353,000 which has been invested in an entity that is subject to a formal insolvency administration - refer to note 9.

** Included in the balance of trade and other receivables disclosed above is an amount of \$1,716,693 which are due from entities which are subject to formal insolvency administrations - refer to note 7.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

iii. Sensitivity Analysis

Interest Rate Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

		-1% change		+1% change	
		Profit	Equity	Profit	Equity
2010	Carrying amount				
	\$	\$	\$	\$	\$
<i>Financial Assets</i>					
Cash and cash equivalents	1,062,828	(10,628)	(10,628)	10,628	10,628
Total Increase/(Decrease)		(10,628)	(10,628)	10,628	10,628
2009					
<i>Financial Assets</i>					
Cash and cash equivalents	394,002	(3,940)	(3,940)	3,940	3,940
Total Increase/(Decrease)		(3,940)	(3,940)	3,940	3,940

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 FINANCIAL RISK MANAGEMENT (CONT'D)

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

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets:				
<i>Held-to-maturity investments:</i>				
— fixed interest securities	-	-	-	-
<i>Available-for-sale financial assets:</i>				
— listed investments	17,518	-	-	17,518
— unlisted investments	-	410,777	-	410,777
	<u>17,518</u>	<u>410,777</u>	<u>-</u>	<u>428,295</u>

2009

Financial assets:

Held-to-maturity investments:

- fixed interest securities

Available-for-sale financial assets:

— listed investments	20,213	-	-	20,213
— unlisted investments		50,000	-	50,000
	<u>20,213</u>	<u>50,000</u>	<u>-</u>	<u>70,213</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Consolidated

2010	2009
\$	\$

21 COMMITMENTS

Operating lease commitments

The Group has entered into a commercial lease on one property. This lease is cancellable at any time.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Within one year	27,053	12,155
After one year but not more than five years	20,258	32,411
	<u>47,311</u>	<u>44,566</u>

22 RELATED PARTY DISCLOSURE

The Company advanced and repaid loans, received loans and provided accounting and administrative assistance to other entities in the Group during the current financial year. These transactions were on commercial terms and conditions.

Identification of related parties

The consolidated financial statements include the financial statements of Questus Limited and its subsidiaries listed in note 10a.

Questus Limited is the parent entity of Questus Funds Management Limited. Questus Funds Management Limited is the Responsible Entity of Questus Land Development Fund, Questus Residential Investment Fund and Questus Waterfront Property Trust.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22 RELATED PARTY DISCLOSURE (CONT'D)

Short term Loans

The following table sets out the related party loans included in the balance sheet of Questus Limited and its subsidiaries at 30 June 2010.

		CONSOLIDATED	
Short term loans		2010	2009
Loan provided by:	Loan provided to/ (from):	\$	\$
Questus Limited and its subsidiaries	Questus Land Development Fund and its subsidiaries*	892,814	863,549
Questus Limited and its subsidiaries	Davack Pty Ltd	-	604
Questus Limited and its subsidiaries	Ticsy Pty Ltd	816	604
Questus Limited and its subsidiaries	R Olde (Director)	6,821	6,338
Questus Limited and its subsidiaries	D Somerville (Director)	2,000	2,000
Questus Limited and its subsidiaries	Questus Residential Investment Fund	100	100
Questus Limited and its subsidiaries	Questus Capital Group Pty Ltd#	(177,615)	(215,080)
Questus Limited and its subsidiaries	Euromicrocaps Pty Ltd#	850	850
Questus Limited and its subsidiaries	Questus Water Front Property Trust	33,900	(16,200)
		<u>759,686</u>	<u>642,765</u>

* The loan is charged with interest of 10%p.a.

DJ Somerville and RW Olde are directors of the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22 RELATED PARTY DISCLOSURE (CONT'D)

Debtors

The following amounts appeared as trade debtors or accrued income and trade creditors in the books of Questus Limited and its subsidiaries at 30 June 2010.

	CONSOLIDATED	
	2010	2009
Debtors	\$	\$
EMC Solar Ltd #	40,113	54,857
Barwick Mortgage Investments Ltd*	36,015	36,015
Questus Land Development Fund and its subsidiaries	198,000	501,061
Questus Mortgage Funds Ltd #,*	135	135
	<hr/> 274,263	<hr/> 592,068

* RW Olde is the director of the company.

DJ Somerville is the director of the company.

Creditors

Questus Capital Group Pty Ltd #,*	2,445	4,068
Armada Consulting Pty Ltd *	250	-
David J Somerville	87,455	-
	<hr/> 90,150	<hr/> 4,068

* RW Olde is the director of the company.

DJ Somerville is the director of the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22 RELATED PARTY DISCLOSURE (CONT'D)

Services provided by Questus Limited and its subsidiaries

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

		CONSOLIDATED	
		2010	2009
Service provided to	Nature of service	\$	\$
Questus Land Development Fund and its subsidiaries	Professional fees	714,203	734,022
Questus Land Development Fund and its subsidiaries	Commission	188,026	39,276
Questus Land Development Fund and its subsidiaries	Expense recoveries	70,882	53,724
Questus Land Development Fund and its subsidiaries	Interest on loans	83,030	64,350
EMC Solar Ltd and its subsidiaries	Expense recoveries	116,707	158,209
Service provided by			
Questus Capital Group Pty Ltd	Expense recoveries	8,411	13,889
Alexander James Kelly	Consulting fees	109,020	104,775
Andrew Boots#	Commission and fees	9,700	3,136
Armada Consulting Pty Ltd*	Commission and fees	32,039	7,688
David J Somerville*	Travel and entertainment expenses reimbursement	121,370	-

*RW Olde is the director of the company.

DJ Somerville is the director of the company.

Key management personnel.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

23 EVENTS AFTER THE REPORTING DATE

As advised to the ASX by announcement on 10 August 2010, Questus Funds Management Limited (QFML) as Responsible Entity for the Questus Land Development Fund (QLDF), has entered into a Memorandum of Understanding with Addwealth Pty Ltd (Addwealth) to allow the Fund to achieve a refinancing of facilities for the underlying projects within the QLDF. Addwealth will provide a nominee Responsible Entity to undertake the responsible entity duties of the QLDF. QFML will continue to provide management services to underlying projects within the QLDF.

The Board of Questus believes that the appointment of a new Responsible Entity is in the best interests of Unitholders of the Fund. This will allow for recapitalization of the Fund and the way forward for the refinancing of the facilities for the underlying projects.

As advised to the ASX by announcement on 28 September 2010 Questus Funds Management Limited (QFML) a wholly owned subsidiary of Questus Limited (Questus) on Friday 24 September 2010 was advised by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) that it was successful in receiving in a reserve allocation of entitlements under the Federal Government's housing initiative the National Rental Affordability Scheme (NRAS).

In consortium with some of Queensland's largest developers, QFML has received 1,022 entitlements for the delivery of over \$400 million in completed affordable housing projects in Queensland.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

24 AUDITOR'S REMUNERATION

	Consolidated	
	2010	2009
	\$	\$
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	49,500	47,000
— audit of AFSL licence	6,000	5,000
— taxation services	22,570	6,500

25 KEY MANAGEMENT PERSONNEL

- a. 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	Executive Director
Mr. AJ Kelly	Executive Director / Company Secretary
Mr. Andrew Boots	General Manager

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report, pursuant to the relief provided by AASB 2008-4 Amendments to Australian Accounting Standards – Key Management Personnel Disclosures by Disclosing Entities.

- (a) Key management personnel remuneration

Short-term personnel benefits	644,230	608,843
Share based payment	(138,887)	155,228
	<hr/>	<hr/>
	505,343	764,071
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

25 KEY MANAGEMENT PERSONNEL (CONT'D)

(b) Option holdings of key management personnel

2010	Balance at beg of period	Granted as Remune ration	Options Cancelled	Net Change Other	Balance at end of period	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
DJ Somerville*	7,025,000	-	(2,025,000)	-	5,000,000	-	5,000,000
RW Olde	2,025,000	-	(2,025,000)	-	-	-	-
AJ Kelly	540,000	-	(540,000)	-	-	-	-
Andrew Boots	540,000	-	-	-	540,000	-	540,000
Total	10,130,000	-	(4,590,000)	-	5,540,000	-	5,540,000

The options are unlisted, issued for nil consideration and have a term of 3 years.

2009	Balance at beg of period	Granted as Remunera tion	Options Cancelled	Net Change Other	Balance at end of period	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
DJ Somerville*	5,000,000	2,025,000	-	-	7,025,000	-	7,025,000
RW Olde	-	2,025,000	-	-	2,025,000	-	2,025,000
AJ Kelly	-	540,000	-	-	540,000	-	540,000
Andrew Boots	-	540,000	-	-	540,000	-	540,000
Total	5,000,000	5,130,000	-	-	10,130,000	-	10,130,000

* Held either directly or indirectly

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

25 KEY MANAGEMENT PERSONNEL (CONT'D)

(c) Shareholdings of key management personnel

	Balance 01 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
	Ord	Ord	Ord	Ord	Ord
Directors					
DJ Somerville*	15,130,715	-	-	-	15,130,715
RW Olde*	643,373	-	-	-	643,373
AJ Kelly	10,000	-	-	10,000	20,000
Andrew Boots*	20,000	-	-	-	20,000
Total	15,804,088	-	-	-	15,814,088

	Balance 01 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2009
	Ord	Ord	Ord	Ord	Ord
Directors					
DJ Somerville*	15,130,715	-	-	-	15,130,715
RW Olde*	643,373	-	-	-	643,373
AJ Kelly	10,000	-	-	-	10,000
Andrew Boots*	20,000	-	-	-	20,000
Total	15,804,088	-	-	-	15,804,088

* Held either directly or indirectly

(d) Other transactions and balances with key management personnel

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

26 SHARE-BASED PAYMENTS

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

- On 14 January 2009, 4,590,000 share options were granted to directors to accept ordinary shares at an exercise price of \$0.06. The options are exercisable after 14 January 2009 but before 4 January 2012. The options hold no voting or dividend rights and are not transferable. When the director ceases employment the options are deemed to have lapsed. Since balance date, no director has ceased their employment. At balance date, no share option has been exercised.
- On 14 January 2009, 810,000 share options were granted to employees to accept ordinary shares at an exercise price of \$0.06. The options are exercisable after 14 January 2009 but before 4 January 2012. The options hold no voting or dividend rights and are not transferable. When an employee ceases employment the options are deemed to have lapsed. Since balance date, no employee has ceased their employment. At balance date, no share option has been exercised.

	Consolidated			
	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding at the beginning of the year	5,400,000	-	-	-
Granted	-	0.06	5,400,000	0.06
Cancelled	(4,590,000)	-	-	-
Lapsed	-	-	-	-
Outstanding at year-end	810,000	0.06	5,400,000	0.06
Exercisable at year-end	810,000	0.06	5,400,000	0.06

There were no options exercised during the year ended 30 June 2010.

The options outstanding at 30 June 2010 had a weighted average exercise price of \$0.06 (2009: \$0.06) and a weighted average remaining contractual life of 1.5 years (2009: 2.5 years).

The weighted average fair value of the options granted during the financial year was \$nil (2009: \$0.03).

This price was calculated by using a Black-Scholes option pricing model, in respect of option issue in the respective year are applying the following inputs:

	2010	2009
Weighted average exercise price	-	\$0.06
Weighted average life of the option	-	3 years
Underlying share price	-	\$0.065
Expected share price volatility	-	63.1%
Risk free interest rate	-	3.03%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the statement of comprehensive income is reversal of \$138,887 (2009: \$163,397 - employee benefits expense), and relates, in full, to equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27 CONTINGENT LIABILITIES

In the course of liquidation and administration of the various subsidiaries and investments of the company, consideration has been given to the guarantee in place. The directors do not consider that there is any claim against the head entity that will have a material impact on the Group.

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 provision 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.

28 PARENT ENTITY DISCLOSURES

a) Financial Information Parent	2010	2009
	\$	\$
Profit for the year	132,544	29,729
Total comprehensive income	132,544	29,729
Assets		
Current assets	2,082,383	3,738,716
Non current asset	5,496,093	3,652,785
Total Assets	7,578,476	7,391,501
Liabilities		
Current liabilities	487,183	429,969
Non current liabilities	-	23
Total Liabilities	487,183	429,992
Equity		
Issued capital	18,432,552	18,296,425
Reserves	24,510	163,397
Accumulated losses	(11,365,769)	(11,498,313)
Total Equity	7,091,293	6,961,509

b) Guarantees

Cross guarantees have been provided by Questus Limited and its controlled entities as listed in note 20. The fair value of the cross guarantee has been assessed as \$nil based on the underlying performance of the entities in the closed group.

c) Other Commitments and Contingencies

Questus Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

29 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIOD

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

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

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held-to-maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
 - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

29 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIOD (CONT'D)

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

29 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIOD (CONT'D)

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).
This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.
- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).
This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

30 COMPANY DETAILS

The registered office of the company is:

884 Canning Highway
APPLECROSS WA 6153

DIRECTORS' DECLARATION

The directors of the company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of the financial position and performance of the company and consolidated entity; and
 - (ii) complying with Australian Accounting Standards, including the Interpretations, and the *Corporations Regulations 2001*;
- (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1;
- (c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



RW Olde
Director

Dated at Perth this 30 day of September 2010

**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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Auditor's Independence Declaration

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

Basis for Qualified Auditor's Opinion

As set out in note 7 and 9(b), the consolidated entity had trade and interest receivables of \$1,716,693 and an investment in a financial asset of \$353,000, respectively. Both the debtors and investee are the subject of formal insolvency administrations. We have been unable to obtain appropriate audit evidence as to the recoverability of these assets at reporting date, which are dependent upon the outcomes of those insolvency administrations.

As we have not been able to obtain appropriate audit evidence as to the level of recovery of the debts and the investment, that the consolidated entity may receive from the insolvency administrations, we are unable to determine whether or not the carrying amount of the assets appropriately reflects their recoverable amounts at reporting date.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the limitation in scope not existed:

- (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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report which is included within the directors' report for the financial year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Questus Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2010

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 2010 and using the share price on 30 June 2010 of 8 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
			2010		2009	
1	-	1,000	106	-	110	-
1,001	-	5,000	105	-	118	-
5,001	-	10,000	119	-	136	-
10,001	-	100,000	128	-	114	-
100,001 and over			42	-	38	-
			500	-	516	-
Number of shareholders holding less than a marketable parcel:			248	-	251	-

STATEMENT OF QUOTED SECURITIES

Listed on the Australian Securities Exchange are 35,909,883 (2009: 3,409,883) fully paid shares and zero (2009: 1,750,973) options. Prior year options were exercisable at \$4.00 each on or before 31 May 2009. In addition to this there are 5,000,000 unlisted options with an exercise price of \$0.50 exercisable before 31 December 2012 and 5,400,000 unlisted options with an exercise price of \$0.06 exercisable before 04 January 2012.

EQUITY SECURITY HOLDERS

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

Name	30 June 2010		30 June 2009	
	Ordinary shares		Ordinary shares	
	Number	% holding	Number	% holding
QUESTUS CAPITAL GROUP PTY LTD	15,130,715	40.60%	15,130,715	42.14%
INVESTEC WA PTY LTD	2,559,750	6.87%	2,559,750	7.13%
TPIC PTY LTD	1,525,100	4.09%	1,750,000	4.87%
MILSOP PTY LTD	1,000,000	2.68%	1,000,000	2.78%
OAKPREY PTY LTD	1,000,000	2.68%	190,000	0.53%
AMBER MANAGEMENT PTY LTD	885,123	2.37%	521,623	1.45%
HUNTER DEVELOPMENTS 2001 PTY LTD	700,000	1.88%	700,000	1.95%
HORSESHOE HOLDINGS PTY LTD	700,000	1.88%	700,000	1.95%
DWELLERS NOMINEES PTY LTD	0	0%	700,000	1.95%
MCGAVIN RBA	628,808	1.69%	848,808	2.36%
CREAMY PTY LTD	600,000	1.61%	600,000	1.67%
POLLASTRI RAG & J	590,000	1.58%	590,000	1.64%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <NEXT CUSTODIAN A/C>	500,000	1.34%	0	-%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <SETTLEMENT A/C>	428,125	1.15%	0	-%
PJWO PTY LTD	0	-%	500,000	1.39%
ALSFORD PTY LTD	0	-%	428,125	1.19%
CASEY JL + EA	390,000	1.05%	390,000	1.09%
DWELLERS NOMINEES PTY LTD	0	-%	360,000	1.00%
FITEL NOMINEES LIMITED	300,000	0.80%	300,000	0.84%
MR RONALD MCLELLAN WILLIAMSON	282,000	0.76%	82,000	0.23%
MR QUENTIN JAMES OLDE	278,858	0.75%	138,358	0.39%
SELOM NOMINEES PTY LTD	240,000	0.64%	240,000	0.67%
PUMPITUP PTY LTD	240,000	0.64%	240,000	0.67%
COOK RC & KA	230,000	0.62%	230,000	0.64%
DIXON E & HN	225,000	0.60%	225,000	0.63%
	28,433,479	76.29%	28,014,021	78.01%

SUBSTANTIAL SHAREHOLDERS

Name	Ordinary shares	
	Number	
	2010	2009
QUESTUS CAPITAL GROUP PTY LTD	15,130,715	15,130,715

Unquoted equity securities

Analysis of numbers of unlisted equity security holders:

	Number on issue		Number of holders	
	2010	2009	2010	2009
Options Exercisable at \$0.50	5,000,000	5,000,000	1	1
Options Exercisable at \$0.06	810,000	5,400,000	5	-

Options exercisable at \$0.50 are all held by Questus Capital Group Pty Limited

Options exercisable at \$0.06 are held by employees as part of the employee option plan

Equity Option Holders

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

Name	2010		2009	
	Options		Options	
	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.