



Quantum Health Group Limited

(formerly Quantum Energy Limited)

ABN 19 003 677 245

Annual Report 2019

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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 27 September 2019. The Company has the power to amend and re-issue the financial report.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Quantum Health Group Limited (formerly Quantum Energy Limited) ("the Company") and its controlled entities (together referred to as "the Group" or "Quantum") for the financial year ended 30 June 2019.

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, Managing Director
- Mr Alan McCarthy, Non-executive Director

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 and distribution of energy-efficient water sterilisation and hot water systems for use in hospitals, aged care facilities, domestic and commercial installations 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 \$1,905,000 (2018: \$3,127,000).

The total comprehensive income of the Group attributable to owners of the Group for the year is \$2,226,000 (2018: \$3,408,000).

Review of Operations

Directors are pleased to advise that Quantum has delivered a trading result consistent with our expectations for the year ended 30 June 2019, as follows:

	2019	2018
	\$ 000	\$000
Revenue	59,429	66,993
EBITDA	4,017	7,182
Impairment and re-structure costs	1,185	1,489
Normalised EBITDA	5,202	8,671

Reconciliation of EBITDA:

	2019	2018
	\$ 000	\$000
Profit before tax	2,610	5,618
Interest expenses	1,092	1,371
Interest income	(313)	(308)
Depreciation	628	501
EBITDA	4,017	7,182

DIRECTORS' REPORT (CONTINUED)

Quantum's health division trading results have improved in most regions. We did, however, experience a significant decline in our Quantum Healthcare Korea business related to seasonal timing of orders and installations of high-value medical equipment. Quantum has made further investments in its international healthcare operations building on our foundation for further expansion into the Asian healthcare market. Quantum is continuing to explore the expansion of our Healthcare business into Vietnam in 2019. This resulted in a one-time business establishment cost in preparation for market entry in the region.

Quantum has discontinued its distribution arrangement with Tasman Sinkware for renewable energy products and commenced distributing the products directly to approved merchants, thus deleting a cost layer. We have closed our direct Suzhou manufacturing facility during 2019 and this restructure has resulted in one-time impairment and redundancy costs in these 2019 results. This change in Quantum's operations has allowed us to further focus on the expansion of our healthcare division and the transformation of the existing energy-related business to healthcare focussed energy products.

Financial position

The net assets of the consolidated group have increased to \$34,094,000 as at 30 June 2019 (2018: \$30,539,000). 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

No matter or circumstance has arisen since 30 June 2019 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 Health Group Limited (formerly Quantum Energy Limited)

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 30 years' experience in Australian and international accounting and finance.
Interest in Shares and Options	— 329,312,458 ordinary shares (most are held jointly with other directors/former director) in Quantum Health Group Limited (formerly 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	— 514,712,393 ordinary shares (863,550 shares are held jointly with other directors) in Quantum Health Group Limited (formerly Quantum Energy Limited).
Alan McCarthy	— Non-Executive Director
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 over more than 28 years, including: <ul style="list-style-type: none"> • 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 2019.

Meetings of Directors

During the financial year, 8 meetings of directors and no meeting of committees of directors were held as all matters that might have been addressed by the committee of directors were discussed by Board of Directors. Attendances by each director during the year were as follows:

	Board of Directors	
	Number eligible to Attend	Attended
Mr D.A. Townsend	8	8
Mr J. Walstab	8	8
Mr A. McCarthy	4	4

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 Health Group Limited (formerly Quantum Energy Limited) under options. During the year ended 30 June 2019, no ordinary shares of Quantum Health Group Limited (formerly 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 2019 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.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited)

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

(1) Remuneration philosophy

The performance of Quantum Health Group Limited (formerly 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 Health Group Limited (formerly Quantum Energy Limited) 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 Health Group Limited (formerly 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 (with the exception of Alan McCarthy), 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 \$31,580 during the year (2018: \$20,010).

Senior executives and executive director remuneration

Objective

Quantum Health Group Limited (formerly 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 the executive director consist of the following key elements:

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

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.

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	Revenue from continuing operations	NPAT/(NLAT)	Basic EPS	Share price at balance date	Total Equity	NTA per share
	\$ 000	\$ 000	Cents	Cents	\$ 000	\$
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	0.0072
2019	59,429	1,905	0.17	0.026	34,094	0.0099

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 Health Group Limited (formerly 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, Quantum Holdings Korea Co. Ltd and Insight Oceania Pty Ltd. This bonus is based upon a percentage of accumulated profit after tax of the companies listed above.

(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 Health Group Limited (formerly Quantum Energy Limited)

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited) (CONTINUED)

		Short-Term Benefits			Post Employment Benefits	Long-term benefits	Total
		Salary/Fees and Commission	Bonus	Termination	Superannuation	Long service leave	
		\$	\$	\$	\$	\$	\$
Executive Directors							
J. Walstab	2019	275,026	-	-	26,573	4,687	306,286
	2018	331,789	-	-	34,418	30,509	396,716
Total Executive Directors	2019	275,026	-	-	26,573	4,687	306,286
Total Executive Directors	2018	331,789	-	-	34,418	30,509	396,716
Key Executives							
Y. Kim	2019	299,514	372,559	-	45,722	6,180	723,975
	2018	282,898	319,134	-	56,527	15,119	673,678
Total Key Executives	2019	299,514	372,559	-	45,722	6,180	723,975
Total Key Executives	2018	282,898	319,134	-	56,527	15,119	673,678
Grand Total	2019	574,540	372,559	-	72,295	10,867	1,030,261
Grand Total	2018	614,687	319,134	-	90,945	45,628	1,070,394

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

Relative proportion of remuneration linked to performance

	2019	2018
Y. Kim	51%	47%
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 2019 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

27 September 2019

Auditor's Independence Declaration to the directors of Quantum Health Group Limited:

As lead auditor for the audit of the consolidated financial report of Quantum Health Group Limited for the year ended 30 June 2019, 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 Health Group Limited and the entities it controlled during the period.



Sydney, NSW
27 September 2019

D K Swindells
Partner

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Independent Auditor's Report to the Members of Quantum Health Group Limited (formerly Quantum Energy Limited)

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Quantum Health Group Limited ("the Company") and its controlled entities (collectively "the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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.

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Key Audit Matter	How our audit addressed the key audit matter
Impairment of Goodwill Note 16	
<p>The Group recognised Goodwill of \$19,983,000 at 30 June 2019. 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 2019.</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.
Inventory Obsolescence Note 10	
<p>The Group holds inventories recognised at 30 June 2019 at a value of \$12.620 million. A provision for obsolescence of \$3.473 million was recognised at 30 June 2019.</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.
Using the Work of Component Auditors	
<p>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.</p> <p>We considered this to be a key audit matter due to the significance of each component to the Group.</p>	<p>We performed the following procedures, as well as other procedures:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ that the component auditor understands and would comply with ethical requirements ○ of the component auditor's professional competence

Key Audit Matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> ○ 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.

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 2019, 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.
- 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

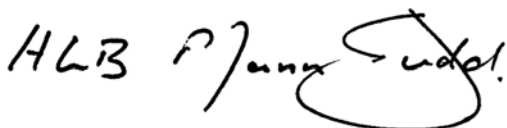
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Quantum Health Group Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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.



HLB Mann Judd
Chartered Accountants

Sydney, NSW
30 September 2019



D K Swindells
Partner

Quantum Health Group Limited (formerly Quantum Energy Limited)

DIRECTORS' DECLARATION

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 15 to 51 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 2019 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 2019 required by section 295A of the *Corporations Act 2001*.

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



John Walstab

Director

27 September 2019

Quantum Health Group Limited (formerly Quantum Energy Limited)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$ 000	2018 \$ 000
Continuing operations			
Revenue from contracts with customers	2	57,955	65,349
Other revenue	2	1,474	1,644
Cost of sales		(35,044)	(35,066)
Employee benefits expense		(11,171)	(11,986)
Depreciation and amortisation expense	13	(628)	(501)
Advertising and promotion expenses		(704)	(657)
Finance costs	3	(1,092)	(1,371)
Legal fees		(75)	(84)
Research and development expenditure		(145)	(224)
Travel expenses		(1,034)	(1,377)
Motor vehicle expenses		(395)	(475)
Warranty expenses		(487)	(538)
Telephones & internet		(103)	(155)
Consultants		(725)	(623)
Freight & delivery expenses		(144)	(233)
Occupancy (rent) expenses	3	(912)	(957)
Insurance		(292)	(295)
Foreign exchange gain		45	103
Fair value gain/(loss) on financial assets		(22)	48
Provision for obsolete inventory		54	(3,192)
Other expenses		(3,945)	(3,792)
Profit from continuing operations before income tax		2,610	5,618
Income tax (expense) credit	4	197	(1,031)
Net profit after tax		2,807	4,587
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiaries gain		719	592
Items that will not be reclassified to profit or loss:			
Actuarial gain / (loss) on post-employment benefit obligations		29	(147)
Total comprehensive income for the year		3,555	5,032
Profit for the year is attributable to:			
Non-controlling interests		902	1,460
Owners of Quantum Health Group Limited		1,905	3,127
		2,807	4,587
Total comprehensive income for the year is attributable to:			
Non-controlling interests		1,329	1,624
Owners of Quantum Health Group Limited		2,226	3,408
		3,555	5,032
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Quantum Health Group Limited			
Basic earnings per share (cents per share)	7	0.17	0.30
Diluted earnings per share (cents per share)	7	0.17	0.30

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 Health Group Limited (formerly Quantum Energy Limited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		Consolidated Group	
		2019	2018
	Note	\$ 000	\$ 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	4,327	5,424
Trade and other receivables	9	10,646	11,822
Inventories	10	9,147	12,684
Financial assets	11	661	497
Other	17	3,708	4,022
TOTAL CURRENT ASSETS		28,489	34,449
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,570	1,548
Investment property	14	2,444	2,444
Deferred tax assets	15	3,212	2,632
Intangible assets	16	19,983	20,127
Financial assets	11	5,093	8,272
Other	17	570	777
TOTAL NON-CURRENT ASSETS		32,872	35,800
TOTAL ASSETS		61,361	70,249
CURRENT LIABILITIES			
Trade and other payables	18	8,952	17,481
Contract liabilities	19	1,836	1,715
Borrowings	20	12,412	8,922
Current tax liabilities		403	1,561
Short term provisions	21	1,704	1,679
TOTAL CURRENT LIABILITIES		25,307	31,358
NON-CURRENT LIABILITIES			
Trade and other payables	18	-	632
Contract liabilities	19	178	102
Borrowings	20	641	5,888
Employee benefits	21	185	198
Defined benefit plans	22	956	1,532
TOTAL NON-CURRENT LIABILITIES		1,960	8,352
TOTAL LIABILITIES		27,267	39,710
NET ASSETS		34,094	30,539
EQUITY			
Issued Capital	23	86,429	86,429
Reserves	24	1,908	1,587
Retained Earnings (accumulated losses)		(58,286)	(60,191)
Equity attributable to owners of Quantum Health Group Limited		30,051	27,825
Non-controlling interests		4,043	2,714
TOTAL EQUITY		34,094	30,539

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

Quantum Health Group Limited (formerly Quantum Energy Limited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Attributable to owners of Quantum Health Group limited							Attributable to non-controlling interests	Total
	Ordinary Share Capital	Shares to be issued	Undistributable Profits Reserve	Exchange Translation Reserve	Actuarial Gain Reserve	Other Reserves	Retained Profits (Losses)		
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Consolidated									
Balance at 1 July 2017	83,789	-	504	649	153	-	(61,460)	23,635	25,507
Profit for the year	-	-	-	-	-	-	3,127	3,127	4,587
Other comprehensive income for the year	-	-	-	428	(147)	-	-	281	445
Shares Issued / to be issued	1,440	1,200	-	-	-	(1,858)	-	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	30,539
Balance at 1 July 2018	85,229	1,200	504	1,077	6	-	(60,191)	27,825	30,539
Profit for the year	-	-	-	-	-	-	1,905	1,905	2,807
Other comprehensive income for the year	-	-	-	298	23	-	-	321	748
Shares Issued	480	(480)	-	-	-	-	-	-	-
Balance at 30 June 2019	85,709	720	504	1,375	29	-	(58,286)	30,051	34,094

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

Quantum Health Group Limited (formerly Quantum Energy Limited)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$ 000	2018 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		61,536	75,489
Payments to suppliers and employees		(58,591)	(63,836)
Interest received		12	-
Finance costs		(427)	(597)
Income tax paid		(1,293)	(1,306)
Net cash provided by operating activities	27	<u>1,237</u>	<u>9,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	682
Purchase of property, plant and equipment		(489)	(874)
Dividends received from unrelated entity		14	-
Payments for acquisition of investment - QHC Thailand and QHC Korea		(1,603)	(1,649)
Payments for financial assets		(978)	(2,909)
Proceeds from sale of financial assets		1,902	1,536
Net cash used in investing activities		<u>(1,154)</u>	<u>(3,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,180)	(1,576)
Net cash used in financing activities		<u>(1,180)</u>	<u>(1,576)</u>
Net increase/(decrease) in cash held		(1,097)	4,960
Cash at beginning of period		5,424	464
Cash at end of period	8	<u><u>4,327</u></u>	<u><u>5,424</u></u>

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

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

This financial report includes the consolidated financial statements of Quantum Health Group Limited (formerly Quantum Energy Limited) ("the Company") 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 an entity that is controlled by Quantum Health Group Limited. Quantum controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The acquisition method of accounting is used to account for business combinations by the Group (Note 1(s)).

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 charged or credited directly to equity.

Deferred tax assets and liabilities are based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses. 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 Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 Health Group Limited (formerly 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 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 Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

Classification

Upon adoption of AASB 9, the Group classified its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ("FVPL"), and;
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group subsequently measures all debt investments that do not qualify for measurement at amortised cost and all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on debt and equity investments in profit or loss, interest and dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on debt and equity investments measured at FVPL are not reported separately from other changes in fair value.

Impairment

From 1 July 2017, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVPL and equity instruments carried at FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of Assets

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Impairment of non-financial assets other than Goodwill

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(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.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 require 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, net of warranties provided to the Group by suppliers.

(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) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days for Australia and New Zealand entities, and 60 to 90 days for Korea and Thailand.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

Trade and other receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

(o) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration, (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue

The Group recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods:

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery of equipment or when the acceptance form is signed. The Group considers that the point of satisfaction of the performance obligation is the point of delivering goods or acceptance of equipment.

Service Maintenance Revenue:

Revenue from Service maintenance agreements is recognised over time as the services are rendered over the period of service maintenance agreements.

Extended Warranty Revenue:

Equipment is often sold with an extended warranty, which is considered to be a separate performance obligation for the purposes of recognising revenue. In this case, the Group determines the relative stand-alone selling price (price at which an entity would sell this service separately) of the services underlying the performance obligation. Revenue from extended warranty is recognised over time over the period of the extended warranty.

Interest:

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue:

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

(q) 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.

(r) 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 authority. 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.

(s) 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.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Business Combinations (Continued)

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.

(t) Comparative Figures

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

(u) 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.

(v) 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.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Critical Accounting Estimates and Judgments (Continued)

Key Judgements

(i) Provision for expected credit losses of trade receivables

The Directors have reviewed outstanding debtors of the Group as at 30 June 2019, and have formed the opinion that amounts receivable from sales made during the current and previous financial years amounting to \$527,000 (2018: \$601,000) may not be collectable, and have created an allowance for expected credit losses.

(ii) Provision for Inventory obsolescence

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

(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 2019 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 2019 of \$321,597. The provision 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 \$32,160.

(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 2019 of \$342,300. This is based upon management's estimate of the warranty that QHK has provided to 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 \$342,300 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 of three years provided by QHK to its customer and the warranty of two years received from its supplier, 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 \$34,230.

(vi) Defined benefit plans – Quantum Healthcare Korea Co, Ltd (“QHK”) and Quantum Hunex Korea Co. Ltd (“Hunex”)

Various actuarial assumptions are required when determining the Group's defined benefit obligations. See Note 22.

(vi) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and tax losses only if the Group considers that it is probable that future taxable amounts will be available to utilise those temporary differences and losses

(w) Fair Value Measurement

The fair value of financial assets and liabilities are estimated for disclosure purposes in accordance with AASB 13– Fair Value Measurement 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).

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Going Concern

During the year ended 30 June 2019, the consolidated entity earned a profit after income tax of \$2.81m. At 30 June 2019, the consolidated entity had net assets of \$34.1m and net current assets of \$4.01m, and during the year ended 30 June 2019 generated cash flow from operating activities of \$1,24m. Included in current liabilities are amounts due to J Walstab (a director of the Company) of \$4.63m. Mr. Walstab has confirmed that he will not demand repayment of this amount prior to 31 December 2020 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.

(y) New, revised or amending Accounting Standards and Interpretations adopted

The Group has applied all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The main new Accounting Standards and Interpretations that became effective during the current reporting period are as follows:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018 which replaces AASB 139 Financial Instruments: Recognition and Measurement. The standard introduced new classification and measurement models for financial assets.

The Group's financial instruments include cash and cash equivalents, shares in listed companies, trade and other receivables, loans to related parties, trade and other payables, and borrowings. The Group does not apply hedge accounting. On initial application of AASB 9, the Group determined that its financial assets and liabilities continue to be measured at amortised cost and the Group has applied the simplified approach to measuring expected credit losses of its trade and other receivables. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies relating to financial instruments or a material impact on the financial performance or position of the Group. Comparatives were not required to be restated and no differences were required to be recognised to the opening balance of retained earnings at 1 July 2018 as a result of the adoption of AASB 9.

AASB 15 Revenue from Contracts with Customers

From 1 July 2018 the Group has adopted AASB 15 which replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue related Interpretations. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

The adoption of AASB 15 has not impacted the timing of revenue recognition for material revenue lines.

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer. The Group has reclassified an amount of \$1,817,000 relating to customer consideration received or receivable at 30 June 2018 from trade and other payables to contract liabilities in the 30 June 2018 comparatives of the statement of financial position.

The adoption of AASB 15 has not had any effect on the financial performance or position of the Group. No adjustment was required to be recognised to the opening balance of retained earnings at 1 July 2018 as a result of the adoption of AASB 15.

Other amending Accounting Standards and interpretations

Several other amending Accounting Standards and Interpretations apply for the first time for the reporting period commencing 1 July 2018. These other amending Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the financial report.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New, revised or amending Accounting Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Directors' assessment of the impact of these new standards and interpretations (to the extent relevant to the Group) is set out below.

Australian Accounting Standard AASB 16: Leases will apply to the Group for the first time for the year ending 30 June 2020. This Standard will change how the Group accounts for its current operating leases. All such leases (other than leases with lease terms for 1 year or less and leases of low value items, i.e. for around \$10,000 or less) will be brought onto the Balance Sheet by the recognition of a "Right-of-Use" asset, together with a liability for the present value of the lease payments for the life of the lease.

The future recognition of lease expenses will change, with more expenses recognised in the early periods of a lease, and less in later periods, as there will be a change from the straight-line expense currently recognised to front-ended finance charges. There will also be a change in lease expense classification from recognising operating expenses to recognising financing costs and amortisation.

The Group is reviewing all of its leasing arrangements in light of the new lease accounting rules in AASB 16.

The Group has not calculated the financial impact of these changes at 30 June 2019. The Directors anticipate that the impact of AASB 16 will be determined prior to the release of the Group's interim financial statements for the half-year ending 31 December 2019.

There are no other Standards that have been issued that are not yet effective and that are expected to have a material impact on financial reports of the Group in the current or future reporting periods.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2019	2018
	\$000	\$000
Revenue from contracts with customers		
Sale of goods	43,477	50,979
Services revenue	14,478	14,370
	<u>57,955</u>	<u>65,349</u>
Other revenue		
Interest receivable – other entities	12	4
Interest receivable – related parties	301	304
Dividend from unrelated parties	14	10
Other revenue	1,147	1,326
	<u>1,474</u>	<u>1,644</u>
Total Revenue	<u>59,429</u>	<u>66,993</u>
Timing of revenue recognition		
Goods transferred at a point in time	43,477	50,979
Services transferred over time	14,478	14,370
	<u>57,955</u>	<u>65,349</u>

AASB 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker in order to evaluate the financial performance of the Group.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: PROFIT FOR THE YEAR

	Consolidated Group	
	2019	2018
	\$000	\$000
Profit for the year includes the following expenses:		
Finance costs		
- External	470	600
- Related parties	622	771
Total finance costs	1,092	1,371
Rental expense relating to operating leases	912	957

NOTE 4: INCOME TAX EXPENSE / (CREDIT)

	Consolidated Group	
	2019	2018
	\$000	\$000
(a) Continuing Operations		
The components of income tax expense / (credit) comprise:		
Current tax relating to Continuing Operations	383	1,385
Deferred tax relating to Continuing Operations	(580)	(354)
	(197)	1,031

(b) Income Tax Expense / (Credit)

The prima facie tax on profit from continuing activities before income tax is reconciled to the income tax expense (credit) as follows:

Prima facie tax payable on profit from continuing activities before income tax at 30% (2018:30%)	783	1,685
Add (Deduct) tax effect of:		
Difference in overseas tax rate	124	(455)
Fully franked dividend	(4)	(3)
Previously unrecognised tax losses used to reduce tax expense	(961)	(760)
Other amounts which are not deductible (assessable) for income tax purposes	(139)	564
Income tax expense (credit)	(197)	1,031
The applicable weighted average effective rates are	15%	18%

(c) Other comprehensive income

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

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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
J. Walstab	CEO, Managing Director and Company Secretary
Y. Kim	CEO, Quantum Healthcare Pty Ltd (subsidiary)
A. Mackenzie	Non-executive Director (retired 20 Sep 2017)
A. McCarthy	Non-executive Director

(b) Key Management Personnel remuneration

	Consolidated Group	
	2019	2018
	\$000	\$000
Short-term employee benefits	947,099	933,821
Post-employment benefits	72,295	90,945
Long-term benefits	10,867	45,628
	1,030,261	1,070,394

(c) Option holdings

There are no options held by key management personnel (2018: Nil)

(d) Shareholdings

The numbers of share 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 1.7.18 No.	Sold No.	Purchased No.	Balance 30.6.19 No.	
Directors					
D.A Townsend	760,006,417	(430,693,959)	-	329,312,458	*
J. Walstab	84,018,434	-	430,693,959	514,712,393	**
A. McCarthy	-	-	-	-	
Specified Executives					
Y. Kim	24,000,000	-	8,000,000	32,000,000	
Related Parties					
M. Walstab (Brother of J. Walstab)	400,000	-	-	400,000	

* 863,550 held jointly with J Walstab.

** 863,550 held jointly with D Townsend.

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 (Mr D Townsend has an interest in Crisp Holdings, however Mr Townsend had no interest in that parcel of shares) 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 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.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: REMUNERATION OF AUDITORS

	Consolidated Group	
	2019	2018
	\$000	\$000
Auditing and reviewing financial reports HLB Mann Judd (NSW Partnership)		
- Audit and review of financial statements	206	222
Non-HLB Mann Judd (NSW Partnership) auditors for audit of subsidiary companies:		
- China	7	10
- Thailand	29	35
- Korea	64	41

NOTE 7: EARNINGS PER SHARE

	Consolidated Group	
	2019	2018
	Cents per share	Cents per share
Earnings per share after tax		
Basic earnings per share	0.17	0.30
Diluted earnings per share	0.17	0.30

	Consolidated Group	
	2019	2018
	\$000	\$000
Net profit		
Earnings used to calculate basic EPS	1,905	3,127
Earnings used to calculate diluted EPS	1,905	3,127

	No.	No.
(a) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,098,308,291	1,038,308,291
(b) Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	1,128,308,291	1,045,808,291
Weighted average number of shares used as the denomination:		
Weighted average number of ordinary shares used as the denomination in calculating basic earnings per share:	1,098,308,291	1,038,308,291
Adjustment for ordinary shares to be issued:	30,000,000	12,000,000
Weighted average number ordinary shares and for shares to be issued used as the denominator in calculating diluted earnings per share:	1,128,308,291	1,045,808,291

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2019	2018
	\$000	\$000
Cash at bank and in hand	4,327	5,424
	4,327	5,424

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019	2018
	\$000	\$000
CURRENT		
Trade receivables	11,173	12,423
Allowance for expected credit losses	(527)	(601)
	10,646	11,822
Trade receivables past due, not impaired		
61-90 days past due	497	254
91+ past due	1,111	1,560
	1,608	1,814

Allowance for expected credit losses

Current trade receivables are non-interest bearing and generally on 30-day terms for Australia and New Zealand entities, and 60 to 90-day terms for Korea and Thailand entities. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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.

NOTE 10: INVENTORIES

	Consolidated Group	
	2019	2018
	\$000	\$000
At cost		
Raw materials and stores	90	179
Finished goods	12,530	16,884
	12,620	17,063
Less: Provision for Impairment	(3,473)	(4,379)
	9,147	12,684

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 11: FINANCIAL ASSETS

	Consolidated Group	
	2019	2018
	\$000	\$000
Current		
Financial assets at fair value through profit or loss:		
- Shares in listed companies	264	311
- Renewable Energy Certificates	8	41
At face value:		
- Term deposits	330	-
- Loans to related parties (Note 28(d))	40	145
- Loans - others	19	-
	661	497
Non-Current		
At face value:		
- Deposits	2,144	3,793
- Loans - others	2,749	4,471
- Loans to related parties (Note 28(d))	-	8
- Convertible note	200	-
	5,093	8,272

Level 1 in the fair value hierarchy (refer Note 1 (w)): 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.

The convertible note can be converted to shares in the investee at the maturity date of 28 February 2021, or earlier if certain events occur. The convertible note bears interest at 12% per annum.

NOTE 12: CONTROLLED ENTITIES

Name of entity	Country of Incorporation	Ownership Interest	
		2019	2018
Parent entity			
Quantum Health Group Limited (formerly 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%	100%
Quantum Bio Science Co. Ltd	Korea	70%	70%
Quantum Hunex Korea Co. Ltd	Korea	95%	95%
Quantum Healthcare Thailand Co. Ltd	Thailand	49%	49%
Quantum Healthcare Pty Ltd	Australia	100%	100%
Quantum Healthcare Hong Kong Limited	China	100%	100%
Quantum Holdings Co. Ltd	Korea	100%	-

On 28 September 2018, the Group registered a 100% owned subsidiary in Korea: Quantum Holdings Co. Ltd.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2019	2018
	\$000	\$000
Plant & Equipment at cost	6,474	6,805
Accumulated depreciation	(4,880)	(5,233)
Provision for Impairment	(24)	(24)
	1,570	1,548
Movements in carrying amounts		
Opening Balance	1,548	3,760
Additions	489	874
Re-classification from inventory	252	-
Re-classification to investment property	-	(2,170)
Disposals/write-offs	(91)	(415)
Depreciation/amortisation expense	(628)	(501)
Closing balance	1,570	1,548

NOTE 14: INVESTMENT PROPERTIES

	Consolidated Group	
	2019	2018
	\$000	\$000
Opening Balance	2,444	-
Re-classification from Financial assets	-	274
Re-classification from Property, Plant and equipment	-	2,170
Closing Balance	2,444	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	
	2019	2018
	\$000	\$000
Consists of:		
- Inventories	682	676
- Employee entitlements	589	341
- Accruals and Provisions	1,247	1,232
- Other	(95)	(83)
- Impairment provisions	466	466
- Tax losses	323	-
	3,212	2,632

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: INTANGIBLE ASSETS

	Consolidated Group	
	2019	2018
	\$000	\$000
Goodwill on acquisition		
Cost	91,318	91,318
Accumulated impairment losses	(71,335)	(71,191)
Net carrying amount	19,983	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
	19,983	19,983
Environmental Services:		
- Quantum Energy Technologies Pty Ltd	-	144
Total	19,983	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 of key assumptions used in the value in use calculations are 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 base on forecast for year ending 30 June 2020				
increase (decrease) at average of	(1%)	3 %	29 %	5%

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 amount 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	27%	68%	21%	43%
EBIT change – reduce forecast EBIT by	33%	70%	18%	57%

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: OTHER ASSETS

	Consolidated Group	
	2019	2018
	\$000	\$000
CURRENT		
Prepayments	43	1,534
Guarantee deposits	2,707	1,327
Other	958	1,161
	<u>3,708</u>	<u>4,022</u>
NON-CURRENT		
Security Deposits	487	537
Other	83	240
	<u>570</u>	<u>777</u>

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2019	2018
	\$000	\$000
CURRENT		
Unsecured liabilities:		
Trade payables	5,891	7,885
Account payable to related parties	221	319
Deferred consideration - amount due on acquisition of subsidiaries	-	2,093
Employee benefits	230	240
Other	1,392	2,109
Customer deposits	1,218	4,835
	<u>8,952</u>	<u>17,481</u>
NON-CURRENT		
Deferred consideration - amount due on acquisition of subsidiaries	-	632

NOTE 19: CONTRACT LIABILITIES

	Consolidated Group	
	2019	2018
	\$000	\$000
CURRENT		
Contract liabilities	1,836	1,715
	<u>1,836</u>	<u>1,715</u>
NON-CURRENT		
Contract liabilities	178	102
	<u>178</u>	<u>102</u>
Total	<u>2,014</u>	<u>1,817</u>

Contract liabilities are aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period. This will be recognised as revenue when the performance obligations are satisfied.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20: BORROWINGS

	Consolidated Group	
	2019	2018
	\$000	\$000
CURRENT		
Unsecured liabilities:		
- Loans - Related parties (Note 28)	5,537	5,649
- Loans - Other parties	1,151	255
- Loans - Director of subsidiary	2,243	-
Secured liabilities:		
- Bank borrowings	3,432	2,952
- Lease liability	49	66
	<u>12,412</u>	<u>8,922</u>
NON-CURRENT		
Unsecured liabilities:		
- Loans - Related parties (Note 28)	23	2,070
- Loans - Other parties	75	1,045
- Loans - Director of subsidiary	-	608
Secured liabilities:		
- Bank borrowings	537	2,155
- Lease liability	6	10
	<u>641</u>	<u>5,888</u>

Borrowings are accounted for at face value.

In relation to the current bank borrowings (relates to QHC Korea & Quantum Hunex Korea) - \$1,085,812 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for the guarantee provided. \$509,473 is secured by the CEOs of QHC Korea and Quantum Hunex Korea.

In relation to the non-current bank borrowing (relates to QHC Korea & Quantum Hunex Korea) - \$473,217 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for the guarantee provided. \$52,580 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 21: PROVISIONS

	Consolidated Group	
	2019	2018
	\$000	\$000
CURRENT		
Employee benefits	1,040	772
Warranty	664	907
	<u>1,704</u>	<u>1,679</u>
NON-CURRENT		
Employee benefits	<u>185</u>	<u>198</u>

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22: 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 2019.

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

	Consolidated Group	
	2019	2018
	\$000	\$000
Present value of the retirement benefit obligation	1,426	1,763
Fair value of the plan assets	(470)	(231)
Net retirement benefit obligation	956	1,532

(b) Profit and loss recognised in connection with defined benefit pension plans for the year ended 30 June 2019 as follows:

	Consolidated Group	
	2019	2018
	\$000	\$000
Current service cost	257	291
Past service cost income from plan amendments	(582)	-
Interest cost on retirement benefit obligation	16	17
Expected return on plan assets	-	-
Total expenses included in the employee benefits expense	(309)	308

(c) Changes in the present value of the defined benefit liabilities for the year ended 30 June 2019 are as follows:

	Consolidated Group	
	2019	2018
	\$000	\$000
Beginning balance	1,763	1,600
Current service cost	258	291
Interest cost	23	24
Foreign exchange loss	27	112
Actuarial loss	52	137
Past service income from plan amendments	(582)	-
Retirement benefits paid	(115)	(401)
Ending balance	1,426	1,763

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22: DEFINED BENEFIT PLANS (CONTINUED)

(d) Changes in the fair value of plan assets for the year ended 30 June 2019 are as follows:

	Consolidated Group	
	2019	2018
	\$000	\$000
Beginning balance	231	235
Contributions	271	1
Benefits paid	(13)	(22)
Expected return	8	7
Foreign exchange loss	5	-
Actuarial gain/(loss)	(32)	10
Ending balance	470	231

(e) The principal assumptions used in actuarial valuation as at 30 June 2019 are as follows:

	Consolidated Group	
	2019	2018
	\$000	\$000
Discount rate	2.32%	3.16%
Future salary increases rate	4.16%	4.50%
Retirement age	60 years	60 years

(f) The plan assets as at 30 June 2019 are as follows:

	Consolidated Group	
	2019	2018
	\$000	\$000
Term deposits	470	231

NOTE 23: ISSUED CAPITAL AND SHARES TO BE ISSUED

	Consolidated Group			
	2019	2018	2019	2018
	No.	No.	\$000	\$000
CURRENT				
Fully paid ordinary shares	1,098,308,291	1,078,308,291	85,709	85,229
Ordinary shares to be issued	30,000,000	50,000,000	720	1,200
	1,128,308,291	1,128,308,291	86,429	86,429
Movements - Fully paid ordinary shares:				
At the beginning of the year	1,078,308,291	1,018,308,291	85,229	83,789
Share issued	20,000,000	60,000,000	480	1,440
At the end of the year	1,098,308,291	1,078,308,291	85,709	85,229
Movements - Ordinary shares to be issued:				
At the beginning of the year	50,000,000	-	1,200	-
Shares to be issued	-	50,000,000	-	1,200
Share issued	(20,000,000)	-	(480)	-
At the end of the year	30,000,000	50,000,000	720	1,200

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 23: ISSUED CAPITAL AND SHARES TO BE ISSUED (CONTINUED)

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.

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 Quantum Health Group Limited ("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 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 agreement was also reached, that:

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

As the Group expected to meet these targets, the additional shares to be issued were recognised at acquisition date as "Shares to be issued" as part of the consideration transferred in exchange for the acquisition.

With QHC's EBIT exceeding \$A5 million for the financial year ended 30 June 2018, the group issued 20 million QTM shares on 3 October 2018 to the QHC sellers, in accordance with the QHC Acquisition agreement.

NOTE 24: RESERVES

	Consolidated Group	
	2019	2018
	\$000	\$000
Reserve		
Undistributable Profits Reserve	504	504
Exchange Translation Reserve	1,375	1,077
Actuarial Gain Reserve	29	6
Closing Balance	1,908	1,587

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 Health Group Limited (formerly 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 Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 25: LEASING COMMITMENTS

	Consolidated Group	
	2019	2018
	\$000	\$000
Finance lease commitments		
Minimum lease payments payable within		
-1 year	49	66
-between 1 year and five years	6	10
	55	76
Less: Future finance charges	-	-
	55	76
Disclosed as:		
Current liability (Note 20)	49	66
Non-current liability (Note 20)	6	10
	55	76
Operating lease commitments		
Non-cancellable operating leases contracted but not capitalised in the financial statements		
-Payable within one year	664	216
-Payable later than 1 year and not later than 5 years	844	6
	1,508	222

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 26: SEGMENT REPORTING

	Environmental Services		Medical		Unallocated		Elimination		Consolidated-Continuing Operations	
	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000
Total revenue - Australia	2,829	9,281	12,704	14,968	302	304	463	(1)	16,298	24,552
Total revenue- China	1,663	6,597	-	-	51	4	(1,670)	(6,438)	44	163
Total revenue - Thailand	-	-	15,734	10,232	-	-	-	-	15,734	10,232
Total revenue - Korea	-	-	27,353	32,046	-	-	-	-	27,353	32,046
Total revenue	4,492	15,878	55,791	57,246	353	308	(1,207)	(6,439)	59,429	66,993
Profit/(Loss) after income tax - Australia	(847)	(1,107)	3,302	3,698	(624)	(723)	(789)	1,707	1,042	3,575
Profit/(Loss) after income tax - China	(1,840)	(2,065)	-	-	(26)	(74)	416	(1,489)	(1,450)	(3,628)
Profit/(Loss) after income tax - Thailand	-	-	2,533	1,746	-	-	-	-	2,533	1,746
Profit/(Loss) after income tax - Korea	-	-	681	4,853	-	-	-	(1,959)	681	2,894
Total profit / (loss) after income tax	(2,687)	(3,172)	6,516	10,297	(650)	(797)	(372)	(1,741)	2,807	4,587
Segment assets - Australia	1,411	2,090	33,494	36,731	11,037	(2,384)	(13,759)	(4,399)	32,183	32,038
Segment assets - China	(20)	1,789	-	-	-	-	-	-	(20)	1,789
Segment assets - Thailand	-	-	11,173	7,314	-	-	-	-	11,173	7,314
Segment assets - Korea	-	-	18,025	29,108	-	-	-	-	18,025	29,108
Total segment assets	1,391	3,879	62,692	73,153	11,037	(2,384)	(13,759)	(4,399)	61,361	70,249
Segment liabilities - Australia	823	7,973	5,256	5,101	12,283	13,743	(4,996)	(11,898)	13,366	14,919
Segment liabilities - China	680	1,459	-	-	-	-	-	-	680	1,459
Segment liabilities - Thailand	-	-	2,988	1,993	-	-	-	-	2,988	1,993
Segment liabilities - Korea	-	-	10,233	21,339	-	-	-	-	10,233	21,339
Total segment liabilities	1,503	9,432	18,477	28,433	12,283	13,743	(4,996)	(11,898)	27,267	39,710
Income tax expense (credit)	66	269	(157)	876	(106)	(114)	-	-	(197)	1,031
Depreciation	3	7	625	494	-	-	-	-	628	501
Interest Revenue	-	-	12	4	301	304	-	-	313	308
Interest Expense	14	29	322	360	756	982	-	-	1,092	1,371
Fair value gain/(loss) on financial assets	15	48	(37)	-	-	-	-	-	(22)	48
Acquisition of Property, plant & equipment	-	254	489	620	-	-	-	-	489	874

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 Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 26: 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 (ceased in early 2019) and distribution in Australia, Korea and Thailand.

The manufacturing operations in China have not been disclosed as a discontinued corporation, as the Group continues the acquisition and sale of the same products.

Intersegment Transfers

There were no intersegment transfers.

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 27: CASH FLOWS INFORMATION

		Consolidated Group	
		2019	2018
	Note	\$000	\$000
Reconciliation of Cash Flows from Operations with Profit After Income Tax			
Operating profit after income Tax		2,807	4,587
Non-cash items in profit			
-Depreciation	13	628	501
-Net exchange differences		719	592
-Profit/loss on disposal of assets/investments		107	(181)
-Deferred consideration (gain)		(124)	-
-Change in fair value of financial assets		(38)	(544)
-Provision for annual leave and long service leave		255	41
-Impairment of receivables		456	148
-Impairment of goodwill		144	-
-Provision for defined benefit plans		(575)	167
Increase/ (decrease) in:			
-Trade receivables		1,250	2,249
-Inventories		3,537	(715)
-Prepayments		1,491	354
-Deferred Tax Asset		(580)	(354)
-Other assets		(1,179)	(1,437)
Increase/ (decrease) in:			
-Trade creditors and accruals		(6,456)	3,390
-Contract liabilities		197	(418)
-Provision for warranty		(243)	655
-Income tax payable		(1,159)	715
Cash flows from operating activities		1,237	9,750

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 28: 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	
	2019	2018
	\$	\$
Advances to key management personnel and other related parties		
- John Walstab	-	95,980
- Youngchun Kim	-	49,385
	-	145,365

Disclosed as Current Financial Assets (Note 11) at 30 June 2019.

Loans to key management personnel and other related parties

- Youngchun Kim	-	7,558
	-	7,558

Disclosed as Non-Current Financial Assets (Note 11)

Amount payable to key management personnel and other related parties

- Phelan Art Studio (company related to Susan Walstab, John Walstab's sister)	16,190	-
- Youngchun Kim	204,102	319,134
	220,292	319,134

Disclosed as Current Trade and Other Payables (Note 18).

Loans from key management personnel and other related parties

- John Walstab (unsecured)	23,156	2,070,120
- Suyoung Lee (wife of Youngchun Kim)	-	700,000
- Drew Townsend	899,996	904,501
Accrued interest payable on loans from directors and director related parties at 10% and 15% per annum		
- John Walstab	4,626,245	4,120,705
- Drew Townsend	10,427	(76,560)
	5,559,824	7,718,766
Disclosed as:		
Non-Current liability (Note 20)	23,156	2,070,120
Current liability (Note 20)	5,536,668	5,648,646
	5,559,824	7,718,766

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 28: RELATED PARTY DISCLOSURES (CONTINUED)

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

	Consolidated Group	
	2019	2018
	\$	\$
Payment for accountancy services to Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner	31,580	20,010
Payment for sales expenses to Phelan Art studio (company related to Susan Walstab, sister of John Walstab)	4,000	-
Interest expense/(income) on loans from/(to) Directors		
- John Walstab	505,540	714,690
- Drew Townsend	86,987	78,804

(e) Loans from key management personnel

	Balance at beginning of the year	Interest payable for the year	Loans (repayments) made during the year	Balance at end of the year	Highest balance in the year
2019	\$	\$	\$	\$	\$
John Walstab					
- Loan	2,070,120	-	(2,046,964)	23,156	23,156
- Accrued Interest	4,120,705	505,540	-	4,626,245	4,626,245
Drew Townsend					
- Loan	904,501	-	(4,505)	899,996	899,996
- Accrued Interest	(76,560)	86,987	-	10,427	10,427
Youngchun Kim					
- Loan	692,442	-	(692,442)	-	-
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

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29: 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 exposure on the financial assets and liabilities of the Group's operations, denominated in currencies other than the functional currency of the operations.

	Converted to Australian dollars	
	2019	2018
	\$ 000	\$ 000
Receivables:		
China RMB	115	322
Euro	35	41
US dollars	509	1,112
New Zealand dollars	682	519
Korea WON	7,221	10,965
Thai Baht	4,672	2,208
Total amounts receivable in foreign currencies	13,234	15,167
Payables:		
China RMB	1,068	1,334
Euro	13	119
US dollars	-	-
New Zealand dollars	4	28
Korea WON	5,346	8,055
Thai Baht	1,825	1,735
Total amounts payable in foreign currencies	8,256	11,271

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

1 (i). Foreign exchange risk (continued)

	2019		2018	
	\$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	1,200	(1,467)	263	(2,793)
Increase/ (decrease) in net assets	1,200	(1,467)	263	(2,793)
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	(749)	916	(893)	1,091
Increase/ (decrease) in net assets	(749)	916	(893)	1,091

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29: 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.

	Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing		Total	
	Weighted Average Interest Rate		Less than 1 Year				1 to 5 Years			
	%		\$ 000		\$ 000		\$ 000		\$ 000	
Consolidated	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets:										
Cash	0.1%	0.1%	4,327	5,424	-	-	-	-	-	-
Trade & Other Receivables			-	-	-	-	-	-	10,646	11,822
Renewable Energy Certificates			-	-	-	-	-	-	8	41
Shares in Listed Companies			-	-	-	-	-	-	264	311
Other loans – non interest bearing			-	-	-	-	-	-	59	-
Loans	10%	10%	-	-	-	-	2,749	4,548	-	-
Term deposits	10%	10%	-	-	330	-	-	-	-	-
Deposits			-	-	-	-	-	-	2,144	3,724
Convertible note			-	-	-	-	200	-	-	-
Other financial assets			-	-	-	146	-	-	4,278	4,653
Total financial assets			4,327	5,424	330	146	2,949	4,548	17,399	20,551
Financial liabilities:										
Lease liability	2.5%	2.5%	-	-	49	66	6	10	-	-
Bank and other loans	13.8%	10.9%	-	-	10,120	8,856	537	2,155	2,341	3,723
Trade and other creditors			-	-	-	-	-	-	8,952	18,113
Contract liabilities			-	-	-	-	-	-	2,014	1,817
Total financial liabilities			-	-	10,169	8,922	543	2,165	13,307	23,653

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.

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

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 counterparties, ensuring to the extent possible that customers and counterparties 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 \$ 000		1 to 5 Years \$ 000		Total \$ 000	
Consolidated	2019	2018	2019	2018	2019	2018
Financial liabilities:						
Lease liability	49	66	6	10	55	76
Bank and other loans	12,363	8,856	635	5,878	12,998	14,734
Trade and other creditors	8,952	17,481	-	632	8,952	18,113
Contract liabilities	1,836	1,715	178	102	2,014	1,817
Total financial liabilities	23,200	28,118	819	6,622	24,019	34,740

Quantum Health Group Limited (formerly Quantum Energy Limited)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 30: PARENT ENTITY INFORMATION

	Consolidated Group	
	2019	2018
	\$ 000	\$ 000
Current assets	1	7
Total assets	8,884	10,659
Current liabilities	6,554	5,964
Total liabilities	14,085	15,236
Shareholders' equity:		
Issued capital	85,229	85,229
Retained earnings	(90,430)	(89,806)
	(5,201)	(4,577)
Loss for the year	(624)	(723)
Total comprehensive loss	(624)	(723)

NOTE 31: COMPANY DETAILS

The registered office of the Company and the principal place of business is:
 Quantum Health Group Limited (formerly Quantum Energy Limited)
 22 Rosebery Avenue, Rosebery, NSW 2018 Australia

NOTE 32: EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since 30 June 2019 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 Health Group Limited (formerly Quantum Energy Limited)

SECURITIES EXCHANGE INFORMATION

(a) Distribution of Shareholders as at 27 September 2019

Holdings Ranges	Holders	Total Shares	%
1-1,000	85	38,116	
1,001-5,000	242	768,364	
5,001-10,000	248	2,003,625	
10,001-100,000	468	16,296,052	
100,001-9,999,999,999	149	1,079,202,134	
Totals	1,192	1,098,308,291	

(a) There are currently 924 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 27 September 2019 are as follows. This also reflects the directors relevant stock interests:

Directors	Shares
D.A. Townsend	329,312,458*
P.G. Sidney	331,852,852**
J. Walstab	514,712,393***

Ordinary shareholder	Relevant interest notified
Crisp Holdings Ltd	323,042,708 ordinary shares

* 327,684,975 held jointly with P Sidney, and 863,550 held jointly with P Sidney and J Walstab

** 327,684,975 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.

SECURITIES EXCHANGE INFORMATION (CONTINUED)

(e) 20 Largest Shareholders — Ordinary Shares as at 27 September 2019

Holder Name	Balance	%
MR JOHN WALSTAB	512,182,377	46.634%
CRISP HOLDINGS LTD	323,042,708	29.413%
MR A MCDONALD & S MCDONALD SUPER FUND	38,528,909	3.508%
YOUNGCHUN KIM	32,000,000	2.914%
DONG SUN IM	16,000,000	1.457%
JANG HW	16,000,000	1.457%
SEOK SANGYUP	16,000,000	1.457%
MR A MCDONALD	15,856,000	1.444%
RAMN PTY LTD	9,266,444	0.844%
MR BARRY RAYMOND NELSON & CHICAGO LIMITED	8,400,000	0.765%
MR YU JIE	4,642,267	0.423%
MR JOHN ROBERT MCGEACHIE & MR DONG XIE	4,000,000	0.364%
MR PHILLIP GREGORY FINNIS	4,000,000	0.364%
BRIGHTEN INVESTMENTS LTD	3,700,000	0.337%
HATHORN HOLDINGS PTY LTD	3,265,855	0.297%
CIPA INVESTMENTS PTY LTD	2,600,000	0.237%
PATLIN SECURITIES PTY LIMITED	2,581,555	0.235%
MR FRANCESCO CORTELLINO	2,510,705	0.229%
	2,500,000	0.228%
	2,139,213	0.195%

(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 30 August 2019.