

ASX AND MEDIA RELEASE

31 July 2014

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### MARKET UPDATE

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The Company would like to provide an update on the progress of the Q Technology Group (QTG) and Q Security Systems (QSS).

As outlined in the Appendix 4C lodged earlier today cash flow from operations for the Group during the June Quarter was \$227,000 positive and \$924,000 positive for the full year 2014.

The FY14 revenues for QTG were \$25.8m achieving 7% growth compared to PCP.

The FY14 EBITDA result for QTG is expected to be a loss in the range of \$375k to \$425k. The result has been adversely impacted by several one off year-end adjustments and provisions in QSS primarily due to the following;

- A one off provision of a bad debt of \$223k associated with a Brisbane based customer who operated in a rental environment which has resulted in an insolvent business. QSS has now discontinued operations servicing customers operating rental based business models resulting in the one off provision.
- The costs associated with reaching a final agreement in July 2014 with Samsung Techwin Korea to settle an outstanding account, which has been in dispute since February 2014. The termination of the Samsung distribution arrangement as noted in our announcement on 5 May 2014 resulted in low margin sales of Samsung products over the year and a resultant loss of margin compared to that expected in the normal course of trading of an estimated \$373k and a special one off provision at year-end of \$200k. Pursuant the terms of the settlement agreement the Samsung account will be paid in full during the first quarter of FY15 noting that the first payment of US\$0.85m was made yesterday with US\$0.38m remaining.

QSS has introduced several new product ranges to the business including Bosch, Flir Systems, and exacqVision. QSS has entered into an exclusive arrangement with NUUO, a leading network based video platform and has reintroduced new OEM QSS Alumia branded products that are intended to support sales growth in FY15 and margin improvement in line with this diversified product range.

QTG entered into a revised Bank Facility Agreement with Bank of Melbourne on 30 June 2014, providing the Company more flexibility in the funding available for working capital. The revised facility is a combination of debtor funding, trade financing and bank guarantee funding with a maximum drawdown of \$4.5m. The impact of the one off provisions and adjustments noted above, is expected to cause a technical breach of the interest cover covenant set for the Bank facilities to 30 June 2014. We note that there is no monetary breach and that the results after one off adjustments show a proforma full compliance with all covenants.

The unaudited net asset position for QTG is \$6.1m.

Notwithstanding the technical covenant breach due to one off adjustments our QSS business is in a good position to take advantage of growth prospects in the market, particularly with the revised product line currently on offer and management are excited by the market opportunities going forward.



Rick Stokes  
Managing Director and CEO

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**About Q Technology Group Limited**

*Q Technology Group Limited is based in Melbourne, Victoria. The Group has annualised revenues of approximately \$25 million as a leader in the supply and support of high quality CCTV, video switching, networking, alarm and access control products.*

*For more information on the Company please visit*

<http://www.qtechnologygroup.com.au>

<http://www.qsecuritysystems.com.au>