

Quantum Health Group Limited
Interim Financial Report

Appendix 4D

Half-Year Report

Period ended 31 December 2019

This information is provided under listing rule 4.2A.3 for the half-year ended 31 December 2019 and includes comparative information for the half-year ended 31 December 2018.

Results for Announcement to the market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

	Half-year ended 31 December 2019 \$	Half-year ended 31 December 2018 \$	Amount change \$	% change
Revenue from ordinary activities	26,841,672	32,951,380	(6,109,708)	-19%
Profit for the period attributable to members	2,446,763	543,651	1,903,112	350%
No dividends have been paid, declared or recommended by the Company during the half-year ended 31 December 2019.				
Net tangible assets per security				
	As at 31 December 2019 cents	As at 30 June 2019 cents		
Net tangible assets per ordinary share	1.03	0.99		

Review report

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



Quantum Health Group Limited

ABN 19 003 677 245

Half-Year Report 31 December 2019

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report for the half-year ended 31 December 2019 of the consolidated group consisting of Quantum Health Group Limited and the entities it controlled during or at the end of the period.

Directors

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

Drew Townsend, Chairman and Non-Executive Director
John Walstab, Managing Director and Company Secretary
Alan McCarthy, Non-Executive Director

Review of Operations

Quantum Health Group Limited provides specialised sales, service and clinical support for high-end medical imaging, oncology and women's healthcare products throughout Asia and Oceania region. Quantum expects continued organic growth across its Health Group distribution platform and continues to seek new partnership opportunities in healthcare throughout Asia.

Quantum's successful restructure of its energy division and subsequent investment in environmental health products are expected to have a positive impact on Quantum's full year financials for 2020.

Quantum Health Group delivered strong growth over the comparable prior half year period as shown below, sales timing variations within the Healthcare business and the restructuring of the energy business led to overall an increase of profits with a decline in Sales revenues:

	31 Dec 2019	31 Dec 2018	Variation
	\$ 000	\$ 000	
Group Revenue	26,842	32,951	-18.5%
Group EBITDA	4,533	2,728	+66.2%

Rounding of Amounts

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

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2019 is set out on page 2.

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



Director John Walstab

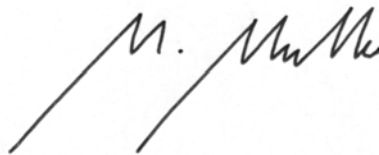
Dated: 28 February 2020

Auditor's Independence Declaration – Review

As lead auditor for the review of the consolidated financial report of Quantum Health Group Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



Sydney, NSW
28 February 2020

M D Muller
Partner

hlb.com.au

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

Level 19, 207 Kent Street Sydney NSW 2000 Australia

T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (NSW Partnership) is a member of HLB International, the global advisory and accounting network.

Interim Financial Report

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	31/12/2019 \$ 000	31/12/2018 \$ 000
Continuing operations			
Revenue from contracts with customers	5	26,366	32,096
Other revenue	5	476	855
Cost of sales		(12,745)	(20,981)
Employee benefits expense		(5,532)	(4,925)
Depreciation and amortisation expense		(689)	(326)
Advertising and promotion expenses		(454)	(332)
Finance costs		(420)	(581)
Legal fees		(48)	(36)
Research and development expenditure		(29)	(80)
Travel expenses		(648)	(553)
Motor vehicle expenses		(301)	(205)
Warranty expenses		(190)	(307)
Telephones & internet		(66)	(52)
Consultants		(375)	(267)
Freight & delivery expenses		(156)	(72)
Occupancy (rent) expenses		(128)	(462)
Insurance		(142)	(143)
Foreign exchange gain/(loss)		(223)	(53)
Fair value gain/(loss) on financial assets		56	(90)
Other expenses		(1,199)	(1,519)
Profit from continuing operations before income tax		3,553	1,967
Income tax (expense) credit		(354)	(282)
Net profit after tax		3,199	1,685
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiaries gain		195	545
Total comprehensive income for the year		3,394	2,230
Profit for the year is attributable to:			
Non-controlling interests		752	1,141
Owners of Quantum Health Group Limited		2,447	544
		3,199	1,685
Total comprehensive income for the year is attributable to:			
Non-controlling interests		850	1,359
Owners of Quantum Health Group Limited		2,544	871
		3,394	2,230
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)		0.22	0.05
Diluted earnings per share (cents per share)		0.22	0.05

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 and Controlled Entities
ABN: 19 003 677 245

Interim Financial Report

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

		Consolidated Group	
		31/12/2019	30/06/2019
	Note	\$ 000	\$ 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,660	4,327
Trade and other receivables		10,021	10,646
Inventories		11,220	9,147
Financial assets		1,471	661
Other		3,797	3,708
TOTAL CURRENT ASSETS		32,169	28,489
NON-CURRENT ASSETS			
Property, plant and equipment		1,968	1,570
Right-of-use-assets		1,152	-
Investment property		2,444	2,444
Deferred tax assets		3,046	3,212
Intangible assets	8	22,783	19,983
Financial assets		5,073	5,093
Other		528	570
TOTAL NON-CURRENT ASSETS		36,994	32,872
TOTAL ASSETS		69,163	61,361
CURRENT LIABILITIES			
Trade and other payables		10,303	8,952
Contract liabilities		2,859	1,836
Borrowings		12,136	12,412
Lease liabilities		1,014	-
Current tax liabilities		447	403
Short term provisions		1,900	1,704
TOTAL CURRENT LIABILITIES		28,659	25,307
NON-CURRENT LIABILITIES			
Contract liabilities		294	178
Borrowings		1,239	641
Lease liabilities		508	-
Employee benefits		349	185
Defined benefit plans		626	956
TOTAL NON-CURRENT LIABILITIES		3,016	1,960
TOTAL LIABILITIES		31,675	27,267
NET ASSETS		37,488	34,094
EQUITY			
Issued Capital	6	86,429	86,429
Reserves		2,005	1,908
Retained Earnings (accumulated losses)		(55,839)	(58,286)
Equity attributable to owners of Quantum Health Group Limited		32,595	30,051
Non-controlling interests		4,893	4,043
TOTAL EQUITY		37,488	34,094

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

Quantum Health Group Limited and Controlled Entities
ABN: 19 003 677 245

Interim Financial Report

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

Attributable to the members of Quantum Health Group Limited										
	Ordinary Share Capital	Shares to be issued	Undistributable Profits Reserve	Exchange Translation Reserve	Actuarial Gain Reserve	Other Reserves	Retained Profits (Losses)	Total	Attributable to non- controlling interests	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Consolidated										
Balance at 1 July 2018	85,229	1,200	504	1,077	6	-	(60,191)	27,825	2,714	30,539
Profit for the period	-	-	-	-	-	-	544	544	1,141	1,685
Other comprehensive income for the period	-	-	-	327	-	-	-	327	218	545
Shares Issued	480	(480)	-	-	-	-	-	-	-	-
Balance at 31 December 2018	85,709	720	504	1,404	6	-	(59,647)	28,696	4,073	32,769
Balance at 1 July 2019	85,709	720	504	1,375	29	-	(58,286)	30,051	4,043	34,094
Profit for the period	-	-	-	-	-	-	2,447	2,447	752	3,199
Other comprehensive income for the period	-	-	-	97	-	-	-	97	98	195
Shares Issued / to be issued	720	(720)	-	-	-	-	-	-	-	-
Balance at 31 December 2019	86,429	-	504	1,472	29	-	(55,839)	32,595	4,893	37,488

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

Interim Financial Report

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	31/12/2019	31/12/2018
	\$ 000	\$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	31,200	35,899
Payments to suppliers and employees	(26,490)	(33,824)
Interest received	11	-
Finance costs	(119)	(263)
Income tax paid	(109)	(791)
Net cash provided by operating activities	<u>4,493</u>	<u>1,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	131	-
Purchase of property, plant and equipment	(389)	(350)
Payments for acquisition of investment - Carestream Health ANZ	(1,208)	-
Payments for acquisition of investment – QHC Thailand and QHC Korea	-	(1,043)
Payments for financial assets	(1,808)	(1,172)
Proceeds from sale of financial assets	1,400	1,903
Net cash used in investing activities	<u>(1,874)</u>	<u>(662)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(460)	(9)
Advances / (Repayment) of borrowings	(826)	94
Net cash (used in) / provided by financing activities	<u>(1,286)</u>	<u>85</u>
Net increase in cash held	1,333	444
Cash at beginning of period	<u>4,327</u>	<u>5,424</u>
Cash at end of period	<u><u>5,660</u></u>	<u><u>5,868</u></u>

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

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Quantum Health Group Limited ("the Company") and its controlled entities (collectively "the Group") during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2019 financial report, other than as noted below.

Reporting Basis and Conventions

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value.

Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customers contracts

Intangible assets arises from customers contracts or legal rights are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

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 is as follows:

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019 which replaces AASB 117 'Leases' and for lessees eliminates the classification of operating leases and finance leases.

Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding liabilities are recognised in the balance sheet. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 2.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of the lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and any anticipated termination penalties.

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future leased payments arising from a change in an index or a rate used; lease term; certainty of termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

New accounting standards and interpretations not yet adopted

There are no new 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: IMPACT ON THE ADOPTION OF AASB 16

The Group has adopted AASB 16 using the modified retrospective approach and as such the comparatives have not been restated. As a result of adopting AASB 16, the Group has changed its accounting policies which are included in Note 1. Practical expedients applied on transition and the impact on the adoption of AASB 16 are detailed below.

Practical expedients applied on transition

In applying AASB 16 for the first time, the Group has used the following practical expedients on transition:

- elected not to reassess whether a contract is, or contains, a lease at the date of the initial application. Instead for contracts entered into before the transition date, the Group relied on assessments made applying AASB 117 Leases and Interpretation 4: Determining whether an Arrangement contains a lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- the use of a single discount rate to a portfolio of leases with similar characteristics, and
- for leases previously recognised as operating lease, the right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Impact of adoption

On the date of initial application, the Group recognised lease liabilities in relation to leases which have previously been classified as 'operating leases' under the principles of AASB 117 Leases. Lease liabilities are measured at amortised cost using the effective interest method.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increase by \$1,415,544
- Lease liabilities increase by \$1,415,544

The net impact on retained earnings on 1 July 2019 was nil.

NOTE 3: DIVIDENDS

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial period (2019: Nil).

Quantum Health Group Limited and Controlled Entities
ABN: 19 003 677 245

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 4: SEGMENT REPORTING

	Environmental Services		Medical		Unallocated		Elimination		Consolidated-Continuing Operations	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Total revenue - Australia	947	2,112	7,785	6,320	119	625	(1,570)	(1,129)	7,281	7,928
Total revenue- China	682	1,173	-	-	-	-	(711)	-	(29)	1,173
Total revenue - Thailand	-	-	8,805	8,657	-	-	(29)	-	8,776	8,657
Total revenue - Korea	-	-	10,884	15,193	-	-	(70)	-	10,814	15,193
Total revenue	1,629	3,285	27,474	30,170	119	625	(2,380)	(1,129)	26,842	32,951
Profit/(Loss) after income tax - Australia	(226)	(223)	2,293	1,423	(684)	170	(1,093)	(160)	290	1,210
Profit/(Loss) after income tax - China	(91)	(989)	-	-	-	(178)	(75)	-	(166)	(1,167)
Profit/(Loss) after income tax - Thailand	-	-	1,471	2,203	-	-	775	-	2,246	2,203
Profit/(Loss) after income tax - Korea	-	-	35	(560)	-	-	794	-	829	(560)
Total profit / (loss) after income tax	(317)	(1,212)	3,799	3,066	(684)	(8)	401	(160)	3,199	1,686
	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Segment assets - Australia	1,975	1,411	36,860	33,494	10,682	11,037	(14,076)	(13,759)	35,441	32,183
Segment assets - China	(916)	(20)	-	-	-	-	-	-	(916)	(20)
Segment assets - Thailand	-	-	14,282	11,173	-	-	-	-	14,282	11,173
Segment assets - Korea	-	-	20,356	18,025	-	-	-	-	20,356	18,025
Total segment assets	1,059	1,391	71,498	62,692	10,682	11,037	(14,076)	(13,759)	69,163	61,361
Segment liabilities - Australia	894	823	9,087	5,256	12,134	12,283	(5,317)	(4,996)	16,798	13,366
Segment liabilities - China	62	680	-	-	-	-	-	-	62	680
Segment liabilities - Thailand	-	-	3,220	2,988	-	-	-	-	3,220	2,988
Segment liabilities - Korea	-	-	11,595	10,233	-	-	-	-	11,595	10,233
Total segment liabilities	956	1,503	23,902	18,477	12,134	12,283	(5,317)	(4,996)	31,675	27,267

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 4: SEGMENT INFORMATION (continued)

The entity operates in two business segments, being the distribution of high-end medical products, and the distribution of energy-efficient water sterilisation and hot water systems.

NOTE 5: REVENUE AND OTHER INCOME

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$000	\$000
Revenue from contracts with customers		
Sale of goods	18,682	24,660
Services revenue	7,684	7,436
	<u>26,366</u>	<u>32,096</u>
Other Income		
Interest receivable – other entities	11	9
Interest receivable – related parties	118	137
Dividend from unrelated parties	-	6
Other revenue	347	703
	<u>476</u>	<u>855</u>
Total Revenue and Other Income	<u>26,842</u>	<u>32,951</u>

NOTE 6: ISSUED CAPITAL AND SHARES TO BE ISSUED

	Consolidated Group			
	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019
	No.	No.	\$000	\$000
CURRENT				
Fully paid ordinary shares	1,128,308,291	1,098,308,291	86,429	85,709
Ordinary shares to be issued	-	30,000,000	-	720
	<u>1,128,308,291</u>	<u>1,128,308,291</u>	<u>86,429</u>	<u>86,429</u>
Movements - Fully paid ordinary shares:				
At the beginning of the year	1,098,308,291	1,078,308,291	85,709	85,229
Share issued	30,000,000	20,000,000	720	480
At the end of the year	<u>1,128,308,291</u>	<u>1,098,308,291</u>	<u>86,429</u>	<u>85,709</u>
Movements – Ordinary shares to be issued:				
At the beginning of the year	30,000,000	50,000,000	720	1200
Shares to be issued	-	-	-	-
Share issued	(30,000,000)	(20,000,000)	(720)	(480)
At the end of the year	<u>-</u>	<u>30,000,000</u>	<u>-</u>	<u>720</u>

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6: ISSUED CAPITAL AND SHARES TO BE ISSUED (continued)

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 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, the QHC Acquisition agreement includes the following:

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

As the 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 \$A11 million for the 2 year period from 1 July 2017 to 30 June 2019, the group issued 30 million QTM shares on 17 December 2019 to the QHC sellers, in accordance with the QHC Acquisition agreement.

NOTE 7: BUSINESS COMBINATION

On 1 November 2019, the Group acquired Carestream's medical imaging Service Businesses in Australia and New Zealand. Carestream's medical imaging Service Business provides onsite and remote service to hospitals, radiology imaging centres in Australia and New Zealand.

Details of the acquisition are as follows:

	Carestream ANZ Service Business
	Fair value \$'000
Inventory	1,465
Customer contracts	1,279
Other assets	18
Employee liabilities	(773)
Deferred income & extended warranty	(1,300)
Deferred tax	(143)
Net identifiable assets acquired	546
Goodwill	1,542
Acquisition-date fair value of the total consideration transferred	2,088
Representing:	
Cash paid	1,208
Deferred consideration	880
	2,088
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,208
Less: cash and cash equivalents	-
Net cash used - investing activities	1,208

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 8: INTANGIBLE ASSETS

	Consolidated	
	31 Dec 2019	30 June 2019
	\$000	\$000
Goodwill on acquisition		
Costs	92,860	91,318
Accumulated impairment losses	(71,335)	(71,335)
Net carrying value	21,525	19,983
Customer contracts		
Customer contracts – at cost	1,279	-
Less: Accumulated amortisation	(21)	-
Net carrying value	1,258	-
Total Intangible assets	22,783	19,983

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Goodwill \$	Customer contracts \$	Total \$
Balance at 1 July 2019	19,983	-	19,983
Additions through business combination (Note 7)	1,542	1,279	2,821
Amortisation expense	-	(21)	(21)
Net carrying value	21,525	1,258	22,783

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 2 January 2020, the Group acquired a 100% holding in Carestream Health Philippines, Inc., for the total consideration of US\$1,614,479. Carestream Health Philippines is a company incorporated in the Philippines which operates Carestream's medical imaging Service Business in the Philippines.

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

Interim Financial Report

DIRECTORS' DECLARATION

In the opinion of the directors,

1. The financial statements and notes, as set out on pages 3 to 13, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. giving a true and fair view of the consolidated group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that Quantum Health Group Limited will be able to pay its debts as and when they become due and payable.

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



Director: John Walstab
Dated: 28 February 2020

Independent Auditor's Review Report To the members of Quantum Health Group Limited:

We have reviewed the accompanying half-year financial report of Quantum Health Group Limited ("the company") which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

hlb.com.au

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

Level 19, 207 Kent Street Sydney NSW 2000 Australia

T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (NSW Partnership) is a member of HLB International, the global advisory and accounting network.

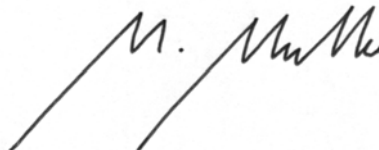
Independence

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



**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
28 February 2020**



**M D Muller
Partner**