

**Half yearly report  
31 December 2017**

**Q Technology Group Limited**

ABN 27 009 259 876

Results for announcement to the market \$A'000  
Extracts from this report for announcement to the market.

Revenues from ordinary activities	Down	36.8%	to	6,431
Net loss from ordinary activities after tax attributable to members	Up	34.6%	to	(802)
Net loss for the period attributable to members	Up	34.6%	to	(802)
<b>Dividends</b>	Amount per security		Franked amount per security	
Interim dividend	Nil		Nil	
Previous corresponding period	Nil		Nil	
+Record date for determining entitlements to the dividend	No dividend has been declared or paid.			
Brief explanation of any of the figures reported above and short details of any other item(s) of importance not previously released to the market:				
Refer attached Half Year financial report				

	Current period	Previous corresponding Period
Net Tangible Assets Backing		
Net tangible asset backing per ordinary security	-0.31 ¢	0.03 ¢

These accounts are not subject to audit dispute or qualification. The review report is attached as part of the Interim Report.

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2017**

**ABN 27 009 259 876**



**and Controlled Entities**

**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**DIRECTORS' REPORT**

This interim Financial Report covers Q Technology Group Limited and its controlled entities as a consolidated group. The Group's functional presentation currency is Australian Dollars.

**CORPORATE DIRECTORY**

**DIRECTORS**

Mr Douglas Potter (Chairman, Non-Executive)  
Mr Edmond Tern (Non Executive Director)  
Mr Howard Whitesmith (Acting Managing Director)  
Mr Rob Rosa (Non Executive Director)

**AUDITORS**

RSM Australia Partners  
Level 21, 55 Collins Street  
Melbourne VIC 3000  
Telephone: +61 3 9286 8000  
Facsimile: +61 3 9286 8199

**CHIEF EXECUTIVE OFFICER,  
CHIEF FINANCIAL OFFICER  
& COMPANY SECRETARY**

Mr Andrew Phillips

**BANKERS**

Classic Funding Group  
6/146 Arthur Street  
North Sydney NSW 2060  
Telephone: 1300 780 895

**REGISTERED OFFICE**

5/435 Williamstown Road  
Port Melbourne Victoria 3207  
Telephone: +61 3 9676 7000  
Email: [enquiries@qtechnologygroup.com.au](mailto:enquiries@qtechnologygroup.com.au)

**SOLICITORS**

CBW Partners  
1/159 Dorcas Street  
South Melbourne Victoria 3205  
Telephone: +61 3 8646 3833

**SHARE REGISTRY**

Computershare  
Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067

**STOCK EXCHANGE**

Australian Stock Exchange  
Level 45, South Tower, Rialto  
525 Collins Street  
Melbourne Victoria 3000

**WEBSITE**

[www.qtechnologygroup.com.au](http://www.qtechnologygroup.com.au)  
[www.qsecuritysystems.com.au](http://www.qsecuritysystems.com.au)

**ASX CODE**

QTG - Ordinary Shares

**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2017.

**Directors**

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

Douglas Potter, Chairman and Non-executive Director  
Edmond Tern, Non-executive Director  
Howard Whitesmith, Acting Managing Director  
Rob Rosa, Non-executive Director  
Warren Sainsbury (resigned 21 August 2017)

**Principal Activities**

The principal activities of the consolidated group during the period was the distribution of CCTV cameras, digital video recorders, security video management systems and professional services.

**Significant Changes in the State of Affairs**

There had been no significant change in the state of affairs.

**Review of Operations**

<b>Half-Year</b>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	6,431	10,178
Gross Profit	1,384	2,294
GP Margin	21.0%	22.5%
<b>EBITDA</b>	<b>(665)</b>	<b>(397)</b>
EBITDA Margin	-10.1%	-3.9%
EBIT	(711)	(430)
EBIT Margin	-10.8%	-4.2%
Finance costs	(91)	(166)
<b>Net Profit / (Loss)</b>	<b>(802)</b>	<b>(596)</b>

Q Technology Group Limited ("the Group") generated revenues of \$6.4 million in the first half of the financial year. This was a decrease of 36.8% over the prior corresponding period.

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**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**DIRECTORS' REPORT**

QSS, as the trading arm of QTG, is a distributor of top of the range CCTV cameras, digital video recorders, security and video management systems (VMS) in Australia supported by a first class customer service organisation. Our product range includes FLIR, one of the most widely used VMS platforms in the market with over 1,000 existing sites in Australia and New Zealand and the Bosch range of CCTV and alarm equipment. Our own "QAlumia" brand of CCTV products aimed at the higher specification volume market was updated and re-launched in November 2017.

The group has maintained solid project sales in the first half of 2017 including rail projects in Victoria and security cameras for the Commonwealth Games in Queensland.

For the first half of FY18 the group's overall sales, particularly at the volume end of the market, continued to be impacted from lost market share resulting from an earlier supplier dispute in FY17. This was addressed and QSS was pleased to release a new range of "QAlumia" branded NVR's and cameras in November 2017. Feedback to date has been positive and QSS believes it now has a well featured, price competitive product range from a significant, well regarded manufacturer capable of winning back market share in FY18. Sales in the second half of the year will exceed those in the second half of last year.

**Corporate update**

On 21 August 2017 Warren Sainsbury resigned as Chief Executive Officer and Managing Director. On 22 August 2017 Mr Howard Whitesmith was appointed Acting Managing Director and Mr Andrew Phillips as Acting Chief Executive Officer which was later confirmed on 30 November 2017.

**Financial Position and Lending Covenants**

The company continues to have an effective \$4.0m invoice discounting facility with the Classic Funding Group which meets the needs of the business.

**Events Occurring After the Reporting Period**

On 13 February 2018, \$150,000 was borrowed from Helmsman Funds Management Limited as Trustee for the Helmsman Capital fund Trust IIA pursuant to an Agreement entered into in September 2017

As at 31 January 2018 Helmsman Funds Management Limited as Trustee for the Helmsman Capital fund Trust IIA has approved the conversion of \$496,011 of the Convertible Notes into equity at \$0.003 per share providing an additional 8,266,850 shares. This conversion event will increase the net assets of the company by \$496,011.

Other than as disclosed above no matters or circumstances have arisen since the end of the reporting period which significantly affects the operations of the Group, results of these operations, or the state of affairs of the Group in future financial periods

**ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191**

The company is an entity to which ASIC Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

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**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**  
**DIRECTORS' REPORT**

**Auditor's Declaration**

The auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2017.

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



Howard Whitesmith  
Acting Managing Director  
Dated this 21 February 2018

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Q Technology Group Limited for the half year ended 31 December 2017, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



**RSM AUSTRALIA PARTNERS**



**P A RANSOM**  
Partner

Melbourne, VIC  
Dated: 21 February 2018

**THE POWER OF BEING UNDERSTOOD**  
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**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 December 2017**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>31-Dec-2017</b>	<b>31-Dec-2016</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue		6,431	10,178
Interest income		2	2
Other Income		426	163
Purchases		(5,507)	(10,444)
Changes in inventory		460	2,559
Employee benefits expense		(1,707)	(2,203)
Depreciation and amortisation expense		(46)	(33)
Finance costs		(91)	(166)
Other expenses		(770)	(653)
<b>Profit/(Loss) before income tax</b>		<b>(802)</b>	<b>(596)</b>
Income tax (expense)/benefit		-	-
<b>Net Profit/(Loss) for the period</b>	<b>2</b>	<b>(802)</b>	<b>(596)</b>
Profit/(Loss) attributable to:			
- Members of the parent entity		(802)	(596)
- Non-controlling interest			
		<b>(802)</b>	<b>(596)</b>
<b>Earnings per share</b>			
From continuing operations:			
- Basic earnings per share (cents)		(2.54)	(0.12)
- Diluted earnings per share (cents)		(2.54)	(0.12)

The accompanying notes form part of these financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 December 2017

	Consolidated Group	
	31-Dec-2017 \$'000	31-Dec-2016 \$'000
Profit/(Loss) for the period	(802)	(596)
<b>Other comprehensive income</b>		
Other comprehensive income for the period, net of tax		
<b>Total comprehensive income for the period</b>	<b>(802)</b>	<b>(596)</b>
<b>Total comprehensive income attributable to:</b>		
- Members of the parent entity	(802)	(596)
- Non-controlling interest		
	<b>(802)</b>	<b>(596)</b>

The accompanying notes form part of these financial statements.

Q Technology Group Limited and Controlled Entities  
 ABN 27 009 259 876  
 Interim Financial Report

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 December 2016

		Consolidated Group	
	Note	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents		85	302
Trade and other receivables		2,251	2,157
Inventories		2,636	3,049
Other current assets		215	107
<b>TOTAL CURRENT ASSETS</b>		<b>5,187</b>	<b>5,615</b>
<b><u>NON-CURRENT ASSETS</u></b>			
Property, plant and equipment		275	317
Deferred tax assets		-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>275</b>	<b>317</b>
<b>TOTAL ASSETS</b>		<b>5,462</b>	<b>5,932</b>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Trade and other payables		3,223	3,310
Borrowings	3	2,086	2,111
Provisions		237	311
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,546</b>	<b>5,732</b>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Provisions		33	42
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>33</b>	<b>42</b>
<b>TOTAL LIABILITIES</b>		<b>5,579</b>	<b>5,774</b>
 <b>NET ASSETS</b>		 <b>(117)</b>	 <b>158</b>
<b><u>EQUITY</u></b>			
Issued capital		74,649	74,122
Reserves		-	-
Accumulated losses		(74,766)	(73,964)
<b>TOTAL EQUITY</b>		<b>(117)</b>	<b>158</b>

The accompanying notes form part of these financial statements.

**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 December 2017**

	Issued Capital Ordinary \$'000	Retained (Losses) \$'000	Options Reserve \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	74,121	(73,964)	-	158
Profit for the period		(802)		(802)
Total other comprehensive income for the period				
<b>Total Comprehensive Income for the period</b>	74,121	(74,766)	-	(645)
Shares issued during period	227			227
Loans converted into equity	301			301
Dividends paid or provided for				
<b>Balance at 31 December 2017</b>	<b>74,649</b>	<b>(74,766)</b>	<b>-</b>	<b>(117)</b>
<b>Balance at 1 July 2016</b>	73,121	(72,077)	-	1,044
Profit for the period		(596)		(596)
Total other comprehensive income for the period				
<b>Total Comprehensive Income for the period</b>	73,121	(72,673)	-	448
Shares issued / (bought back) during period	1,032			1,032
Dividends paid or provided for				
<b>Balance at 31 December 2016</b>	<b>74,153</b>	<b>(72,673)</b>	<b>-</b>	<b>1,480</b>

The accompanying notes form part of these financial statements.

**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE HALF-YEAR ENDED 31 December 2017

	<b>Consolidated Group</b>	
	<b>31-Dec-2017</b>	<b>31-Dec-2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of GST)	7,633	12,804
Payments to suppliers and employees (inclusive of GST)	(8,135)	(12,689)
Interest received	2	2
Finance costs	(46)	(166)
<b>Net cash (used in)/provided by operating activities</b>	<b>(546)</b>	<b>(49)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	-	2
Transfer to deposits	(124)	
Purchase of property, plant and equipment	(4)	-
<b>Net cash (used in)/provided by investing activities</b>	<b>(128)</b>	<b>2</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issue	227	1,032
Proceeds from borrowings	550	-
<b>Net cash (used in) financing activities</b>	<b>777</b>	<b>1,032</b>
Net increase/(decrease) in cash and cash equivalents held	103	985
Cash and cash equivalents at beginning of period	(1,230)	(2,959)
<b>Cash and cash equivalents at end of period</b>	<b>(1,127)</b>	<b>(1,974)</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash at bank	85	258
Invoice discounting facility	3 (1,213)	(2,232)
	<b>(1,128)</b>	<b>(1,974)</b>

The accompanying notes form part of these financial statements.

**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 December 2017**

## **NOTE 1: BASIS OF PREPARATION**

These general purpose interim financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Q Technology Group Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

### **Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$802,000 (HY2016: \$596,000 loss) and had net cash outflows from operating activities of \$546,000 (HY2016: \$49,000 outflow) for the half-year ended 31 December 2017. As at that date the consolidated entity had net current liabilities of \$359,000 (30 June 2017: \$117,000 liabilities) and net liabilities of \$117,000 (30 June 2017: \$158,000 assets).

These factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The consolidated entity has prepared budgets and cash flow forecasts for the next 12 months from the date of this report which indicate the consolidated entity will be cash flow positive during this period;
- As disclosed in Note 6 Events Occurring After The Reporting Period, \$150,000 was borrowed from Helmsman Funds Management Limited as Trustee for the Helmsman Capital fund Trust IIA on 13 February 2018 pursuant to an Agreement entered into in September 2017; and
- As disclosed in Note 6 Events Occurring After The Reporting Period, on 31 January 2018 Helmsman Funds Management Limited as Trustee for the Helmsman Capital fund Trust IIA has approved the conversion of \$496,011 of the Convertible Notes into equity at \$0.003 per share providing an additional 8,266,850 shares. This conversion event will increase the net assets of the company by \$496,011.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 December 2016**

**NOTE 2: PROFIT/ (LOSS) FOR THE PERIOD**

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	Note	31-Dec-2017 \$'000	31-Dec-2016 \$'000
Realised gains/(losses) on foreign currency		258	191
Unrealised gains/(losses) on foreign currency		89	32

**NOTE 3: BORROWINGS**

The Group has an invoice discounting facility with the Classic Funding Group for up to \$4.0m. At 31 December 2017 it is drawn down to \$1.2m. There are no covenants associated with this facility. Short term loans include \$500,000 of Helmsman Capital Fund Trust IIA convertible notes of which \$496,011 has been converted into equity post balance date.

Total borrowings at 31 December 2017:

<b>Facility</b>	<b>Balance \$'000</b>
Invoice Discounting	1,213
Short term loans	873
<b>Total</b>	<b><u>2,086</u></b>

**NOTE 4: OPERATING SEGMENTS**

The company operates one operating segment in one geographical area, being Australia.

**NOTE 5: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the end of the last annual reporting period.

**NOTE 6: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 13 February 2018, \$150,000 was borrowed from Helmsman Funds Management Limited as Trustee for the Helmsman Capital fund Trust IIA pursuant to an Agreement entered into in September 2017

As at 31 January 2018 Helmsman Funds Management Limited as Trustee for the Helmsman Capital fund Trust IIA has approved the conversion of \$496,011 of the Convertible Notes into equity at \$0.003 per share providing an additional 8,266,850 shares. This conversion event will increase the net assets of the company by \$496,011.

Other than as disclosed above no matters or circumstances have arisen since the end of the reporting period which significantly affects the operations of the Group, results of these operations, or the state of affairs of the Group in future financial periods.

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**Q Technology Group Limited and Controlled Entities**  
**ABN 27 009 259 876**  
**Interim Financial Report**

**DIRECTOR'S DECLARATION**

In accordance with a resolution of the Directors of Q Technology Group Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 13 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Howard Whitesmith  
Acting Managing Director  
Date: 21 February 2018

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
Q TECHNOLOGY GROUP LIMITED**

We have reviewed the accompanying half-year financial report of Q Technology Group Limited which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 internal 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 half-year 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 2017 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 Q Technology Group 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.



### *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 Q Technology Group Limited, would be in the same terms if given to the directors as at the time of this auditor's 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 Q Technology Group 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 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the half-year financial report, which indicates the consolidated entity incurred a net loss of \$802,000 (HY2016 - \$596,000 loss) and the consolidated entity incurred net cash outflows from operating activities of \$546,000 (HY2016 - \$49,000 cash outflows ) for the half-year ended 31 December 2017. As at that date the consolidated entity had net current liabilities of \$359,000 (June 2017: \$117,000 liabilities) and net liabilities of \$117,000 (June 2017: \$158,000 assets). As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



**RSM AUSTRALIA PARTNERS**



**P A RANSOM**

Partner

Melbourne, VIC

Dated: 22 February 2018