# QUESTUS LIMITED

# 2014

# Annual Report

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Subiaco WA 6904

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*if money matters*

QUESTUS

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# CORPORATE DIRECTORY

| | |
|---|---|
| DIRECTORS | David James Somerville (Executive Chairman)<br>Robert William Olde (Non-Executive Director)<br>Peter Pee Teck Chan (Non-Executive Director)<br>Katherine Siew Ling Ang (Non-Executive Director)<br>Anthony Joseph Brennan (Appointed 7 May 2014)<br>Maurizio (Maurice) Antonio Oteri (Executive Director) (Resigned 13 September 2013) |
| COMPANY SECRETARIES | Elizabeth Bee Hiang Lee<br>Mark Adrian Adams |
| REGISTERED AND PRINCIPLE OFFICE | 105 Railway Road<br>SUBIACO WA 6008<br>Telephone: +61 8 9489 4444<br>Facsimile: +61 8 9381 4963 |
| AUDITORS | RSM Bird Cameron Partners<br>Chartered Accountants<br>8 St George's Terrace<br>PERTH WA 6000 |
| SOLICITORS | Steinepreis Paganin<br>Level 4, Next Building<br>16 Milligan Street<br>PERTH WA 6000 |
| SHARE REGISTRY | Security Transfer Registrars Pty Ltd<br>Alexandrea House<br>Suite 1, 770 Canning Highway<br>APPLECROSS WA 6153<br>Telephone: + 61 8 9315 2333<br>Facsimile: + 61 8 9315 2233 |
| STOCK EXCHANGE LISTING | Questus Limited shares are listed on the Australian Securities Exchange under the code QSS. |
| WEB SITE | www.questus.com.au |
| COMPANY DOMICILE AND LEGAL FORM | Questus Limited is a public company limited by shares, incorporated and domiciled in Australia. |

# LETTER FROM THE CHAIRMAN

29 August 2014

Dear Shareholders

I am pleased to present to shareholders the Annual Report of Questus Limited (Questus, or the Company) for the year ended 30 June 2014.

**FINANCIAL RESULTS**

The results for the financial year reflect a profit for the year of $181,877. (This result was after the charging of a further impairment of assets of $310,464 and incurring costs of $538,922 in respect to matters associated with the former Questus Land Development Fund.) This is a disappointing result for the Company after a second year of stabilisation following the recapitalisation of the Company by Crest Capital Asia Pte Ltd (Crest). With the funds provided by Crest, Questus has engaged in a number of developments supported by the Federal and State Governments National Rental Affordability Scheme (NRAS). These projects are largely still work in progress for delivery into the 2015 Financial Year.

The continued delivery of NRAS dwellings, with our development partners has seen revenue for the company grow to $9.0M, from a low base of $2.6M in 2012 to $5.4M in 2013. This revenue is expected to continue to grow through completion of NRAS dwellings through to 2016.

**NRAS ENTITLEMENTS**

As Shareholders and the market are aware, Questus is a major participant in the NRAS sector, working with major National Developers and Builders, and Community Housing Providers.

As previously advised to the market, the Federal Government Budget, issued on 13 May 2014, has determined to discontinue Round 5 of the NRAS. This decision by the Federal Government was inconsistent with prior political communications by the incoming Government, but was introduced with numerous other cost cutting measures.

Fortunately, the Board had over prior years considered the consequences of the cessation of NRAS, and its decision to continue with alternative Affordable Housing structures and initiatives will provide a continued basis for the ability to participate in the Australian Affordable Housing sector.

**PRESENT NRAS ENTITLEMENTS**

At present Questus holds allocations for 3,757 entitlements to deliver affordable housing dwellings across Australia. Of these, some are held in consortium with Developers and Builders, and some are being applied to Questus developments, which has become a larger focus of our business since the inclusion of Crest Capital as a major shareholder and funder.

The total allocations held by Questus are 3,757, which is comprised of:

| | |
|---|---|
| Completed and Tenanted | 2,020 |
| Under Construction | 535 |
| For delivery by 2014 | 581 |
| For delivery by 2016 | 621 |

**POST NRAS ACTIVITIES**

Quests have over a number of years expended considerable costs and energy in developing investment vehicles to facilitate participation in the Australian Affordable Housing sector. With the support and consideration of Crest Capital, Questus is intending to increase its activities in this growing and high need area. The relationships built with our Community Housing partners and major builders and developers have assisted in creating investment vehicles for application into this sector.

***Questus Community Infrastructure Fund (QCIF)***

Questus has established the QCIF to participate in the delivery of affordable housing in the Community Housing Provider sector. A Non-NRAS structured funding solution to deliver affordable housing in collaboration with State Government and Community Housing Providers.

***Australia Property Mortgage Fund (APMF)***

The APMF is a complying investment under the Australian Significant Investor Visa Program and is a regulated Australian Investment Scheme.  The APMF has been established to invest into a portfolio of registered mortgages in the programs of the NRAS, and company backed corporate bonds underpinned by the NRAS or State government supported Affordable Housing.

***Questus Affordable Housing Trust***

The QAHT is a wholesale development vehicle for the delivery of Affordable Housing dwellings in collaboration with both the Federal and State Governments.

# LETTER FROM THE CHAIRMAN

**THE FUTURE**

The Federal Government's decision to discontinue the NRAS program, clearly has a negative impact on the current operations of Questus. However, with two years to run on existing NRAS entitlements, the Board is very confident of the Company's opportunities in the Affordable Housing sector. Several State Governments have initiated non-NRAS Affordable Housing programs or Expressions of Interest, with more expected to fill the void left by the termination of the Federal Government NRAS. Questus is a participant to a number of these programs, and is optimistic about the future of these programs, and with the experience and relationships developed through the NRAS period, is well positioned to maximise on these opportunities.

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

Yours sincerely

**DJ SOMERVILLE**
**Executive Chairman**

# DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2014.

**DIRECTORS**

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

| | | | |
|---|---|---|---|
| DJ Somerville | Age 54 | first appointed 22 October 2007 | Executive |
| RW Olde | Age 43 | first appointed 7 November 2007 | Non-Executive |
| PPT Chan | Age 54 | first appointed 1 December 2012 | Non-Executive |
| KSL Ang | Age 34 | first appointed 1 December 2012 | Non-Executive |
| AJ Brennan | Age 41 | first appointed 7 May 2014 | Non-Executive |
| MA Oteri | Age 50 | resigned 13 September 2013 | Executive |

**DIRECTORSHIPS OF OTHER LISTED COMPANIES**

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

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

**DIRECTORS' QUALIFICATIONS AND EXPERIENCE**

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

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

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

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

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

**Peter Pee Teck Chan (BAcc(Hons), CPA)**
*Non-Executive Director*

Mr Chan holds a Bachelor of Accountancy (Hons) Degree from the National University of Singapore, Mr Chan is an Overseas Union Bank Scholar and a Fellow of both the Institute of Certified Public Accountants in Singapore and CPA in Australia. He is a Member of the Singapore Chinese Chamber of Commerce and Industry's ("SCCCI") Business China and Future China Committees. Prior to entering the funds management industry Mr Chan was with accounting firm Arthur Andersen & Co, Singapore.

Mr Chan set up Baring Communications Equity Asia ("BCEA") for the ING Group in 1996 as the first specialized regional media and communication fund under the combined sponsorship of the ING Group and the EDB. He was responsible for the general management and investment/divestment strategy of the fund as well as investor relations.

Mr Chan is the founding partner of Crest Capital Asia Pte Limited, which is an independent private equity practice. Since then, he has initiated a number of funds, which Crest Capital currently manages across the region. He had conceptualised The Enterprise Fund's unique financing model in 2005 and led its launch with IE Singapore's sponsorship in 2006.

**Katherine Siew Ling Ang (BAcc(Hons), CPA)**
*Non-Executive Director*

Ms Ang holds a Bachelor of Accountancy (Hons) from Nanyang Technological University. She is also a non-practicing member of the Institute of Certified Public Accountants of Singapore. Ms Ang is fluent in English and Mandarin.

Ms Ang is Investment Manager at Crest Capital Asia Pte Ltd and is responsible for detailed investment analysis, due diligence, legal documentation and post-investment monitoring.

Prior to joining Crest Capital, Ms Ang was an accountant for one of the big four accountancy and audit firms, where she was an external auditor of multinational, and Singapore listed companies. Following which Ms Ang held the role as a Senior Accountant for a Singapore listed company where she was responsible for the preparation and reviewing of consolidation results for the operations in the United Kingdom for the past 3 years.

**Anthony Joseph Brennan**
*Non-Executive Director*

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

## COMPANY SECRETARIES

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

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

### Mark Adrian Adams, Company Secretary – B Bus, CPA

Mr Adams has been responsible for the Questus Group accounting, audit and taxation requirements for the last 8 years. Mr Adams has both Australian and International experience in the accounting and taxation fields with roles in private accounting firms, private groups of entities and public groups.

Mr Adams holds a Bachelor of Business majoring in Accounting, holds the qualifications of Certified Practicing Accounting (CPA) and is a registered taxation agent. Mr Adams has over 20 years' experience in Accounting and Taxation Reporting and Compliance.

## 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 |
| DJ Somerville | 5 | - | 5 | - |
| RW Olde | 5 | - | 5 | - |
| PPT Chan | 5 | - | 5 | - |
| KSL Ang | 5 | - | 5 | - |
| AJ Brennan (Appointed 7 May 2014) | 1 | - | 1 | - |
| MA Oteri (Resigned 13 September 2013) | - | - | - | - |

## DIRECTORS' INTERESTS

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

| DIRECTOR | SHARES | | OPTIONS (UNLISTED) | |
|---|---|---|---|---|
| | In Own Name | In Other Names | In Own Name | In Other Names |
| DJ Somerville | - | 16,130,715 | 2,000,000 | - |
| RW Olde | 134,542 | 8,831 | 2,000,000 | - |
| PPT Chan | - | 49,803,602 | - | 14,144,695 |
| KSL Ang | - | - | - | - |
| AJ Brennan (Appointed 7 May 2014) | - | - | - | - |
| MA Oteri (Resigned 13 September 2013) | - | - | - | - |

## PRINCIPAL ACTIVITIES

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

## RESULTS AND REVIEW OF OPERATIONS

The results of Questus Limited for the financial year reflect a profit after income tax of $181,877 (2013: profit of $199,062).

The delivery of NRAS dwellings has seen revenue for the company grow from $5.4M in 2013 to $9.0M in 2014.

Questus is a major participant in the NRAS sector and at present holds an allocation of 3,757 entitlements. Of these entitlements 2,020 are completed and tenanted at year end and a further 535 under construction, the balance of 1,202 are to be delivered through to the period to 30 June 2016.

Questus currently has 6 projects under construction across Western Australia to expedite the delivery of dwellings under the NRAS, and further opportunities are being assessed.

The Federal Government Budget, issued on 13 May 2014, has determined to discontinue Round 5 of the NRAS.

Fortunately, the Board had over prior years considered the consequences of the cessation of NRAS, and its decision to continue with alternative Affordable Housing structures and initiatives will provide a continued basis for the ability to participate in the Australian Affordable Housing sector.

With two years to run on existing NRAS entitlements, the Board is very confident of the Company's opportunities in the Affordable Housing sector. Several State Governments have initiated non-NRAS Affordable Housing programs or Expressions of Interest, with more expected to fill the void left by the termination of the Federal Government NRAS. Questus is a participant to a number of these programs, and is optimistic about the future of these programs, and with the experience and relationships developed through the NRAS period, is well positioned to maximise on these opportunities.

# DIRECTORS' REPORT

## FINANCIAL POSITION

The net assets of the consolidated entity were $3,243,514 as at 30 June 2014 (2013: $3,061,637).

## DIVIDENDS

There was no dividend for the year ended 30 June 2014 paid or declared on ordinary shares (2013: Nil):

## PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

NIL

## EVENTS AFTER THE END OF THE REPORTING PERIOD

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

## REMUNERATION REPORT (AUDITED)

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

***Remuneration Philosophy***

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

**Remuneration Details**

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

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

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

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

| Key Management Person | Position |
|---|---|
| Mr DJ Somerville | Executive Chairman |
| Mr RW Olde | Non-Executive Director |
| Mr AJ Brennan | Non-Executive Director (appointed 7 May 2014) |
| Mr PPT Chan | Non-Executive Director |
| Ms KSL Ang | Non-Executive Director |
| Mr AJ Brennan | Non-Executive Director (appointed 7 May 2014) |
| Mr MA Oteri | Executive Director (Resigned 13 September 2013) |

## REMUNERATION REPORT (AUDITED) (CONTINUED)

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

| 30 June 2014 | Primary | | | Post Employment | Equity | Total | |
|---|---|---|---|---|---|---|---|
| **Name** | **Salary & Fees $** | **Cash Bonus $** | **Non Monetary benefits $** | **Superan-nuation $** | **Options $** | **$** | **Total option related %** |
| **Directors:** | | | | | | | |
| DJ Somerville (1) | 365,347 | - | - | 33,917 | - | 399,264 | - |
| RW Olde (1) | 72,000 | - | - | - | - | 72,000 | - |
| PPT Chan | - | - | - | - | - | - | - |
| KSL Ang | - | - | - | - | - | - | - |
| AJ Brennan | 8,077 | - | - | 747 | - | 8,824 | - |
| MA Oteri (1) | 75,982 | - | - | - | - | 75,982 | - |
| Total directors' remuneration: | 521,406 | - | - | 34,664 | - | 556,070 | - |

| 30 June 2013 | Primary | | | Post Employment | Equity | Total | |
|---|---|---|---|---|---|---|---|
| **Name** | **Salary & Fees $** | **Cash Bonus $** | **Non Monetary benefits $** | **Superan-nuation $** | **Options $** | **$** | **Total option related %** |
| **Directors:** | | | | | | | |
| DJ Somerville (1) | 282,692 | - | - | 25,442 | 22,880 | 331,014 | 6.9% |
| RW Olde (1) | 256,842 | - | - | 14,085 | 22,880 | 293,807 | 7.8% |
| MA Oteri (1) | 222,466 | - | - | - | - | 222,466 | - |
| PPT Chan | - | - | - | - | - | - | - |
| KSL Ang | - | - | - | - | - | - | - |
| Total directors' remuneration: | 762,000 | - | - | 39,527 | 45,760 | 847,287 | - |

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

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

**Share-based compensation**

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

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

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

| | Proportions of Elements of remuneration not related to performance | | Proportions of Elements of remuneration related to performance | |
|---|---|---|---|---|
| **Name** | **Fixed salary/Fee %** | | **Options %** | |
| | **2014** | **2013** | **2014** | **2013** |
| **Directors:** | | | | |
| DJ Somerville | 100% | 93.1% | - | 6.9% |
| RW Olde | 100% | 92.2% | - | 7.8% |
| PPT Chan | - | - | - | - |
| KSL Ang | - | - | - | - |
| AJ Brennan | 100% | 100% | - | - |
| MA Oteri | 100% | 100% | - | - |

***Additional disclosures relating to key management personnel***

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

| 2014 | Balance 01 July 2013 Ord | Granted as Remuneration Ord | On Exercise of Options Ord | Net Change Other Ord | Balance 30 June 2014 Ord |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| DJ Somerville* | 16,130,715 | - | - | - | 16,130,715 |
| RW Olde | 143,373 | - | - | - | 143,373 |
| MA Oteri | - | - | - | - | - |
| AJ Brennan | - | - | - | - | - |
| PPT Chan* | 49,803,602 | - | - | - | 49,803,602 |
| KSL Ang | - | - | - | - | - |
| Total | 66,077,690 | - | - | - | 66,077,690 |

* Held either directly or indirectly.

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

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

| 2014 | Balance 01 July 2013 | Granted as Remunera tion | Options Cancelled | Net Change Other ~ | Balance 30 June 2014 | Vested & Exercisable |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| DJ Somerville* | 4,025,000 | - | (2,025,000) | - | 2,000,000 | 2,000,000 |
| RW Olde | 4,025,000 | - | (2,025,000) | - | 2,000,000 | 2,000,000 |
| PPT Chan* | 14,144,695 | - | - | - | 14,144,695 | 14,144,695 |
| KSL Ang | - | - | - | - | - | - |
| AJ Brennan | - | - | - | - | - | - |
| MA Oteri | - | - | - | - | - | - |
| Total | 22,194,695 | - | (4,050,000) | - | 18,144,695 | 18,144,695 |

* Held either directly or indirectly.
~Adjustment for share or option at the date of appointment or resignation, as applicable

## REMUNERATION REPORT (AUDITED) (CONTINUED)

*Other transactions with key management personnel and their related parties*

*(a) Loans*

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

| **Short term loans** | | **2014** |
|---|---|---|
| **Loan provided by:** | **Loan provided to/ (from):** | **$** |
| Questus Capital Group Pty Ltd [1] | Questus Limited and its subsidiaries | 11,743 |
| Crest Capital Asia Pte Ltd [2] | Questus Limited and its subsidiaries | 5,855,943 |
| Questus Limited and its subsidiaries | Questus Land Development Fund and its subsidiaries [3] | 47,803 |
| Questus Limited and its subsidiaries | DJ Somerville (Director) | 1,675 |
| Questus Land Development Fund and its subsidiaries [3] | Questus Limited and its subsidiaries | (192) |

[1] DJ Somerville is a director of this company.

[2] PPT Chan is a director and major shareholder of this company. KSL Ang is an employee of this company.

[3] Questus Limited is the parent entity of Questus Funds Management Limited. Questus Funds Management Limited is the Responsible Entity of Questus Land Development Fund and Questus Residential Investment Fund.

*(b) Creditors*

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

| **Creditors** | |
|---|---|
| APIF Victoria Trust [1] | 9,500 |
| Crest Capital Asia Pte Ltd [2] | 495,518 |

[1] RW Olde and DJ Somerville are directors of the trustee company for this trust.

[2] PPT Chan is a director and major shareholder of this company. KSL Ang is an employee of this company.

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

*(c) Services provided by Questus Limited and its subsidiaries*

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

| | | **2014** |
|---|---|---|
| **Service provided to** | **Nature of service** | **$** |
| Questus Land Development Fund and its subsidiaries [1] | Expense recoveries | 17,582 |
| Questus Residential Investment Fund [1] | Processing application fees | - |
| CI Resources Ltd [2] | Professional fees | 53,503 |
| EMC Solar Ltd and its subsidiaries [2] | Professional fees and Expense recoveries | - |
| Crest Capital Asia Pte Ltd [3] | Expense Recoveries | 7,997 |
| Arava Circle 8334 Pty Ltd [4][5] | Commission and Expense recoveries | 24,153 |
| Bullfinch 67 Pty Ltd [4][5] | Commission and Expense recoveries | 7,256 |
| Goldsmith 7 Pty Ltd [4][5] | Commission and Expense recoveries | 1,543 |
| Hooley 43 Pty Ltd [4][5] | Expense recoveries | 12,547 |
| Morgan 1 Pty Ltd [4][5] | Commission and Expense recoveries | 66,896 |
| Spring 13 Pty Ltd [4][5] | Commission and Expense recoveries | 27,253 |
| Wroxton 21 Pty Ltd [4][5] | Expense recoveries | 7,347 |
| APMF Victoria Trust [6] | Professional fees | 500,000 |
| APMF NSW Trust [6] | Professional fees | 100,000 |

[1] Questus Funds Management Limited is the Responsible Entity for this Fund.

[2] DJ Somerville was a director of this company.

[3] PPT Chan is a director and major shareholder, KSL Ang is an employee of this company.

[4] PPT Chan is a director of Crest Capital Asia Pte Ltd (Crest Capital), Crest Capital is the Fund Manager for numerous funds who have ownership of the underlying trust to which these companies are trustee.

[5] MA Oteri (resigned on 13 September 2013) is a Director of this company.

[6] DJ Somerville and RW Olde are Directors of the Trustee Company for the trust.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

*(d) Services provided to Questus Limited and its subsidiaries*

| Service provided by | Nature of services | 2014<br>$ |
|---|---|---|
| Barwick Partners [1] | Expense recoveries | 6,000 |
| Questus Realty [1][2] | Expense recoveries | 14,469 |
| Crest Capital Asia Pte Ltd [3] | Interest on loans | 3,080,628 |
| APIF Victoria Trust [4] | NRAS Sales Commission | 95,000 |

[1] RW Olde is a director of this company.

[2] DJ Somerville is a director of this company.

[3] PPT Chan is a director and major shareholder, KSL Ang is an employee of this company. Crest Capital is the Fund Manager for numerous funds which have provide loan facilities to Questus and its subsidiaries.

[4] DJ Somerville and RW Olde are Directors of the Trustee Company for the trust.

**[End of Remuneration Report]**

## SHARE OPTIONS

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

| Option expiry date | Listed / Unlisted | Exercise price | Number on issue |
|---|---|---|---|
| 30 November 2014 | Unlisted | $0.10 | 18,144,695 |

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. No options were exercised during year ended 30 June 2014 (2013: Nil). 4,590,000 options with an expiry date of 14 January 2014 expired during the year.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

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

## INDEMNIFICATION AND INSURANCE OF OFFICERS

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

## INDEMITY AND INSURANCE OF AUDITOR

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

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## NON AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

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

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within these financial statements.

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

**DJ Somerville**
**Executive Chairman**

Dated at Perth this 29th August 2014

# CORPORATE GOVERNANCE

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

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

***Principle 1 – Lay solid foundations for management and oversight***

The Board which currently consists of one independent and four 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 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.

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.

*Diversity Policy*

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

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

As at 30 June 2014 the Company has a 56% proportion of females in employment and 29% of proportion of the Board executives and Company Secretaries are female.

***Principle 2 – Structure the board to add value***

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

***Principle 2 – Structure the board to add value (Continued)***

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

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

***Principle 3 – Act ethically and responsibly.***

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

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

A copy of the Directors Code of Conduct, the Corporate Code of Conduct and the securities trading policy can be found on the Questus website.

***Principle 4 – Safeguard integrity in financial reporting.***

The Board has not formally established an 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 is responsible for the appointment of the external auditors of the Company, and will time to time review the scope, performance and fees of those external auditors. The Company has retained RSM Bird Cameron as its auditors.

***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 Secretaries are authorised to communicate with shareholders and the market in relation to Board approved disclosures. The Executive Chairman and Company Secretaries 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 Secretaries are 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.

***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, 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** |
|---|---|---|---|
| 1.6 | 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. |
| 2.1 | The board should establish a nomination committee | The board does not have a nomination committee. | The Board members have concluded that no efficiencies would be achieved by establishing a separate nomination committee. The functions of any nomination committee are normally undertaken by the full board. |

| Principle No | Best Practice Recommendation | Compliance | Reason for Non-compliance |
|---|---|---|---|
| 2.3, 2.4 and 2.5 | Disclose the names of directors considered to be independent directors<br>The majority of the Board and the Chairman should be independent directors and the Chair should not be the same person as the CEO | Directors DJ Somerville (Managing Director and Chairman of the Board), RW Olde (Non-Executive Director), MA Oteri (Executive Director), PPT Chan (Non-Executive Director), and KSL Ang (Non-Executive Director) do not satisfy the test of 'independence' as set out in the ASX Corporate Governance Council Practice Recommendations.<br>DJ Somerville, RW Olde, and PPT Chan are Substantial Shareholders of the Company. KSL Ang is an employee of a Substantial Shareholder of the Company. DJ Somerville and MA Oteri are executives of the Company.<br>In light of the above, the Company does not comply with the Best Practice Recommendations requirement of having a majority of independent directors. | The Board considers that given the current size of the company, it is more important that directors are motivated to perform as a result of their shareholding in the company and involvement in day-to-day activities. |
| 8.1 | The board should establish a remuneration committee | The Company does not have a remuneration committee. | Given the size and scope of the company's operations, and the size of the board it is not considered that a remuneration committee is necessary. Accordingly the company does not have a remuneration committee. |
| 8.2 | Clearly distinguish the structure of non-executive directors remuneration from that of executives | Executive directors receive a fixed salary pursuant to a contract plus a fixed annual director's fee.<br>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

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Questus Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

David Wall.

Perth, WA
Dated: 29 August 2014

DAVID WALL
Partner

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2014** | **2013** |
| | **Notes** | **$** | **$** |
| **Revenue** | 4 | 8,982,916 | 5,415,766 |
| Employee benefits expenses | | (2,036,872) | (1,985,150) |
| Direct development costs | | (1,534,820) | - |
| Selling costs | | (1,316,851) | (59,870) |
| Depreciation and amortisation | | (149,073) | (42,711) |
| Impairment of assets and investments | 4a | (310,464) | (3,369) |
| Provision for non-recoverable amounts | 4b | (52,466) | (122,517) |
| Other expenses | 4c | (2,285,678) | (1,694,267) |
| **Profit before tax and finance costs** | | 1,296,692 | 1,507,882 |
| Finance costs | | (1,114,815) | (1,308,820) |
| **Profit before income tax** | | 181,877 | 199,062 |
| Income tax expense | 5a | - | - |
| **Net profit from continuing operations** | | 181,877 | 199,062 |
| Other comprehensive income | | | - |
| **Total comprehensive profit for the year** | | 181,877 | 199,062 |
| Earnings per share (cents per share) | 6 | | |
| Continued operations | | | |
| - basic and diluted for profit for the year | | 0.20c | 0.26c |

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2014** | **2013** |
| | **Notes** | **$** | **$** |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 1,788,828 | 1,433,995 |
| Trade and other receivables | 8 | 3,763,783 | 3,949,238 |
| Inventories | 9 | 13,220,948 | 3,584,229 |
| Other assets | 10 | 637,491 | 557,786 |
| **Total Current Assets** | | 19,411,050 | 9,525,248 |
| **Non-Current Assets** | | | |
| Financial assets | 11 | 12,128 | 18,865 |
| Trade and other receivables | 8 | 309,831 | 20,000 |
| Other assets | 10 | 222,872 | - |
| Inventories | 9 | 2,648,053 | - |
| Deferred tax asset | 18 | 1,724,716 | 1,724,716 |
| Plant and equipment | 13 | 104,147 | 126,793 |
| Intangible assets | 14 | 2,769,724 | 2,719,211 |
| **Total Non-Current Assets** | | 7,791,471 | 4,609,585 |
| **TOTAL ASSETS** | | 27,202,521 | 14,134,833 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | 2,217,375 | 1,811,030 |
| Interest-bearing liabilities | 16 | 7,695,613 | 5,170,194 |
| Provisions | 17 | 105,095 | 90,558 |
| **Total Current Liabilities** | | 10,018,083 | 7,071,782 |
| **Non-Current Liabilities** | | | |
| Interest-bearing liabilities | 16 | 13,913,677 | 4,000,000 |
| Provisions | 17 | 27,247 | 1,414 |
| **Total Non-Current Liabilities** | | 13,940,924 | 4,001,414 |
| **TOTAL LIABILITIES** | | 23,959,007 | 11,073,196 |
| **NET ASSETS** | | 3,243,514 | 3,061,637 |
| **EQUITY** | | | |
| Issued capital | 19 | 19,556,370 | 19,556,370 |
| Reserves | | 152,890 | 152,890 |
| Accumulated losses | | (16,465,746) | (16,647,623) |
| **TOTAL EQUITY** | | 3,243,514 | 3,061,637 |

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | CONSOLIDATED 2014 $ | 2013 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 7,626,139 | 4,581,391 |
| Payments to suppliers and employees | | (5,603,988) | (3,766,843) |
| Payments for inventories | | (12,453,197) | (3,053,636) |
| Interest received | | 29,867 | 34,536 |
| Interest and borrowing costs paid | | (2,399,794) | (77,947) |
| **Net cash flows used in operating activities** | 20a | **(12,800,973)** | **(2,282,499)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of other assets | | (254,916) | (75,569) |
| Dividends and distributions received | | 3,800 | 4,285 |
| Purchase of plant and equipment | | (176,938) | (344,931) |
| Loans to related parties: | | | |
| - payments made | | (5,281) | (517) |
| - proceeds from borrowings | | 1,152,543 | 3,608 |
| **Net cash flows used in investing activities** | | **719,208** | **(413,124)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 4,521,620 | - |
| Repayments of borrowings | | (610,772) | (365,589) |
| Loans from related parties: | | | |
| - proceeds from borrowings | | 18,665,580 | 3,300,193 |
| - payment made | | (10,139,830) | (110,000) |
| **Net cash flows from financing activities** | | **12,436,598** | **2,824,604** |
| Net increase in cash and cash equivalents | | 354,833 | 128,981 |
| Cash and cash equivalents at beginning of year | | 1,433,995 | 1,305,014 |
| **Cash and cash equivalents at end of year** | 7 | **1,788,828** | **1,433,995** |

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

| | Issued Capital | Accumulated Losses | Share Option Reserves | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **CONSOLIDATED** | | | | |
| **At 1 July 2012** | 19,106,370 | (16,846,685) | 107,130 | 2,366,815 |
| Total comprehensive profit for the year | - | 199,062 | - | 199,062 |
| Issue of share capital | 450,000 | - | - | 450,000 |
| Share based payments | - | - | 45,760 | 45,760 |
| **At 30 June 2013** | 19,556,370 | (16,647,623) | 152,890 | 3,061,637 |
| | | | | |
| **At 1 July 2013** | 19,556,370 | (16,647,623) | 152,890 | 3,061,637 |
| Total comprehensive profit for the year | - | 181,877 | - | 181,877 |
| **At 30 June 2014** | 19,556,370 | (16,465,746) | 152,890 | 3,243,514 |

The accompanying notes form part of these financial statements.

## 1 CORPORATE INFORMATION

This financial report of Questus Limited ('Company') for the year ended 30 June 2014 comprises the Company and its subsidiaries ('Group' or 'Consolidated Entity').

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

*New, revised or amending Accounting Standards and Interpretations adopted*

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Principles of Consolidation

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

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

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

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

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

*Business Combinations*

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of Consolidation (Continued)

*Goodwill*

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

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

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

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

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

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

(b) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income tax (Continued)

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

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

*Tax consolidation*

Questus Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the ‘stand-alone taxpayer’ approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated group has entered a tax funding arrangement whereby each company in the consolidated group contributes to the income tax payable by the group in proportion to their contribution to the group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(c) Plant and equipment

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

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

Leasehold improvements – 10 years
Office Equipment – 2 to 10 years
Computer Software – 2.5 years

*Impairment*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (Continued)

*Impairment*

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

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

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

(d) Intangible Assets except goodwill

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

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

Licence – 10 years
Software Development costs – 2.5 years

*Australian Financial Services Licence*

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial Instruments

*Initial Recognition and measurement*

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

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

*Classification and Subsequent Measurement*

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

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

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

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

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

*i. Financial assets at fair value through profit or loss*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

*ii. Loans and receivables*

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

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

*iii. Held-to-maturity investments*

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

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

*iv. Available-for-sale financial assets*

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

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

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

*v. Financial Liabilities*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

*Impairment*

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

*Derecognition*

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

(f) Impairment of Assets

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

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

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

(g) Employee Benefits

*Short-term employee benefits*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee Benefits (Continued)

*Other long-term employee benefits*

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

*Equity-settled compensation*

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

(h) Provisions

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

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

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

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

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

(l) Interest-bearing loans and borrowings

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

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(n) Leases

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue

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

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

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

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

*Development projects and land sales*
Revenue and profits from the sale of blocks from completed stages of land subdivision are recognised on settlement of the sale. This represents the point when risk and rewards have passed to the buyer.

(p) Good and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

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

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

(q) Lease receivables

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Trade and other payables

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

(t) Fair value of assets and liabilities

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Comparative Figures

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

(v) Operating segments

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

(w) Critical Accounting Estimates and Judgments

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

*Key Estimates — Impairment*

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

*Goodwill*

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

*Trade receivables*

No other impairment has been recognised in respect of trade and other receivables other than those already disclosed in the financial statements for the year ended 30 June 2014.

*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 27. 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Critical Accounting Estimates and Judgments (Continued)

*Provision for impairment of inventories*

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

*Taxation*

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

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

On 26 October 2012, the Group failed the continuity of ownership test ("COT") in order to carry forward the tax losses to be utilised in future taxable profits. However, the directors have considered the same business test ("SBT") and believe that the Group is able to satisfy the SBT test in the future period when tax losses are utilised. On that basis, no adjustment is provided against the deferred tax balances. Should the Group fail the SBT in a future period, a reversal of deferred tax assets would be recognised in statement of comprehensive income. The balance of deferred tax assets related to carry forward tax losses is $616,023 (2013:$748,283), in total the deferred tax assets is $1,724,716 (2013: $1,724,716).

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

*AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

## 3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED (CONTINUED)

*AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

*Annual Improvements to IFRSs 2010-2012 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

*Annual Improvements to IFRSs 2011-2013 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

## 4 REVENUE AND EXPENSES

| | CONSOLIDATED | |
|---|---|---|
| | 2014 $ | 2013 $ |
| ***Revenue*** | | |
| **Operating activities** | | |
| NRAS income | 6,377,242 | 4,468,688 |
| Sale of development stock | 1,301,697 | - |
| Commission income | 639,443 | 104,253 |
| Management fees | 264,739 | 79,114 |
| Finance revenue – bank and loan interest | 30,389 | 36,134 |
| Warrant revenue | 5,418 | 8,358 |
| Trust Distributions | 3,800 | 4,285 |
| Sundry income | 14,486 | 7,333 |
| | 8,637,214 | 4,708,165 |
| **Non-operating activities** | | |
| Recovery of expenses | 263,831 | 516,349 |
| Recovery of bad debts | 81,871 | 54,545 |
| Debts forgiven | - | 136,707 |
| | 345,702 | 707,601 |
| Total revenue | 8,982,916 | 5,415,766 |

***Expenses***

### (a) Impairment of assets and investments

| | 2014 $ | 2013 $ |
|---|---|---|
| Impairment of assets | 303,726 | - |
| Impairment of investments | 6,738 | 3,369 |
| Total | 310,464 | 3,369 |

## 4 REVENUE AND EXPENSES (CONTINUED)

| | CONSOLIDATED | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| **(b) Provision for non-recoverable amounts** | | |
| Bad debt from non-current receivables | - | 94,167 |
| Bad debt from current receivables | 52,466 | 28,350 |
| Total | 52,466 | 122,517 |

### (c) Other expenses

Profit before tax consist of following specific expenses:

| | | |
|---|---|---|
| Rental expenses | 209,583 | 208,975 |
| Legal costs | 414,947 | 133,460 |
| Consulting and Contracting Fees | 528,695 | 264,755 |
| Share based payments | - | 45,759 |
| Fund expenses | 538,922 | 352,314 |

## 5 INCOME TAX

| | CONSOLIDATED | |
|---|---|---|
| | 2014 $ | 2013 $ |
| a. Major components of income tax expense comprise: | | |
| The components of tax expenses comprises: | | |
| Current tax | - | - |
| Income tax benefit | - | - |
| b. The prima facie tax on profit before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax payable on profit before income tax at 30% (2013: 30%) | 54,563 | 59,719 |
| Add tax effect of: | | |
| Expenditure not allowable for income tax | 10,069 | 30,968 |
| Assessable income for tax purposes | - | 67,458 |
| Tax benefits not brought to account | (41,153) | (115,847) |
| Less tax effect of: | | |
| Income not assessable for income tax | (23,479) | (42,298) |
| Income tax attributable to entity | - | - |
| The applicable weighted average effective tax rates are as follows: | - | - |

## 6 EARNINGS PER SHARE

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

| | CONSOLIDATED | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| Net profit from continuing operations attributable to ordinary shareholders for basic and diluted earnings per share | 181,877 | 199,062 |
| Net profit from discontinuing operations attributable to ordinary shareholders for basic and diluted earnings per share | 181,877 | 199,062 |
| Weighted average number of ordinary shares for basic earnings per share | 92,707,553 | 77,033,627 |
| Weighted average number of ordinary shares dilutive earnings per share | 92,707,553 | 77,033,627 |

## 7 CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash at bank and on hand – unrestricted | 1,764,361 | 1,393,157 |
| Cash at bank - restricted | 24,467 | 40,838 |
| | 1,788,828 | 1,433,995 |

**Reconciliation of cash:**

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

| | | |
|---|---|---|
| Cash at bank and on hand | 1,788,828 | 1,433,995 |
| | 1,788,828 | 1,433,995 |

## 8 TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| CURRENT | | |
| Trade receivables | 2,126,427 | 1,679,209 |
| Other related parties | 1,371,527 | 2,507,539 |
| Less: impairment of receivable | (1,353,226) | (1,000,000) |
| Accrued income | 1,302,388 | 328,714 |
| Other debtors | 296,667 | 378,860 |
| Bonds | 20,000 | 54,916 |
| | 3,763,783 | 3,949,238 |
| NON-CURRENT | | |
| Other related parties | 1,223,132 | 1,223,132 |
| Less: impairment | (1,223,132) | (1,223,132) |
| Bonds | 309,831 | 20,000 |
| | 309,831 | 20,000 |

For terms and conditions relating to related party receivables, refer to Note 24.

## 8 TRADE AND OTHER RECEIVABLES (CONTINUED)

**Provision for Impairment of Receivables**

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

| | | Opening Balance 01/07/2013 | Charge for the Year | Amounts Written Off | Closing Balance 30/06/2014 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| | **Consolidated** | | | | |
| (i) | Current other related parties | 1,000,000 | 353,226 | - | 1,353,226 |
| (ii) | Non-current trade receivables | - | - | - | - |
| (iii) | Non-current other related parties | 1,223,132 | - | - | 1,223,132 |
| | | 2,223,132 | 353,226 | - | 2,576,358 |

| | | Opening Balance 01/07/2012 | Charge for the Year | Amounts Written Off | Closing Balance 30/06/2013 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| | **Consolidated** | | | | |
| (i) | Current other related parties | 1,000,000 | - | - | 1,000,000 |
| (ii) | Non-current trade receivables | 1,654,545 | - | (1,654,545) | - |
| (iii) | Non-current other related parties | 1,183,132 | 40,000 | - | 1,223,132 |
| | | 3,837,677 | 40,000 | (1,654,545) | 2,223,132 |

## 9 INVENTORIES

| | CONSOLIDATED | |
|---|---|---|
| | 2014 $ | 2013 $ |
| Land held for resale – at cost | | |
| Current | 13,220,948 | 3,584,229 |
| Non-current | 2,648,053 | - |
| | 15,869,001 | 3,584,229 |

Borrowing costs, interest and holding costs incurred are capitalised during the year which amounted to $2,378,113 (2013: $36,587).

## 10 OTHER ASSETS

| | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|
| CURRENT | | |
| Prepaid Borrowing Costs | 182,250 | 296,680 |
| Prepaid Commissions | 367,594 | 174,526 |
| Prepaid Insurance | 82,147 | 85,293 |
| Other Prepayments | 5,500 | 1,287 |
| | 637,491 | 557,786 |
| NON-CURRENT | | |
| Prepaid Borrowing Costs | 222,872 | - |
| | 222,872 | - |
| | 860,363 | 557,786 |

## 11 FINANCIAL ASSETS

| | | | |
|---|---|---|---|
| NON-CURRENT | | | |
| Available-for-sale financial assets | 11a | 12,128 | 18,865 |
| Held to maturity financial asset | 11b | - | - |
| | | 12,128 | 18,865 |

a. Available-for-sale financial assets

| | | |
|---|---|---|
| Listed investment, at fair value | | |
| — Share in listed trust | 133,861 | 133,861 |
| Less: impairment | (121,733) | (114,996) |
| | 12,128 | 18,865 |
| — Units in unit trusts | 150,000 | 150,000 |
| Less: impairment provision | (150,000) | (150,000) |
| | - | - |
| Total available-for-sale financial assets | 12,128 | 18,865 |

## 11 FINANCIAL ASSETS (CONTINUED)

| | CONSOLIDATED | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| b. Held-to-maturity financial assets comprise: | | |
| Debentures | 100,000 | 100,000 |
| Less: impairment | (100,000) | (100,000) |
| | - | - |
| Interest bearing deposits | - | 50,000 |
| Less: impairment | - | (50,000) |
| | - | - |
| Total Held-to-maturity financial assets | - | - |

**Provision for Impairment of Investments**

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

| | | Opening Balance 01/07/2013 | Charge for the Year | Amounts Written Off | Closing Balance 30/06/2014 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| | **Consolidated** | | | | |
| (i) | Held-to-maturity financial assets | 150,000 | - | (50,000) | 100,000 |
| (ii) | Available-for-sale financial assets | 264,996 | 6,737 | - | 271,733 |
| | | 414,996 | 6,737 | (50,000) | 371,733 |

| | | Opening Balance 01/07/2012 | Charge for the Year | Amounts Written Off | Closing Balance 30/06/2013 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| | **Consolidated** | | | | |
| (i) | Held-to-maturity financial assets | 150,000 | - | - | 150,000 |
| (ii) | Available-for-sale financial assets | 261,628 | 3,368 | - | 264,996 |
| | | 411,628 | 3,368 | - | 414,996 |

## 12 CONTROLLED ENTITIES

a. Controlled entities consolidated:

| | Country of incorporation | Percentage owned (%) | |
|---|---|---|---|
| Subsidiaries of Questus Limited | | 2014 | 2013 |
| Questus Capital Solutions Pty Ltd | Australia | 100 | 100 |
| Questus Funds Management Limited | Australia | 100 | 100 |
| Questus Administration Services Pty Ltd | Australia | 100 | 100 |
| Questus Warrants Pty Ltd | Australia | 100 | 100 |
| Questus Asset Management Pty Ltd | Australia | 100 | 100 |
| Questus Project Management Pty Ltd (Formerly known as Questus Property Management Pty Ltd) | Australia | 100 | 100 |
| Financial Resources Securities Pty Ltd | Australia | 100 | 100 |
| FRL (WA) Pty Ltd | Australia | 100 | 100 |
| Questus Migrant Services Pty Ltd (was Ticsy Pty Ltd) | Australia | 100 | 100 |
| Questus Securities Pty Ltd* | Australia | 100 | - |
| Questus Holdings Pty Ltd* | Australia | 100 | - |
| Subsidiaries of Questus Asset Management Pty Ltd: | | | |
| McNicholl Rockingham Pty Ltd | Australia | 100 | 100 |
| Dalmatio Broome Pty Ltd | Australia | 100 | 100 |
| Port Rockingham Marina Pty Ltd | Australia | 100 | 100 |
| Binnar Erskine Pty Ltd | Australia | 100 | 100 |
| Ardmore Ellenbrook Pty Ltd | Australia | 100 | 100 |
| Commonage Dunsborough Pty Ltd | Australia | 100 | 100 |
| Clifton Bunbury Pty Ltd | Australia | 100 | 100 |
| Harper Woodbridge Pty Ltd (Formerly known as Catamore South Hedland Pty Ltd) | Australia | 100 | 100 |
| Ellen Stirling Ellenbrook Pty Ltd | Australia | 100 | 100 |
| Nishji Broome Pty Ltd | Australia | 100 | 100 |
| Nakamura Broome Pty Ltd | Australia | 100 | 100 |
| St Andrews Yanchep Pty Ltd | Australia | 100 | 100 |
| QE Busselton Pty Ltd | Australia | 100 | 100 |
| Beechboro Bayswater Pty Ltd* | Australia | 100 | - |

## 12 CONTROLLED ENTITIES (Continued)

| | Country of incorporation | Percentage owned (%) | |
|---|---|---|---|
| Subsidiaries of Questus Limited (continue) | | 2014 | 2013 |
| Yelverton Woodbridge Pty Ltd* | Australia | 100 | - |
| Sharana Pty Ltd* | Australia | 100 | - |
| Subsidiaries of Questus Project Management Pty Ltd | | | |
| Combined Investment Management Pty Ltd | Australia | 100 | 100 |
| Subsidiary of Questus Funds Management Limited | | | |
| APIF Victoria Pty Ltd* | Australia | 100 | - |
| Subsidiary of Questus Holdings Pty Ltd | | | |
| APMF Victoria Pty Ltd* | Australia | 100 | - |
| APMF NSW Pty Ltd* | Australia | 100 | - |
| KMD Residential Pty Ltd* | Australia | 100 | - |

* Newly incorporated during the year.

## 13 PLANT AND EQUIPMENT

**CONSOLIDATED**

| | Office equipment | Computer software | Leasehold improvements | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2014** | | | | |
| Balance at beginning of year | 102,049 | 8,944 | 15,800 | 126,793 |
| Additions | 13,386 | 574 | - | 13,960 |
| Disposals | - | - | - | - |
| Depreciation | (29,620) | (5,265) | (1,721) | (36,606) |
| Balance at end of year | 85,815 | 4,253 | 14,079 | 104,147 |
| | | | | |
| Cost | 160,424 | 15,474 | 17,205 | 193,103 |
| Accumulated depreciation | (74,609) | (11,221) | (3,126) | (88,956) |
| Net carrying amount | 85,815 | 4,253 | 14,079 | 104,147 |

## 13 PLANT AND EQUIPMENT (CONT.)

**CONSOLIDATED**

| | Office equipment | Computer software | Leasehold improvements | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2013** | | | | |
| Balance at beginning of year | 26,989 | 2,844 | - | 29,833 |
| Additions | 105,580 | 9,203 | 17,205 | 131,988 |
| Disposals | (816) | - | - | (816) |
| Depreciation | (29,704) | (3,103) | (1,405) | (34,212) |
| Balance at end of year | 102,049 | 8,944 | 15,800 | 126,793 |
| | | | | |
| Cost | 147,038 | 14,900 | 17,205 | 179,143 |
| Accumulated depreciation | (44,989) | (5,956) | (1,405) | (52,350) |
| Net carrying amount | 102,049 | 8,944 | 15,800 | 126,793 |

## 14 INTANGIBLE ASSETS

| | CONSOLIDATED | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| 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 | (104,488) | (93,721) |
| Net carrying value | 14,132 | 24,899 |
| Software development costs | 375,922 | 212,944 |
| Less accumulated amortisation | (101,698) | - |
| Net carrying value | 274,224 | 212,944 |
| Total intangibles | 2,769,724 | 2,719,211 |

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

| | Goodwill | Licences | Software development costs |
|---|---|---|---|
| | $ | $ | $ |
| **2014** | | | |
| At 1 July 2013 | 2,481,368 | 24,899 | 212,944 |
| Additions | - | - | 162,978 |
| Amortisation charge | - | (10,767) | (101,698) |
| At 30 June 2014 | 2,481,368 | 14,132 | 274,224 |
| **2013** | | | |
| At 1 July 2012 | 2,481,368 | 35,668 | - |
| Additions | - | - | 212,944 |
| Amortisation charge | - | (10,769) | - |
| At 30 June 2013 | 2,481,368 | 24,899 | 212,944 |

## 14 INTANGIBLE ASSETS (CONTINUED)

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

**Impairment Disclosures**

Goodwill is allocated to cash-generating units.

| | CONSOLIDATED | |
|---|---|---|
| | **2014 $** | **2013 $** |
| Questus Funds Management Ltd and Questus Capital Solutions Pty Ltd - the delivery and management of dwellings and incentives for the State and Federal Government National Rental Affordability Scheme | 2,481,368 | 2,481,368 |

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

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

| | **Growth Rate** | **Pre-tax discount Rate** |
|---|---|---|
| Questus Funds Management Ltd and Questus Capital Solutions Pty Ltd cash generating unit | 3% | 20.5% |

Management has based the value-in-use calculations on budgets for each reporting segment with no terminal value. 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.

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

## 15 TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade payables | 1,196,628 | 1,212,922 |
| Other payables | 432,077 | 233,581 |
| GST payable | 9,127 | 1,589 |
| Interest payable | 571,671 | 355,066 |
| Amount payable to related parties | 7,872 | 7,872 |
| | 2,217,375 | 1,811,030 |

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.

## 16 INTEREST-BEARING LIABILITIES

| | CONSOLIDATED | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| CURRENT | | |
| Loans – secured [1] [3] | 6,932,943 | 1,870,000 |
| Loans – secured** [2] [3] | 663,000 | 2,800,194 |
| Convertible notes – unsecured | - | 500,000 |
| Insurance funding - unsecured | 99,670 | - |
| | 7,695,613 | 5,170,194 |
| NON-CURRENT | | |
| Loans – secured [1] | 2,573,677 | - |
| Loans – secured [2] | 11,340,000 | 4,000,000 |
| | 13,913,677 | 4,000,000 |

| | | |
|---|---|---|
| The carrying amounts of current assets pledged as security are: | | |
| Other receivable | - | 1,500,000 |
| Inventories | 14,254,371 | 3,584,229 |
| | 14,254,371 | 5,084,229 |

[1]The loans are secured by a first registered mortgage over freehold land under development owned by the Group.

[2] The loans are secured by a general security deed.

[3] Include loan with Crest Capital Asia Pte Ltd.

Summary of the material terms of Security Agreements with Crest Capital Asia Pte Ltd.

*Crest Capital Asia Pte Ltd (Crest) Development Funding Agreement – Dalmatio Funding Agreement*
Dalmatio Broome Pty Ltd (being a wholly owned subsidiary of the Company) (Dalmatio), Questus Ltd, the company, Questus Asset Management Pty Ltd (QAM), and Questus Funds Management Ltd (QFML) entered into a funding agreement with Crest as part of the Development Funding Facility (Dalmatio Funding Agreement). Pursuant to the Dalmatio Funding Agreement, Crest has advanced a total of $2,699,999 (excluding interest, as at 30 June 2014). Dalmatio has not repaid any loan amounts to Crest as at 30 June 2014, but anticipated the facility will be paid out by September 2014. The Dalmatio Funding Agreement is secured by a Share Mortgage over the shares of Dalmatio held by Questus Asset Management Pty Ltd, a General Security Agreement with Dalmatio and a second Mortgage over the Land held by Dalmatio.

## 16 INTEREST-BEARING LIABILITIES (Continued)

*Crest Capital Asia Pte Ltd Development Funding Agreement – QAM Funding Agreement*

Questus Asset Management Pty Ltd (QAM), Questus Ltd, the Company, and QFML entered into a funding agreement with Crest as part of the Development Funding Facility (QAM Funding Agreement). Pursuant to the QAM Funding Agreement, Crest has advanced a total of $3,263,883 (excluding interest, as at 30 June 2014). QAM has repaid a total of $770,939, with $2,492,944 remaining outstanding (as at 30 June 2014). This facility is expected to be repaid by October 2014. The QAM Funding Agreement is secured by a Share Mortgage over the shares of QAM held by Questus Ltd, a General Security Agreement with QAM and a first Mortgage over the Land purchased from the drawdowns of this Facility.

*Crest Capital Asia Pte Ltd Working Capital Loan Agreement – Pre Development Funding Agreement (PDF Agreement)*

Pursuant to the Crest Funding, and as part of the Working Capital Facility, Crest has advanced a total of $750,000 (excluding interest, as at 30 June 2014) to the Company for the purposes of providing initial funding for the initial stage of development projects under the NRAS. The Company has repaid a total of $87,000, with $663,000 remaining outstanding (excluding interest, as at 30 June 2014). The Agreement is secured by a General Security Agreement with Questus Ltd and a General Security Agreement with Questus Funds Management Ltd.

## 17 PROVISIONS

| | CONSOLIDATED | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| **Analysis of total provisions** | | |
| Current | 105,095 | 90,558 |
| Non-current | 27,247 | 1,414 |

*Amounts not expected to be settled within the next 12 months*

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

| | | |
|---|---|---|
| Employee benefits obligation expected to be settled after 12 months | 63,057 | 54,335 |

## 18 INCOME TAX

NON-CURRENT

| | Opening Balance | Charged to Income | Charged to Equity | Opening Balance Adjustment | Closing Balance |
|---|---|---|---|---|---|
| **Deferred tax asset** | **$** | **$** | **$** | **$** | **$** |
| Provisions | 953,181 | 105,259 | - | - | 1,058,440 |
| Trade and other payables | 10,551 | 14,660 | - | - | 25,211 |
| Tax losses | 2,407,532 | (173,412) | - | - | 2,234,120 |
| Transaction costs on equity issue | 2,951 | (437) | - | - | 2,514 |
| Capital Loss on Sale of Assets | 9,751 | 12,778 | - | - | 22,529 |
| Deferred tax assets not brought to account | (1,659,250) | 41,152 | - | - | (1,618,098) |
| **Balance at 30 June 2014** | 1,724,716 | - | - | - | 1,724,716 |

| | Opening Balance | Charged to Income | Charged to Equity | Opening Balance Adjustment | Closing Balance |
|---|---|---|---|---|---|
| **Deferred tax asset** | | | | | |
| Provisions | 1,277,143 | (323,962) | - | - | 953,181 |
| Trade and other payables | 12,823 | (2,272) | - | - | 10,551 |
| Tax losses | 2,102,487 | 370,465 | - | (65,420) | 2,407,532 |
| Transaction costs on equity issue | 2,698 | 253 | - | - | 2,951 |
| Capital Loss on Sale of Assets | - | 9,751 | - | - | 9,751 |
| Deferred tax assets not brought to account | (1,670,435) | 11,185 | - | - | (1,659,250) |
| **Balance at 30 June 2013** | 1,724,716 | 65,420 | - | (65,420) | 1,724,716 |

The company has recognised a net deferred tax asset of $1,724,716 (2013: $1,724,716). The company's deferred tax asset, in part, is a result of the company establishing and developing its position in the delivery of the government's National Rental Affordability Scheme. The company is now in the delivery phase of this activity and anticipates the utilisation of the deferred tax asset within the next three years.

On the 26th October 2012 the company had a change in ownership of more than 50% and therefore uses the "Same Business Test" to test the deductibility of carried forward losses. The company believes that the conditions allowing the deductibility of the carried forward losses under the same business test method have been met as at 30 June 2014.

## 19 ISSUED CAPITAL

| | Consolidated | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| 92,707,553 (2013: 92,707,553) fully paid ordinary shares | 19,556,370 | 19,556,370 |

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

a. Movement in ordinary shares capital:

| | Consolidated | |
|---|---|---|
| | **Number** | **$** |
| At 1 July 2013 | 92,707,553 | 19,556,370 |
| Shares issued | - | - |
| Balance at 30 June 2014 | 92,707,553 | 19,556,370 |
| | | |
| At 1 July 2012 | 45,426,701 | 19,106,370 |
| Shares issued | 47,280,852 | 450,000 |
| Balance at 30 June 2013 | 92,707,553 | 19,556,370 |

b. Capital Management

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

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

There are no externally imposed capital requirements.

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

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

## 19 ISSUED CAPITAL (CONTINUED)

The gearing ratios for the year ended 30 June 2014 and 30 June 2013 are as follows:

| | Note | Consolidated | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | $ | $ |
| Total borrowings | 15,16 | 23,826,665 | 10,981,224 |
| Less cash and cash equivalents | 7 | (1,788,828) | (1,433,995) |
| Net debt | | 22,037,837 | 9,547,229 |
| Total equity | | 3,243,514 | 3,061,637 |
| Total capital | | 25,281,351 | 12,608,866 |
| Gearing ratio | | 87% | 76% |

## 20 CASH FLOW INFORMATION

a. Reconciliation of cash flow from operations with profit/(loss) after income tax:

| | 2014 | 2013 |
|---|---|---|
| Profit after income tax | 181,877 | 199,062 |
| Reclassification of dividend and distribution Income | (3,800) | (4,285) |
| Non-cash flows in profit: | | |
| Capitalised development costs written off | 282,931 | - |
| Loss on consolidation | - | 653 |
| Depreciation and amortisation | 149,073 | 42,712 |
| Share based payments | - | 170,760 |
| Bad debts | 52,466 | 100,517 |
| Impairment loss | 310,464 | 25,369 |
| Debts forgiven | | (136,707) |
| Amortisation of borrowing costs | 12,500 | - |
| Loss on disposal of assets | - | 815 |
| *Change in operating assets and liabilities* | | |
| Trade and other receivables | (1,323,111) | (658,847) |
| Inventories | (11,201,309) | (3,053,636) |
| Other assets | (163,568) | (175,930) |
| Trade payables and accruals | 198,984 | 101,145 |
| Interest payable | (1,297,480) | 1,105,873 |
| Net cash outflow from operations | (12,800,973) | (2,282,499) |

## 20 CASH FLOW INFORMATION (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |

b. **Disposal of Entities**

There is no disposal of entity during the financial year (2013: Nil).

c. **Acquisition of Controlled Entities**

There is no acquisition of subsidiary during the financial year.

During the previous financial year, the parent entity gained control of its 100% interest in Financial Resources Securities Pty Ltd from the receiver and managers. The gain of control results in Financial Resources Securities Pty Ltd being consolidated with the group as at that date.

| | Fair Value<br>$ |
|---|---|
| Purchase consideration: | - |
| **Liabilities held at acquisition date:** | |
| Payables | (653) |
| Identifiable liabilities assumed | (653) |

d. **Non-cash transaction**

There were no non-cash transactions during the year.

## 20 CASH FLOW INFORMATION (CONTINUED)

| | Note | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| **e. Loan Facilities** | | | |
| Working capital facilities No.1 | | 10,000,000 | 10,000,000 |
| Amount utilised | | (663,000) | (5,870,000) |
| | | 9,337,000 | 4,130,000 |
| Working capital facilities No 2 | | 11,340,000 | - |
| Amount utilised | | (11,340,000) | - |
| | | - | - |
| Total | | 9,337,000 | 4,130,000 |

Working capital facilities No 1:

The facility expires various dates, with initial expiry dates set at one year post draw down of funds. There is only one drawdown at present with an expiry date of May 2015. There is an option to extend at the discretion between the lender and borrowers. Termination of the agreement can be effected by notice in writing from either party. Interest rates are fixed at 23% (2013: 23%).

Finance will be provided under all facilities on the condition that the consolidated group have not breached any borrowing requirements and the required financial ratios are met.

Working capital facilities No 2:

The facility expires various dates, with initial expiry dates set at two year post draw down of funds. There are three drawdowns at present with an expiry date of 31 March 2016 and 19 June 2016. There is an option to extend at the discretion between the lender and borrowers. Termination of the agreement can be effected by notice in writing from either party. Interest rates are fixed at 8% (2013: -%).

Finance will be provided under all facilities on the condition that the consolidated group have not breached any borrowing requirements and the required financial ratios are met.

| | 2014 | 2013 |
|---|---|---|
| Loan facilities | | |
| - Development facilities | 20,000,000 | 20,000,000 |
| Amount utilised | (5,192,943) | (2,800,194) |
| | 14,807,057 | 17,199,806 |

Development facilities:

The facility expires at various date depending on individual project funding period with the expectation all the facilities to be repaid by 30 June 2015. The option to extend is at the discretion between the lender and borrowers. Termination of the agreement can be effected by notice in writing from either party. Interest rates are fixed at 23% (2013: 23%).

Finance will be provided under all facilities on the condition that the consolidated group have not breached any borrowing requirements and the required financial ratios are met.

## 21 SEGMENT INFORMATION

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

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

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

## 22 FINANCIAL RISK MANAGEMENT

### a. Financial Risk Management Policies

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

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

Derivatives are not used by the Group.

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

| | Note | Consolidated | |
|---|---|---|---|
| | | **2014** | **2013** |
| **Financial Assets** | | **$** | **$** |
| Cash and cash equivalents | 7 | 1,788,828 | 1,433,995 |
| Trade and other receivables* | 8 | 2,771,226 | 3,640,524 |
| Available for sale financial assets | | | |
| - listed investment (at fair value) | 11(a) | 12,128 | 18,865 |
| **Total Financial Assets** | | 4,572,182 | 5,093,384 |
| **Financial Liabilities** | | | |
| Financial liabilities at amortised cost | | | |
| - Trade and other payables** | 15 | 1,776,171 | 1,811,030 |
| - Borrowings | 16 | 21,609,290 | 9,170,194 |
| **Total Financial Liabilities** | | 23,385,461 | 10,981,224 |

* Excludes GST receivable and accrued revenue.
** Excludes GST payable and accrued expenses.

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

### a. Financial Risk Management Policies (Continued)

Treasury Risk Management

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

Financial Risk Exposures and Management

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

*Interest rate risk*

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. At reporting date, the Group fixed 88% (2013: 100%) of its debts at fixed rate.

*Liquidity risk*

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

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

*Credit risk*

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

— The Group trades only with recognised, creditworthy third parties.

— It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

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

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

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

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| The aging of the Group's trade and other receivable at the reporting date was: | | |
| **Trade and other receivables** | | |
| Not past due | 2,771,226 | 3,640,524 |
| Total | 2,771,226 | 3,640,524 |

i. **Financial instrument composition and maturity analysis:**

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

| | Weighted average effective interest rate | <1 Year | >1 - <5 Years | >5 Years | Total |
|---|---|---|---|---|---|
| **2014** | % | $ | $ | $ | $ |
| **Financial Liabilities – Fixed Rate** | | | | | |
| loans – secured | 17.05% | (6,932,944) | (2,573,677) | - | (9,506,621) |
| loans – secured | 8.85% | (762,669) | (11,340,000) | - | (12,102,669) |
| | | (7,695,613) | (13,913,677) | - | (21,609,290) |
| **Financial Assets - Floating Rate** | | | | | |
| Cash assets | 0.05% | 917,700 | - | - | 917,700 |
| Cash assets | 2.5% | 871,128 | - | - | 871,128 |
| | | 1,788,828 | - | - | 1,788,828 |

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Weighted average effective interest rate | <1 Year | >1 - <5 Years | >5 Years | Total |
|---|---|---|---|---|---|
| **2013** | % | **$** | **$** | **$** | **$** |
| **Financial Liabilities – Fixed Rate** | | | | | |
| Convertible notes – unsecured | 10% | (500,000) | - | - | (500,000) |
| loans – secured | 23% | (2,800,194) | - | - | (2,800,194) |
| loans – unsecured | 23% | (1,870,000) | (4,000,000) | - | (5,870,000) |
| | | (5,170,194) | (4,000,000) | - | (9,170,194) |
| **Financial Assets - Floating Rate** | | | | | |
| Cash assets | 0.05% | 768,159 | - | - | 768,159 |
| Cash assets | 2.75% | 665,836 | - | - | 665,836 |
| | | 1,433,995 | - | - | 1,433,995 |

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 | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Less than 6 months | 1,776,171 | 1,811,030 |
| | 1,776,171 | 1,811,030 |

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

ii. **Net Fair Values**

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

iii. **Sensitivity Analysis**

*Interest Rate Sensitivity Analysis*

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant are immaterial. This is due to 88% (2013: 100%) of the debts are fixed and the cash at bank do not have high yield interest rate.

## 23 COMMITMENTS

***Capital commitments***

The Group has the following capital commitments at reporting date:

| | Consolidated | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Capital expenditure projects | 12,642,302 | 5,315,000 |

***Operating lease commitments***

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

| | | |
|---|---|---|
| Within one year | 194,100 | 181,916 |
| After one year but not more than five years | 424,693 | 572,624 |
| | 618,793 | 754,540 |

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

## 24 RELATED PARTY DISCLOSURE

*Parent entity*
*Questus Limited is the parent entity.*

*Subsidiaries*
Interests in subsidiaries are set out in note 12.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 26 and the remuneration report in the directors' report.

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

*(e) Loans*

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

| | | CONSOLIDATED | |
|---|---|---|---|
| **Short term loans** | | **2014** | **2013** |
| **Loan provided by:** | **Loan provided to/ (from):** | **$** | **$** |
| Questus Capital Group Pty Ltd [1] | Questus Limited and its subsidiaries | 11,743 | 493 |
| Crest Capital Asia Pte Ltd [2] | Questus Limited and its subsidiaries | 5,855,943 | 4,670,194 |
| Questus Limited and its subsidiaries | Questus Land Development Fund and its subsidiaries [3] | 47,803 | 1,500,010 |
| Questus Limited and its subsidiaries | DJ Somerville (Director) | 1,675 | 456 |
| Questus Land Development Fund and its subsidiaries [3] | Questus Limited and its subsidiaries | (192) | (192) |
| | | 5,916,972 | 6,170,961 |
| *Long term loan* | | | |
| Crest Capital Asia Pte Ltd [2] | Questus Limited and its subsidiaries | - | 4,000,000 |

[1] DJ Somerville is a director of this company.

[2] PPT Chan is a director and major shareholder of this company. KSL Ang is an employee of this company.

[3] Questus Limited is the parent entity of Questus Funds Management Limited. Questus Funds Management Limited is the Responsible Entity of Questus Land Development Fund and Questus Residential Investment Fund.

## 24 RELATED PARTY DISCLOSURE (CONTINUED)

*(f) Debtors*

The following amounts appear as trade debtors or accrued income in the statement of financial position of the Group.

| | CONSOLIDATED | |
|---|---|---|
| | **2014** | **2013** |
| Debtors | **$** | **$** |
| Arava Circle 8334 Pty Ltd [1][2] | - | 19,896 |
| Bullfinch 67 Pty Ltd [1][2] | - | 17,943 |
| Goldsmith 7 Pty Ltd [1][2] | - | 39,958 |
| Hooley 43 Pty Ltd [1][2] | - | 10,318 |
| Morgan 1 Pty Ltd [1][2] | - | 25,513 |
| Spring 13 Pty Ltd [1][2] | - | 45,674 |
| Wroxton 21 Pty Ltd [1][2] | - | 6,059 |
| | - | 165,361 |

[1] PPT Chan is a director of Crest Capital Asia Pte Ltd (Crest Capital), Crest Capital is the Fund Manager for numerous funds who have ownership of the underlying trust to which these companies are trustee.

[2] MA Oteri (resigned on 13 September 2013) is a Director of this company.

*(g) Creditors*

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

| | | |
|---|---|---|
| **Creditors** | | |
| APIF Victoria Trust [1] | 9,500 | - |
| Crest Capital Asia Pte Ltd [2] | 495,518 | 355,066 |
| | 505,018 | 355,066 |

[1] RW Olde and DJ Somerville are directors of the trustee company for this trust.

[2] PPT Chan is a director and major shareholder of this company. KSL Ang is an employee of this company.

## 24 RELATED PARTY DISCLOSURE (CONTINUED)

*(h) Services provided by Questus Limited and its subsidiaries*

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

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2014** | **2013** |
| **Service provided to** | **Nature of service** | **$** | **$** |
| Questus Land Development Fund and its subsidiaries [1] | Expense recoveries | 17,582 | 289,958 |
| Questus Residential Investment Fund [1] | Processing application fees | - | 6,852 |
| CI Resources Ltd [2] | Professional fees | 53,503 | 79,136 |
| EMC Solar Ltd and its subsidiaries [2] | Professional fees and Expense recoveries | - | (22,000) |
| Crest Capital Asia Pte Ltd [3] | Expense Recoveries | 7,997 | - |
| Arava Circle 8334 Pty Ltd [4][5] | Commission and Expense recoveries | 24,153 | 43,921 |
| Bullfinch 67 Pty Ltd [4][5] | Commission and Expense recoveries | 7,256 | 19,433 |
| Goldsmith 7 Pty Ltd [4][5] | Commission and Expense recoveries | 1,543 | 49,098 |
| Hooley 43 Pty Ltd [4][5] | Expense recoveries | 12,547 | 13,021 |
| Morgan 1 Pty Ltd [4][5] | Commission and Expense recoveries | 66,896 | 32,258 |
| Spring 13 Pty Ltd [4][5] | Commission and Expense recoveries | 27,253 | 48,526 |
| Wroxton 21 Pty Ltd [4][5] | Expense recoveries | 7,347 | 7,672 |
| APMF Victoria Trust [6] | Professional fees | 500,000 | - |
| APMF NSW Trust [6] | Professional fees | 100,000 | - |

[1] Questus Funds Management Limited is the Responsible Entity for this Fund.

[2] DJ Somerville was a director of this company.

[3] PPT Chan is a director and major shareholder, KSL Ang is an employee of this company.

[4] PPT Chan is a director of Crest Capital Asia Pte Ltd (Crest Capital), Crest Capital is the Fund Manager for numerous funds who have ownership of the underlying trust to which these companies are trustee.

[5] MA Oteri (resigned on 13 September 2013) is a Director of this company.

[6] DJ Somerville and RW Olde are Directors of the Trustee Company for the trust.

## 24 RELATED PARTY DISCLOSURE (CONTINUED)

*(i) Services provided to Questus Limited and its subsidiaries*

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2014** | **2013** |
| | | **$** | **$** |
| **Service provided by** | **Nature of services** | | |
| Barwick Partners [1] | Expense recoveries | 6,000 | 5,000 |
| Questus Realty [1][2] | Expense recoveries | 14,469 | 83,033 |
| Robertson Hayles Settlements [3] | Property Settlement Services | - | 14,024 |
| Crest Capital Asia Pte Ltd [4] | Interest on loans | 3,080,628 | 1,135,671 |
| APIF Victoria Trust [5] | NRAS Sales Commission | 95,000 | - |

[1] RW Olde is a director of this company.

[2] DJ Somerville is a director of this company.

[3] MA Oteri (resigned on 13 September 2013) has an economic interest in this business.

[4] PPT Chan is a director and major shareholder, KSL Ang is an employee of this company. Crest Capital is the Fund Manager for numerous funds which have provide loan facilities to Questus and its subsidiaries.

[5] DJ Somerville and RW Olde are Directors of the Trustee Company for the trust.

## 25 AUDITOR'S REMUNERATION

| | CONSOLIDATED | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Remuneration of the auditor for: | | |
| — auditing or reviewing the financial report | 74,000 | 68,000 |
| — audit of AFSL licence | 8,500 | 8,000 |
| — taxation services | 30,133 | - |
| — valuation services | - | 43,750 |
| — Other audit services | 31,850 | 29,500 |

## 26 KEY MANAGEMENT PERSONNEL

Key management personnel remuneration

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

| | CONSOLIDATED | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| Short-term employee benefits | 521,406 | 762,000 |
| Post-employment benefits | 34,664 | 39,527 |
| Share based payment | - | 45,760 |
| | 556,070 | 847,287 |

## 27 SHARE-BASED PAYMENTS

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

*Recognised share based payment transaction*

There is no share based payment transaction during the year.

During the previous financial year, 47,280,852 share and 14,144,695 options were issued to Crest Capital Asia Pte Ltd for providing financing facilities to the Group. The fair value of the shares and options were $450,000. The options are exercisable at $0.10 on or before 30 November 2014.

*Employee share option plan*

There is no share based payment transaction during the year.

During the previous financial year, 4,000,000 share options were granted to directors to accept ordinary shares at an exercise price of $0.10. The options are exercisable after 26 October 2012 but before 30 November 2014. 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 reporting date, no director has ceased their employment. At reporting date, no share option has been exercised.

| | Consolidated | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of Options | Weighted Average Exercise Price $ | Number of Options | Weighted Average Exercise Price $ |
| Outstanding at the beginning of the year | 8,590,000 | 0.075 | 4,590,000 | 0.05 |
| Granted | - | - | 4,000,000 | 0.10 |
| Cancelled | - | - | - | - |
| Lapsed | (4,590,000) | 0.05 | - | - |
| Outstanding at year-end | 4,000,000 | 0.10 | 8,590,000 | 0.075 |
| Exercisable at year-end | 4,000,000 | 0.10 | 8,590,000 | 0.075 |

There were no options exercised during the year ended 30 June 2014. No options were granted during the year.

The options outstanding at 30 June 2014 had a weighted average exercise price of $0.10 (2013: $0.075) and a weighted average remaining contractual life of 0.4 years (2013: 2.6 years).

The weighted average fair value of the options granted during the financial year was $Nil (2013: $45,760).

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:

| | 2013 |
|---|---|
| Weighted average exercise price | 10.0 cents |
| Weighted average life of the option | 2 years |
| Underlying share price | 7.6 cents |
| Expected share price volatility | 40.00% |
| Risk free interest rate | 2.62% |

## 28 Fair value Measurement

*Fair value hierarchy*

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

| **2014** | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Ordinary shares available-for-sale | 12,128 | - | - | 12,128 |
| Total assets | 12,128 | - | - | 12,128 |

| **2013** | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Ordinary shares available-for-sale | 18,865 | - | - | 18,865 |
| Total assets | 18,865 | - | - | 18,865 |

There were no transfers between levels during the financial year.

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

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

## 29 CONTINGENT LIABILITIES AND ASSETS

There are no contingent assets at reporting date.

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

Questus Capital Solutions Pty Ltd (QCS), a wholly owned subsidiary of Questus Limited had a claim against it by Hassan Family Investments. This matter has now been resolved.

Questus Funds Management Limited has commence proceedings against Addwealth Pty Ltd and Valuestream Investment Management Limited as the responsible entity of the Addwealth Achiever Fund for breach of the Memorandum of Understanding in respect of which it is believed that the undertakings given and commitments made in the context of the Memorandum of Understanding have not been fulfilled.

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

## 30 PARENT ENTITY DISCLOSURES

| a) Financial Information Parent | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Profit / (Loss) for the year | 2,448,177 | (2,082,797) |
| Total comprehensive Profit/ (Loss) | 2,448,177 | (2,082,797) |
| **Assets** | | |
| Current assets | 12,393,889 | 2,686,078 |
| Non-current asset | 5,209,727 | 4,987,205 |
| Total Assets | 17,603,616 | 7,673,283 |
| **Liabilities** | | |
| Current liabilities | 3,099,315 | 2,951,919 |
| Non-current liabilities | 11,340,000 | 4,005,240 |
| Total Liabilities | 14,439,315 | 6,957,159 |
| **Equity** | | |
| Issued capital | 19,524,552 | 19,524,552 |
| Reserves | 152,890 | 152,890 |
| Accumulated losses | (16,513,141) | (18,961,318) |
| Total Equity | 3,164,301 | 716,124 |

**b) Guarantees**

Questus Limited is guarantor for funding arrangements by Crest Capital Asia Pte Ltd with its subsidiaries. Total value of loans to which Questus Ltd is guarantor is $5,192,943 (2013: $2,800,194).

**c) Other Commitments and Contingencies**

Questus Limited has no other commitments to acquire property, plant and equipment, and has no contingent liabilities other than those disclosed in the Note 23 and 29.

## 31 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

# DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

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

   (i) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) Comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS);

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

2. This declaration has been made after receiving the declarations required to be made by the directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

On behalf of the Board

**DJ Somerville**
**Executive Chairman**

Dated at Perth this 29th day of August 2014

RSM Bird Cameron Partners

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUESTUS LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Qeustus Limited, which comprises the statement of financial position as at 30 June 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

RSM Bird Cameron Partners

*Independence*

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

*Opinion*

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

**Report on the Remuneration Report**

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Questus Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

David Wall.

DAVID WALL
Partner

Perth, WA
Dated: 29 August 2014

# 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 28 August 2013 and using the last traded share price of 4.5 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 |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| 1 - 1,000 | 110 | | 110 | - |
| 1,001 - 5,000 | 102 | | 107 | - |
| 5,001 - 10,000 | 86 | | 93 | - |
| 10,001 - 100,000 | 117 | | 122 | - |
| 100,001 and over | 54 | | 51 | - |
| | 469 | | 483 | - |
| Number of shareholders holding less than a marketable parcel: | 307 | | 313 | - |

### STATEMENT OF QUOTED SECURITIES

Listed on the Australian Securities Exchange are 92,707,553 (2013: 92,707,553) fully paid shares and Nil (2013: Nil) options. There are 4,590,000 unlisted options with an exercise price of $0.05 exercisable before 13th January 2014 and 18,144,695 unlisted options with an exercise price of $0.10 exercisable before 30th November 2014.

For the prior financial year there were also 5,000,000 unlisted options with an exercise price of $0.50 exercisable before 31st December 2012. These options were not exercised.

# ADDITIONAL INFORMATION

## EQUITY SECURITY HOLDERS

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

| | 30 June 2014 | | 30 June 2013 | |
|---|---|---|---|---|
| | Ordinary shares | | Ordinary shares | |
| Name | Number | % holding | Number | % holding |
| HSBC CUSTODY NOMINEES (CREST CAPITAL) | 49,803,602 | 53.72% | 49,803,602 | 53.72% |
| QUESTUS CAPITAL GROUP PTY LTD | 15,130,715 | 16.32% | 15,130,715 | 16.32% |
| NWR GROUP PTY LTD | 5,000,000 | 5.39% | 5,000,000 | 5.39% |
| WESTRADE RESOURCES PTY LTD | - | -% | 3,470,568 | 3.74% |
| AMBER MANAGEMENT PTY LTD | 1,557,253 | 1.68% | 308,014 | 0.33% |
| MARTIN R & V | 1,159,225 | 1.25% | - | -% |
| COINSEA PTY LTD | 1,000,000 | 1.08% | 1,000,000 | 1.08% |
| OAKPREY PTY LTD | 1,000,000 | 1.08% | 1,000,000 | 1.08% |
| MR QUENTIN JAMES OLDE | 737,858 | 0.80% | 737,858 | 0.80% |
| HORSESHOE HOLDINGS PTY LTD | 700,000 | 0.76% | 700,000 | 0.76% |
| HUNTER DEVELOPMENTS 2001 PTY LTD | 700,000 | 0.76% | 700,000 | 0.76% |
| RBA MCGAVIN | 628,808 | 0.68% | 628,808 | 0.68% |
| MR PETER HOWELLS | 600,000 | 0.65% | - | -% |
| REMO POLLASTRI | 595,000 | 0.64% | 595,000 | 0.64% |
| PJWO PTY LTD | 590,000 | 0.64% | 590,000 | 0.64% |
| ALSFORD PTY LTD | 526,125 | 0.57% | 526,125 | 0.57% |
| S & L MOORE PTY LTD | 500,000 | 0.54% | 500,000 | 0.54% |
| MR RONALD MCLELLAN WILLIAMSON | 416,895 | 0.45% | 416,895 | 0.45% |
| CASEY JL + EA | 390,000 | 0.42% | 390,000 | 0.42% |
| GEDGE GW + ADAM | 325,000 | 0.35% | 325,000 | 0.35% |
| AMBER MANAGEMENT PTY LTD | - | -% | 308,014 | 0.33% |
| MR HANSPETER KAEMPF & | 310,000 | 0.33% | - | -% |
| | 81,670,481 | 88.09% | 82,130,599 | 88.60% |

# ADDITIONAL INFORMATION

## SUBSTANTIAL SHAREHOLDERS

| Name | Ordinary shares Number 2014 | 2013 |
|---|---|---|
| CREST CAPITAL ASIA PTE LTD | 49,803,602 | 49,803,602 |
| 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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Options Exercisable at $0.10 | 18,144,69 | 18,144,695 | 3 | 3 |
| Options Exercisable at $0.05 | - | 4,590,000 | - | 3 |

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

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

**Equity Option Holders**

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Options | | Options | |
| Name | Number | % holding | Number | % holding |
| No Listed Options on issue | - | - | - | - |
| | - | - | - | - |

**Voting Rights:**

**Ordinary Shares**

All ordinary shares carry one vote per share without restriction.

**Partly Paid Shares**

No voting rights

**Options**

No voting rights.