



# **Quantum Energy Limited**

**And its controlled entities**

**A.B.N. 19 003 677 245**

## **Annual Report For the Financial Year Ended 30 June 2012**

## Quantum Energy Limited and Controlled Entities

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This financial report was authorised for issue by the Board of Directors on 28 September 2012. 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 12

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Quantum Energy Limited will be held at the Registered Office of the Company, 56-60 Bourke Road, Alexandria, NSW 2015 on 30 November 2012 at 3.00 pm.

BUSINESS

1. To receive the financial report of the consolidated Group for the year ended 30 June 2012 and the reports by directors and auditors thereon.
2. To elect one director
  - i. Drew Townsend who retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
3. To receive, consider and adopt the remuneration report of the consolidated Group for the year ended 30 June 2012.
4. General: To transact any business which may be lawfully brought forward.

By Order of the Board



John Walstab  
Secretary

Date: 28 September 2012

## 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. Forms must be lodged at the registered office of the Company not less than 48 hours before the timing of the meeting.

### PROXY FORM

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

I/We .....  
of .....  
being a member/members of Quantum Energy Limited hereby appoint  
of .....  
or in his/her absence, .....  
of .....

or in his/her absence, the Chairman of the Meeting as my/our general/special proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at 3:00pm on 30 November 2012 or at any adjournment of that meeting.

signed this                                  day of                                  2012

Signature of Shareholder

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 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
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Agenda item No.:

1. Adoption of Financial Report
2. Election and appointment of Director —  
Re-election of Drew Townsend
3. Adopt the remuneration report

# Quantum Energy Limited and Controlled Entities

## CORPORATE GOVERNANCE STATEMENT

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

### Board Composition

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

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

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

## 1. Lay solid foundations for management and oversight

### 1.1 Formalise and disclose the functions of the Board and management

The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The directors are members of the Board.

The key responsibilities of the Board are:

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

### 1.2 The performance of executives

The performance of executives is assessed by the Board and the Board makes decisions on the number and bases of any bonuses and options. Senior executives are assessed regularly by the Board.

## 2. Structure the Board to add value

### 2.1 Board composition

The composition of the Board has been detailed above.

The skills, experience and expertise relevant to the position of each director who was in office at the date of the 2012 Annual Report and their term of office are detailed in the Directors' Report.

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

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

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

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

Details of the skills, experience and expertise of each director are included in the Directors' Report for the year ended 30 June 2012.

# Quantum Energy Limited and Controlled Entities

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### 2.2 Chair of the Board

The Chair is a non-executive director and not an independent director. The Board believes that the chair is able to formulate proper and independent judgement on all relevant issues falling within the scope of the role of a chair.

### 2.3 Roles of managing director and chair

The roles of managing director and chair are not exercised by the same individual. The Board has delegated day to day responsibility for the management of the Company to the executive directors. The executive directors must consult the Board on all matters that are sensitive, extraordinary or of a strategic nature.

### 2.4 Nomination committee

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

### 2.5 Evaluating Performance of Board and directors

No formal performance evaluation of the Board and directors was conducted for the financial year ended 30 June 2012. The chair speaks to each director individually regarding their role as director.

## 3. Promote ethical and responsible decision – making

### 3.1 Code of conduct

The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are expected to act in accordance with the law and with the highest standard of propriety. The responsibility for reporting and investigating reports of unethical practices rests with the Board including the executive directors.

### 3.2 Share trading policy

The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

### 3.3 Diversity

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

### 3.4 Gender Diversity

	Number / Proportion of Women	Total Number / Proportion
Employees (excluding directors)	79 / 30%	267 / 100%
Senior executive positions	1 / 20%	5 / 100%
Board	Nil / Nil	3 / 100%

## 4. Safeguard integrity in financial reporting

### 4.1 Audit and risk management committee

The Company has an Audit and Risk Management Committee.

### 4.2 Structure of audit and risk management committee

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

The Directors' Report details members of the committee and meetings held during the financial year.

### 4.3 Committee charter

The Audit and Risk Management Committee does not have a formal charter.

The Audit and Risk Management Committee is responsible for the appointment of the external auditor. The audit engagement partner is required to rotate every 5 years.

# Quantum Energy Limited and Controlled Entities

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### 5. **Make timely and balanced disclosure**

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

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

### 6. **Respect the rights of shareholders**

Quantum Energy has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

The auditor is invited to the Annual General Meeting, to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

### 7. **Recognise and manage risk**

#### 7.1 **The Board has established policies on risk oversight and management.**

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

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

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

#### 7.2 **Risk management and internal controls**

The Board requires management to:

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

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

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

#### 7.3 **Assurances from CEO and CFO**

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

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

### 8. **Remunerate fairly and responsibly**

#### 8.1 **Remuneration policy and committee**

The remuneration policy, which sets the terms and conditions for remuneration of executive directors and other senior executives, has been approved by the Board. Due to the size of the Board the Company does not have a remuneration committee. Details of these contracts are included in the Remuneration Report in the Directors' Report for the year ended 30 June 2012. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

## Quantum Energy Limited and Controlled Entities

### CORPORATE GOVERNANCE STATEMENT (CONTINUED)

#### 8.2 Structure of directors and executive remuneration

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Directors' Report. Payment of equity-based executive remuneration is within thresholds approved by shareholders. The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the businesses. It will also provide executives with necessary incentives to work to grow long-term shareholder value.

#### 8.3 Non-Executive Directors

The current Board policy is to not to pay remuneration to non-executive directors. The board does, however reserve the right to change its current policy at any time and pay the non-executive Directors. Any such payments will be based on market practice, duties and accountability and the maximum aggregate amount of fees to be paid will be subject to approval by shareholders at the Annual General Meeting. Further, to align Directors' interests with shareholder interests, the Directors will be encouraged to hold shares in the Company. Non-executive Directors are may also receive incentive options (subject to shareholder approval). The value of shares and incentive options where granted to non-executive directors would be calculated using the Black-Scholes-Merton option pricing model.



## 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 2012.

#### Directors

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

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

Directors have been in office since the start of the financial year to the date of this report. The particulars of the qualifications, experience and independence status of each Director as at the date of this report are set out below in this report. Mr Walstab has also been acting as the Company Secretary since the start of the financial year to the date of this report.

#### Principal Activities

The principal activities of the Group during the financial year continue to be:

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

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

#### Operating results

The net loss from continuing operations of the Group after providing for income tax amounted to \$ 1,953,679 (2011: \$ 5,223,072).

The total comprehensive loss for the year is \$3,288,309 (2011: \$ 10,822,559) including a loss of \$ 1,743,310 from discontinued operations (2011: \$ 4,642,649).

#### Review of Operations

The Company experienced a challenging year with Environmental Services Division impacted by the significant uncertainty and changes concerning the level of government assistance provided to consumers in the renewable energy sector.

During the previous year, the Company established a new retail Solar Division distributing and installing PV products to generate electricity for consumers. However significant losses were incurred and as a result of the ongoing uncertainty and regulatory changes within the renewable energy sector, in June 2011, the Company closed the Division.

Domestically a recent improvement in sales activity has been noted and the Company expects this improvement to continue through financial year 2013 as the uncertainty subsides. The Directors anticipate the Environmental Division will return to profitability based on a renewed focus on sales and distribution channels to support the business.

The high end Medical Distribution Division also had a difficult year with strong competition resulting in a reduction in margins. The business products experienced difficulty in obtaining the desired market penetration.

The current level of orders and sales activity is excellent and Quantum expects the result to substantially improve in financial year 2013.

#### Financial position

The net assets of the consolidated group have decreased to \$ 29,346,713 as at 30 June 2012. The Directors believe that the group is in a strong and stable financial position to expand and grow its current operations.

## Quantum Energy Limited and Controlled Entities

### Directors' report (continued)

#### Significant changes and state of affairs

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

#### Events subsequent to balance date

In the interval between the end of financial year and the date of this report no other matter or circumstance has arisen that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

#### Future developments, prospects and business strategies

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

#### 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 20 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	— 762,410,811 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 2012.

## Quantum Energy Limited and Controlled Entities

### Directors' report (continued)

#### Meetings of Directors

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

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

#### Indemnifying Officers or Auditors

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

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

#### Options

At the date of this report, there are no unissued ordinary shares of Quantum Energy Limited under options. During the year ended 30 June 2012, 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 entity.

#### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and a copy can be viewed on page 14 of the Annual Report.

#### ASIC Class Order 98/100 Rounding of Amounts

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

## 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 in this period.

#### Senior executives and executive director remuneration

##### Objective

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

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

##### Structure

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

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

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

##### Fixed Remuneration

Fixed remuneration is reviewed regularly. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicle leases. The remuneration component of the directors and key management personnel is detailed below.

##### Variable Remuneration

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

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

## 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. Details of options granted to directors and key management personnel in the 2012 financial year are set out below.

##### *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	\$
2008	29,590	(7,704)	(0.75)	0.05	4,661	0.010
2009	106,422	30,261	2.97	0.25	34,492	0.02
2010	81,200	8,469	0.83	0.08	43,449	0.030
2011	43,806	(9,866)	(0.97)	0.04	32,635	0.014
2012	41,632	(3,696)	(0.36)	0.02	29,347	0.0096

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

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

#### **(2) Employment contracts for director and senior executives**

Under the terms of the present employment contracts, which have no fixed term, the executives may resign from their positions and thus terminate their contract by giving one month's written notice. The Company may terminate these employment agreements by providing one to three month's written notice or by payment in lieu of the notice period based on the executive's fixed component of remuneration. There are no other termination payments included in the contracts. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

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

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

## Quantum Energy Limited and Controlled Entities

### Directors' report (continued)

#### REMUNERATION REPORT (Audited) (continued)

Foot note		Short-Term Benefits			Post-Employment Benefits	Share-Based Benefits	Total
		Salary/Fees and Commission	Bonus	Non-monetary Benefits	Superannuation	Options	
Executive Directors		\$	\$	\$	\$	\$	\$
P Sidney	<b>2012</b>	492,118	-	-	44,291	-	536,409
	<b>2011</b>	492,118	-	-	44,291	-	536,409
J. Walstab	<b>2012</b>	162,326	-	-	14,609	-	176,935
	<b>2011</b>	158,850	-	-	14,296	-	173,146
Total Directors	<b>2012</b>	654,444	-	-	58,900	-	713,344
Total Directors	<b>2011</b>	650,968	-	-	58,587	-	709,555
<b>Key Executives</b>							
A. Merrow	<b>2012</b>	234,360	-	-	21,092	-	255,452
(Promoted on 15 May 2011)	<b>2011</b>	112,614	-	-	10,135	-	122,749
A. McDonald	<b>2012</b>	121,387	40,000	-	20,420	-	181,807
	<b>2011</b>	162,063	65,500	-	24,981	-	252,544
Y. You	<b>2012</b>	222,783	-	-	20,050	-	242,833
(Resigned 20 July 2012)	<b>2011</b>	222,783	-	-	20,050	8,069	250,902
J. Hewlett	<b>2012</b>	124,993	20,000	-	20,646	-	165,639
	<b>2011</b>	174,051	140,000	-	26,915	-	340,966
B. Harrold	<b>2012</b>	-	-	-	-	-	-
(Resigned on 11 March 2011)	<b>2011</b>	135,230	-	-	10,717	-	145,947
A. Fairfull	<b>2012</b>	111,621	-	-	8,105	-	119,726
(Resigned 7 December 2011)	<b>2011</b>	227,986	-	-	20,518	-	248,504
Total Key Executives	<b>2012</b>	815,144	60,000	-	90,313	-	965,457
Total Key Executives	<b>2011</b>	1,034,727	205,500	-	113,316	8,069	1,361,612
Grand Total	<b>2012</b>	1,469,588	60,000	-	149,213	-	1,678,801
Grand Total	<b>2011</b>	1,685,695	205,500	-	171,903	8,069	2,071,167

#### Relative proportion of remuneration linked to performance

	<b>2012</b>	<b>2011</b>
A. McDonald	22%	26%
Y. You	0%	3%
J. Hewlett	12%	41%

## 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 2012, there were no options/ rights issued or exercised.

##### *Description of Options/Rights Issued as Remuneration*

Details of the options granted as remuneration to those key management personnel and executives listed in the previous table are as follows:

Name	Grant date	Grant number	Date vested & exercisable	Last date exercisable	Exercise price	Value per option at grant date
					\$	\$
Y.You	18/09/2006	666,667	1/09/2009	31/08/2011	0.10	0.024
Y.You	18/09/2006	666,667	1/09/2010	31/08/2011	0.10	0.024
Y.You	18/09/2006	666,666	1/07/2011	31/08/2011	0.10	0.024

Option values at grant date were determined using the Black-Scholes method. The exercise price is set in relation to the market price at date of the grant. All options were granted for \$Nil consideration. Each option is convertible into one ordinary share. Options carry no voting or dividend rights. These options lapse on termination of employment. The only grants of options affecting remuneration of key management personnel in the previous, this or future reporting periods are those shown above.

Options issued to Y.You expired on 31 August 2011.

This Directors Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Phillip Sidney

Director

28 September 2012

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Quantum Energy Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; or
- (ii) any applicable code of professional conduct in relation to the audit.

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



**A G Smith**  
Partner

**28 September 2012**  
Sydney



**QUANTUM ENERGY LIMITED  
ACN 19 003 677 245**

**INDEPENDENT AUDITOR'S REPORT**

To the members of Quantum Energy Limited

**Report on the Financial Report**

We have audited the accompanying financial report of Quantum Energy Limited ("the company"), which comprises the consolidated balance sheet as at 30 June 2012, the consolidated statement of 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 as set out on pages 17 to 50. 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 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 report complies 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 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 judgment, 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 and fair presentation of the financial report 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 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Independence

In conducting our audit, 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 on 28 September 2012, would be in the same terms if provided to the directors as at the time of this auditor's report.

### Auditor's 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 2012 and of 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 10 to 13 of the directors' report for the year ended 30 June 2012. 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.

### Auditor's Opinion

In our opinion, the Remuneration Report of Quantum Energy Limited for the year ended 30 June 2012 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  
28 September 2012

**DIRECTORS' DECLARATION**

1. In the directors opinion:
  - (a) the financial statements and notes set out on pages 18 to 50 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 2012 and of its performance for the financial year ended on that date; and
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2012 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

28 September 2012

# Quantum Energy Limited and Controlled Entities

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	Consolidated Group	
		2012 \$ 000	2011 \$ 000
<b>Revenue from continuing activities</b>	2	41,632	43,806
Cost of Sales		(22,568)	(23,774)
Employee benefits expense		(11,149)	(12,622)
Depreciation and amortisation expense – non-manufacturing	15	(651)	(632)
Advertising and promotion expenses		(535)	(383)
Finance costs	3	(1,069)	(1,523)
Legal fees		(235)	(227)
Impairment of equity accounted investment	11	-	(2,837)
Research and development expenditure		(167)	(124)
Travel expenses		(1,196)	(1,473)
Motor vehicle expenses		(578)	(1,064)
Warranty expenses		(63)	66
Telephones & internet		(507)	(444)
Consultants		(158)	(330)
Freight & delivery expenses		(143)	(85)
Occupancy (rent) expenses		(1,618)	(1,909)
Insurance		(249)	(425)
Loss on disposal of Renewable Energy Certificates		(179)	(1,057)
Fair value profit/(loss) on financial assets (Renewable Energy Certificates)		(404)	984
Share of losses in associate	11	(527)	-
Other expenses		(2,169)	(2,631)
<b>(Loss) Profit from Continuing Operations before income tax</b>		<b>(2,533)</b>	<b>(6,684)</b>
Income tax (expense) credit	4	580	1,461
<b>Net (Loss) profit from Continuing Operations</b>		<b>(1,953)</b>	<b>(5,223)</b>
<b>(Loss) from Discontinued Operations</b>	6	<b>(1,743)</b>	<b>(4,643)</b>
<b>Net (Loss) profit after tax</b>		<b>(3,696)</b>	<b>(9,866)</b>
<b>Other comprehensive income (loss)</b>			
Translation of foreign subsidiaries		408	(957)
<b>Total comprehensive income (loss) for the period</b>		<b>(3,288)</b>	<b>(10,823)</b>

### Earnings per share for the loss from continuing operations attributable to the ordinary equity holders of the company

Basic earnings per share (cents per share)	8	(0.19)	(0.51)
Diluted earnings per share (cents per share)	8	(0.19)	(0.51)

### Earnings per share for the loss attributable to the ordinary equity holders of the company

Basic earnings per share (cents per share)	8	(0.36)	(0.97)
Diluted earnings per share (cents per share)	8	(0.36)	(0.97)

The accompanying notes form part of these financial statements.

Quantum Energy Limited and Controlled Entities

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

		Consolidated Group	
		2012	2011
	Note	\$ 000	\$ 000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	5,297	4,531
Trade and other receivables	10	5,925	9,715
Inventories	12	14,970	17,683
Financial assets	13	2,644	13,402
Other current assets	18	2,038	1,327
Assets classified as held for sale	6	26	6,118
<b>TOTAL CURRENT ASSETS</b>		<b>30,900</b>	<b>52,776</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	10	56	187
Investment accounted for using equity method	11	218	191
Property, plant and equipment	15	1,707	1,809
Deferred tax assets	16	7,655	5,960
Intangible assets	17	11,955	11,955
Other	18	134	165
<b>TOTAL NON-CURRENT ASSETS</b>		<b>21,725</b>	<b>20,267</b>
<b>TOTAL ASSETS</b>		<b>52,625</b>	<b>73,043</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	15,051	15,252
Borrowings	20	2,887	16,628
Current tax liabilities	21	152	276
Short term provisions	22	1,890	2,290
Liabilities associated with assets held for sale	6	20	2,138
<b>TOTAL CURRENT LIABILITIES</b>		<b>20,000</b>	<b>36,584</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	20	2,982	3,445
Employee benefits	22	296	379
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,278</b>	<b>3,824</b>
<b>TOTAL LIABILITIES</b>		<b>23,278</b>	<b>40,408</b>
<b>NET ASSETS</b>		<b>29,347</b>	<b>32,635</b>
<b>EQUITY</b>			
Issued capital	23	83,789	83,789
Reserves	24	(54)	(310)
Retained earnings (accumulated losses)		(54,388)	(50,844)
<b>TOTAL EQUITY</b>		<b>29,347</b>	<b>32,635</b>

The accompanying notes form part of these financial statements.

Quantum Energy Limited and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary Share Capital	Option Reserve	Undistributable Profits Reserve	Exchange Translation Reserve	Retained Profits (Losses)	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
<b>Consolidated</b>						
Balance at 1 July 2010	83,789	143	504	(9)	(40,978)	43,449
Total comprehensive income for the year	-	-	-	(957)	(9,866)	(10,823)
Options issued to employees	-	9	-	-	-	9
Balance at 30 June 2011	83,789	152	504	(966)	(50,844)	32,635
Balance at 1 July 2011	83,789	152	504	(966)	(50,844)	32,635
Options Expired	-	(152)	-	-	152	-
Total comprehensive income for the year	-	-	-	408	(3,696)	(3,288)
Balance at 30 June 2012	83,789	-	504	(558)	(54,388)	29,347

The accompanying notes form part of these financial statements.

# Quantum Energy Limited and Controlled Entities

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidated Group	
		2012	2011
		\$ 000	\$ 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		56,001	48,823
Receipts from legal case settlement		169	207
Payments to suppliers and employees		(48,798)	(63,793)
Interest received		46	39
Finance costs		(1,248)	(2,255)
Income tax paid		(498)	(1,741)
Net cash provided by (used in) operating activities	27	<u>5,672</u>	<u>(18,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		755	-
Purchase of property, plant and equipment		(136)	(243)
Dividends received from unrelated entity		3	6
Payments for financial assets		(5,086)	(4,890)
Proceeds from sale of financial assets		12,015	32,620
Payments for acquisition of investment in associate		(554)	(3,028)
Net cash provided by investing activities		<u>6,997</u>	<u>24,465</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		298	5,978
Repayment of borrowings		(9,654)	(12,291)
Net cash provided by (used in) financing activities		<u>(9,356)</u>	<u>(6,313)</u>
Net increase/(decrease) in cash held		3,313	(568)
Cash at beginning of period		121	689
Cash at end of period	9	<u>3,434</u>	<u>121</u>

The accompanying notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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

**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 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**

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.

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.

**(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.

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.



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

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.

**Depreciation**

The depreciable amount of all plant and equipment, including buildings and capitalised lease assets, is depreciated on a straight-line and diminishing value basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<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%

Quantum Energy Limited and Controlled Entities  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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

**Property, Plant and Equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

(e) **Leases**

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

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

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

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

(f) **Financial Instruments**

*Recognition*

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

*Financial assets at fair value through profit or loss*

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

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

*Loans and receivables*

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

*Available-for-sale financial assets*

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

*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.

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

(g) **Impairment of Assets**

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

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

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

(h) **Intangibles**

**Goodwill**

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

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

**Functional and Presentation Currency**

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

**Transaction and Balances**

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

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

**Group Companies**

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the dates of the transactions.

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

(j) **Employee Benefits**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**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 balance sheet.

(n) **Revenue and Other Income**

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

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

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

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

(o) **Borrowing Costs**

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

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

(p) **Goods and Services Tax (GST)**

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

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

(q) **Comparative Figures**

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

(r) **Rounding of Amounts**

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

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

**(s) 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 2012, and have formed the opinion that an amount receivable from sales made during the current financial year amounting to \$481,425 is not collectable, and have created an allowance for impairment.

*(ii) Provision for Impairment of Inventory*

No provision for impairment was included in inventory at reporting date.

*(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 2012 is recoverable. Further details are included in note 17.

*(iv) Provision for Warranty*

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

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

**(t) Fair Value Measurement**

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

- a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Australian Accounting Standards Board (AASB) has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. These standards and interpretations are not expected to have a material impact on the Group.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 2: REVENUE AND OTHER INCOME**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Revenue</b>		
Sale of goods	34,553	38,885
Services revenue	6,754	4,886
	<u>41,307</u>	<u>43,771</u>
<b>Other Income</b>		
Interest receivable- other entities	47	-
Interest receivable – related parties	144	51
Dividend from unrelated parties	3	6
Other revenue	131	(22)
	<u>325</u>	<u>35</u>
Total Revenue	<u>41,632</u>	<u>43,806</u>

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

Finance costs		
- External	664	1,277
- Related parties	405	246
Total finance costs	<u>1,069</u>	<u>1,523</u>
Foreign currency losses (gains)	<u>( 318)</u>	<u>(131)</u>
Rental expense relating to operating lease	<u>1,609</u>	<u>1,729</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 4: INCOME TAX EXPENSE (CREDIT)**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</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	(580)	(1,461)
	<u>(580)</u>	<u>(1,461)</u>
<b>Discontinued Operations</b>		
<b>The components of income tax expense comprise:</b>		
Current tax relating to Discontinued Operations	-	-
Deferred tax relating to Discontinued Operations	(742)	(1,989)
	<u>(742)</u>	<u>(1,989)</u>
<b>Consolidated Group</b>		
<b>The components of income tax expense comprise:</b>		
Current tax	-	-
Deferred tax	(1,322)	(3,450)
	<u>(1,322)</u>	<u>(3,450)</u>
<b>(b) Consists of:</b>		
The prima facie tax on profit (loss) from continuing activities before income tax is reconciled to the income tax expense (credit) as follows:		
Prima facie tax payable on profit (loss) from continuing activities before income tax at 30% (2011:30%)	(760)	(2,005)
Add (Deduct) tax effect of:		
Non-allowable items	22	44
Share options expensed	-	2
DTA on impairment of investment not recognised	-	851
Recoupment of tax loss previously not recognised by foreign subsidiary	10	(45)
Difference in overseas tax rate	(193)	(366)
Share of loss in associate	158	60
Fully franked dividend	(1)	(2)
Under provision in previous years	184	-
<b>Income tax expense (credit)</b>	<u>(580)</u>	<u>(1,461)</u>
The applicable weighted average effective tax rates are	0%	0%

**(c) Other Comprehensive Income:**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****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 financial year are:**

D.A. Townsend Chairman and Non-executive director  
P.G. Sidney Managing Director  
J. Walstab Director and Company Secretary

A. Merrow General Manager, Quantum Energy Technologies Pty Ltd (Australia, Subsidiary)  
(appointed 15 October 2011)  
A. McDonald Director, Insight Oceania Pty Ltd (subsidiary)  
Y. You Director, Quantum Energy (Suzhou) (subsidiary) (resigned 20 July 2012)  
J. Hewlett Director, Insight Oceania Pty Ltd (subsidiary)  
A. Fairfull Manager, International (resigned 7 December 2011)

**(b) Key Management Personnel remuneration**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,529,588	1,891,195
Post-employment benefits	149,213	171,903
Share-based payments	-	8,069
	<u>1,678,801</u>	<u>2,071,167</u>

**(c) Option holdings**

There are no options held by key management personnel (2011: 2,000,000 options held by Y. You)



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****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 1.7.11 No.	Sold No.	Purchased No.	Balance 30.6.12 No.
Directors				
D.A Townsend	759,991,417		15,000	760,006,417 *
P.G. Sidney	762,930,454	(652,933)	133,290	762,410,811 **
J. Walstab	85,006,134 ***		12,300	85,018,434***
Specified Executives				
A.McDonald	62,322,896		300,000	62,622,896
J. Hewlett	5,701,137			5,701,137
Y.You	8,000			8,000
A. Merrow	-			-
A. Fairfull	-			-

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 6: DISCONTINUED OPERATIONS**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>a) Financial Performance Information</b>		
Financial Performance information in relation to Discontinued operation as described in (e) below		
Revenue	1,433	7,208
Expenses	(3,918)	(13,840)
Net Loss before Income Tax	(2,485)	(6,632)
Income Tax expense (credit)	(742)	(1,989)
Loss after income tax from Discontinued Operations	(1,743)	(4,643)
<b>b) Cash Flow information</b>		
Cash flow information in relation to Discontinued operation as described in (e) below		
Net Cash (out) Flow from Operating Activities	(29)	(7,435)
Net Cash (out) Flow from Investing Activities	-	(4,329)
Net Cash flow from Financing Activities	-	11,768
<b>c) Assets classified as held for sale</b>		
Assets held for sale (discontinued operation – see e) below		
Trade Receivables	26	116
Inventories	-	3,680
Financial Assets	-	1,166
Other Current Assets	-	158
Property Plant and Equipment	-	998
	26	6,118
<b>d) Liabilities directly associated with assets classified as held for resale</b>		
Liabilities held for sale (discontinued operation – see (e) below		
Trade & Other Payables	20	908
Borrowings - Current	-	261
Tax Liability	-	48
Provisions - Employee Benefits	-	31
Borrowings - Non Current	-	890
	20	2,138
<b>e) Discontinued Operation</b>		
On 30 June 2011 the Company closed down its retail Solar Power Division. During the year ended 30 June 2012 the company sold or wrote off its remaining assets.		

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 7: REMUNERATION OF AUDITORS**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Auditing and reviewing financial reports Current auditor - HLB Mann Judd (NSW Partnership)	195,186	243,000
Non-HLB Mann Judd (NSW Partnership) auditor for audit of subsidiary company	<u>7,861</u>	<u>9,273</u>
	<u>203,047</u>	<u>252,273</u>

**NOTE 8: EARNINGS PER SHARE**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>Earnings per share for the loss from continuing operations</b>		
Basic earnings per share	(0.19)	(0.51)
Diluted earnings per share	(0.19)	(0.51)
<b>Earnings per share for the net loss after tax</b>		
Basic earnings per share	(0.36)	(0.97)
Diluted earnings per share	(0.36)	(0.97)
	<b>2012</b>	<b>2011</b>
(a) Reconciliation of earnings to profit or loss	<b>\$ 000</b>	<b>\$ 000</b>
Net profit/(loss) from continuing operations	(1,953)	(5,223)
Earnings used to calculate basic EPS	(1,953)	(5,223)
Earnings used to calculate diluted EPS	(1,953)	(5,223)
Net profit/(loss)	(3,696)	(9,866)
Earnings used to calculate basic EPS	(3,696)	(9,866)
Earnings used to calculate diluted EPS	(3,696)	(9,866)
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,018,308,291	1,018,308,291
(c) Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	1,018,308,291	1,018,308,291

All options previously on issue expired in August 2011 and up until this date were considered to be anti-dilutive, and have not been included in calculating diluted EPS.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 9: CASH AND CASH EQUIVALENTS**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</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 Cash Flow Statement		
Cash at bank and in hand	5,297	4,531
Bank Overdraft (note 20)	(1,863)	(4,410)
	3,434	121

**NOTE 10: TRADE AND OTHER RECEIVABLES**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>CURRENT</b>		
Trade receivables	6,414	10,613
Allowance for doubtful debts	(481)	(518)
Impairment of receivables	(302)	(530)
Other receivables - related parties	294	150
	5,925	9,715
<b>NON-CURRENT</b>		
Trade receivables	56	187
Trade receivables past due, not impaired		
61-90 days past due	388	38
91 + past due	807	1,586
	1,195	1,624

**Provision For Impairment of Receivables**

Current trade and term receivables are non-interest bearing and generally on 30-day 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 given the substantial operations in this country.

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 2012****NOTE 11: INVESTMENT IN ASSOCIATE**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>a) Movement in carrying value</b>		
Carrying value at the beginning of the financial year	191	-
Investment during the year	554	3,028
Impairment of carrying value of investment	-	(2,837)
Share of loss after income tax	(527)	-
Carrying value at the end of the financial year	<u>218</u>	<u>191</u>

**b) Summarised financial information of associate**

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

	<b>Ownership</b>				
	interest %	Assets \$ 000	Liabilities \$ 000	Revenue \$ 000	Loss \$ 000
2012 Manly Warringah Sea Eagles Limited	37%	603	1,320	5,626	(527)
2011 Manly Warringah Sea Eagles Limited	35%	484	689	-	-

Share of contingent liabilities of associate is \$ Nil (2011: \$ Nil).

**NOTE 12: INVENTORIES**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>At cost</b>		
Raw materials and stores	231	179
Finished goods	14,739	17,504
	<u>14,970</u>	<u>17,683</u>

**NOTE 13: FINANCIAL ASSETS**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Current</b>		
Financial assets at fair value through profit or loss:		
- Shares in listed companies	a) 101	149
- Renewable Energy Certificates	a) 1,068	11,937
Loans to related parties	1,475	1,316
	<u>2,644</u>	<u>13,402</u>

- a) Level 1 in fair value hierarchy (refer Note 1 (t)): The fair values of shares in listed companies and Renewable Energy Certificates are based on quoted market prices at the end of the reporting period. During the year ended 30 June 2010, Directors decided to hold Renewable Energy Certificates, rather than sell them when acquired. Renewable Energy Certificates are therefore reclassified as financial assets from the date of that decision.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 14: CONTROLLED ENTITIES**

Name of entity	Country of Incorporation	Ownership Interest	
		2012	2011
<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%
Surfside Manly Football Club Pty Ltd	Australia	100%	100%

**NOTE 15: PROPERTY, PLANT AND EQUIPMENT**

	Consolidated Group	
	2012	2011
	\$ 000	\$ 000
Land & Buildings at cost	231	231
Plant & Equipment at cost	5,422	4,933
Accumulated depreciation	(3,850)	(3,355)
Provision for Impairment	(96)	-
	<u>1,707</u>	<u>1,809</u>
Movements in carrying amounts		
Opening Balance	1,809	2,286
Additions	136	286
Transfers from discontinued operations	1,204	-
Disposals/Write-offs	(791)	(131)
Depreciation/amortisation expense	(651)	(632)
Closing balance	<u>1,707</u>	<u>1,809</u>

**NOTE 16: DEFERRED TAX ASSETS**

	Consolidated Group	
	2012	2011
	\$ 000	\$ 000
<b>Consists of:</b>		
- Inventories	491	88
- Employee entitlements	471	555
- Lease liability	64	255
- Accruals and Provisions	566	1,310
- Other	47	(207)
- Impairment provisions	464	466
- Tax losses	5,552	3,493
	<u>7,655</u>	<u>5,960</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

<b>NOTE 17: INTANGIBLE ASSETS</b>	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Goodwill on acquisition:		
Cost	83,146	83,146
Accumulated impairment losses	(71,191)	(71,191)
Net carrying amount	11,955	11,955
<b>Movement:</b>		
Opening net book amount	11,955	11,955
Impairment charge - Medical business	-	-
Closing net book amount	11,955	11,955

**Impairment Disclosures**

Goodwill has been tested for impairment at 30 June 2012, 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.

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
Medical (Insight Oceania Pty Ltd)	11,811	11,811
Heat pump technologies	144	144
Total	11,955	11,955

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. The value in use calculation for the goodwill on acquisition of Insight Oceania Pty Ltd is based on estimated maintainable Earnings Before Interest and Taxes ("EBIT"), discounted at 17.5% per annum. EBIT growth is forecast at 166% for the year ending 30 June 2013, 5% for the 4 years subsequent and a terminal value of approximately 6 times EBIT.

**Sensitivity Analysis**

If the discount rate used was changed to 36.2% the recoverable amount of the Insight business acquired would approximately equal the carrying amount.

**NOTE 18: OTHER ASSETS**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>CURRENT</b>		
Prepayments	948	989
Other	1,090	338
	2,038	1,327
<b>NON-CURRENT</b>		
Security Deposits	134	165

**NOTE 19: TRADE AND OTHER PAYABLES**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>CURRENT</b>		
Unsecured liabilities:		
Trade payables	4,587	7,173
Deferred income	2,074	2,139
Employee benefits	621	717
Sundry payables and accrued expenses		
- Directors	761	969
- Directors of subsidiaries	84	482
- Other	6,924	3,772
	15,051	15,252

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 20: BORROWINGS**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>CURRENT</b>		
Unsecured liabilities:		
- Loans – Other parties	553	901
- Loans – Director of subsidiary	15	-
Secured liabilities:		
- Lease liability	456	453
- Bank Loans	-	10,698
- Other parties	-	166
- Bank - overdraft	1,863	4,410
	<u>2,887</u>	<u>16,628</u>
<b>NON-CURRENT</b>		
Unsecured liabilities:		
- Loans - Directors	2,610	2,610
- Loans - Directors of subsidiaries	7	127
- Other parties	-	1
Secured liabilities:		
- Lease liability	365	707
	<u>2,982</u>	<u>3,445</u>

For the financial year 2012, the secured liabilities – bank overdraft is secured by:

- a fully locking guarantee and indemnity between Quantum Energy Limited, Quantum Energy Technologies Pty Ltd, Insight Oceania Pty Ltd, Quantum Solar Power Pty Ltd and Quantum Energy & Technologies (Suzhou) Co. Ltd; and
- fixed and floating charge over all existing and future assets and undertakings of the companies listed above; and
- equity pledge agreement over 100% of the shares in Quantum Energy & Technologies (Suzhou) Co. Ltd.

For the year ended 30 June 2011, the secured liabilities – bank loans were secured as to \$ 7,098,000 by fixed and floating charges over the assets of the parent entity and certain subsidiaries and negative pledge conditions, and as to \$ 3,600,000 over Renewable Energy Certificates included in the balance sheet at market value of \$ 6,930,000.

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

**NOTE 21: INCOME TAX**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>CURRENT</b>		
Income tax payable	152	276



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 22: PROVISIONS**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>CURRENT</b>		
Employee benefits	1,208	1,286
Warranty	682	1,004
	1,890	2,290
<b>NON CURRENT</b>		
Employee benefits	296	379

**NOTE 23: ISSUED CAPITAL**

	<b>Consolidated Group</b>			
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</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 27.

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 24: RESERVES**

	Consolidated Group	
	2012	2011
	\$ 000	\$ 000
<b>Reserve</b>		
Option Reserve	-	152
Undistributable Profits Reserve	504	504
Exchange Translation Reserve	(558)	(966)
Closing Balance	(54)	(310)

*Option Reserve*

The option reserve records items recognised as expenses in relation to employee share options.

*Undistributable Profits Reserve*

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

*Exchange Translation Reserve*

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

**NOTE 25: LEASING COMMITMENTS**

	Consolidated Group	
	2012	2011
	\$ 000	\$ 000
<b>Finance lease commitments</b>		
Minimum lease payments payable within		
-1 year	513	530
-between 1 year and five years	380	747
	893	1,277
Less: Future finance charges	(71)	(117)
	822	1,160
<b>Disclosed as:</b>		
Current liability (Note 20)	456	453
Non-current liability (Note 20)	365	707
	821	1,160
<b>Operating lease commitments</b>		
Non-cancellable operating leases contracted but not capitalised in the financial statements		
-Payable within one year	558	1,460
-Payable later than 1 year and not later than 5 years	22	414
	580	1,874

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## NOTE 26: SEGMENT REPORTING

	Environmental Services		Medical		Investments		Unallocated		Elimination		Consolidated-Continuing Operations	
	2012 \$ 000	2011 \$ 000	2012 \$ 000	2011 \$ 000	2012 \$ 000	2011 \$ 000	2012 \$ 000	2011 \$ 000	2012 \$ 000	2011 \$ 000	2012 \$ 000	2011 \$ 000
Total revenue	24,387	23,194	17,101	20,622	-	-	144	(10)	-	-	41,632	43,806
Profit/(Loss) from after income tax	(219)	(328)	796	(240)	(1,062)	(3,061)	(1,357)	(997)	(111)	(597)	(1,953)	(5,223)
Segment assets	11,456	33,707	25,116	32,349	1,285	11,937	21,373	22,545	(6,631)	(33,613)	52,599	66,925
Segment liabilities	4,007	19,330	11,712	16,370	-	6,437	4,915	13,208	2,624	(17,075)	23,258	38,270
Income tax expense (credit)	(595)	(1,136)	458	151	-	-	(443)	(690)	-	214	(580)	(1,461)
Depreciation	615	600	36	32	-	-	-	-	-	-	651	632
Impairment Loss (Gain) recognised in profit or loss	-	-	-	-	-	2,837	-	-	-	-	-	2,837
Fair value profit/(loss) on financial assets	-	-	-	-	(404)	984	-	-	-	-	(404)	984
Acquisition of Property, plant & equipment	65	242	71	44	-	-	-	-	-	-	136	286
Share of loss in associate	-	-	-	-	(527)	-	-	-	-	-	(527)	-

	Discontinued Operations		Consolidated Group	
	2012 \$ 000	2011 \$ 000	2012 \$ 000	2011 \$ 000
Total revenue	1,433	7,208	43,065	51,014
Profit/(Loss) from ordinary activities	(1,743)	(4,643)	(3,696)	(9,866)
Segment assets	26	6,118	52,625	73,043
Segment liabilities	20	2,138	23,278	40,408
Income tax expense (credit)	(742)	(1,989)	(1,322)	(3,450)
Depreciation	-	151	651	783
Impairment Loss (Gain) recognised in profit or loss	-	296	-	3,133
Fair value profit/(loss) on financial assets	-	-	(404)	984
Acquisition of Property, plant & equipment	-	1,355	136	1,641
Share of loss in associate	-	-	(527)	-

**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.

From 1 July 2010, following a decision to hold Renewable Energy Certificates, these assets have been included in Investments. Prior to that date, these assets were included in Environmental Services assets.

**Business Segments**

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

**Geographical Segments**

The consolidated Group predominately operates in two geographical segments with manufacturing operations in China and distribution in Australia and New Zealand. Revenue generated from external customers in China was \$ 2,024,318. All other revenue was generated in Australia and New Zealand.

**Intersegment Transfers**

There were no intersegment transfers.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 27: CASH FLOW INFORMATION**

	NOTE	Consolidated Group	
		2012 \$ 000	2011 \$ 000
<b>(a) Reconciliation of cash Flow from Operations with Profit After Income Tax</b>			
Operating profit (loss) after income Tax		(3,696)	(9,866)
Receivables settled by receipt of Renewable Energy Certificates		-	(13,550)
<b>Non-cash items in profit (loss)</b>			
-Depreciation	15	651	632
-Foreign currency losses/investments		314	(957)
-Profit/loss on disposal of assets/investments		(60)	1,164
-Change in fair value of financial assets		-	(984)
-Provision for annual leave and long service leave		(192)	174
-Impairment of receivables		(317)	421
-Share options expenses		-	(9)
-Impairment of inventories		461	889
-Impairment of fixed assets		(108)	205
-Impairment of Investments		-	2,837
- share of Losses in Associate		527	-
<b>(Increase) decrease in:</b>			
-trade receivables		4,356	3,284
-Inventories		6,479	292
-Prepayments		(572)	990
<b>Increase/ (decrease) in:</b>			
-trade creditors and accruals		(28)	1,478
-Provision for warranty		(323)	(529)
-Income tax		(1,820)	(5,191)
<b>Cash flows from (used in) operating activities</b>		<b>5,672</b>	<b>(18,720)</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 27: CASH FLOW INFORMATION (CONTINUED)**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>(b) Credit Standby</b>		
<b>Arrangements with Banks</b>		
Credit facility*	3,000	3,000
Amount utilised	(1,863)	(4,410)
Amount available (Overdrawn)	1,137	(1,410)

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

<b>Loan Facilities</b>	-	7,098
Amount utilised	-	(7,098)
Amount available	-	-

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

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

For the year ended 30 June 2011 there was also a requirement for the ratio of EBIT to interest expense to be a minimum of 3, calculated as:

Earnings before Interest and Tax  
Gross Interest

For the year ended 30 June 2011, the requirements of a minimum capital adequacy ratio of 25% also applied, calculated as:

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 28: OPTIONS**

On 18 September 2006 4,000,000 options were granted to employees at an exercise price of \$0.10 each. The options vest in equal tranches on 1 September 2009, 1 September 2010 and 1 July 2011. All options had lapsed or expired by 31 August 2011.

On 22 February 2008 3,500,000 options were granted to 2 executives at an exercise price of \$0.15 each. The options vest and are exercisable in equal tranches on 1 December 2009, 1 December 2010 and 1 December 2011. In October 2008 2,000,000 options expired and in March 2010, the remaining 1,500,000 options expired on the resignation of the executive.

All options granted are over ordinary shares in Quantum Energy Limited, which confer a right of one ordinary share for every option held.

	<b>Consolidated Group and Parent</b>	
	<b>2012</b>	<b>2011</b>
	<b>No. Options</b>	<b>No. Options</b>
Outstanding at the beginning of the year	2,000,000	4,000,000
Expired	(2,000,000)	(2,000,000)
Outstanding at year-end	-	2,000,000
Exercisable at year end	-	1,333,334

The options outstanding at 30 June 2011 had a weighted average exercise price of \$0.10 and a weighted average remaining contractual life of 0.17 years. All options expired on 31 August 2011.

**NOTE 29: 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**

Details of percentage of ordinary shares held in associates are disclosed in note 11 of the financial statements.

**(b) Key management personnel**

Details of directors' remuneration are disclosed in the Remuneration Report in the Directors' Report, and in Note 5.

**(c) Directors' equity holdings**

Details of directors' and key management personnel's equity holdings are disclosed in Note 5.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 29: RELATED PARTY DISCLOSURES (CONTINUED)****(d) Other transactions with directors and director related entities**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Payment for accountancy services to Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner	246,797	159,873
Accrued interest payable/(receivable) on loans from/(to) directors and director related parties at 10% and 15% per annum		
- Phillip Sidney	(224,283)	(110,560)
- John Walstab	760,942	968,600
- Drew Townsend	(70,620)	(39,862)
- Andrew McDonald	4,214	2,925
- James Hewlett	9,567	35,932
Unsecured loans from/(to) directors and related parties		
- Phillip Sidney	(1,149,559)	(1,065,737)
- John Walstab	2,610,245	2,610,245
- Drew Townsend	(325,142)	(249,888)
Unsecured loans from directors of subsidiary companies		
- Andrew McDonald	7,534	9,338
- James Hewlett	14,137	117,375
Rental income received on property leased to Quantum Group by the directors	662,965	700,708
Sale Solar panels to Drew Townsend	-	12,281
Interest expense/(income) on loans from/(to) Directors		
- Phillip Sidney	(113,723)	3,983
- John Walstab	339,332	217,687
- Drew Townsend	(30,758)	(15,263)
- Andrew McDonald	1,289	1,953
- James Hewlett	3,602	2,577
Travel & other advance		
- John Walstab	-	46,000
- Andrew McDonald	-	50,000
- James Hewlett	-	5,000
Bonus payable to:		
- Andrew McDonald	40,000	140,000
- James Hewlett	20,000	65,000

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 29: RELATED PARTY DISCLOSURES (CONTINUED)****(e) Loans to key management personnel**

	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	Number in the group at end of year
<b>2012</b>	\$	\$	\$	\$	\$	
- Phillip Sidney						
- Loan	1,065,737		83,822	1,149,559	1,149,559	
- Accrued Interest	110,560	113,723	-	224,283	224,283	
- Drew Townsend						
- Loan	249,888		75,254	325,142	325,142	
- Accrued Interest	39,862	30,758	-	70,620	70,620	
						2
<b>2011</b>						
- Phillip Sidney						
- Loan	655,575	-	410,162	1,065,737	1,065,737	
- Accrued Interest	114,543	(3,983)	-	110,560	114,544	
- Drew Townsend						
- Loan	237,937	-	11,951	249,888	249,888	
- Accrued Interest	24,599	15,263	-	39,862	39,862	
						2



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****NOTE 30: 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.

**NOTE 30: FINANCIAL RISK MANAGEMENT**

	Converted to Australian dollars	
	2012	2011
	\$ 000	\$ 000
<b>Receivables:</b>		
China RMB	6	895
Euro	363	-
US dollars	15	-
New Zealand dollars	127	264
Total amounts receivable in foreign currencies	511	1,159
<b>Payables:</b>		
China RMB	447	821
Euro	261	6
US dollars	426	308
New Zealand dollars	2	22
Total amounts payable in foreign currencies	1,136	1,157

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)****1 (ii). Interest rate risk**

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

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing		Total	
					Less than 1 Year		1 to 5 Years					
	2012	2011	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated</b>												
Financial assets:												
Cash	1.7%	1.9%	5,297	4,531	-	-	-	-	-	-	5,297	4,531
Trade & Other Receivables			-	-	-	-	-	-	5,981	9,902	5,981	9,902
Renewable Energy Certificates			-	-	-	-	-	-	1,068	11,937	1,068	11,937
Shares in Listed Companies			-	-	-	-	-	-	101	149	101	149
Other			-	-	1,475	1,316	-	-	134	165	1,609	1,481
Total financial assets			5,297	4,531	1,475	1,316	-	-	7,284	22,153	14,056	28,000
Financial liabilities:												
Bank loans	5.6%	6.5%	-	10,698	-	-	-	-	-	-	-	10,698
Bank overdraft	12.9%	11.3%	1,863	4,410	-	-	-	-	-	-	1,863	4,410
Lease liability	7.7%	7.7%	-	-	456	453	365	707	-	-	821	1,160
Other loans Trade and other creditors	13.2%	10.0%	3,185	3,805	-	-	-	-	-	-	3,185	3,805
			-	-	-	-	-	-	15,051	15,252	15,051	15,252
Total financial liabilities			5,048	18,913	456	453	365	707	15,051	15,252	20,920	35,325

**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.

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 2012****NOTE 30: FINANCIAL RISK MANAGEMENT (CONTINUED)****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*

	Within 1 month		After 1 month, within 1 year		1 to 5 Years		Total	
	\$ 000		\$ 000		\$ 000		\$ 000	
<b>Consolidated</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Financial liabilities:								
Bank loans	-	1,500	-	9,198	-	-	10,698	
Bank overdraft	-	-	1,863	4,410	-	-	1,863	4,410
Lease liability	28	38	428	415	365	707	821	1,160
Other loans	-	-	568	2,627	2,617	1,178	3,185	3,805
Trade and other creditors	15,051	15,252	-	-	-	-	15,051	15,252
Total financial liabilities	15,079	16,790	2,859	16,650	2,982	1,885	20,920	35,325

Quantum Energy Limited and Controlled Entities  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 31: PARENT ENTITY INFORMATION**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Current assets	1,772	1,236
Total assets	12,748	20,717
Current liabilities	2,283	8,959
Total liabilities	13,339	19,155
Shareholders equity:		
Issued capital	83,789	83,789
Option reserve	-	150
Retained earnings	(84,380)	(82,377)
	(591)	1,562
Profit (loss) for the year	(2,153)	(4,456)
Other comprehensive income	-	-
Total comprehensive income	(2,153)	(4,456)

**NOTE 32: 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 33: 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

**SECURITIES EXCHANGE INFORMATION**

**(a) Distribution of Shareholders as at 15 September 2012**

Holdings Ranges	Holders	Total Shares	%
1-1,000	77	38,212	0.004
1,001-5,000	279	904,253	0.089
5,001-10,000	312	2,563,119	0.251
10,001-100,000	579	20,332,864	1.997
100,001-99,999,999,999	151	994,469,843	97.659
<b>Totals</b>	<b>1,398</b>	<b>1,018,308,291</b>	<b>100.00</b>

**(b) There are currently 829 holders with less than a marketable parcel of 17,857 shares**

**(c) The names of the substantial shareholders listed in the holding Company's register as at 15 September 2012 are as follows. This also reflects the directors relevant stock interests:**

Directors	Shares
D.A. Townsend	760,006,417*
P.G. Sidney	762,410,811**
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 Walsab

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

\*\*\* 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 2012

Holder Name	Balance	%
CRISP HOLDINGS LTD	753,736,667	74.019
MR JOHN WALSTAB	81,488,418	8.002
MR ANDREW MCDONALD & MRS SANDRA MCDONALD <MCDONALD FAMILY S/FUND A/C>	38,528,909	3.784
MR ANDREW MCDONALD	20,856,000	2.048
RAMN PTY LTD <SUPER FUND A/C>	9,266,444	0.910
MR BARRY RAYMOND NELSON & MR BRAD ANDREW NELSON <NELSON SUPER FUND A/C>	8,400,000	0.825
CHICAGO LIMITED	4,642,267	0.456
MR JAMES HEWLETT	4,101,137	0.403
THYATIRA PTY LTD <GODESELL FAMILY A/C>	4,000,000	0.393
MR YU JIE	4,000,000	0.393
MR DONG XIE	3,700,000	0.363
MR ANDREW MCDONALD	3,237,987	0.318
MR JOHN WALSTAB	2,654,166	0.261
BRIGHTEN INVESTMENTS LTD	2,600,000	0.255
PATLIN SECURITIES PTY LIMITED	2,500,000	0.246
MR FRANCESCO CORTELLINO	2,139,213	0.210
MILRIX PTY LTD <NELSON FAMILY A/C>	1,900,000	0.187
BH SUPER PTY LTD <BARBARA HOLLAND S/FUND A/C>	1,800,100	0.177
MS SZE MAN CHAN	1,741,900	0.171
MR JAMES HEWLETT	1,600,000	0.157
	<hr/>	
	952,893,208	93.578

#### (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 2012.