

ASX AND MEDIA RELEASE  
31 July 2015

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## COMMENTARY

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### **Q4 quarterly report**

Q Technology Group Limited ("QTG") announces positive operating cash flow of \$0.058 million for the fourth quarter ended 30 June 2015. Sales were down from \$5.9 million of third quarter to \$5.4 million this quarter. Margin had improved slightly despite weaker AUD and aggressive discounting by competitors across the sector.

### **Strategic Development**

Over a 12 month period, QSS had been impacted by two major vendors who changed their channel market strategy which represented \$14 million of our normal sales revenue. Notwithstanding that there had been only a slight down turn in sales for this quarter as we finalized the relationship with Tyco Security Products.

As announced previously, we have secured replacement products such as Bosch Intrusion including the new range of Bosch 2000, 3000 and 6000 wired and hybrid wireless intrusion systems and full range of detectors. The 2GIG Go Control wireless panels from Nortek USA - one of USA most dominant wireless intrusion and home automation panel utilizing alarm.com. This is one of the platforms to manage home automation and key functionality for end users utilizing smartphone and tablet devices.

In May 2015, QSS signed an exclusivity in Australia to distribute the FLIR IP Visual security products that will compete in the mid-tier market place. The launch of FLIR through QSS sales branches will take place on Monday 3<sup>rd</sup> August, 2015.

The QVS Alumia brand continued to grow in sales for QSS and it is pleasing to report that the brand gathered traction in the market place with an increase in sales for the quarter up by 29%.

Working capital management remained a key focus of the business as we continued to improve stock turn and tighter control over receivables. This has seen QSS reduce inventory by approximately \$0.3 million a quarter.

In light of aforementioned changes in distribution agreements, the management is working with the auditors and financiers to determine a range of year-end adjustments which will increase inventory impairments relating to legacy products that are no longer core products for QTG. Subject to finalization of the audit process we expect the year end one off adjustments to total not less than \$0.6 million with full year result estimated to be in the range between \$1.5 to 2.0 million loss.

## Outlook

We continue to work closely with our financiers who have been very supportive of us as we improve our financial position including revision of the covenant tests for the business for the next 12 months.

Over a 12 month period we introduced 163 new clients representing over \$3.6 million in new business opportunities. We are expecting that these new relationships with healthy sales pipeline will continue to build and strengthen our position in FY2016 and beyond as we diversify our customer base.

As many of the cost reduction initiatives were carried out over the second half of the 2015 financial year, we are expecting the cost benefits to filter through in FY2016. With new and exciting products now ready for FY2016, we expect to see significant improvement in sales and margins providing the basis for an improved financial performance.

Rob Rosa  
Managing Director

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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 \$23 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")

30 June 2015

### Consolidated statement of cash flows

Cash flows related to operating activities		Current Quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from customers	6,011	24,221
1.2	Payments for		
	(a) staff costs	(1,101)	(4,623)
	(b) advertising & marketing	(47)	(78)
	(c) research & development	-	-
	(d) leased assets	(265)	(801)
	(e) other working capital	(4,541)	(19,717)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	4
1.5	Interest and other costs of finance paid	1	(238)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net operating cash flows</b>	<b>58</b>	<b>(1,231)</b>

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

	Current Quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>58</b>	<b>(1,231)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		(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		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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(58)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>58</b>	<b>(1,289)</b>
<b>Cash flows related to financing activities</b>		
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	(2)	(109)
1.19 Dividends paid		
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	<b>(2)</b>	<b>(109)</b>
<b>Net increase (decrease) in cash held</b>	<b>56</b>	<b>(1,398)</b>
1.21 Cash at beginning of quarter/year to date	(2,671)	(1,216)
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>(2,614)</b>	<b>(2,614)</b>

**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	129
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	3,577	2,771
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	157	161
4.2 Deposits at call	-	1
4.3 Bank overdraft	(2,771)	(2,832)
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>(2,614)</b>	<b>(2,671)</b>

## 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.

Edmond Tern  
Company secretary  
31 July 2015

## **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.