Quantum Energy Limited

And its controlled entities

A.B.N. 19 003 677 245

Annual Report
For the Financial Year Ended
30 June 2015

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This financial report was authorised for issue by the Board of Directors on 30 September 2015. The Company has the power to amend and re-issue the financial report.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2015 ANNUAL GENERAL MEETING of Quantum Energy Limited ACN 003 677 245 will be held at the Registered Office of the Company, 56-60 Bourke Road, Alexandria, NSW 2015 on 20 November 2015 at 3.00 pm.

BUSINESS

- To receive the financial report of the consolidated Group for the year ended 30 June 2015 and the reports by directors and auditors thereon; and
- To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

Resolution 1: That the Remuneration Report of the consolidated Group for the year ended 30 June 2015 be adopted.

Resolution 2: That Mr John Walstab be re-elected as a Director of the Company

Mr John Walstab retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.

The Resolution 1 is advisory only and does not bind the company or its directors. The board will consider the outcome of the vote and any comments made by the shareholders when reviewing the company's remuneration policies.

By Order of the Board

John Walstab

Secretary

Date: 30 September 2015

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in their stead. That person need not be a member of the Company, but should be a natural person over the age of 18 years. Proxy Forms must be lodged not less than 48 hours before the timing of the meeting (i.e. prior to 3.00pm on 18 November, 2015).

With the Company's share registry:

- In person: Boardroom Pty Limited
  Level 7, 207 Kent Street
  Sydney NSW 2000

Or by mail: Boardroom Limited
GPO Box 3993
Sydney NSW 2001

Or by facsimile: 1300 653 459
+61 2 9290 9655

PROXY FORM

Registered Office: 56-60 Bourke Road, Alexandria, NSW 2015

I/We ....

of ....

being a member/members of Quantum Energy Limited hereby appoint

of ....

or in his/her absence, ...

of ....

or in his/her absence, the Chairman of the Meeting as my/our general/special proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at 3:00pm on 20 November 2015 or at any adjournment of that meeting.

signed this day of 2015

Signature of Shareholder

Individual or Security holder 1	Security holder 2	Security holder 3

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting. If the Chairman is appointed proxy, he will subject to Note 1 below, vote all undirected proxies in favour of all resolutions. Should the member wish to direct the proxy how to vote, the following should be completed.

Agenda item No.:	FOR	AGAINST	ABSTAIN
Resolution 1: Adopt the remuneration report	☐	☐	☐
Resolution 2: Election and appointment of Director Re-election of John Walstab	☐	☐	☐

NOTES:

1. Voting Exclusion Statement in relation to Resolution 1, Remuneration Report

- The company will disregard any votes cast on Resolution 1
- by or on behalf of a member of the Company's key management personnel(KMP) named in the Remuneration Report or their closely related parties (such as close family members and any controlled companies), regardless of the capacity in which the vote is cast; and

- as a proxy by a person who is a member of the KMP at the date of the AGM or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on Resolution 1:

- in accordance with a direction as specified on the proxy form as to how to vote ; or

- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of the KMP)

2. Signing of Proxy Forms

- In the case of shareholders which are corporations, this Proxy Form must be executed in accordance with the Company's Constitution, including being executed by a director and director/secretary of the corporation under section 127 of the Corporations Act (Cth). In the case of shareholders who comprise joint holders, this Proxy Form may be signed by any one of the joint holders.

CORPORATE GOVERNANCE STATEMENT

Statement

Quantum Energy is committed to good corporate governance and disclosure and the Company has adopted most of the ASX's "Corporate Governance Principles and Recommendations". Where specific ASX recommendations have not been adopted, the Company provides an explanation which is detailed below.

Board Composition

The names of the directors of the Company (as at the date of this report) are detailed below:

John Walstab	Executive director
Phillip Sidney	Managing director
Drew Townsend (Chairman)	Non-executive director.

All directors have been in office since the start of the financial year.

1 – Lay solid foundations for management and oversight

Recommendation 1.1

A listed entity should disclose:

a) the respective roles and responsibilities of its board and management; and

b) those matters expressly reserved to the board and those delegated to management.

Disclosure:

The Board is ultimately responsible for the operations, management and performance of the Company as a whole. The key responsibilities of the Board are:

- the oversight of the Company, including its control and accountability systems;
- establishing, monitoring and modifying corporate strategies and performance objectives;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
- monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring of financial and other reporting;
- approving dividends, major capital expenditure, acquisitions and capital raising;
- appointment and removal of executives, Company secretary and senior management.

Recommendation 1.2

A listed entity should:

a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director

Disclosure:

The performance of executives is assessed by the Board and the Board makes decisions on the number and bases of any bonuses and options. The same is applicable when a director offers themselves for re-election. Senior executives are assessed regularly by the Board.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Disclosure:

The Company has a written agreement with each director and all executive staff setting out the terms of their appointment.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Disclosure:

The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. The role of the Company Secretary is outlined in the Board Charter.

Recommendation 1.5

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to develop a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

Gender Diversity

	Number / Proportion of Women	Total Number / Proportion
Employees (excluding directors)	68/ 36%	189 / 100%
Senior executive positions	Nil /Nil	2 / 100%
Board	Nil / Nil	3 / 100%

Recommendation 1.6

The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure:

Due to the size of the board and the nature of the business it is not deemed necessary to document a formal review process. No formal performance evaluation of the Board and directors was conducted for the financial year ended 30 June 2015. The chair speaks to each director individually regarding their role as director.

Recommendation 1.7

The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure:

Due to the nature of the business it is not deemed necessary to document a formal review process. No formal performance evaluation was conducted for the financial year ended 30 June 2015. The chair conducts and informal review where short and long-term objectives of the company are discussed.

2. Structure the Board to add value

Recommendation 2.1

The Board should establish a Nomination Committee of which the majority of the members should be independent directors (including the Chair).

Disclosure:

The Company does not have a nomination committee as the size of the Company and the Board does not warrant such a committee. All Board nomination matters are considered by the whole Board.

Recommendation 2.2

The composition of the Board has been detailed above.

The skills, experience and expertise relevant to the position of each director who was in office at the date of the 2015 Annual Report and their term of office are detailed in the Directors' Report.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Approval must be obtained from the chairman prior to incurring any expenses on behalf of the Company.

When determining whether a non–executive director is independent the director must not fail any of the following materiality thresholds:

- Must not be a substantial shareholder or 'associated directly with' a substantial shareholder of the Company (a substantial shareholder holding 5% or more of the shares issued by the Company).
- Must not have been employed as an executive by the Company or a Group member within the previous three years after ceasing to hold such employment.
- Must not be a principal of a 'material professional advisor' or a 'material consultant' to the Company or a Group member.
- Must not be a material supplier or customer of the Company (or a Group member) or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Must not have served on the Board for a period which could be perceived to materially interfere with the director's ability to act in the best interests of the Company.
- Must be free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with director's ability to act in the best interests of the Company.

Details of the skills, experience and expertise of each director are included in the Directors' Report for the year ended 30 June 2015.

Recommendation 2.3

The Company should disclose the names of the directors considered to be independent directors and length of service of each director.

Disclosure:

The names, experience and responsibilities of Directors of the Company in office at the date of this statement are set out in the Directors' Report (including names of the directors considered to be independent directors and length of service of each director)

Recommendation 2.4

A majority of the Board of the Company should be independent directors.

Disclosure:

While none of the Board members are independent directors, the Board believes that the people on the Board can and do make independent judgements in the best interests of the Company at all times.

Recommendation 2.5

The Chair is a non–executive director and not an independent director.

Disclosure:

The Board believes that the chair is able to formulate proper and independent judgement on all relevant issues falling within the scope of the role of a chair.

Recommendation 2.6

The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively

Disclosure:

The company hasn't introduced any new members on the board since 2003. The current directors have significant experience and skill which has helped enhance the performance of the company. The company over time plans to develop, implement and maintain a policy for the induction and evaluation of directors within the company.

3. Act ethically and responsibly

Recommendation 3.1

Companies should have a Code of Conduct for its directors, senior executives and employees.

Disclosure:

The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are expected to act in accordance with the law and with the highest standard of propriety. The responsibility for reporting and investigating reports of unethical practices rests with the Board including the executive directors. The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

4. Safeguard integrity in financial reporting

Recommendation 4.1

Disclosure:

The Company has an Audit and Risk Management Committee. Due to the size of the Board the members of the Audit and Risk Management Committee include all three directors with Drew Townsend as the Chairman of the Committee. This Committee provides assistance in fulfilling the corporate governance and oversight responsibilities of the Board to verify and safeguard the integrity of the financial reporting of the Company.

The Directors' Report details meetings held during the financial year.

External Auditor

The company requires external auditors to demonstrate quality and independence. Their performance is reviewed and any proposal for non-audit services carefully considered in order to not compromise their independence. It is HLB Mann Judd's policy to rotate the audit engagement partner for listed entities at least every five years.

Recommendation 4.2

The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively

Disclosure:

The Board believes the system of internal financial control which has been established by management is operating effectively in all material respects in relation to financial reporting risk.

The Corporations Act 2001 requires the Managing Director and CFO to state in writing to the Board that the financial reports of the Company present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant accounting standards, that this declaration is founded on a sound system of risk management and internal compliance and control which implement the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

Recommendation 4.3

The Company should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.

Disclosure:

The company invites its external auditor to attend its AGMs.

5. Make timely and balanced disclosure

Recommendation 5.1

Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.

Disclosure:

Quantum Energy has established procedures to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions. Established policies also ensure accountability at a senior management level for ASX compliance.

The Board considers all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

6. Respect the rights of shareholders

Recommendation 6.1

Companies should provide information about itself and its governance to investors via its website.

Disclosure:

Company information is in the process of being updated on the website. www.quantumenergy.com.au.

Recommendation 6.2, 6.3 & 6.4

Companies should design and implement an investor relations program to facilitate two-way communication with investors.

Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Disclosure:

The Managing Director makes himself available to meet shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting. The Company drafts the notice of meeting and related explanatory information so that shareholders are provided with all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. The external auditor of the Company is asked to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The shareholders are also responsible for voting on the appointment of Directors.

The Company's constitution permits the Company to serve notices on its members electronically if that member has provided its electronic mail address to the Company. The Company provides its electronic contact details on the company website. Quantum Energy has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

7. Recognise and manage risk

Recommendation 7.1

The Board should have a committee or committees to oversee risk

Disclosure:

The executive directors continually monitor areas of significant business risk. Once particular risks are identified it is the responsibility of the whole Board to ensure that management takes such action as is required to manage the risk.

To carry out the risk oversight and management function the Audit and Risk Management Committee:

- reviews the financial reporting process of the Company including financial reports;

- discusses with management and the external auditors the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
- reviews with the external auditor any audit problems and the Company's critical policies and practices;
- reviews and assesses the independence of the external auditor.

Recommendation 7.2

The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.

Disclosure:

The Board requires management to:

- design and implement the risk management and internal control system to manage the Company's material business risks.
- report to it on whether those risks are being managed effectively.

Management has reported to the Board in relation to risk management, and the Board considers that the major business risks are being managed effectively.

The systems are designed to provide reasonable, but not absolute, protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board or Audit and Risk Management Committee.

Recommendation 7.3

The Company should disclose if it has an internal audit function.

Disclosure:

The Company does not have an internal audit function. Over time the Company will continually implement and improve internal control procedures. The Risk Management and Audit Committee will review the procedures.

Recommendation 7.4

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Disclosure:

The Board does not consider it has any material exposure to economic, environmental and social sustainability risks.

8. Remunerate fairly and responsibly

Recommendation 8.1

The Board should have a Remuneration Committee.

Disclosure:

Due to the size of the Board the Company does not have a remuneration committee. Details of these contracts are included in the Remuneration Report in the Directors' Report for the year ended 30 June 2015. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

Recommendation 8.2

A company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives

Disclosure:

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Directors' Report. Payment of equity-based executive remuneration is within thresholds approved by shareholders. The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the businesses. It will also provide executives with necessary incentives to work to grow long-term shareholder value. The current Board policy is to not to pay remuneration to non-executive directors. The board does, however reserve the right to change its current policy at any time and pay the non-executive Directors. Any such payments will be based on market practice, duties and accountability and the maximum aggregate amount of fees to be paid will be subject to approval by shareholders at the Annual General Meeting. Further, to align Directors' interests with shareholder interests, the Directors will be encouraged to hold shares in the Company. Non-executive Directors are may also receive incentive options (subject to shareholder approval). The value of shares and incentive options where granted to non-executive directors would be calculated using the Black-Scholes-Merton option pricing model.

Recommendation 8.3

A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it**.**

Disclosure:

The company does not have an equity based remuneration scheme.

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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Quantum Energy Limited ("the Company") and its controlled entities (together referred to as "the Group") for the financial year ended 30 June 2015.

Directors

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

- Mr Drew Townsend (Chairman)
- Mr Phillip Sidney
- Mr John Walstab

Directors have been in office since the start of the financial year to the date of this report. 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 acting as 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:

- Manufacture and distribution of energy saving hot water, heating and cooling systems for residential and commercial markets in Australia and internationally.
- Distribution of high end medical products particularly in the field of nuclear medicine.

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 $ 827,351 (2014:loss $4,712,684).

The total comprehensive income of the Group attributable to owners of the Group for the year is $ 1,580,000 (2014: loss of $ 4,832,000).

Review of Operations

The Environmental Services Division changed its distribution model and has improved revenues and profit during the latter part of the year. The business is now also distributing both gas and electric products to complement its superior energy efficient heat pump products.

Quantum Health Group the medical division of Quantum Energy Ltd continued to perform well in the last financial year distributing high-end medical imaging equipment in Australia, New Zealand, Thailand and Korea. The profitability of Insight Oceania P/L was impacted by the temporary suspension of a key supplier's products. However, this suspension will be lifted and the directors expect the financial performance of Insight Oceania P/L to improve in future years. Quantum Health Group consolidates the results of Insight Oceania P/L, Medishop P/L, Quantum Healthcare P/L, Med-X Healthcare P/L, Quantum Healthcare Thailand Co. Ltd and Quantum Healthcare Korea Co Ltd. During the year ended 30 June 2015, Quantum Healthcare Thailand Co. Ltd and Quantum Healthcare Korea Co Ltd were acquired. Further details on these acquisitions are provided at note 14 to the financial statements.

Quantum expects continued expansion and growth within the Health Group and will continue to seek new opportunities in healthcare in SE Asia in the next twelve months.

Financial position

The net assets of the consolidated group have increased to $ 27,024,000 as at 30 June 2015. The Directors believe that the group is in a strong and stable financial position to expand and grow its current operations.

DIRECTORS' REPORT (CONTINUED)

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.

Events subsequent to balance date

In the interval between the end of financial year and the date of this report the group acquired 95% holding in D&D Hunex Co.Ltd, a manufacturer of high quality medical supplies and a distributor of medical equipment in South Korea. No other matters or circumstances have arisen that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group 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 the events listed above.

Dividends paid or recommended

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

Environmental Regulation

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

Information on the Directors

The following persons were directors during the whole of the financial year and up to the date of this report:

Drew Townsend	—	Chairman and Non-Executive Director.
Qualifications	—	Bachelor of Commerce, Member of Institute of Company Directors and Member of Institute of Chartered Accountants.
Experience	—	Appointed Chairman 2003. Board member since 2003. Over 21 years' experience in Australian and International accounting and finance.
Interest in Shares and Options	—	760,006,417 ordinary shares (most are held jointly with other directors) in Quantum Energy Limited.
Phillip Sidney	—	Managing Director
Experience	—	Board member since 2002. Wide range of experience in manufacturing and marketing both in Australia and overseas.
Interest in Shares and Options	—	762,546,811 ordinary shares (most are held jointly with other directors) in Quantum Energy Limited.
John Walstab	—	Executive Director and Company Secretary
Experience	—	Board member since 2003. Wide range of experience in technology organisations and developing overseas markets.
Interest in Shares and Options	—	85,018,434 ordinary shares (863,550 shares are held jointly with other directors) in Quantum Energy Limited.

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 2015.

DIRECTORS' REPORT (CONTINUED)

Meetings of Directors

During the financial year, 9 meetings of directors and 2 meetings of committees of directors were held. Attendances by each director during the year were as follows:

	Board of Directors		Audit & Risk Management Committee	
	Number eligible to Attend	Attended	Number eligible to Attend	Attended
Mr D.A. Townsend	9	9	2	2
Mr P.G. Sidney	9	9	2	2
Mr J. Walstab	9	9	2	2

Indemnifying Officers or Auditors

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

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

Options

At the date of this report, there are no unissued ordinary shares of Quantum Energy Limited under options. During the year ended 30 June 2015, no ordinary shares of Quantum Energy Limited were issued on the exercise of options. No options have been granted since year end.

Proceedings on Behalf of Company

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

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

Non-audit Services

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and a copy can be viewed on page 18 of the Annual Report.

ASIC Class Order 98/100 Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited)

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

(1) Remuneration philosophy

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

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

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

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

Remuneration structure

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

Non-executive director remuneration

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

The only non-executive director is Drew Townsend, who 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 $45,364 during the year (2014: $98,268).

Senior executives and executive director remuneration

Objective

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

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

Structure

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

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

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

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 remuneration component of the 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.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited) (CONTINUED)

Incentives

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

Company performance, shareholder wealth and director and executive remuneration

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

Fiscal Year	Sales Revenue from continuing operations	NPAT/ (NLAT)	Basic EPS	Share price at balance date	Total Equity	NTA per share
	$000	$000	Cents	Cents	$000	$
2011	43,806	(9,866)	(0.97)	0.04	32,635	0.014
2012	41,632	(3,696)	(0.36)	0.02	29,347	0.0096
2013	41,986	(408)	(0.03)	0.01	29,616	0.0099
2014	32,143	(4,722)	(0.46)	0.01	24,784	0.0106
2015	39,153	827	0.04	0.009	27,024	0.0060

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

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

(2) Employment contracts for director and senior executives

Under the terms of the present employment contracts, which have no fixed term, the executives may resign from their positions and thus terminate their contract 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.

(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.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited) (CONTINUED)

		Short-Term Benefits			Post-Employment Benefits	Long-Term Benefits	Total
		Salary/Fees and Commission	Bonus	Termination	Super-annuation	Long-Service Leave	
Executive Directors		$	$	$	$	$	$
P Sidney	**2015**	484,617	-	-	46,751	7,503	538,871
	2014	484,617	-	-	45,521	7,503	537,641
J. Walstab	**2015**	174,412	15,000	-	39,915	14,961	244,288
	2014	154,039	-	-	14,480	2,501	171,020
Total Directors	**2015**	659,029	15,000	-	86,666	22,464	783,159
Total Directors	**2014**	638,656	-	-	60,001	10,004	708,661
Key Executives							
A. Merrow	**2015**	-	-	-	-	-	-
(resigned on 15 June 2013)	**2014**	29,423	-	-	2,722	-	32,145
A. McDonald	**2015**	-	-	-	-	-	-
(resigned 5 March 2014)	**2014**	177,018		-	16,644	2,918	196,580
Y. Kim	**2015**	575,452	26,265	-	18,695	-	620,412
(appointed 18 July 2015)	**2014**	-	-	-	-	-	-
J. Hewlett	**2015**	117,981	15,000	-	13,216	6,137	152,334
	2014	115,558	-	-	10,851	1,751	128,160
Total Key Executives	**2015**	693,433	41,265	-	31,911	6,137	772,746
Total Key Executives	**2014**	321,999	-	-	30,217	4,669	356,885
Grand Total	**2015**	1,352,462	56,265	-	118,577	28,601	1,555,905
Grand Total	**2014**	960,655	-	-	90,218	14,673	1,065,546

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

Relative proportion of remuneration linked to performance

	2015	**2014**
A. McDonald	0%	0%
J. Hewlett	10%	0%
Y.Kim	12%	Not applicable
J. Walstab	6%	-

Directors' report (continued)

REMUNERATION REPORT (Audited) (continued)

(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 2015, 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.

Phillip Sidney
Director
30 September 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Quantum Energy Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; or

(ii) any applicable code of professional conduct in relation to the audit.

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

Sydney, NSW
30 September 2015

A G Smith
Partner

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HLB Mann Judd

Accountants | Business and Financial Advisers

QUANTUM ENERGY LIMITED

ACN 003 677 245

INDEPENDENT AUDITOR'S REPORT

To the members of Quantum Energy Limited:

We have audited the accompanying financial report of Quantum Energy Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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QUANTUM ENERGY LIMITED

ACN 003 677 245

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion:

(a) the financial report of Quantum Energy Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Quantum Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

A Smith

HLB Mann Judd
Chartered Accountants

A G Smith
Partner

Sydney, NSW
30 September 2015

DIRECTORS' DECLARATION

1. In the directors opinion:

   (a) the financial statements and notes set out on pages 22 to 54 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 2015 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 representative for the year ended 30 June 2015 required by section 295A of the *Corporations Act 2001*.

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

Phillip Sidney
Director

30 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated Group	
		2015	2014
	NOTE	$ 000	$ 000
Revenue from continuing activities	2	39,153	32,143
Other income	2	3,394	-
Cost of Sales		(21,686)	(18,231)
Employee benefits expense		(10,865)	(7,862)
Depreciation and amortisation expense – non-manufacturing	15	(232)	(211)
Advertising and promotion expenses		(463)	(51)
Finance costs	3	(892)	(763)
Legal fees		(72)	(63)
Research and development expenditure		(398)	(249)
Travel expenses		(1,099)	(1,007)
Motor vehicle expenses		(498)	(416)
Warranty expenses		(169)	(191)
Telephones & internet		(213)	(199)
Consultants		(136)	(131)
Freight & delivery expenses		(124)	(155)
Occupancy (rent) expenses		(1,165)	(1,100)
Insurance		(244)	(219)
Profit/(loss) on disposal of Renewable Energy Certificates		652	530
Fair value gain/(loss) on financial assets (Renewable Energy Certificates)		405	(213)
Share of profit in associate	11	1	442
Other expenses		(3,753)	(1,210)
Profit from Continuing Operations before income tax		**1,596**	**844**
Income tax (expense) credit	4	(192)	(5,557)
Net profit/(loss) from Continuing Operations		**1,404**	**(4,713)**
(Loss) from Discontinued Operations	6	(418)	(9)
Net profit/(loss) after tax		**986**	**(4,722)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Translation of foreign subsidiaries		1,266	(110)
Total comprehensive income/(loss) for the year		**2,252**	**(4,832)**
Profit/(loss) for the year is attributable to:			
Non-controlling interests		577	-
Owners of the parent		409	(4,722)
		986	**(4,722)**
Profit/(loss) from continuing operations attribute to:			
Non-controlling interests		577	-
Owners of the parent		827	(4,713)
		1,404	**(4,713)**
Total comprehensive income (loss) for the year is attributable to:			
Non-controlling interests		672	-
Owners of the parent		1,580	(4,832)
		2,252	**(4,832)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

		Consolidated Group	
	NOTE	**2015**	**2014**
Earnings/(loss) per share for the loss attributable to the continuing operations attributable to the ordinary equity holders of the company			
Basic earnings/(loss) per share (cents per share)	8	0.08	(0.46)
Diluted earnings/(loss) per share (cents per share)	8	0.08	(0.46)
Earnings/(loss) per share for the loss attributable to the ordinary equity holders of the company			
Basic earnings/(loss) per share (cents per share)	8	0.04	(0.46)
Diluted earnings/(loss) per share (cents per share)	8	0.04	(0.46)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

		Consolidated Group	
		2015	2014
	Note	$ 000	$ 000
CURRENT ASSETS			
Cash and cash equivalents	9	3,005	4,440
Trade and other receivables	10	5,866	4,797
Inventories	12	19,683	10,729
Financial assets	13	1,847	1,023
Other current assets	18	3,567	958
TOTAL CURRENT ASSETS		**33,968**	**21,947**
NON-CURRENT ASSETS			
Investment accounted for using equity method	11	24	529
Trade and other receivables	10	261	-
Property, plant and equipment	15	1,267	760
Deferred tax assets	16	1,589	2,010
Intangible assets	17	19,288	11,955
Financial assets	13	4,977	3,598
Other	18	604	690
TOTAL NON-CURRENT ASSETS		**28,010**	**19,542**
TOTAL ASSETS		**61,978**	**41,489**
CURRENT LIABLITIES			
Trade and other payables	19	17,859	8,049
Borrowings	20	8,561	5,639
Short term provisions	21	1,838	1,618
TOTAL CURRENT LIABILITIES		**28,258**	**15,306**
NON-CURRENT LIABILITIES			
Trade and other payables	19	2,918	-
Borrowings	20	3,370	1,289
Employee benefits	21	408	110
TOTAL NON-CURRENT LIABILITIES		**6,696**	**1,399**
TOTAL LIABILITIES		**34,954**	**16,705**
NET ASSETS		**27,024**	**24,784**
EQUITY			
Issued capital	22	83,789	83,789
Non-controlling interests		660	-
Reserves	23	1,684	513
Retained earnings (accumulated losses)		(59,109)	(59,518)
TOTAL EQUITY		**27,024**	**24,784**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Ordinary Share Capital	Undistributable Profits Reserve	Exchange Translation Reserve	Retained Profits (Losses)	Total	Attributable to non-controlling interests	Total
	$ 000	$ 000	$ 000	$ 000	$ 000		
Consolidated							
Balance at 1 July 2013	83,789	504	119	(54,796)	29,616	-	29,616
Other comprehensive income for the year	-	-	(110)	(4,722)	(4,832)	-	(4,832)
Balance at 30 June 2014	83,789	504	9	(59,518)	24,784	-	24,784
Balance at 1 July 2014	83,789	504	9	(59,518)	24,784	-	24,784
Non-controlling interest on acquisition	-	-	-	-	-	(12)	(12)
Profit for the year	-	-	-	409	409	577	986
Other comprehensive income for the year	-	-	1,171	-	1,171	95	1,266
Balance at 30 June 2015	83,789	504	1,180	(59,109)	26,364	660	27,024

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated Group 2015 $ 000	Consolidated Group 2014 $ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		46,649	34,213
Payments to suppliers and employees		(49,342)	(32,375)
Interest received		117	21
Finance costs		(438)	(307)
Income tax paid		(120)	-
Net cash provided by/(used in) operating activities	26	(3,134)	1,552
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		6	21
Purchase of property, plant and equipment		(485)	(22)
Dividends received from unrelated entity		8	7
Payments for acquisition of subsidiary net of cash acquired	14(c)	(1,027)	-
Payment for acquisition of investment in associate		-	(50)
Initial payments relating to purchase of D&D Hunex Co. Ltd		(1,045)	-
Payments for financial assets		(2,826)	(1,836)
Proceeds from sale of investment		3,900	-
Proceeds from sale of financial assets		2,723	2,233
Net cash provided by/(used in)investing activities		1,254	353
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances/Repayment of borrowings		1,168	(1,591)
Net cash provided by/(used in) financing activities		1,168	(1,591)
Net increase/(decrease) in cash held		(712)	314
Cash at beginning of the year		1,771	1,457
Cash at end of the year	9	1,059	1,771

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

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

(i) Subsidiaries

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

A list of controlled entities is contained in Note 14 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 inter-Group 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.

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associated are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(g).

(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 substantially enacted, as at reporting date. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(b) Income Tax (continued)

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

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at 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 Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under tax consolidation legislation. Each entity in the 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 Group 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 Group contributes to the income tax payable by the Group in proportion to their contribution to the 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all plant and equipment, including buildings and capitalised lease assets, is depreciated on a straight-line and diminishing value basis over the asset's useful life to the consolidated 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 balance sheet date.

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

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

(e) Leases

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

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

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

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

(f) Financial Instruments

Recognition

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (continued)

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising the original debt less principal payments and amortisation.

(g) Impairment of Assets

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

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Intangibles

Goodwill

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

(i) Foreign Currency Transactions and Balances

Functional and Presentation Currency

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

Transaction and Balances

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

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

Group Companies

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

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the dates of the transactions.

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

(j) Employee Benefits

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions

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

(l) Provision for Warranties

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

(m) Cash and Cash Equivalents

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

(n) Revenue and Other Income

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

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

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

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

(o) Borrowing Costs

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

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

(p) Goods and Services Tax (GST)

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

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

(q) Business Combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Business Combinations (continued)

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

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

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

(r) Comparative Figures

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

(s) Rounding of Amounts

The Group has applied the relief available to it under ASIC Class Order 98/100; accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000, or in certain cases to the nearest dollar.

(t) Critical Accounting Estimates and Judgments

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

Key Estimates

(i) Impairment

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

Key Judgements

(i) Provision for Impairment of Receivables

The Directors have reviewed outstanding debtors of the Group as at 30 June 2015, and have formed the opinion that an amount receivable from sales made during the current financial year amounting to $292,000 (2014: $185,516) is not collectable, and have created an allowance for impairment.

(ii) Provision for Impairment of Inventory

The directors review all stock at the year end and consider that, based upon review, all stock including stock over one year old, has a net realisable value in excess of costs.

(iii) Impairment of Goodwill

The directors have assessed the value of goodwill at balance date, and have determined that the net book value at 30 June 2015 is recoverable. Further details are included in note 17.

(iv) Provision for Warranty

The provision for warranty is estimated as 2% of sales, and is expensed to profit or loss as follows:

- 50% in the year the provision was raised;
- 25% in each of the subsequent two years.

(v) Impairment of Investment in Associate

The directors have assessed the value of the investments in associate at the balance date, and have determined that the net book value at 30 June 2015 is below the recoverable value.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Fair Value Measurement

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

a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) 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
c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(v) Going Concern

During the year ended 30 June 2015, the consolidated entity generated a profit after income tax from continuing operations of $1.4m. Included in this is a profit on disposal of associate of $3.4m. Excluding the profit from the disposal of associate, the consolidated entity incurred a loss after income tax from continuing operations of $2m. As discussed at note 17, the profitability of Insight Oceania Pty Ltd was impacted by the temporary suspension of a key supplier's products. However, this suspension will be lifted and the directors expect the financial performance of Insight Oceania Pty Ltd to improve in future years.

At 30 June 2015, the consolidated entity had net assets of $27.0m and net current assets of $5.7m.

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

(w) New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board (AASB) has issued new, revised and amended standards and interpretations (being AASB 9: *Financial Investments and AASB* 15: *Revenue from Contracts with* Customers) that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. AASB 9 is not expected to have a material impact on the financial statements of the Group. In relation to AASB 15 the AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contacts that are not completed as of the date of initial application.

Management has yet to assess the impact of the new rules and, at this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
Revenue		
Sale of goods	27,026	25,905
Services revenue	11,450	5,779
	38,476	31,684
Other Income		
Interest receivable- other entities	118	21
Interest receivable – related parties	365	310
Dividend from unrelated parties	8	7
Other revenue	186	121
	677	459
Total Revenue	39,153	32,143
Other income		
Profit on disposal of associate	3,394	-

NOTE 3: PROFIT (LOSS) FOR THE YEAR

Expenses		
Finance costs		
- External	442	375
- Related parties	450	388
Total finance costs	892	763
Foreign currency losses (gains)	1,867	(54)
Rental expense relating to operating lease	1,165	1,100

NOTE 4: INCOME TAX EXPENSE (CREDIT)	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
(a) Continuing Operations		
The components of income tax expense comprise:		
Current tax relating to Continuing Operations	-	-
Deferred tax relating to Continuing Operations	192	5,557
	192	5,557
Consolidated Group		
The components of income tax expense comprise:		
Current tax	-	-
Deferred tax	192	5,557
	192	5,557

NOTE 4: INCOME TAX EXPENSE (CREDIT) (CONTINUED)

(b) Consists of:

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

Prima facie tax payable on profit (loss) from continuing activities before income tax at 30% (2014:30%)	479	253
Add (Deduct) tax effect of:		
Non-allowable items	1	1
Difference in overseas tax rate	(109)	36
Profit on disposal of associate	(1,018)	-
Share of (profit)/loss in associate	-	(133)
Fully franked dividend	(2)	(2)
Deferred tax asset not recognised	841	-
Derecognition of deferred tax asset in relation to tax losses	-	5,402
Income tax expense	192	5,557
The applicable weighted average effective tax rates are	30%	30%

(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

P.G. Sidney Managing Director

J. Walstab Director and Company Secretary

A. Merrow General Manager, Quantum Energy Technologies Pty Ltd (Australia, Subsidiary) (resigned 15 June 2013)

A. McDonald Director, Insight Oceania Pty Ltd (subsidiary) (resigned 05 March 2014)

J. Hewlett Director, Insight Oceania Pty Ltd (subsidiary)

Y.Kim Director, Medical Imaging (appointed 18 July 2015)

(b) Key Management Personnel remuneration

	Consolidated Group	
	2015	**2014**
	$	**$**
Short-term employee benefits	1,408,727	960,655
Post-employment benefits	118,577	90,218
Long -term benefits	28,601	14,673
	1,555,905	1,065,546

(c) Option holdings

There are no options held by key management personnel (2014: Nil)

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Shareholdings

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

	Balance 1.7.14 No.	Sold No.	Purchased No.	Balance 30.6.15 No.
Directors				
D.A Townsend	760,006,417	-	-	760,006,417 *
P.G. Sidney	762,546,811	-	-	762,546,811 **
J. Walstab	85,018,434	-	-	85,018,434***
Specified Executives				
A.McDonald	62,622,896	-	-	62,622,896
J. Hewlett	5,701,137	-	-	5,701,137
Y.Kim	-	-	-	-

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

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

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

NOTE 6: DISCONTINUED OPERATIONS

	Consolidated Group	
	2015 **$ 000**	**2014** **$ 000**
(a) Performance Information		
Financial Performance information in relation to Discontinued operation as described in (e) below		
Revenue	-	-
Expenses	(4)	(11)
Net Loss before Income Tax	(4)	(11)
Income Tax expense (credit)	414	(2)
Loss after income tax from Discontinued Operations	(418)	(9)

(b) Cash Flow information

Cash flow information in relation to Discontinued operation as described in (e) below

Net Cash (out) Flow from Operating Activities	(1)	(11)

(c) Discontinued Operation

On 30 June 2011 the Company closed down its retail Solar Power Division.

NOTE 7: REMUNERATION OF AUDITORS

	Consolidated Group	
	2015	2014
	$	$
Auditing and reviewing financial reports		
Current auditor - HLB Mann Judd (NSW Partnership)		
- Audit and review of financial statements	203,000	161,500
- Audit of financial statements – subsidiary	-	3,400
The audit of the subsidiary company in Korea is performed by HLB Samkyeong Accounting Corporation, which is also a member of HLB International.		
Non-HLB Mann Judd (NSW Partnership) auditor for audit of subsidiary companies:		
- China	9,745	3,016
- Thailand	9,899	-
- Korea	17,812	-
	240,456	147,916

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2015	2014
	Cents per share	Cents per share
Earnings /(loss) per share loss from continuing operations		
Basic earnings/(loss) per share	0.08	(0.46)
Diluted earnings/(loss) per share	0.08	(0.46)
Earnings /(loss) per share after tax		
Basic earnings/(loss) per share	0.04	(0.46)
Diluted earnings/(loss) per share	0.04	(0.46)
(a) Reconciliation of earnings to profit or loss		
Net profit/(loss) from continuing operations		
Earnings/(Loss) used to calculate basic EPS	827	(4,713)
Earnings/(Loss) used to calculate diluted EPS	827	(4,713)
Net profit/(loss)		
Earnings/(Loss) used to calculate basic EPS	409	(4,722)
Earnings/(Loss) used to calculate diluted EPS	409	(4,722)
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,018,308,291	1,018,308,291
(c) Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	1,018,308,291	1,018,308,291

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2015	2014
	$ 000	$ 000
Cash as shown in the Balance Sheet is reconciled to cash at the end of the financial year shown in the Consolidated Cash Flow Statement		
Cash at bank and in hand	3,005	4,440
Bank Overdraft (note 20)	(1,946)	(2,669)
	1,059	1,771

NOTE 10: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2015	2014
	$ 000	$ 000
CURRENT		
Trade receivables	6,198	5,101
Allowance for doubtful debts	(292)	(185)
Impairment of receivables	(40)	(119)
	5,866	4,797

	Consolidated Group	
	2015	2014
	$ 000	$ 000
NON-CURRENT		
Trade receivables	261	-
	261	-
Trade receivables past due, not impaired		
61-90 days past due	1,470	36
91 + past due	2,013	1,710
	3,483	1,746

Provision For Impairment of Receivables

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

Credit Risk — Trade and Other Receivables

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

NOTE 11: INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

	Consolidated Group	
	2015	2014
	$ 000	$ 000
(a) Movement in carrying value		
Carrying value at the beginning of the financial year	529	36
Investment during the year	-	51
Share of income/(loss) after income tax	1	442
Disposal of investment	(506)	-
Carrying value at the end of the financial year	24	529

(b) Summarised financial information of associate and joint venture

The group's share of the results of its associates and its aggregate assets and liabilities are as follows:

	Country of incorporation	Nature of relationship	Measurem-ent method	Ownership interest %	Assets $ 000	Liabilities $ 000	Revenue $ 000	Profit/(Loss) $ 000
2015 Quantum HQ	China	Joint Venture	Equity Method	50%	65	43	151	1
2015 Manly Warringah Sea Eagles Limited	Australia	Associate	Equity Method	-*	-	-	-	-
2014 Quantum HQ	China	Joint Venture	Equity Method	50%	45	29	41	(29)
2014 Manly Warringah Sea Eagles Limited	Australia	Associate	Equity Method	37%	867	2,023	5,643	(439)

Share of contingent liabilities of associate is $Nil (2014: $Nil).

* In October 2014 the Group sold its interest in Manly Warringah Sea Eagles Limited (“Manly”).

There is no quoted value for any of the above investments as they are private entities with no quoted price available.

Following summarise the balance sheet and statement of comprehensive income of Manly.

The information disclosed reflects the amounts presented in the financial statements of Manly and not the Group’s share of those amounts for the year ended 30 June 2014.

Summarised balance sheet

	2015	2014
	$ 000	$ 000
Total current assets	-	3,149
Non-current assets	-	195
Total current liabilities	-	(2,669)
Total non-current liabilities	-	(2,345)
Net Assets	-	(1,670)
Reconciliation of carrying amounts		
Opening net assets 1 July 2013	-	(2,942)
Profit/(loss) for the period	-	1,272
	-	(1,670)
Group’s share	-	37%
Carrying value of investment in associate - $000	-	507

Information in relation to Quantum HQ is not disclosed as it is not considered material to the Group.

NOTE 12: INVENTORIES

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
At cost		
Raw materials and stores	402	331
Finished goods	19,281	10,398
	19,683	10,729

NOTE 13: FINANCIAL ASSETS

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
Current		
Financial assets at fair value through profit or loss:		
-Term Deposits	424	-
-Shares in listed companies (a)	237	152
-Others	147	-
-Renewable Energy certificates	1,039	871
	1,847	1,023
Non – Current		
Deposits	854	-
Loans to related parties	4,123	3,598
	4,977	3,598

(a) Level 1 in fair value hierarchy (refer Note 1 (t)): 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.
All other items above are measured using Level 3 per Fair Value Hierarchy.

NOTE 14: CONTROLLED ENTITIES

(a) List of controlled entities

Name of entity	Country of Incorporation	Ownership Interest	
		2015	**2014**
Parent entity			
Quantum Energy Limited	Australia		
Controlled entity			
Quantum Energy Technologies Pty Ltd	Australia	100%	100%
Quantum Energy Installations Pty Ltd	Australia	100%	100%
Insight Oceania Pty Ltd	Australia	100%	100%
Medishop Pty Ltd	Australia	100%	100%
Quantum Solar Power Pty Ltd	Australia	100%	100%
Quantum Energy Technologies (Suzhou) Co Ltd	China	100%	100%
Suzhou Sheerdrop Wine Co Ltd	China	100%	100%
Surfside Manly Football Club Pty Ltd	Australia	-	100%
Med-X Healthcare Pty Ltd	Australia	100%	100%
Quantum Healthcare Korea Co. Ltd	Korea	84%	-
Quantum Healthcare Thailand Co. Ltd	Thailand	41%	-
Quantum Healthcare Pty Ltd	Australia	84%	-

NOTE 14: CONTROLLED ENTITIES (CONTINUED)

(b) Summary of acquisitions

On 18 July, 2014 the Group acquired a 41% holding in Quantum Healthcare Thailand Co. Ltd (“QHC Thailand”) and an 84% holding in Quantum Healthcare Korea Co. Ltd (“QHC Korea”), distributors of high end medical equipment in Thailand and Korea respectively, to expand the Group’s presence in this sector.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	QHC Thailand	QHC Korea	Total
	$000	**$000**	**$000**
Purchase consideration (refer to (c) below)			
Contingent consideration	-	114	114
Deferred consideration	1,481	1,601	3,082
Cash paid	1,119	342	1,461
	2,600	2,057	4,657

Of the cash paid, $612,000 in relation to QHC Thailand was paid during the year ended 30 June 2014. Total cash consideration for the purchase of QHC Thailand and QHC Korea during the year ended 30 June 2015 was $849,000.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value	
	QHC Thailand	**QHC Korea**
	$000	**$000**
Cash and overdrafts	(181)	3
Stock	729	252
Trade debtors	791	3,240
Other assets	693	1,038
Trade creditors	(342)	(4,103)
Other creditors	(797)	(4,055)
Net identifiable assets (liabilities) acquired	893	(3,625)
Non-controlling interests	(525)	580
Goodwill	2,232	5,102
Net assets acquired	2,600	2,057

(i) Contingent consideration

Additional amounts are payable for the acquisition of both subsidiaries if certain profit targets are met in future periods. Based upon the directors’ estimate of future profits, $ 113,658 of additional contingent consideration has been included in the total purchase consideration.

(ii) Non-controlling interests

In accordance with the accounting policies, the group elected to recognise the non-controlling interest as a proportionate share of the acquired net identifiable assets.

(c) Purchase consideration – cash flow

	$000
Outflow of cash to acquire, net of cash acquired	
Cash consideration	849
Cash overdrafts acquired	178
Outflow of cash – investing activities	1,027

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
Land & Buildings at cost	231	231
Plant & Equipment at cost	5,771	4,405
Accumulated depreciation	(4,712)	(3,853)
Provision for Impairment	(23)	(23)
	1,267	760
Movements in carrying amounts		
Opening Balance	760	1,046
Additions through acquisition of subsidiaries during the year	490	-
Additions	345	22
Disposals/Write-offs	(96)	(97)
Depreciation/amortisation expense	(232)	(211)
Closing balance	1,267	760

NOTE 16: DEFERRED TAX ASSETS

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
Consists of:		
- Inventories	65	457
- Employee entitlements	487	431
- Lease liability	81	17
- Accruals and Provisions	670	666
- Other	(134)	(25)
- Impairment provisions	420	464
- Tax losses	-	-
	1,589	2,010

NOTE 17: INTANGIBLE ASSETS

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
Goodwill on acquisition:		
Cost	90,479	83,146
Accumulated impairment losses	(71,191)	(71,191)
Net carrying amount	19,288	11,955
Movement:		
Opening net book amount	11,955	11,955
Add: Quantum Healthcare Korea Co. Ltd goodwill on acquisition	5,102	-
Add: Quantum Healthcare Thailand Co. Ltd goodwill on acquisition	2,231	-
Closing net book amount	19,288	11,955

Impairment Disclosures

Goodwill has been tested for impairment at 30 June 2015, which indicated that book values are equal to or less than the value in use. Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

NOTE 17: INTANGIBLE ASSETS (CONTINUED)

	Consolidated Group	
	2015	**2014**
	$000	**$000**
Medical (Insight Oceania Pty Ltd)	11,811	11,811
Medical (Quantum Healthcare Korea Co. Ltd)	5,102	-
Medical (Quantum Healthcare Thailand Co. Ltd)	2,231	-
Heat pump technologies	144	144
Total	19,288	11,955

The value in use calculation for the goodwill on acquisition is based on estimated maintainable earnings before interest and taxes ("EBIT") and discount rate per annum. EBIT increase is forecast at an average rate for the next five years respectively and terminal value of an approximate times EBIT. Details as follows:

	Insight Oceania Pty Ltd	**Quantum Healthcare Korea Co. Ltd**	**Quantum Healthcare Thailand Co. Ltd**
Discount rate	17.5%	17.5%	17.5%
Terminal value of approximate times EBIT	6	5.7	5.7
EBIT increase forecast at average of	3%	5%	5%

During the year ended 30 June 2015, the profitability of Insight Oceania Pty Ltd was impacted by the temporary suspension of a key supplier's products, meaning that the EBIT generated for the year ended 30 June 2015 was significantly below that forecast. However, this suspension will be lifted and the directors expect that the financial performance of Insight Oceania Pty Ltd should be able to reach the estimated amounts that have been used in assessing the carrying value of the goodwill above. EBIT for the year ending 30 June 2016 is forecast to increase by 293% against actual EBIT for the year ended 30 June 2015 for the above reason.

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 recoverable amount based on forecast 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 recoverable amount based on forecast would approximately equal the carrying amount.

	Insight Oceania Pty Ltd	**Quantum Healthcare Korea Co. Ltd**	**Quantum Healthcare Thailand Co. Ltd**
Discount rate – change discount rates to	29%	22%	19%
EBIT change – reduce forecast EBIT by	33%	20%	7%

NOTE 18: OTHER ASSETS

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
CURRENT		
Prepayments	2,089	618
Other	1,478	340
	3,567	958
NON-CURRENT		
Security Deposits	122	108
Other	482	582
	604	690

NOTE 19: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
CURRENT		
Unsecured liabilities:		
Trade payables	8,637	4,801
Deferred revenue	2,634	2,191
Deferred consideration – amounts due on acquisition of subsidiaries during the year (note 14)	1,902	-
Employee benefits	405	461
Other	854	596
Customer deposits	3,427	-
	17,859	8,049
NON CURRENT		
Deferred consideration – amounts due on acquisition of subsidiaries during the year (note 14)	2,918	-

NOTE 20: BORROWINGS

	Consolidated Group	
	2015	**2014**
	$ 000	**$ 000**
CURRENT		
Unsecured liabilities:		
- Loans - Directors	2,850	2,182
- Loans – Other parties	404	735
- Loans – Directors of subsidiaries	-	18
Secured liabilities:		
- Bank borrowings	3,314	-
- Lease liability	47	35
- Bank – overdraft	1,946	2,669
	8,561	5,639
NON-CURRENT		
Unsecured liabilities:		
- Loans - Directors	1,113	1,209
- Loans - other parties	1,116	-
Secured liabilities:		
- Lease liability	62	80
- Bank borrowings	1,079	-
	3,370	1,289

For the financial year 2015, the secured liabilities – bank overdraft is secured by:
- a fully locking guarantee and indemnity between Quantum Energy Limited, Quantum Energy Technologies Pty Ltd, Insight Oceania Pty Ltd, Quantum Solar Power Pty Ltd and Quantum Energy & Technologies (Suzhou) Co. Ltd; and
- fixed and floating charge over all existing and future assets and undertakings of the companies listed above; and
- equity pledge agreement over 100% of the shares in Quantum Energy & Technologies (Suzhou) Co. Ltd.

In relation to the current bank borrowings (mostly relates to QHC Korea) - $432,000 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for the guarantee provided. $1,381,000 is secured over QHC Korea term deposits and $1,482,000 is secured by the CEO of QHC Korea.

In relation to the non-current bank borrowing (mostly relates to QHC Korea) - $387,000 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for guarantee provided. $674,000 is secured by guarantee provided by the CEO of QHC Korea.

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

NOTE 21: PROVISIONS

	Consolidated Group	
	2015	2014
	$000	$000
CURRENT		
Income tax payable	95	-
Employee benefits	1,420	1,286
Warranty	323	332
	1,838	1,618
NON CURRENT		
Employee benefits	408	110

NOTE 22: ISSUED CAPITAL

	Consolidated Group			
	2015	2014	2015	2014
	No.	No.	$	$
Fully paid ordinary shares	1,018,308,291	1,018,308,291	83,789	83,789
Movements:				
At the beginning of the year	1,018,308,291	1,018,308,291	83,789	83,789
At the end of the year	1,018,308,291	1,018,308,291	83,789	83,789

Capital Management

Management controls the capital of the Group in order to meet debt covenants, provide shareholders with adequate returns and ensure 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.

The Company has a debt covenant prescribed by its bank, Westpac Banking Corporation. Refer Notes 20 and 26.

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.

NOTE 23: RESERVES

	Consolidated Group	
	2015	2014
	$ 000	$ 000
Reserve		
Undistributable Profits Reserve	504	504
Exchange Translation Reserve	1,180	9
Closing Balance	1,684	513

Undistributable Profits Reserve

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

Exchange Translation Reserve

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

NOTE 24: LEASING COMMITMENTS

	Consolidated Group	
	2015	2014
	$ 000	$ 000
Finance lease commitments		
Minimum lease payments payable within		
-1 year	52	43
-between 1 year and five years	62	82
	114	125
Less: Future finance charges	(5)	(10)
	109	115
Disclosed as:		
Current liability (Note 20)	47	35
Non-current liability (Note 20)	62	80
	109	115
Operating lease commitments		
Non-cancellable operating leases contracted but not capitalised in the financial statements		
-Payable within one year	531	591
-Payable later than 1 year and not later than 5 years	373	848
	904	1,439

NOTE 25:SEGMENT REPORTING

	Environmental Services		Medical		Investments		Unallocated		Elimination		Consolidated-Continuing Operations	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Total revenue and other income – Australia	8,023	8,220	11,885	20,102	3,654	2,029	367	315	-	-	23,929	30,666
Total revenue - China	699	1,477	-	-	-	-	-	-	-	-	699	1,477
Total revenue – Thailand	-	-	4,552	-	-	-	-	-	-	-	4,552	-
Total revenue – Korea	-	-	13,367	-	-	-	-	-	-	-	13,367	-
Total revenue	8,722	9,697	29,804	20,102	3,654	2,029	367	315	-	-	42,547	32,143
Profit/(Loss) after income tax – Australia	(1,641)	(895)	195	1,971	3,982	767	203	(5,842)	(1,699)	(3)	1,040	(4,002)
Profit/(Loss) after income tax – China	(1,717)	(711)	-	-	-	-	-	-	-	-	(1,717)	(711)
Profit/(Loss) after income tax – Thailand	-	-	565	-	-	-	-	-	-	-	565	-
Profit/(Loss) after income tax – Korea	-	-	1,516	-	-	-	-	-	-	-	1,516	-
Total Profit/(Loss) after income tax	(3,358)	(1,606)	2,276	1,971	3,982	-	203	(5,842)	(1,699)	(3)	1,404	(4,713)
Segment assets – Australia	4,995	5,766	34,262	25,202	1,339	1,566	9,509	4,687	(7,415)	410	42,690	37,638
Segment assets – China	5,550	3,851	-	-	-	-	-	-	-	-	5,550	3,851
Segment assets – Thailand	-	-	4,160	-	-	-	-	-	-	-	4,160	-
Segment assets – Korea	-	-	9,576	-	-	-	-	-	-	-	9,576	-
Total Segment Assets	10,545	9,617	47,998	25,202	1,339	1,566	9,509	4,687	(7,415)	410	61,966	41,489
Segment liabilities – Australia	3,239	3,785	8,658	7,577	18	18	9,320	4,522	(1,221)	50	20,014	15,959
Segment liabilities – China	1,417	746	-	-	-	-	-	-	-	-	1,417	746
Segment liabilities – Thailand	-	-	2,053	-	-	-	-	-	-	-	2,053	-
Segment liabilities – Korea	-	-	11,470	-	-	-	-	-	-	-	11,470	-
Total Segment Liabilities	4,656	4,531	22,181	7,577	18	18	9,320	4,522	(1,221)	50	34,954	16,705
Income tax expense (credit)	5	(283)	251	869	-	-	(42)	4,971	(22)	-	192	5,557
Depreciation	64	175	168	36	-	-	-	-	-	-	232	211
Interest Revenue	1	1	116	20	-	-	365	310	-	-	482	331
Interest Expense	190	303	250	3	-	-	452	457	-	-	892	763
Fair value gain/(loss) on financial assets	-	-	-	-	1,057	317	-	-	-	-	1,057	317
Acquisition of Property, plant & equipment	18	7	327	15	-	-	-	-	-	-	345	22
Share of profit/(loss) in associate and joint venture	-	-	-	-	1	442	-	-	-	-	1	442
Gain from disposal of associate	-	-	-	-	3,394	-	-	-	-	-	3,394	-

NOTE 25: SEGMENT REPORTING (CONTINUED)

	Discontinued Operations		Consolidated Group	
	2015	2014	2015	2014
	$ 000	$ 000	$ 000	$ 000
Total revenue - Australia	-	-	23,929	30,666
Total revenue – China	-	-	699	1,477
Total revenue – Thailand	-	-	4,552	-
Total revenue - Korea	-	-	13,367	-
Total revenue	-	-	42,547	32,143
Profit/(Loss) from ordinary activities - Australia	(418)	(9)	622	(4,011)
Profit/(Loss) from ordinary activities - China	-	-	(1,717)	(711)
Profit/(Loss) from ordinary activities – Thailand	-	-	565	-
Profit/(Loss) from ordinary activities - Korea	-	-	1,516	-
Total Profit/(Loss) from ordinary activities	(418)	(9)	986	(4,722)
Segment assets - Australia	2	-	42,692	37,638
Segment assets - China	-	-	5,550	3,851
Segment assets - Thailand	-	-	4,160	-
Segment assets - Korea	-	-	9,576	-
Total Segment Assets	2	-	61,978	41,489
Segment liabilities – Australia	-	-	20,014	15,959
Segment liabilities – China	-	-	1,417	746
Segment liabilities – Thailand	-	-	2,053	-
Segment liabilities – Korea	-	-	11,470	-
Total Segment Liabilities	-	-	34,954	16,705
Income tax expense (credit)	414	(2)	606	5,555
Depreciation	-	-	232	211
Interest revenue	-	-	482	331
Interest expense	-	-	892	763
Fair value profit/(loss) on financial assets	-	-	1,057	317
Acquisition of Property, plant & equipment	-	-	345	22
Share of profit/(loss) in associate and joint venture	-	-	1	442
Gain on disposal of associate	-	-	3,394	-

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 three business segments, being the manufacturing and distribution of energy saving heat pump technology, hot water and heat/cooling systems; the distribution of high-end medical products; and investments in some Renewable Energy Certificates and other assets.

Geographical Segments

The consolidated Group predominately operates in three geographical segments with manufacturing operations in China and distribution in Australia, New Zealand and S.E Asia.

Intersegment Transfers

There were no intersegment transfers.

NOTE 26: CASH FLOW INFORMATION

		Consolidated Group	
	Note	2015 $ 000	2014 $ 000
(a) Reconciliation of cash Flow from Operations with Profit/(loss) After Income Tax			
Operating profit (loss) after income Tax		986	(4,722)
Non-cash items in profit (loss)			
-Depreciation	15	232	211
-Foreign currency losses/investments		1,266	(110)
-Profit/loss on disposal of assets/investments		(3,423)	(534)
-Change in fair value of financial assets		(652)	213
-Provision for annual leave and long service leave		100	27
-Impairment of receivables		(274)	(63)
- Share of (profit)/Loss in Associates		1	(442)
(Increase) decrease in:			
-trade receivables		2,952	(1,019)
-Inventories		(7,854)	2,657
-Prepayments		(2,099)	77
- Deferred tax asset		421	-
Increase/ (decrease) in:			
-trade creditors and accruals		5,356	(207)
-Provision for warranty		(224)	(93)
-Income tax		78	5,557
Cash flows from (used in) operating activities		(3,134)	1,552

	Consolidated Group	
	2015 $ 000	2014 $ 000
(b) Credit Standby		
Arrangements with Banks		
Credit facility*	3,000	3,000
Amount utilised	(1,946)	(2,669)
Amount available	1,054	331

* A bank overdraft facility has been arranged with the Westpac Banking Corporation with the general terms and conditions being set and agreed to annually.

All bank facilities for the subsidiary in Korea have been used in full at year end.

Refer to note 20 for details of the security provided to Westpac Banking Corporation in relation to the above facility. In addition, there is security being a floating charge over the assets of the Company and subsidiary companies together with a requirement of a minimum capital adequacy ratio of 25% also applied, calculated as:

$$\frac{\text{Tangible Net Worth (excl. Intangibles/Goodwill) + Shareholders loans}}{\text{Total Tangible Assets (excl. Intangibles/Goodwill)}}$$

At year end the Group did not comply with the minimum capital adequacy ratio of 25%. The bank overdraft facility is due for review in November 2015.

NOTE 27: RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 14 to the financial statements.

Equity held in associate entities and joint venture
Details of percentage of ordinary shares held in associates are disclosed in note 11 of 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 their related entities

	Consolidated Group	
	2015	**2014**
	$	**$**
Transactions with Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner:		
Payment for accountancy services by the group	45,364	98,627
Sales by Quantum HQ (associate – refer note 11)	299,130	-
Amount owed by Hall Chadwick Chartered Accountants to Quantum HQ at year end	78,807	-
Accrued interest payable/(receivable) on loans from/(to) key management personnel and their related parties at 10% and 15% (on loans from J. Walstab on $ 1.5m) per annum		
- Phillip Sidney	(988,606)	(673,214)
- John Walstab	2,574,656	2,181,737
- Drew Townsend	(192,392)	(143,090)
- Andrew McDonald*	-	3,249
- James Hewlett	12,446	12,132
Loans from/(to) directors and related parties		
- Phillip Sidney (secured – note 27(f))	(2,561,762)	(2,452,922)
- John Walstab (unsecured)	1,113,314	1,209,189
- Drew Townsend (secured – note 27(f))	(380,232)	(322,157)
Unsecured loans from/ (to) other key management personnel		
- Andrew McDonald*	-	(7,091)
- James Hewlett	3,137	3,137
Rental income received on property leased to Quantum Group by the directors	220,000	220,000
Interest expense/(income) on loans from/(to) key management personnel and their related entities		
- Phillip Sidney	(315,392)	(268,906)
- John Walstab	399,094	387,328
- Drew Townsend	(49,302)	(40,983)
- Andrew McDonald*	-	(642)
- James Hewlett	314	596
Travel & other advance		
- John Walstab	27,884	27,367
- Andrew McDonald*	-	1,929
Bonus payable to:		
- John Walstab	15,000	-
- Youngchun Kim	8,000	-
- James Hewlett	15,000	-

*Andrew McDonald resigned as a director of Insight Oceania Pty Ltd on 5 March, 2014.

NOTE 27: RELATED PARTY DISCLOSURES (CONTINUED)

(e) Loans to key management personnel

2015	Balance at beginning of the year	Interest payable for the year	Loans made (repayments received) during the year	Balance at end of the year	Highest Indebtedness in the year
	$	**$**	**$**	**$**	**$**
Phillip Sidney					
- Loan	2,452,922	-	108,840	2,561,762	2,561,762
- Accrued Interest	673,214	315,392	-	988,606	988,606
Drew Townsend	-	-	-	-	-
- Loan	322,157	-	58,075	380,232	380,232
- Accrued Interest	143,090	49,302	-	192,392	192,392
2014					
Phillip Sidney					
- Loan	1,856,484	-	596,438	2,452,922	2,452,922
- Accrued Interest	404,308	268,906	-	673,214	673,214
Drew Townsend	-	-	-	-	-
- Loan	307,978	-	14,179	322,157	322,157
- Accrued Interest	102,107	40,983	-	143,090	143,090

(f) Loans from key management personnel

2015	Balance at beginning of the year	Interest payable for the year	Loans made (repayments received) during the year	Balance at end of the year	Highest balance in the year
	$ 000	**$ 000**	**$ 000**	**$ 000**	**$ 000**
John Walstab					
- Loan	1,209,189	-	(95,875)	1,113,314	1,979,341
- Accrued Interest	2,181,737	399,094	(6,175)	2,574,656	2,574,656
Jim Hewlett					
- Loan	3,137	-	-	3,137	8,137
- Accrued Interest	12,132	314	-	12,446	12,446
Andrew McDonald					
- Loan	-	-	-	-	-
- Accrued Interest	4,533	-	(4,533)	-	-
2014					
John Walstab					
- Loan	1,979,341	-	(770,152)	1,209,189	1,979,341
- Accrued Interest	1,156,630	387,328	637,779	2,181,737	2,181,737
Jim Hewlett					
- Loan	8,137	-	(5,000)	3,137	8,137
- Accrued Interest	11,536	-	596	12,132	12,132
Andrew McDonald					
- Loan	(3,759)	-	(3,332)	(7,091)	7,091
- Accrued Interest	3,891	-	642	4,533	3,891

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

During the year ended 30 June, 2014 Jason Walstab, the son of John Walstab, a director, was employed and paid wages totalling $28,329. All amounts paid were deemed to be on an arms length basis. No such amount was paid during year ended 30 June 2015.

NOTE 28: FINANCIAL RISK MANAGEMENT

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

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

1 (i). Foreign exchange risk

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

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

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

	Converted to Australian dollars	
	2015	**2014**
	$ 000	**$ 000**
Receivables:		
China RMB	221	113
Euro	-	-
US dollars	32	15
New Zealand dollars	138	136
Korean WON	1,736	-
Thai Baht	1,773	-
Total amounts receivable in foreign currencies	3,900	264
Liabilities:		
China RMB	1,102	501
US dollars	5,063	687
New Zealand dollars	16	4
Korean WON	2,955	-
Thai Baht	815	-
Total amounts payable in foreign currencies	9,951	1,192

	$000	**$000**
Receivables		
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%**
Increase/ (decrease) in profit	(353)	432
Increase/ (decrease) in net assets	(353)	432
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%**
Increase/ (decrease) in profit	905	(1,121)
Increase/ (decrease) in net assets	905	(1,121)

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

	2015	2014

Overall

The presentation currency for the group is Australian dollars. The group has subsidiaries in China, Korea and Thailand who have their own respective functional currencies. As part of year end consolidation process all foreign subsidiaries' functional amounts are converted to the Group's presentation currency. If the foreign exchanges rates changed by +10% of -10% with no change to any other amounts, the following impact will be noted:

	+10%	-10%
Increase/ (decrease) in profit	(117)	142
Increase/ (decrease) in net assets	(396)	483

1 (ii). Interest rate risk

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

			Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing		Total	
	Weighted Average Interest Rate				Less than 1 Year		1 to 5 Years					
	%		$000		$000		$000		$000		$000	
Consolidated	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial assets:												
Cash	0.3%	0.5%	3,005	4,440	-	-	-	-	-	-	3,005	4,440
Trade & Other Receivables			-	-	-	-	-	-	6,127	4,797	6,127	4,797
Renewable Energy Certificates			-	-	-	-	-	-	1,039	871	1,039	871
Shares in Listed Companies			-	-	-	-	-	-	237	152	237	152
Loans	10%	10%	-	-	-	-	4,123	3,598	-	-	4,123	3,598
Other	10.8%	n/a	-	-	424	-	854	-	4,318	1,030	5,596	1,030
Total financial assets			3,005	4,440	424	-	4,977	3,598	11,721	6,850	20,127	14,888
Financial liabilities:												
Bank overdraft	11.1%	11.3%	1,946	2,669	-	-	-	-	-	-	1,946	2,669
Lease liability	7.7%	7.7%	-	-	47	35	62	80	-	-	109	115
Other loans	8.4%	14.2%	-	-	6,568	4,144	1,079	-	2,229	-	9,876	4,144
Trade and other creditors			-	-	-	-	-	-	20,777	8,049	20,777	8,049
Total financial liabilities			1,946	2,669	6,615	4,179	1,141	80	23,006	8,049	32,708	14,977

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").

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

2. Credit risk

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

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

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

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

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

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	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial liabilities:	-	-	-	-	-	-
Bank overdraft	1,946	2,669	-	-	1,946	2,669
Lease liability	47	35	62	80	109	115
Other loans	6,568	4,144	3,308	-	9,876	4,144
Trade and other creditors	20,777	8,049	-	-	20,777	8,049
Total financial liabilities	29,338	14,897	3,370	80	32,708	14,977

NOTE 29: PARENT ENTITY INFORMATION

	2015	2014
	$ 000	$ 000
Current assets	31	19
Total assets	16,796	16,695
Current liabilities	3,945	3,449
Total liabilities	20,394	23,893
Shareholders equity:		
Issued capital	83,789	83,789
Retained earnings	(87,387)	(90,987)
	(3,598)	(7,198)
Profit (loss) for the year	3,600	(5,399)
Total comprehensive income	3,600	(5,399)

NOTE 30: ECONOMIC DEPENDENCY

A significant portion of the business is dependent on the continuation of government assistance to consumers in relation to energy efficient hot water systems.

NOTE 31: COMPANY DETAILS

The registered office of the Company and the principal place of business is:

Quantum Energy Limited

56-60 Bourke Road, Alexandria, NSW 2015

NOTE 32: SUBSEQUENT EVENTS

On 29 July 2015, the Group acquired a 95% holding in D&D Hunex Co Ltd, a manufacturer of high quality medical supplies and a distributor of medical equipment and supplier in South Korea. Consideration includes a cash component of USD $1.3m with partial deferred payments up until December 2018 and an equity component of 4% of the total ordinary shares of Quantum Healthcare Pty Ltd.

SECURITIES EXCHANGE INFORMATION

(a) Distribution of Shareholders as at 15 September 2015

Holdings Ranges	Holders	Total Shares	%
1-1,000	74	36,886	0.004
1,001-5,000	257	821,746	0.081
5,001-10,000	284	2,310,462	0.227
10,001-100,000	507	17,718,102	1.740
100,001-99,999,999,999	149	997,421,095	97.949
Totals	**1,271**	**1,018,308,291**	**100.00**

(b) There are currently 1,049 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 15 September 2015 are as follows. This also reflects the directors relevant stock interests:

Directors	Shares
D.A. Townsend	760,006,417*
P.G. Sidney	762,546,811**
J. Walstab	85,018,434 ***

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

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

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

(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.

SECURITIES EXCHANGE INFORMATION (CONTINUED)

(f) 20 Largest Shareholders — Ordinary Shares as at 15 September 2015

Holder Name	Balance	%
Crisp Holdings Ltd	753,736,667	74.019
Mr John Walstab	81,488,418	8.002
Mr Andrew McDonald	27,399,509	2.691
Mr Andrew McDonald	20,856,000	2.048
Mr Andrew McDonald	11,129,400	1.093
Ramn Pty Ltd	9,266,444	0.910
Barry Raymond Nelson	8,400,000	0.825
Chicago Limited	4,642,267	0.456
James Hewlett	4,101,137	0.403
John McGeachie	4,000,000	0.393
Yu Jie	4,000,000	0.393
Dong Xie	3,700,000	0.363
Andrew McDonald	3,237,987	0.318
John Walstab	2,654,166	0.261
Brighten Investments Ltd	2,600,000	0.255
Patlin Securities Pty Limited	2,500,000	0.246
Mr Francesco Cortellino	2,139,213	0.210
Mr Phillip Gregory Finnis	2,019,743	0.198
Milrix Pty Ltd	1,900,000	0.187
BH Super Pty Ltd	1,800,100	0.177
	951,571,051	93.448

(g) Restricted shares – Fully paid ordinary shares held under escrow

There are no restricted shares held.

(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 2015.