

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

Interim Financial Report

Appendix 4D

Half-Year Report

Period ended 31 December 2011

This information is provided under listing rule 4.2A.3 for the half-year ended 31 December 2011 and includes comparative information for the half-year ended 31 December 2010.

**Results for Announcement to the market**

**Revenue and Profit**

Revenues from ordinary activities	Decreased by 3% to \$ 21,019,000 (from \$ 21,619,000)
Loss from continuing operations after tax attributable to members	Reduced loss by 82% to a loss of \$ 527,000 (from loss of \$2,882,000)
Loss from discontinuing operations after tax attributable to members	Increased loss by 70% to a loss of \$ 1,296,000 (from loss of \$761,000)
Net loss for the period attributable to members	Reduced loss by 50% to loss of \$1,823,000 (from loss of \$3,643,000) -

**Dividends**

It is not proposed to pay dividends at this time.

**NTA backing**

	31 December 2011	30 June 2011
Net tangible asset backing per share	1.22 cents	1.45 cents



# **Quantum Energy Limited**

A.B.N. 19 003 677 245

**And its controlled entities**

**Half-Yearly Report  
31 December 2011**

## Interim Financial Report

### DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2011.

#### Directors

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

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

#### Review of Operations

The results for the period are significantly impacted by activity in relation to the closure of the retail Solar Division. During the period the company sought to dispose of the remaining assets of the Solar Division including a number of solar panels and inverters. The market value of these items have significantly decreased and large discounts are needed to move these items.

#### Continuing Businesses

The Environmental Services Division continued to be impacted by the lingering uncertainty concerning the level of government assistance provided to consumers in the renewable energy sector. However there has been a recent improvement in sales activity and the Group expects the results for the Environmental Services Division to improve in the second half of the year.

The high end Medical Distribution Division had a strong first half with good sales and a return to profitability. The Group expects the good sales activity to continue in the second half of the year.

The Investment Division results are primarily impacted by the sale of Renewable Energy Certificates RECs at market prices. These prices tend to fluctuate as demand changes and impact the results accordingly.

#### Rounding of Amounts

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

#### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2011 is set out on page 2.

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



Director     Drew Townsend

Dated:       29 February 2012

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Quantum Energy Limited:**

As lead auditor for the review of Quantum Energy Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

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

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



**A G Smith**  
Partner

Sydney  
28 February 2012

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

Interim Financial Report

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Notes</b>		
Revenue	21,019	21,619
Cost of manufacture	(11,200)	(11,908)
Advertising and promotion expenses	(330)	(200)
Depreciation and amortisation expense	(280)	(289)
Employee benefits expense	(5,806)	(5,749)
Finance costs	(613)	(743)
Freight and deliveries	(65)	(36)
Impairment losses/ (recovery)	163	(351)
Motor vehicle expenses	(138)	(513)
Occupancy costs	(763)	(865)
Research and development expenses	(66)	(81)
Travel expenses	(594)	(770)
Telephones & Internet	(214)	(217)
Legal Fees	(159)	(121)
Foreign Currency Transactions gains/(losses)	(338)	(16)
Profit (loss) on disposal of Renewable Energy Certificates	(58)	(1,187)
Fair value loss on financial assets (Renewable Energy Certificates)	(374)	(1,158)
Other expenses	(1,278)	(1,820)
<b>(Loss) from Continuing Operations before income tax</b>	<b>(1,094)</b>	<b>(4,405)</b>
Income tax (expense) credit	567	1,523
<b>Net (Loss) from Continuing Operations</b>	<b>(527)</b>	<b>(2,882)</b>
<b>(Loss) from Discontinued Operations</b>	<b>3 (1,296)</b>	<b>(761)</b>
<b>Net (Loss) profit after tax</b>	<b>(1,823)</b>	<b>(3,643)</b>
Translation of foreign subsidiaries	337	(868)
<b>Total comprehensive income for the period</b>	<b>(1,486)</b>	<b>(4,511)</b>
<b>Earnings /(loss) per share for loss from continuing operations attributable to the ordinary equity holders of the company</b>		
Basic earnings/ (loss) per share (cents)	(0.05)	(0.28)
Diluted earnings/ (loss) per share (cents)	(0.05)	(0.28)
<b>Earnings /(loss) per share for loss attributable to the ordinary equity holders of the company</b>		
Basic earnings/ (loss) per share (cents)	(0.18)	(0.36)
Diluted earnings/ (loss) per share (cents)	(0.18)	(0.36)

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

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

**Interim Financial Report**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011**

		<b>Consolidated</b>	
		<b>31 December 2011</b>	<b>30 June 2011</b>
	Note	\$000	\$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,121	4,531
Trade and other receivables		6,586	9,715
Inventories		17,029	17,683
Financial assets		2,043	13,402
Other current assets		1,499	1,327
Assets classified as held for sale	3	2,255	6,118
<b>TOTAL CURRENT ASSETS</b>		<b>32,533</b>	<b>52,776</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		140	378
Property, plant and equipment		2,174	1,809
Deferred tax assets		6,804	5,960
Intangible assets		11,955	11,955
Investments accounted for using the equity method	9	645	-
Other		144	165
<b>TOTAL NON-CURRENT ASSETS</b>		<b>21,862</b>	<b>20,267</b>
<b>TOTAL ASSETS</b>		<b>54,395</b>	<b>73,043</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		13,942	15,252
Borrowings		3,572	16,628
Current tax liabilities		130	276
Short term provisions		1,950	2,290
Liabilities associated with assets held for sale	3	54	2,138
<b>TOTAL CURRENT LIABILITIES</b>		<b>19,648</b>	<b>36,584</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		3,196	3,445
Employee benefits		402	379
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,598</b>	<b>3,824</b>
<b>TOTAL LIABILITIES</b>		<b>23,246</b>	<b>40,408</b>
<b>NET ASSETS</b>		<b>31,149</b>	<b>32,635</b>
<b>EQUITY</b>			
Issued capital		83,789	83,789
Reserves		(125)	(310)
Retained earnings (accumulated losses)		(52,515)	(50,844)
<b>TOTAL EQUITY</b>		<b>31,149</b>	<b>32,635</b>

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

Note	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
Options issued to employees	-	5	-	-	-	5
Total comprehensive income for the year				(868)	(3,643)	(4,511)
Balance at 31 December 2010	83,789	148	504	(877)	(44,621)	38,943
Balance at 1 July 2011	83,789	152	504	(966)	(50,844)	32,635
Options Reserve adjustment	-	(152)	-	-	152	-
	83,789	-	504	(966)	(50,692)	32,635
Total comprehensive income for the year	-	-	-	337	(1,823)	(1,486)
Balance at 31 December 2011	83,789	-	504	(629)	(52,515)	31,149

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

**Quantum Energy Limited and Controlled Entities**  
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**Interim Financial Report**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Notes	31/12/2011 \$000	31/12/2010 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		27,418	25,115
Receipts from legal case settlement		90	112
Payments to suppliers and employees		(24,798)	(30,719)
Interest received		41	40
Sundry Income		-	53
Finance costs		(540)	(629)
Income tax paid		(147)	(999)
Net cash provided by (used in) operating activities		<u>2,064</u>	<u>(7,027)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(119)	(116)
Dividends received from unrelated entity		3	4
Payments for acquisition of investment in associate		(554)	(1,915)
Payments for financial assets		(4,769)	(2,892)
Proceeds from sale of financial assets		15,788	19,421
Net cash provided by (used in) investing activities		<u>10,349</u>	<u>14,502</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		532	-
Repayment of borrowings		(12,279)	(7,184)
Net cash provided by (used in) financing activities		<u>(11,747)</u>	<u>(7,184)</u>
Net increase in cash held		666	291
Cash at beginning of period		<u>121</u>	<u>689</u>
Cash at end of period		<u><u>787</u></u>	<u><u>980</u></u>
<b>Cash Balance made up of:</b>			
Cash at Bank		3,121	3,948
Overdraft		<u>(2,334)</u>	<u>(2,968)</u>
		<u>787</u>	<u>980</u>

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



Interim Financial Report

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: BASIS OF PREPARATION**

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Quantum Energy Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2011 financial report.

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

*Reporting Basis and Conventions*

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

*New Accounting Standards*

Certain new accounting standards and interpretations have been published that are not mandatory for the half-year reporting period. The group's assessment of the impact of these new standards and interpretations is that they will result in no significant changes to the amounts recognised or matters disclosed in future half-year report.

**NOTE 2: DIVIDENDS**

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the financial period (2010: Nil).

**NOTE 3: DISCONTINUED OPERATIONS**

	31/12/2011	31/12/2010
	\$ 000	\$ 000
<b>(a) Financial Performance Information</b>		
Financial Performance information in relation to Discontinued operation as described in (e) below		
Revenue	872	845
Expenses	(2,437)	(1,933)
Net Loss before Income Tax	(1,565)	(1,088)
Income Tax expense (credit)	(269)	(327)
Loss after income tax from Discontinued Operations	(1,296)	(761)
<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	(137)	(6,805)
Net Cash (out) Flow from Investing Activities	289	(738)
Net Cash flow from Financing Activities	(1,151)	7,881

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 3: DISCONTINUED OPERATIONS (continued)**

	<b>31/12/2011</b>	<b>30/06/2011</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>(c) Assets classified as held for sale</b>		
Assets held for sale (discontinued operation – see (e) below)		
Trade Receivables	227	116
Inventories	1,364	3,680
Financial Assets	664	1,166
Other Current Assets	-	158
Property Plant and Equipment	-	998
	<hr/>	<hr/>
	2,255	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	54	956
Borrowings - Current	-	261
Tax Liability	-	-
Provisions - Employee Benefits	-	31
Borrowings – Non-Current	-	890
	<hr/>	<hr/>
	54	2,138
<b>(e) Discontinued Operation</b>		

On 30 June 2011 the Company closed down its retail Solar Power Division.  
The Company is actively selling its remaining assets.

Quantum Energy Limited and Controlled Entities  
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Interim Financial Report

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 4: SEGMENT INFORMATION**

	Environmental Services		Medical		Investments		Unallocated		Eliminations		Consolidated-Continuing Operations	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Total revenue	11,271	11,987	9,746	9,632	-	-	2	-	-	-	21,019	21,619
Profit/(Loss)	(154)	(328)	921	(63)	(702)	(2,345)	(520)	132	(72)	(278)	(527)	(2,882)

  

	30		30		30		30		30		30	
	31 Dec 2011	June 2011	31 Dec 2011	June 2011	31 Dec 2011	30 June 2011	31 Dec 2011	30 June 2011	31 Dec 2011	30 June 2011	31 Dec 2011	30 June 2011
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Segment assets	30,384	33,707	34,582	32,349	1,266	11,937	1,626	22,545	(15,718)	(33,613)	52,140	66,925
Segment liabilities	5,520	19,330	10,960	16,370	2,837	6,437	22,392	13,208	(18,517)	(17,075)	23,192	38,270

	Discontinued Operations		Consolidated	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	\$ 000	\$ 000	\$ 000	\$ 000
Total revenue	872	845	21,891	22,464
Profit/(Loss)	(1,296)	(761)	(1,823)	(3,643)

	31 Dec 2011		30 Jun 2011	
	31 Dec 2011	30 Jun 2011	31 Dec 2011	30 Jun 2011
	\$ 000	\$ 000	\$ 000	\$ 000
Segment assets	2,255	6,118	54,395	73,043
Segment liabilities	54	2,138	23,246	40,408

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.

The Discontinued Operations segment is the retail Solar Division which was distributing and installing photovoltaic products to consumers. This division was closed in June 2011.

Interim Financial Report

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**NOTE 5: CONTINGENT LIABILITIES**

No contingent liabilities.

**NOTE 6 EVENTS SUBSEQUENT TO REPORTING DATE**

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

**NOTE 7: IMPAIRMENT**

Goodwill has been tested for impairment at 31 December 2011 and the Directors believe no adjustment is required in relation to the carrying value of goodwill as at 31 December 2011.

**NOTE 8: BORROWINGS**

Included within current borrowings is a bank overdraft with a balance at 31 December 2011 of \$2,335,000. At 31 December 2011 the group breached a financial covenant with the bank providing this facility as a result of the loss incurred during the six months ended 31 December 2011. The directors are currently negotiating with the bank to arrange for this facility to continue. Should this facility be withdrawn, the directors consider that the group has sufficient cash and renewable energy certificates to enable it to continue as a going concern. As at 31 December 2011, the group held \$3,121,000 in cash and \$1,284,000 of renewable energy certificates.

**NOTE 9 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD**

Information in relation to Associate	31/12/2011	30/06/2011
(i) Name: Manly Warringah Sea Eagles Limited		
(ii) Ownership interest:	37%	35%

Interim Financial Report

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. In the directors' opinion, the financial statements and notes, as set out on pages 3 to 10 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. giving a true and fair view of the consolidated group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Quantum Energy Limited will be able to pay its debts as and when they become due and payable.

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



Director: Drew Townsend  
Dated: 29 February 2012

**QUANTUM ENERGY LIMITED**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Quantum Energy Limited**

We have reviewed the accompanying half-year financial report of Quantum Energy Limited ("the Company") which comprises the balance sheet as at 31 December 2011, the statement of comprehensive income, balance sheet statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Quantum Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

**QUANTUM ENERGY LIMITED**

**INDEPENDENT AUDITOR'S REVIEW REPORT (continued)**

**Independence**

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

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

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB Mann Judd  
Chartered Accountant



A G Smith  
Partner

Sydney  
29 February 2012