QTI

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QUEENSLAND TRUSTEES & INVESTMENT LIMITED

ACN 010 653 862

ASX Code: QTI

APPENDIX 4E – PRELIMINARY FINAL REPORT
For the Financial Year ended 30 June 2010

The Reporting Period to which this report relates is the year ended 30 June 2010 and the previous corresponding period is the year ended 30 June 2009. Throughout this report these periods are designated by the terms June 2010 and June 2009 respectively. References to dollar amounts are in Australian dollars. References to "QTI" throughout this report relate to the Consolidated Entity.

Results for Announcement to the Market

			$000	$000
	Movement	**% Change**	**June 2010**	**June 2009**
Revenues from ordinary activities	Up	33%	6,064	4,575
Profit / (loss) from ordinary activities after tax attributable to members	Down	355%	(1,189)	466
Net profit / (loss) for the period attributable to members	Down	355%	(1,189)	466
It is not proposed to pay a dividend in the current period				
Record date for dividend is not applicable				

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FINANCIAL RESULT

The operating results for the year to 30 June 2010 are generally in line with expectations as the company focuses on building the Financial Services segment of its activities. This process takes considerable time and resources as the businesses are progressively developed from relatively low bases. Management has worked within tight financial constraints from its operating cash flow and available capital as it seeks to expand each business and develop and improve its technology.

With the continued efforts of a committed core management team, several goals have been achieved, which have given the team confidence that the company will produce solid results in coming years from the strategies put in place during the last few years.

FINANCIAL STRATEGY

In recent years, particularly in the less predictable economic environment following the global financial crisis commencing in 2008, the QTI board has adopted a general strategy of using minimal borrowings, except for specific short term projects, while aiming to achieve a balance of cash flows, even in the developing business segments. At balance date 2010, the Group remained essentially debt free except for minor short-term commitments. Its $1,000,000 standby overdraft facility with the Commonwealth Bank of Australia, which was undrawn at balance date, has been renewed.

Cash flow from the backpacker operations (Tourism segment) has continued to be a positive contributor to the Group's activities and has assisted the funding of technology expansion costs in the Financial Services segment and the holding costs of the Property segment. The prospects for continued growth in Financial Services are realistic and positive and have now achieved a critical mass to form a solid base for future expansion. Each sub-segment activity within the Financial Services segment is internally budgeted to be cash flow positive and profitable in the current financial year.

BUSINESS SEGMENTS and REVIEW OF OPERATIONS

Over the years, QTI's operations have included three business segments, namely Financial Services, Tourism and Property. While each segment overlaps to varying degrees, Tourism and Property are closely connected and are represented by the assets at Airlie Beach.

Financial Services

The Financial Services segment has been the main focus of the company's growth efforts in recent years. This includes the following sub-segment activities:

- **Custody, Responsible Entity and Trustee Services (QTI Parent Entity)**
  During the last financial year, QTI has made progress in establishing its capacity to provide responsible entity and custodial services to external third parties on a fee for service basis. This activity has gained considerable momentum in the last six months and QTI now has a promising pipeline of prospective clients. The establishment phase has required obtaining appropriate licensing and regulatory approval and implementing the necessary rigorous compliance regimes.

- **Fixed Interest Brokerage (RIM Securities Limited).**
  The RIMsec operation had a mixed year. It performed well during the first half of the financial year and contributed to operating profit with encouraging prospects going forward. However operational and cultural issues required a reorganisation of staffing, resulting in the temporary closure of the shared Sydney office that had been opened in April 2009.

  Since April 2010, the business has progressively regrouped and now operates from offices based in Brisbane, Melbourne and Adelaide. Future plans for a new Sydney operation are being considered currently. Over the financial year to balance date, the volume of funds under advice has more than doubled, and it is expected that the progressive, global rotation of investor funds to the fixed interest segment is likely to continue given current economic conditions.

- **Superannuation and Funds Administration Services (AdminPARTNERS)**
  In September 2009, QTI acquired GPen Pty Ltd, a superannuation administration software provider based in Melbourne. The name of the company has been changed to Administration Partners Pty Ltd and its superannuation administration software product has been rebranded as **MySuperSolution**. This product has provided a reliable and robust, web-based software facility to administrators of pooled superannuation funds over ten years, and one focus for management is to increase its penetration into pooled superannuation markets.

  At the same time, there is considerable effort being directed at developing a new platform, branded as MyInvest, adapting existing software technology available via the MySuperSolution to facilitate management and administration of other types of pooled and separately managed investments.

Tourism

- **Magnums Airlie Beach Backpackers.**
  Despite the financial and economic environment both in Australia and globally, the backpacker business operations have remained reasonably stable and continue to provide a reliable cash flow. This allows the company the opportunity to focus on implementing its plans to expand within the financial services sector. Ultimately, the backpacker property may become a future development opportunity given its prime location within the township of Airlie Beach. However, in the current economic climate, the attraction of positive cash flow and lack of interest in property development generally, probably means the business will likely continue in its current form for several years.

  All buildings and grounds are well maintained and there is a continuing demand for good quality backpacker style accommodation from international visitors. In the company's past experience, poor economic conditions within the countries of origin of international backpackers, has usually increased the number of travellers and their duration of stay at the Airlie Beach property. Revenues over the last five years have generally maintained medium term average levels although there have been small declines in the last two years. Additionally, annual net profit has declined marginally due to an increase in personnel costs and a fivefold increase in property rates and taxes primarily from rising land values in the last five years.

Property

- **Property Investments at Airlie Beach.**
  QTI's property interests at Airlie Beach include the freehold land and buildings from which Magnums Backpackers operates, a 43% economic interest in the Whitsunday Village Retail Property Trust No 1detailed below and the land that comprises the Airlie Central Development Site, which is also discussed further below.

  These assets are held by the QTI group as long term assets that are not available for sale in the current economic environment. The directors will continue to monitor the value and available uses of these assets in light of market conditions going forward.

  Property Valuations
  The value of real estate generally in the Airlie Beach and Whitsunday region has suffered in the aftermath of the recent economic downturn, which has impacted values in property and other asset classes on a world-wide basis. Diminished valuations of property have been evidenced more in areas which experienced significant speculative growth since 2001, and particularly tourist and regional locations where the residential market is often more transient. Clearly, Airlie Beach fits that category.

  Shareholders will recall that in 2006, the QTI board moved to take advantage of what it considered to be over-exuberance in the pricing of operating hotels in Australia by selling the Magnums Hotel freehold and business for around $16 million. The QTI board has always tried to take a realistic but conservative view of how the value of assets, generally were reflected in the financial accounts of the Group. In the last two years, the board has deferred commissioning an independent valuation of its direct property assets as it was aware that no comparable sales data was available to make a meaningful assessment.

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However, in light of the changes in market values globally in recent times and in line with its stated view on asset valuation, the QTI board requested an independent current market valuation update from Herron Todd White Valuations (Mackay). This was done to assist the board in determining whether the carrying values of its directly owned property assets at Airlie Beach were appropriately stated in the 2010 accounts, taking into account the intentions for the assets.

The total book value of those assets at 30 June 2010, comprising the Airlie Central Development Site, the Magnums Backpackers property and going concern of the business and associated property improvements were carried at approximately $21,400,000.

Herron Todd White has assessed the current market value of these assets on an *en-globo* basis to be $14,750,000 at 30 June 2010.

The QTI board is aware that this assessment of its commercial property values at Airlie Beach currently is made in an environment where there has been no recent, arms-length sale of other comparable property. The few reported sales that have occurred in recent years, have been sales where sellers have been under pressure to dispose of property for particular reasons, often to reduce borrowings or resolve disputes amongst multiple owners.

Such sales often distort the traditional valuation principle of adopting a market value defined as the price that a willing but not anxious buyer is willing to pay to a willing but not anxious seller, because the seller is, in fact, over anxious. Resulting prices, in such circumstances, generally favour the patient buyer; in other words; “a Buyers’ Market” The reality that there have been no arms-length comparable sales, in the QTI board’s view, suggests that it may be misleading to directly apply the current market value methodology to assess the long term holding value of properties that are not held for re-sale.

Notwithstanding this, the QTI board, using abundance of caution, decided that it is appropriate and prudent to write back the asset revaluation amounts taken to account in previous years, in respect of these assets. An adjustment to the deferred tax asset value as a consequence of this is also required.

As result, an impairment of $6,424,264 has been taken to account at balance date comprising reductions to the asset revaluation reserve in respect of property values and $1,496,786 in respect of deferred tax liability. This has resulted in a net increase in income tax expense of $703,844 which is charged against revenue in the Consolidated Statement of Comprehensive Income.

These adjustments result in a decrease in Net Tangible Assets per ordinary share from 79.2 cents at 30 June 2009 to 59.6 cents at 30 June 2010.

In respect of the assets at Airlie Beach, owned by QTI, the board intends to continue to optimize their revenue, their long term values and other unique attributes for the benefit of shareholders in coming years.

The Whitsunday Village Retail Property Trust No 1 commenced in 1997 and has showed attractive and consistent returns based on realistic valuations. QTI manages the Trust as Responsible Entity and also holds a 43% economic interest. Notwithstanding the historical pattern, the retail leasing market at Airlie Beach and many regional areas has been very challenging in the last two years, and for the first time in a decade, several retail shops in the main street of Airlie Beach remain vacant. The Trust has not been without its own challenges in this regard as one of the larger tenants was placed in liquidation and the strata tenancy became vacant in July 2010. Negotiations are in progress with another tenant and should be concluded in the near. This should restore the Trust’s fully-leased position, reflecting its superior location and facility within Airlie Beach.

The Airlie Central Development Site received planning approval in September 2009 after an application process lasting almost five years. An appeal on conditions lodged subsequently has since been withdrawn. The development will not commence, in its current approved form, while the economic volatility remains high, however the asset remains prime in the longer term. A new planning scheme for the local authority, introduced in 2009, also included significant additional development capacity in respect of the Airlie Central site without the need for an extensive new planning application process. Subsequent to balance date, encouraging progress has been made on prospects for a smaller scale development which may be undertaken on a staged basis as appropriate tenants are identified.

OTHER EQUITY INTERESTS

QTI retains its strategic interest of about 33.5% in APA Financial Services Limited (ASX code APP) which remains listed and holds assets comprising cash and an investment in a Sydney based financial services business. That company will be reporting separately to the ASX on its activities and results. QTI director Michael Hackett is a director of APP.

In the 2009 QTI Annual Report, it was reported that QTI had acquired an interest in The Rock Building Society (ROK) and was seeking board representation. Those attempts were not successful and the remaining interest in ROK is carried as an investment currently.

SOME CHANGES TO STRUCTURE GOING FORWARD

For some time, the Directors of QTI have considered that the three segments of Financial Services, Property and Tourism are not an ideal combination for a small company trying to maintain interest from existing and new investors. The directors have previously considered that, at an appropriate time, when the Financial Services business had achieved sufficient momentum, they would propose splitting the company into two separate entities namely a Financial Services listed entity and a Property listed entity. The Directors are currently investigating the potential for undertaking this “demerger” process in the current financial year.

The investigation process requires obtaining specialist advice, particularly regarding maximizing the benefits to shareholders and the income tax implications of the demerger. Implementation would require consideration and approval by shareholders at a general meeting, as well as discussions with regulators and the ASX.

The desired outcomes from a demerger and splitting process for QTI include:

- clearly identifying the activity of each listed entity to appeal to its different potential investors;
- enhancing the investment profile of each listed entity to unlock the historical differential between QTI’s market price of around 35 cents per share versus its Net Tangible Asset backing per share of approximately 60 cents;
- open up options for the separate entities to raise additional capital to accelerate the growth of both segments and to develop specialist and independent management teams with exclusive focus on their separate market segment;
- provide a mechanism to improve share register liquidity, through a capital raising process to reduce the current concentration of ownership.

The directors will be continuing their investigations regarding a possible demerger and its timing and will keep shareholders up to date with progress.

SUMMARY

Despite the challenging economic times QTI remains in a position from which it can grow and prosper and the QTI board and management will work diligently to ensure that this occurs in a planned and considered way.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Consolidated June 2010 $	Consolidated June 2009 $
Revenue		6,063,604	4,574,765
Business operating expenses		(1,230,201)	(939,445)
Employment expenses		(3,860,577)	(2,301,999)
Finance costs		(37,200)	(13,774)
Property operating expenses		(1,028,270)	(795,245)
Impairment of non-current investments		-	(122,638)
Other expenses		(482,437)	(337,543)
Share of profit from associates		97,167	445,479
Profit / (loss) before income tax		**(477,915)**	**509,600**
Income tax benefit /(expense)	*2*	(703,845)	18,081
Profit / (loss) for the year	*1*	**(1,181,760)**	**527,681**
Other comprehensive income			
Net gain/(loss) on revaluation of financial assets		57,155	(95,541)
Net gain/(loss) on revaluation of land and buildings		(4,927,478)	-
Other comprehensive income / (loss) for the year, net of tax		**(4,870,323)**	**(95,541)**
Total comprehensive income / (loss) for the year		**(6,052,083)**	**432,140**
Profit/(loss) attributable to:			
Members of the parent entity		(1,189,328)	466,180
Non-controlling interest		7,568	61,500
		(1,181,760)	**527,681**
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		(6,059,651)	370,640
Non-controlling interest		7,568	61,500
		(6,052,083)	**432,140**

The accompanying notes form part of these financial statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Consolidated June 2010 $	June 2009 $
Current Assets			
Cash and cash equivalents		38,353	374,501
Trade and other receivables		727,817	916,716
Inventories	*3*	9,151	12,061
Other current assets		104,518	97,688
Total Current Assets		879,839	1,400,966
Non-Current Assets			
Inventories	*3*	4,179,500	9,301,398
Deferred tax assets		909,493	739,782
Financial assets		1,257,364	1,834,944
Intangibles	*4*	1,113,620	660,681
Investments in associates	*5*	3,045,313	2,716,370
Property, plant & equipment	*6*	10,895,122	12,134,175
Total Non-Current Assets		21,400,412	27,387,350
Total Assets		22,280,251	28,788,316
Current Liabilities			
Trade and other payables		1,074,344	1,086,805
Borrowings		82,426	13,192
Provisions		96,142	92,331
Total Current Liabilities		1,252,912	1,192,328
Non-Current Liabilities			
Borrowings		45,702	58,895
Deferred tax liability		81,645	643,424
Provisions		57,902	20,515
Total Non-Current Liabilities		185,249	722,834
Total Liabilities		1,438,161	1,915,162
Net Assets		20,842,090	26,873,154
Equity			
Issued capital		4,058,525	4,058,525
Reserves		(12,500)	4,836,805
Retained earnings		16,668,963	17,866,668
Parent entity interest		20,714,988	26,761,998
Non-controlling interest		127,102	111,157
Total Equity		20,842,090	26,873,154

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	Issued Capital Ordinary $	Retained Earnings $	Asset Revaluation Reserve $	Financial Asset Revaluation Reserve $	Option Reserve $	Minority Interests $	Total $
Balance at 1 July 2008	4,058,525	17,400,487	4,927,478	-	-	49,657	26,436,147
Profit / (loss) attributable to members of parent entity	-	466,181	-	-	-	-	466,181
Amortisation of options for period	-	-	-	-	4,868	-	4,868
Profit / (loss) attributable to non-controlling interests	-	-	-	-	-	61,500	61,500
Total other comprehensive income / (loss) for the period	-	-	-	(95,541)	-	-	(95,541)
Balance at 30 June 2009	4,058,525	17,866,668	4,927,478	(95,541)	4,868	111,157	26,873,154
Balance at 1 July 2009	4,058,525	17,866,668	4,927,478	(95,541)	4,868	111,157	26,873,155
Profit / (loss) attributable to members of parent entity	-	(1,189,328)	-	-	-	-	(1,189,328)
Amortisation of options for period	-	-	-	-	21,018	-	21,018
Net gain / (loss) on write-back of inventories to cost (note 3(b))	-	-	(4,179,500)	-	-	-	(4,179,500)
Net gain / (loss) on revaluation of freehold land and buildings (note 6(a))			(747,978)				(747,978)
Transfer (to)/ from retained earnings		(8,377)				8,377	-
Profit / (loss) attributable to non-controlling interests	-	-	-	-	-	7,568	7,568
Total other comprehensive income / (loss) for the period	-	-	-	57,155	-	-	57,155
Balance at 30 June 2010	4,058,525	16,668,963	-	(38,386)	25,886	127,102	20,842,090

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CONSOLIDATED STATEMENT OF CASH FLOWS

		Consolidated	
		June	**June**
	Note	**2010**	**2009**
		$	**$**
Cash Flows from Operating Activities			
Receipts from customers		6,347,763	4,053,287
Payments to suppliers and employees		(6,781,924)	(3,747,032)
Trust distributions		163,561	466,579
Interest received		77,354	144,283
Dividend received		64,402	90,006
Finance costs		(37,200)	(13,774)
Net operating cash flows	*7(a)*	(166,045)	993,349
Cash Flows from Investing Activities			
Payment for property, plant & equipment		(194,393)	(101,593)
Payment for investment in associate	*7(c)*	-	(21,100)
Payment for development costs		(109,027)	(299,736)
Payment for subsidiaries, net of cash acquired	*7(b)*	(474,751)	-
Purchase of intangible assets - website development and software		(33,271)	(120,713)
Proceeds from sale of financial investments		721,710	1,695,719
Purchase of available for sale financial investments		(136,413)	(3,645,454)
Net investing cashflows		(226,146)	(2,492,878)
Cash Flows from Financing Activities			
Proceeds from commercial bill facility		350,000	-
Proceeds from other borrowings		126,397	72,087
Repayment of borrowings		(420,355)	-
Net financing cash flows		56,042	72,087
Net increase / (decrease) in cash held		(336,148)	(1,427,442)
Cash at the beginning of the period		374,501	1,801,943
Cash at the end of the financial period		38,353	374,501

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. PROFIT / (LOSS) FOR THE YEAR

	Consolidated	
	June 2010 $	June 2009 $
Revenue		
Rendering of services	2,741,879	2,816,519
Financial services income	2,721,478	1,116,826
Management fees received	20,735	93,520
Sale of goods	161,940	201,423
	5,646,032	**4,228,288**
Other revenue:		
Dividends received - other corporations	66,775	90,006
Interest received - related parties	65,455	47,590
Interest received - other persons	36,440	96,693
Rental revenue	3,900	7,800
Grant funding	8,456	5,000
Other revenue	144,028	99,386
	325,054	**346,475**
Other income:		
Gain on remeasurement of investment on conversion to associate	70,986	-
Net gain on disposal of non-current investments	21,532	-
	92,518	**-**
Total revenue	**6,063,604**	**4,574,765**
Expenses		
Finance costs		
Bank Loans and overdrafts	(28,063)	(12,966)
Finance charges payable under finance leases and hire purchase contracts	(9,137)	(808)
Total finance costs	**(37,200)**	**(13,774)**
Depreciation and amortisation of non current assets		
Trademarks	(548)	(555)
Software	(80,291)	-
Buildings	(90,297)	(90,289)
Leasehold improvements	(6,376)	(5,729)
Plant and equipment	(139,101)	(108,461)
Leased plant and equipment	(9,780)	(1,795)
Total depreciation & amortisation	**(326,393)**	**(206,829)**
Employee benefits expense		
Wages and salaries costs	(3,426,813)	(2,089,746)
Superannuation	(294,645)	(176,473)
Employee benefits provisions	(118,101)	(30,912)
Share based payments - options	(21,018)	(4,868)
Total employee benefits expense	**(3,860,577)**	**(2,301,999)**
Loss on sale of non-current investments	-	(25,010)
Foreign currency translation loss	(9)	72
Rental expense on operating leases	(374,083)	(253,866)
Cost of sales	(85,792)	(102,232)
Other significant expenses		
Impairment of non-current investments	-	(122,638)

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE

	Consolidated	
	June 2010 $	June 2009 $
The components of tax expense / (benefit) comprise		
- Current tax	8,594	-
- Deferred tax	741,241	148,902
- Recoupment of prior year tax losses	(53,842)	(93,365)
- Under / (over) provision prior year	7,852	(73,618)
	703,845	**(18,081)**
The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable / (benefit) on profit / (loss) from ordinary activities before income tax at 30% (2009: 30%):	(143,374)	152,880
Add /(less)		
Tax effect of:		
- tax losses not recognised	123,851	-
- non-assessable component of distribution from associate	(17,893)	(5,439)
- franking credit tax loss offset	(38,934)	-
- research and development claim	(44,811)	-
- non-deductible option expense	6,305	-
- other non-deductible items	(11,100)	1,461
- recognition of prior year tax losses not previously brought to account	(53,842)	(93,365)
- write-back of future income tax benefit of tax losses no longer relisable	1,503,600	-
- write back of deferred tax liability of capitalised development costs	(627,811)	-
- under/(over) provision prior year	7,854	(73,618)
Income tax expense / (benefit) attributable to entity	**703,845**	**(18,081)**

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

3. INVENTORIES

		Consolidated	
		June 2010	June 2009
		$	$
Current			
Stock in trade at cost		9,151	12,061
Total current inventories		9,151	12,061
Non-Current			
Development property at deemed cost		-	9,301,398
Development property at lower of deemed cost and NRV	*(b)*	4,179,500	-
		4,179,500	9,301,398
Total		4,188,651	9,313,459
Development property			
Opening Balance as at 1 July		9,301,398	11,976,662
Transfer of development property to land and buildings	*(a)*	-	(2,975,000)
Development costs capitalised		109,027	299,736
Write back of asset revaluation reserve	*(b)*	(5,230,925)	-
Total development property as at 30 June		4,179,500	9,301,398

(a) On 20 June 2009 the board decided to transfer a parcel of the development property land to freehold land held by Queensland Resorts Pty Ltd for use in its backpacker operations. The value of the land transferred was $2,975,000.

(b) Included in inventories is development property at cost. In 2002 the property was classified as land and buildings and the revaluation was taken to asset revaluation reserve. The asset was subsequently re-classified to inventory and shown at deemed cost. In the fourth quarter of 2010 the directors, in view of changes in the real estate market globally and in Australia decided to write-back the property value to cost. The effect of this was to reduce the value of the property by $5,230,925, comprising asset revalaution reserve of $4,179,500 and deferred tax liability of $1,051,425. To assist the directors in making a prudent assessment of the value of the property, the directors commissioned Herron Todd White Valuers (Mackay) (HTW) to undertake a current market value assessment of its value. HTW assessed the value at 30 June 2010 to be $4,179,500. (refer directors' commentary)

4. INTANGIBLE ASSETS

		Consolidated	
		June 2010	June 2009
		$	$
Goodwill - at cost		253,878	253,878
less accumulated impaired losses		(27,562)	(27,562)
		226,316	**226,316**
Software - at cost	*(a)*	964,857	431,079
less accumulated amortisation		(80,291)	-
		884,566	**431,079**
Trademarks and patent - at cost		4,382	4,382
less accumulated amortisation		(1,644)	(1,096)
		2,738	**3,286**
Total Intangible Assets		**1,113,620**	**660,681**

(a) Through the acquisition of Administration Partners Pty Ltd, $500,507 of portfolio administration software was acquired (Refer note 7(b)).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS IN ASSOCIATES

	Consolidated June 2010 $	Consolidated June 2009 $
Investment in associates	3,045,313	2,716,370

Interests are held in the following associated entities:

Name	Principal Activities	Country of Incorporation	Type	Ownership Interest 2010 %	Ownership Interest 2009 %	Carrying Amount of Investment 2010 $	Carrying Amount of Investment 2009 $
Unlisted:							
Whitsunday Village retail property Trust No 1	Investment Property Management	Australia	Units	42.92	42.92	2,649,977	2,716,370
Listed:							
APA Financial Services Limited	Asset Investment Portfolio Administration	Australia	Shares	33.58	-	395,336	-
						3,045,313	**2,716,370**

(i) Whitsunday Village Retail Property Trust No 1

The Group has a 42.92% (2009: 42.92%) interest in the Whitsunday Village Retail Property Trust No.1, which is an unlisted property trust involved with retail property located in Airlie Beach. Distributions from the trust have reduced from 2009 directly as a result of the sale of two strata title lots in 2009.

(ii) APA Financial Services Limited ("APA")

On 9 February 2010 the group acquired a further 16.79% to hold a 33.58% (2009: 16.79%) interest in APA and become an associate of the Group. APA is an ASX listed entity with interests in portfolio administartion products for the financial services industry. Although APA recorded a small profit in 2010, the group will not record any change in the carrying value of this investment until the group's share of accumulated losses is less than the equity accounted carrying value of the investment.

Summarised presentation of Aggregate Assets, Liabilities and Performance of Associates:

	Consolidated June 2010 $	Consolidated June 2009 $
Current assets	669,299	326,853
Non-current assets	9,765,706	9,290,000
	10,435,005	**9,616,853**
Current liabilities	512,661	453,738
Non-current liabilities	2,833,500	2,833,500
	3,346,161	**3,287,238**
Net assets	**7,088,844**	**6,329,615**
Revenue	1,139,098	1,598,193
Profit / (loss) after income tax of associates	490,575	1,032,716

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT

		Consolidated	
		June 2010 $	June 2009 $
Land and buildings			
Freehold land:			
- at directors' valuation 2009	*(a)*	-	8,142,768
- at Independent valuation 2010	*(b)*	7,307,431	-
Total land		**7,307,431**	**8,142,768**
Buildings			
- at directors' valuation 2009		-	3,751,621
- at Independent valuation 2010	*(b)*	3,122,743	-
less accumulated depreciation		-	(180,579)
Total buildings		**3,122,743**	**3,571,042**
Total land and buildings, net		**10,430,174**	**11,713,810**
Plant and equipment owned			
- at cost		1,753,719	1,561,454
less accumulated depreciation		(1,381,803)	(1,242,701)
Total plant and equipment, net		**371,916**	**318,753**
Motor Vehicles			
- at capitalised cost		65,200	65,200
less accumulated depreciation		(11,575)	(1,795)
Total plant and equipment under lease, net		**53,625**	**63,405**
Leasehold improvements			
- at cost		59,915	52,340
Less accumulated amortisation		(20,509)	(14,133)
Total Leasehold improvements, net		**39,406**	**38,207**
Total property, plant and equipment, net		**10,895,122**	**12,134,175**

(a) On 20 June 2009 the board transferred $2,975,000 of land held for development for use in the Group's backpacker operations

(b) The Group's land and buildings were revalued at 30 June 2010 by independent valuers, Herron Todd White (Mackay) (HTW). The valuations was assessed on a current market value basis. HTW's assessment was $10,570,500, however the directors' have adopted $10,430,174. The total write-down from this adjustment is $1,193,399, comprising asset revaluation reserve of $747,978 and deferred tax liability of $445,421.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

7(a). RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER TAX

	Consolidated	
	June 2010 $	June 2009 $
Profit/ (loss) after income tax	(1,181,760)	527,681
Adjustment of non cash items		
Amortisation & depreciation	326,393	206,829
Gain on remeasurement of investment on conversion to associate	(70,986)	-
Share of associated company's net profit after income tax and dividends	66,394	255,573
(Profit) / loss on sale of investments	(21,052)	25,010
Employee option expense	21,018	4,868
Dividend re-investment plan	(29,371)	-
Interest on loan converted to equity in associate	(24,540)	-
Write down of available for sale financial investments	-	122,638
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
Increase/ (decrease) in provisions	19,064	1,095
(Increase)/ decrease in trade debtors and receivables	(6,208)	(614,112)
(Increase)/ decrease in inventories	2,910	(2,578)
(Increase)/ decrease in other assets	-	67,226
Increase/ (decrease) in trade creditors	(41,057)	417,200
(Increase)/ decrease in deferred tax assets and liabilities	773,150	(18,083)
Net operating cash flows	(166,045)	993,349

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

7(b). ACQUISITION OF ENTITIES

On 11 September 2009 QTI acquired 100% of the issued capital and control of Gpen Pty Ltd and Hookswood Pty Ltd, for a purchase consideration of $514,819. As a result of the acquisition, Gpen Pty Ltd and Hookswood Pty Ltd became subsidiaries of QTI. Subsequent to the acquisition, on 10 November 2009 Gpen Pty Ltd changed its name to Administration Partners Pty Ltd. This acquisition is part of the Group's overall strategy to expand its financial services business into superannuation administration.

	Fair Value	Acquiree's Carrying amount
	$	**$**
Purchase consideration:		
Cash	514,819	
	514,819	
Less:		
Cash and cash equivalents	40,068	40,068
Deferred tax assets	7,854	-
Receivables	11,717	11,717
Property, plant & equipment	5,447	5,447
Intangible Assets - Software	500,507	-
Payables	(28,645)	(28,645)
Employee leave provisions	(22,129)	(22,129)
Identifiable assets acquired and liabilities assumed	**514,819**	**6,458**

Cash flow reconciliation:	
Purchase consideration settled in cash	514,819
Cash and cash equivalents in subsidiary acquired	(40,068)
Cash outflow on acquisition	**474,751**

The assets and liabilities arising from the acquisition are recognised at fair value, which are equal to their carrying value at acquisition date.

Since the date of acquisition, losses and revenue relating to Administration Partners Pty Ltd and Hookswood Pty Ltd amounting to $241,216 and $488,664 respectively have been included in the consolidated statement of comprehensive income for the year ended 30 June 2010.

Had the results of these entities been consolidated from 1 July 2009, consolidated revenues would have been $573,594 and combined losses of the consolidated group would have been $271,066 for the year ended 30 June 2010.

7(c). NON-CASH FINANCING AND INVESTING ACTIVITIES

(i) Acquisition of Investment in Associate - APA Financial Services Limited ("APA")

During the year the group acquired a further 16.79% interest in APA at a cost of $199,995. The cost of this investment was offset against a loan and accrued interest payable to the group from APA.

(ii) Dividend Reinvestment

During the year the group acquired 12,232 ordinary shares valued at $29,371 in The Rock Building Society, via a dividend reinvestment plan.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

8. CONTINGENT LIABILITIES

Since the last annual reporting period, there has been no material change in the contingent liabilities of the Consolidated Entity.

Queensland Trustees & Investment Limited and the following subsidiary companies entered into a deed of cross guarantee dated 17 June 1994, which provides that all parties to the deed will guarantee each creditor, payment in full of any debt of each company participating in the deed on the winding-up of that company. They are all parties to the deed of cross guarantee and are members of the "closed group". In addition, as a result of the class order by the Australian Securities & Investment Commission, these companies are relieved from the requirement to prepare financial statements.

- Corporate Solutions Pty Ltd
- QTI Managed Funds Limited
- Budget Traveller Group Pty Ltd
- Australian Share Registers Pty Ltd
- Queensland Resorts Pty Ltd
- Magnums Backpackers & Bar Pty Ltd

9. RELATED PARTIES

All arrangements with related parties continue to be in place. For details of these arrangements, refer to 30 June 2009 annual financial report.

10. DIVIDENDS

No dividend has been paid or recommended for the reporting period.

11. DIVIDEND REINVESTMENT PLAN

The company does not operate a dividend reinvestment plan.

12. EARNINGS PER SECURITY (EPS)

	Consolidated	
	June 2010 Cents	June 2009 Cents
Basic EPS	-3.6	1.4
Diluted EPS	-3.6	1.4

Weighted average number of ordinary shares	**Number of Shares**	**Number of Shares**
Used in the calculation of basic earnings per share	33,110,131	33,110,131
Used in the calculation of diluted earnings per share	33,188,679	33,125,674

13. NET TANGIBLE ASSET BACKING PER SECURITY

	Consolidated	
	June 2010 Cents	June 2009 Cents
Net tangible asset backing per ordinary security	59.6	79.2

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

14. LOSS OR GAIN OF CONTROL OVER OTHER ENTITIES

Refer to Note 7(b) for further details.

15. ASSOCIATES OR JOINT VENTURES

Refer to note 5 for further details.

16. OTHER SIGNIFICANT INFORMATION

Refer to Managing Director's statement attached.

17. FOREIGN ENTITIES

Not applicable.

18. COMMENTARY ON RESULTS FOR THE PERIOD

Refer to Managing Director's statement attached.

19. ORDINARY SECURITIES

	Consolidated	
	June 2010 Number	June 2009 Number
Fully Paid listed shares	33,110,131	33,110,131
Total at the end of the reporting period	33,110,131	33,110,131

20. AUDIT STATUS

This Appendix 4E has been prepared from accounts which are in the course of being audited however the process is not complete. There is no reason to believe that the Auditor's report, when complete, will contain any qualification or material amendment.

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