

Q Technology Group Limited
Chairman's Address

Dear Shareholders

On behalf of the Directors I am pleased to welcome shareholders to the Annual General Meeting of Q Technology Group.

The Company's financial results and full year accounts are set out in the annual report. In the year ending 30 June 2014 revenue increased by 7.9% to \$25.8 million. On a consolidated basis we reported a net loss after tax of \$0.8 million. As set out in the directors report normalised results for the year resulted in a small profit of \$0.16 million before tax compared to \$1.3 million for comparative normalised period in 2013.

Our trading in the first half recorded a small profit and our results and margins in the second half were impaired by the exit of our relationship with Samsung. As a company we need to provide better and more robust performance though changes in both the business cycle and product evolution to meet market requirements.

Our operating division Q Security Systems reported a loss in earnings before interest and tax and depreciation (EBITDA) of \$0.38 million. On a normalised basis the QSS EBITDA was positive at \$0.508 million.

QRSciences Security Pty Ltd (QSS)

Our QRSciences Security Pty Ltd business trading as Q Security Systems ("QSS") is focused on the importation and distribution of CCTV cameras, digital video recorders, security video management systems and access controls with offices located throughout Australia. The company has a strong reputation for service excellence, high stock availability, fast and reliable delivery, expert technical support and end-to-end turn-key solutions and is a leader in the supply of all video and camera security needs.

During the year we invested in the appointment of key staff, including a Chief Operating Officer, Rob Rosa in November 2013 and new key sales and procurement staff to target growth sectors of our market.

In early 2014 the board directed management to review our product and technology strategies to improve our business and improve margins in the business. As a result of the exit by QSS of our Samsung relationship our margins were lower than our historic trading for those products.

In FY14 Q4 we negotiated and commenced marketing several new supply arrangements that are at the forefront of video security solutions and maintain our leadership as a wholesale solutions provider. QSS now offers Tyco Security products, with product brands, DSC, American Dynamics, ExacQ, Kantech and Software House and in addition QSS has re-launched our OEM brand to the Australian market with the newly developed QVS Alumia cameras, which offer world leading technology. Other new supply arrangements include distribution of Allied Telesis, BPT Intercoms, Bosch CCTV & detectors, DVTel, FLIR and the exclusivity of NUUO which further provide QSS an improved product mix.

Rob Rosa our Managing Director will provide more detail on the business in his presentation.

Corporate

During the year we worked to reduce corporate costs. Our corporate salaries and directors fees were down 47.6% from \$ 0.924 million in 2013 to \$ 0.484 million in 2014. Mr Rick Stokes has retired from his role of MD and CEO and Mr Rob Rosa, formerly Chief Operating Officer was appointed in October as Managing Director and acting CEO.

Corporate governance

Our compliance with corporate governance practices at Q Technology Group Limited is included within this report. The Board is confident that our governance structure is in place and is properly administered.

Outlook

Q Technology Group Limited has delivered a result that has underperformed our expectations for the group in the 2014 financial year. The review and new strategy surrounding our products has been targeted to higher margin growth markets are expected to improve our ability to assemble and deliver a wide mix of wholesale security product solutions to complement the functionality of each sensor, controller or network components.

Our QSS business is in a stronger market position with our new product mix to take advantage of sales opportunities in our markets and management are focussed on improving our market share.

Trading results in the first half have been disappointing with sales year to date down 6% in the 4 months to 31 October when compared to last year. Our margins continue to be impacted by sales of our Samsung stock at a loss and competition and reduced demand in key product sectors are delivering lower volumes and margins than expected. Year to date our unaudited earnings before interest and tax (EBIT) is a profit of \$41,000 for QSS our operating subsidiary and \$207,000 loss at the group level for the four months to 31 October 2014. Our half year to 31 December is likely to be a loss on a consolidated basis.

Our Managing Director has prepared a plan of cost reduction which targets \$700,000 to \$1,000,000 to be progressively implemented and completed by 31 March 2015.

As a listed company we lack the required scale to carry the ASX listing costs and related overheads and deliver satisfactory earnings per share. We will continue to seek opportunities to unlock value to shareholders either through merger with similar synergistic businesses or divestment.

On behalf of the Directors we wish to thank the senior management teams and all employees for their hard work, commitment and customer service focus across all segments during the year and also thank our customers and shareholders for their continuing support of Q Technology Group Limited.

Bruce E Higgins
Chairman
Q Technology Group Limited
25 November 2014