



# **Quantum Energy Limited**

*And its controlled entities*

A.B.N. 19 003 677 245

## **Annual Report For the Financial Year Ended 30 June 2016**

## Quantum Energy Limited and Controlled Entities

### CONTENTS

Notice of Annual General Meeting	1
Proxy Form	2
Directors' Report	4
Auditor's Independence Declaration	11
Independent Audit Report	12
Directors' Declaration	14
Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Consolidated Statement of Financial Position	17
Consolidated Statement of Changes in Equity	18
Consolidated Statement of Cash Flows	19
Notes to the Financial Statements	20
Securities Exchange Information	48

The Company's Corporate Governance Statement can be found on the company's website [www.quantumenergy.com.au](http://www.quantumenergy.com.au)

This financial report was authorised for issue by the Board of Directors on 30 September 2016. The Company has the power to amend and re-issue the financial report.

Quantum Energy Limited and Controlled Entities  
Financial Report for the Year Ended 30 June 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2016 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 25 November 2016 at 3.00 pm.

BUSINESS

- To receive the financial report of the consolidated Group for the year ended 30 June 2016 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 2016 be adopted.

Resolution 2: That Mr Drew Townsend be re-elected as a Director of the Company  
Mr Drew Townsend 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 2016

## Quantum Energy Limited and Controlled Entities

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 23 November, 2016).

With the Company's share registry:

- In person:                 Boardroom Pty Limited  
   Level 12, 225 George Street,  
   Sydney NSW 2000

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

Or by facsimile:             1300 737 760  
   +61 2 9290 9600

### 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 or if no person is so named above, 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 25 November 2016 or at any adjournment of that meeting.

signed this                         day of                         2016

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.

	FOR	AGAINST	ABSTAIN
Agenda item No.:			
<u>Resolution 1</u> : Adopt the remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Resolution 2</u> : Re-election of Mr Drew Townsend as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Quantum Energy Limited and Controlled Entities

### 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.

# Quantum Energy Limited and Controlled Entities

## 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 2016.

### 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.

During the year, the Group acquired a controlling interest in D&D Hunex Co. Limited, which meant that the Group was also involved in the manufacture and distribution of medical equipment.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

### Operating results

The net loss from continuing operations of the Group attributable to owners of the Group after providing for income tax amounted to \$642,123 (2015: profit \$827,351).

The total comprehensive loss of the Group attributable to owners of the Group for the year is \$951,000 (2015: profit of \$1,580,000).

### Review of Operations

The Board of Directors and the Senior Management Team are pleased to advise that Quantum Energy Limited ("Quantum") have delivered a significantly improved normalised financial performance (before abnormal items) for the year ended 30th June 2016 as follows:-

	2016	2015	Variance %
Revenue from continuing activities	\$58,796,608	\$39,153,200	+50.2%
EBITDA	\$1,450,123	\$1,533,140	

The foregoing results are most pleasing especially in light of the ongoing reconstruction of Quantum's Energy Business and the bedding down of our Asian Medical acquisitions in Thailand and Korea.

During the last 12 months we have continued with our strategy of "change" in our Energy Division with an aim of achieving a more "customer focused" business.

We expect to finalise this "change programme" over the next three to five months with the Energy Division "turning the corner" so to speak with improved sales and profit.

Over the last 12 months we have placed more emphasis on our Medical Division given the growth we anticipated both domestically and throughout Asia.

A large amount of effort has been placed on bedding down our 2014/2015 acquisitions in Thailand and Korea and we have now firmly established our Medical base in Asia.

The Medical Division expects continued sales & EBITDA growth in both domestic and Asian markets in 2016/2017.

As at today's date Quantum's "change programme" in the Energy Division continues apace and results experienced in July and August are ahead of expectations.

Likewise the Medical Division continues to grow ahead of budget both domestically as well as in Asia.

Thus subject to no unforeseen circumstances senior management are currently forecasting a much improved Sales Revenue and EBITDA line for the 2016/2017 financial year.

## Quantum Energy Limited and Controlled Entities

### Financial position

The net assets of the consolidated group have decreased to \$ 26,254,000 as at 30 June 2016. The Directors believe that the group is in a strong and stable financial position to expand and grow its current operations.

### Significant changes and state of affairs

Other than those events detailed above, there were no significant changes in the state of affairs of the Group.

### Events subsequent to balance date

No events have been recorded as at the date of this report.

### Future developments, prospects and business strategies

The Group is unaware of any factors which are likely to affect results in the future.

### 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:

<b>Drew Townsend</b>	— 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 22 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.
<b>Phillip Sidney</b>	— 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.
<b>John Walstab</b>	— 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 2016.

## Quantum Energy Limited and Controlled Entities

### DIRECTORS' REPORT (CONTINUED)

#### Meetings of Directors

During the financial year, 8 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	8	8	2	2
Mr P.G. Sidney	8	8	2	2
Mr J. Walstab	8	8	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 2016, 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 or related audit firms.

#### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and a copy can be viewed on page 11 of the Annual Report.

#### Rounding of Amounts

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



# Quantum Energy Limited and Controlled Entities

## 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 \$29,150 during the year (2015: \$45,364).

#### *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 fixed remuneration component for directors and key management personnel is detailed below.

##### *Variable Remuneration*

The objectives of the short and long term incentive plans are:

- to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets; and
- to reward directors and senior executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

## Quantum Energy Limited and Controlled Entities

### 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	\$
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
2016	58,797	(642)	(0.06)	0.025	26,254	0.0030

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 contracts by giving one month's written notice. The Company may terminate these employment agreements by providing one to three month's written notice or by payment in lieu of the notice period based on the executive's fixed component of remuneration. There are no other termination payments included in the contracts. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

#### **(3) Remuneration of Key Management Personnel and Other Executives**

The key management personnel of the Group and the specified executives of the Company and the Group are the directors of the Company and the executives as set out in the table below.

## Quantum Energy Limited and Controlled Entities

### 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	2016	484,617	-	-	46,751	7,503	538,871
	2015	484,617	-	-	46,751	7,503	538,871
J. Walstab	2016	197,841	17,543	-	41,907	9,954	267,245
	2015	174,412	15,000	-	39,915	14,961	244,288
Total Directors	2016	682,458	17,543	-	88,658	17,457	806,116
Total Directors	2015	659,029	15,000	-	86,666	22,464	783,159
<b>Key Executives</b>							
Y. Kim	2016	171,403	9,356	-	17,172	-	197,931
(appointed 18 July 2014)	2015	575,452	26,265	-	18,695	-	620,412
J. Hewlett	2016	124,061	-	-	11,978	2,030	138,069
	2015	117,981	15,000	-	13,216	6,137	152,334
Total Key Executives	2016	295,464	9,356	-	29,150	2,030	336,000
Total Key Executives	2015	693,433	41,265	-	31,911	6,137	772,746
Grand Total	2016	977,922	26,899	-	117,808	19,487	1,142,116
Grand Total	2015	1,352,462	56,265	-	118,577	28,601	1,555,905

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

#### Relative proportion of remuneration linked to performance

	2016	2015
J. Hewlett	0%	10%
Y. Kim	5%	12%
J. Walstab	7%	6%

## Quantum Energy Limited and Controlled Entities

**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 2016, 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.

A handwritten signature in black ink, appearing to read 'P. Sidney', written in a cursive style.

Phillip Sidney

Director

30 September 2016

**QUANTUM ENERGY LIMITED**

**ACN 003 677 245**

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Quantum Energy Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Quantum Energy Limited and the entities it controlled during the year.



**Sydney, NSW**  
**30 September 2016**

**A G Smith**  
**Partner**

**QUANTUM ENERGY LIMITED**

**ACN 003 677 245**

**INDEPENDENT AUDITOR'S REPORT**

To the board 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 2016, 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.

**QUANTUM ENERGY LIMITED**

**ACN 003 677 245**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

***Independence***

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

***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 2016 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 7 to 10 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

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

**HLB Mann Judd  
Chartered Accountants**

A handwritten signature in black ink that reads 'A G Smith'.

**A G Smith  
Partner**

**Sydney, NSW  
30 September 2016**

**DIRECTORS' DECLARATION**

1. In the directors' opinion:
  - (a) the financial statements and notes set out on pages 15 to 47 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 2016 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 2016 required by section 295A of the *Corporations Act 2001*.

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

A handwritten signature in black ink, appearing to read 'P. Sidney', written in a cursive style.

Phillip Sidney  
Director

30 September 2016



# Quantum Energy Limited and Controlled Entities

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

		<b>Consolidated Group</b>	
		<b>2016</b>	<b>2015</b>
	<b>NOTE</b>	<b>\$ 000</b>	<b>\$ 000</b>
<b>Revenue from continuing activities</b>	2	58,797	39,153
Other income	2	-	3,394
Cost of Sales		(36,761)	(21,686)
Employee benefits expense		(13,074)	(10,865)
Depreciation and amortisation expense – non-manufacturing	15	(438)	(232)
Advertising and promotion expenses		(385)	(463)
Finance costs	3	(1,592)	(892)
Legal fees		(92)	(72)
Research and development expenditure		(524)	(398)
Travel expenses		(1,206)	(1,099)
Motor vehicle expenses		(669)	(498)
Warranty expenses		(609)	(169)
Telephones & internet		(265)	(213)
Consultants		(211)	(136)
Freight & delivery expenses		(263)	(124)
Occupancy (rent) expenses		(1,450)	(1,165)
Insurance		(244)	(244)
Foreign exchange gain/(loss)		(312)	(1,869)
Profit on disposal of Renewable Energy Certificates		2,000	652
Fair value gain/(loss) on financial assets (Renewable Energy Certificates)		(140)	405
Share of profit in associate	11	11	1
Other expenses		(3,153)	(1,884)
<b>Profit from Continuing Operations before income tax</b>		<b>(580)</b>	<b>1,596</b>
Income tax (expense) credit	4	100	(192)
<b>Net profit/(loss) from Continuing Operations</b>		<b>(480)</b>	<b>1,404</b>
<b>(Loss) from Discontinued Operations</b>	6	-	(418)
<b>Net profit/(loss) after tax</b>		<b>(480)</b>	<b>986</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss			
Translation of foreign subsidiaries		(358)	1,266
Actuarial gain on retirement benefit obligations		49	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(789)</b>	<b>2,252</b>
<b>Profit/(loss) for the year is attributable to:</b>			
Non-controlling interests		162	577
Owners of the parent		(642)	409
		<b>(480)</b>	<b>986</b>
<b>Profit/(loss) from continuing operations attribute to:</b>			
Non-controlling interests		162	577
Owners of the parent		(642)	827
		<b>(480)</b>	<b>1,404</b>
<b>Total comprehensive income (loss) for the year is attributable to:</b>			
Non-controlling interests		162	672
Owners of the parent		(951)	1,580
		<b>(789)</b>	<b>2,252</b>

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

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016  
(CONTINUED)

	NOTE	Consolidated Group	
		2016	2015
<b>Earnings/(loss) per share for the loss attributable to the continuing operations attributable to the ordinary equity holders of the company</b>			
Basic earnings/(loss) per share (cents per share)	8	(0.06)	0.08
Diluted earnings/(loss) per share (cents per share)	8	(0.06)	0.08
<b>Earnings/(loss) per share for the loss attributable to the ordinary equity holders of the company</b>			
Basic earnings/(loss) per share (cents per share)	8	(0.06)	0.04
Diluted earnings/(loss) per share (cents per share)	8	(0.06)	0.04

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

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

		Consolidated Group	
		2016	2015
	Note	\$ 000	\$ 000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	2,980	3,005
Trade and other receivables	10	9,120	5,866
Inventories	12	16,588	19,683
Financial assets	13	2,964	1,847
Other current assets	18	2,982	3,567
<b>TOTAL CURRENT ASSETS</b>		<b>34,634</b>	<b>33,968</b>
<b>NON-CURRENT ASSETS</b>			
Investment accounted for using equity method	11	-	24
Trade and other receivables	10	114	261
Property, plant and equipment	15	4,242	1,267
Deferred tax assets	16	1,876	1,589
Intangible assets	17	20,127	19,288
Financial assets	13	5,398	4,977
Other	18	774	604
<b>TOTAL NON-CURRENT ASSETS</b>		<b>32,531</b>	<b>28,010</b>
<b>TOTAL ASSETS</b>		<b>67,165</b>	<b>61,978</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	17,505	17,859
Borrowings	20	13,738	8,561
Current tax liabilities		157	95
Short term provisions	21	1,986	1,743
<b>TOTAL CURRENT LIABILITIES</b>		<b>33,386</b>	<b>28,258</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	19	2,244	2,918
Borrowings	20	4,015	3,370
Employee benefits	21	1,266	408
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,525</b>	<b>6,696</b>
<b>TOTAL LIABILITIES</b>		<b>40,911</b>	<b>34,954</b>
<b>NET ASSETS</b>		<b>26,254</b>	<b>27,024</b>
<b>EQUITY</b>			
Issued capital	22	83,789	83,789
Non-controlling interests		841	660
Reserves	23	1,375	1,684
Retained earnings (accumulated losses)		(59,751)	(59,109)
<b>TOTAL EQUITY</b>		<b>26,254</b>	<b>27,024</b>

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

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Ordinary Share Capital	Undistribut able Profits Reserve	Exchange Translation Reserve	Retained Profits (Losses)	Total	Attributable to non- controlling interests	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000		
<b>Consolidated</b>							
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
Balance at 1 July 2015	83,789	504	1,180	(59,109)	26,364	660	27,024
Non-controlling interest on acquisition	-	-	-	-	-	19	19
Profit for the year	-	-	-	(642)	(642)	162	(480)
Other comprehensive income for the year	-	-	(309)	-	(309)	-	(309)
Balance at 30 June 2016	83,789	504	871	(59,751)	25,413	841	26,254

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

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated Group	
		2016 \$ 000	2015 \$ 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		60,735	46,649
Payments to suppliers and employees		(64,535)	(49,342)
Interest received		76	117
Finance costs		(409)	(438)
Income tax paid		(325)	(120)
Net cash used in operating activities	26	<u>(4,458)</u>	<u>(3,134)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		-	6
Purchase of property, plant and equipment		(841)	(485)
Dividends received from unrelated entity		9	8
Payments for acquisition of subsidiary net of cash acquired- Hunex	14(c)	(509)	(1,027)
Payment for acquisition of investment – QHC Thailand and QHC Korea		(191)	(1,045)
Payments for financial assets		(2,369)	(2,826)
Proceeds from sale of investment		-	3,900
Proceeds from sale of financial assets		5,359	2,723
Net cash provided by investing activities		<u>1,458</u>	<u>1,254</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advances/Repayment of borrowings		<u>2,289</u>	<u>1,168</u>
Net cash provided by financing activities		<u>2,289</u>	<u>1,168</u>
Net decrease in cash held		(711)	(712)
Cash at beginning of the year		<u>1,059</u>	<u>1,771</u>
Cash at end of the year	9	<u>348</u>	<u>1,059</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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 associates 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.

Quantum Energy Limited and Controlled Entities  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**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 or 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:

<b><i>Class of Fixed Asset</i></b>	<b><i>Depreciation Rate</i></b>
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 Statement of Financial Position 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 on consolidation is initially recorded at the amount by which the purchase price for a business combination exceeds the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(i) Foreign Currency Transactions and Balances**

*Functional and Presentation Currency*

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

*Transaction and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the 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 statement of financial position are shown inclusive of GST.

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

**(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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**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 subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such 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 Company is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

**(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 2016, and have formed the opinion that an amount receivable from sales made during the current financial year amounting to \$534,000 (2015: \$292,000) 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 cost.

*(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 2016 is recoverable. Further details are included in Note 17.

*(iv) Provision for Warranty – Insight Oceania Pty Ltd*

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) Provision for warranty – Quantum Healthcare Korea Co, Ltd ("QHK")*

Quantum Healthcare Korea Co, Ltd, a subsidiary of the Company, raised a provision for warranty expenses as at 30 June 2016 of \$176,000. This is based upon management's estimate of the warranty that QHK has provided to one of its customers, where QHK has provided a three year warranty to its customer, and QHK has received a two year warranty from its supplier. The provision of \$176,000 is based on management's estimate of the cost of providing this warranty for one year to its customer (being the difference between the warranty provided by QHK to its customer of three years and the warranty received from its supplier of two years), which is estimated by management's review of the contract with its supplier and determining the warranty element of total costs payable to its supplier.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Critical Accounting Estimates and Judgments (continued)**

*(v) Provision for warranty – Quantum Healthcare Korea Co, Ltd (continued)*

If management's estimate was to increase or decrease by 10%, the warranty provision would increase or decrease by \$17,600.

*(vi) Intangibles assets – Quantum Healthcare Korea Co, Ltd*

Patents relate to a patent acquired by Quantum Bioscience Co., Limited, a subsidiary of QHK, for \$259,000. At 30 June 2016, no revenues have yet been generated in relation to this patent. Management expect to generate revenues in excess of the carrying value of this patent over the next five years, and are amortising the patent over 10 years, being the estimated period that revenues will be generated from this patent. Given the patent was acquired during the year, management consider that the patent is not impaired and will continue to monitor whether there are any impairment indicators in future years.

**(u) Fair Value Measurement**

The fair value of financial assets and liabilities are estimated for 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 2016, the consolidated entity incurred a loss after income tax of \$0.48m. At 30 June 2016, the consolidated entity had net assets of \$26.3m and net current assets of \$1.2m. Included in current liabilities are amounts due to J Walstab (a director of the Company) of \$2.8m and N Tomlin of \$0.48m. J Walstab and N Tomlin have confirmed in writing that they will not demand repayment of these amounts prior to 31 December 2017 if it affects the ability of the consolidated entity to pay its other debts as and when they fall due and payable.

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

**(w) New Accounting Standards for Application in Future Periods**

The Australian Accounting Standards Board 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 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 2018), i.e. without restating the comparative period. They will only need to apply the new standard to contracts that are not completed as of the date of initial application.

Management has yet to assess the impact of the new standard and, at this stage, the Group is not able to estimate the impact of the new standard 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 2: REVENUE AND OTHER INCOME**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Revenue</b>		
Sale of goods	43,919	27,026
Services revenue	13,919	11,450
	<u>57,838</u>	<u>38,476</u>
<b>Other revenue</b>		
Interest receivable - other entities	77	118
Interest receivable - related parties	377	365
Dividend from unrelated parties	9	8
Other revenue	268	186
Forgiveness of liability	228	-
	<u>959</u>	<u>677</u>
Total Revenue	<u>58,797</u>	<u>39,153</u>
<b>Other Revenue</b>		
Profit on disposal of associate	-	3,394
	<u>-</u>	<u>3,394</u>

**NOTE 3: PROFIT (LOSS) FOR THE YEAR**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Profit (Loss) for the year including the following expenses:		
Finance costs		
- External	789	442
- Related parties	803	450
Total finance costs	<u>1,592</u>	<u>892</u>
Foreign currency losses	312	1,869
Rental expense relating to operating lease	<u>1,450</u>	<u>1,165</u>

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

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>(a) Continuing Operations</b>		
<b>The components of income tax expense comprise:</b>		
Current tax relating to Continuing Operations	-	-
Deferred tax relating to Continuing Operations	(100)	192
	<u>(100)</u>	<u>192</u>
<b>Consolidated Group</b>		
<b>The components of income tax expense comprise:</b>		
Current tax	-	-
Deferred tax	(100)	192
	<u>(100)</u>	<u>192</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 4: INCOME TAX EXPENSE (CREDIT) (CONTINUED)**

	Consolidated Group	
	2016	2015
	\$	\$
<b>(b) Consists of:</b>		
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 17% (2015:30%)	(174)	479
Add (Deduct) tax effect of:		
Non-allowable items	-	1
Difference in overseas tax rate	154	(109)
Profit on disposal of associate	-	(1,018)
Fully franked dividend	(3)	(2)
Deferred tax asset not recognised	(77)	841
Derecognition of deferred tax asset in relation to tax losses	-	-
<b>Income tax expense</b>	<b>(100)</b>	<b>192</b>
The applicable weighted average effective tax rates are	17%	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
J. Hewlett	Director, Insight Oceania Pty Ltd (subsidiary)
Y.Kim	Director, Medical Imaging (appointed 18 July 2015)

**(b) Key Management Personnel remuneration**

	Consolidated Group	
	2016	2015
	\$	\$
Short-term employee benefits	1,004,821	1,408,727
Post-employment benefits	117,808	118,577
Long-term benefits	19,487	28,601
	<b>1,142,116</b>	<b>1,555,905</b>

**(c) Option holdings**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****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 1.7.15 No.	Sold No.	Purchased No.	Balance 30.6.16 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				
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	
	2016 \$ 000	2015 \$ 000
<b>(a) Performance Information</b>		
Financial Performance information in relation to Discontinued operation as described in (e) below		
Revenue	-	-
Expenses	-	(4)
Net Loss before Income Tax	-	(4)
Income Tax expense	-	414
Loss after income tax from Discontinued Operations	-	(418)

**(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)
---	---	-----

**(c) Discontinued Operation**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 7: REMUNERATION OF AUDITORS**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Auditing and reviewing financial reports</b>		
Current auditor - HLB Mann Judd (NSW Partnership)		
- Audit and review of financial statements	206,000	203,000
- Audit of financial statements – subsidiary	-	-
The audit of a 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	5,488	9,745
- Thailand	11,503	9,899
- Korea (audit performed by HLB network firm)	55,956	17,812
	<u>278,947</u>	<u>240,456</u>

**NOTE 8: EARNINGS PER SHARE**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>Earnings /(loss) per share loss from continuing operations</b>		
Basic earnings/(loss) per share	(0.06)	0.08
Diluted earnings/(loss) per share	(0.06)	0.08
<b>Earnings /(loss) per share after tax</b>		
Basic earnings/(loss) per share	(0.06)	0.04
Diluted earnings/(loss) per share	(0.06)	0.04
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>(a) Reconciliation of earnings to profit or loss</b>		
Net profit/(loss) from continuing operations		
Earnings/(Loss) used to calculate basic EPS	(642)	827
Earnings/(Loss) used to calculate diluted EPS	(642)	827
Net profit/(loss)		
Earnings/(Loss) used to calculate basic EPS	(642)	409
Earnings/(Loss) used to calculate diluted EPS	(642)	409
	No.	No.
<b>(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS</b>		
	1,018,308,291	1,018,308,291
<b>(c) Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS</b>		
	1,018,308,291	1,018,308,291



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 9: CASH AND CASH EQUIVALENTS**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
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	2,980	3,005
Bank Overdraft (Note 20)	(2,632)	(1,946)
	348	1,059

**NOTE 10: TRADE AND OTHER RECEIVABLES**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>CURRENT</b>		
Trade receivables	9,686	6,198
Allowance for doubtful debts	(534)	(292)
Impairment of receivables	(32)	(40)
	9,120	5,866
<b>NON-CURRENT</b>		
Trade receivables	114	261
	114	261
Trade receivables past due, not impaired		
61-90 days past due	581	1,470
91+ past due	4,201	2,013
	4,782	3,483

**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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 11: INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>(a) Movement in carrying value</b>		
Carrying value at the beginning of the financial year	24	529
Investment during the year	-	-
Share of income after income tax	11	1
Disposal of investment	(35)	(506)
Carrying value at the end of the financial year	-	24

**(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	Measurement method	Ownership interest %	Assets \$ 000	Liabilities \$ 000	Revenue \$ 000	Profit/(Loss) \$ 000
2016 Quantum HQ	China	Joint Venture	Equity Method	-	-	-	-	-
2015 Quantum HQ	China	Joint Venture	Equity Method	50%	65	43	151	1

Share of contingent liabilities of associate is \$Nil (2015: \$Nil).

\* In May 2016 the Group sold its interest in Quantum HQ

**NOTE 12: INVENTORIES**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>At cost</b>		
Raw materials and stores	511	402
Finished goods	16,077	19,281
	16,588	19,683

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 13: FINANCIAL ASSETS**

	Consolidated Group	
	2016	2015
	\$ 000	\$ 000
Current		
Financial assets at fair value through profit or loss:		
-Term Deposits	332	424
-Shares in listed companies (a)	302	237
-Others	34	147
-Renewable Energy certificates (a)	2,296	1,039
	2,964	1,847
Non-Current		
Deposits	1,566	854
Loans to related parties	3,832	4,123
	5,398	4,977

- (a) Level 1 in fair value hierarchy (refer Note 1 (u)): 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	
		2016	2015
<b>Parent entity</b>			
Quantum Energy Limited	Australia		
<b>Controlled entity</b>			
Quantum Energy Technologies Pty Ltd	Australia	100%	100%
Quantum Energy Installations Pty Ltd	Australia	100%	100%
Insight Oceania Pty Ltd	Australia	100%	100%
Medishop Pty Ltd	Australia	100%	100%
Quantum Solar Power Pty Ltd	Australia	100%	100%
Quantum Energy Technologies (Suzhou) Co Ltd	China	100%	100%
Suzhou Sheerdrop Wine Co Ltd	China	100%	100%
Med-X Healthcare Pty Ltd	Australia	100%	100%
Quantum Healthcare Korea Co. Ltd	Korea	80%	84%
D&D Hunex Co. Ltd	Korea	76%	-
Quantum Healthcare Thailand Co. Ltd	Thailand	39%	41%
Quantum Healthcare Pty Ltd	Australia	80%	84%

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 14: CONTROLLED ENTITIES (CONTINUED)****(b) Summary of acquisitions**

On 29 July 2015 the Group acquired a 76% holding in D&D Hunex Co. Ltd, a manufacturer and distributor of medical equipment in Korea, to expand the Group's presence in this sector.

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

	<b>D&amp;D Hunex</b>
	<b>\$000</b>
<b>Purchase consideration (refer to (c) below)</b>	
Cash paid	921
	<u>921</u>

Of the cash paid, \$385,000 was paid during the year ended 30 June 2015. Total cash consideration for purchase of D&D Hunex during the year ended 30 June 2016 was \$536,000.

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

	<b>D&amp;D Hunex</b>
	<b>\$000</b>
Cash and overdrafts	27
Stock	2,291
Trade debtors	2,096
Property, plant and equipment	2,694
Other assets	1,357
Trade creditors	(1,382)
Other liabilities	(6,982)
Net identifiable assets (liabilities) acquired	101
Non-controlling interests	(19)
Goodwill	839
Net assets acquired	<u>921</u>

**(i) 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**

	<b>\$000</b>
Outflow of cash to acquire, net of cash acquired	
Cash consideration	536
Less cash balance acquired	(27)
Outflow of cash – investing activities	<u>509</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****(d) Acquisitions continued from 2015**

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 \$000	QHC Korea \$000	Total \$000
<b>Purchase consideration (refer to (e) below)</b>			
Contingent consideration	-	114	114
Deferred consideration	1,481	1,601	3,082
Cash paid	1,119	342	1,461
	<u>2,600</u>	<u>2,057</u>	<u>4,657</u>

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 \$000	QHC Korea \$000
Cash and overdrafts	(181)	3
Stock	729	252
Trade debtors	791	3,240
Other assets	694	1,038
Trade creditors	(342)	(4,103)
Other creditors	(797)	(4,055)
Net identifiable assets (liabilities) acquired	894	(3,625)
Non-controlling interests	(525)	580
Goodwill	2,231	5,102
Net assets acquired	<u>2,600</u>	<u>2,057</u>

- (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.

**(e) 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	<u>1,027</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 15: PROPERTY, PLANT AND EQUIPMENT**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Land & Buildings at cost	2,501	231
Plant & Equipment at cost	8,267	5,771
Accumulated depreciation	(6,503)	(4,712)
Provision for Impairment	(23)	(23)
	<u>4,242</u>	<u>1,267</u>
Movements in carrying amounts		
Opening Balance	1,267	760
Additions through acquisition of subsidiaries during the year	2,694	490
Additions	780	345
Disposals/Write-offs	(61)	(96)
Depreciation/amortisation expense	(438)	(232)
Closing balance	<u>4,242</u>	<u>1,267</u>

**NOTE 16: DEFERRED TAX ASSETS**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Consists of:</b>		
- Inventories	143	65
- Employee entitlements	484	487
- Lease liability	62	81
- Accruals and Provisions	824	670
- Other	(57)	(134)
- Impairment provisions	420	420
	<u>1,876</u>	<u>1,589</u>

**NOTE 17: INTANGIBLE ASSETS**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Goodwill on acquisition:		
Cost	91,318	90,479
Accumulated impairment losses	(71,191)	(71,191)
Net carrying amount	<u>20,127</u>	<u>19,288</u>
<b>Movement:</b>		
Opening net book amount	19,288	11,955
Add: D&D Hunex Co. Ltd goodwill on acquisition	839	-
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	<u>20,127</u>	<u>19,288</u>

**Impairment Disclosures**

Goodwill has been tested for impairment at 30 June 2016, 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 17: INTANGIBLE ASSETS (CONTINUED)

	Consolidated Group	
	2016 \$000	2015 \$000
Medical (Insight Oceania Pty Ltd)	11,811	11,811
Medical (D&D Hunex Co. Ltd)	839	-
Medical (Quantum Healthcare Korea Co. Ltd)	5,102	5,102
Medical (Quantum Healthcare Thailand Co. Ltd)	2,231	2,231
Heat pump technologies	144	144
Total	20,127	19,288

The value in use calculation for the goodwill on acquisition is based on discounted estimated maintainable earnings before interest and taxes ("EBIT"). 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	D&D Hunex Co.Ltd	Quantum Healthcare Thailand Co. Ltd
Discount rate	17.5%	17.5%	17.5%	17.5%
Terminal value of approximate times EBIT	5.7	5.7	5.7	5.7
EBIT increase forecast at average of	3%	16%	*17%	**22%
<i>*average growth from FY18 (see below)</i>				
<i>**average growth from FY17 (see below)</i>				

During the year ended 30 June 2016 D&D Hunex Co Ltd incurred significant losses as a result of manufacturing certain loss making products. Plans were implemented before 30 June 2016 to cease making these products before 30 June 2017 which have been reflected in management forecasts supporting the goodwill impairment. This resulted in a small EBIT forecast in the year ended 30 June 2017 which was increased by 485% during the year ended 30 June 2018. The average increase of 17% noted above relates to the periods after 30 June 2018.

Management forecasts supporting the goodwill impairment of Quantum Healthcare Thailand Co. Ltd reflect management's plans to continue to increase sales relating to Aesthetics, which started during the year ended 30 June 2016, as well as to start selling high end Ultrasound Radiology products from December 2016. This resulted in forecast EBIT for the year ended 30 June 2017 being 78% higher than that earned during the year ended 30 June 2016. The average increase of 22% noted above relates to the periods after 30 June 2017.

**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	D&D Hunex Co.Ltd	Quantum Healthcare Thailand Co. Ltd
Discount rate – change discount rates to	Over 100%	37%	47%	27%
EBIT change – reduce forecast EBIT by	49%	50%	65%	37%

## NOTE 18: OTHER ASSETS

	Consolidated Group	
	2016 \$ 000	2015 \$ 000
<b>CURRENT</b>		
Prepayments	1,798	2,089
Other	1,184	1,478
	2,982	3,567
<b>NON-CURRENT</b>		
Security Deposits	122	122
Other	652	482
	774	604

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 19: TRADE AND OTHER PAYABLES**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>CURRENT</b>		
Unsecured liabilities:		
Trade payables	8,347	8,637
Deferred revenue	2,490	2,634
Deferred consideration – amounts due on acquisition of subsidiaries during the year (Note 14)	2,803	1,902
Employee benefits	490	405
Other	2,052	854
Customer deposits	1,323	3,427
	<u>17,505</u>	<u>17,859</u>
<b>NON-CURRENT</b>		
Deferred consideration – amounts due on acquisition of subsidiaries during the year (Note 14)	2,244	2,918
	<u>2,244</u>	<u>2,918</u>

**NOTE 20: BORROWINGS**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>CURRENT</b>		
Unsecured liabilities:		
- Loans - Directors	2,820	2,850
- Loans - Other parties	741	404
- Loans - Directors of subsidiaries	-	-
Secured liabilities:		
- Bank borrowings	7,528	3,314
- Lease liability	17	47
- Bank - overdraft	2,632	1,946
	<u>13,738</u>	<u>8,561</u>
<b>NON-CURRENT</b>		
Unsecured liabilities:		
- Loans - Directors	1,868	1,113
- Loans - other parties	1,329	1,116
Secured liabilities:		
- Lease liability	75	62
- Bank borrowings	743	1,079
	<u>4,015</u>	<u>3,370</u>

For the financial year 2016, 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 a 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, and a requirement for a minimum capital adequacy ratio.

In relation to the current bank borrowings (mostly relates to QHC Korea & D&D Hunex) - \$574,000 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for the guarantee provided. \$2,421,000 is secured by the CEO of QHC Korea.

In relation to the non-current bank borrowing (mostly relates to QHC Korea) - \$1,311,000 is guaranteed by a Credit Guarantee Company. QHC Korea pays a guarantee fee to the Credit Guarantee Company for the guarantee provided. \$1,175,000 is secured by guarantee provided by the CEO of QHC Korea.

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 21: PROVISIONS**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>CURRENT</b>		
Employee benefits	1,521	1,420
Warranty	465	323
	1,986	1,743
<b>NON CURRENT</b>		
Employee benefits	1,266	408

**NOTE 22: ISSUED CAPITAL**

	<b>Consolidated Group</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	1,018,308,291	1,018,308,291	83,789	83,789
<b>Movements:</b>				
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**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Reserve</b>		
Undistributable Profits Reserve	504	504
Exchange Translation Reserve	871	1,180
Closing Balance	1,375	1,684

*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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 24: LEASING COMMITMENTS

	Consolidated Group	
	2016	2015
	\$ 000	\$ 000
<b>Finance lease commitments</b>		
Minimum lease payments payable within		
-1 year	18	52
-between 1 year and five years	75	62
	93	114
Less: Future finance charges	(1)	(5)
	92	109
<b>Disclosed as:</b>		
Current liability (Note 20)	17	47
Non-current liability (Note 20)	75	62
	92	109
<b>Operating lease commitments</b>		
Non-cancellable operating leases contracted but not capitalised in the financial statements		
-Payable within one year	651	531
-Payable later than 1 year and not later than 5 years	540	373
	1,191	904

## NOTE 25: SEGMENT REPORTING

	Environmental Services		Medical		Investments		Unallocated		Elimination		Consolidated-Continuing Operations	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Total revenue and other income –												
Australia	11,840	8,023	17,143	11,885	1,174	3,654	367	356	-	-	30,524	23,929
Total revenue – China	288	699	-	-	-	-	-	-	-	-	288	699
Total revenue – Thailand	-	-	4,369	4,552	-	-	-	-	-	-	4,369	4,552
Total revenue – Korea	-	-	23,606	13,367	-	-	-	-	-	-	23,606	13,367
Total revenue and other income	12,128	8,722	45,118	29,804	1,174	3,654	367	367	-	-	58,797	42,547
Profit/(Loss) after income tax – Australia	(1,589)	(1,641)	3,003	195	563	3,982	(1,057)	203	(640)	(1,699)	280	1,040
Profit/(Loss) after income tax – China	(892)	(1,717)	-	-	-	-	-	-	-	-	(892)	(1,717)
Profit/(Loss) after income tax – Thailand	-	-	340	565	-	-	-	-	-	-	340	565
Profit/(Loss) after income tax – Korea	-	-	(208)	1,516	-	-	-	-	-	-	(208)	1,516
Total Profit/(Loss) after income tax	(2,481)	(3,358)	3,135	2,276	563	3,982	(1,057)	203	(640)	(1,699)	(480)	1,404
Segment assets – Australia	8,438	4,995	26,887	34,262	-	1,339	10,537	9,509	(4,225)	(7,415)	41,637	42,690
Segment assets – China	4,826	5,550	-	-	-	-	-	-	-	-	4,826	5,550
Segment assets – Thailand	-	-	4,381	4,160	-	-	-	-	-	-	4,381	4,160
Segment assets – Korea	-	-	16,321	9,576	-	-	-	-	-	-	16,321	9,576
Total Segment Assets	13,264	10,545	47,589	47,998	-	1,339	10,537	9,509	(4,225)	(7,415)	67,165	61,976
Segment liabilities – Australia	4,429	3,239	7,471	8,658	-	18	18,512	9,320	(10,050)	(1,221)	20,361	20,014
Segment liabilities – China	2,104	1,417	-	-	-	-	-	-	-	-	2,104	1,417
Segment liabilities – Thailand	-	-	1,933	2,053	-	-	-	-	-	-	1,933	2,053
Segment liabilities – Korea	-	-	16,513	11,470	-	-	-	-	-	-	16,513	11,470
Total Segment Liabilities	6,533	4,656	25,917	22,181	-	18	18,512	9,320	(10,050)	(1,221)	40,911	34,954
Income tax expense (credit)	(30)	5	251	251	-	-	(162)	(42)	41	(22)	100	192
Depreciation	21	64	417	168	-	-	-	-	-	-	438	232
Interest Revenue	-	1	77	116	-	-	377	365	-	-	454	482
Interest Expense	275	190	512	250	-	-	805	452	-	-	1,592	892
Fair value gain/(loss) on financial assets	-	-	-	-	1,860	1,057	-	-	-	-	1,860	1,057
Acquisition of Property, plant & equipment	-	18	780	327	-	-	-	-	-	-	780	345
Share of profit/(loss) in associate and joint venture	-	-	-	-	11	1	-	-	-	-	11	1
Gain/(loss) from disposal of associate	-	-	-	-	(35)	3,394	-	-	-	-	(35)	3,394

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 25: SEGMENT REPORTING (CONTINUED)

	Discontinued Operations		Consolidated Group	
	2016 \$ 000	2015 \$ 000	2016 \$ 000	2015 \$ 000
Total revenue - Australia	-	-	30,524	23,929
Total revenue - China	-	-	288	699
Total revenue - Thailand	-	-	4,369	4,552
Total revenue - Korea	-	-	23,606	13,367
Total revenue	-	-	58,787	42,547
Profit/(Loss) from ordinary activities - Australia	-	(418)	280	622
Profit/(Loss) from ordinary activities - China	-	-	(892)	(1,717)
Profit/(Loss) from ordinary activities - Thailand	-	-	340	565
Profit/(Loss) from ordinary activities - Korea	-	-	(208)	1,516
Total Profit/(Loss) from ordinary activities	-	(418)	(480)	986
Segment assets - Australia	-	2	41,637	42,692
Segment assets - China	-	-	4,826	5,550
Segment assets - Thailand	-	-	4,381	4,160
Segment assets - Korea	-	-	16,321	9,576
Total Segment Assets	-	2	67,165	61,978
Segment liabilities - Australia	-	-	20,361	20,014
Segment liabilities - China	-	-	2,104	1,417
Segment liabilities - Thailand	-	-	1,933	2,053
Segment liabilities - Korea	-	-	16,513	11,470
Total Segment Liabilities	-	-	40,911	34,954
Income tax expense (credit)	-	414	100	606
Depreciation	-	-	438	232
Interest revenue	-	-	454	482
Interest expense	-	-	1,592	892
Fair value profit/(loss) on financial assets	-	-	1,860	1,057
Acquisition of Property, plant & equipment	-	-	780	345
Share of profit/(loss) in associate and joint venture	-	-	11	1
Gain/(loss) on disposal of associate	-	-	(35)	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 manufacturer and distributor of medical products; and investments in some Renewable Energy Certificates and other assets.

**Geographical Segments**

The consolidated Group predominately operates in 4 geographical segments with manufacturing operations in China and distribution in Australia, Korea and Thailand.

**Intersegment Transfers**

There were no intersegment transfers.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 26: CASH FLOW INFORMATION

	Note	Consolidated Group	
		2016 \$ 000	2015 \$ 000
<b>(a) Reconciliation of cash Flow from Operations with Profit/(loss) After Income Tax</b>			
Operating profit (loss) after income Tax		(480)	986
<b>Non-cash items in profit (loss)</b>			
-Depreciation	15	438	232
-Foreign currency (gain)/losses		(358)	1,266
-Profit/loss on disposal of assets/investments		(3)	(3,423)
-Change in fair value of financial assets		(2,182)	(652)
-Provision for annual leave and long service leave		303	100
-Impairment of receivables		(46)	(274)
-Share of (profit)/Loss in Associates			1
<b>(Increase) decrease in:</b>			
-trade receivables		(1,055)	2,952
-Inventories		5,155	(7,854)
-Prepayments		(1,094)	(2,099)
-Deferred tax asset		(354)	421
<b>Increase/ (decrease) in:</b>			
-trade creditors and accruals		(4,729)	5,356
-Provision for warranty		(53)	(224)
-Income tax			78
<b>Cash flows from (used in) operating activities</b>		<b>(4,458)</b>	<b>(3,134)</b>

	Consolidated Group	
	2016 \$ 000	2015 \$ 000

**(b) Credit Standby****Arrangements with Australian Bank**

Credit facility*	3,000	3,000
Amount utilised	(2,632)	(1,946)
Amount available	368	1,054

All other loans from banks are disclosed at Note 20 of the financial statements. All facilities relating to these loans have been fully utilised. There are no covenants on these other loans.

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

Refer to Note 20 for details of the security provided to Westpac Banking Corporation in relation to the above facility. The minimum capital adequacy ratio of 25% is calculated as:

Tangible Net Worth (excl. Intangibles/Goodwill) + Shareholders loans  
Total Tangible Assets (excl. Intangibles/Goodwill)

At year end the Group did not comply with the minimum capital adequacy ratio of 25%. At the date of this report the directors have advised that the bank has not taken any action with regards to this breach. Bank facilities are due for review in November 2016.

**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**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Transactions with Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner:		
Payment for accountancy services by the group	29,150	45,364
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 of \$1.5m) per annum		
- Phillip Sidney	(1,342,265)	(988,606)
- John Walstab	2,819,584	2,574,656
- Drew Townsend	(216,167)	(192,392)
- James Hewlett	12,760	12,446
Loans from/(to) directors and related parties		
- Phillip Sidney (secured - Note 27(f))	(2,489,877)	(2,561,762)
- John Walstab (unsecured)	1,572,762	1,113,314
- Drew Townsend (secured - Note 27(f))	510,951	(380,232)
Unsecured loans from/ (to) other key management personnel		
- 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	(353,658)	(315,392)
- John Walstab	244,927	399,094
- Drew Townsend	(23,775)	(49,302)
- James Hewlett	314	314
Travel & other advance		
- John Walstab	40,816	27,884
Bonus payable to:		
- John Walstab	17,543	15,000
- Youngchun Kim	9,356	8,000
- James Hewlett	-	15,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 27: RELATED PARTY DISCLOSURES (CONTINUED)

## (e) Loans to key management personnel

2016	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	2,561,762	-	(71,885)	2,489,877	2,489,877
- Accrued Interest	988,606	353,658	-	1,342,264	1,342,264
Drew Townsend					
- Loan	380,232	-	(891,183)	(510,951)*	380,232
- Accrued Interest	192,392	23,775	-	216,167	216,167
*Loan to D Townsend at beginning of year. At end of the year, balance was loan from D Townsend.					
2015					
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

## (f) Loans from key management personnel

2016	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	1,113,314	-	459,447**	1,572,761	1,572,762
- Accrued Interest	2,574,656	740,192	(495,264)**	2,819,584	2,819,583
Jim Hewlett					
- Loan	3,137	-	-	3,137	3,137
- Accrued Interest	12,446	314	-	12,760	12,760
Andrew McDonald					
- Loan	-	-	-	-	-
- Accrued Interest	-	-	-	-	-
**\$495,264 relates to repayments reclassified from repayment of loan to repayment of accrued interest.					
2015					
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)	-	-

Crisp Holdings Ltd, a company associated with Phillip Sidney and Drew Townsend, has guaranteed the loan, including any interest owing, owed by Phillip Sidney 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****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			
	2016 \$ 000	2015 \$ 000		
<b>Financial Assets:</b>				
China RMB	382	221		
Euro	93	-		
US dollars	132	32		
New Zealand dollars	894	138		
Korean WON	5,768	1,736		
Thai Baht	1,341	1,773		
Total amounts in foreign currencies	8,610	3,900		
<b>Financial Liabilities:</b>				
China RMB	1,702	1,102		
Euro	4	-		
US dollars	141	5,063		
New Zealand dollars	13	16		
Korean WON	9,118	2,955		
Thai Baht	1,728	815		
Total amounts in foreign currencies	12,706	9,951		
<hr/>				
	2016		2015	
	\$000	\$000	\$000	\$000
<b>Financial Assets:</b>				
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:				
	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>
Increase/ (decrease) in profit	(783)	957	(353)	432
Increase/ (decrease) in net assets	(783)	957	(353)	432
<b>Financial Liabilities:</b>				
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:				
	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>
Increase/ (decrease) in profit	1,155	(1,412)	905	(1,121)
Increase/ (decrease) in net assets	1,155	(1,412)	905	(1,121)

Quantum Energy Limited and Controlled Entities  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)**

	2016 \$000	2015 \$000
<b>Overall</b>		
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:		
	<b>+10%</b>	<b>-10%</b>
Increase/ (decrease) in profit	86	(101)
Increase/ (decrease) in net assets	466	(566)

**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	
			Less than 1 Year		1 to 5 Years					
	Weighted Average Interest Rate %		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Financial assets:										
Cash	0.1%	0.3%	2,980	3,005	-	-	-	-	2,980	3,005
Trade & Other Receivables			-	-	-	-	-	9,234	6,127	9,234
Renewable Energy Certificates			-	-	-	-	-	2,296	1,039	2,296
Shares in Listed Companies			-	-	-	-	-	302	237	302
Loans	10%	10%	-	-	-	-	3,832	4,123	-	-
Other	10%	10.8%	-	-	332	424	-	854	5,356	4,318
<b>Total financial assets</b>			<b>2,980</b>	<b>3,005</b>	<b>332</b>	<b>424</b>	<b>3,832</b>	<b>4,977</b>	<b>17,188</b>	<b>11,721</b>
Financial liabilities:										
Bank overdraft	10.8%	11.1%	2,632	1,946	-	-	-	-	-	-
Lease liability	7.7%	7.7%	-	-	17	47	75	62	-	-
Bank and other loans	10.4%	8.4%	-	-	3,609	6,568	8,210	1,079	3,210	2,229
Trade and other creditors			-	-	-	-	-	-	19,749	20,777
<b>Total financial liabilities</b>			<b>2,632</b>	<b>1,946</b>	<b>3,626</b>	<b>6,615</b>	<b>8,285</b>	<b>1,141</b>	<b>22,959</b>	<b>23,006</b>

**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").

**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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)****2. Credit risk (continued)**

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	
<b>Consolidated</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Financial liabilities:	-	-	-	-	-	-
Bank overdraft	2,632	1,946	-	-	2,632	1,946
Lease liability	17	47	75	62	92	109
Bank and other loans	11,089	6,568	3,940	3,308	15,029	9,876
Trade and other creditors	17,505	20,777	2,244	-	19,749	20,777
<b>Total financial liabilities</b>	<b>31,243</b>	<b>29,338</b>	<b>6,259</b>	<b>3,370</b>	<b>37,502</b>	<b>32,708</b>

**NOTE 29: PARENT ENTITY INFORMATION**

	<b>2016</b>	<b>2015</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Current assets	48	31
Total assets	8,196	16,796
Current liabilities	4,336	3,945
Total liabilities	12,851	20,394
Shareholders equity:		
Issued capital	83,789	83,789
Retained earnings	(88,444)	(87,387)
	(4,655)	(3,598)
Profit (loss) for the year	(1,058)	3,600
Total comprehensive income	(1,058)	3,600

**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**

No subsequent events have been recorded as at the date of this report.

**SECURITIES EXCHANGE INFORMATION**

**(a) Distribution of Shareholders as at 15 September 2016**

<b>Holdings Ranges</b>	<b>Holders</b>	<b>Total Shares</b>	<b>%</b>
1-1,000	76	36,418	0.004
1,001-5,000	253	809,246	0.079
5,001-10,000	272	2,204,412	0.216
10,001-100,000	496	17,653,846	1.734
100,001-99,999,999,999	150	997,604,369	97.967
<b>Totals</b>	<b>1,247</b>	<b>1,018,308,291</b>	<b>100.00</b>

**(b) There are currently 999 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 2016 are as follows. This also reflects the directors relevant stock interests:**

<b>Directors</b>	<b>Shares</b>
D.A. Townsend	760,006,417*
P.G. Sidney	762,546,811**
J. Walstab	85,018,434 ***
<b>Ordinary shareholder</b>	<b>Relevant interest notified</b>
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.

## Quantum Energy Limited and Controlled Entities

### SECURITIES EXCHANGE INFORMATION (CONTINUED)

#### (f) 20 Largest Shareholders — Ordinary Shares as at 15 September 2016

Holder Name	Balance	%
Crisp Holdings Ltd	753,736,667	74.02
Mr John Walstab	84,142,584	8.26
Mr Andrew McDonald	62,622,896	6.15
Ramn Pty Ltd <Super Fund A/C>	9,266,444	0.91
Mr Barry Raymond Nelson & Mr Brad Andrew Nelson <Nelson Super Fund A/C>	8,400,000	0.82
Mr James Hewlett	5,701,137	0.56
Chicago Limited	4,642,267	0.46
Mr John Robert & Mrs Jennifer Ann McGeachie <Ramn P/L Super Fund A/C>	4,661,111	0.46
Mr Yu Jie	4,000,000	0.39
Mr Dong Xie	3,700,000	0.36
Mr Francesco Cortellino	2,737,113	0.27
Brighten Investments Ltd	2,500,000	0.26
Chan Sze	2,302,537	0.23
Patlin Securities Pty Limited	2,139,213	0.25
Mr Phillip Gregory Finnis	2,137,643	0.21
Milrix PTY Ltd.	1,900,000	0.19
BH Super PTY Ltd.	1,800,100	0.18
Nighdoc PTY Ltd.	1,083,333	0.11
Francis Carbone	990,708	0.10
Torrent PTY Ltd.	987,566	0.10
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	959,451,319	93.29

#### (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 2016.