

Interim Financial Report

Appendix 4D

Half-Year Report

Period ended 31 December 2010

This information is provided under listing rule 4.2A.3 for the half-year ended 31 December 2010 and includes comparative information for the half-year ended 31 December 2009.

Results for Announcement to the market

Revenue and Profit

Revenues from ordinary activities	Decreased by 58.9% to \$ 22,465,000 (from \$54,686,000)
Profit (loss) from ordinary activities after tax attributable to members	Decreased to loss of \$3,643,000 (from profit of \$6,535,000)
Net profit for the period attributable to members	Decreased to loss of \$3,643,000 (from profit of \$6,535,000)

Dividends

It is not proposed to pay dividends at this time.

NTA backing

Net tangible asset backing per share	31 December 2010 2.22 cents	30 June 2010 2.85 cents
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Quantum Energy Limited

A.B.N. 19 003 677 245

And its controlled entities

Half-Yearly Report

31 December 2010

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Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

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

Environmental services had a disappointing six months. The result reflected the impact:

- Of ongoing government changes to renewable energy policy in relation to heat pump products which effected sales adversely.
- A reduction in market value of renewable energy certificates held by the group. As there certificates are traded the market price can fluctuate. Changes to government legislation mean the available supply of these particular renewable energy certificates will decrease in the medium term which should be favourable.
- Costs associated with the development of a business selling retail solar units to produce electricity.

Based on current orders it is expected the performance of all existing businesses including high end medical product sales will improve substantially in the next six months.

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 2010 is set out on page 2.

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



Director Drew Townsend

Dated: 28 February 2011

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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 2010 I declare that, to the best of my knowledge and belief, there have been:

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

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



D K Swindells
Partner

Sydney
28 February 2011

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Quantum Energy Limited and Controlled Entities

ABN: 19 003 677 245

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
31 DECEMBER 2010

	Notes	31/12/2010 \$000	31/12/2009 \$000
Revenue		22,465	54,686
Cost of manufacture		(12,448)	(35,136)
Advertising and promotion expenses		(589)	(694)
Depreciation and amortisation expense		(308)	(220)
Employee benefits expense		(6,365)	(5,428)
Finance costs		(743)	(632)
Freight and deliveries		(36)	(217)
Impairment of goodwill	7	-	-
Impairment of receivables:			
- External		(351)	(35)
Motor vehicle expenses		(562)	(443)
Occupancy costs		(886)	(1,103)
Research and development expenses		(81)	(31)
Travel expenses		(775)	(639)
Telephones & Internet		(228)	(220)
Warranty expenses		(4)	(477)
Legal Fee		(121)	(173)
Consultant Fee		(211)	(439)
Foreign Currency Transactions gains/(losses)		(166)	1,183
Profit (loss) on disposal of Renewable Energy Certificates		(1,187)	-
Fair value loss on financial assets (Renewable Energy Certificates)		(1,158)	-
Other expenses		(1,739)	(1,654)
Profit (loss) before income tax	2	(5,493)	8,328
Income tax (expense) credit		1,850	(1,793)
Net profit (loss) attributable to members of the parent entity		(3,643)	6,535
Other comprehensive income			
Translation of foreign subsidiaries		(868)	(1,907)
Total comprehensive income/(loss) for the period		(4,511)	4,628
Earnings /(loss) per share		Cents	Cents
Basic earnings/ (loss) per share		(0.358)	0.642
Diluted earnings/ (loss) per share		(0.358)	0.638

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 2010

	Notes	31/12/2010 \$000	30/06/2010 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,948	2,734
Trade and other receivables		8,788	14,854
Inventories		25,894	22,544
Financial assets		14,447	27,633
Other current assets		2,943	1,528
TOTAL CURRENT ASSETS		<u>56,020</u>	<u>69,293</u>
NON-CURRENT ASSETS			
Trade and other receivables		356	356
Investment accounted for using the equity method	8	2,665	-
Property, plant and equipment		2,848	2,286
Deferred tax assets		4,354	2,501
Financial assets		105	105
Intangible assets	9	11,955	11,955
Other non-current assets		165	163
TOTAL NON-CURRENT ASSETS		<u>22,448</u>	<u>17,366</u>
TOTAL ASSETS		<u>78,468</u>	<u>86,659</u>
CURRENT LIABILITIES			
Trade and other payables		18,521	15,910
Borrowings		15,850	15,157
Current tax liabilities		1,018	2,008
Provisions		1,262	1,535
TOTAL CURRENT LIABILITIES		<u>36,651</u>	<u>34,610</u>
NON-CURRENT LIABILITIES			
Borrowings		2,513	8,276
Employee benefits		361	324
TOTAL NON-CURRENT LIABILITIES		<u>2,874</u>	<u>8,600</u>
TOTAL LIABILITIES		<u>39,525</u>	<u>43,210</u>
NET ASSETS		<u>38,943</u>	<u>43,449</u>
EQUITY			
Issued capital		83,789	83,789
Reserves		(225)	638
Retained earnings (accumulated losses)		(44,621)	(40,978)
TOTAL EQUITY		<u>38,943</u>	<u>43,449</u>

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 2010

Note	Issued Capital Ordinary	Option Reserve	Un-distributable Profits Reserve	Exchange Translation Reserve	Retained Earnings (Losses)	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2009	83,789	136	504	(490)	(49,447)	34,492
Translation of foreign subsidiaries	-	-	-	(1,907)	-	(1,907)
Options issued to employees	-	21	-	-	-	21
Profit attributable to members of parent entity	-	-	-	-	6,535	6,535
Balance at 31 December 2009	83,789	157	504	(2,397)	(42,912)	39,141

Balance at 1 July 2010	83,789	143	504	(9)	(40,978)	43,449
Translation of foreign subsidiaries	-	-	-	(868)	-	(868)
Options issued to employees	-	5	-	-	-	5
Profit attributable to members of parent entity	-	-	-	-	(3,643)	(3,643)
Balance at 31 December 2010	83,789	148	504	(877)	(44,621)	38,943

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

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**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

	Notes	31/12/2010 \$000	31/12/2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		25,115	62,266
Receipts from legal case settlement		112	-
Payments to suppliers and employees		(30,719)	(55,502)
Interest received		40	7
Sundry income		53	285
Finance costs		(629)	(1,908)
Income tax paid		(999)	(1,298)
Net cash provided by (used in) operating activities		<u>(7,027)</u>	<u>3,850</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(116)	(348)
Proceeds from sale of property, plant and equipment		-	42
Dividends received from unrelated entity		4	-
Payments for acquisition of investment in associate		(1,915)	-
Payments for financial assets		(2,892)	-
Proceeds from sale of financial assets		19,421	-
Net cash provided by (used in) investing activities		<u>14,502</u>	<u>(306)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	3,486
Repayment of borrowings		(7,184)	(5,111)
Net cash provided by (used in) financing activities		<u>(7,184)</u>	<u>(1,625)</u>
Net increase in cash held		291	1,919
Cash at beginning of period		<u>689</u>	<u>1,408</u>
Cash at end of period		<u><u>980</u></u>	<u><u>3,327</u></u>

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

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Interim Financial Report

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

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 2010 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 2010 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: PROFIT FOR THE PERIOD

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

NOTE 3: DIVIDENDS

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the financial period (2009: Nil).

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Interim Financial Report

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

NOTE 4: SEGMENT INFORMATION

	Environmental Services		Medical		Investments		Unallocated		Elimination		Consolidated	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total revenue	12,833	45,871	9,632	8,815	-	-	-	-	-	-	22,465	54,686
Profit/(Loss) from ordinary activities	(1,089)	6,776	(63)	1,552	(2,345)	-	132	-	(278)	-	(3,643)	8,328
	31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010	31 Dec 2010	30 Jun 2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Segment assets	33,887	35,664	33,666	30,490	16,016	26,739	25,109	25,639	(30,210)	(31,873)	78,468	86,659
Segment liabilities	(25,013)	(36,409)	(18,536)	(16,391)	(2,665)	-	(11,599)	(10,361)	18,288	19,951	(39,525)	(43,210)

The "Heat Pump Technologies" segment has been renamed as "Environmental Services" and now includes both the heat pump activities and photovoltaic cell activities. On 31 December 2009 the group decided to hold as investments Renewable Energy Certificates acquired by the Heat Pump Technologies segment and previously accounted for as inventories. For segment reporting a new segment "Investments" has been disclosed. The equity accounted investment (Note 8) is also included in the investments segment.

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 2010 and the Directors believe no adjustment is required in relation to the carrying value of goodwill as at 31 December 2010.

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Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2010 (continued)

NOTE 8: INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On 11 November 2010 the Group acquired a 35% interest in Manly Warringah Sea Eagles Limited at a cost of \$2,665,053.

As this investment was acquired near to the balance date, no amount has been recognised in the statement of comprehensive income for the consolidated entity's share of the profit or loss of the associate for the half-year ended 31 December 2010.

NOTE 9: INTANGIBLE ASSETS

	Consolidated	
	31/12/2010	30/06/2010
	\$000	\$000
Goodwill on acquisition		
Cost	83,146	83,146
Accumulated impairment losses	(71,191)	(71,191)
Net carrying amount	<u>11,955</u>	<u>11,955</u>

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

	Consolidated	
	31/12/2010	30/06/2010
	\$000	\$000
Medical (InSight Oceania Pty Ltd)	11,811	11,811
Heat pump technologies	144	144
Total	<u>11,955</u>	<u>11,955</u>

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 9 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 2010 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: 28 February 2011

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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 statement of financial position as at 31 December 2010, the statement of comprehensive income, 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 2010 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.

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QUANTUM ENERGY LIMITED
HALF-YEAR REVIEW REPORT (continued)

Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001*, 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 auditor's review report.

Basis for Qualified Conclusion

The consolidated entity's investment in an associated company, acquired during the half-year ended 31 December 2010 and accounted for by the equity method, is carried on the balance sheet as at 31 December 2010 at cost of \$2,665,053 as disclosed in note 8. We were unable to obtain sufficient appropriate audit evidence of the recoverable amount of this investment as at 31 December 2010.

Qualified Conclusion

Based on our review, which is not an audit, except for the possible effect on the financial statements of the matter referred to in the preceding paragraph, 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 2010 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

D K Swindells
Partner

Sydney
28 February 2011

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