



Quantum Health Group Limited

ABN 19 003 677 245

**Annual Report
2020**

Quantum Health Group Limited

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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 12 October 2020. The Company has the power to amend and re-issue the financial report.

Quantum Health Group Limited

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Quantum Health Group Limited ("the Company") and its controlled entities (together referred to as "the Group" or "Quantum") for the financial year ended 30 June 2020.

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 and service of state-of-the-art medical products in the field of radiology, oncology, aesthetics and environmental health throughout Asia.

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 \$5,446,000 (2019: \$1,905,000).

The total comprehensive income of the Group attributable to owners of the Group for the year is \$5,805,000 (2019: \$2,226,000).

Review of Operations

The introduction of the new accounting standard AASB 16 *Leases* has added \$1,416,000 in Right-of-Use Assets to our Balance Sheet. Offsetting this are similar values recorded as Lease Liabilities. Please note, the EBIT Margin and other profitability and performance measures in this report are reported post AASB 16. The impact of AASB 16 and pre and post AASB 16 comparisons for common profitability and performance measures are detailed below.

Directors are pleased to advise that Quantum has delivered a trading result consistent with our expectations for the year ended 30 June 2020, as follows:

	FY2020	FY 2020	2019
	post AASB16	pre AASB16	
	\$ 000	\$ 000	\$ 000
Revenue	59,398	59,398	59,429
EBITDA	9,334	8,629	4,017
Restructure and Impairment costs	-	-	1,185
Normalised EBITDA	<u>9,334</u>	<u>8,629</u>	<u>5,202</u>

Reconciliation of EBITDA:

	FY2020	FY 2020	FY 2019
	post AASB16	pre AASB16	
	\$ 000	\$ 000	\$ 000
Profit/(loss) before tax	7,235	7,235	2,610
Interest expenses	757	736	1,092
Interest income	(210)	(210)	(313)
Depreciation	<u>1,552</u>	<u>868</u>	<u>628</u>
EBITDA	<u>9,334</u>	<u>8,629</u>	<u>4,017</u>

Quantum Health Group Limited

DIRECTORS' REPORT (CONTINUED)

Quantum's trading results have improved in all regions. Quantum has made further investments in its international healthcare operations building on our foundation for further expansion into the Asia Pacific healthcare market by the acquisition of Carestream Health Service business in Australia and New Zealand in October 2019 and Carestream Health Philippines Service Business in January 2020. Quantum will continue to build its healthcare technology platform across Asia to provide leading-class distribution model for global healthcare manufactures.

Financial position

The net assets of the consolidated Group have increased to \$40,928,000 as at 30 June 2020 (2019: \$34,094,000). 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.

COVID-19 Impact

Despite initially experiencing adverse business results from the effects of COVID-19 restrictions and the subsequent downturn in market purchasing activities between February and April 2020, Quantum Healthcare's prompt implementation of operational measures in our working environments maintained its global workforce (other than in the Philippines where tighter government workplace controls were in place). These measures together with government stimulus assistance in Australia successfully aided the business back to pre-COVID 19 results in most segments of the business. Quantum Healthcare experienced improved performance in the Radiology sector in May and June with sales of Carestream and Micro-X Digital Radiography systems comprising part of the government's Covid-19 medical equipment purchase.

Quantum Healthcare will continue to follow the respective government guidelines to ensure full compliance and implement initiatives to seek new growth during these changing market conditions. We don't expect COVID-19 to materially impact our business performance in the coming year but continue to monitor conditions, restrictions and opportunities across all regions.

Events subsequent to balance date

The impact of the COVID-19 pandemic was evident during the year ended 30 June 2020 and is ongoing. The Directors and management are continually monitoring and managing the Group's operations closely in response to COVID-19. The Group continues to achieve budgeted results up to 31 August 2020 and management believes it will continue to do so even though the extent of the impact COVID-19 may have on the Group's future liquidity, financial performance and position and operations is uncertain and cannot be reasonably estimated at the date these financial statements were issued.

No other matter or circumstance has arisen since 30 June 2020 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.

Quantum Health Group 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 in Quantum Health Group Limited.
John Walstab	— Managing Director and Company Secretary
Experience	— Board member since 2003. Wide range of experience for more than 35 years in Healthcare technology organisations and developing overseas markets.
Interest in Shares and Options	— 514,712,393 ordinary shares in Quantum Health Group Limited.
Alan McCarthy	— Non-Executive Director
Qualifications	— B Bus (Accounting), M Com 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 2020.

Meetings of Directors

During the financial year, 6 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	6	6
Mr J. Walstab	6	6
Mr A. McCarthy	6	6

Quantum Health Group Limited

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.

No indemnity has been granted to the auditors of the Group.

Options

At the date of this report, there are no unissued ordinary shares of Quantum Health Group Limited under options. During the year ended 30 June 2020, no ordinary shares of Quantum Health Group 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 2020 has been received and a copy can be viewed on page 8 of the Annual Report.

Rounding of Amounts

The Company is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

Quantum Health Group Limited

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited)

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

(1) Remuneration philosophy

The performance of Quantum Health Group 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 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 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 \$3,261 during the year (2019: \$31,580).

Senior executives and executive director remuneration

Objective

Quantum Health Group 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.

Quantum Health Group Limited

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	\$
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
2020	59,398	5,446	0.49	0.038	40,928	0.0134

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 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 Quantum Healthcare Australia 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

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	2020	277,119	-	-	26,747	4,428	308,294
	2019	275,026	-	-	26,573	4,687	306,286
Total Executive Directors	2020	277,119	-	-	26,747	4,428	308,294
Total Executive Directors	2019	275,026	-	-	26,573	4,687	306,286
Key Executives							
Y. Kim	2020	306,748	283,486	-	29,558	4,388	624,180
	2019	299,514	372,559	-	45,722	6,180	723,975
Total Key Executives	2020	306,748	283,486	-	29,558	4,388	624,180
Total Key Executives	2019	299,514	372,559	-	45,722	6,180	723,975
Grand Total	2020	583,867	283,486	-	56,305	8,816	932,474
Grand Total	2019	574,540	372,559	-	72,295	10,867	1,030,261

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

Relative proportion of remuneration linked to performance

	2020	2019
Y. Kim	45%	51%
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 2020 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.



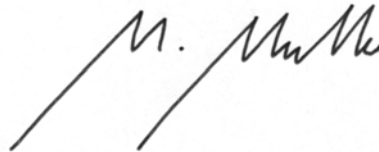
John Walstab
Director
12 October 2020

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 2020, 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
12 October 2020

M D Muller
Partner

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Independent Auditor's Report to the Members of Quantum Health Group 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 2020 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 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Emphasis of Matter – Current and Possible Effects and Uncertainties of COVID-19

We draw attention to Note 34 of the financial report, which describes the current and possible effects and uncertainties on the Group arising from the on-going issues associated with COVID-19. Our opinion is not modified in respect of this matter.

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
<p>Business combination Note 17</p> <p>As described in Note 17 “Business combination”, On 1 November 2019, the Group acquired Carestream’s medical imaging Service Businesses in Australia and New Zealand for the total consideration of \$2,088k. The fair value of identifiable net assets at purchase date was \$546k. The acquisition resulted in recognition of goodwill of \$1,542k.</p> <p>On 1 January 2020, the Group acquired 100% of the shares of Carestream Health Philippines Inc for a total consideration of \$2,468k. The fair value of identifiable net assets at purchase date was \$2,598k. The acquisition resulted in recognition of a bargain purchase of \$130k.</p> <p>The accounting for the business combination has been recorded on a provisional basis in the consolidated financial statements.</p> <p>The acquisition accounting is considered a key audit matter due to the level of judgment included in accounting for business combinations, the valuation of the assets and liabilities acquired as well as the significance of the business combination to the Group’s financial position.</p>	<ul style="list-style-type: none"> • We assessed the Group’s determination and application of Australian Accounting Standards to the acquisition transactions; • We assessed the reasonableness of the adopted acquisition date and the fair value of purchase consideration by agreeing to the relevant purchase deeds and supporting documents; • We performed audit procedures to evaluate the reasonableness of the fair value of the acquisition date assets acquired and liabilities assumed; • We assessed the adequacy of the Group’s disclosures in the financial statements.
<p>Impairment of Goodwill Note 18</p> <p>The Group recognised Goodwill of \$21,525k at 30 June 2020. This Goodwill arose on acquisition of subsidiary companies in prior years and during the year.</p> <p>As required by Australian Accounting Standards the Group tested this Goodwill for impairment, at 30 June 2020.</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; <p>We assessed the adequacy of the Group’s disclosures in the financial statements.</p>

Key Audit Matter	How our audit addressed the key audit matter
Inventory Obsolescence Note 10	
<p>The Group holds inventories recognised at 30 June 2020 at a value of \$10,246k. A provision for obsolescence of \$782k was recognised at 30 June 2020.</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 Philippines. 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 ○ 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 2020 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 2020.

In our opinion, the Remuneration Report of Quantum Health Group Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

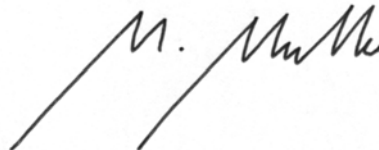
Responsibilities

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
12 October 2020**



**M D Muller
Partner**

Quantum Health Group Limited

DIRECTORS' DECLARATION

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 15 to 55 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 2020 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 2020 required by section 295A of the *Corporations Act 2001*.

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



John Walstab
Director
12 October 2020

Quantum Health Group Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$ 000	2019 \$ 000
Continuing operations			
Revenue from contracts with customers	2	58,309	57,955
Other revenue	2	1,089	1,474
Cost of sales		(31,032)	(34,990)
Employee benefits expense		(11,337)	(11,171)
Depreciation and amortisation expense	3	(1,553)	(628)
Advertising and promotion expenses		(847)	(704)
Finance costs	3	(757)	(1,092)
Legal fees		(138)	(75)
Research and development expenditure		(77)	(145)
Travel expenses		(1,052)	(1,034)
Motor vehicle expenses		(645)	(395)
Warranty expenses		(559)	(487)
Telephones & internet		(230)	(103)
Consultants		(645)	(725)
Freight & delivery expenses		(327)	(144)
Occupancy (rent) expenses	3	(221)	(912)
Insurance		(302)	(292)
Foreign exchange gain (loss)		(222)	45
Fair value gain/(loss) on financial assets		67	(22)
Other expenses		(2,286)	(3,945)
Profit from continuing operations before income tax		7,235	2,610
Income tax (expense) credit	4	(816)	197
Net profit after tax		6,419	2,807
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation of foreign subsidiaries gain		259	719
Items that will not be reclassified to profit or loss:			
Actuarial gain on post-employment benefit obligations		155	29
Total comprehensive income for the year		6,833	3,555
Profit for the year is attributable to:			
Non-controlling interests		973	902
Owners of Quantum Health Group Limited		5,446	1,905
		6,419	2,807
Total comprehensive income for the year is attributable to:			
Non-controlling interests		1,028	1,329
Owners of Quantum Health Group Limited		5,805	2,226
		6,833	3,555
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	0.49	0.17
Diluted earnings per share (cents per share)	7	0.48	0.17

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

Quantum Health Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Consolidated Group	
		30/06/2020	30/06/2019
		\$ 000	\$ 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	8,765	4,327
Trade and other receivables	9	14,963	10,646
Inventories	10	9,464	9,147
Financial assets	11	1,043	661
Other	19	3,870	3,708
TOTAL CURRENT ASSETS		38,105	28,489
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,700	1,570
Right-of-use-assets	14	1,414	-
Investment property	15	2,444	2,444
Deferred tax assets	16	3,137	3,212
Goodwill and Intangible Assets	18	22,719	19,983
Financial assets	11	2,628	5,093
Other	19	1,906	570
TOTAL NON-CURRENT ASSETS		35,948	32,872
TOTAL ASSETS		74,053	61,361
CURRENT LIABILITIES			
Trade and other payables	20	11,401	7,734
Contract liabilities	21	6,840	3,054
Borrowings	22	8,888	12,412
Lease liabilities	26	929	-
Current tax liabilities		443	403
Short term provisions	23	2,249	1,704
TOTAL CURRENT LIABILITIES		30,750	25,307
NON-CURRENT LIABILITIES			
Trade and other payables	20	880	-
Contract liabilities	21	237	178
Borrowings	22	4	641
Lease liabilities	26	476	-
Employee benefits	23	443	185
Defined benefit plans	24	335	956
TOTAL NON-CURRENT LIABILITIES		2,375	1,960
TOTAL LIABILITIES		33,125	27,267
NET ASSETS		40,928	34,094
EQUITY			
Issued Capital	25	86,429	86,429
Reserves	27	2,268	1,908
Retained Earnings (accumulated losses)		(52,840)	(58,286)
Equity attributable to owners of Quantum Health Group Limited		35,857	30,051
Non-controlling interests		5,071	4,043
TOTAL EQUITY		40,928	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	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)			Total
	\$ 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 year	-	-	-	-	-	-	1,905	1,905	902	2,807
Other comprehensive income for the year	-	-	-	298	23	-	-	321	427	748
Shares Issued / to be issued	480	(480)	-	-	-	-	-	-	-	-
Balance at 30 June 2019	85,709	720	504	1,375	29	-	(58,286)	30,051	4,043	34,094
Balance at 1 July 2019	85,709	720	504	1,375	29	-	(58,286)	30,051	4,043	34,094
Profit for the year	-	-	-	-	-	-	5,446	5,446	973	6,419
Other comprehensive income for the year	-	-	-	211	149	-	-	360	55	415
Shares Issued	720	(720)	-	-	-	-	-	-	-	-
Balance at 30 June 2020	86,429	-	504	1,586	178	-	(52,840)	35,857	5,071	40,928

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$ 000	2019 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		62,189	61,536
Payments to suppliers and employees		(52,580)	(58,591)
Interest received		94	12
Finance costs		(234)	(427)
Interest paid lease liabilities		(21)	-
Income tax paid		(321)	(1,293)
Net cash provided by operating activities	29	<u>9,127</u>	<u>1,237</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		209	-
Purchase of property, plant and equipment		(879)	(489)
Dividends received from unrelated entity		-	14
Payments for acquisition of investment – QHC Thailand and QHC Korea		-	(1,603)
Payments for acquisition of investment – Carestream Health Australia Pty Ltd		(1,208)	-
Payments for acquisition of investment (net)– Carestream Health Philippines Inc		(462)	-
Payments for financial assets		(1,324)	(978)
Proceeds from sale of financial assets		947	1,902
Net cash used in investing activities		<u>(2,717)</u>	<u>(1,154)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Lease liabilities		(784)	-
Repayment of borrowings		(1,188)	(1,180)
Net cash used in financing activities		<u>(1,972)</u>	<u>(1,180)</u>
Net increase/(decrease) in cash held		4,438	(1,097)
Cash at beginning of period		4,327	5,424
Cash at end of period	8	<u>8,765</u>	<u>4,327</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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

This financial report includes the consolidated financial statements of Quantum Health Group 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(t)).

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.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income Tax (continued)

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.

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 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:

Class of Fixed Asset	Depreciation Rate
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.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

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(h)).

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

(e) 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, except where included in the cost of inventories, 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. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(f) Lease liabilities

A lease liability is recognised at the commencement date of a 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, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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 lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and 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.

(g) Financial Instruments

Classification

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

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (continued)

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.

(h) 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.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangibles

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 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.

Customer Contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

(j) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 and Philippine 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.

(l) 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.

(m) 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.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the consolidated statement of financial position.

(o) 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, 30 to 60 days for Philippine 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.

(p) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

(s) 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.

(t) Business Combinations

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.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Business Combinations (Continued)

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.

(u) Comparative Figures

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

(v) 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.

(w) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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 2020, and have formed the opinion that amounts receivable from sales made during the current and previous financial years amounting to \$732,000 (2019: \$527,000) 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 and other intangible
The directors have assessed the value of goodwill and other intangible at balance date and have determined that the net book value at 30 June 2020 is recoverable. Further details are included in Note 18.
- (iv) Provision for Warranty – Quantum Energy Technologies Pty Ltd
Quantum Energy Technologies, a subsidiary of the Company, has a provision for warranty expenses as at 30 June 2020 of \$322,000. The provision is based on management's estimate of the cost of providing this warranty for two years to its customer.
If management's estimate was to increase or decrease by 10%, the warranty provision would increase or decrease by \$32,000.
- (v) Provision for Warranty – Quantum Healthcare Korea Co, Ltd (“QHK”)
Quantum Healthcare Korea Co, Ltd, a subsidiary of the Company, reduced the provision for warranty provision to \$196,000 as at 30 June 2020. The provision of \$196,000 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 \$19,600.
- (vi) Defined benefit plans – Quantum Healthcare Korea Co. Ltd (“QHK”), Quantum Hunex Korea Co. Ltd (“Hunex”) and Carestream Health Philippine Inc (“QHP”)
Various actuarial assumptions are required when determining the Group's defined benefit obligations. See Note 24.
- (vii) 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 possible that future taxable amounts will be available to utilise those temporary differences and losses.
- (viii) Estimation of useful lives of assets
The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets, including customer contracts through business combination. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Critical Accounting Estimates and Judgments (Continued)

(ix) Business combinations

As discussed in note 1(t), business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

(x) 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).

(y) Going Concern

During the year ended 30 June 20, the consolidated entity earned a profit after income tax of \$6,419,000. At June 2020, the consolidated entity had net assets of \$40,928,000 and net current assets of \$7,355,000, and during the year ended 30 June 2020 generated cash flow from operating activities of \$9,127,000. Included in current liabilities are amounts due to J Walstab (a director of the Company) of \$2,323,000. Mr Walstab has confirmed that he will not demand repayment of this amount prior to 31 December 2021 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 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.

(z) 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 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.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) **New, revised or amending Accounting Standards and Interpretations adopted (continued)**

On adoption, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate that applied to the lease liabilities on 1 July 2019 was 4.3%.

Right of use assets were measured at their carrying amounts as if the standard had been applied since commencement date of each lease but discounted using the incremental borrowing rate that applied on 1 July 2019.

Impact of adoption

The new accounting policies are disclosed in note 1(z). AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019
	\$000
Operating lease commitments as at 1 July 2019	1,508
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4.3% (AASB 16)	(65)
Leases exemptions (short term leases and low value leases)	(27)
Right-of-use assets (AASB 16)	1,416
Lease liabilities – current (AASB 16)	(805)
Lease liabilities – non-current (AASB 16)	(611)
Increase in opening retained profits as at 1 July 2019	-

When adopting AASB 16 from 1 July 2019, the Group has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease

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.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2020	2019
	\$000	\$000
Revenue from contracts with customers		
Sale of goods	39,876	43,477
Services revenue	18,433	14,478
	58,309	57,955
Other revenue		
Interest receivable – other entities	94	12
Interest receivable – related parties	118	301
Dividend from unrelated parties	-	14
Bargain purchase on business acquisition (Note 17)	130	-
Other revenue	747	1,147
	1,089	1,474
Total Revenue	59,398	59,429
Timing of revenue recognition		
Goods transferred at a point in time	39,876	43,477
Other revenue recognised at point in time	1,089	1,474
Services transferred over time	18,433	14,478
	59,398	59,429

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.

NOTE 3: PROFIT FOR THE YEAR

	Consolidated Group	
	2020	2019
	\$000	\$000
Profit for the year includes the following expenses:		
Finance costs		
- External - bank loans and overdrafts	210	470
- Interest expenses on lease liabilities	21	-
- Related parties	526	622
Total finance costs	757	1,092
Depreciation and amortisation expenses		
- Depreciation of right-of-use assets	784	-
- Depreciation of property, plant and equipment	684	628
- Depreciation of intangible assets	85	-
Total depreciation and amortisation expenses	1,553	628
Rental expense relating to operating leases	221	912

Rental expenses of \$221,000 recognised in the 30 June 2020 income statement relate to leases that terminated during the year (short term lease exemption) or low value leases.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: INCOME TAX EXPENSE / (CREDIT)

	Consolidated Group	
	2020	2019
	\$000	\$000
(a) Continuing Operations		
The components of income tax expense / (credit) comprise:		
Current tax relating to Continuing Operations	268	383
Deferred tax relating to Continuing Operations	548	(580)
	816	(197)
(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% (2019:30%)	2,171	783
Add / (Deduct) tax effect of:		
Difference in overseas tax rate	(161)	124
Fully franked dividend	-	(4)
Previously unrecognised tax losses used to reduce tax expense	(956)	(961)
Other amounts which are not deductible (assessable) for income tax purposes	(238)	(139)
Income tax expense (credit)	816	(197)
The applicable weighted average effective rates are	18%	15%

(c) Other comprehensive income

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

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. McCarthy	Non-executive Director

(b) Key Management Personnel remuneration

	Consolidated Group	
	2020	2019
	\$000	\$000
Short-term employee benefits	867,353	947,099
Post-employment benefits	56,305	72,295
Long-term benefits	8,816	10,867
	932,474	1,030,261

(c) Option holdings

There are no options held by key management personnel (2019: Nil)

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(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 1.7.19 No.	Disposed No.	Acquired No.	Balance 30.6.20 No.
Directors				
D.A Townsend	329,312,458	-	-	329,312,458
J. Walstab	514,712,393	-	-	514,712,393
A. McCarthy				
Specified Executives				
Y. Kim	32,000,000	-	12,000,000	44,000,000
Related Parties				
M. Walstab (Brother of J. Walstab)	400,000	-	-	400,000

NOTE 6: REMUNERATION OF AUDITORS

	Consolidated Group	
	2020	2019
Auditing and reviewing financial reports HLB Mann Judd (NSW Partnership)		
- Audit and review of financial statements	159,750	206,250
Non-HLB Mann Judd (NSW Partnership) auditors for audit of subsidiary companies:		
- China	-	7,102
- Thailand	24,000	32,159
- Korea	80,998	64,799
- Philippines	6,956	-

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: EARNINGS PER SHARE

	Consolidated Group	
	2020	2019
	Cents per share	Cents per share
Earnings per share after tax		
Basic earnings per share	0.49	0.17
Diluted earnings per share	0.48	0.17
	Consolidated Group	
	2020	2019
	\$000	\$000
Net profit		
Earnings used to calculate basic EPS	5,446	1,905
Earnings used to calculate diluted EPS	5,446	1,905
	No.	No.
(a) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,114,455,832	1,098,308,291
(b) Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	1,128,308,291	1,128,308,291
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:	1,128,308,291	1,098,308,291
Adjustment for ordinary shares to be issued:	-	30,000,000
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	1,128,308,291

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2020	2019
	\$000	\$000
Cash at bank and in hand	8,765	4,327
	8,765	4,327

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2020	2019
	\$000	\$000
Current		
Trade receivables	15,695	11,173
Allowance for expected credit losses	(732)	(527)
	14,963	10,646
Ageing of trade receivables not impaired		
Not overdue	12,446	9,565
61-90 days past due	1,562	497
91 days and above past due	955	1,111
Total trade receivables	14,963	11,173
Movement in allowance for expected credit loss		
Opening balance	(527)	(601)
Additions during the year	(253)	74
Amounts written off during the year	48	-
Closing balance	(732)	(527)

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, Thailand and Philippine 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	
	2020	2019
	\$000	\$000
At cost:		
Raw materials and stores	8	90
Finished goods	10,238	12,530
	10,246	12,620
Less: Provision for Impairment	(782)	(3,473)
	9,464	9,147

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: FINANCIAL ASSETS

	Consolidated Group	
	2020	2019
	\$000	\$000
Current		
Financial assets at fair value through profit or loss:		
- Shares in listed companies	21	264
- Renewable Energy Certificates	3	8
At face value:		
- Term deposits	1,019	330
- Loans - others	-	59
	1,043	661
Non-Current		
- Deposits	2,065	2,144
- Loans - others	183	2,749
- Convertible note	380	200
	2,628	5,093

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

NOTE 12: CONTROLLED ENTITIES

Name of entity	Country of Incorporation	Ownership Interest	
		2020	2019
Parent entity			
Quantum Health Group Limited	Australia		
Controlled entity			
Quantum Energy Technologies Pty Ltd	Australia	100%	100%
Quantum Energy Installations Pty Ltd	Australia	100%	100%
Quantum Healthcare Australia Pty Ltd (formerly 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%	100%
Carestream Health Philippines, Inc.	Philippines	100%	-

On 1 January 2020, the Group purchased 100% of the shares of Carestream Health Philippines, Inc. (Note 17).

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2020	2019
	\$000	\$000
Plant & Equipment at cost	6,986	6,474
Accumulated depreciation	(5,286)	(4,880)
Provision for Impairment	-	(24)
	1,700	1,570
Movements in carrying amounts		
Opening Balance	1,570	1,548
Additions	879	489
Additions through business combinations (Note 17)	28	-
Re-classification from inventory	65	252
Disposals/write-offs	(158)	(91)
Depreciation/amortisation expense	(684)	(628)
Closing balance	1,700	1,570

NOTE 14: RIGHT OF USE ASSETS

	Consolidated Group	
	2020	2019
	\$000	\$000
Non-Current		
Land and building - right-of-use	1,430	-
Less: Accumulated Depreciation	(657)	-
Equipment-right-of-use	420	-
Less: Accumulated Depreciation	(46)	-
Vehicles-right-of-use	457	-
Less: Accumulated Depreciation	(190)	-
Total	1,414	-
Movements in carrying amounts		
Opening balance at 1 July 2019	1,416	-
Additions	782	-
Depreciation/amortisation expense	(784)	-
Closing balance	1,414	-

Total opening balance at 1 July 2019 was \$1,416,000. AASB 16 was adopted using the modified retrospective approach and comparatives for right-of-use assets have not been provided. Refer to Note 1(z).

The Group leases land and buildings for its offices and warehouses under agreements of between three to five years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases office equipment under agreements of up to three years. The Group leases vehicles under agreements of between seven to ten years.

In relation to right of use assets, depreciation charged in the year for land and buildings was \$657,000; equipment was \$46,000 and for vehicle was \$190,000.

Details on interest expense and cashflows relating to lease liabilities are disclosed in Note 26.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: INVESTMENT PROPERTIES

	Consolidated Group	
	2020	2019
	\$000	\$000
Opening Balance	2,444	2,444
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 16: DEFERRED TAX ASSETS

	Consolidated Group	
	2020	2019
	\$000	\$000
Consists of:		
- Inventories	186	682
- Employee entitlements	832	589
- Lease liability	313	-
- Accruals and Provisions	1,264	1,247
- Other	121	(95)
- Right of use assets	(306)	-
- customer relationship	(358)	-
- Impairment provisions	465	466
- Tax losses	620	323
	3,137	3,212

The tax losses carried forward from the Australian tax consolidated group have not been recognised as the group estimates that is not probable that taxable profit will be available against which the unused tax losses in a near future. The total value of the Deferred tax assets on losses carried forward is \$3,410,000.

NOTE 17: BUSINESS ACQUISITION

On 1 November 2019, the Group acquired Carestream's medical imaging service Businesses in Australia and New Zealand ("Carestream ANZ"). Carestream ANZ provides onsite and remote service to hospitals, radiology imaging centres in Australia and New Zealand. On 1 January 2020, the Group acquired *Carestream Health Philippines Inc.* ("Carestream Philippines"). Carestream Philippines provides onsite and remote service to hospitals, radiology imaging centres in Philippine.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: BUSINESS ACQUISITION (CONTINUED)

Details of the acquisition are as follows:

	Carestream ANZ	Carestream Philippines	Total
	Service Business	Service Business	
	Fair value	Fair value	
	\$000	\$000	\$000
Cash and cash equivalent	-	2,006	2,006
Trade and other receivables	-	387	387
Inventory	1,465	113	1,578
Customer contracts	1,279	-	1,279
Other assets	18	163	181
Property, plant and equipment	-	15	15
Retirement benefit plan	-	127	127
Deferred tax assets / (liabilities)	(143)	387	244
Employee liabilities	(773)	-	(773)
Deferred income & extended warranty	(1,300)	(315)	(1,615)
Trade and other payables	-	(285)	(285)
Net identifiable assets acquired	546	2,598	3,144
Goodwill / (bargain purchase)	1,542	(130)	1,412
Acquisition-date fair value of the total consideration transferred	2,088	2,468	4,556
Representing:			
Cash paid	1,208	2,468	3,676
Deferred consideration	880	-	880
	2,088	2,468	4,556
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	1,208	2,468	3,676
Less: cash and cash equivalents	-	(2,006)	(2,006)
Net cash used - investing activities	1,208	462	1,670

The provisional accounting for the acquisition of Carestream Philippines generated a gain from bargain purchase of \$130,000 as the fair value of net assets of \$2,598,000 was in excess of the aggregate consideration of \$2,468,000. This bargain purchase gain has been recognised as other income during the year.

The acquisition of Carestream ANZ contributed revenue of \$7,671,000 and net profit of \$1,015,000 to the group for the period from 1 November 2019 to 30 June 2020. The acquisition of Carestream Philippines contributed revenue of \$448,000 and net profit of \$24,000 to the group for the period from 1 January 2020 to 30 June 2020.

Due to restructuring that occurred in both businesses before the acquisition by the Group, it is not possible to estimate reliably what would have been the impact on revenue and profit for the year ended 30 June 2020 if both businesses had been purchased on 1 July 2019.

NOTE 18: GOODWILL AND INTANGIBLE ASSETS

	Consolidated Group	
	2020	2019
	\$000	\$000
Goodwill on acquisition		
Cost	92,860	91,318
Accumulated impairment losses	(71,335)	(71,335)
Net carrying amount	21,525	19,983

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	Consolidated Group	
	2020	2019
	\$000	\$000
Medical:		
- Quantum Healthcare Australia (formerly Insight Oceania Pty Ltd)	11,811	11,811
- Carestream Health Australia Pty Ltd	1,542	-
- Quantum Healthcare Korea Co., Ltd.	5,102	5,102
- Quantum Healthcare Thailand Co., Ltd.	2,231	2,231
- Quantum Hunex Korea Co., Ltd.	839	839
	21,525	19,983
Customer contacts		
Customer contacts – at cost	1,279	-
Less: Accumulated amortisation	(85)	-
Net carrying value	1,194	-
Total Goodwill and Intangible Assets	22,719	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	-	(85)	(85)
Net carrying value	21,525	1,194	22,719

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:

	Quantum Healthcare Australia Pty Ltd (formerly Insight Oceania Pty Ltd)	Quantum Healthcare Korea Co., Ltd.	Quantum 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	11%	2 %	53 %	5%

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

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.

	Quantum Healthcare Australia Pty Ltd (formerly Insight Oceania Pty Ltd)	Quantum Healthcare Korea Co., Ltd.	Quantum Hunex Korea Co., Ltd.	Quantum Healthcare Thailand Co., Ltd.
Discount rate – change discount rates to	27%	21%	127%	206%
EBIT change – reduce forecast EBIT by	34%	16%	86%	86%

NOTE 19: OTHER ASSETS

	Consolidated Group	
	2020	2019
	\$000	\$000
CURRENT		
Prepayments	114	43
Guarantee deposits	3,363	2,707
Other	393	958
	<u>3,870</u>	<u>3,708</u>
NON-CURRENT		
Security Deposits	450	487
Guarantee deposits	1,385	-
Other	71	83
	<u>1,906</u>	<u>570</u>

NOTE 20: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2020	2019
	\$000	\$000
CURRENT		
Trade payables	9,346	5,891
Account payable to related parties	211	221
Deferred consideration	200	-
Employee benefits	657	230
Other	987	1,392
	<u>11,401</u>	<u>7,734</u>
NON-CURRENT		
Deferred consideration	680	-
Other payables	200	-
	<u>880</u>	<u>-</u>

NOTE 21: CONTRACT LIABILITIES

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Group	
	2020	2019
	\$000	\$000
CURRENT		
Customer deposits	3,423	1,218
Contract liabilities	3,417	1,836
	6,840	3,054
NON-CURRENT		
Contract liabilities	237	178
	237	178
Total	7,077	3,232

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.

NOTE 22: BORROWINGS

	Consolidated Group	
	2020	2019
	\$000	\$000
CURRENT		
Unsecured liabilities:		
- Loans - Related parties (Note 30)	3,398	5,537
- Loans - Other parties	1,370	1,200
- Loans - Director of subsidiary	1,453	2,243
Secured liabilities:		
- Bank borrowings	2,667	3,432
	8,888	12,412
NON-CURRENT		
Unsecured liabilities:		
- Loans - Related parties (Note 30)	-	23
- Loans - Other parties	4	81
- Loans - Director of subsidiary	-	-
Secured liabilities:		
- Bank borrowings	-	537
	4	641

Borrowings are accounted for at face value.

In relation to the current bank borrowings (relates to QHC Korea & Quantum Hunex Korea) amount \$717,126 is guaranteed by a Korea Credit Guarantee Fund. QHC Korea pays a guarantee fee to the Korea Credit Guarantee Fund for the guarantee provided. \$204,858 is secured by the CEOs of QHC Korea and Quantum Hunex Korea. \$1,248,545 is secured with Hunex factory as collateral and \$496,021 is secured with QHoldings foreign currency deposit.

NOTE 23: PROVISIONS

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Group	
	2020	2019
	\$000	\$000
CURRENT		
Employee benefits	1,731	1,040
Warranty	518	664
	2,249	1,704
NON CURRENT		
Employee benefits	443	185

NOTE 24: DEFINED BENEFIT PLANS

The group has defined benefit pension plans in Korea and Philippines. 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 2020.

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

	Consolidated Group	
	2020	2019
	\$000	\$000
Present value of the retirement benefit obligation	891	1,426
Fair value of the plan assets	(556)	(470)
Net retirement benefit obligation	335	956

(b) Profit and loss recognised in connection with defined benefit pension plans for the year ended 30 June 2020 as follows:

	Consolidated Group	
	2020	2019
	\$000	\$000
Current service cost	321	257
Past service cost / (income) from plan amendments	-	(582)
Interest cost on retirement benefit obligation	17	16
Total expenses included in the employee benefits expense	338	(309)

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 24: DEFINED BENEFIT PLAN (CONTINUED)

(c) Changes in the present value of the defined benefit liabilities for the year ended 30 June 2020 are as follows:

	Consolidated Group	
	2020	2019
	\$000	\$000
Beginning balance	1,426	1,763
Defined benefit (asset) / liability adopted upon business acquisition	(129)	-
Current service cost	265	257
Interest cost	18	23
Foreign exchange loss/(gain)	(20)	27
Actuarial loss/(gain)	(167)	52
Past service cost / (income) from plan amendments	-	(582)
Retirement benefits paid	(502)	(115)
Ending balance	891	1,426

(d) Changes in the fair value of plan assets for the year ended 30 June 2020 are as follows:

	Consolidated Group	
	2020	2019
	\$000	\$000
Beginning balance	470	231
Contributions	391	271
Benefits paid	(299)	(13)
Expected return	5	8
Foreign exchange loss/(gain)	(11)	5
Actuarial gain/(loss)	-	(32)
Ending balance	556	470

(e) The principal assumptions used in actuarial valuation as at 30 June 2020 are as follows:

	Consolidated Group	
	2020	2019
Discount rate	2.72%	2.32%
Future salary increases rate	4.94%	4.16%
Retirement age	60 years	60 years

(f) The plan assets as at 30 June 2020 are as follows:

	Consolidated Group	
	2020	2019
	\$000	\$000
Term deposits	556	470

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: ISSUED CAPITAL AND SHARES TO BE ISSUED

	Consolidated Group			
	30 June 2020	30 June 2019	30 June 2020	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
	1,128,308,291	1,128,308,291	86,429	86,429
Movements- Fully paid ordinary shares:				
At the beginning of the year	1,128,308,291	1,128,308,291	86,429	86,429
Share issued	30,000,000	20,000,000	-	480
Shares to be issued	-	-20,000,000	-	-480
At the end of the year	1,158,308,291	1,128,308,291	86,429	86,429
Movements – Ordinary shares to be issued:				
At the beginning of the year	30,000,000	50,000,000	720	1200
Share issued	(30,000,000)	(20,000,000)	(720)	(480)
At the end of the year	-	30,000,000	-	720

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

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 \$A5,000,000 for the financial year ended 30 June 2018, on 30 Sept 2018 QTM would issue to the minority shareholders a further 20,000,000 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 30,000,000 shares at 2.4 cents per share.

With QHC's EBIT exceeding \$A5 million for the financial year ended 30 June 2018, the group issued 20,000,000 QTM shares on 3 October 2018 to the QHC sellers, in accordance with the QHC Acquisition agreement.

With QHC's EBIT exceeding \$A11 million for the 2 year period from 1 July 2017 to 30 June 2019, the group issued 30,000,000 QTM shares on 17 December 2019 to the QHC sellers, in accordance with the QHC Acquisition agreement.

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: LEASE LIABILITIES

	Consolidated Group	
	2020	2019
	\$000	\$000
CURRENT		
- Lease liability	929	-
NON CURRENT		
- Lease liability	476	-

AASB 16 was adopted using the modified retrospective approach and comparatives for lease liabilities have not been provided. Refer to Note 1(z). Interest expense recognised in the statement of profit or loss and other comprehensive income was \$21,000 and interest and principle payments made to lessors in respect to lease liabilities was \$805,000 for the year.

The lease liabilities relating to equipment and vehicles are secured over the assets to which the leases relate.

NOTE 27: RESERVES

	Consolidated Group	
	2020	2019
	\$ 000	\$ 000
Reserve		
Undistributable Profits Reserve	504	504
Exchange Translation Reserve	1,586	1,375
Actuarial Gain Reserve	178	29
Closing Balance	2,268	1,908

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. 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 28: SEGMENT REPORTING

	Environmental Services		Medical		Unallocated		Elimination		Consolidated-Continuing Operations	
	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000
Revenue recognised at point in time - Australia	2,244	2,774	10,071	5,643	119	302	(2,402)	463	10,032	9,182
Revenue recognised at point in time - China	1,556	1,663	-	-	17	51	(1,586)	(1,670)	(13)	44
Revenue recognised at point in time - Thailand	-	-	16,523	15,454	-	-	-	-	16,523	15,454
Revenue recognised at point in time - Korea	-	-	14,497	20,271	-	-	-	-	14,497	20,271
Revenue recognised at point in time - Philippines	-	-	-	-	-	-	-	-	-	-
Total recognised at point in time	3,800	4,437	41,091	41,368	136	353	(4,062)	(1,207)	40,965	44,951
Revenue recognised over time - Australia	61	55	9,720	7,061	-	-	(6)	-	9,775	7,116
Revenue recognised over time - China	-	-	-	-	-	-	-	-	-	-
Revenue recognised over time - Thailand	-	-	426	280	-	-	-	-	426	280
Revenue recognised over time - Korea	-	-	7,784	7,082	-	-	-	-	7,784	7,082
Revenue recognised over time - Philippines	-	-	448	-	-	-	-	-	448	-
Total recognised over time	61	55	18,378	14,423	-	-	(6)	-	18,433	14,478
Total revenue - Australia	2,305	2,829	19,791	12,704	119	302	(2,408)	463	19,807	16,298
Total revenue- China	1,556	1,663	-	-	17	51	(1,586)	(1,670)	(13)	44
Total revenue - Thailand	-	-	16,949	15,734	-	-	-	-	16,949	15,734
Total revenue - Korea	-	-	22,281	27,353	-	-	(74)	-	22,207	27,353
Total revenue - Philippines	-	-	448	-	-	-	-	-	448	-
Total revenue	3,861	4,492	59,469	55,791	136	353	(4,068)	(1,207)	59,398	59,429
Profit/(Loss) after income tax - Australia	(426)	(847)	5,947	3,302	(1,379)	(624)	(907)	(789)	3,235	1,042
Profit/(Loss) after income tax - China	673	(1,840)	-	-	(40)	(26)	(1,586)	416	(953)	(1,450)
Profit/(Loss) after income tax - Thailand	-	-	1,928	2,533	-	-	1,637	-	3,565	2,533
Profit/(Loss) after income tax - Korea	-	-	(401)	681	-	-	949	-	548	681
Profit/(Loss) after income tax - Philippines	-	-	24	-	-	-	-	-	24	-
Total profit / (loss) after income tax	247	(2,687)	7,498	6,516	(1,419)	(650)	93	(372)	6,419	2,807
Segment assets - Australia	9,482	1,411	45,133	33,494	9,011	11,037	(22,815)	(13,759)	40,811	32,183
Segment assets - China	(1,004)	(20)	-	-	-	-	-	-	(1,004)	(20)
Segment assets - Thailand	-	-	11,669	11,173	-	-	-	-	11,669	11,173
Segment assets - Korea	-	-	19,560	18,025	-	-	-	-	19,560	18,025
Segment assets - Philippines	-	-	3,017	-	-	-	-	-	3,017	-
Total segment assets	8,478	1,391	79,379	62,692	9,011	11,037	(22,815)	(13,759)	74,053	61,361

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 28: SEGMENT REPORTING (CONTINUE)

	Environmental Services		Medical		Unallocated		Elimination		Consolidated-Continuing Operations	
	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000	2020 \$ 000	2019 \$ 000
Segment liabilities -										
Australia	8,080	823	13,858	5,256	10,503	12,283	(12,124)	(4,996)	20,317	13,366
Segment liabilities - China	120	680	-	-	-	-	-	-	120	680
Segment liabilities - Thailand	-	-	135	2,988	-	-	-	-	135	2,988
Segment liabilities - Korea	-	-	12,259	10,233	-	-	-	-	12,259	10,233
Segment liabilities - Philippines	-	-	294	-	-	-	-	-	294	-
Total segment liabilities	8,200	1,503	26,546	18,477	10,503	12,283	(12,124)	(4,996)	33,125	27,267
Income tax expense (credit)	(4)	66	892	(157)	(72)	(106)	-	-	816	(197)
Depreciation	128	3	1,424	625	-	-	-	-	1,553	628
Interest Revenue	-	-	94	12	118	301	-	-	212	313
Interest Expense	-	14	247	322	510	756	-	-	757	1,092
Fair value gain/(loss) on financial assets	40	15	27	(37)	-	-	-	-	67	(22)
Acquisition of Property, plant & equipment	-	-	879	489	-	-	-	-	879	489

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.

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 5 geographical segments with manufacturing operations in China (ceased in early 2019) and distribution in Australia, Korea, Thailand and Philippines.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: CASH FLOWS INFORMATION

	Note	Consolidated Group	
		2020	2019
		\$000	\$000
Reconciliation of Cash Flows from Operations with Profit After Income Tax			
Operating profit after income Tax		6,419	2,807
Non-cash items in profit			
-Depreciation of property, plant and equipment	13	684	628
-Depreciation of right-of-use assets	14	784	-
-Net exchange differences		259	719
-Profit/loss on disposal of assets/investments		(91)	107
-Deferred consideration (gain)		-	(124)
-Change in fair value of financial assets		(27)	(38)
-Provision for annual leave and long service leave		166	255
-Impairment of receivables		205	456
-Impairment of goodwill		-	144
-Amortisation of intangible		85	-
-Provision for defined benefit plans		(621)	(575)
Increase/ (decrease) in:			
-Trade receivables		(4,438)	1,250
-Inventories		(317)	3,537
-Deferred Tax Asset		75	(580)
-Other assets		(1,498)	312
Increase/ (decrease) in:			
-Trade creditors and accruals		3,703	(6,457)
-Contract liabilities		3,845	197
-Provision for warranty		(146)	(243)
-Income tax payable		40	(1,159)
Cash flows from operating activities		9,127	1,237

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 30: 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	
	2020	2019
	\$	\$
Amount payable to key management personnel and other related parties		
- Phelan Art Studio (company related to Susan Walstab, John Walstab's sister)	65,610	16,190
- Youngchun Kim	145,546	204,102
	<u>211,156</u>	<u>220,292</u>
Disclosed as Other payables (Note 20).		
Loans from key management personnel and other related parties		
- John Walstab (unsecured)	264,078	23,156
- Drew Townsend	964,916	899,996
Accrued interest payable on loans from directors and director related parties at 10% and 15% per annum		
- John Walstab	2,058,902	4,626,245
- Drew Townsend	109,964	10,427
	<u>3,397,861</u>	<u>5,559,824</u>
Disclosed as:		
Non-Current liability (Note 22)	-	23,156
Current liability (Note 22)	3,397,861	5,536,668
	<u>3,397,861</u>	<u>5,559,824</u>

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 30: RELATED PARTY DISCLOSURES (CONTINUED)

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

	Consolidated Group	
	2020	2019
	\$	\$
Payment for accountancy services to Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner	3,261	31,580
Payment for sales expenses to Phelan Art studio (company related to Susan Walstab, sister of John Walstab)	65,610	4,000
Interest expense/(income) on loans from/(to) Directors		
- John Walstab	(329,539)	505,540
- Drew Townsend	(99,537)	86,987

(e) Loans from key management personnel

2020	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
	\$	\$	\$	\$	\$
John Walstab					
- Loan	61,934	-	202,144	264,078	264,078
- Accrued Interest	4,626,245	329,539	(2,896,882)	2,058,902	2,058,902
Drew Townsend					
- Loan	899,996	-	64,920	964,916	964,916
- Accrued Interest	10,427	99,537	-	109,964	109,964
2019					
John Walstab					
- Loan	2,070,120	-	(2,008,186)	61,934	61,934
- 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)	-	-

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: 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	
	2020	2019
	\$000	\$000
Receivables:		
China RMB	137	115
Euro	4	35
US dollars	18	509
New Zealand dollars	808	682
Korea WON	11,097	7,221
Thai Baht	7,256	4,672
Philippine Peso	789	-
Total amounts receivable in foreign currencies	20,109	13,234
Payables:		
China RMB	217	1,068
Euro	1	13
US dollars	2,155	-
New Zealand dollars	6	4
Korea WON	10,699	5,346
Thai Baht	863	1,825
Philippine Peso	158	-
Total amounts payable in foreign currencies	14,099	8,256

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

1 (i). Foreign exchange risk (continued)

	2020		2019	
	\$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	1,828	(2,234)	1,200	(1,467)
Increase/ (decrease) in net assets	1,828	(2,234)	1,200	(1,467)
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	1,272	(1,567)	(749)	916
Increase/ (decrease) in net assets	1,272	(1,567)	(749)	916

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

1 (ii). Interest rate risk

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

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing		Total	
					Less than 1 Year		1 to 5 Years					
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Consolidated	2020	2019	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Financial assets:												
Cash	0.1%	0.1%	8,765	4,327	-	-	-	-	-	-	8,765	4,327
Trade & Other Receivables			-	-	-	-	-	-	14,963	10,646	14,963	10,646
Renewable Energy Certificates			-	-	-	-	-	-	3	8	3	8
Shares in Listed Companies			-	-	-	-	-	-	21	264	21	264
Other loans - non interest bearing			-	-	-	-	-	-	-	59	-	59
Loans	10%	10%	-	-	-	-	183	2,749	-	-	183	2,749
Term deposits	1.7%	10%	-	-	1,019	330	-	-	-	-	1,019	330
Deposits			-	-	-	-	-	-	2,065	2,144	2,065	2,144
Convertible note			-	-	-	-	380	200	-	-	380	200
Other financial assets			-	-	-	-	-	-	5,884	4,278	5,884	4,278
Total financial assets			8,765	4,327	1,019	330	563	2,949	22,936	17,399	33,283	25,005
Financial liabilities:												
Lease liability	4.3%	2.5%	-	-	929	49	476	6	-	-	1,405	55
Bank and other loans	13.2%	10.9%	-	-	7,435	10,120	-	537	1,457	2,341	8,892	12,998
Trade and other creditors			-	-	-	-	-	-	12,281	7,734	12,281	7,734
Contract liabilities			-	-	-	-	-	-	7,077	3,232	7,077	3,232
Total financial liabilities			-	-	8,364	10,169	476	543	20,815	13,307	29,655	24,019

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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		1 to 5 Years		Total	
	\$ 000		\$ 000		\$ 000	
Consolidated	2020	2019	2020	2019	2020	2019
Financial liabilities:						
Lease liability	929	49	476	6	1,405	55
Bank and other loans	8,892	12,363	-	635	8,892	12,998
Trade and other creditors	11,401	8,952	880	-	12,281	8,952
Contract liabilities	6,840	1,836	237	178	7,077	2,014
Total financial liabilities	28,062	23,200	1,593	819	29,655	24,019

Quantum Health Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 32: PARENT ENTITY INFORMATION

	Consolidated Group	
	2020	2019
	\$ 000	\$ 000
Current assets	-	1
Total assets	6,557	8,884
Current liabilities	4,807	6,554
Total liabilities	13,137	14,085
Shareholders' equity:		
Issued capital	85,229	85,229
Retained earnings	(91,809)	(90,430)
	<u>(6,580)</u>	<u>(5,201)</u>
Loss for the year	<u>(1,379)</u>	<u>(624)</u>
Total comprehensive loss	<u>(1,379)</u>	<u>(624)</u>

NOTE 33: COMPANY DETAILS

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

NOTE 34: IMPACT OF COVID-19 AND EVENTS SUBSEQUENT TO BALANCE DATE

The impact of COVID-19 pandemic is ongoing. Management is closely monitoring the evolution of this pandemic and the response of the governments, particularly restrictions in place to contain this virus and how this will impact the Group and the economy, as a whole.

The Group continues to achieve budgeted results up the 31 August 2020 and management believes it will continue to do so even through the extent of the impact COVID-19 may have on its future liquidity, financial performance and position and operations is uncertain and cannot be reasonably estimated at date these financial statements were issued.

With significant term deposit and cash on hand, the group is positively placed to manage the impact of this health crisis in the short term. Management is currently monitoring and assessing the ongoing development and have appropriate plans in place to respond accordingly.

No other matter or circumstance has arisen since 30 June 2020 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

SECURITIES EXCHANGE INFORMATION

(a) Distribution of Shareholders as at 12 October 2020

Holdings Ranges	Holders	Total Units	%
1-1,000	89	40,324	0.000
1,001-5,000	234	744,674	0.070
5,001-10,000	247	1,995,687	0.180
10,001-1,000,000	521	18,625,514	1.650
1000,001-99,999,999,999	192	1,106,902,092	98.100
Total	1,283	1,128,308,291	100.000

(a) Distribution of Shareholders as at 12 October 2020

(b) There are currently 933 holders with less than a marketable parcel of 50,000 shares

(c) The names of the substantial shareholders listed in the holding Company's register as at 30 June 2020 are as follows. This also reflects the directors relevant stock interests:

Directors	Shares
J. Walstab	514,712,393
D.A. Townsend	329,312,458
Ordinary shareholder	Relevant interest notified
Crisp Holdings Ltd	310,064,505 ordinary shares

(d) Unquoted equity securities

There are no options issued.

(e) Voting Rights

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

Quantum Health Group Limited

SECURITIES EXCHANGE INFORMATION (CONTINUED)

(e) 20 Largest Shareholders - Ordinary Shares as at 12 October 2020

Holder Name	Balance	%
MR JOHN WALSTAB	512,182,377	45.394%
CRISP HOLDINGS LTD	310,064,505	27.480%
YOUNGCHUN KIM	44,000,000	3.900%
DONG SUN IM	22,000,000	1.950%
MRS SANDRA JOAN MCDONALD & MR ANDREW MCDONALD <MCDONALD FAMILY S/FUND A/C>	18,528,909	1.642%
MRS SANDRA JOAN MCDONALD & MR ANDREW MCDONALD <MCDONALD FAMILY SUPER F A/C>	13,205,000	1.170%
SEOK SANGYUP	10,000,000	0.886%
JANG HW	10,000,000	0.886%
RAMN PTY LTD <SUPER FUND A/C>	9,266,444	0.821%
MR BARRY RAYMOND NELSON & MR BRAD ANDREW NELSON <NELSON SUPER FUND A/C>	8,400,000	0.744%
MR ANDREW MCDONALD	5,856,000	0.519%
MR NICHOLAS DERMOTT MCDONALD	5,363,763	0.475%
CHICAGO LIMITED	4,642,267	0.411%
DINWOODIE INVESTMENTS PTY LTD <DINWOODIE INVESTMENTS A/C>	4,350,000	0.386%
MR YU JIE	4,000,000	0.355%
MR JOHN ROBERT MCGEACHIE & MRS JENNIFER ANN MCGEACHIE <RAMN P/L SUPER FUND A/C>	4,000,000	0.355%
HIGHLANDS INVESTMENTS HOLDINGS PTY LTD	4,000,000	0.355%
DIXSON TRUST PTY LTD	4,000,000	0.355%
MR DONG XIE	3,700,000	0.328%
MR RICHARD ALBARRAN	3,244,551	0.288%

(h) On-market buy-backs

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

(i) Stock Exchange Listing

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

MATERIAL DIFFERENCE TO APPENDIX 4E

There are no material differences to the financial statements set out in this report when compared to the information set out in the Company's Appendix 4E preliminary final statement released to the ASX on 31 August 2020.