

ASX AND MEDIA RELEASE
30 April 2015

COMMENTARY

Q3 quarterly report

Q Technology Group Limited ("QTG") announces negative operating cash flow of \$0.453 million for the third quarter ended 31 March 2015. Sales were down from \$6.2 million in second quarter to \$5.9 million in third quarter. Margin was also impacted accordingly due to a weaker AUD against the USD and aggressive discounting by competitors across the sector.

Strategic Review

Following the restructure of the Board and executive team late last year the new team has undertaken a strategic review of the business and developed a plan for the future of the business.

The review highlighted that Q Security Systems ("QSS") has historically had an overreliance or concentration on a few suppliers and a few key customers. This finding has driven the development of a plan to focus on:

- the diversification of the supplier relationships,
- expansion of product ranges, and
- increasing the number and diversity of the customer base.

This plan addressed the loss of Samsung product range in Feb 2014 (effectively replaced with a number of new suppliers including market leading brands such as Bosch) and more recently as announced in the half yearly report, Q Security Systems ("QSS") has worked with Tyco North America to finalize the end of the distribution agreement in March 2015. The process of replacing Tyco with a number of alternative suppliers and products has effectively resolved the last historical supplier concentration risk in the business.

The reduction in Tyco customer sales revenue experienced post March is not forecast to be fully replaced by new customers for several months as we transition to our new alternative distribution arrangements with Bosch intrusion systems and Nortek USA and Alarm.Com. We are pleased to note that Nortek USA is the No. 1 selling alarm panel in North America that is better known as 2GIG alarm panels which integrates into the Alarm.Com smart platform. We are confident that sale revenues generated from the new product range will in time exceed historical performance and grow our overall market share based on the US market performance of these products.

In November 2014 QTG identified the need to undertake a significant cost reduction programme which has been implemented with expectant cost savings \$1.2 million per annum being fully reflected in the monthly performance from beginning of June 2015 onwards. The Laverton North logistics and service centre has now been merged into the Port Melbourne operation and the Laverton North facility has been sub leased effective 1st June 2015, which will deliver further savings and improved operational synergies due to co-location of National and Victorian branch operations.

Outlook

QTG expects this financial year result will be weaker than last financial year reflecting the combined impact of:

- a lower margin contribution resulting from aggressive market competition and a weaker AUD, and
- reduced sales volumes during Q4 arising from the Tyco product transition.

Recognising the immediate post Tyco adverse impact on revenues and the expected timeframe for ramp up in new product and customer sales, QTG has taken further actions to adjust the cost base to match current operations and continues to review branch by branch performance each month. In light of this, QTG is working closely with its financier to address the short term impacts to the business and position the business for a sales driven recovery over the next two quarters in order to proactively manage ongoing compliance with its banking covenants.

Notwithstanding the transition issues, we are pleased to confirm that our strategy of “improving products, staff and diversifying the client base” has generated \$1.8 million of new customer revenue for the nine month period YTD.

Finally, QTG is presently working with a number of prospective vendors to secure complementary products to enhance our already extensive product offering, further de-risking the business from over reliance on any single supplier. We expect that these strategies successfully implemented over coming months will continue to positively impact the QSS business.

Rob Rosa
Managing Director

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>

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Q Technology Group Ltd

ABN

27 009 259 876

Quarter ended ("current quarter")

31 March 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from customers	5,470	18,210
1.2	Payments for		
	(a) staff costs	(1,132)	(3,522)
	(b) advertising & marketing	(12)	(30)
	(c) research & development	-	-
	(d) leased assets	(189)	(537)
	(e) other working capital	(4,484)	(15,177)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	3
1.5	Interest and other costs of finance paid	(106)	(238)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net operating cash flows	(453)	(1,290)

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(453)	(1,290)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(23)	(59)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	0	1
(e) other non-current assets		
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(23)	(58)
1.14 Total operating and investing cash flows	(475)	(1,348)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings	(4)	(107)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	(4)	(107)
Net increase (decrease) in cash held	(479)	(1,455)
1.21 Cash at beginning of quarter/year to date	(2,192)	(1,216)
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	(2,671)	(2,671)

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	192
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,912	2,832
3.2 Credit standby arrangement	-	-

Reconciliation of cash


Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	161	201
4.2 Deposits at call	1	1
4.3 Bank overdraft	(2,832)	(2,393)
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	(2,671)	(2,191)

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign: _____
 Date: 30 April 2015

Edmond Tern (Company secretary)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.