

## **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 2015 revenue decreased by 7.9% to \$23.8 million. On a consolidated basis we reported a net loss after tax of \$2.3 million. As set out in the Directors Report normalised results for the year resulted was a loss of \$1.1 before tax compared to \$0.1 million profit for comparative normalised period in 2014.

The financial result included a range of charges related to provisions for legacy Samsung and Tyco inventory and elimination of intangible assets from the balance sheet which was done in consultation with the Auditor during the year-end review process.

### **Corporate**

In December 2014, the Board and corporate structure was streamlined with a change in Chairmanship and promotion of Chief Operating Officer and Chief Financial Officer to become Managing Director and Finance Director respectively.

The Board immediately conducted a complete review of its Strategy, Products and Services which has resulted in the major restructuring undertaken during the last 6 months. An immediate programme of cost reduction was implemented by management which removed over \$1.2 million per annum in costs from the business.

The objective of the review was to build a better business, accessing higher margin products and rebuild revenue volumes to firstly recover lost ground and secondly to provide a platform for growth and return to profitability.

### **QRSciences Security Pty Ltd ("QSS")**

QRSciences Security Pty Ltd is the operating arm of Q Technology Group trading as Q Security Systems ("QSS"). QSS focuses on importation and distribution of CCTV cameras, digital video recorders, security video management systems and access controls. It has offices located in Melbourne, Sydney, Brisbane, Adelaide and Perth. 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.

The Company is a leader in the supply of all video and camera security needs, analytics, embedded video encoders and wireless transmitters, megapixel and IP cameras, robust video management software, integrated video analytics, comprehensive access control technology and world class alarms and security systems.

QSS had undergone significant products rationalization program since February 2014 which saw the business ceasing its representation of Samsung Security Products and subsequently Tyco Security Products in February 2015. These two vendors represented a total annual turnover of around \$14 million the loss of which adversely affected the businesses revenue.

It is testament to the efforts of the management team and the resilience of the business generally that the business has been able to manage the impact of such changes in its customers and suppliers.

Pleasingly, in response the business was able to secure two exclusive distribution agreements with FLIR IP daylight cameras and NUUO as well as non-exclusive distribution of Bosch CCTV & detectors, DVTEL and 2GIG. The introduction of Bosch alarms, FLIR IP and 2GIG products into the business progressively over the last 6 months is expected positively impact the FY2016 financials.

As announced on 12 November 2015, DVTEL had appointed QSS as the primary distributor for Australia and New Zealand which further strengthen QSS position in the mid to high end product sector. In addition, QSS is working with second largest Chinese manufacturer of security products to launch the Dahua brand in December 2015 completing our product roadmap for 2016. Rob Rosa our Managing Director will provide more detail on the business in his presentation.

## **Corporate governance**

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

Management has continued to refine our risk management procedures and to implement our business strategies to leverage the capabilities of the company.

## **Outlook**

The Board understands the tough trading conditions and the challenges faced in FY2014 and FY2015 has place the business under stress. The Board acknowledges the effort that had gone into restoring the supply chain with some of the very best brand names in the industry. The Board believes the Group is ready to deliver a stronger result in FY2016 with the quality of products that are capable of delivering stronger margins through a leaner operating model to grow sales and market share.

Balance sheet management and working capital rationalisation has been a feature of the management effort in the business over the last 12 months as we have progressively reduced stock holdings and improved working capital management. This focus has enabled the business to operate notwithstanding losses and meet all its obligations. We acknowledge the constructive support of the company's financier both during this time and ongoing. With the introduction of new product lines over the 1H 2016 we have forecast the need for working capital levels in the business will grow ahead of the generation of sales. The rights issue which has recently been undertaken will provide some support for this requirement.

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 in the coming year to unlock value to shareholders either through merger with similar synergistic businesses or divestment. I look forward to discussing this report with shareholders at the Annual General Meeting.

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.

**Douglas Potter**  
**Chairman**  
**Q Technology Group Limited**  
**24 November 2015**