

Interim Financial Report

Appendix 4D

Half-Year Report

Period ended 31 December 2016

This information is provided under listing rule 4.2A.3 for the half-year ended 31 December 2016 and includes comparative information for the half-year ended 31 December 2015.

Results for Announcement to the market

	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$	Amount change \$	% change
Revenue from ordinary activities	29,423,096	32,203,684	(2,780,588)	-9%
Profit (Loss) for the period attributable to members	(171,204)	781,430	(952,634)	N/A

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

Net tangible assets per security

	As at 31 December 2016 cents	As at 30 June 2016 cents
Net tangible assets per ordinary share	0.49	0.30

Review report

This report is based on accounts which have been reviewed by HLB Mann Judd.



Quantum Energy Limited

A.B.N. 19 003 677 245

And its controlled entities

Half-Yearly Report

31 December 2016

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2016.

Directors

The names of the directors who held office during or since the end of the half-year are:

Drew Townsend, Chairman	
Phillip Sidney, Managing Director	(Retired 7 February, 2017)
John Walstab, Managing Director	(Director, then appointed Managing Director 7 February, 2017)
Angus Mackenzie, Non-executive Director	(appointed 7 February, 2017)

Review of Operations

The Environmental Services business is currently undergoing restructuring to secure stronger sales and margins to improve the current under performance in this division.

The Medical Services division has performed to target in this period with further improvement expected in the second half of this the year. The Quantum Health Group provides specialised sales, service and clinical support for high-end medical imaging, Women's Health and Oncology equipment in South-East Asia. Quantum expects continued expansion and growth within the Health Group and will continue to seek new partnership opportunities in healthcare in SE Asia.

Rounding of Amounts

The consolidated group is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Certain amounts in the financial report and the directors' report have been rounded to the nearest \$1,000 in accordance with that instrument.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2016 is set out on page 2.

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



Director Drew Townsend

Dated: 28 February 2017

QUANTUM ENERGY LIMITED

ABN 19 003 677 245

AUDITOR'S INDEPENDENCE DECLARATION – REVIEW

As lead auditor for the review of the consolidated financial report of Quantum Energy Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Quantum Energy Limited and the entities it controlled during the period.



Sydney, NSW
28 February 2017

D K Swindells
Partner

Interim Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31/12/2016 \$000	31/12/2015 \$000
Revenue from continuing activities	29,423	32,204
Cost of Sales	(16,270)	(19,879)
Advertising and promotion expenses	(165)	(163)
Depreciation and amortisation expense – non-manufacturing	(206)	(219)
Employee benefits expense	(6,290)	(6,373)
Finance costs	(665)	(622)
Insurance	(112)	(112)
Motor vehicle expenses	(349)	(330)
Occupancy (rent) expenses	(727)	(751)
Research and development expenditure	(300)	(312)
Travel expenses	(628)	(704)
Telephones & internet	(109)	(140)
Foreign Exchange	(590)	(749)
Profit on disposal of Renewable Energy Certificates	368	974
Fair value gain /(loss) on financial assets (Renewable Energy Certificates)	(376)	4
Other expenses	(2,136)	(1,654)
Profit from Continuing Operations before income tax	868	1,174
Income tax (expense) credit	(282)	(208)
Net profit after tax	586	966
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation of foreign subsidiaries	76	(108)
Total comprehensive income for the period	662	858
Profit/(loss) from continuing operations is attributable to:		
Non- controlling interests	757	184
Owners of the parent	(171)	782
	586	966
Total comprehensive income for the period is attributable to:		
Non- controlling interests	809	167
Owners of the parent	(147)	691
	662	858
Earnings /(loss) per share from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings/(loss) per share (cents per share)	(0.02)	0.08
Diluted earnings /(loss)per share (cents per share)	(0.02)	0.08
Earnings /(loss) per share for profit/(loss) attributable to the ordinary equity holders of the company		
Basic earnings/(loss) per share (cents per share)	(0.02)	0.08
Diluted earnings/(loss) per share (cents per share)	(0.02)	0.08

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Interim Financial Report

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

	Consolidated 31/12/2016 \$000	30/06/2016 \$000
CURRENT ASSETS		
Cash and cash equivalents	3,188	2,980
Trade and other receivables	9,493	9,120
Inventories	16,444	16,588
Financial assets	1,279	2,964
Other current assets	3,046	2,982
TOTAL CURRENT ASSETS	33,450	34,634
NON-CURRENT ASSETS		
Trade and other receivables	-	114
Financial assets	5,914	5,398
Property, plant and equipment	3,864	4,242
Deferred tax assets	1,809	1,876
Intangible assets	20,127	20,127
Other	778	774
TOTAL NON-CURRENT ASSETS	32,492	32,531
TOTAL ASSETS	65,942	67,165
CURRENT LIABILITIES		
Trade and other payables	16,544	17,505
Borrowings	10,119	13,738
Current tax liabilities	301	157
Employee benefits	1,494	1,522
Short term provisions	279	464
TOTAL CURRENT LIABILITIES	28,737	33,386
NON-CURRENT LIABILITIES		
Trade and other payables	1,941	2,244
Borrowings	6,942	4,015
Employee benefits	1,406	1,266
TOTAL NON-CURRENT LIABILITIES	10,289	7,525
TOTAL LIABILITIES	39,026	40,911
NET ASSETS	26,916	26,254
EQUITY		
Capital & reserves attributable to owners of Quantum Energy Limited		
Issued capital	83,789	83,789
Reserves	1,399	1,375
Retained earnings (accumulated losses)	(59,922)	(59,751)
	25,266	25,413
Non-controlling interests	1,650	841
TOTAL EQUITY	26,916	26,254

The above balance sheet should be read in conjunction with the accompanying notes.

Interim Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Attributable to the members of Quantum Energy Limited					Attributable to non-controlling interest	
	Ordinary Share Capital	Undistributable Profits Reserve	Exchange Translation Reserve	Retained Profits (Losses)	Total	Total	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Consolidated							
Balance at 1 July 2015	83,789	504	1,180	(59,109)	26,364	660	27,024
Non-controlling interest on acquisition	-	-	-	-	-	(13)	(13)
Loss for the period	-	-	-	782	782	184	966
Other comprehensive income for the period	-	-	(91)	-	(91)	(17)	(108)
Balance at 31 December 2015	83,789	504	1,089	(58,327)	27,055	814	27,869
Balance at 1 July 2016	83,789	504	871	(59,751)	25,413	841	26,254
Profit for the period	-	-	-	(171)	(171)	757	586
Other comprehensive (loss) for the period	-	-	24	-	24	52	76
Balance at 31 December 2016	83,789	504	895	(59,922)	25,266	1,650	26,916

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Financial Report

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31/12/2016 \$000	31/12/2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	32,286	28,250
Payments to suppliers and employees	(30,601)	(28,821)
Interest received	20	43
Finance costs	(359)	(172)
Income tax paid	(67)	(147)
	<hr/>	<hr/>
Net cash provided/(used in) by operating activities	1,279	(847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of investment – QHC Thailand	(425)	(509)
Purchase of property, plant and equipment	(15)	(555)
Dividends received	5	4
Payments for financial assets	(727)	(1,168)
Proceeds from sale of financial assets	3,139	3,025
Proceeds from sale of property, plant and equipment	225	-
	<hr/>	<hr/>
Net cash provided by investing activities	2,202	797
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances/(Repayment of borrowings)	(2,881)	(677)
	<hr/>	<hr/>
Net cash (used in) financing activities	(2,881)	(677)
Net increase in cash held	600	(727)
Cash at beginning of period	348	1,059
Cash at end of period	<hr/> <hr/>	<hr/> <hr/>
	948	332
Cash balance made up of:		
Cash at Bank	3,188	2,778
Overdraft	(2,240)	(2,446)
	<hr/>	<hr/>
	948	332

The above statement of cash flows should be read in conjunction with the accompanying notes.

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half-year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Quantum Energy Limited ("the Company") and its controlled entities (collectively "the Group") during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2016 financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected current assets, non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board (AASB) has issued new, revised and amended standards and interpretations (being AASB 9: *Financial Investments* and AASB 15: *Revenue from Contracts with Customers*) that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. AASB 9 is not expected to have a material impact on the financial statements of the Group. In relation to AASB 15 the AASB has issued a new standard for the recognition of revenue, which will be first effective for the Group's financial year ending 30 June 2019. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management has yet to assess the impact of the new rules and, at this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 2: DIVIDENDS

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial period (2016: Nil).

Quantum Energy Limited and Controlled Entities
ABN: 19 003 677 245

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 3: SEGMENT INFORMATION

	Environmental Services		Medical		Investments		Unallocated		Eliminations		Consolidated-	
	31 Dec 2016 \$ 000	31 Dec 2015 \$ 000	31 Dec 2016 \$ 000	31 Dec 2015 \$ 000	31 Dec 2016 \$ 000	31 Dec 2015 \$ 000	31 Dec 2016 \$ 000	31 Dec 2015 \$ 000	31 Dec 2016 \$ 000	31 Dec 2015 \$ 000	31 Dec 2016 \$ 000	31 Dec 2015 \$ 000
Total revenue and other income-												
Australia	5,439	4,470	6,450	10,896	-	1,175	182	214	(2,377)	(3,747)	9,694	13,008
Total revenue - China	2,444	3,913	-	-	-	-	3	3	-	-	2,444	3,916
Total revenue - Thailand	-	-	4,649	2,427	-	-	-	-	-	(233)	4,649	2,194
Total revenue - Korea	-	-	12,636	13,086	-	-	-	-	-	-	12,636	13,086
Total revenue	7,883	8,383	23,735	26,409	-	1,175	182	217	(2,377)	(3,980)	29,423	32,204
Profit/(Loss) after income tax - Australia	(740)	(1,175)	1,360	2,869	-	563	(670)	(403)	(536)	(844)	(586)	1,010
Profit/(Loss) after income tax - China	(546)	(543)	-	-	-	-	-	-	-	-	(546)	(543)
Profit/(Loss) after income tax - Thailand	-	-	863	270	-	-	-	-	-	-	863	270
Profit/(Loss) after income tax - Korea	-	-	855	229	-	-	-	-	-	-	855	229
Total profit/(loss) after income tax	(1,286)	(1,718)	3,078	3,368	-	563	(670)	(403)	(536)	(844)	586	966
	31 Dec 2016 \$ 000	30 June 2016 \$ 000	31 Dec 2016 \$ 000	30 June 2016 \$ 000	31 Dec 2016 \$ 000	30 June 2016 \$ 000	31 Dec 2016 \$ 000	30 June 2016 \$ 000	31 Dec 2016 \$ 000	30 June 2016 \$ 000	31 Dec 2016 \$ 000	30 June 2016 \$ 000
Segment assets - Australia	5,155	8,438	27,550	26,887	-	-	3,970	10,537	(252)	(4,225)	36,423	41,637
Segment assets - China	4,144	4,826	-	-	-	-	-	-	-	-	4,144	4,826
Segment assets - Thailand	-	-	6,380	4,381	-	-	-	-	-	-	6,380	4,381
Segment assets - Korea	-	-	18,995	16,321	-	-	-	-	-	-	18,995	16,321
Total segment Assets	9,299	13,264	52,925	47,589	-	-	3,970	10,537	(252)	(4,225)	65,942	67,165
Segment liabilities - Australia	10,681	4,429	4,896	7,470	-	-	12,582	18,512	(7,881)	(10,050)	20,278	20,361
Segment liabilities - China	1,734	2,104	-	-	-	-	-	-	-	-	1,734	2,104
Segment liabilities - Thailand	-	-	3,201	1,933	-	-	-	-	-	-	3,201	1,933
Segment liabilities - Korea	-	-	13,813	16,513	-	-	-	-	-	-	13,813	16,513
Total Segment liabilities	12,415	6,533	21,910	25,916	-	-	12,582	18,512	(7,881)	(10,050)	39,026	40,911

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 3: SEGMENT INFORMATION (continued)

The entity operates in three business segments, being the manufacturing and distribution of energy saving heat pump technology, hot water and heat/cooling systems, the distribution of high-end medical products and investments in Renewable Energy Certificates and other assets.

NOTE 4 EVENTS SUBSEQUENT TO REPORTING DATE

On 7th February 2017, P Sidney decided to retire from the Company. J Walstab was appointed Managing Director and A Mackenzie was appointed a Non-Executive Director. Further details of these changes are provided in the ASX announcement dated 7th February 2017.

There are no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of these operations, or the state of the affairs of the consolidated entity in future financial periods.

NOTE 5 ENTITIES ACQUIRED DURING THE PERIOD

(a) Summary of acquisitions

On 29 July 2015 the Group acquired a 95 % holding in D & D Hunex Korea Co., Ltd, distributors of high end medical equipment in Korea to expand the Group's presence in this sector.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	D&D Hunex \$'000
Purchase consideration (refer to (b) below)	
Cash paid	921
	<u>921</u>

Of the cash paid, \$384,000 in relation to the purchase of D&D Hunex was paid during the year ended 30 June 2015.

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 5 ENTITIES ACQUIRED DURING THE PERIOD (continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value D&D Hunex \$'000
Cash	27
Stock	2,302
Trade debtors	2,105
Property, plant and equipment	2,404
Other assets	1,384
Trade creditors	(2,810)
Other liabilities	(5,576)
	<hr/>
Net identifiable liabilities acquired	(164)
Less: non-controlling interests	30
Add: goodwill	891
Net assets acquired	<hr/> <u>921</u>

(i) Contingent consideration

No additional amounts are payable for the acquisition of the subsidiary.

(b) Purchase consideration – cash flow

	\$'000
Outflow of cash to acquire, net of cash acquired	
Cash consideration	921
Less cash balances acquired	(27)
Outflow of cash – Investing activities	<hr/> <u>894</u>

Interim Financial Report

DIRECTORS' DECLARATION

In the opinion of the directors,

1. The financial statements and notes, as set out on pages 3 to 10, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. giving a true and fair view of the consolidated group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that Quantum Energy Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



Director: Drew Townsend
Dated: 28 February 2017

QUANTUM ENERGY LIMITED

ABN 19 003 677 245

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Quantum Energy Limited:

We have reviewed the accompanying half-year financial report of Quantum Energy Limited ("the Company") which comprises the balance sheet as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration for the consolidated entity, comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

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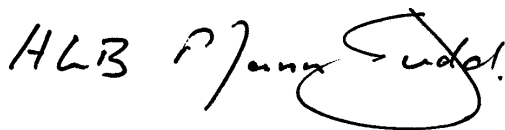
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QUANTUM ENERGY LIMITED**ABN 19 003 677 245****INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)****Unqualified Conclusion**

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

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



HLB Mann Judd
Chartered Accountants

Sydney, NSW
28 February 2017



D K Swindells
Partner