

# QUANTUM PROPERTY TRUST NO. 11

ARSN: 108 475 476

# financial report

FOR THE PERIOD ENDED 30 JUNE 2004

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**Responsible Entity**

Quantum Syndicate Management Ltd

ABN: 37 086 965 684

AFSL: 237301

Level 9

49-51 York Street

SYDNEY NSW 2000

GPO Box 2593

SYDNEY NSW 2001

Telephone: (02) 9262 4443

Facsimile: (02) 9262 2071

Internet: [www.quantumgroup.com.au](http://www.quantumgroup.com.au)

**Custodian**

JPMorgan Trust Australia Ltd

ABN: 49 050 294 052

Level 35

AAP Centre

259 George Street

SYDNEY NSW 2000

**Auditor**

Pascoe Whittle

Level 8

191 Clarence Street

SYDNEY NSW 2000

**Share Registry**

Newcastle Capital Markets

10 Murray Street

HAMILTON NSW 2303

## DIRECTORS REPORT

*The Directors of Quantum Syndicate Management Ltd, the Responsible Entity of Quantum Property Trust No.11 ("the Scheme") submit the report of the Scheme for the period ended 30 June 2004*

### DIRECTORS

The names of the Directors of Quantum Syndicate Management Ltd in office during the financial year and until the date of this report are:

Geoffrey Hodgkinson (Chairman)  
 Peter Gribble  
 Jonathan Martin  
 James Maitland

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

### *Relevant Interest in the Scheme and options over Interests in the Scheme*

As at the date of this report, the Interests of the Directors in the Scheme and options over Interests in the Scheme were:

	Relevant Interest	Options over Interests
	<i>Fully paid Units</i>	
Geoffrey Hodgkinson	0	0
Peter Gribble	0	0
Jonathan Martin	50,000^	0
James Maitland	0	0

*^In capacity as trustee; beneficially held by a related party of Peter Gribble*

The Directors are not party to any contract to which the Directors may be entitled to a benefit or that confer a right to call for or deliver Interests in the Scheme.

### PRINCIPAL ACTIVITIES

The principal activity of the Scheme during the year was to invest funds in accordance with the provisions of the Scheme Constitution. The Scheme invests in Managed Investments Schemes that hold direct property, money market securities and fixed interest securities, in accordance with the provisions of the constitution. There have been no significant changes in the nature of those activities during the year.

## DIRECTORS REPORT

### SCHEME INFORMATION

Quantum Property Trust No.11 is a listed Australian registered Managed Investment Scheme. Quantum Syndicate Management Ltd, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia.

The Scheme was officially listed to trade on the Stock Exchange of Newcastle Ltd on 16 July 2004 (trading code QPTXXK).

The registered office of the Responsible Entity is located at level 9, 49-51 York Street, Sydney, NSW, 2000.

At balance date, the Scheme had no employees.

### OPERATING RESULTS

The net operating income is presented in the Statement of Financial Performance. The net profit attributable to the Members of the Scheme for the period ending 30 June 2004 amounted to a profit of \$7,614.

### REVIEW OF OPERATIONS

The Scheme owns a twenty-five percent interest in Quantum Property Syndicate No.11 ARSN: 108 475 716 (QPS11) the following information is some of the relevant financial information on QPS11 as a whole:

Total Assets	\$12,590,798
Total Equity	\$12,379,459
Net Loss	(\$53,931)
Distribution Per Interest (cents)	(0.06)

### DISTRIBUTIONS

No distributions were paid during the period ending 30 June 2004. Please refer to Note 13 in the Notes to Financial Statements for complete details regarding distributions.

### UNITS ON ISSUE

3,120,000 Units of Quantum Property Trust No.11 were on issue at 30 June 2004. There were 3,120,000 new Units issued and no Units redeemed during the year, refer to Note 11 in the Notes to Financial Statements for further information.

### OPTIONS

No options over issued Units in the Scheme were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### SCHEME ASSETS

At 30 June 2004, Quantum Property Trust No.11 held assets to a total value of \$3,179,460. The basis for valuation of the assets is disclosed in Note 1 in the Notes to Financial Statements.

### FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

The following fees were paid to the Responsible Entity out of Scheme property during the financial year;

- Management fee for the financial year paid to the Responsible Entity was \$0 (2003: \$0)
- Other fees for the financial year paid to related parties of the Responsible Entity was \$0 (2003: \$0)

Refer to Note 18 in the Notes to Financial Statements for further details regarding the fees paid to the Responsible Entity.

The Responsible Entity and its associates did not hold any Units in the Scheme for the financial year ended other than as set out in Note 18 in the Notes to Financial Statements.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes to the state of affairs of Quantum Property Trust No.11 during the year, other than those changes otherwise identified in this financial report.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Scheme was officially listed to trade on the Stock Exchange of Newcastle Ltd on 16 July 2004. There have been no other matters or circumstances that has arisen since the end of the financial year that has significantly affected, or may affect the Schemes operations in future financial years, the results of those operations or the Schemes state of affairs in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The investment strategy of the Scheme will be maintained in accordance with the Scheme Constitution and investment objectives.

The Responsible Entity will undertake no further investments in Managed Investment Schemes, unless approved by Members. Future results will depend on the performance of the market in relation to the Schemes investment strategy.

### ENVIRONMENTAL REGULATION AND ISSUES

The operations of the Scheme are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.

## **DIRECTORS REPORT**

### **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

The Scheme has indemnified all officers and employees of the Responsible Entity against liabilities of the Scheme, under the Constitution other than if;

“... provided that the Manager did not act negligently, fraudulently or in breach of duty or breach of trust and acted, in accordance with this Constitution or the law; and acted in good faith”

During the year the Responsible Entity has paid premiums in respect of their officers for liability and professional indemnity insurance for the year ended 30 June 2004. The Responsible Entity has paid or agreed to pay premiums in respect of such insurance contracts for the following year. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the director or executive officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure may be prohibited under the terms of the contracts.

### **PROCEEDINGS ON BEHALF OF MANAGED INVESTMENT SCHEME**

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

The Scheme was not a party to any such proceedings during the year.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Quantum Syndicate Management Ltd support and have adhered to the principles of corporate governance, other than as noted below.

Outlined below are the following recommendations that have not been followed by the Responsible Entity and the explanation for the departure from best practice recommendations:

- The majority of board members is not made up of independent Directors. Based upon the relatively small size of the operations of the Responsible Entity and the appointment of an independent Director as the chairperson, the Responsible Entity feels that this structure effectively adds value to the company;
- An audit committee has not been established. This is due mainly to the relatively small size of the operations, and the board consults regularly on financial issues concerning the company;
- The Responsible Entity has not requested the attendance by the external auditor of the Scheme at the annual general meeting. Should any Members of the Scheme raise any questions at the meeting in respect to the conduct of the audit and the preparation and content of the audit report, the Responsible Entity will convey these to the auditor, and seek to provide the Members of the Scheme with a written response by the Auditor.
- A remuneration committee has not been established. This is due mainly to the relatively small size of the operations, and the board consults regularly on remuneration issues concerning the Directors and executives of the company.

### BOARD COMMITTEES

As at the date of this report, the Responsible Entity had a Compliance Committee and a Nominating Committee.

Members acting on the committees of the board during the year were:

#### *Nominating*

Peter Gribble<sup>^</sup>  
Jonathan Martin

#### *Compliance*

Geoffrey Hodgkinson  
Jonathan Martin  
Andrew Thomas <sup>^</sup>@  
Edmund Khalaf @  
Christopher Nicholls @

<sup>^</sup> Chairman of the committee.

@ Andrew Thomas, Edmund Khalaf and Christopher Nicholls are independent consultants and not Directors of the Responsible Entity.

## DIRECTORS REPORT

### DIRECTORS MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors Meetings	Meetings of Committees	
		Nominating	Compliance
<b>Number of meetings held</b>	<b>12</b>	<b>0</b>	<b>5</b>
<b>Number of meetings attended</b>			
Geoffrey Hodgkinson	12	-	5
Peter Gribble	12	0	-
Jonathan Martin	12	0	5
James Maitland	12	-	-

Signed in accordance with a resolution of the Directors



Geoffrey Hodgkinson  
Chairman  
Quantum Syndicate Management Ltd

Sydney, 14 September 2004



**STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2004

	Note	30 June 2004
<b>CURRENT ASSETS</b>		
Cash		84,595
Receivables	3	0
Other	4	0
		<b>84,595</b>
<b>NON CURRENT ASSETS</b>		
Managed Investment Schemes	5	3,094,865
Other	6	0
		<b>3,094,865</b>
<b>TOTAL ASSETS</b>		<b>3,179,460</b>
<b>CURRENT LIABILITIES</b>		
Payables	7	0
Provisions	8	11,653
Other	9	63,499
		<b>75,151</b>
<b>NON CURRENT LIABILITIES</b>		
Interest Bearing Liabilities	10	0
		<b>0</b>
<b>TOTAL LIABILITIES</b>		<b>75,151</b>
<b>NET ASSETS</b>		<b>3,104,309</b>
<b>MEMBERS FUNDS</b>		
Units on Issue	11	3,120,000
Reserves	12	(11,653)
Undistributed Income	13	(4,039)
<b>TOTAL MEMBERS FUNDS</b>		<b>3,104,309</b>

**STATEMENT OF FINANCIAL PERFORMANCE  
AND DISTRIBUTION**  
FOR THE PERIOD ENDED 30 JUNE 2004

Note		30 June 2004
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>		
<b>REVENUE AND EXPENSES FROM ORDINARY ACTIVITIES</b>		
Investment Income		(1,830)
Interest Income		9,556
<b>Net Income Before Other Expenses</b>	<b>2</b>	<b>7,725</b>
Custodian Fee	19	0
Audit Fees	20	0
Managers Service Fee	18	0
Other Expenses		(112)
<b>Total Other Expenses</b>		<b>(112)</b>
<b>NET PROFIT</b>		<b>7,614</b>
<b>TOTAL CHANGE IN EQUITY EXCLUDING DISTRIBUTIONS AND INTEREST ISSUES</b>		<b>7,614</b>
Basic Earnings per Unit (cents per unit)	22	0.24
Diluted Earnings per Unit (cents per		0.24
<b>STATEMENT OF DISTRIBUTION</b>		
<b>Net Profit Attributable to the Members of the Scheme</b>		<b>7,614</b>
Net Transfers (to)/from Reserves	13	0
Undistributed Income	12	(4,039)
<b>DISTRIBUTION PAID AND PAYABLE</b>	<b>13</b>	<b>11,653</b>

**STATEMENT OF CASH FLOWS**  
FOR THE PERIOD ENDED 30 JUNE 2004

Note	30 June 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Investment Income Received	11,653
Interest Received	9,556
Fees and Other Expenses Paid	(112)
<b>Net Cash Flows from Operating Activities</b> 14(a)	<b>21,096</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisition of Investments	(3,056,501)
Repayment of Loans	0
Provision of Loans	0
<b>Net Cash Flows from Investing Activities</b>	<b>(3,056,501)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from Equity Raising	3,120,000
Distributions Paid to Unit Holders	0
<b>Net Cash Flows from Financing Activities</b>	<b>3,120,000</b>
<b>NET (DECREASE)/INCREASE IN CASH</b>	<b>84,595</b>
Opening Cash	0
<b>CLOSING CASH</b> 14(b)	<b>84,595</b>

## **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) BASIS OF FINANCIAL REPORT**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Scheme in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### **(b) ASSET INVESTMENTS**

Investments of the Scheme are valued at either cost or fair value as at reporting date. Specifically, investment asset classes are valued on the following basis:

#### ***Interest Bearing Securities***

The net market value of bank accepted bills, promissory notes, negotiable certificates of deposit, corporate bonds, indexed bonds and government bonds is determined by reference to the last available market sales prices of the securities on the recognised exchange platform through which they are ordinarily traded.

Interest bearing securities that are not traded frequently are valued at Directors' valuation, which is based on the quoted market price of securities with similar terms and maturity. Where appropriate, price adjustments will be made to reflect the relative risk premium attached to specific issues of interest bearing securities.

#### ***Unlisted Managed Investment Schemes***

The net market value of unlisted managed investment schemes is determined on the basis of the published unit prices of the scheme, which is determined by reference to the net asset value of the relevant scheme on a per unit basis on the last day of the period.

#### ***Unlisted Equities***

For unlisted equity investments where current market valuations are not readily available, a net fair value is determined in good faith by the Responsible Entity at balance date. In circumstances where an investment is individually material to the Scheme's total asset holdings, an independent valuation is sought from a reputable third party.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2004**

**(c) REVENUE AND RECEIVABLES**

Revenue from distributions and interest is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. Revenue brought to account but not received on balance date is recognised as a receivable.

Receivables are recognised and carried at original amount, less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest and distributions are taken up as income on an accrual basis.

**(d) EXPENDITURE AND TRADE CREDITORS**

Expenditure including interest and other expenses is taken up as an expense on an accrual basis.

Liabilities for creditors are carried at cost, which is fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

**(e) GOODS AND SERVICES TAX**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST which is recoverable or payable to the taxation authority is included in the Statement of Financial Position as an other asset or liability.

The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cashflows.

**(f) INCOME TAX**

Under current tax legislation, the Scheme is not liable to pay income tax provided its taxable income and taxable realised capital gains are fully distributed to Members.

**(g) CASH AND CASH EQUIVALENTS**

Cash on hand and in banks and short-term deposits are stated at nominal values.

For the purpose of the Statement of Cash Flows, cash includes cash at bank, deposits at call and short term money market securities which are readily convertible to cash on hand.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2004**

**(h) LOANS PROVIDED**

*Unsecured Loans*

Unsecured loans are measured at the principal amount, allowing for any repayments or drawdowns. Interest is charged on the balance at a fixed rate as simple interest as it accrues.

Interest brought to account but not received during the year is recognised as a receivable, and any amount not received at balance date is then added to the loan balance as a drawdown on each balance date.

**(i) COMPARATIVE AMOUNTS**

When necessary, comparative information has been reclassified to achieve consistency in disclosure with the current period amounts and other disclosures.

**(j) CHANGE IN ACCOUNTING POLICY**

There have been no changes to accounting policies to the Scheme during the last financial year.

**(k) ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Responsible Entity Directors, along with its auditors, are assessing the significance of these changes and preparing for their implementation. As the Scheme has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Scheme prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Scheme. At this stage the Responsible Entity has not been able to reliably quantify the impacts on the financial report.

*Impairment of Assets*

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Scheme's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet know.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2004

#### *Classification of Financial Instruments*

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are;

- loans and receivables- measured at amortised cost,
- held to maturity- measured at amortised cost,
- held for trading- measured at fair value with fair value changes charged to net profit or loss,
- available for sale- measured at fair value with fair value changes taken to equity,
- non-trading liabilities- measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

The main asset of the Scheme is the interest it holds in Quantum Property Syndicate No.11 (QPS11). Set out below are the key areas where accounting policies of that scheme will change and may in turn have an impact on the financial report of the Scheme. At this stage the Responsible Entity has not been able to reliably quantify the impacts on the financial report.

#### *Investment Property*

Under AASB 140 Investment Property, when measured at fair value; the changes in fair value are recognised in the profit and loss account. The opening balance held in the asset revaluation reserve account will need to be transferred to undistributed income at transition. It is not expected that this will affect the Scheme as the assets are valued at cost not fair value.

#### *Operating Leases – Incentives*

Under AASB 117 Leases, lease incentives are to be separately classified as assets at cost and recognised as an expense, on a straight line basis over the life of the lease. These assets then form part of the value of the property when determined under fair value, or cost with impairment testing. The future financial effect of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet know.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

**2 NET INCOME BEFORE OTHER EXPENSES**

	30 June 2004
<b>Investment income</b>	
-Distributions	(1,830)
-Guarantee fees	0
	(1,830)
<b>Interest income</b>	
-Bank interest	9,556
	9,556
	<b>7,726</b>

**3 RECEIVABLES**

Distributions are receivable on an annual basis, as at balance date there were no distributions receivable.

**4 OTHER ASSETS (CURRENT)**

As at balance date the Scheme had no other current assets, other than as disclosed in this financial report.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

**5 MANAGED INVESTMENT SCHEMES**

These investments are valued in the Financial Statements at cost.

	<b>30 June 2004</b>
Issued Interests- at cost	3,120,000
Distributed losses	(13,483)
Reserves	(11,653)
	<b>3,094,865</b>
Book value at beginning of the year	0
Acquisitions	3,120,000
Distributed losses	(13,483)
Distributed reserves	(11,653)
	<b>3,094,865</b>

The reserves above are the Scheme's share of the reserves of QPS11, which is used to record tax free and tax deferred amounts distributed to Members. These amounts are not taxable to the Scheme, but they reduce the value of the equity the Scheme holds in QPS11.

**VALUATIONS**

The accounting policy of the Scheme is to value its unlisted managed investment schemes on the basis of the published unit prices of the scheme, which is determined by reference to the net asset value of the relevant scheme on a per unit basis at balance date.

The current accounting policy of QPS11 with respect to non-current assets is to value these at cost, therefore the valuation used above is based upon cost.

**OTHER INFORMATION**

QPS11 has not directly borrowed any long term funds, the other Members of QPS11 (the "Owners") have collectively borrowed funds in order to purchase interests in QPS11.

QPS11 has pledged as security over these loans;

- registered first mortgage over the property asset of QPS11,
- registered second mortgage over the property asset of QPS11, and
- a fixed and floating charge over the assets of QPS11

These pledges have been approved by all of the Members of QPS11, and the Owners pay a fee to the Scheme for the use of their share of QPS11 assets as security for the borrowings.

The Owners are primarily relying on their distributions from QPS11 net profits to meet their borrowing cost obligations, should these distributions fall short of the amount required, the Scheme has agreed to provide an unsecured loan to the Owners.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

**6 OTHER ASSETS (NON CURRENT)**

As at balance date the Scheme had no other non-current assets, other than as disclosed in this financial report.

**7 PAYABLES (CURRENT)**

Trade liabilities are normally settled on 30 day terms, as at balance date there were no payables.

**8 PROVISIONS**

Distributions payable represent a final distribution of 0.37 cents per Unit for the financial year ended 30 June 2004.

	30 June 2004
Distribution payable	11,653
	11,653

**9 OTHER LIABILITIES (CURRENT)**

As at balance date the amount owing to QPS11 has been classified as a prepaid distribution for the financial year ended 30 June 2004. This amount is not assessable to the Scheme but will form part of the payment of distributions for the year ending 30 June 2005.

Prepaid distributions QPS11	63,499
	63,499

**10 INTEREST BEARING LIABILITIES**

The Scheme has not borrowed any funds and does not intend to borrow any funds

Interest bearing liabilities	0
	0

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

**11 UNITS ON ISSUE**

This represents the amount of equity raised by the Scheme:

			30 June 2004
	Date of Issue	Number of Interests	
Ordinary Units issued at \$1.00 per Unit	29 June 2004	3,120,000	3,120,000
			<b>3,120,000</b>

***Rights and Restrictions over Ordinary Units:***

Each Unit ranks equally with all other Ordinary Units for the purpose of distributions and on termination of the Scheme.

Ordinary Units entitle the holder to one vote on a show of hands, or if a poll is called, one vote for each percentage of the total issued Units held by that Unit holder, either in person or by proxy, at a meeting of the Scheme.

**12 RESERVES AND UNDISTRIBUTED INCOME**

Distributions	(11,653)
Undistributed income	(4,039)
	<b>(15,691)</b>
<b>Distributions reserve</b>	
<i>(i) Nature and purpose of reserve</i>	
The distributions reserve is used to record tax free and tax deferred distribution amounts received from Investments. The payment of these amounts to Members of the Scheme reduces the value of the equity each Member holds in the Scheme	
<i>(ii) Movements in reserve</i>	
Balance at beginning of year	0
Distributions paid to Members	(11,653)
Balance at end of year	<b>(11,653)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

**13 DISTRIBUTIONS**

	30 June 2004
<b>Statement of distribution</b>	
Net profit attributable to Members of the Scheme	7,614
Net transfers from general reserve	0
Undistributed income	0
<b>Amount available for distribution to Members</b>	<b>7,614</b>
Distribution paid and payable	
-For half year ended 31 December	0
-For year ended 30 June	11,653
<b>Total distributions</b>	<b>11,653</b>
<b>Undistributed income carried forward</b>	<b>(4,039)</b>
<b>Components of distribution</b>	
	<i>Cents Per Interest</i>
Distribution- half year ended 31 December	0.00
Distribution- year ended 30 June	0.37
	<b>0.37</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

**14 STATEMENT OF CASH FLOWS**

**a) RECONCILIATION OF NET PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

	30 June 2004
Net Profit	7,614
Add back non cash income	13,483
<b>Movement in assets and liabilities:</b>	
Distribution receivable	0
Good & services tax	0
<b>Net cash inflows from operating activities</b>	<b>21,096</b>

**b) RECONCILIATION OF CASH**

<b>Cash balance comprises:</b>	
-cash assets	84,595
	<b>84,595</b>

**15 CAPITAL EXPENDITURE COMMITMENTS**

Estimated capital expenditure contracted for at balance date but not provided for.

Not later than one year	0
Later than one year, but not later than five years	0
Later than five years	0
	<b>0</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

**16 FINANCIAL INSTRUMENTS**

**INTEREST RATE RISK**

The Schemes exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate	Fixed interest rate maturing in			Non-interest bearing	Total carrying amount as per statement of financial position
		1 year or less	Over 1 to 5 years	More than 5 years		
	2004	2004	2004	2004	2004	2004
<b>Financial assets</b>						
Cash	84,595	-	-	-	-	84,595
	84,595	0	0	0	0	84,595
Weighted average interest rate	3.75%	3.75%	3.75%	3.75%	3.75%	
<b>Financial liabilities</b>						
Prepaid distribution	-	-	-	-	63,499	63,499
Distribution payable	-	-	-	-	11,653	11,653
	0	0	0	0	75,151	75,151
Weighted average interest rate	N/A	N/A	N/A	N/A	N/A	
<b>Net financial assets/liabilities</b>	<b>84,595</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(75,151)</b>	<b>9,444</b>

## **FINANCIAL INSTRUMENTS (cont'd)**

### **CREDIT RISK**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

### **NET FAIR VALUES**

The net fair values of financial assets and financial liabilities generally approximate their carrying values.

### **HEDGING INSTRUMENTS**

The Scheme does not usually use any hedging instruments, there were no hedging instruments used during the year.

## **17 DIRECTORS AND EXECUTIVE DISCLOSURES**

### **DETAILS OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES**

#### ***Specified Directors***

The Directors of Quantum Syndicate Management Ltd during the year were:

Geoffrey Hodgkinson	Chairman (non-executive)
Peter Gribble	Director and Chief Executive Officer
Jonathan Martin	Director (executive)
James Maitland	Director (executive)

#### ***Specified Executives***

Neither Quantum Property Trust No.11 nor Quantum Syndicate Management Ltd employ persons deemed to be specified executives of the Scheme.

### **REMUNERATION OF SPECIFIED DIRECTORS**

#### ***Remuneration Policy***

Remuneration of Directors is paid directly by either Quantum Syndicate Management Ltd or, one of the subsidiaries of its ultimate parent entity, Quantum Group Holdings Pty Ltd. The Directors do not receive any remuneration directly from Quantum Property Trust No.11. The Remuneration of Directors disclosed below has been based on the estimated proportion of time spent by each Director on the overall property syndication business and then apportioned equally to all registered schemes managed by the Responsible Entity.

The board of Directors are responsible for determining and reviewing compensation arrangements for the Directors of the Responsible Entity. The Directors assess the appropriateness of the nature and amount of emoluments of the Directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 30 JUNE 2004

*Remuneration of Specified Directors*

	<i>Primary</i>	<i>Post Empl'mnt</i>	<i>Equity</i>	<i>Other</i>	<i>Total</i>
<b>Specified Directors</b>	<b>Salary &amp; Fees</b>	<b>Cash Bonus</b>	<b>Super- annuation</b>	<b>Options</b>	
Geoffrey Hodgkinson*	2,953	-	266	-	3,219
Peter Gribble^	12,264	-	741	-	13,005
Jonathan Martin^	4,875	-	750	-	5,625
James Maitland^	3,188	1,149	253	-	4,590
<b>Total</b>	<b>23,280</b>	<b>1,149</b>	<b>2,010</b>	<b>-</b>	<b>26,439</b>

\* The amount of remuneration of non-executive Directors has been determined based on an allocation of their activities attributed to each scheme managed by the Responsible Entity.

^ As these Directors are also Directors of other entities within the wholly-owned group, the amount of remuneration disclosed in the Scheme is based, firstly, on an allocation of their activities attributed to the Responsible Entity and, secondly, on an equal allocation to each scheme managed by the Responsible Entity.

**OTHER TRANSACTIONS AND BALANCES WITH SPECIFIED DIRECTORS**

Apart from the details disclosed in this note, no specified Director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving Directors interests subsisting at year end.

**18 RELATED PARTIES**

**RESPONSIBLE ENTITY**

The Responsible Entity of Quantum Property Trust No.11 is Quantum Syndicate Management Ltd, whose ultimate holding company is Quantum Group Holdings Pty Ltd.

**DIRECTORS**

The Directors of Quantum Syndicate Management Ltd during the year were:

<b>Name</b>	<b>Date of Appointment</b>	<b>Number of interests held</b>
Geoffrey Hodgkinson	Appointed 14 January 2003	0
Peter Gribble	Appointed 1 April 1999	0
Jonathan Martin	Appointed 1 April 1999	50,000^
James Maitland	Appointed 9 April 2002	0

^ Held in capacity as trustee for related party of Peter Gribble



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2004**

**RELATED PARTY TRANSACTIONS**

All related party transactions are conducted on normal commercial terms and conditions.

**FEES**

As the Responsible Entity, Quantum Syndicate Management Ltd receives all management fees which have been deducted from the Scheme during the year. The Responsible Entity is not entitled to any management fees in respect of the management of the Scheme.

Quantum Syndicate Management Ltd provides management services for Quantum Property Trust No.11, and outsources administrative functions to associated entities that are wholly owned by Quantum Group Holdings Pty Ltd.

Quantum Administration Services Pty Ltd provides administrative services to the Scheme, total fees paid or payable for the current year \$0. Quantum Accounting Practice Pty Ltd provides accounting services to the Scheme, total fees paid or payable for the current year \$0.

Transactions between the Scheme and Quantum Syndicate Management Ltd result from normal dealings with that company as the Schemes Responsible Entity. Total fees paid or payable to the Responsible Entity for the current year \$0.

	30 June 2004
<b>Total fees paid or payable for the current year</b>	
-Paid to Responsible Entity	0
-Paid to related parties of the Responsible Entity	0
	<b>0</b>

**OTHER TRANSACTIONS**

Jonathan Martin holds Units in the Scheme in his capacity as trustee for a private Unit Trust, of whom the sole beneficiary is a relative of Peter Gribble. These transactions are on the same terms and conditions as those entered into by other Scheme Members.

From time to time Directors of the Responsible Entity, or their related entities, may invest or withdraw from the Scheme. These transactions are on the same terms and conditions as those entered into by other Scheme Members.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving Directors interests subsisting at year end.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2004**

**19 CUSTODIANS REMUNERATION**

	30 June 2004
<b>Amounts received by JP Morgan Trust Australia Ltd for :</b>	
-Custodial services	0
	0

**20 AUDITORS REMUNERATION**

<b>Amounts received by Pascoe Whittle for :</b>	
-Audit and review of the financial report	0
-Audit and review of the compliance plan	0
	0

**21 NET ASSET BACKING PER INTEREST**

Basic net asset backing is calculated by dividing the Total Members Funds by the number of Ordinary Units on issue. The number of Units used in the calculation of Basic Net Asset Backing is 3,120,000.

Basic net asset backing per unit (\$)	0.99
---------------------------------------	------

**22 EARNINGS PER INTEREST**

Earnings per Interest is calculated by dividing the Net Profit Attributable to Members of the Scheme by the weighted number of Ordinary Units on issue during the year. The weighted average number of Units used in the calculation of earnings per Unit is 3,120,000.

Basic earnings per Interest (cents)	0.24
Diluted earnings per Interest (cents)	0.24

**23 SEGMENT REPORTING**

The Scheme operates in one business segment being unlisted Managed Investment Scheme investments, and in one geographical segment being New South Wales, Australia.

**24 OTHER REQUIRED INFORMATION**

**a) COMMENCEMENT DATE OF SCHEME**

The Scheme was constituted on 2 April 2004.

**b) LIFE OF THE SCHEME**

The term of the Scheme is six years from the date of execution of the constitution (dated 2 April 2004). This term may only be extended if greater than 75% of Members agree. The Scheme must be terminated within twelve years of the execution of the constitution.

**c) BUYBACK OR REDEMPTION**

The Responsible Entity does not anticipate that it will ever be in a position to buy back or redeem any Units in the Scheme to Members unless all assets are sold and are all in cash.

**d) BORROWINGS**

The Responsible Entity does not intend to borrow any funds.

## DIRECTORS DECLARATION

### DIRECTORS DECLARATION

In the opinion of the directors of Quantum Syndicate Management Ltd, the Responsible Entity of Quantum Property Trust No.11:

1. the Financial Statements and notes of the Scheme are in accordance with the Corporations Act 2001, including:
  - a. giving a true and fair view of the Schemes financial position as at 30 June 2004 and of the performance as represented by the results of the operations and the cash flows for the year ended on that date; and
  - b. complying with Accounting Standards and Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
3. the registered Scheme has operated in accordance with the provisions of the constitution dated 2 April 2004
4. the register of Members has, during the year ended 30 June 2004, been properly drawn up and maintained so as to give a true account of the Members of the Scheme

Signed in accordance with a resolution of the Directors of the Responsible Entity



Geoffrey Hodgkinson  
Chairman  
Quantum Syndicate Management Ltd

Sydney, 14 September 2004

# INDEPENDENT AUDIT REPORT



PASCOE WHITTLE

LEVEL 8, 191 CLARENCE STREET  
SYDNEY NSW 2000

GPO Box 5269  
SYDNEY NSW 2001

TELEPHONE (02) 9299 2444  
FACSIMILE (02) 9299 2423

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF QUANTUM PROPERTY TRUST NO. 11

### Scope

We have audited the financial report of Quantum Property Trust No 11, a Managed Investment Scheme for the period ended 30 June 2004, consisting of the statement of financial position, statement of financial performance and distribution, statement of cash flows, accompanying notes and the responsible entity's declaration set out in this report. The responsible entity, Quantum Syndicate Management Ltd is responsible for the financial report.

We have conducted an independent audit of this financial report in order to express an opinion on it to the unitholders of the Trust.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements, statutory requirements, and the provisions of the Constitution dated **2 April 2004** (as amended) so as to present a view which is consistent with our understanding of the Scheme's financial position, and performance as represented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report of Quantum Property Trust No 11 is in accordance with:

- (a) The Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Trust's financial position as at 30 June 2004 and of its performance for the period ended on that date; and
  - (ii) Complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) Other mandatory professional reporting requirements; and
- (c) With the provisions of the Constitution dated **2 April 2004** (as amended).

PASCOE WHITTLE

A handwritten signature in blue ink, appearing to read 'John Pascoe', is written over a stylized line graphic.

JOHN PASCOE  
Partner

Sydney

14 September 2004

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

## NSX ADDITIONAL INFORMATION

Additional information required by the Stock Exchange of Newcastle Ltd and not shown elsewhere in this report is as follows. The information is current as at 14 September 2004.

### a) DISTRIBUTION OF EQUITY SECURITIES

The number of Unit holders, by size of holding are:

	Ordinary Units	
	<i>Number of Holders</i>	<i>Number of Units</i>
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	28	2,347,000
100,001 and over	5	773,000
	<b>33</b>	<b>3,120,000</b>

### b) TWENTY LARGEST UNITHOLDERS

The names of the twenty largest holders of quoted Units are:

	Listed Ordinary Units	
	<i>Number of Units</i>	<i>% Ordinary Units</i>
JNR Corp Pty Ltd	200,000	6.41%
Don Bray	156,000	5.00%
Kyanna Pty Ltd	156,000	5.00%
Retirala Pty Ltd	141,000	4.52%
Narclip Pty Ltd	120,000	3.85%
AL & EL Price	100,000	3.21%
Dasith & Company Pty Ltd	100,000	3.21%
Fant Pty Ltd	100,000	3.21%
Graham Lee	100,000	3.21%
Halclap Pty Ltd	100,000	3.21%
RD Hooper Engineering Pty Ltd	100,000	3.21%
Simon & May Yeung	100,000	3.21%
Anthony Robert & Phyllis Naomi Folland	78,000	2.50%
F&M Investments Pty Ltd	78,000	2.50%
G W Wulff Nominees Pty Ltd	78,000	2.50%
JKL Enterprises Pty Ltd	78,000	2.50%
John Warburton & Maureen Warburton	78,000	2.50%
Ken Mikl & Pamela Mikl	78,000	2.50%
Peter Wegner & Geraldine Wegner	78,000	2.50%
Ross Capital Pty Ltd	78,000	2.50%
	<b>2,097,000</b>	<b>67.21%</b>

**c) SUBSTANTIAL UNITHOLDERS**

The names of substantial Unit holders who have notified the Responsible Entity in accordance with section 671B of the Corporation Act 2001 are:

	Number of Units
JNR Corp Pty Ltd	200,000
Don Bray	156,000
Kyanna Pty Ltd	156,000

**d) VOTING RIGHTS**

On a show of hands, each Unit holder present in person or by proxy has one vote. Upon a poll every Unit holder present in person or by proxy will have one vote for each one percent (1%) (or fraction of that percentage) of the total of all Units in the Trust which the Unit holder holds.

Subject to this Constitution all questions will be decided by a majority vote. In the case of joint holders, only the person whose name appears first in the relevant register may vote.

**QUANTUM SYNDICATE MANAGEMENT LIMITED**

ACN 086 965 684

**Quantum Property Trust No. 11**

**ASRN 108 475 476**

**COMPLIANCE PLAN**

2 April 2004



# QUANTUM PROPERTY TRUST NO.11

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# **Quantum Property Trust No. 11 Compliance Plan**

## **Section One**

### **1.1 Overview**

This Plan has been adopted as the Compliance Plan in respect of the Quantum Property Trust No. 11 (QPT 11 or the Scheme) by the Board.

The Scheme is being established to acquire Units in the scheme which will then invest in Quantum Property Syndicate No.11 which will acquire a property known as 370 Queen Street, Brisbane, QLD. This property is a commercial building of seven levels and 29 car spaces . At the date of acquisition the property has 7 commercial tenants and 1 ground floor retail tenant.

### **1.2 Purpose of this plan**

The purpose of this compliance plan is to set out the adequate measures Quantum Syndicate Management Limited (“QSML”) is to apply in operating the Scheme to ensure compliance with:

- Corporations Act
- Scheme constitution
- Industry practice standards relevant to the scheme
- Internal organisational standards and culture

This plan is a ‘how to’ document, providing sufficient detail on:

- The obligations which must be met by the Responsible Entity (“RE”)
- What measures or procedures are in place to comply with these obligations
- How compliance with those measures and procedures will be monitored

The plan also details the risks of not complying with these obligations, and how breaches are to be reported and addressed.

The description of measures in place allows RE staff with compliance responsibilities to identify what they are responsible for monitoring and how often they have to report on compliance or otherwise with those measures.

This plan must be integrated into the operations of the business and its use is not optional.

QSML will comply with the provisions of this compliance plan and will require that all officers and employees will comply with its provisions and ensure that its agents comply with such of its provisions as are relevant to them.

This compliance plan has been designed to ensure that members’ interests are protected, that major compliance risks for investors have been identified and that potential for losses arising from non-compliance with the Law and the Constitution are mitigated. Schedule One identifies the major property risks that could impact negatively on scheme’s members’ interests, which have been taken into account when drafting this plan.

QSML has identified the major compliance risks in relation to the Scheme to be:

- management of the real property asset of the Scheme.
- collection of rental and payment of operating expenses.
- timely and full reporting to members in the Scheme.
- appointment and management of external service providers.
- provision of adequate insurances for all relevant risks.
- management of the Scheme and its borrowings.
- management of the compliance regime.

Compliance is the responsibility of every staff member at Quantum and as such each staff member is responsible for compliance and are asked to perform their duties within our internal compliance systems. Failure to report breaches is treated seriously, Quantum has a no blame policy on reporting breaches but not so in relation to failure to report any breaches.

This compliance plan is compiled in accordance with Part 5C.4 of the Corporations Act and the ASIC Policy Statement 132 Managed Investments: Compliance plans and is lodged with ASIC. The date of the Plan is **2 April 2004**. It takes effect when the scheme is registered by ASIC.

### 1.3 How to read this plan

It is vital that users of this plan understand their role in its effective implementation. The operational procedures noted in this plan do not provide enough information on their own and there are several sections of the plan that must be read by all users of the document in order to fully understand their responsibilities.

Sections that are considered essential reading, in addition to comments on procedural areas specific to the user are:

- 1.1 Purpose of the plan
- 1.4 Description of the scheme
- 2.0 Framework [entire clause]
- Schedule One Property Details and Major Property Risks
- Schedule Two Responsible Officers
- Schedule Five Compliance Structure

The plan is structured in such a way that it clearly identifies the legal responsibilities that must be complied with. The procedures described are part of the process used by the RE to meet that obligation.

The plan identifies:

- What part of the business is responsible for carrying out those procedures
- How compliance with those procedures will be monitored
- Who is responsible for monitoring compliance

That person is also responsible for reporting compliance and non-compliance to the Compliance Officer. The frequency of reporting is also stated.

## 1.4 Description of the Scheme

QPT-11 has been formed for the purpose of acquiring an interest in Quantum Property Syndicate No.11 which is acquiring 370 Queen Street, Brisbane, QLD. This property is a commercial building of seven levels and 29 car spaces.

The RE will ensure that the Property is managed by a suitably qualified, and experienced property manager. The fees of the property manager will be met from the Syndicate.

Unless renewed or determined earlier, the RE will commence the winding up of the Trust on the sixth anniversary of the commencement of the Trust. The Trust may continue to a maximum of 12 years.

It is the RE's intention to approach the Members at any point when the RE may consider it is appropriate for the Property to be sold prior to the sixth anniversary of the Trust. The RE's approach would be based on the RE's commercial view of optimal returns to members, given the prospects for the Trust and other alternatives available to the Members. The Property may only be sold in the winding up of the Trust or with the prior approval of members by way of a special resolution.

An investment in the Trust should be considered as an investment for the life of the Trust. Whilst, subject to the requirements of the Corporations Act, a Member may transfer any holdings, the RE advises that an investment in the Trust should be viewed as long term, as interests in the Trust are likely to be illiquid because there is unlikely to be a secondary market and Members have no right to require their interest to be bought by the RE or any other person or to have their interests redeemed.

The RE will assist the secondary trading of holdings in compliance with the Corporations Act. A Member who wishes to dispose of their holding is required to prepare, sign and lodge with the Australian Securities & Investments Commission a notice which contains certain disclosures about the Trust and the holding offered for sale. The disclosures required are set out in detail in the Corporations Act and Corporations Regulations.

## 2 Framework

### 2.1 Compliance Framework

The Compliance Plan is part of the Compliance Framework put in place by QSML as the RE for QPT 11. The Compliance Framework includes policies, operating procedures, processing outlines and control structures that are to assist QSML in ensuring compliance with its legal and industry obligations.

The operating procedures, policies and processing outlines do not form part of this Compliance Plan. Nor does this Compliance Plan describe in detail all aspects of the systems and processes that are maintained to ensure compliance with the Law and the Constitution. It provides sufficient detail to describe the extent of the more detailed systems, policies and procedures plus information on how those systems can be assessed.

The Compliance procedures at QSML are reviewed annually by the Compliance Officer and a report is tabled to the Compliance Committee of emerging external risk factors, changes to any regulatory and industry standard changes and will propose required amendments to the Compliance Plan and procedures. This review will note any staff changes and any internal developments within QSML.

The outline of the Compliance Plan includes:

- Identification of specific obligations of QSML under the Corporations Act;
- Identification of specific obligations under the scheme constitution;
- Outlines key operational areas relevant to the scheme;
- Outlined measures in place to manage the outcomes;
- Identifies a Responsible Officer for each outcome; and
- Includes monitoring and reporting frequency requirements.

QSML has implemented a corporate governance regime and a formal system of controls, which regulate its business activities, including the implementation of formal policies and procedures.

QSML's Compliance Manager maintains these policies and procedures. If ultimately a new Compliance Manager is appointed, the Company Secretary will take direct responsibility for the full and proper training and transfer of all responsibilities incumbent upon the Compliance Officer. The Compliance Manager has a central role in the compliance process.

As at the date of this Plan, the scheme's board does not have a majority of external directors. In accordance with section 601JA of the Corporations Act QSML has established a compliance committee comprising four members, with the majority of members being external members in accordance with section 601JB of the Law.

The corporate structure has been implemented to ensure all items of a compliance risk are identified and dealt with by employees, the Compliance Manager, the Compliance Committee or the Board.

The Board has ultimate responsibility for ensuring breaches of legal, regulatory and contractual obligations will be prevented, or if a breach does occur, it is promptly detected and rectified. To assist the board with its obligations, the compliance committee will report to the board at least quarterly or on a more regular basis subject to the scheme's activities.

The Board of Quantum Syndicate Management Limited in exercising its powers and carrying out its duties must;

- a. act honestly, S601FC(1)
- b. exercise the degree of care and diligence that a reasonable person would exercise if they were in the responsible entity's position S601FC(1)
- c. act in the best interests of the members and, if there is a conflict between the member's interests and its own interests, give priority to the members' interests, S601FC(1)
- d. treat the members who hold interests of the same class equally and members who hold interests of different classes fairly, S601FC(1)
- e. not make use of information acquired through being the responsible entity in order to;
  - gain an improper advantage for itself or another person; or
  - cause detriment to the members of the scheme, S601FC(1)
- f. comply with the scheme's compliance plan, S601FC(1):
- g. report to ASIC any breach of the Law as soon as practicable after it becomes aware of the breach, S601FC(1)(l) that:
  - relates to the scheme; and
  - has had, or is likely to have, a materially adverse effect on the interests of members

### 2.1.1 Compliance Officer / Manager (CO)

- (a) Compliance systems are to be developed by the Compliance Officer (CO) who is responsible for ensuring that compliance obligations are reflected in the business systems and administration procedures. The CO will ensure adequate internal systems and controls have been implemented to ensure compliance with the Corporations Act, the scheme's constitution and internal industry standards. These duties include promoting the compliance culture within the organisation and to external service providers.
- (b) A Responsible Officer (RO) has been identified as responsible for each key compliance obligation. The RO is ultimately responsible for all compliance outcomes and must report on compliance activities to the Compliance Officer as requested by the Compliance Committee or Board.
- (c) Each RO is to be identified and selected on the basis of experience within the specific compliance area or business function.
- (d) Review of the activities of each RO will be conducted as required by QSML.
- (e) Any delegation of compliance functions to an operating officer or third party service provider remains the responsibility of the RO and the CO.
- (f) The CO must have a minimum of five years experience in the industry and report directly to the CC quarterly or more frequently as required.

Each RO is to report to the Compliance Officer in such form and frequency as may be determined by the Compliance Committee and the Board from time to time. Matters can be escalated to the ASIC if necessary

## 2.1.2 Flowcharts

Flowcharts showing the compliance structure of QSML is attached at Schedule 5.

## 2.2 Role of the Compliance Committee

### Responsibilities

The functions of the compliance committee are (s601JC):

- To monitor to what extent the RE complies with the scheme's compliance plan and to report on its findings to the RE
- To report to the RE:
  - Any breach of Corporations Act involving the scheme or
  - Any breach of the provisions included in the scheme's constitution in accordance with s601GA
- To report to ASIC if the committee is of the view that the RE has not taken, or does not propose to take, appropriate action to deal with a matter reported as above
- To assess at regular intervals whether the compliance plan is adequate, to report to the RE on the assessment and to make recommendations to the RE about any changes that it considers should be made to the plan

In carrying out its functions, the compliance committee may commission independent legal, accounting or other advice or assistance, at the reasonable expense of the RE.

The Committee must ensure the compliance plan meets the requirements of the Corporations Act on an ongoing basis.

### Procedures

- Dealing with breaches – the committee should report all breaches to the RE with a recommended course of action to rectify the breach. It should follow up on action taken by the RE following recommendations made by the Committee, per the minutes of the previous meeting to ensure the recommendations are being carried out.
- The committee should ensure it is made aware of all significant transactions involving scheme assets, by way of a quarterly written report to the committee. This should be backed up by physical checking of accounts as deemed necessary by the committee.
- The committee should ensure that the scheme is not trading while insolvent, or is not expected to be, by checking the net tangible assets of the scheme on a quarterly basis. This includes reviewing any additional funding requirements to the scheme. Calculations should be provided by QSML and a statement of Net tangible Assets signed off by the Board of QSML.



- The committee should assess if the RE's actions are in accordance with the Product Disclosure Statement ("PDS"), constitution, Corporations Act and in the Investors' best interest. The committee should review any new PDS and constitution within 90 days of its lodgment with the ASIC. The committee shall then at the next meeting review compliance with the procedures and processes in those documents.
- The committee or nominee should visit the scheme property at least once in each 12 month period (January to December)

#### Meetings and reporting

- |   |                                  |
|---|----------------------------------|
| • Frequency of meetings                 | Once per quarter or as necessary |
| • Quorum                                | 2 out of 4 officers              |
| • Minutes for distribution to the board | Required for each meeting        |

Refer: Schedule four – Proforma agenda for compliance committee meetings

The committee has the right to access information, resources, audit and experts as necessary.

Refer to Schedule Three for the rules of the Compliance Committee

## **2.3 Role of compliance audit**

QSML does not have an internal audit team. Internally, QSML will arrange for the operational aspects of the plan to be reviewed at least every 2 years. Areas considered to be high risk will be reviewed at least every 6 months.

The role of the external auditor is to annually:

- Examine the plan
- Carry out an audit of compliance with the plan
- Submit a report to the RE providing an opinion as to whether the RE has complied with the plan throughout the period and if the plan continues to comply with the requirements of the Corporations Act.

## **2.4 Reviewing and amending the Compliance Plan**

Subject to the law this plan can be amended from time to time by QSML. Any such modification or amendment will be advised to the Compliance Plan Auditor, the Compliance Committee and ASIC.

## **2.5 Summary of Compliance Procedures**

Refer to compliance committee – master reviews, monthly reviews and quarterly reviews documents for details of procedures.

Each responsible officer must follow at least these procedures to ensure that Quantum Syndicate Management Limited complies with the Corporations Act, the scheme's constitution and the Australian Financial Services Licence ("AFS") in the operation of the scheme.

The Compliance Manager will monitor each of the responsible officers' compliance with these procedures, and seek regular reports from each officer to advise the Compliance Committee and Board Quantum Syndicate Management Limited compliance with the compliance plan.

Compliance Measure		Primary provisions Corporations Act Constitution		Responsible Officer	Ref Page	Reporting Frequency
1	Scheme Property	S601FC(1)(i) S601HA(1)(a) S601FB	Clauses 3,17	Compliance Officer	15	Quarterly
2	Valuation of Scheme Property	S601FC(1)(a) S601HA(1)(a)		Directors	16	Annually
3	Compliance Committee	S601HA(1)(b) Part 5C.5	Clause 16.12	Compliance Officer	17	Quarterly
4	Compliance Plan Audit	S601HG to S601HI		Compliance Officer	18	Annually
5	Adequacy of Records & Financial Statements	S601HA(1)(e) Chapters 2C, 2M	Clause 20	Financial Controller	19	Quarterly
6	Unit Issues, Transfers, Redemptions & Distributions	S601GA(1), S601GA(4), S601KA(3) S1024E, S1031, S1040, Reg 7.12.15(1) to (3)		Financial Controller	20	Quarterly
7	Investments	S601FC(4), S601GA(1)(b)	Clause 11	Board of Directors	21	Quarterly
8	Borrowings & Interest Rates	S601GA(3)	Clause 16	Asset Manager & Board of Directors	22	Quarterly
9	Insurances			Compliance Officer	23	Annually
10	Income Collection and Property Expenditure	S601FC(1)(k)		Financial Controller	24	Quarterly
11	Offer Documents and Advertising	S601FC(1)(a), S849, S851, Part 7.11Div's 1 & 2		Compliance Manager, Due Diligence Committee & Board of Directors	25	Monthly until offer closes
12	Unitholder Communications	S601FC(1)(a), Div 4 & 5 of Part 2M.3		Asset Manager & Compliance Manager	26	Quarterly

<b>Compliance Measure</b>		<b>Primary provisions Corporations Act Constitution</b>		<b>Responsibilities</b>	<b>Ref Page</b>	<b>Reporting frequency</b>
13	Fees and Expense Reimbursement	S601FC(1)(k), S601GA(2)	Clauses 16	Asset Manager	27	Quarterly
14	External Service Providers	S601FB(2), (3) & (4), Chapter 2C	Clauses 19,20	Asset Manager & Compliance Manager	28	Quarterly
15	Complaints Handling	S601GA(1)(c), Reg 7.3.02B(5)	Clause 24	Asset Manager	29	Monthly
16	Ongoing Disclosure	S1001A-C,		Compliance Manager	30	Quarterly
17	Related Party Transactions	S601FC(1), Chapter 2E Part 5C.7	Clause 16	Compliance Manager & Board of Directors	31	Quarterly
18	Insider Trading	Division 2A of Part 7.11, S601FC(1)(e)		Compliance Manager	32	Quarterly
19	Compliance Plan Review and Constitution Amendment	S601FC(1)(f) & (g), S601GA & GB S601HA, S601JC(1)(d), S601GC, HE & HF, Reg 5C.4.01	Clause 19	Compliance Manager	33	Annually
20	AFS Licence	S911(A), Div 2 of Part 7.6		Compliance Manager	34	Annually
21	Unitholder Meetings	Part 2G4	Clause 21	Company Secretary	35	Annually
22	ASIC Compliance Checks	S601FF, S601JD(2)		Compliance Manager	36	Annually
23	Termination of Scheme	S601GA(1)(d) Part 5C.9	Clause 18	Compliance Manager	37	Annually
24	Training, Recruitment and Experience			Compliance Manager	38	Quarterly
25	Retirement or Removal of Quantum Syndicate Management Limited	Part 5C.2 Div 2, S601FJ(2)	Clause 16	Compliance Manager	39	Annually

## **2.6 Identifying, Rectifying and Reporting Breaches**

The compliance regime is established on the principle of exception reporting. In respect of each area of assessed compliance outcome, the compliance measures in this plan provide for a specific activity or sign-off.

Central to this system of exception reporting is the diarised system and report sign-offs prepared by the Compliance Manager and other responsible officers.

All employees receive training in relation to the compliance plan, and are required to report breaches of the Law, Constitution or Compliance Plan to the Compliance Manager as soon as they become aware of the breaches.

The Compliance Manager must report all breaches of this plan and the compliance regime to the Compliance Committee and Board and any action taken by the Compliance Manager in respect of the breach.

The Compliance Committee is to consider the ramifications of the breach and the implications for required amendments to the compliance regime. Directions will be made to the Compliance Manager who is to implement any required changes.

The Compliance Committee must report to the RE:

- any breach of the Corporations Act; or
- any breach of the provisions included in the Constitution by virtue of section 601GA of the Law,

that has not otherwise been reported and of which the committee becomes aware or which it suspects.

The Compliance Committee must report to ASIC if the committee is of the view that the RE has not taken, or does not propose to take, appropriate action to deal with a matter reported above.

The Board is responsible for reporting all breaches which have had or are likely to have a material adverse effect on the interests of the members to ASIC as soon as practicable after it becomes aware of the breach.

## 2.7 Glossary

In this Plan, unless the context otherwise requires:

“ASIC”	means the Australian Securities and Investment Commission;
“Board”	means the board of Directors of Quantum Syndicate Management Limited from time to time;
“Compliance Committee”	means the Compliance Committee of the Scheme as appointed by Quantum Syndicate Management Limited
“CC”	Compliance Committee
“CO”	Compliance Officer / Manager
“Constitution”	means the Scheme’s Constitution referred to in section 601GA of the Law;
“Directors”	means persons appointed as directors of Quantum Syndicate Management Limited from time to time;
“External Service Providers”	means external parties appointed as agents for Quantum Syndicate Management Limited under contractual arrangements including custodians, property managers, unit registry;
“Law”	means the Corporations Act;
“Members”	means investors in the Trust
“Plan”	means this Compliance Plan;
“Offer document”	means any PDS or disclosure document in relation to units in the Quantum Property Trust No. 11;
“Property”	means the property acquired by the Syndicate and held by the Custodian.
“QMSL”	means Quantum Syndicate Management Limited
“RE”	Responsible Entity – Quantum Syndicate Management Ltd
“RO”	Responsible Officer
“Scheme”	means the Quantum Property Trust No. 11
“Trust”	means the Quantum Property Trust No. 11
“Syndicate”	means Quantum Property Syndicate No.11

## SECTION TWO

### 1. SCHEME PROPERTY

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply in operating the Scheme to ensure that scheme property is clearly identified and held separately from Quantum Syndicate Management Limited's property and the property of any other scheme.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
1.1	Adequate identification and segregation of scheme property from the scheme operator and the property of any other scheme.	Quantum Syndicate Management Ltd has appointed in writing a qualified third party custodian to hold all scheme property.  The Compliance Manager, on an annual basis, will receive confirmation from the custodian that its systems and service standards and obligations under the custody agreement are adequate.	Compliance Manager to provide the Compliance Committee with annual confirmation that the custodian is meeting service standards.
1.2	The custodian has adequate processes to segregate or separately record and identify scheme assets.	Cash at bank is held in a separate bank account controlled by the Custodian.  Quantum Syndicate Management Limited maintains a record of all scheme assets, and reconciles these to the Custodians records on a half yearly basis.  The Custody Agreement sets out the duties, obligations and functions of the Custodian and addresses all matters required to be addressed by dealers licence conditions.	As above
1.3	Custodian complies with ASIC Policy Statement 133 requirements.	Due diligence of the custodian is undertaken on appointment to ensure it can comply with ASIC Policy Statement 133.	Custodian certifies on an annual basis its compliance with ASIC Policy Statement 133 and matters under the custody agreement.

## 2 VALUATION OF SCHEME PROPERTY

**OBJECTIVE:** To ensure scheme property is valued at intervals appropriate to the nature of the property, in accordance with the requirements of the Constitution, Corporations Act and any offer document.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
2.1	Valuations are obtained when due.	Quantum Syndicate Management Limited has adopted a valuation policy for the scheme whereby a registered valuer values each property within a five year period.	The Asset Manager reviews re-valuations with details reported to the Board in the next board report.
2.2	Appropriately qualified, experienced and independent persons perform valuations.	Quantum Syndicate Management Limited ensures that the Valuers it instructs are experienced, qualified and have professional indemnity insurance cover.	By the Asset Manager as required
2.3	The methodology adopted by the Valuer is appropriate given the nature of the property.	Quantum Syndicate Management Limited has in place a valuation procedure for instructing Valuers, and reviewing valuation reports.	As above
2.4	The records of the scheme are updated to reflect current valuations in a timely manner.	The Asset Manager provides confirmation to the Compliance Manager after valuations have been reviewed and the scheme's records have been updated.	As above

### 3. COMPLIANCE COMMITTEE

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure it meets its obligations regarding the appointment of, and proper functioning of, a Compliance Committee.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
3.1	The compliance committee comprises of a majority of external members and functions properly.	<p>The Compliance Committee Charter sets out arrangements to ensure that the Compliance Committee functions properly including, amongst other things:</p> <ul style="list-style-type: none"> <li>• Arrangements for membership of the Committee;</li> <li>• Frequency of meetings;</li> <li>• Committee's reports and recommendations to the RE;</li> <li>• The Committee's access to the Scheme accounting records and to the auditor of the Scheme's financial statements; and</li> <li>• The Committee's access to information that is relevant to the RE's compliance with the Corporations Act.</li> </ul> <p>The Charter is approved by the Board and may be amended by mutual agreements between the Board and Compliance Committee. The Board approves any amendments to the Charter.</p> <p>Compliance Committee members have to notify the Board if they cease to be external members as defined in the Corporations Act as soon as practicable after the member becomes aware of it.</p> <p>Upon any change to the composition of the Compliance Committee, or the independent status of any Compliance Committee member, the Compliance Manager ensures an adequate number of members are external members.</p>	Compliance Manager provides a statement to the Board regarding the composition and activities of the Compliance Committee each half year.



## 4 COMPLIANCE PLAN AUDIT

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure the Compliance Plan is audited as required under the Corporations Act by a qualified auditor.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
4.1	Compliance Plan auditor satisfies the Corporations Act requirements.	Compliance Plan auditor engagement letter contains assurance of qualifications and requirements of the Corporations Act.  Compliance Plan auditor to report audit findings to Board with details to be made available to the Compliance Committee.	Scope of auditor's duties set out in engagement letter approved by Board.  Board to review the annual audit report and any interim audit reports.
4.2	Audit is conducted and the report is lodged within required time frame.	Audit conducted annually within 3 months of financial year-end.  Compliance Plan audit report lodged with ASIC within timeframe stipulated for lodgment of annual report.	Compliance Plan audit conducted annually.

## 5 ADEQUACY OF RECORDS AND FINANCIAL STATEMENTS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply in operating the scheme to ensure adequate records of scheme operations are kept and retained, and the financial statements of the scheme are true and fair.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
5.1	Records are retained for the statutory period.	<p>Business systems supported by a Disaster Recovery Plan.</p> <p>All key records archived off site. All records retrievable within reasonable time.</p> <p>All scheme records are to be kept for at least the statutory period required by law.</p>	<p>Annual review of Disaster Recovery process by the Compliance Manager.</p> <p>Annual review of archiving policy and records database.</p>
5.2	Accurate records are maintained in accordance with Scheme accounting and tax policies, applicable accounting standards, the Constitution and the Law.	<p>The Asset Manager maintains the investment and other records for the scheme.</p> <p>Financial statements are prepared or caused to be prepared by the Asset Manager in accordance with AASB standards, the Constitution and Corporations Act.</p> <p>The Asset Manager keeps up to date with the requirements of, and changes to accounting standards and the Corporations Act for accounts through regular updates received from accounting firms and ASIC, and ongoing professional education.</p>	Board reviews and approves the half yearly and yearly accounts.
5.3	Financial statements of the Scheme are true and fair and make all appropriate disclosure.	The financial statements of the Scheme are subject to independent external audit.	External audit report is provided to the Board annually on the financial statements with details provided to the Compliance Committee.

## 6 UNIT ISSUES, TRANSFERS, REDEMPTIONS AND DISTRIBUTIONS

**OBJECTIVE:** To ensure that the arrangements Quantum Syndicate Management Limited applies in operating the scheme are in compliance with the Offer Document, Constitution and Corporations Act regarding the processing of applications, transfers, redemptions and distributions.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
6.1	Investments are accepted and applications processed in a manner consistent with the Constitution or Offer Document and Corporations Act.	Quantum Syndicate Management Limited maintains an internal registry on an access database.  Due diligence of the database is undertaken to ensure it can comply with the Corporations Act and the Constitution.	All details accurate and up to date on the PMS_PROPERTY access database, .  All breaches to be reported immediately to Compliance Manager who will inform the Compliance Committee.
6.2	The register of members is kept up to date and contains the information required by the Corporations Act.	Units only issued subject to the original offer document.  Distribution calculations and timetables are prepared or caused to be prepared quarterly by the Financial Controller  The scheme's financial auditor reviews the distribution calculation prepared by the Financial Controller at each distribution period.	Due diligence committee & the Board  Managing Director in conjunction with the Board's approval
6.3	Units are issued at a price in accordance with the Constitution and offer document.	Redemptions are to be limited to the provisions of the offer document and the law. The Asset Manager will consult with the Board in respect of all redemption requests.	
6.4	Distributions are calculated and made in accordance with the Constitution.		The Managing Director approves any distribution to unitholders
6.5	Redemptions are calculated and made in accordance with the Constitution and Law.		The Managing Director approves any redemptions

## 7 INVESTMENTS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance when making an investment with its investment policies, the Constitution, Corporations Act and offer document.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
7.1	Investments are authorised, and the scheme investment policy and requirements set out in the Constitution are complied with.	<p>The investment strategy for the trust is reviewed and approved annually by the Board. The Board also ensures that the strategy is in accordance with the Constitution.</p> <p>Quantum Syndicate Management Limited has an internal procedure, due diligence and approval process for the purchase or sale of any real property assets. Final approval for the purchase/sale of any real property asset rests with the Board.</p> <p>Other investments are made by management under documented delegations of authority of the Board and compliance to the constitution is confirmed by the Asset Manager.</p>	<p>Potential acquisition and disposal of real property assets are reviewed and approved by the Board.</p> <p>The due diligence reports arising from the acquisition or sale of real property are tabled to the Board.</p>

## 8 BORROWINGS & INTEREST RATES

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance with its borrowing and interest rate policy and the constitution.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
8.1	Borrowings are maintained within the limits of the constitution and policy adopted from time to time.	The Board approves a debt strategy each 12 months or as required, which is consistent with the Constitution and offer documents. This strategy covers amongst other things, the interest rate exposure of the scheme and the borrowing limits which are to be adhered to by the RE.	The Asset Manager monitors borrowings and interest rate exposure on an ongoing basis.  On a half yearly basis the monitoring of borrowings is reported to the Board.
8.2	Interest rate exposure is maintained in accordance with Quantum Syndicate Management Limited debt strategy.	Any borrowing facilities for the scheme are approved by the Board who ensure such borrowings are in accordance with the Constitution and any policies.  The Asset Manager monitors the debt to equity ratio at least half yearly.	Any breach of the borrowing limit is reported immediately to the Compliance Manager who will advise the Compliance Committee and Board.

## 9 INSURANCES

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure appropriate levels of insurance are in place for all identifiable scheme risks.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
9.1	All real property assets have adequate levels of insurance.	Quantum Syndicate Management Limited's annual insurance placement procedure ensures all existing assets have adequate cover.	Annually the Asset Manager reports to the Board and Compliance Committee confirming the adequacy of all insurances for the scheme.
9.2	All risks relevant to the scheme and its assets have been insured.	<p>If an asset to be acquired has existing insurance in place, the Board will make enquiries as to the adequacy of such insurance and the benefits in having the policy assigned or novated to the RE.</p> <p>Where assignment or novation of a policy is not suitable or possible the Asset Manager will on either exchange of contracts or settlement, provide details of all property acquisitions to the RE's broker who will confirm the acquired assets are included in the scheme's overall cover. This item is included on the due diligence checklist when an acquisition is made.</p> <p>On settlement of the sale of a property asset, Asset Manager advises the broker that cover for this asset is no longer required.</p> <p>Compliance Manager reviews insurance policy documents on renewal each year.</p>	<p>Annual review with external Insurance Broker completed</p> <p>At the time of acquisition or disposal by the Asset Manager</p>

## 10 INCOME COLLECTION AND PROPERTY EXPENDITURE

- OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited s to apply to ensure:
- Completeness and timeliness of rental collections, and
  - Expenditure is appropriately authorised and in accordance with the Constitution.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
10.1	All income is collected.	<p>Lease agreements are entered into for all scheme property.</p> <p>Income is invoiced and collected by a licensed external property manager on a periodic basis pursuant to the lease agreements and property management agreement</p> <p>Net rent is forwarded to the custodian by the property manager at least monthly.</p>	Financial Controller reports quarterly to the Board.
10.2	Debtors/outstanding amounts are regularly followed up.	<p>Monthly rental reports are prepared by the property manager and forwarded to the Financial Controller who reconciles the net rent received by the custodian to the property managers report and budgeted forecasts.</p> <p>The Asset Manager follows up discrepancies and income arrears.</p> <p>Rental income is compared to budget. Material variances are subject to an analysis and reporting process.</p>	As above.
10.3	Only authorised property expenditure is made.	<p>General property expenses and items of a capital nature that are not payable by the lessee or the property manager under the property management agreement, are approved by authorised officers of Quantum Syndicate Management Limited's before payment by the custodian.</p> <p>Expenditure budgets are maintained and material variations from budget subject to a reporting process. Expenditure is supported by source documentation.</p>	All expenditure approved by at least two Directors.

## 11 OFFER DOCUMENTS AND ADVERTISING

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance with the advertising and PDS requirements of the Corporations Act.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
11.1	To ensure that for offer documents Quantum Syndicate Management Limited's due diligence program is implemented, to include: -Proper verification of offer documents is conducted, and -Expert's consents are obtained as necessary	Compliance process for all offer documents requires preparation of verification/due diligence file and review by the Managing Director, Compliance Officer  External service providers complete review of offer documents	Managing Director reports to Board on all Offer Documents.
11.2	Offer documents comply with the form, content and lodgment requirements of the Corporations Act	All offer documents are reviewed and signed off by relevant internal and external experts on subject matters to ensure full and accurate disclosure. External legal sign-off is also obtained.	The Board approves all PDS's.
11.3	Advertising material complies with the Corporations Act.	Advertising material is reviewed by the at least two Board members and Compliance Manager to ensure the material complies with S1025 of the Corporations Act, and that they are not misleading by statement or omission. Where relevant, external legal sign-off is obtained.	Any advertising material is advised to the Board at the next meeting.



## 12 UNITHOLDER COMMUNICATIONS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance matters arising out of communications with scheme members.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
12.1	That communications to members is accurate and consistent with the Constitution and Corporations Act.	<p>All communications follow an established verification and sign-off process.</p> <p>Reports required under Corporations Act follow an agreed process for preparation and sign off involving key internal executives and external service providers as required.</p>	<p>Compliance Manager to provide the Board with regular updates in regard to all unitholders communications.</p> <p>Annual report to Board.</p> <p>Quarterly Reports are sent to Investors after approval by the Board.</p>
12.2	Reports are lodged with regulatory bodies or sent to members in the required time frame.	<p>Half yearly and annual report timetables are prepared by the Asset Manager and monitored by the Compliance Manager. The timetable covers accounts preparation and audit, distribution payments dates and dates for reports to be distributed to unitholders.</p>	<p>Compliance Manager monitors adherence to the timetable for key reporting dates.</p>

## 13 FEES AND EXPENSES

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply in operating the scheme to ensure compliance with matters relating to payment of fees and expenses.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
13.1	Fees are calculated and paid in accordance with the Constitution and Corporations Act.	Supporting documentation is prepared by Property Manager and checked by an authorising signatory before payment advice is forwarded to the custodian in respect of all fees and expenses, except for those fees previously approved and payable under an existing service agreement.	Two Board members check the fee calculations, the external auditors in their half yearly audits review fees paid and departures from the scheme constitution are reported to the Board.
13.2	To ensure that only expenses permitted by the constitution and in the proper performance of Quantum Syndicate Management Limited's duties are paid.	All payments are prepared in accordance established procedure and in accordance with the constitution.  Authorised signatories authorise payment on review of documentation.	

## 14 EXTERNAL SERVICE PROVIDERS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply in operating the scheme to ensure compliance with matters arising from persons acting as service providers.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
14.1	Only service providers with appropriate qualifications and experience are used.	Due diligence review of service provider prior to appointment.  Where applicable, external service providers will have sufficient insurance arrangements in place prior to entering the contract.	Annual certification is obtained from all major service providers in respect of qualifications, insurances and other material matters.
14.2	Service providers where relevant comply with the scheme Constitution, Corporations Act or terms of their contractual arrangements.	Monitoring of service provider to occur at least annually to performance measures/benchmarks in service agreement.  Where appropriate, contracts or letters of appointment with external service providers will be prepared and reviewed by qualified legal advisors of the scheme to ensure they are appropriate in regard to the Corporations Act and the Constitution.	The relevant responsible officer for the appointment and receipt of the service provider's reports will confirm on an annual basis to the Compliance Manager that the service provider has performed in accordance with their agreement and service standards.  Any material breaches of the service standards or agreement is reported by the Compliance Manager to the Compliance Committee.

## 15 COMPLAINTS HANDLING

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance with its obligations regarding complaints from members.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
15.1	Complaints are handled in accordance with the Corporations Act and constitution.	<p>The Asset Manager is responsible for the complaints handling procedure. Any complaint is required to be recorded in accordance with the complaint procedure by the relevant staff member.</p> <p>Upon a complaint being recorded, the Compliance Manager will monitor and report the outcome to the compliance committee and Board.</p>	<p>Compliance Committee will review the Compliance Managers report on a quarterly basis noting the trend and nature of the complaints for any possible system failure.</p> <p>The Compliance Manager reports all complaints to the Compliance Committee at least quarterly or immediately where the complaint is deemed to be of a serious nature.</p>
15.2	Quantum Syndicate Management Limited is a member of an approved complaint resolution scheme.	Quantum Syndicate Management Limited will maintain a membership with an appropriate complaint resolution scheme.	<p>The Board will approve the membership.</p> <p>The Compliance Manager will review the membership prior to its expiry.</p>

## 16 ONGOING DISCLOSURE

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance with the continuous disclosure provisions of the Corporations Act.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
16.1	That continuous disclosure requirements are met.	<p>All staff are made aware of the requirements of continuous disclosure under the Law through annual training programs organised by the Compliance Manager.</p> <p>Regular meetings of all staff to assess the operations of the business from which continuous disclosure matters may be identified.</p> <p>All staff have direct access to the Compliance Manager to raise any matter including breaches of this plan, the Corporations Act or constitution, and continuous disclosure items.</p> <p>The Compliance Manager, once aware of a material issue will report to a Director, who determines whether to call an immediate Board meeting for the issue to be discussed and the appropriate action implemented.</p>	<p>The Compliance Manager monitors the continuous disclosure and reports any breaches to the Compliance Committee.</p> <p>Continuous disclosure raised as a standard agenda review item at each Board meeting.</p>

## 17 RELATED PARTY TRANSACTIONS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance with the prohibition on the provision of financial benefits to related parties contained in the Corporations Act.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
17.1	Transactions are entered into on arm's length basis in accordance with the Corporations Act.	All contracts are reviewed by the scheme's legal advisers and Company Secretary prior to execution.	Any issue, which gives rise to a conflict of interest, is reported to the Board.
17.2	Financial benefits given to Quantum Syndicate Management Limited and related parties of Quantum Syndicate Management Limited are commercially acceptable.	The Board reviews and approves all related party transactions. Any related party transaction is subject to independent external advice to ensure terms of the transaction are considered acceptable in normal market conditions.  External audit review of accounts.	

## 18 INSIDER TRADING

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply in operating the scheme to ensure compliance with the insider trading provisions of the Corporations Act.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
18.1	That Quantum Syndicate Management Limited, or its staff, do not make use of information acquired through being the responsible entity in order to gain an improper advantage for itself or another person or cause detriment to the scheme members.	<p>Quantum Syndicate Management Limited informs its staff not to trade in scheme securities or make use of information acquired through being the responsible entity in order to gain an improper advantage for itself or another person.</p> <p>Directors are required to disclose interests in the Scheme in accordance with the Law's requirements. Such disclosure must occur at the first Board meeting after the interest is acquired and will be recorded in the meeting minutes.</p>	Policy reminder circulated to all staff at least once a year.

## 19 COMPLIANCE PLAN REVIEW & CONSTITUTION AMENDMENTS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure the Compliance Plan complies with the Corporation Law and matters arising from amendments to the Constitution or Compliance Plan.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
19.1	That the compliance plan reflects changes made to the Constitution and relevant provisions of the Corporations Act.	<p>Compliance Plan reviewed and updated if necessary on amendment of Constitution, Corporations Act, dealers licence conditions, ASIC Policy Statement or as directed by ASIC.</p> <p>The Compliance Manager and Compliance Committee will review the compliance plan annually and determine whether its adequate or requires any amendments.</p>	<p>Annual confirmation to Board that Compliance Plan has been reviewed for relevant changes to Corporations Act.</p> <p>The Compliance Plan is audited annually. The Board will review the recommendations of the Auditor and amend the Plan where appropriate.</p>
19.2	That amendment to the Constitution is made in accordance with the Constitution and Corporations Act.	<p>Advice will be obtained from external lawyers when amendments are required to the constitution as to whether:</p> <ul style="list-style-type: none"> <li>-scheme members approval is required</li> <li>-whether amendments are required to be distributed to members</li> <li>-whether amendments are in accordance with the Corporations Law.</li> </ul>	Any amendment to the compliance plan or constitution is approved by the Board.
19.3	Amendments to the compliance plan and constitution are lodged with ASIC within 14 days.	<p>Amendments to the compliance plan will be submitted by the Compliance Manager to ASIC within 14 days after modification, signed by all directors or authorised agents.</p> <p>Amendments to the constitution will be submitted by the Compliance Manager to ASIC within 14 days of execution.</p>	



## 20 AFS LICENCE

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply in operating the scheme to ensure compliance with the requirements of its AFS licence.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
20.1	Quantum Syndicate Management Limited maintains its capital, liquidity and insurance requirements as stipulated in the license.	Annual review of insurance levels on renewal. The NTA and cash flow requirements are checked each month by the Financial Controller.	Annual report on capital adequacy and insurance to Board.  Quarterly report on cash flow and NTA to Compliance Committee and Board.  Asset Manager to report any material changes to financial position.
20.2	Quantum Syndicate Management Limited complies with all other conditions of the license.	Conditions of license relating to scheme operations covered in compliance plan.  Compliance processes address compliance issues relating to license conditions.	Quarterly report prepared by Compliance Manager to the Compliance Committee detailing compliance with license conditions.
20.3	Quantum Syndicate Management Limited has issued each authorised representative with a proper authority.	The Compliance Manager must identify the officers and employees of Quantum Syndicate Management Limited who act in connection with the securities business of Quantum Syndicate Management Limited and are its “representatives” (as defined in the Corporations Act).  The Compliance Manager must ensure that: - proper authorities are issued to representatives, - a register of the persons whom proper authorities have been issued by Quantum Syndicate Management Limited is maintained in accordance with the Corporations Act, - a register of securities is maintained by Quantum Syndicate Management Limited and each holder of a proper authority.	On a quarterly basis the Compliance Manager will review the proper authorities granted.

## 21 UNITHOLDER MEETINGS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance with unitholder meeting provisions of the Corporations Act and Constitution.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
21.1	Scheme meetings are called when required, and proper notice is given.	The Asset Manager, prior to the scheme meetings, prepares timetables to comply with the constitution and the Corporations Act	The Board approves any notice of meeting and material that goes to unitholders.
21.2	Materials and their distribution comply with the Corporations Act and the Constitution	All materials and their distribution are approved by Quantum Syndicate Management Limited's legal advisers.	
21.3	Scheme meeting are conducted according to the Corporations Act and the Constitution	The scheme's legal advisers and registrars are invited to attend unitholder meetings.	
21.4	Adequate minutes are kept	The Asset Manager prepares minutes of the unitholder's meetings and provides minute books. The minutes are signed by the chairperson as a correct record.	
21.5	Quantum Syndicate Management Limited and its associates do not vote units held by them if the Corporations Act prohibits.	Quantum Syndicate Management Limited employs the services of legal firms to advise on unitholder issues, including meetings. The legal firms provide sign off to management.	

## 22 ASIC COMPLIANCE CHECKS

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to assist ASIC in their compliance checks, pursuant to the Corporations Act.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
22.1	Staff are informed of their obligations to assist ASIC with its compliance checks.	On notification of an ASIC compliance check the Compliance Manager will formally notify all compliance officers, and members of the Board, of their obligations under the law to assist ASIC in its compliance checks	On notification, and during compliance check
22.2	Co-operation of staff is monitored.	During the compliance checks the Compliance Manager will formally request reports from compliance officers regarding matters raised during the compliance check.	

## 23 TERMINATION OF SCHEME

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure the scheme is terminated in accordance with the Constitution and Corporations Act.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
23.1	The scheme is terminated only in accordance with the Corporations Act and Constitution.	The Compliance Manager must ensure that the wind up procedures are followed as outlined in the constitution or the Corporations Act. A timetable will be prepared and approved by the Board.  The winding up of the scheme will be conducted in consultation with external legal and tax advisers.	Notification of winding up process as such events requires.
23.2	Scheme members and ASIC are notified.	The timetable will also outline the requirements to be provided to unitholders and ASIC.	

## 24 TRAINING, RECRUITMENT & EXPERIENCE

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure compliance staff are experienced and all staff are familiar with the Compliance Plan.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
24.1	Compliance staff have appropriate experience and adequate resources.	New staff members are vetted for educational and experience qualifications and references are obtained.	Annually, staff are subject to formal performance appraisals.
24.2	Training is provided to ensure existing and new staff are familiar with the Compliance Plan.	<p>The Compliance Manager must provide a copy of the compliance plan to every employee who has a compliance role and obtain annual written certification that the plan have been read and understood by each employee.</p> <p>Development planning for each individual is undertaken annually in conjunction with performance appraisals to determine whether any additional training or development programs are required for that person.</p> <p>The Compliance Manager oversees compliance training to all employees of Quantum Syndicate Management Limited, and has formal training planning reviewed on an annual basis</p>	Annual certification reviewed by the Compliance Manager

## 25 RETIREMENT & REMOVAL OF RESPONSIBLE ENTITY

**OBJECTIVE:** To set out the arrangements Quantum Syndicate Management Limited is to apply to ensure the retirement or removal of the responsible entity is in accordance with the Constitution and Corporations Act.

OUTCOME		COMPLIANCE MEASURE	MONITORING/ REPORTING
25.1	Retirement or removal is in accordance with the Constitution and Corporations Act.	<p>Upon notification of impending removal or retirement of Quantum Syndicate Management Limited the Compliance Manager will ensure any replacement entity is a public company under the Corporations Act and holds a dealers licence to operate a Managed Investment Scheme and advise the Board accordingly.</p> <p>Advice will be obtained from external lawyers.</p>	
25.2	The retiring or removed scheme operator hands over all records in its possession and gives reasonable assistance to facilitate the change to the replacement scheme operator.	The Compliance Manager of Quantum Syndicate Management Limited will formally notify staff to give books of the scheme, required by law to be kept, to the new responsible entity and to also provide reasonable assistance to the new responsible entity to facilitate the change.	The Compliance Manager will advise the Board accordingly.

## Schedule One

## Property Details and Major Property Risks

### ITEM ONE – THE PROPERTY

1. 370 Queen Street, Brisbane, QLD. Commercial building.

### ITEM TWO – THE TENANTS

- **MDA (Macarthur Coal)**  
Mining company listed on the ASX  
1,310 sqm, Lease expires 28/06/2006  
Personal guarantee from Kenneth Talbot (Director). No bank guarantee
- **Integra Tec**  
Provider of accredited education, continuing professional development, assessment and compliance products and services to leading financial institutions  
521sqm, Lease expires 15/09/2005  
\$30,000 bank guarantee.
- **Oxley Group**  
Nursing recruitment  
379 sqm, Lease expires 31/05/2004  
\$20,987 bank guarantee. Personal guarantees held.
- **Jefferson Stevenson & Co**  
Chartered Accountants - provide general insolvency advice, corporate restructuring and investigation into business affairs  
521 sqm, Lease expires 08/04/2006  
\$55,000 bank guarantee.
- **CreditSmart**  
Debt collection services  
522 sqm, Lease expires 08/10/2006  
\$46,890 bank guarantee
- **Delahunty's Chemists**  
Pharmacist  
125 sqm, Lease expires 17/07/2005  
Personal guarantee from James and Carmel Delahunty. No bank guarantee.
- **API Leisure & Lifestyle**  
Benefits and reward system, including shopping, dining, entertainment, fuel, insurance and bus and ferry discounts  
440 sqm, Lease expires 30/06/2004  
No bank/personal guarantee
- **Whithead Asia Pacific**  
Management consultancy  
Lease to commence 1 March 2004  
112 sqm, Lease expires 28/02/2007  
Will provide a 4 month bank guarantee

### ITEM THREE – THE RISKS

- Tenancy default prior to expiration of lease
- Replacing tenants, may be difficult resulting in an extended period of lower income.
- The cost of maintaining older buildings is generally higher than for new buildings, and it can also be more difficult to attract good quality tenants.
- Capital works and /or incentives may be required to attract future tenants.

- Interest rates may rise, increasing the interest payment required should the debt facility not be fixed and hence net profit.

#### **ITEM FOUR – ACTION TO MINIMISE THE RISKS**

- An external Property Manager (Chestertons) will be retained to manage the Property. Their performance will be monitored quarterly.
- A reputable real estate agent will be retained for re-leasing and tenants will be subjected to a thorough investigation before being accepted.
- The interest rate on any loans may be fixed having regard to the interest rates on offer.
- QSML will take out loss of income insurance, and this will be reviewed regularly.
- QSML will continue investigations in respect of the property until settlement.



**Schedule Two****Responsible Officers**

Quantum Syndicate Management Limited Board of Directors

<b>Title</b>	<b>Name</b>
Chairman	Geoffrey Hodgkinson
Managing Director	Peter Gribble
Director – Finance	Jonathan Martin
Director	James Maitland

**Compliance Committee**

<b>Title</b>	<b>Name</b>
Compliance Officer	Jonathan Martin
Compliance member	Geoffrey Hodgkinson
Compliance member	Edmund Khalaf
Compliance member	Andrew Thomas

**Executive Management – Managers of Quantum departments**

<b>Title</b>	<b>Name</b>
Financial Controller	James Maitland
Asset Manager	Nathan Francis

Out sourced service providers

<b><i>Service</i></b>	<b><i>Provider</i></b>	<b><i>Description</i></b>
Custodian	Guardian Trust Australia Ltd	Custody of Syndicate Property
Auditor	John Scott Pascoe	Auditor
Solicitors	Nicholsons (Brisbane)	Conveyancing, leases.
Property Management	Chestertons	Property management

**Membership**

There will be at least three compliance committee members ("members") and at all times the majority must be external members within the meaning of the Corporations Act.

A member can only be an individual.

The members of the committee must be suitably qualified and experienced in the industry in which the Fund operates, as determined in the reasonable discretion of the Board of the Responsible Entity ("the Board").

The committee must report to the Board if it forms the view that a proposed member of the committee does not have the skills appropriate to fulfil his or her responsibilities as a member.

**Tenure & Retirement**

If a member resigns, is removed, becomes unable to act or, being an external member, ceases to be an external member so that the committee no longer complies with the requirements of the Corporations Act, then the Board must, if the Corporations Act requires and within the time prescribed by the Corporations Act, appoint another person to the position.

A person may not be appointed to the committee unless they consent in writing to the appointment. The consent may be given before or after the time of appointment.

The initial tenure for each newly appointed member will be 12 months from the date of appointment, after which both the member and the Responsible Entity will be entitled to give to the other written notice of the resignation or removal of that member, provided that such resignation or removal will only be effective from the date that a replacement member begins their tenure.

**Functions**

The functions of the committee are to

- (a) monitor to what extent the Responsible Entity complies with the Plan and report its findings to the Board as it thinks fit or as the Board requires;
- (b) as soon as practicable report to the Board any breach of the Corporations Act involving the Fund or of a provision of the Constitution of which it becomes aware or that it suspects,
- (c) as soon as practicable report to the ASIC if the committee is of the view that the Responsible Entity has not taken or does not propose to take appropriate action with any matter reported to the Board;
- (d) assess at regular intervals (determined by the committee) whether the Plan is adequate;
- (e) report and make recommendations to the Board about amendments to the Plan as soon as it becomes aware of when such amendments may be required or be desirable;
- (f) do all other things as the Corporations Act requires.

The committee may commission independent legal, accounting or other professional advice or assistance at the reasonable expense of the Responsible Entity in carrying out its functions.

### **Duties of Committee Members**

Members must conduct themselves in accordance and consistently with the duties of compliance committee members set out in the Corporations Act and with any other requirements. set out in the Corporations Act and ASIC policy.

Members must take all reasonable steps to assist ASIC in carrying out any of its functions, in particular any checks under s60 I FF of the Corporations Act.

### **Chairman**

The members of the committee will elect one of their number to be the chairman who will preside as chairman at each meeting of the committee. This does not prevent the committee from resolving to appoint a chairman for its meetings in any other manner (eg alternating chairing of meetings).

Subject to the Plan, the chairman may determine the manner in which a meeting of the committee will be regulated.

The decision of the chairman on any matter relating to the conduct of the meeting is final.

### **Adjournment**

The chairman may adjourn the meeting of the committee for any reason to a time and place as the chairman thinks fit.

### **Attendees**

Any director of the responsible, entity, auditor of the Fund or the compliance auditor and any invitee of the directors of the Responsible Entity or of any member may attend and speak at a committee meeting.

### **Quorum**

The quorum for a meeting of the committee is two members.

If a quorum is not present within 15 minutes of the scheduled start time for the meeting, the meeting is adjourned to a time and place as the members present decide.

The members present must ensure that the other members are notified of the time and place of the adjourned meeting.

At any adjourned meeting the members present constitute a quorum.

### **Minutes, Reports and Recommendations**

The chairman must ensure that minutes of committee meetings are kept and records of the committee's reports and recommendations are retained. A copy of any such minutes, reports or recommendations signed by the chairman will be taken to be a true record unless the, contrary is proved. The chairman must ensure that the reports are provided to the designated Compliance Officer of the Responsible Entity as soon as is practicable.

The minutes and records of the Trust and the Responsible Entity must be available to:

- (a) all members;
- (b) the Board and any of the individual directors;
- (c) the Fund auditor;
- (d) the compliance auditor.

The minutes and records in relation to a particular member's time as a member of the committee must be made available to that member for a period of seven years after that person ceases to be such a member.

#### **Meeting frequency**

The compliance committee will meet quarterly (more often if so required, and whenever requested in writing by a committee member).

#### **Meeting method**

Committee meetings may be held using any technology agreed by all the members, for example, teleconference, video conference or internet relay chat.

#### **Convening meetings**

Any member may convene a meeting of the committee on five business days notice or such shorter time as the other members agree.

If a member does not receive a notice of meeting (including if notice was accidentally omitted to be given to them) the meeting is still valid. A member must be informed of an omission to give the member notice as soon as practicable after the responsible officers become aware of that fact.

#### **Voting**

Matters before the committee will be determined by simple majority.

Each member has one vote at a meeting of the committee.

In the event of an equality of votes, the chairman has a second or casting vote,

No objection may be made to any vote cast unless the objection is made at the meeting.

#### **Disclosure of interests**

A member must disclose, and the disclosure must be recorded, to the next meeting of the committee after becoming aware of.

- (a) a direct or indirect pecuniary interest that the member has in a matter being considered or about to be considered by the committee if it could conflict with the proper performance of that member's duties in relation to the consideration of the matter
- (b) any other things (if any) that the Corporations Act may require,

If all members of the committee cannot properly consider a matter because of a conflict of interest, they may refer the matter to an independent expert. The advice provided by that expert should be adopted by the committee.

### **Indemnity**

Subject to the Corporations Act, the Responsible Entity may agree that a member is to be indemnified by the Responsible Entity or a related entity,

Subject to the Corporations Act, the Responsible Entity or a related entity may pay or agree to pay a premium in respect of a contract of insurance insuring a member.

### **Remuneration and resources**

The members are entitled to the remuneration that is individually agreed between each respective member and the Board, having regard to their skills and experience.

The committee must inform the Board if they believe they do not have adequate resources to properly perform their functions as a committee.

### **Terminating the committee**

Subject to the Corporations Act, the Board may advise the committee that it is no longer required in respect of the Fund. On receipt of that advice, the committee will cease to be appointed for the purposes of the Fund and each member agrees that, on payment of any outstanding remuneration, the member's appointment will cease.

### **Changes to Rules**

These rules shall be subject to change by the Responsible Entity so as to comply with changes in the Corporations Act or in ASIC policies. Any other changes shall be with the agreement of the members for the time being.

**Agenda****Quantum Syndicate Management Limited****Compliance Committee Meeting****(Time), (Date) 2004****Level 9, Shaw House, 49 York Street****Sydney NSW 2000**

<b>Committee Members Present:</b>	
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<b>Committee Members Absent:</b>	
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<b>Others Present:</b>	
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Item and Business	Agreed, Comments and Questions
<p><b>1. Procedural</b></p> <p><b>1.1 Quorum</b></p> <p>Quorum for compliance committee to be confirmed by the chairman.</p> <p><b>1.2 Syndicates under this Committee</b></p> <p>To confirm that this meeting relates to the period <b>XXX</b> and covers Syndicates numbered <b>X to X</b></p> <p><b>1.3 Minutes</b></p> <p>To confirm the minutes of the Compliance Committee meeting on <b>XXX</b>.</p> <p><b>1.4 Outstanding Committee Business</b></p> <p>To consider the matters outstanding from the last committee meeting business as outlined in Annexure A.</p> <p><b>XXX</b> to report on progress of outstanding items.</p>	

Item and Business	Agreed, Comments and Questions
<p><b>1.5 Review of Compliance Plan</b></p> <p>To discuss the new compliance plans lodged with ASIC for each of the schemes.</p> <p>Copy of compliance plans lodged with ASIC to be provided to Committee members.</p> <p><b>1.6 Compliance Framework</b></p> <p>To discuss the compliance framework and reporting processes now adopted by Quantum to meet its obligations under the law.</p> <p><b>2.1 Quarterly Reports</b></p> <p>To consider the contents of the following quarterly reports:</p> <ul style="list-style-type: none"> <li>• Compliance Manager’s Report</li> <li>• Financial Controller’s Report</li> <li>• Asset Manager’s Report</li> <li>• Other</li> </ul> <p><b>2.2 Breach Reporting</b></p> <p>To consider any breaches since the last meeting in regard to the Compliance Plan, Licence Conditions or Constitutions.</p> <p><b>2.3 Financial Compliance Issues</b></p> <p>Financial issues to be considered and discussed at meeting:</p> <ol style="list-style-type: none"> <li>1. Scheme distributions</li> <li>2. NTA and 3 month cash requirement of RE</li> <li>3. Accounting matters</li> </ol> <p>Copy of calculation and sign off by Managing Director of RE in relation to the last quarterly distribution calculation for each scheme to be tabled.</p>	

Item and Business	Agreed, Comments and Questions
<p><b>2.4 Complaints Reporting</b></p> <p>To consider any complaints received since the last meeting and review the adequacy of the complaint recording procedure.</p> <p>Complaints register to be tabled.</p> <p><b>2.5 Communications with Unitholders</b></p> <p>To consider the contents of any material communications with unitholders since the date of the last meeting.</p> <p>List of communications to be tabled.</p> <p><b>2.6 Related Party Dealings</b></p> <p>Compliance Officer to confirm whether there have been any related party dealings for the period to <b>XXX</b>.</p> <p><b>2.7 Proper Authority Holders</b></p> <p>To consider the contents of the proper authority holders register since the date of the last meeting.</p> <p>Proper authority holders register to be tabled</p> <p><b>2.8 Compliance Diary</b></p> <p>Committee to review the compliance diary to determine if all compliance matters due for the quarter have been attended to.</p> <p><b>3. Other business</b></p> <p>(a) General update on each syndicate numbered <b>X to X</b>.</p>	



Item and Business	Agreed, Comments and Questions
<p>(b) To discuss the following sections of the compliance plan to ensure compliance:</p> <p>(i) Section 16 Collecting Income:- Committee to discuss the procedures Quantum has in place to ensure that scheme income is collected and recorded in a timely, accurate and complete manner.</p> <p>(c) To discuss any other matters raised by the Compliance Manager or Committee members.</p> <p><b>4.1 Communications with the R.E.</b></p> <p>To consider whether questions directed to the R.E. by the Compliance Committee had been adequately addressed.</p> <p>To consider whether any matters relating to the scheme since the last meeting need to be notified to the R.E. to be dealt with or rectified.</p> <p><b>4.2 ASIC Communications</b></p> <p>To consider whether any matters relating to the scheme since the date of the last meeting need to be notified to the ASIC.</p> <p><b>5. Date of the next Compliance Committee Meeting</b></p>	

There being no further business, the meeting concluded at

Signed

\_\_\_\_\_  
Chairman

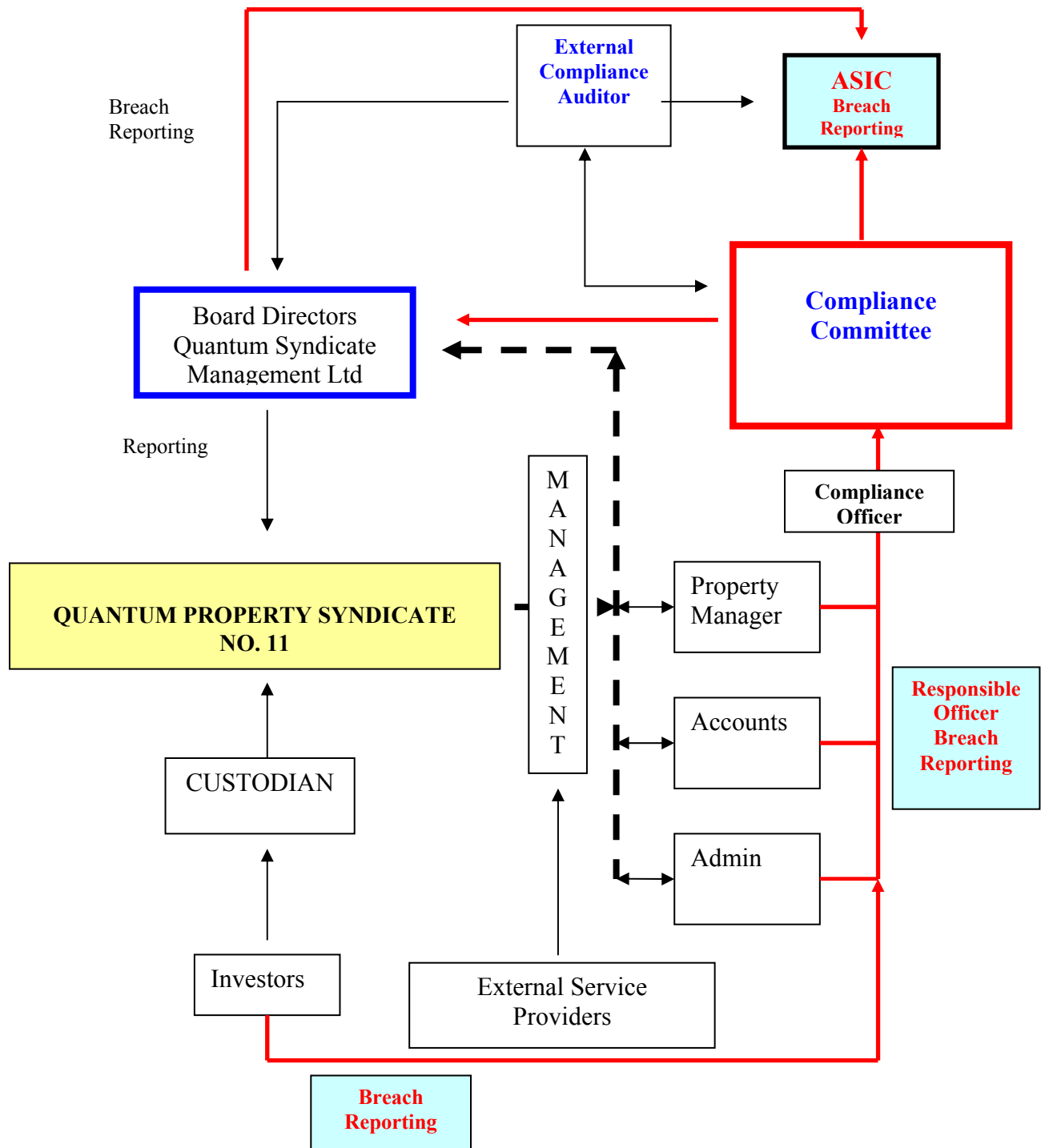
## ANNEXURE “A”

### **1.4 Outstanding Committee Business**

To consider the following outstanding items of committee business from last meeting:

## Schedule Five

### Compliance Structure



## DIRECTORS' SIGNATURES

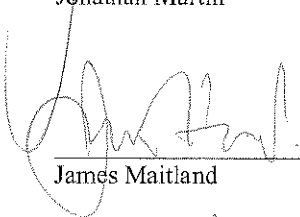
Executed this 2 April 2004 by;

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a horizontal line.

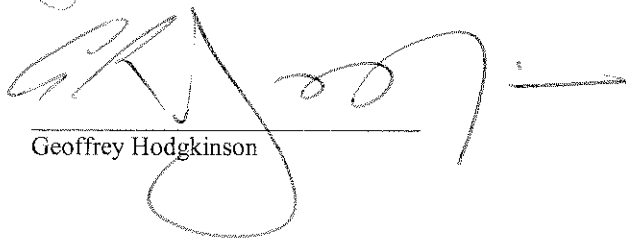
Peter Gribble

A handwritten signature in black ink, appearing to be 'Jonathan Martin' in a cursive style.

Jonathan Martin

A handwritten signature in black ink, appearing to be 'James Maitland' in a cursive style.

James Maitland

A handwritten signature in black ink, appearing to be 'Geoffrey Hodgkinson' in a cursive style, with a long horizontal line extending to the right.

Geoffrey Hodgkinson