

Quantum Health Group Limited
Interim Financial Report

Appendix 4D

Half-Year Report

Period ended 31 December 2020

This information is provided under listing rule 4.2A.3 for the half-year ended 31 December 2020 and includes comparative information for the half-year ended 31 December 2019.

Results for Announcement to the market

	Half-year ended 31 December 2020 \$'000	Half-year ended 31 December 2019 \$'000	Amount Change \$'000	% change
Revenue from ordinary activities (sales and services)	27,831	26,898	933	3%
Profit for the period attributed to members	2,739	2,447	292	12%
No dividends have been paid, declared or recommended by the Company during the half-year ended 31 December 2020				

Net tangible assets per security		
	As at 31 Dec 2020 cents	As at 30 June 2020 cents
Net tangible assets per ordinary share (excluding shares to be issued)	1.55	1.34

Review report

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



Quantum Health Group Limited

ABN 19 003 677 245

Half-Year Report 31 December 2020

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report for the half-year ended 31 December 2020 of the consolidated group consisting of Quantum Health Group Limited and the entities it controlled during or at the end of the period.

Directors

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

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

Review of Operations

The principal activities of the Group during the period 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 period.

Directors are pleased to advise that Quantum has delivered a trading result consistent with our expectations for the period of 31 December 2020, as follows:

	31 December 2020	31 December 2019	Variation
	\$'000	\$'000	
Revenue	27,831	26,898	3%
EBITDA	5,946	4,534	31%

Rounding of Amounts

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the financial half-year.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2020 is set out on page 2.

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



Director John Walstab

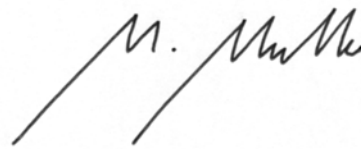
Dated: 10th February 2021

Auditor's Independence Declaration

As lead auditor for the review of the consolidated financial report of Quantum Health Group Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



Sydney, NSW
10 February 2021

M D Muller
Partner

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

Interim Financial Report

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 December 2020**

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Continuing operations			
Revenue from contracts with customers		27,516	26,366
Other revenue		283	476
Fair value gain on financial assets		32	56
Cost of sales		(12,790)	(12,745)
Employee benefits expense		(5,365)	(5,532)
Depreciation and amortisation expense		(807)	(689)
Advertising and promotion expenses		(255)	(454)
Finance costs		(255)	(420)
Legal fees		(74)	(48)
Research and development expenditure		(46)	(29)
Travel expenses		(328)	(648)
Motor vehicle expenses		(303)	(301)
Warranty expenses		(321)	(190)
Telephones & internet		(145)	(66)
Consultants		(418)	(375)
Freight & delivery expenses		(412)	(156)
Occupancy expenses		(82)	(128)
Insurance		(150)	(142)
Foreign exchange loss		(420)	(223)
Other expenses		(1,385)	(1,199)
		4,275	3,553
Profit from continuing operations before income tax		4,275	3,553
Income tax expense		(865)	(354)
Net profit after tax		3,410	3,199
Other comprehensive income			
Translation of foreign (loss) / gain		(1,042)	195
Actuarial loss on post-employment benefit obligations		(3)	-
Total comprehensive income for the half-year		2,365	3,394
Profit for the half-year is attributable to:			
Non-controlling interests		671	752
Owners of Quantum Health Group Limited		2,739	2,447
		3,410	3,199
Total comprehensive income for the half-year is attributable to:			
Non-controlling interests		248	850
Owners of Quantum Health Group Limited		2,117	2,544
		2,365	3,394
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Quantum Health Group Limited			
Basic earnings per share (cents per share)		0.24	0.22
Diluted earnings per share (cents per share)		0.24	0.22

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

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

Interim Financial Report

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2020**

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		9,128	8,765
Trade and other receivables		13,505	14,963
Inventories		8,318	9,464
Financial assets		1,469	1,043
Other		5,015	3,870
TOTAL CURRENT ASSETS		37,435	38,105
NON-CURRENT ASSETS			
Property, plant and equipment		1,248	1,700
Right-of-use-assets		1,018	1,414
Investment property		2,395	2,444
Deferred tax assets		3,105	3,137
Intangible assets	6	22,655	22,719
Financial assets		2,367	2,628
Other		1,751	1,906
TOTAL NON-CURRENT ASSETS		34,539	35,948
TOTAL ASSETS		71,974	74,053
CURRENT LIABILITIES			
Trade and other payables		11,322	11,401
Contract liabilities		4,270	6,840
Borrowings		8,062	8,888
Lease liabilities		614	929
Current tax liabilities		741	443
Short term provisions		2,572	2,249
TOTAL CURRENT LIABILITIES		27,581	30,750
NON-CURRENT LIABILITIES			
Trade and other payables		284	880
Contract liabilities		121	237
Borrowings		77	4
Lease liabilities		317	476
Employee benefits		112	443
Defined benefit plans		188	335
TOTAL NON-CURRENT LIABILITIES		1,099	2,375
TOTAL LIABILITIES		28,680	33,125
NET ASSETS		43,294	40,928
EQUITY			
Issued Capital	5	86,429	86,429
Reserves		1,648	2,268
Retained Earnings (accumulated losses)		(50,101)	(52,840)
Equity attributable to owners of Quantum Health Group Limited		37,976	35,857
Non-controlling interests		5,318	5,071
TOTAL EQUITY		43,294	40,928

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

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

Interim Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 December 2020

	Attributable to the members of Quantum Health Group Limited						Attributable to non-controlling interests	
	Ordinary Share Capital	Shares to be issued	Undistributable Profits Reserve	Exchange Translation Reserve	Actuarial Gain Reserve	Retained Profits (Losses)	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated								
Balance at 1 July 2019	85,709	720	504	1,375	29	(58,286)	30,051	34,094
Profit for the period	-	-	-	-	-	2,447	2,447	3,199
Other comprehensive income for the period	-	-	-	97	-	-	97	195
Shares Issued	720	(720)	-	-	-	-	-	-
Balance at 31 December 2019	86,429	-	504	1,472	29	(55,839)	32,595	37,488
Balance at 1 July 2020	86,429	-	504	1,586	178	(52,840)	35,857	40,928
Profit for the period	-	-	-	-	-	2,739	2,739	3,410
Other comprehensive income for the period	-	-	-	(617)	(3)	-	(620)	(1,044)
Balance at 31 December 2020	86,429	-	504	969	175	(50,101)	37,976	43,294

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 and Controlled Entities
ABN: 19 003 677 245

Interim Financial Report

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	31/12/2020	31/12/2019
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	32,438	31,200
Payments to suppliers and employees	(29,843)	(26,490)
Interest received	(10)	11
Finance costs	(48)	(119)
Income tax paid	(556)	(109)
Net cash provided by operating activities	1,981	4,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	103	131
Purchase of property, plant and equipment	(71)	(389)
Dividends received from unrelated entity	-	(1,208)
Payments for financial assets	(841)	(1,808)
Proceeds from sale of financial assets	1,342	1,400
Net cash provided by / (used in) investing activities	533	(1,874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(527)	(460)
(Repayment) of borrowings	(1,624)	(826)
Net cash used in financing activities	(2,151)	(1,286)
Net increase in cash held	363	1,333
Cash at beginning of period	8,765	4,327
Cash at end of period	9,128	5,660

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

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Quantum Health Group Limited (“the company”) and its controlled entities (collectively “the Group”) during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2020 financial report.

Reporting Basis and Conventions

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period. No material impact was noted on the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. No material impact is expected on future financial statements.

NOTE 2: DIVIDENDS

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

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

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 3: SEGMENT REPORTING

	Environmental Services		Medical		Unallocated		Elimination		Consolidated-Continuing Operations	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue - Australia	1,751	947	8,681	7,785	-	119	-	(1,570)	10,432	7,281
Total revenue- China	281	682	-	-	-	-	-	(711)	281	(29)
Total revenue - Thailand	-	-	7,044	8,805	-	-	-	(29)	7,044	8,776
Total revenue - Korea	-	-	9,368	10,884	-	-	(33)	(70)	9,335	10,814
Total revenue - Philippines	-	-	707	-	-	-	-	-	707	-
Total revenue	2,032	1,629	25,800	27,474	-	119	(33)	(2,380)	27,799	26,842
Profit/(Loss) after income tax - Australia	(37)	(226)	1,382	2,293	(708)	(684)	86	(1,093)	723	290
Profit/(Loss) after income tax - China	39	(91)	-	-	-	-	7	(75)	46	(166)
Profit/(Loss) after income tax - Thailand	-	-	1,277	1,471	-	-	-	775	1,277	2,246
Profit/(Loss) after income tax - Korea	-	-	1,304	35	-	-	(58)	794	1,246	829
Profit/(Loss) after income tax - Philippines	-	-	118	-	-	-	-	-	118	-
Total profit / (loss) after income tax	2	(317)	4,081	3,799	(708)	(684)	34	401	3,410	3,199

	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Segment assets - Australia	825	9,482	44,990	45,133	9,048	9,011	(13,931)	(22,815)	40,932
Segment assets - China	(1,460)	(1,004)	-	-	-	-	-	-	(1,460)	(1,004)
Segment assets - Thailand	-	-	12,486	11,669	-	-	-	-	12,486	11,669
Segment assets - Korea	-	-	16,899	19,560	-	-	-	-	16,899	19,560
Segment assets - Philippines	-	-	3,117	3,017	-	-	-	-	3,117	3,017
Total segment assets	(635)	8,478	77,492	79,379	9,048	9,011	(13,931)	(22,815)	71,974	74,053
Segment liabilities - Australia	(1,286)	8,080	12,617	13,858	10,691	10,503	(3,379)	(12,124)	18,643	20,317
Segment liabilities - China	384	120	-	-	-	-	-	-	384	120
Segment liabilities - Thailand	-	-	827	135	-	-	-	-	827	135
Segment liabilities - Korea	-	-	8,404	12,259	-	-	-	-	8,404	12,259
Segment liabilities - Philippines	-	-	422	294	-	-	-	-	422	294
Total segment liabilities	(902)	8,200	22,270	26,546	10,691	10,503	(3,379)	(12,124)	28,680	33,125

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

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 4: REVENUE AND OTHER INCOME

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Revenue from contracts with customers		
Sale of goods	16,310	18,682
Services revenue	11,206	7,684
	<u>27,516</u>	<u>26,366</u>
Other Income		
Interest receivable – other entities	-	11
Interest receivable – related parties	-	118
Other revenue	283	347
	<u>283</u>	<u>476</u>
Fair value gain on financial assets	32	56
	<u>32</u>	<u>56</u>
Total Revenue and Other Income	<u>27,831</u>	<u>26,898</u>

NOTE 5: ISSUED CAPITAL AND SHARES TO BE ISSUED

	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	No.	No.	\$'000	\$'000
CURRENT				
Fully paid ordinary shares	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	85,709
Share issued	-	-	-	720
At the end of the year	<u>1,128,308,291</u>	<u>1,128,308,291</u>	<u>86,429</u>	<u>86,429</u>
Movements – Ordinary shares to be issued:				
At the beginning of the year	-	-	-	720
Share issued	-	-	-	(720)
At the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 5: ISSUED CAPITAL AND SHARES TO BE ISSUED (Continued)

- 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 October 2019 to the QHC sellers, in accordance with the QHC Acquisition agreement.

NOTE 6: INTANGIBLE ASSETS

	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Goodwill on acquisition		
Costs	92,860	92,860
Accumulated Impairment losses	(71,335)	(71,335)
Net carrying value	21,525	21,525
Customer contracts		
Customer contracts - at cost	1,279	1,279
Less: Accumulated amortisation	(149)	(85)
Net carrying value	1,130	1,194
Total Intangible assets	22,655	22,719

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

	Goodwill	Customer Contracts	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2020	21,525	1,194	22,719
Amortisation expense	-	(64)	(64)
Net carrying value	21,525	1,130	22,655

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

Interim Financial Report

DIRECTORS' DECLARATION

In the opinion of the directors,

1. The financial statements and notes, as set out on pages 3 to 10, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. giving a true and fair view of the consolidated group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that Quantum Health Group Limited will be able to pay its debts as and when they become due and payable.

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



Director: John Walstab
Dated: 10th February 2021

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

Report on the Half-Year Financial Report

Conclusion

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

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

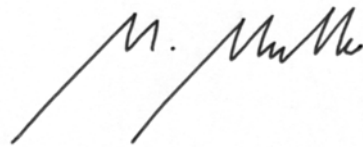
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
10 February 2021**

A handwritten signature in black ink that reads 'M. Muller'.

**M D Muller
Partner**