

Quantum Energy Limited and Controlled Entities
ABN: 19 003 677 245

Interim Financial Report

Appendix 4D

Half-Year Report

Period ended 31 December 2008

This information is provided under listing rule 4.2A.3 for the half-year ended 31 December 2008 and includes comparative information for the half-year ended 31 December 2007.

Results for Announcement to the market

Revenue and Profit/(loss)

Revenues from ordinary activities	Increased by 319% to \$ 48,621,000 (from \$11,629,000)
Profit (loss) from ordinary activities after tax attributable to members	Increased to \$ 12,165,000 (from loss of (\$10,134,000))
Net profit (loss) for the period attributable to members	Increased to \$ 12,165,000 (from loss of (\$10,134,000))

Dividends

It is not proposed to pay dividends during the financial year ending 30 June 2009.

NTA backing

	Current period	Previous orresponding period
Net tangible asset backing per share	0.6 cents	(0.1) cents

Quantum Energy Limited and Controlled Entities
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Interim Financial Report



Quantum Energy Limited
A.B.N. 19 003 677 245

And its controlled entities

Half-Yearly Report
31 December 2008

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2008.

Directors

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

Phillip Sidney, Managing Director
Drew Townsend, Chairman
John Walstab, Director

Review of Operations

The directors are very pleased with this impressive result and the return to profitability for the half year to December 2008 and would like to thank staff and shareholders for their continued efforts and support.

The directors are particularly pleased with the strong increase in revenue to \$48.6 million (from \$ 11.7 million for the comparable period last year) and the resultant improvement in Net Profit after tax to \$ 12.2 million (from a loss of \$10.1 million for the comparable period).

In terms of the domestic market Quantum Energy (QTN) continues to gain traction in the hot water replacement sector of the market. With an estimated 700,000 plus hot water units replaced every year in Australia and with its existing distributor network, QTN expects its market penetration to be further enhanced over the next period.

In addition QTN expects an accelerated commitment to phase out electric hot water storage units under the current Australian Labour Government and therefore believe it is well positioned to take a significant share of this market - given its benefits over traditional solar hot water units and the likelihood of higher energy costs in the coming years. The QTN units have significant energy consumption advantages over current gas and electric units.

Furthermore, the current Renewable Energy Certificate rebates and various government rebate incentives to replace existing hot water systems will continue to focus consumers on more environmental friendly solutions like a QTN unit.

In the commercial market, Quantum Energy continues to make inroads by offering one of the few hot water solutions that can reduce running costs and carbon emissions, without making significant infrastructure changes – namely installing solar roof panels. This is particularly appealing in the tourist and leisure industry and QTN continues to develop its expertise in this area. QTN expects to become a significant provider to this market segment in the near future.

In the international market Quantum Energy continues to do well and has recently won a number of contracts including with an exclusive residence/shopping centre in Thailand, the Marriott hotel in the Philippines and with the Shangri-La hotel in the Middle East. Interestingly the Marriott hotel was a newly built facility while the Shangri-La hotel is a retrofit of current equipment on an existing hotel site. Quantum expects continued momentum with more international contracts in the coming period.

InSight Oceania provides sales, clinical and engineering services for a range of high technology medical devices, specialising in Diagnostic Imaging equipment in Radiology, Oncology and Women's health markets. Insight has an extensive distribution network and is well positioned to expand into these growing markets, and is exploring other medical distribution and manufacturing opportunities in Asia.

The InSight Oceania division continues to grow and has had recent success with a large sale to Austin Health in Victoria.

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DIRECTORS' REPORT (continued)

Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2008 is set out on page 4.

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



Director Drew Townsend

Dated: 27 February 2009

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Quantum Energy Limited:

As lead auditor for the review of Quantum Energy Limited for the half-year ended 31 December 2008 I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



D K Swindells
Partner

Sydney
27 February 2009

Quantum Energy Limited and Controlled Entities
ABN: 19 003 677 245

Interim Financial Report

**CONSOLIDATED CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED
31 DECEMBER 2008**

	31/12/2008	31/12/2007
	\$000	\$000
	Notes	
Revenue	48,621	11,709
Cost of manufacture	(21,994)	(5,413)
Advertising and promotion expenses	(233)	(140)
Depreciation and amortisation expense	(127)	(24)
Employee benefits expense	(3,708)	(3,006)
Finance costs	(839)	(839)
Freight and deliveries	(323)	(341)
Impairment of goodwill	7	-
		(10,027)
Motor vehicle expenses	(426)	(180)
Occupancy costs	(404)	(295)
Research and development expenses	(116)	(26)
Travel expenses	(439)	(328)
Telephones & Internet	(190)	(96)
Warranty expenses	(714)	(197)
Foreign Currency Transactions losses	(1,168)	15
Other expenses	(1,564)	(1,205)
Profit (Loss) before income tax	<u>16,376</u>	<u>(10,393)</u>
Income tax expense (benefit)	<u>4,211</u>	<u>(259)</u>
Net Profit (Loss) Attributable to members of the Parent Entity	<u><u>12,165</u></u>	<u><u>(10,134)</u></u>
 Overall Operations		
Basic earnings per share (cents per share)	1.195	(0.995)
Diluted earnings per share (cents per share)	1.187	(0.987)

The above income statement should be read in conjunction with the accompanying notes

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CONSOLIDATED CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	31/12/2008	30/06/2008
		\$000	\$000
CURRENT ASSETS			
Cash and cash equivalents		2,410	1,265
Trade and other receivables		18,229	7,793
Inventories		11,449	4,929
Financial assets		57	50
Other current assets		3,792	2,634
TOTAL CURRENT ASSETS		<u>35,937</u>	<u>16,671</u>
NON-CURRENT ASSETS			
Property, plant and equipment		1,347	766
Deferred tax assets		2,041	4,488
Intangible assets	8	11,955	11,955
Other non-current assets		132	105
TOTAL NON-CURRENT ASSETS		<u>15,475</u>	<u>17,314</u>
TOTAL ASSETS		<u>51,412</u>	<u>33,985</u>
CURRENT LIABILITIES			
Trade and other payables		13,159	10,344
Financial liabilities		1,358	11,461
Provisions		3,490	1,229
TOTAL CURRENT LIABILITIES		<u>18,007</u>	<u>23,034</u>
NON-CURRENT LIABILITIES			
Deferred Tax Liability		-	80
Financial liabilities		15,241	6,029
Employee benefits		180	181
TOTAL NON-CURRENT LIABILITIES		<u>15,421</u>	<u>6,290</u>
TOTAL LIABILITIES		<u>33,428</u>	<u>29,324</u>
NET ASSETS		<u>17,984</u>	<u>4,661</u>
EQUITY			
Issued capital		83,789	83,789
Reserves		1,615	210
Retained earnings (accumulated losses)		(67,420)	(79,338)
TOTAL EQUITY		<u>17,984</u>	<u>4,661</u>
Net Tangible Assets/(Liabilities) per security		0.006	(0.009)

The above balance sheet should be read in conjunction with the accompanying notes

Quantum Energy Limited and Controlled Entities
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**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF
YEAR ENDED 31 DECEMBER 2008**

Note	Issued Capital Ordinary \$000	Option Reserve \$000	Un- distributable Profits Reserve \$000	Exchange Translation Reserve \$000	Retained Earnings \$000	Total \$000
Balance at 1.7.2007	83,789	55	-	-	(71,500)	12,344
Shares issued during the year	-	-	-	-	-	-
Option reserve on recognition of bonus element of options	-	13	-	-	-	13
Profit attributable to members of parent entity	-	-	-	-	(10,134)	(10,134)
Subtotal	83,789	68	-	-	(81,634)	2,223
Dividends paid or provided for	-	-	-	-	-	-
Balance at 31.12.07	<u>83,789</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>(81,634)</u>	<u>2,223</u>
Balance at 1.7.2008	83,789	90	134	(14)	(79,338)	4,661
Shares issued during the year	-	-	-	-	-	-
Transfer from retained earnings	-	-	247	-	(247)	-
Translation of foreign subsidiaries and branches	-	-	-	1,132	-	1,132
Options issued to employees	-	26	-	-	-	26
Profit (Loss) attributable to members of parent entity	-	-	-	-	12,165	12,165
Subtotal	83,789	116	381	1,118	(67,420)	17,984
Dividends paid or provided for	-	-	-	-	-	-
Balance at 31.12.08	<u>83,789</u>	<u>116</u>	<u>381</u>	<u>1,118</u>	<u>(67,420)</u>	<u>17,984</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

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**CONSOLIDATED CONDENSED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED
31 DECEMBER 2008**

	31/12/2008	31/12/2007
	\$000	\$000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	41,039	11,167
Interest received	36	-
Payments to suppliers and employees	(38,914)	(12,571)
Sundry Income	1,430	503
Finance costs	(505)	(955)
Net cash provided by (used in) operating activities	<u>3,086</u>	<u>(1,856)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of non-current assets	<u>(182)</u>	<u>(21)</u>
Net cash provided by (used in) investing activities	<u>(182)</u>	<u>(21)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(114)	-
Proceeds from borrowings	800	-
Repayment of borrowings	<u>(1,951)</u>	<u>(3,672)</u>
Net cash provided by (used in) financing activities	<u>(1,265)</u>	<u>(3,672)</u>
Net increase in cash held	1,639	(5,549)
Cash at beginning of period	<u>771</u>	<u>5,944</u>
Cash at end of period	<u><u>2,410</u></u>	<u><u>395</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1: BASIS OF PREPARATION

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Quantum Energy Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

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

Reporting Basis and Conventions

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

NOTE 2: PROFIT FOR THE PERIOD

There were no significant revenue or expense items relevant to explaining the performance for the interim period.

NOTE 3: DIVIDENDS

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the financial period (2007: Nil).

NOTE 4: SEGMENT INFORMATION

	Heat Pump Technologies		Medical		Consolidated	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
	\$000	\$000	\$000	\$000	\$000	\$000
Segment Revenue	37,428	6,049	11,192	5,660	48,621	11,709
Profit (loss) from ordinary activities	14,767	5	1,609	(10,388)	16,376	(10,393)
Unallocated Expenses	0	0	0	0	0	0
Profit (loss) before Income Tax	14,767	5	1,609	(10,388)	16,376	(10,393)
Income Tax Expense	(4,205)	259	(6)	0	(4,211)	259
Profit (loss) after Income Tax	10,562	264	1,603	(10,388)	12,165	(10,134)

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008 (continued)

NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances that have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the consolidated entity, the results of these operations, or the state of the affairs of the consolidated entity in future financial periods subsequent to the reporting date of the report.

NOTE 7: IMPAIRMENT

Goodwill has been tested for impairment at 31 December 2008 and the Directors believe no adjustment is required in relation to the carrying value of goodwill as at 31 December 2008.

At 31 December 2007 the Directors assessed the value of the goodwill, and deemed that due to a lower estimated recoverable amount of the goodwill in the Medical business an impairment loss of \$10,027,000 was needed to be recognised in the accounts for the half-year ended 31 December 2007.

NOTE 8: INTANGIBLE ASSETS

	Consolidated Group	
	31/12/2008	30/06/2008
	\$000	\$000
Goodwill on acquisition		
Cost	83,146	83,146
Accumulated impairment losses	<u>(71,191)</u>	<u>(71,191)</u>
Net carrying amount	<u>11,955</u>	<u>11,955</u>

Goodwill is allocated to cash-generating units which are based on the group's reporting segments:

	Consolidated Group	
	31/12/2008	30/06/2008
	\$000	\$000
Medical (InSight Oceania Pty Ltd)	11,811	11,811
Heat pump technologies	<u>144</u>	<u>144</u>
Total	<u>11,955</u>	<u>11,955</u>

Interim Financial Report

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 10:
 - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Director

Drew Townsend

Dated: 27 February 2009

INDEPENDENT AUDITORS' HALF-YEAR REVIEW REPORT

To the members of Quantum Energy Limited:

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Quantum Energy Limited and Controlled Entities ("the consolidated entity") which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, as set out on pages 5 to 11.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Quantum Energy Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involved an analysis of the prudence of business decisions made by management.

HALF-YEAR REVIEW REPORT (continued)

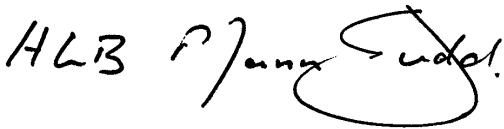
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Quantum Energy Limited and Controlled Entities on 27 February 2009, would be in the same terms if provided to the directors as at the time of this auditor's review report

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

**HLB Mann Judd
(NSW Partnership)**
Chartered Accountants

A handwritten signature in black ink that reads 'D K Swindells'.

**D K Swindells
Partner
Sydney
27 February 2009**