



Quantum Energy Limited

And its controlled entities

A.B.N. 19 003 677 245

Annual Report
For the Financial Year Ended
30 June 2018

Quantum Energy Limited and Controlled Entities

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The Company's Corporate Governance Statement can be found on the company's website www.qhealthcare.com.au/cg

This financial report was authorised for issue by the Board of Directors on 28 September 2018. The Company has the power to amend and re-issue the financial report.

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Quantum Energy Limited ("the Company") and its controlled entities (together referred to as "the Group" or "Quantum") for the financial year ended 30 June 2018.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

- Mr Drew Townsend (Chairman)
- Mr John Walstab
- Mr Angus Mackenzie (appointed 7 Feb 2017, retired 20 Sep 2017)
- Mr Alan McCarthy (appointed 20 Sep 2017)

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated. The particulars of the qualifications, experience and independence status of each Director as at the date of this report are set out below in this report. Mr Walstab has also been the Company Secretary since the start of the financial year to the date of this report.

Principal Activities

The principal activities of the Group during the financial year continue to be:

- Distribution of high end medical products in the field of radiology, nuclear medicine, oncology and women's health in Australia and Asia.
- Manufacture of energy saving hot water, heating and cooling systems for residential and commercial markets in Australia and internationally.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Operating results

The net profit from continuing operations of the Group attributable to owners of the Group after providing for income tax amounted to \$3,127,000 (2017: loss \$1,709,000).

The total comprehensive profit of the Group attributable to owners of the Group for the year is \$3,408,000 (2017: loss of \$1,778,000).

Review of Operations

Directors are pleased to advise that Quantum has delivered a trading result for our financial year (excluding abnormal items) consistent with our expectations taking into consideration the planned restructuring of the environmental division, for the year ended 30 June 2018, as follows:

	2018	2017
	\$ 000	\$ 000
Revenue	66,993	58,676
EBITDA	7,182	1,038
Impairment and re-structure costs	1,489	2,133
Normalised EBITDA	8,671	3,171

Reconciliation of EBITDA:

	2018	2017
	\$ 000	\$ 000
Profit/(loss) before tax	5,618	(243)
Interest expenses	1,371	1,277
Interest income	(308)	(401)
Depreciation	501	405
EBITDA	7,182	1,038

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT (CONTINUED)

Quantum's trading results have improved significantly in all regions and divisions this financial year. Quantum has made significant investments in its international healthcare operations, resulting in stronger growth, and established the foundation for further expansion into the Asian healthcare market.

Quantum completed a restructuring of its environmental division during 2018 resulting in substantial changes to its existing sales and distribution model. This restructure of Quantum's domestic energy distribution business has resulted in further one-time impairment costs reflected in these 2018 results. This strategic change in Quantum's operations has allowed us to focus on expansion of our healthcare division and a transformation of the existing energy related business to healthcare focussed energy products.

Financial position

The net assets of the consolidated group have increased to \$30,539,000 as at 30 June 2018. The Directors believe that the group is in a strong and stable financial position to expand and grow its current operations.

Significant changes and state of affairs

Other than those events detailed above, there were no significant changes in the state of affairs of the Group during the year.

Events subsequent to balance date

On 7 September 2018, the Shareholders approved under section 611 item 7 of the Corporations Act 2001 a share acquisition by Mr. John Walstab of a parcel of shares from Crisp Holdings Pty Limited which would result in the percentage of voting shares held by Mr. Walstab increasing to 47.82%. The number of Ordinary shares agreed to be transferred is 430,693,959 representing 39.49% of the Company's existing issued Ordinary Shares. The sale price per share is 1.038 cents, representing an aggregated consideration of \$4.471 million. The aggregate sale consideration was payable as to \$2.0 million at settlement of the share transfer (which occurred on 7 September 2018), with the balance payable in 5 equal consecutive annual instalments of \$494,200 commencing on 1 July 2019. Pending the aggregate sale consideration having been paid in full, the reducing balance payable will bear interest at 10% p.a. to be paid by Mr Walstab annually.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years;
- (b) the results of those operations in future financial years;
- (c) the group's state of affairs in future financial years.

Future developments, prospects and business strategies

The Group is unaware of any factors which are likely to affect results in the future other than those mentioned in the Review of Operations.

Dividends paid or recommended

No dividends were paid or declared for payment during the financial year or since the end of the financial year.

Environmental Regulation

The Group's operations are not significantly affected by environmental regulations except to the extent that government regulatory legislation for environmental technologies may impact the growth of sales of energy efficient products.

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT (CONTINUED)

Information on the Directors

Drew Townsend	— Chairman and Non-Executive Director
Qualifications	— Bachelor of Commerce, Member of Institute of Company Directors and Member of Chartered Accountants Australia and New Zealand.
Experience	— Appointed Chairman 2003. Board member since 2003. Over 22 years' experience in Australian and International accounting and finance.
Interest in Shares and Options	— 760,006,417 ordinary shares (most are held jointly with other directors/former director) in Quantum Energy Limited.
John Walstab	— Managing Director and Company Secretary
Experience	— Board member since 2003. Wide range of experience in technology organisations and developing overseas markets.
Interest in Shares and Options	— 84,018,434 ordinary shares (863,550 shares are held jointly with other directors) in Quantum Energy Limited.
Angus Mackenzie	— Non-Executive Director (retired 20 Sep 2017)
Qualifications	— BA (Hons.), LLB, LLM, MBA
Experience	— Appointed on 7 Feb 2017. 25 years international experience in law and investment banking
Interest in Shares and Options	— Nil.
Alan McCarthy	— Non-Executive Director (appointed 20 Sep 2017)
Qualifications	— B Bus (Accounting.), MCom in Marketing and Organisational Behaviour, CPA
Experience	— Mr McCarthy's experience spans public health and private health services across Australia, New Zealand and Asia Pacific from more than 28 years, including: <ul style="list-style-type: none"> • Current CEO and Co-Founder at Alpenglow Australia and SRG NZ, both diagnostic imaging businesses • Managing Director of Philips ANZ • Vice-President Asia-Pacific at CareFusion • Country Manager ANZ at Cardinal Health • General Manager of Diagnostic Imaging at Mayne Health/Health Care of Australia
Interest in Shares and Options	— Nil.

None of the directors hold, or have held, a position as Director of another listed Company at any time in the 3 years prior to 30 June 2018.

Meetings of Directors

During the financial year, 6 meetings of directors and 2 meetings of committees of directors were held. Attendances by each director during the year were as follows:

	Board of Directors		Audit & Risk Management Committee	
	Number eligible to Attend	Attended	Number eligible to Attend	Attended
Mr D.A. Townsend	6	6	2	2
Mr J. Walstab	6	6	2	2
Mr A. McCarthy	4	4	-	-

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT (CONTINUED)

Indemnifying Officers or Auditors

During the financial year the Company paid a premium in respect of a contract insuring the directors of the Company against any liability incurred as such by a director or secretary to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has, during the financial year, agreed to indemnify officers of the Group or any related body against a liability incurred by such an officer.

Options

At the date of this report, there are no unissued ordinary shares of Quantum Energy Limited under options. During the year ended 30 June 2018, no ordinary shares of Quantum Energy Limited were issued on the exercise of options. No options have been granted since year end.

Proceedings on Behalf of Company

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

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

Non-audit Services

There were no non-audit services provided during the year to the Group by HLB Mann Judd (NSW Partnership) or any related practices or related audit firms.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and a copy can be viewed on page 8 of the Annual Report.

Rounding of Amounts

The Company 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 ("ASIC") relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for each director of Quantum Energy Limited and other key management personnel.

(1) Remuneration philosophy

The performance of Quantum Energy Limited depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, Quantum Energy embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

While Quantum Energy Limited does not have a remuneration committee, the Board of directors is responsible for determining and reviewing compensation arrangements for the directors, and the senior management team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Non-executive director remuneration

As all directors of the Company are stakeholders, directors' remuneration is not as important as is generally the case.

The non-executive directors did not receive remuneration during the current or prior year. Fees charged by Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner for accounting services totalled \$20,010 during the year (2017: \$52,999).

Senior executives and executive director remuneration

Objective

Quantum Energy Limited aims to reward executives with a level and mix of remuneration which is commensurate with their position, their responsibilities within the Group, their length of service and the overall performance of the Group, and so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Group; and
- ensure that total remuneration is competitive by market standards.

Structure

Details of contracts with Directors and senior executives are shown below.

Remuneration for senior managers and executive directors consists of the following key elements:

- fixed remuneration;
- variable remuneration, being short and long term incentives.

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited) (CONTINUED)

Fixed Remuneration

Fixed remuneration is reviewed regularly. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicle leases. The fixed remuneration component for directors and key management personnel is detailed below.

Variable Remuneration

The objectives of the short and long term incentive plans are:

- to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets; and
- to reward directors and senior executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Incentives

- Short term incentives are delivered in the form of cash bonus rewards, being incentive payments based on key performance indicators such as sales targets.
- Long term incentives are delivered in the form of options.

Company performance, shareholder wealth and director and executive remuneration

The following table shows the performance of the Consolidated Group during the past five financial years:

Fiscal Year	Sales Revenue from continuing operations	NPAT/(NLAT)	Basic EPS	Share price at balance date	Total Equity	NTA per share
	\$000	\$000	Cents	Cents	\$000	\$
2014	32,143	(4,722)	(0.46)	0.01	24,784	0.0106
2015	39,153	827	0.04	0.009	27,024	0.0060
2016	58,797	(642)	(0.06)	0.025	26,254	0.0030
2017	58,676	(1,709)	(0.17)	0.018	25,507	0.0251
2018	66,993	3,127	0.30	0.016	30,539	0.0295

No dividends have been paid by the Company during the past 5 years.

(2) Employment contracts for director and senior executives

The employment conditions of the Managing Director Mr. John Walstab, and other specified executives are formalised in contracts of employment. All executives are permanent employees of Quantum Energy Limited or its controlled entities.

Under the terms of the present employment contracts, which have no fixed term, the executives may resign from their positions and thus terminate their contracts by giving one month's written notice. The Company may terminate these employment agreements by providing one to three month's written notice or by payment in lieu of the notice period based on the executive's fixed component of remuneration. There are no other termination payments included in the contracts. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Mr. Youngchun Kim (senior executive) is entitled to an annual bonus based on the performance of Quantum Healthcare Korea Co. Ltd, Quantum Hunex Korea Co. Ltd, Quantum Healthcare Thailand Co. Ltd and Insight Oceania Pty Ltd. This bonus is based upon 1% of the first \$3M of accumulated profit after tax of the companies listed above, and 5% of profit above \$3M.

(3) Remuneration of Key Management Personnel and Other Executives

The key management personnel of the Group and the specified executives of the Company and the Group are the directors of the Company and the executives as set out in the table below.

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited) (CONTINUED)

Foot note		Short-Term Benefits			Post Employment Benefits	Long-term benefits	Total
		Salary/Fees and Commission	Bonus	Termination	Superannuation	Long service leave	
		\$	\$	\$	\$	\$	\$
Executive Directors							
P Sidney	2018	-	-	-	-	-	-
Retired 07 Feb 2017	2017	288,587	-	-	27,416	-	316,003
J. Walstab	2018	331,789	-	-	34,418	30,509	396,716
	2017	258,086	-	-	37,822	3,683	299,591
Total Directors	2018	331,789	-	-	34,418	30,509	396,716
Total Directors	2017	546,673	-	-	65,238	3,683	615,594
Key Executives							
Y.Kim	2018	282,898	319,134	-	56,527	15,119	673,678
	2017	168,600	90,510	-	17,756	18,308	295,174
J. Hewlett	2018	-	-	-	-	-	-
(resigned 10 March 2017)	2017	69,668	-	-	(237)	(34,441)	34,990
	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
Total Key Executives	2018	282,898	319,134	-	56,527	15,119	673,678
Total Key Executives	2017	238,268	90,510	-	17,519	16,133	330,164
Grand Total	2018	614,688	319,134	-	90,946	45,628	1,070,396
Grand Total	2017	784,941	90,510	-	82,757	(12,450)	945,758

The positions held by key management personnel are disclosed in Note 5 to the financial statements.

Relative proportion of remuneration linked to performance

	2018	2017
J. Hewlett	0%	0%
Y. Kim	47%	31%
J. Walstab	0%	0%

(4) Changes in Directors and Executives Subsequent to Year End

There has been no change in directors or executives subsequent to year end.

(5) Options and Rights Granted and Exercised

During the financial year ended 30 June 2018 there were no options/rights issued or exercised.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



John Walstab

Director

28 September 2018



Accountants | Business and Financial Advisers

QUANTUM ENERGY LIMITED
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Quantum Energy Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in relation to Quantum Energy Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'D K Swindells', written in a cursive style.

D K Swindells
Partner

Sydney, NSW
28 September 2018

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**QUANTUM ENERGY LIMITED
ACN 003 677 245**

INDEPENDENT AUDITOR'S REPORT

To the Members of Quantum Energy Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Quantum Energy Limited ("the Company") and its controlled entities (collectively "the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



QUANTUM ENERGY LIMITED
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of Goodwill Note 16</p> <p>The Group recognised Goodwill of \$20.1 million at 30 June 2018. This Goodwill arose on acquisition of subsidiary companies in prior years.</p> <p>As required by Australian Accounting Standards the Group tested this Goodwill for impairment, at 30 June 2018.</p> <p>The Group determined the recoverable amount using value in use calculations for the relevant cash generating units ("CGU"), which involved a significant level of judgement in respect of factors such as:</p> <ul style="list-style-type: none"> • estimated future revenue and costs; • Discount rates; and • Terminal values. <p>We considered this to be a key audit matter due to the significant judgement involved in estimating the recoverable amount of the Goodwill and the potentially material impact on the financial report.</p>	<ul style="list-style-type: none"> • We evaluated the Group's goodwill impairment assessment process; • We obtained the Group's value in use models and considered the assumptions applied by management; • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts included in the value in use model. We applied increased scepticism to current period forecasts in areas where previous forecasts were not achieved and /or where future uncertainty is greater or volatility is expected; • We challenged discount and terminal value multiples by comparing these with rates used by comparable companies. • We compared forecast revenues and costs to historical results; • We tested the mathematical accuracy of the impairment models used by management; • We performed sensitivity analysis on all CGUs in relation to the discount rate and terminal value multiple assumptions, and profit forecasts; • We assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the valuation of goodwill, by comparing these disclosures to our understanding of the assets.
<p>Inventory Obsolescence Note 10</p> <p>The Group holds inventories recognised at 30 June 2018 at a value of \$17.063 million. A provision for obsolescence of \$4.379 million was recognised at 30 June 2018.</p> <p>We consider this to be a key audit matter due to the significant judgement involved in estimating the realisable value of inventories.</p>	<ul style="list-style-type: none"> • We reviewed management's processes for identifying inventory that might not be sold at or above carrying value; • We agreed a sample of inventory items to sales invoices before and after balance date; • We considered the time period that inventories had been held, and the prospects of their sale.



**QUANTUM ENERGY LIMITED
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Financial Assets – Loans - Others

Note 11

At 30 June 2018, \$4.4 million was receivable from a former director of Quantum Energy Limited. The amount receivable at 30 June 2018 is shown in Note 11 as Loans to Related Parties.

The *Corporations Act 2001* allows a loan to be given to a director without member approval if the terms of the loan would be reasonable to the Group if the Group and the director were dealing at arm's length, or at terms less favourable to the director than that.

The loan is secured by a guarantee from a company associated with the former director and a current director.

We consider this to be a key audit matter due to the size of the asset and the relationship with the borrower.

- We reviewed the interest rate calculations prepared by management, and compared the interest rate with the agreed rate for these loans;
- We reviewed the security for the loans;
- For the period during which the former director was a director, we reviewed evidence as to whether the interest charged on the loan was at least at an arm's-length rate;
- We obtained a confirmation from the former director of the loan balance at 30 June 2018.

Using the Work of Component Auditors

The Group has operations in Thailand, Korea and China. The Group has appointed audit firms in each of those locations to conduct work on the components in those areas.

We considered this to be a key audit matter due to the significance of each component to the Group.

- We performed the following procedures, as well as other procedures:
- We obtained an understanding of the Group, its components and their environments to identify significant components.
 - We obtained in relation to each component auditor, an understanding:
 - that the component auditor understands and would comply with ethical requirements
 - of the component auditor's professional competence
 - whether the component auditor operates in a regulatory environment that actively oversees auditors.
 - We communicated our requirements with component auditors, including being involved in the component auditors' risk assessment, and ensuring that the component materiality used by each component auditor was appropriate.
 - We performed an audit of the financial information of the component, by reviewing the work performed by each component auditor and discussing with the component auditors and component management the work that they had performed, during a visit to each overseas operation of the Group.
 - Where necessary, we determined what additional procedures were to be performed by the component auditor and by the Group engagement team.
 - We evaluated whether sufficient appropriate audit evidence had been obtained from these audit procedures, on which to base the Group audit opinion.



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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



**QUANTUM ENERGY LIMITED
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Quantum Energy Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.



QUANTUM ENERGY LIMITED
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

Sydney, NSW
28 September 2018

A handwritten signature in black ink that reads 'D K Swindells'.

D K Swindells
Partner

Quantum Energy Limited and Controlled Entities

DIRECTORS' DECLARATION

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 16 to 50 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2018 required by section 295A of the *Corporations Act 2001*.

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



John Walstab

Director

28 September 2018

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$ 000	2017 \$ 000
Revenue from continuing activities	2	66,993	58,676
Cost of Sales		(35,066)	(33,606)
Employee benefits expense		(11,986)	(12,040)
Depreciation and amortisation expense	13	(501)	(405)
Advertising and promotion expenses		(657)	(394)
Finance costs	3	(1,371)	(1,277)
Legal fees		(84)	(78)
Research and development expenditure		(224)	(515)
Travel expenses		(1,377)	(1,198)
Motor vehicle expenses		(475)	(611)
Warranty expenses		(538)	(679)
Telephones & internet		(155)	(207)
Consultants		(623)	(278)
Freight & delivery expenses		(233)	(270)
Occupancy (rent) expenses	3	(957)	(1,463)
Insurance		(295)	(247)
Foreign exchange gain/(loss)		103	(26)
Fair value gain/(loss) on financial assets		48	(373)
Restructuring costs		-	(406)
Provision for obsolete stock - environmental division		(1,489)	(1,727)
Provision for obsolete stock - other		(1,703)	(223)
Other expenses		(3,792)	(2,896)
Profit from continuing operations before income tax		5,618	(243)
Income expense credit	4	(1,031)	(498)
Net (Loss) profit after tax		4,587	(741)
Other comprehensive income			
Items that may be reclassified to profit or loss;			
Translation of foreign subsidiaries gain / (loss)		592	(199)
Actuarial gain / (loss)		(147)	193
Total comprehensive income/(loss) for the year		5,032	(747)
Profit/(loss) for the year is attributable to:			
Non-controlling interests		1,460	968
Owners of the parent		3,127	(1,709)
		4,587	(741)
Non-controlling interests		1,624	1,031
Owners of the parent		3,408	(1,778)
		5,032	(747)
Basic earnings/(loss) per share (cents per share)	7	0.30	(0.17)
Diluted earnings/(loss) per share (cents per share)	7	0.30	(0.17)

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

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group	
		2018 \$ 000	2017 \$ 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	5,424	2,119
Trade and other receivables	9	11,822	14,219
Inventories	10	12,684	11,969
Financial assets	11	497	909
Other current assets	17	4,022	2,425
TOTAL CURRENT ASSETS		<u>34,449</u>	<u>31,641</u>
NON-CURRENT ASSETS			
Trade and other receivables	9	-	111
Property, plant and equipment	13	1,548	3,760
Investment property	14	2,444	-
Deferred tax assets	15	2,632	2,278
Intangible assets	16	20,127	20,127
Financial assets	11	8,272	6,032
Other	17	777	535
TOTAL NON-CURRENT ASSETS		<u>35,800</u>	<u>32,843</u>
TOTAL ASSETS		<u>70,249</u>	<u>64,484</u>
CURRENT LIABILITIES			
Trade and other payables	18	19,298	16,838
Borrowings	19	8,922	10,659
Current tax liabilities		1,561	846
Short term provisions	20	1,679	1,006
TOTAL CURRENT LIABILITIES		<u>31,460</u>	<u>29,349</u>
NON-CURRENT LIABILITIES			
Trade and other payables	18	632	1,688
Borrowings	19	5,888	6,400
Employee benefits	20	198	175
Defined benefit plans	21	1,532	1,365
TOTAL NON-CURRENT LIABILITIES		<u>8,250</u>	<u>9,628</u>
TOTAL LIABILITIES		<u>39,710</u>	<u>38,977</u>
NET ASSETS		<u>30,539</u>	<u>25,507</u>
EQUITY			
Issued Capital	22	86,429	83,789
Reserves	23	1,587	1,306
Retained Earnings (accumulated losses)		(60,191)	(61,460)
Equity attributable to owners of Quantum Energy Limited		<u>27,825</u>	<u>23,635</u>
Non-controlling interests		2,714	1,872
TOTAL EQUITY		<u>30,539</u>	<u>25,507</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Ordinary Share Capital	Shares to be issued	Undistributable Profits Reserve	Exchange Translation Reserve	Actuarial Gain Reserve	Other Reserves	Retained Profits (Losses)	Total	Attributable to non- controlling interests	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Consolidated										
Balance at 1 July 2017	83,789	-	504	871	-	-	(59,751)	25,413	841	26,254
Profit / (Loss) for the year	-	-	-	-	-	-	(1,709)	(1,709)	968	(741)
Other comprehensive income for the year	-	-	-	(222)	153	-	-	(69)	63	(6)
Balance at 30 June 2017	83,789	-	504	649	153	-	(61,460)	23,635	1,872	25,507
Balance at 1 July 2017	83,789	-	504	649	153	-	(61,460)	23,635	1,872	25,507
Profit / (Loss) for the year	-	-	-	-	-	-	3,127	3,127	1,460	4,587
Other comprehensive income for the year	-	-	-	428	(147)	-	-	281	164	445
Shares Issued / to be issued	1,440	1,200	-	-	-	(1,858)	-	782	(782)	-
Transfer of Reserves	-	-	-	-	-	1,858	(1,858)	-	-	-
Balance at 30 June 2018	85,229	1,200	504	1,077	6	-	(60,191)	27,825	2,714	30,539

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

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$ 000	2017 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		75,489	57,807
Payments to suppliers and employees		(63,836)	(57,273)
Interest received		-	27
Finance costs		(597)	(587)
Income tax paid		<u>(1,306)</u>	<u>(211)</u>
Net cash provided by (used in) operating activities	26	<u>9,750</u>	<u>(237)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		682	149
Purchase of property, plant and equipment		(874)	(28)
Payments for acquisition of investment - QHC Thailand and QHC Korea		(1,649)	(526)
Payments for financial assets		(2,909)	(1,107)
Proceeds from sale of financial assets		<u>1,536</u>	<u>2,767</u>
Net cash provided by (used in) investing activities		<u>(3,214)</u>	<u>1,255</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		<u>(1,576)</u>	<u>(902)</u>
Net cash used in financing activities		<u>(1,576)</u>	<u>(902)</u>
Net increase in cash held		4,960	116
Cash at beginning of period		<u>464</u>	<u>348</u>
Cash at end of period	8	<u><u>5,424</u></u>	<u><u>464</u></u>

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

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

This financial report includes the consolidated financial statements of Quantum Energy Limited and controlled entities ('collectively the 'Group' or 'consolidated entity').

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions.

The financial statements also comply with International Financial Reporting Standards.

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

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

(a) Principles of Consolidation

Subsidiaries

A controlled entity is any entity over which Quantum Energy Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. The acquisition method of accounting is used to account for business combinations by the Group (Note 1(q)).

A list of controlled entities is contained in Note 12 to the financial statements.

The assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year.

All balances and transactions between entities in the consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Income Tax

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

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

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

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income Tax (continued)

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

Tax Consolidation

Quantum Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the tax consolidated group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately assumed by the head entity. The Company notified the Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each Company in the tax consolidated group contributes to the income tax payable by the tax consolidated group in proportion to their contribution to the tax consolidated group's taxable income. Differences between the amounts of net tax assets and liabilities recognised pursuant to the tax sharing agreement are recognised as either a contribution by, or distribution to, the head entity.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment, including buildings and capitalised lease assets, is depreciated on a straight-line or diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment - General	15%– 20%
- Office Equipment	33%
- Motor Vehicles	12.5% – 23%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(g)).

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Financial Instruments: Recognition and Measurement.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses from changes in the fair value are presented in profit or loss within other income or expenses in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are measured at fair value.

(g) Impairment of Assets

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

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

(h) Intangibles

Goodwill

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

(i) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign Currency Transactions and Balances (continued)

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the dates of the transactions.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income.

(j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Additionally, the Korean entities operate defined benefit pension plans, which requires contributions to be made to a separately administered fund. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

The defined benefit liability comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information, and, in the case of quoted securities, it is the published bid price.

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested following the introduction of, or changes to, a pension plan.

(k) Provisions

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

(l) Provision for Warranties

Provision is made in respect of the Group's estimated liability on all products and services under warranty at balance date. The provision is based on the Group's history of claims to settle warranty obligations over the last two years, calculated as a percentage of revenue.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the consolidated statement of financial position.

(n) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and Other Income (continued)

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership, subject to retention of title conditions.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date where the outcome of the contract can be estimated reliably.

(o) Borrowing Costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(q) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Comparative Figures

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

(s) Rounding of Amounts

The Company 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 ("ASIC") relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

(t) Critical Accounting Estimates and Judgments

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

Key Estimates

(i) *Impairment*

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Where any impairment trigger exists, the recoverable amount of the asset is determined. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgements

(i) *Provision for Impairment of Receivables*

The Directors have reviewed outstanding debtors of the Group as at 30 June 2018, and have formed the opinion that amounts receivable from sales made during the current and previous financial years amounting to \$601,000 (2017: \$453,000) is not collectable, and have created an allowance for impairment.

(ii) *Provision for Inventory obsolescence*

The directors review all stock at the year end and provide for any stock where the expected realisable value is less than cost.

(iii) *Impairment of Goodwill*

The directors have assessed the value of goodwill at balance date, and have determined that the net book value at 30 June 2018 is recoverable. Further details are included in Note 16.

(iv) *Provision for Warranty – Quantum Energy Technologies Pty Ltd*

Quantum Energy Technologies, a subsidiary of the Company, raised a provision for warranty expenses as at 30 June 2018 of \$368,008. The provision of \$368,008 is based on management's estimate of the cost of providing this warranty for one year to its customer.

If management's estimate was to increase or decrease by 10%, the warranty provision would increase or decrease by \$36,800.

(v) *Provision for Warranty – Quantum Healthcare Korea Co, Ltd ("QHK")*

Quantum Healthcare Korea Co, Ltd, a subsidiary of the Company, raised a provision for warranty expenses as at 30 June 2018 of \$539,290. This is based upon management's estimate of the warranty that QHK has provided to one of its customers, where QHK has provided a three year warranty to its customer, and QHK has received a two year warranty from its supplier. The provision of \$539,290 is based on management's estimate of the cost of providing this warranty for one year to its customer (being the difference between the warranty provided by QHK to its customer of three years and the warranty received from its supplier of two years), which is estimated by management's review of the contract with its supplier and determining the warranty element of total costs payable to its supplier.

If management's estimate was to increase or decrease by 10%, the warranty provision would increase or decrease by \$53,900.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Fair Value Measurement

The fair value of financial assets and liabilities are estimated for disclosure purposes in accordance with AASB 7 – Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

(v) Going Concern

During the year ended 30 June 2018, the consolidated entity earned a profit after income tax of \$4.59m. At 30 June 2018, the consolidated entity had net assets of \$30.5m and net current assets of \$3.0m. Included in current liabilities are amounts due to J Walstab (a director of the Company) of \$4.1m and D Townsend (a director of the Company) of \$0.90m. J Walstab and D Townsend have confirmed in writing that they will not demand repayment of these amounts prior to 31 December 2019 if it affects the ability of the consolidated entity to pay its other debts as and when they fall due and payable.

Management have prepared cash flow forecasts which management considers demonstrates that the consolidated entity will generate sufficient cash flows to enable it to continue as a going concern and pay its debts as and when they fall due and payable. Accordingly, the financial statements have been prepared on a going concern basis.

(w) New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board has issued new, revised and amended standards and interpretations (including AASB 9: *Financial Investments*, AASB 15: *Revenue from Contracts with Customers* and AASB 16: *Leases*) 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 AASB 15 the AASB has issued a new standard for the recognition of revenue. 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 2018), i.e. without restating the comparative period. They will only need to apply the new standard to contracts that are not completed as of the date of initial application.

AASB 16 removes the distinction between operating and finance leases – if an agreement meets the definition of a lease then it is recorded on the balance sheet (subject to the exceptions discussed below). The balance sheet will have a right of use asset (non-current) and a lease liability (split between current and non-current). The income statement will show interest expense in relation to the liability and depreciation of the right of use asset.

There are two exceptions to the general lease recognition criteria. If these are used, the leases are accounted for under the existing operating lease accounting treatment:

- Short-term leases – those leases where the lease term is less than 12 months and there is no purchase option included within the lease;
- Low value assets – the underlying assets being leased are considered low value (in the region of \$10,000).

AASB 16 will cause significant changes to the balance sheet of the Group and ratios such as earnings before interest and tax (EBIT / EBITDA). This may affect bank covenants, bonus arrangements and solvency ratios.

Management has yet to assess the impact of the new standards and, at this stage, the Group is not able to estimate the impact of the new standards 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 Group in the current or future reporting periods and on foreseeable future transactions.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2018	2017
	\$000	\$000
Revenue		
Sale of goods	50,979	41,877
Services revenue	14,370	15,748
	65,349	57,625
Other Revenue		
Interest receivable- other entities	4	27
Interest receivable – related parties	304	374
Dividend from unrelated parties	10	10
Other revenue	1,326	640
	1,644	1,051
Total Revenue	66,993	58,676

NOTE 3: PROFIT /(LOSS) FOR THE YEAR

	Consolidated Group	
	2018	2017
	\$000	\$000
Profit (Loss) for the year includes the following expenses:		
Finance costs		
- External	600	607
- Related parties	771	670
Total finance costs	1,371	1,277
Rental expense relating to operating leases	957	1,463

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group	
	2018	2017
	\$000	\$000
(a) Continuing Operations		
The components of income tax expense comprise:		
Current tax relating to Continuing Operations	1,385	-
Deferred tax relating to Continuing Operations	(354)	498
	1,031	498
(b) Income Tax Expense		
The prima facie tax on profit (loss) from continuing activities before income tax is reconciled to the income tax expense (credit) as follows:		
Prima facie tax payable on profit (loss) from continuing activities before income tax at 30% (2017:30%)	1,685	(73)
Add (Deduct) tax effect of:		
Difference in overseas tax rate	(455)	(68)
Fully franked dividend	(3)	(3)
Other amounts which are not deductible (assessable) for income tax purposes	(196)	642
Income tax expense	1,031	498
The applicable weighted average effective rates are	18%	17%

(c) Other comprehensive income

There is no income tax on the items in other comprehensive income.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL

(a) Names and positions held of consolidated entity key management personnel in office at any time during the current and previous financial year are:

D.A Townsend	Chairman and Non-Executive Director
P.G Sidney	Managing Director (retired 7 Feb 2017)
J. Walstab	CEO, Managing Director and Company Secretary
J. Hewlett	Director, Insight Oceania Pty Ltd (subsidiary) (resigned 10 Feb 2017)
Y. Kim	CEO, Quantum Healthcare Pty Ltd (subsidiary)
A. Mackenzie	Non-Executive Director (appointed 7 Feb 2017, retired 20 Sep 2017)

(b) Key Management Personnel remuneration

	Consolidated Group	
	2018	2017
	\$	\$
Short-term employee benefits	933,822	875,451
Post-employment benefits	90,946	82,757
Long-term benefits	45,628	(12,450)
	1,070,396	945,758

(c) Option holdings

There are no options held by key management personnel (2017: Nil).

(d) Shareholdings

The numbers of shares in the Company held during the year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below:

	Balance 01.07.17 No.	Sold No.	Purchased No.	Balance 30.6.18 No.	
Directors					
D.A Townsend	760,006,417	-	-	760,006,417	*
P.G. Sidney	762,546,811	-	-	762,546,811	**
J. Walstab	84,018,434	-	-	84,018,434	***
Specified Executives					
Y. Kim	-	-	24,000,000	24,000,000	
J. Hewlett	5,701,137	(5,701,137)	-	-	

* 758,378,934 held jointly with P Sidney, and 863,550 held jointly with P Sidney and J Walstab.

** 758,378,934 held jointly with D Townsend, and 863,550 held jointly with D Townsend and J Walstab.

*** 863,550 held jointly with D Townsend and P Sidney.

On 7 September 2018, the Shareholders approved under section 611 item 7 of the Corporations Act 2001 a share acquisition by Mr. John Walstab of a parcel of shares from Crisp Holdings Pty Limited which would result in the percentage of voting shares held by Mr. Walstab increasing to 47.82%. The number of Ordinary shares agreed to be transferred is 430,693,959 representing 39.49% of the Company's existing issued Ordinary Shares. The sale price per sale share is 1.038 cents, representing an aggregated consideration of \$4.471 million.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

The aggregate sale consideration is payable as to \$2.0 million at settlement of the share transfer (which occurred on 7 September 2018), with the balance payable in 5 equal consecutive annual instalments of \$494,200 commencing on 1 July 2019. Pending the aggregate sale consideration having been paid in full, the reducing balance payable will bear interest at 10% p.a. to be paid by Mr Walstab annually.

NOTE 6: REMUNERATION OF AUDITORS

	Consolidated Group	
	2018	2017
	\$000	\$000
Auditing and reviewing financial reports		
HLB Mann Judd (NSW Partnership)		
- Audit and review of financial statements	222	209
Non-HLB Mann Judd (NSW Partnership) auditors for audit of subsidiary companies:		
- China	10	11
- Thailand	35	24
- Korea	24	40

NOTE 7: EARNINGS PER SHARE

	Consolidated Group	
	2018	2017
	Cents per share	Cents per share
Earnings / (loss) per share after tax		
Basic earnings / (loss) per share	0.30	(0.17)
Diluted earnings / (loss) per share	0.30	(0.17)
	Consolidated Group	
	2018	2017
	\$000	\$000
Net profit/ (loss)		
Earnings / (loss) used to calculate basic EPS	3,127	(1,709)
Earnings / (loss) used to calculate diluted EPS	3,127	(1,709)
	No.	No.
(a) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,033,308,291	1,018,308,291
(b) Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	1,045,808,291	1,018,308,291

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2018	2017
	\$000	\$000
Cash as shown in the Consolidated Statement of Financial Position is reconciled to cash at the end of the financial year shown in the Consolidated Statement of Cash Flows		
Cash at bank and in hand	5,424	2,119
Bank overdraft (Note 19)	-	(1,655)
	5,424	464

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2018	2017
	\$000	\$000
CURRENT		
Trade receivables	12,423	14,672
Impairment of receivables	(601)	(453)
	11,822	14,219
NON-CURRENT		
Trade receivables	-	111
	-	111
Trade receivables past due, not impaired		
61-90 days past due	254	740
91+ past due	1,560	6,609
	1,814	7,349

Provision for Impairment of Receivables

Current trade receivables are non-interest bearing and generally on 30-day terms. Non-current trade receivables are non-interest bearing and generally on 12-24 months instalment terms. An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. Terms of trade with some customers include an agreement that the customers may settle the amounts due to the Group by assigning Renewable Energy Certificates ("RECs") to the Group at an agreed price. In such cases, the impairment is due to the market value of the RECs at balance date being less than the agreed price.

Credit Risk — Trade and Other Receivables

The Group has no significant concentration of credit risk. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group. On a geographical basis, the Group has significant credit risk exposures in Australia, Korea and Thailand given the substantial operations in these countries. In Australia, the Group has retention of title clauses over goods sold until payment is received. The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 10: INVENTORIES

	Consolidated Group	
	2018	2017
	\$000	\$000
At cost		
Raw materials and stores	179	453
Finished goods	16,884	13,943
	17,063	14,396
Less: Provision for Impairment	(4,379)	(2,427)
	12,684	11,969

NOTE 11: FINANCIAL ASSETS

	Consolidated Group	
	2018	2017
	\$000	\$000
Current		
Financial assets at fair value through profit or loss:		
- Term Deposits	-	142
- Shares in listed companies	311	455
- Loans to related parties	145	-
- Renewable Energy Certificates	41	312
	497	909
Non -Current		
- Deposits	3,793	1,661
- Loans to related parties	4,479	4,371
	8,272	6,032

Level 1 in the fair value hierarchy (refer Note 1 (u)): The fair values of shares in listed companies and Renewable Energy Certificates are based on quoted market prices at the end of the reporting period. Term deposits, Deposits and Loans are measured at their face value, which is considered to be their fair value.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 12: CONTROLLED ENTITIES

Name of entity	Country of Incorporation	Ownership Interest	
		2018	2017
Parent entity			
Quantum Energy Limited	Australia		
Controlled entity			
Quantum Energy Technologies Pty Ltd	Australia	100%	100%
Quantum Energy Installations Pty Ltd	Australia	100%	100%
Insight Oceania Pty Ltd	Australia	100%	100%
Medishop Pty Ltd	Australia	100%	100%
Quantum Solar Power Pty Ltd	Australia	100%	100%
Quantum Energy Technologies (Suzhou) Co Ltd	China	100%	100%
Suzhou Sheerdrop Wine Co Ltd	China	100%	100%
Med-X Healthcare Pty Ltd	Australia	100%	100%
Quantum Healthcare Korea Co. Ltd	Korea	100%	80%
Quantum Hunex Korea Co. Ltd	Korea	95%	76%
Quantum Healthcare Thailand Co. Ltd	Thailand	49%	39%
Quantum Healthcare Pty Ltd	Australia	100%	80%
Quantum Healthcare Hong Kong Limited	China	100%	-

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2018	2017
	\$000	\$000
Land & Buildings at cost	-	2,144
Plant & Equipment at cost	6,805	7,905
Accumulated depreciation	(5,233)	(6,266)
Provision for Impairment	(24)	(23)
	1,548	3,760
Movements in carrying amounts		
Opening Balance	3,760	4,242
Additions	874	28
Re-classification to investment property	(2,170)	-
Disposals/write-offs	(415)	(105)
Depreciation/amortisation expense	(501)	(405)
Closing balance	1,548	3,760

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 14: INVESTMENT PROPERTIES

	Consolidated Group	
	2018	2017
	\$000	\$000
Opening Balance	-	-
Re-classification from Financial assets	274	-
Re-classification from Property, Plant and equipment	2,170	-
Closing balance	2,444	-

Investment properties, principally a freehold office building in Korea, are held for long-term rental yields and are no longer occupied by the Group due to the restructure of its environmental division during the year. They are carried at cost.

NOTE 15: DEFERRED TAX ASSETS

	Consolidated Group	
	2018	2017
	\$000	\$000
Consists of:		
- Inventories	676	543
- Employee entitlements	341	323
- Accruals and provisions	1,232	966
- Other	(83)	(20)
- Impairment provisions	466	466
	2,632	2,278

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 16: INTANGIBLE ASSETS

	Consolidated Group	
	2018	2017
	\$000	\$000
Goodwill on acquisition		
Cost	91,318	91,318
Accumulated impairment losses	(71,191)	(71,191)
Net carrying amount	20,127	20,127
Medical:		
- Insight Oceania Pty Ltd	11,811	11,811
- Quantum Healthcare Korea Co., Ltd.	5,102	5,102
- Quantum Healthcare Thailand Co., Ltd.	2,231	2,231
- Hunex Korea Co., Ltd.	839	839
Heat pump Technologies	144	144
Total	20,127	20,127

The value in use calculations for the goodwill on acquisition are based on discounted estimated maintainable earnings before interest and taxes ("EBIT"). EBIT increase is forecast at an average rate for the next five years and a terminal value of a multiple of EBIT. Details as follows:

	Insight Oceania Pty Ltd	Quantum Healthcare Korea Co., Ltd.	Hunex Korea Co., Ltd.	Quantum Healthcare Thailand Co., Ltd.
Discount rate	17.5%	17.5%	17.5%	17.5%
Terminal value of approximate times EBIT	5.7	5.7	5.7	5.7
EBIT increase forecast at average of	-1%	-4%	17%	2%

Sensitivity Analysis

If discount rates were changed to the rates detailed in the table below with no change to any of the other assumptions, the estimated recoverable amount would approximately equal the carrying amount.

If forecast EBIT used was changed by the amounts noted in the table below with no change to any of the other assumptions the estimated recoverable would approximately equal the carrying amount.

	Insight Oceania Pty Ltd	Quantum Healthcare Korea Co., Ltd.	Hunex Korea Co., Ltd.	Quantum Healthcare Thailand Co., Ltd.
Discount rate – change discount rates to	31%	33%	52%	26%
EBIT change – reduce forecast EBIT by	42%	45%	62%	30%

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 17: OTHER ASSETS

	Consolidated Group	
	2018	2017
	\$000	\$000
CURRENT		
Prepayments	1,534	1,888
Guarantee deposits	1,327	-
Advance to related parties	-	95
Other	1,161	442
	4,022	2,425
NON-CURRENT		
Security deposits	537	153
Other	240	382
	777	535

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2018	2017
	\$000	\$000
CURRENT		
Unsecured liabilities:		
Trade payables	7,885	6,962
Amount payable to related parties	319	175
Deferred revenue	1,817	2,235
Deferred consideration - amount due on acquisition of subsidiaries	2,093	2,605
Employee benefits	240	492
Other	2,109	3,416
Customer deposits	4,835	953
	19,298	16,838
NON-CURRENT		
Deferred consideration - amount due on acquisition of subsidiaries	632	1,688

NOTE 19: BORROWINGS

	Consolidated Group	
	2018	2017
	\$000	\$000
CURRENT		
Unsecured liabilities:		
- Loans – Related parties	5,649	4,459
- Loans - Other parties	255	36
Secured liabilities:		
- Bank borrowings	2,952	4,460
- Lease liability	66	49
- Bank overdraft	-	1,655
	8,922	10,659

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 19: BORROWINGS (CONTINUED)

	Consolidated Group	
	2018	2017
	\$000	\$000
NON-CURRENT		
Unsecured liabilities:		
- Loans – Related parties	2,070	1,730
- Loans - Other parties	1,045	2,747
- Loans - Director of subsidiary	608	1,132
Secured liabilities:		
- Bank borrowings	2,155	778
- Lease liability	10	13
	5,888	6,400

In relation to the current bank borrowings (mostly relates to QHC Korea & D&D Hunex) - \$1,286,092 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for the guarantee provided. \$1,666,287 is secured by the CEO of QHC Korea.

In relation to the non-current bank borrowing (mostly relates to QHC Korea) - \$605,169 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for the guarantee provided. \$1,548,608 is secured by a guarantee provided by the CEO of QHC Korea.

The lease liabilities are secured over the assets to which the leases relate.

NOTE 20: PROVISIONS

	Consolidated Group	
	2018	2017
	\$000	\$000
CURRENT		
Employee benefits	772	754
Warranty	907	252
	1,679	1,006
NON- CURRENT		
Employee benefits	198	175

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 21: DEFINED BENEFIT PLANS

The group has a defined benefit pension plan in Korea. The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. The following tables summarise the main assumptions used, the components of net benefit expense recognised in the statement of profit or loss and amounts recognised in the statement of financial position. The actuarial reports underlying the following amounts were received by the Company in September 2018.

(a) Details of the net retirement benefit obligation is as follows:

	Consolidated Group	
	2018	2017
	\$000	\$000
Present value of the retirement benefit obligation	1,763	1,600
Fair value of the plan assets	(231)	(235)
Net retirement benefit obligation	1,532	1,365

(b) Profit and loss recognised in connection with defined benefit pension plans for the year ended 30 June 2018 as follows:

	Consolidated Group	
	2018	2017
	\$000	\$000
Current service cost	291	386
Interest cost on retirement benefit obligation	17	20
Expected return on plan assets	-	(5)
Total expenses included in the employee benefits expense	308	401

(c) Changes in the present value of the defined benefit liabilities for the year ended 30 June 2018 are as follows:

	Consolidated Group	
	2018	2017
	\$000	\$000
Beginning balance	1,600	1,418
Current service cost	291	386
Interest cost	24	20
Foreign exchange loss/(gain)	112	(50)
Actuarial loss/(gain)	137	(143)
Retirement benefits paid	(401)	(31)
Ending balance	1,763	1,600

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 21: DEFINED BENEFIT PLANS (CONTINUED)

(d) Changes in the fair value of plan assets for the year ended 30 June 2018 are as follows:

	Consolidated Group	
	2018	2017
	\$000	\$000
Beginning balance	235	233
Contributions	1	4
Benefits paid	(22)	(5)
Expected return	7	4
Actuarial gain/(loss)	10	(1)
Ending balance	231	235

(e) The principal assumptions used in actuarial valuation as at 30 June 2018 are as follows:

	Consolidated Group	
	2018	2017
	\$000	\$000
Discount rate	3.16%	2.84%
Future salary increases rate	4.50%	5.00%
Retirement age	60 years	60 years

(f) The plan assets as at 30 June 2018 are as follows:

	Consolidated Group	
	2018	2017
	\$000	\$000
Term deposits	231	235

NOTE 22: ISSUED CAPITAL

	Consolidated Group			
	2018	2017	2018	2017
	No.	No.	\$000	\$000
CURRENT				
Fully paid ordinary shares	1,078,308,291	1,018,308,291	83,789	83,789
Movements:				
At the beginning of the year	1,018,308,291	1,018,308,291	83,789	83,789
Share issued	60,000,000	-	1,440	-
Shares to be issued	50,000,000	-	1,200	-
At the end of the year	1,128,308,291	1,018,308,291	86,429	83,789

Capital Management

Management controls the capital of the Group in order to meet debt covenants, provide shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 22: ISSUED CAPITAL (CONTINUED)

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in risks and in the market. These responses include the management of debt levels and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Issued shares and shares to be issued

On 5 March 2018, the Group reached agreement with the 20% minority shareholders of Quantum Healthcare Pty Limited ("QHC") to acquire from the minority shareholders the 20% remaining interest in QHC. The acquisition was funded by the issue of 60 million fully paid ordinary QTM shares issued at 2.4 cents per share being the QTM closing share price on 4 April 2018.

The Group and the minority shareholders have agreed to a two year voluntary escrow through to 5 April 2020 in respect of these issued QTM Shares. The minority shareholders have agreed to continue to be engaged with QTM after the acquisition to assist in the operations and management of QHC. To further strengthen the future ongoing commitment and involvement of the minority shareholders in the QHC business:

- if QHC achieves EBIT of greater than \$A5 million for the financial year ended 30 June 2018, on 30 Sept 2018 QTM will issue to the minority shareholders a further 20 million shares at 2.4 cents per share, and
- if QHC achieves an aggregate EBIT of greater than \$A11 million for the 2 year period from 1 July 2017 to 30 June 2019, QTM will on 30 September 2019 issue to the minority shareholders a further 30 million shares at 2.4 cents per share.

As the EBIT of the year was greater than \$5 million and the Group is expecting to achieve an aggregate EBIT of greater than \$11 million for the 2 year period from 1 July 2017 to 30 June 2019, the Group recognised at acquisition date the additional shares to be issued as part of the consideration transferred in exchange for the acquisition.

The Group recognised a decrease in non-controlling interests of \$782,000 and a decrease in equity attributable to owners of the parent of \$2,640,000. The effect on the equity attributable to the owners of the Group during the year is summarised as follows:

	Consolidated Group	
	2018	2017
	\$000	\$000
Carrying amount of non-controlling interests acquired	782	-
Consideration paid to non-controlling interests	(2,640)	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(1,858)	-

NOTE 23: RESERVES

	Consolidated Group	
	2018	2017
	\$000	\$000
Reserve		
Undistributable Profits Reserve	504	504
Exchange Translation Reserve	1,077	649
Actuarial Gain Reserve	6	153
Closing Balance	1,587	1,306

Undistributable Profits Reserve

The undistributable profits reserve records profits earned by Quantum Energy Technologies (Suzhou) Co Ltd that are required to be retained by that Company and cannot be distributed as dividends to Quantum Energy Limited. The reserve is currently at its maximum required amount.

Exchange Translation Reserve

The exchange translation reserve records the exchange differences arising on translation of the financial statements of overseas subsidiaries to Australian dollars.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 24: LEASING COMMITMENTS

	Consolidated Group	
	2018	2017
	\$000	\$000
Finance lease commitments		
Minimum lease payments payable within		
-1 year	66	49
-between 1 year and five years	10	13
	76	62
Less: Future finance charges	-	-
	76	62
Disclosed as:		
Current liability (Note 19)	66	49
Non-current liability (Note 19)	10	13
	76	62
Operating lease commitments		
Non-cancellable operating leases contracted but not capitalised in the financial statements		
-Payable within one year	216	334
-Payable later than 1 year and not later than 5 years	6	177
	222	511

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 25: SEGMENT REPORTING

	Environmental Services		Medical		Unallocated		Elimination		Consolidated-Continuing Operations	
	2018 \$ 000	2017 \$ 000	2018 \$ 000	2017 \$ 000	2018 \$ 000	2017 \$ 000	2018 \$ 000	2017 \$ 000	2018 \$ 000	2017 \$ 000
Total revenue - Australia	9,281	9,623	16,927	12,108	304	373	(8,398)	-	18,114	22,104
Total revenue- China	6,597	174	-	-	4	-	-	-	6,601	174
Total revenue - Thailand	-	-	10,232	7,985	-	-	-	-	10,232	7,985
Total revenue - Korea	-	-	32,046	28,413	-	-	-	-	32,046	28,413
Total revenue	15,878	9,797	59,205	48,506	308	373	(8,398)	-	66,993	58,676
Profit/(Loss) after income tax - Australia	(1,107)	(3,033)	3,698	1,798	(723)	(604)	218	(60)	2,086	(1,899)
Profit/(Loss) after income tax - China	(2,065)	(1,728)	-	-	(74)	-	-	-	(2,139)	(1,728)
Profit/(Loss) after income tax - Thailand	-	-	1,746	1,184	-	-	-	-	1,746	1,184
Profit/(Loss) after income tax - Korea	-	-	2,894	1,702	-	-	-	-	2,894	1,702
Total profit / (loss) after income tax	(3,172)	(4,761)	8,338	4,684	(797)	(604)	218	(60)	4,587	(741)
Segment assets - Australia	2,090	4,242	36,731	28,446	(2,384)	2,056	(4,399)	-	32,038	34,744
Segment assets - China	1,789	1,926	-	-	-	-	-	-	1,789	1,926
Segment assets - Thailand	-	-	7,314	6,156	-	-	-	-	7,314	6,156
Segment assets - Korea	-	-	29,108	21,658	-	-	-	-	29,108	21,658
Total segment assets	3,879	6,168	73,153	56,260	(2,384)	2,217	(4,399)	-	70,249	64,484
Segment liabilities - Australia	7,973	2,954	5,101	10,927	13,743	6,322	(11,898)	-	14,919	20,203
Segment liabilities - China	1,459	1,690	-	-	-	-	-	-	1,459	1,690
Segment liabilities - Thailand	-	-	1,993	2,188	-	-	-	-	1,993	2,188
Segment liabilities - Korea	-	-	21,339	14,896	-	-	-	-	21,339	14,896
Total segment liabilities	9,432	4,644	28,433	28,011	13,743	6,483	(11,898)	-	39,710	38,977
Income tax expense (credit)	269	(316)	876	538	(114)	278	-	-	1,031	498
Depreciation	7	6	494	399	-	-	-	-	501	405
Interest Revenue	-	-	4	28	304	373	-	-	308	401
Interest Expense	29	230	360	342	982	705	-	-	1,371	1,277
Fair value gain/(loss) on financial assets	48	(373)	-	-	-	-	-	-	48	(373)
Acquisition of Property, plant & equipment	254	-	620	28	-	-	-	-	874	28

Operating segments are reported in a manner consistent with the internal reporting provided by the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of operating segments has been identified as the board.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 25: SEGMENT REPORTING (CONTINUED)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles, other financial assets and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

Business Segments

The entity operates in two primary business segments being the Medical division focussing on high-end medical equipment distribution in Asia Pacific and the Environmental division for manufacture of energy saving heat pump technology used for heating and cooling systems internationally, and other investments/assets.

Geographical Segments

The Group predominantly operates in 4 geographical segments with manufacturing operations in China and distribution in Australia, Korea and Thailand.

Intersegment Transfers

There were no intersegment transfers.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 26: CASH FLOW INFORMATION

		Consolidated Group	
		2018	2017
		\$000	\$000
(a) Reconciliation of cash Flow from Operations with Profit After Income Tax			
		4,587	(741)
Operating profit (loss) after income Tax			
Non-cash items in profit (loss)			
-Depreciation	13	501	405
-Profit/loss on disposal of assets/investments		(181)	(430)
-Change in fair value of financial assets		48	719
-Provision for annual leave and long service leave		41	(495)
-Impairment of receivables		148	(104)
- Provision for defined benefits plans		167	-
(Increase) / decrease in:			
-trade receivables		2,249	(5,381)
-Inventories		(715)	4,013
-Prepayments		354	554
-Deferred Tax Asset		(354)	(401)
- Other assets		(1,437)	453
Increase/ (decrease) in:			
-trade creditors and accruals		2,972	693
-Provision for warranty		655	(211)
-Income tax payable		715	689
Cash flows from (used in) operating activities		9,750	(237)
 (b) Credit Standby			
Arrangements with Banks			
Credit facility*		-	1,800
Amount utilised		-	(1,655)
Amount available (Overdrawn)		-	145

*All other loans from banks are disclosed at Note 19 to the financial statements. All facilities relating to these loans have been fully utilised. There are no covenants on these other loans.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 27: RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 12 to the financial statements.

(b) Key management personnel

Details of key management personnel remuneration are disclosed in the Remuneration Report in the Directors' Report, and in Note 5.

(c) Directors' equity holdings

Details of directors' and other key management personnel's equity holdings are disclosed in Note 5.

(d) Other transactions with key management personnel and related parties

	Consolidated Group	
	2018	2017
	\$	\$
Loans to key management personnel and related parties		
- Phillip Sidney (secured - note 27(f))	(2,298,143)	(2,598,143)
- Youngchun Kim	(7,558)	-
Accrued interest receivable on loans to directors and director related parties at 10% and 15% per annum		
- Phillip Sidney (former Director)	(2,172,857)	(1,773,213)
	4,478,558	4,371,356
Disclosed as Non-Current Financial Assets (Note 11).		
Loans from key management personnel and related parties		
- John Walstab (unsecured)	2,070,120	1,730,120
- Syoung Lee	700,000	700,000
- Drew Townsend (secured - Note 27(f))	904,501	508,801
Accrued interest payable on loans from directors and director related parties at 10% and 15% per annum		
- John Walstab	4,120,705	3,406,015
- Drew Townsend	(76,560)	(155,363)
	7,718,766	6,189,573
Disclosed as:		
Non-Current liability (Note 19)	2,070,120	1,730,120
Current liability (Note 19)	5,648,646	4,459,453
	7,718,766	6,186,573
Advances to key management personnel and related parties		
- John Walstab	95,980	94,717
- Youngchun Kim	49,385	-
	145,365	94,717
Disclosed as Current Financial Assets (Note 11) at 30 June 2018 and as Current Other Assets (Note 17) at 30 June 2017.		
Amount payable to key management personnel and related parties		
- HQ Accounting China (company related to Drew Townsend)	-	43,790
- John Walstab	-	41,030
- Youngchun Kim	319,134	90,510
	319,134	175,330
Disclosed as Other payables (Note 18).		

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 27: RELATED PARTY DISCLOSURES (CONTINUED)

(d) Other transactions with key management personnel and their related entities (continued)

	Consolidated Group	
	2018	2017
	\$	\$
Payment for accountancy services to Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner	20,010	52,999
Rental income received on property leased to Quantum Group by the directors	-	128,333
Interest expense/(income) on loans from/(to) Directors		
- Phillip Sidney	(399,644)	(430,948)
- John Walstab	714,690	586,481
- Drew Townsend	78,804	60,803
- James Hewlett	-	193

(e) Loans to key management personnel

2018	Balance at beginning of the year	Interest payable for the year	Loans made (repayments received) during the year	Balance at end of the year	Highest Indebtedness in the year
	\$	\$	\$	\$	\$
- Phillip Sidney					
- Loan	2,598,143	-	(300,000)	2,298,143	2,298,143
- Accrued Interest	1,773,213	399,644		2,172,857	2,172,857
<hr/>					
2017					
- Phillip Sidney					
- Loan	2,489,877	-	108,266	2,598,143	2,598,143
- Accrued Interest	1,342,265	430,948	-	1,773,213	1,773,213

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 27: RELATED PARTY DISCLOSURES (CONTINUED)

(f) Loans from key management personnel

2018	Balance at beginning of the year	Interest payable for the year	Loans made (repayments received) during the year	Balance at end of the year	Highest balance in the year
	\$	\$	\$	\$	\$
2018					
John Walstab					
- Loan	1,730,120	-	340,000	2,070,120	2,070,120
- Accrued Interest	3,406,015	714,690	-	4,120,705	4,120,705
Drew Townsend					
- Loan	508,801	-	395,700	904,501	904,501
- Accrued Interest	(155,364)	78,804	-	(76,560)	(76,560)
Youngchun Kim					
- Loan	700,000	-	(7,558)	692,442	692,442
2017					
John Walstab					
- Loan	1,572,761	-	157,359	1,730,120	1,730,120
- Accrued Interest	2,819,584	586,431	-	3,406,015	3,406,015
Jim Hewlett					
- Loan	3,137	-	(3,137)	-	-
- Accrued Interest	12,760	193	(12,953)	-	-
Drew Townsend					
- Loan	510,951	-	(2,150)	508,801	508,801
- Accrued Interest	(216,167)	60,803	-	(155,364)	(155,364)

*Crisp Holdings Ltd, a company associated with Phillip Sidney and Drew Townsend, has guaranteed the loan, including any interest owing, owed by Phillip Sidney to the consolidated entity. The directors of Crisp Holdings Ltd have advised that Crisp Holdings Ltd owns 753,736,667 shares in Quantum Energy Limited and has no liabilities.

NOTE 28: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks:

1. Market risk – including:
 - (i) Foreign exchange risk
 - (ii) Interest rate risk
 - (iii) Price risk
2. Credit risk, and
3. Liquidity risk

1 (i). Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group does not hedge and therefore is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's functional currency. The Group monitors movements in exchange rates.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations, denominated in currencies other than the functional currency of the operations.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Converted to Australian dollars	
	2018	2017
	\$ 000	\$ 000
Receivables:		
China RMB	322	186
Euro	41	39
US dollars	1,112	11
New Zealand dollars	519	444
Korea WON	10,965	9,837
Thai Baht	2,208	2,070
Total amounts receivable in foreign currencies	15,167	12,587
Payables:		
China RMB	1,334	1,435
Euro	119	-
US dollars	-	127
New Zealand dollars	28	6
Korea WON	8,055	5,041
Thai Baht	1,735	1,833
Total amounts payable in foreign currencies	11,271	8,442

	2018		2017	
	\$000	\$000	\$000	\$000
Financial Assets:				
If foreign exchange rates changed by +10% (value of Australian dollar weakens) or -10% (value of Australian dollar improves) with no change to any other amounts, the following impact will be noted:				
	+10%	-10%	+10%	-10%
Increase/ (decrease) in profit	(263)	2,793	(1,130)	1,405
Increase/ (decrease) in net assets	(263)	2,793	(1,130)	1,405
Financial Liabilities:				
If foreign exchange rates changed by +10% (value of Australian dollar weakens) or -10% (value of Australian dollar improves) with no change to any other amounts, the following impact will be noted:				
	+10%	-10%	+10%	-10%
Increase/ (decrease) in profit	(893)	1,091	(637)	779
Increase/ (decrease) in net assets	(893)	1,091	(637)	779

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

1 (ii). Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. Interest rate risk is managed using a mix of fixed and floating rate debt as detailed below.

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing		Total	
					Less than 1 Year		1 to 5 Years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Consolidated	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets:												
Cash	0.1%	0.1%	5,424	2,119	-	-	-	-	-	-	5,424	2,119
Trade & Other Receivables			-	-	-	-	-	-	11,822	14,330	11,822	14,330
Renewable Energy Certificates			-	-	-	-	-	-	41	312	41	312
Shares in Listed Companies			-	-	-	-	-	-	310	455	310	455
Loans	10%	10%	-	-	-	-	4,548	4,371	-	-	4,548	4,371
Term deposits	10%	10%	-	-	-	142	-	-	-	-	-	142
Deposits			-	-	-	-	3,724	1,661	-	-	3,724	1,661
Other financial assets			-	-	146	-	4,653	2,960	-	-	4,799	2,960
Total financial assets			5,424	2,119	146	142	12,925	8,992	12,173	15,097	30,668	26,350
Financial liabilities:												
Bank overdraft	0.0%	10.6%	-	1,655	-	-	-	-	-	-	-	1,655
Lease liability	2.5%	2.5%	-	-	66	49	10	13	-	-	76	62
Bank and other loans	10.9%	10.9%	-	-	5,904	4,495	5,107	5,238	3,723	5,609	14,734	15,343
Trade and other creditors			-	-	-	-	-	-	19,930	18,526	19,930	18,526
Total financial liabilities			-	1,655	5,970	4,544	5,117	5,251	23,653	24,135	34,740	35,586

1 (iii). Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group is exposed to movement in the market values of Renewable Energy Certificates ("RECs") and shares in listed companies.

2. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group, other than loans to a former director (Note 27), which are secured.

Credit risk is managed through the maintenance of procedures including the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counter parties, ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Within the Group, credit terms are generally 30 to 60 days from the invoice date.

Risk is also minimised through investing any surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value of those financial assets as presented in the balance sheet.

3. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- monitoring undrawn credit facilities
- maintaining a reputable credit profile
- managing credit risk related to financial assets.

Financial liability maturity analysis

	After 1 month, within 1 year		1 to 5 Years		Total	
	\$ 000		\$ 000		\$ 000	
Consolidated	2018	2017	2018	2017	2018	2017
Financial liabilities:						
Bank overdraft	-	1,655	-	-	-	1,655
Lease liability	66	49	10	13	76	62
Bank and other loans	5,904	4,495	8,829	10,847	14,734	15,343
Trade and other creditors	19,298	16,838	632	1,688	19,930	18,526
Total financial liabilities	25,268	23,037	9,471	12,548	34,740	35,586

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

NOTE 29: PARENT ENTITY INFORMATION

	Consolidated Group	
	2018	2017
	\$ 000	\$ 000
Current assets	7	13
Total assets	10,659	7,672
Current liabilities	5,964	4,361
Total liabilities	15,236	12,966
Shareholders' equity:		
Issued capital	85,229	83,789
Retained earnings	(89,806)	(89,083)
	<u>(4,577)</u>	<u>(5,294)</u>
Loss for the year	<u>(723)</u>	<u>(605)</u>
Total comprehensive loss	<u>(723)</u>	<u>(605)</u>

NOTE 30: COMPANY DETAILS

The registered office of the Company and the principal place of business is:
 Quantum Energy Limited
 56-60 Bourke Road, Alexandria, NSW 2015

NOTE 31: EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30 June 2018, the Shareholders approved under section 611 item 7 of the Corporations Act 2001 a share acquisition by Mr. John Walstab of a parcel of shares from Crisp Holding Pty Limited. Refer to Note 5 for additional information.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years;
- (b) the results of those operations in future financial years;
- (c) the group's state of affairs in future financial years.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

SECURITIES EXCHANGE INFORMATION

(a) Distribution of Shareholders as at 15 September 2017

Holdings Ranges	Holders	Total Shares	%
1-1,000	81	38,129	0.00
1,001-5,000	244	778,364	0.07
5,001-10,000	260	2,098,508	0.19
10,001-1,000,000	595	58,951,491	5.47
1000,001-99,999,999,999	28	1,016,441,799	94.27
	1,208	1,078,308,291	100.000

(a) There are currently 938 holders with less than a marketable parcel of 50,000 shares

(b) The names of the substantial shareholders listed in the holding Company's register as at 12 September 2018 are as follows. This also reflects the directors relevant stock interests:

Directors	Shares
D.A. Townsend	760,006,417*
P.G. Sidney	762,546,811**
J. Walstab	84,018,434 ***

Ordinary shareholder	Relevant interest notified
Crisp Holdings Ltd	753,736,667 ordinary shares

* 758,378,934 held jointly with P Sidney, and 863,550 held jointly with P Sidney and J Walstab

** 758,378,934 held jointly with D Townsend, and 863,550 held jointly with D Townsend and J Walstab

*** 863,550 held jointly with D Townsend and P Sidney

(c) Unquoted equity securities

There are no options issued.

(d) Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Quantum Energy Limited and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

SECURITIES EXCHANGE INFORMATION (CONTINUED)

(f) 20 Largest Shareholders — Ordinary Shares as at 15 September 2017

Holder Name	Balance	%
Crisp Holdings Ltd	753,736,667	69.90%
Mr John Walstab	81,488,418	7.56%
Mr Andrew McDonald & Mrs Sandra McDonald <McDonald Family S/Fund A/C>	27,399,509	2.54%
Mr Youngchun Kim	24,000,000	2.23%
Mr Andrew McDonald	20,856,000	1.93%
Mr Jung Hw	12,000,000	1.11%
Mr Dong Sun Im	12,000,000	1.11%
Mr Seok Sangyup	12,000,000	1.11%
Mr Andrew McDonald & Mrs Sandra McDonald <McDonald Family S/Fund A/C>	11,129,400	1.03%
Ramin Pty Ltd <Super Fund A/C>	9,266,444	0.86%
Mr Barry Raymond Nelson & Mr Brad Andrew Nelson (Nelson Super Fund A/C)	8,400,000	0.78%
Chicago Limited	4,642,267	0.43%
Mr Phillip Gregory Finnis	4,000,155	0.37%
Mr Yu Jie	4,000,000	0.37%
Mr John Robert McGeachie & Mrs Jennifer Ann McGeachie (Ramin P/L Super Fund A/C)	4,000,000	0.37%
Mr Dong Xie	3,700,000	0.34%
Mr Andrew McDonald	3,237,987	0.30%
Brighten Investments Ltd	2,600,000	0.24%
Patlin Securities Pty Limited	2,500,000	0.23%
Hathorn Holdings Pty Ltd	2,200,000	0.20%
	1,003,156,847	93.03%

(h) On-market buy-backs

There is no on-market buy-back currently on place in relation to the securities of the Company.

(i) Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

MATERIAL DIFFERENCE TO APPENDIX 4E

There are no material differences to the financial statements set out in this report when compared to the information set out in the Company's Appendix 4E preliminary final statement released to the ASX on 31 August 2018.