

Appendix 4E
Preliminary Final Report

Q Technology Group Limited
ABN 27 009 259 876

Details of the reporting period and the previous corresponding period

Reporting Period: 30 June 2016
Previous Corresponding Period: 30 June 2015

Results for announcement to the market

Key information	2016 \$'000	2015 \$'000	% Change
Revenues from ordinary activities	21,888	23,786	-8.0%
Profit from ordinary activities after tax attributable to members	(3,451)	(2,264)	-52.2%
Net profit attributable to members	(3,451)	(2,264)	-52.2%

Dividends Paid and Proposed	Amount per security	Franked amount per security at 30% of Tax
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividend.	No dividend has been declared or paid
Dividend re-investment plan.	No dividend re-investment plan in operation

Net Tangible Assets Backing	2016	2015
Net tangible asset backing per ordinary security	\$0.003	\$0.019

Control gained or lost over entities in the year

There were no entities where control was gained or lost during the period.

Commentary on the Results for the period

Refer to the commentary on the results for the period contained in the "Review of Operations" included within the Directors' report.

Status of Audit

The 30 June 2016 financial report and accompanying notes for Q Technology Group Limited have been audited and are not subject to any disputes or qualifications. Refer to the 30 June 2016 annual report for a copy of the auditor's report.

**Q Technology Group Limited
and Controlled Entities**

(ABN 27 009 259 876)



2016 FINANCIAL REPORT

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This Annual Financial Report covers Q Technology Group Limited (formerly QRSciences Holdings Limited) and its controlled entities as a consolidated group. The Group's functional presentation currency is Australian Dollars.

CORPORATE DIRECTORY

DIRECTORS

Mr Douglas Potter (Chairman, Non-Executive)
Mr Rob Rosa (Managing Director)
Mr Edmond Tern (Non-Executive)

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr Andrew Phillips

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Melbourne Vic 3000

ASX CODE

QTG - Ordinary Shares

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CHAIRMAN'S REPORT

Dear Shareholders

On behalf of the Directors I enclose the company results for the year ending 30 June 2016 within this annual report.

The Company's full year revenue decreased by 8.0% to \$21.9 million. On a consolidated basis we reported a net loss after tax of \$3.5 million for the year ended 30 June 2016. Normalised results for the year was \$1.1 million loss before tax compared to \$1.1 million normalized loss in the prior period. The first half continued to be affected by the prior change in distribution agreements with Tyco security products, however we were pleased with the second half improvement.

Summary of financial result

	30 June 2016	30 June 2015	Change
Revenue	\$21.9 million	\$23.8 million	- 8.0%
EBITDA	-\$2.6 million	-\$2.3 million	- 13.0%
NPAT	-\$3.5 million	-\$2.3 million	- 52.2%
EPS	-1.1 cents	-1.2 cents	+ 25.0%

QRSciences Security Pty Ltd

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, 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 continues rationalize its business so as to represent the best suppliers in the market to facilitate end to end solutions and to capitalize on its expertise. In December 2015 we took on the distribution of Dahua CCTV products, the world's second largest CCTV manufacturer. Dahua will bring increased sales to QSS from security integrators, as was seen in the second half of 2016, whilst primary distribution of Flir enterprise (formerly Dvtel) will increase our ability to profitably service the project market. We continue to represent a range of other market leading products including Bosch CCTV and alarms and NUUO together with our own brand "QVS" CCTV products.

Corporate

In March 2016 we changed our banking facilities to a \$4.0m invoice discounting facility with Classic Funding Group. This better represents our funding requirements and removes standard banking covenants.

In May 2016 Mr Edmond Tern resigned as Chief Financial Officer and Company Secretary. Mr Tern will remain on the board as a Non Executive Director. In June 2016 Mr Andrew Phillips commenced as Chief Financial Officer and Company Secretary.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CHAIRMAN'S REPORT

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.

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 difficult trading period in the prior year which carried forward into the first half in FY2016. Second half EBITDA was positive \$32k, a much improved result prior to \$1.95m of negative year end adjustments, \$1.75m of which was abnormal. The Board believes the Group is ready to deliver a stronger result in FY2017 with the quality of products that are capable of increasing sales and margins together with maintaining an appropriate focus on costs and an improved focus on inventory management.

Inventory increased in FY2016 due to additional stock holdings from new suppliers which was a strategic board decision to facilitate growth in the second half of FY2016. We expect inventory holdings to reduce during FY2017 and working capital management will be a focus in FY2017.

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

31 August 2016

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

Your Directors present their report, together with the financial statements for the Group, being the Company and its controlled entities for the financial year ended 30 June 2016.

Q Technology Group Limited ("QTG") is based in Melbourne, Victoria. It's wholly owned distribution business, QRSciences Security Pty Ltd trading as Q Security Systems ("QSS"). The business has 5 offices located throughout Australia with a presence in all state capital cities except Tasmania (served by Victorian office) and Northern Territory, (served by Queensland office).

Directors

The following persons were directors of Q Technology Group Limited during the whole of the financial year and up to the date of this report:

Mr Douglas Potter, Chairman and Non Executive Director (appointed 16 December 2014)

Mr Rob Rosa, Managing Director (appointed 16 December 2014)

Mr Edmond Tern, Non Executive Director (appointed 16 December 2014)

Particulars of each Director's experience and qualifications are set out later in this report.

Principal Activities and Significant Changes in Nature of Activities

The principal activity of the consolidated group during the financial year was the distribution of CCTV and alarm products and solutions.

There were no changes to the nature of this principal activity during the financial year.

Dividends

No dividends have been paid or recommended for the financial year ended 30 June 2016 (2015:None).

Consolidated Result

For FY2016, the Group reported a net loss before tax of \$3.45 million. Earnings before Interest, Tax and Depreciation (EBITDA) was a \$2.55 million loss. Prior to abnormal stock write downs at 30 June, EBITDA was a loss of \$804k and incurred predominantly in the first half. Revenue dropped by 8.0% to \$21.8 million, however, we were pleased with gross margin percentage improvement in FY16.

Legacy supply arrangements and products which ceased in prior years had combined historical annual turnover of \$14.0 million the loss of which continued to impact the business in the first half of 2016. Nowtwithstanding the group continued to secure new suppliers with associated revenue increasing the 2016 turnover, mostly in the second half of 2016 which was as expected and reported in last years annual report. Taking on new distributors resulted in increased working capital requirements in the 2016 financial year which was partly funded by a capital raising. Inventory levels were high at 30 June 2016 and will decrease during FY17.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

Financial Summary

\$'000

	2016			2015		
	Actual	Adjust	Normalized	Actual	Adjust	Normalized
Revenue	21,888		21,888	23,786		23,786
Gross Profit	4,374	1,748	6,122	5,532	324	5,856
GP Margin	20.0%		28.0%	23.3%		24.6%
EBITDA	(2,551)	1,748	(803)	(1,744)	918	(825)
EBITDA Margin	-11.7		-3.7%	-7.3%		-3.5%
EBIT	(2,603)	1,748	(855)	(1,857)	918	(938)
EBIT Margin	-11.9%		-3.9%	-7.8%		-3.9%
Interest	(213)		(213)	(177)	-	(177)
Net Profit / (Loss) before tax continuing operations	(2,816)	1,748	(1,068)	(2,034)	918	(1,115)
Profit / (Loss) before tax discontinued operations						
Net Profit / (Loss) before tax	(2,816)	1,748	(1,068)	(2,034)	918	(1,115)
NON-RECURRING ITEMS	2016			2015		
Margin sacrifice				324		
Inventory impairment		1,748		559		
Other				35		
Sub-total	1,748			918		

Normalized column reflects the adjustment of one off non-recurring items to enable assessment of the underlying business.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

Review of Operations

QSS continued with its main business of distribution of Q Video Systems and Q Alarm Supplies products and solutions and Q Professional Services throughout offices in Sydney, Melbourne, Brisbane, Adelaide and Perth. QSS continued to differentiate itself from competitors through a strong team of technical support personnel providing before and after sales service for customers, which is particularly important as the industry continue to migrate from analogue to IP network video solutions. Q Professional Services is a chargeable service mainly utilised by middle to high end project integration companies dealing in this market space. QSS continued to offer pre-configured systems for smaller integrators to maintain the true "plug and play" solution for the everyday project offering.

As previously reported QSS had a soft start to the financial year and first half results were still impacted by the loss of Tyco products in particular. Sales in the first half were \$9.9m and increased to \$12.0m in the second half. In December 2015 QSS signed a non exclusive distribution agreement with Dahua, the world's second largest manufacturer of CCTV products. Dahua has a complete range of very good quality lower cost product which will revitalize our daily run rate and counter sales business. The Dahua launch was slower than anticipated due to comprehensive testing of product in compliance with Australian standards. However, the run rate increased steadily during the second half once released. For the major project market, QSS was appointed "primary" distributor of FLIR (formally DVTEL) video management products and solutions in December 2015. We expect growth in both sales and margins of DVTEL/FLIR products plus significant pull through revenue in peripheral hardware equipment sales such as servers, workstations and other hardware and accessories to continue going forward.

Finance Facilities and Lending Covenants

The Company funds its working capital requirements through an invoice discounting facility with the Classic Funding Group. At 30 June 2016, the Company had drawn down \$3.18m of the \$4.0m facility. There is no interest cover or other balance sheet covenants associated with this facility.

Future developments, prospects, and business strategies

The Company expects growth in both sales and gross profit dollars in FY2017 on the basis of new distribution agreements together with an expected improvement in general market conditions. The Company believes growth is possible in both major project sales as well as daily run rate sales. We will continue to focus in FY17 on all areas of the business; improving project and run rate sales, an improved focus on increasing gross profit percentage whilst streamlining the current cost base. At the same time there will be focus on optimizing stock levels to improve inventory efficiency in the balance sheet

Environmental Issues

The Group is not involved in any activities that have a marked influence on the environment within its area of operation. As such, the directors are not aware of any material issues affecting the Group or its compliance with the relevant environmental agencies or regulatory authorities.

Significant Changes in State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Matters subsequent to the end of the financial year

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

On 23 August 2016 the company announced a non renounceable rights issue of one ordinary share for every ordinary share held seeking to raise \$1.96 million dollars to provide additional working capital and allow the business to achieve it's potential.

Other than noted, the Directors are not aware of any material matters subsequent to the end of the financial year which will impact this report or the operations of the business.

Information relating to Directors and Company Secretary

Douglas Potter

Experience and Qualifications

- Chairman Non-Executive Director

- Douglas Potter served as non-executive director of QTG since 2009 and was nominated as Chairman on 16 December 2014.

Douglas Potter is the Managing Director of Helmsman Funds Management Limited responsible for the fund raising as well as originating, managing and exiting investments. Douglas has experience as a director on a number of private companies including not for profit boards.

Douglas holds a Bachelor of Economics from University of Sydney and has completed an Advanced Insolvency Course through the Insolvency Practitioners Association of Australia. He is a member of the Institute of Chartered Accountants in Australia and the Australian Private Equity & Venture Capital Association.

Interest in Shares and Options

- Nil

Special Responsibilities

- Non-Executive Chairman of Board
Chairman of Risk and Audit Committee
Chairman of Remuneration Committee

Directorships held in other listed entities during the last three years

- Nil

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

Rob Rosa

Experience and Qualifications

- **Managing Director
Chief Executive Officer**

- Rob Rosa joined Q Security Systems as the Chief Operating Officer in November 2013 and later appointing Managing Director on 16 December 2014.

Rob has been involved in the security and investigative industry for over 29 years and has held numerous positions in Government, private and ASX listed companies. Rob came from Hills Limited having served as General Manager Sales and Operations. Prior to that he was the Head of Security for Melbourne City Council.

Rob has a BA in Arts majoring in Criminal Justice and an Advanced Certificate in Sales Management with Associate Diploma of Business Marketing.

Interest in Shares and Options

- 18,019,482 ordinary shares

Special Responsibilities

- Chief Executive Officer
Member of Risk and Audit Committee
Member of Remuneration Committee

Directorships held in other listed entities during the last three years

- Nil

Edmond Tern

Experience and Qualifications

- **Non Executive Director**

- Edmond Tern was appointed as Company Secretary / Chief Financial Officer on 27 November 2012 and later joined the Board on 16 December 2014. Edmond resigned from the executive position of Company Secretary / Chief Financial Officer on 25 May 2016, however, remains a Non Executive Director.

Edmond has extensive commercial experience across multiple industries including ASX listed entities and overseas owned multinationals.

Edmond holds a Bachelor of Economics and Bachelor of Business Administration from University of Windsor, Canada. He is also a member of CPA Australia with Post Graduate Diploma in Strategic Accounting from Monash University.

Interest in Shares and Options

- 12,393,131 ordinary shares

Special Responsibilities

- Member of Risk and Audit Committee
Member of Remuneration Committee

Directorships held in other listed entities during the last three years

- Nil.

Meetings of Directors

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

During the financial year, meetings of Directors (including Committees of Directors) were held. Attendances by each director during the year were as follows:

	Directors' meetings		Risk and Audit Committee		Remuneration Committee	
	Number eligible to Attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Douglas Potter	12	12	6	6	3	3
Rob Rosa	12	12	6	6	3	3
Edmond Tern	12	12	6	6	3	3

Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay premiums to insure each of the following Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity of Directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premiums for insuring Mr Douglas Potter, Mr Rob Rosa and Mr Edmond Tern and the officers of the Company amounted to \$61,673.

Options

At the date of this report, the unissued ordinary shares of Q Technology Group Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under option
23 December 2013	22 December 2017	\$0.02	2,700,000

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of reporting period.

For details of options issued to Directors and Executives as remuneration, please refer to Remuneration Report.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

Non-audit Services

The Board of Directors, in accordance with advice from the Audit Committee is satisfied the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.
- No other services or fees were paid or payable to RSM Australia Partners for non-audit services provided during the year ended 30 June 2016. Refer to Note 8 of financial report for details of auditors' remuneration.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and is included in the Financial Report.

ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191

The company is an entity to which ASIC Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

Remuneration Policy

The remuneration policy of Q Technology Group Limited has been designed to align key management personnel (“KMP”) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated Group’s financial results.

The Board of Q Technology Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group as well as create goal congruence between Directors, Executives and Shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

- The remuneration policy is to be developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants where considered necessary.
- KMP receive a combination of base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the Directors and Company with those of the Shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Remuneration Committee reviews KMP packages annually by reference to the consolidated group’s performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated group’s profits and shareholders’ value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee’s recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, which for the FY2016 financial year was 9.5% of the individual’s average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is valued using the Black-Scholes methodology.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Q Technology Group Limited shares as collateral in any financial transaction, including margin loan arrangements.

Engagement of Remuneration Consultants

No remuneration consultant was engaged during the year.

Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Q Technology Group Limited bases the assessment on audited figures; however, where the KPI involves comparison of the Group, or a division within the Group, to the market, independent reports may be obtained from organisations such as Standard & Poor's.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. Two methods have been applied to achieve this aim, the first a performance-based bonus based on key performance indicators and the second the issue of options to Executives to encourage the alignment of personal and shareholder interests when considered appropriate.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

The following table shows the gross revenue and profits for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Revenue	21,888	23,786	25,827	30,335	49,083
Net Profit/(loss)	(3,451)	(2,264)	(799)	157	(2,168)
Share price at year-end (cents)	0.3	0.4	3.0	1.1	3.5

Performance Conditions Linked to Remuneration

The Group seeks to emphasise incentives that reward for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue and profit targets, return on equity ratios, and continued employment with the Group provides management with a performance target which focuses upon sales growth and profitability utilising existing group resources.

The performance related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders. There has been no alteration to the terms of the bonuses paid since grant date.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Group KMP	Position held as at 30 June 2016 and any change during the year	Contract Details (Duration and Termination)	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
			Non-salary cash-based incentives	Shares/ Units	Options/ Rights	Fixed Salary/Fees	Total
Douglas Potter	Chairman	Letter of appointment.	-	-	-	100.0%	100.0%
Robert Rosa	Managing Director commenced 16 December 2014	Ongoing agreement 6 months' notice required to terminate. Entitled to 6 months' gross salary.	-	-	3.5%	96.5%	100.0%
Edmond Tern	Non Executive Director (Company Secretary and Chief Financial Officer until 14 June 2016). Commenced 16 December 2014	Letter of appointment.	-	-	-	100.0%	100.0%
Andrew Phillips	Commenced 14 June 2016 as Company Secretary and Chief Financial Officer	Ongoing agreement 3 months' notice required to terminate. Entitled to 3 months' gross salary.	-	-	-	100.0%	100.0%

On appointment to the board, all non-executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

The employment terms and conditions of all KMP are formalized in contracts of employment. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including car allowances, mobile telephone and laptop, and equity participation, when eligible.

Terms of employment of other KMP require that the relevant group entity provide an executive contracted person with a minimum of one month's notice prior to termination of contract. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-Executive Directors are subject to similar contracts requiring one month's notice to be given on termination. Termination payments are at the discretion of the remuneration committee.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

Changes in Directors and Executives Subsequent to Year-end

No changes in Directors and Executives subsequent to year-end. Edmond Tern resigned as Chief Financial Officer and Company Secretary on 25 May 2016 and was replaced by Andrew Phillips. Edmond remained as Non Executive Director. Andrew did not receive any compensation from the company for the year ended 30 June 2016.

Table of Benefits and Payments for the year ended 30 June 2016 Directors and other Key Management Personnel

		Short-term benefits				Post-employment benefits		Long-term benefits		Equity-settled share-based payments		Cash-settled shared-based payments	Termination benefits	Total
		Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Pension and Superannuation	Other	Incentive plans	LSL	Shares / Units	Options / Rights			
												\$000	\$000	\$000
Non-executive directors														
Bruce Higgins 1	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	40	-	-	-	-	-	-	-	-	-	-	-	40
Douglas Potter	2016	75	-	-	-	-	-	-	-	-	-	-	-	75
	2015	63	-	-	-	-	-	-	-	-	-	-	-	63
Executive Director														
Richard Stokes 2	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	133	-	-	-	10	-	-	-	-	-	-	-	143
Edmond Tern 3	2016	156	-	-	-	37	-	-	-	-	-	-	-	193
	2015	172	25	-	-	38	-	-	-	-	-	-	-	235
Robert Rosa 4	2016	210	-	-	-	18	-	-	-	-	8	-	-	236
	2015	220	17			18					8	-	-	263
Total	2016	441		-	-	55	-	-	-	-	8	-	-	504
Total	2015	628	42	-	-	66	-	-	-	-	8	-	-	744

1 Mr Higgins resigned on 16 December 2014

2 Mr Stokes resigned on 6 October 2014

3 Mr Tern resigned on 25 May 2016

4 Mr Rosa joined on 16 December 2014

Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

Executive	Remuneration Type	Grant Date	Grant Value	Reason for grant
Nil				

Description of Options Issued as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Entitlement on Exercise	Dates of Exercisable	Exercise Price	Value of Option at Grant Date	Amount Paid/Payable by Recipient
23 December 2013	1:1 Ordinary	From date of satisfaction of vesting conditions to 22 December 2017	\$0.02	\$0.012	\$0.00

Vesting conditions:

- Volume weighted average price (VWAP) of QTG shares exceeding the Exercise Price by 50% in any 20 day period after the 12 month anniversary of grant of options; and
- Continued employment as an executive by QTG.

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2016	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
Rob Rosa	2,700,000				2,700,000			

30 June 2015	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable	vested and unexercisable
Rob Rosa	2,700,000				2,700,000			

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

KMP Shareholdings

The number of ordinary shares in Q Technology Group Limited held by each KMP of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
30 June 2016					
Douglas Potter	-	-	-	-	-
Robert Rosa 3	6,539,561	-	-	11,479,921	18,019,482
Edmond Tern 4	-	-	-	12,393,131	12,393,131
Andrew Phillips 5	201,000	-	-	-	201,000
Total	6,740,561	-	-	23,873,052	30,613,613
30 June 2015					
Richard Stokes 1	3,183,078	-	-	(3,183,078)	-
Bruce Higgins 2	500,000	-	-	(500,000)	-
Douglas Potter	-	-	-	-	-
Robert Rosa	2,000,000	-	-	4,539,561	6,539,561
Total	5,683,078	-	-	856,483	6,539,561

1 On 6 October 2014, Mr Richard Stokes resigned as CEO of Q Technology Group Ltd.

2 On 16 December 2014, Mr Bruce Higgins resigned as Chairman of Q Technology Group Ltd.

3 On 16 December 2014, Mr Robert Rosa was appointed as Managing Director of Q Technology Group Ltd.

4 On 16 December 2014, Mr Edmond Tern was appointed as Finance Director of Q Technology Group Ltd. On 14 June 2016 Mr Tern resigned from the executive position as Company Secretary and Chief Financial Officer.

5 On 14 June 2016, Mr Andrew Phillips was appointed as Company Secretary and Chief Financial Officer of Q Technology Group Ltd.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT - AUDITED

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Douglas Potter, Chairman
31 August 2016

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Q Technology Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "RSM".**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink that reads "P A Ransom".

P A RANSOM
Partner

Melbourne, VIC
31 August 2016

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Q Technology Group Limited's Corporate Governance Arrangements

The Board is responsible for ensuring the existence of an effective corporate governance environment to safeguard the interests of the Company and its Shareholders. This statement outlines the main corporate governance practices that were in place during the year ended 30 June 2016.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Q Technology Group Limited ("QTG") and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group

QTG is listed on the Australian Securities Exchange ("ASX"). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2010 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2016.

Board Composition

During FY2016 the Board comprised two executive Directors and one non-executive Director. The Board meets regularly and is responsible for providing strategic direction, identifying significant business risks, approving major investment proposals and acquisitions, establishing goals and monitoring the achievement of these goals.

Day to day management of the Group's affairs and the implementation of corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior executives.

The skills, experience and expertise relevant to the position of each director, and their term of office at the date of the annual report, are included in the Directors' Report.

Directors of QTG are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount.

It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangement governing it and other factors that point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

In accordance with the definition of the independence above, and the materiality threshold set, the following table indicates the directors of QTG considered as independent:

Names	Role	Non-Executive	Independent
Mr Rob Rosa	Managing Director	No	No
Mr Edmond Tern	Non-Executive Director	Yes	Yes
Mr Douglas Potter	Non-Executive Director Chairman	Yes	No

Mr Douglas Potter, being Managing Director of Helmsman Funds Management Limited ("HFML"), is deemed not to be an independent director due to Helmsman Capital Fund Trust IIA of which HFML is trustee being a substantial shareholder of the Group.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The responsibilities and terms of appointment held by each director in office at the date of this report are as follows:

Name	Position
Mr Rob Rosa	Managing Director Executive Service Agreement
Mr Edmond Tern	Non Executive Director Letter of appointment setting out duties and responsibilities
Mr Douglas Potter	Chairman Directorship is tied to Helmsman who has a greater than 20% stake in Q Technology Group Limited Letter of appointment setting out duties and responsibilities.

The Board considers its current composition is the most appropriate blend of skills and expertise, relevant to the Company's business particularly at a time of significant structural change where the board has been required to meet regularly with key stakeholders and oversee implementation of a significant volume of change initiatives. The Board will consider the structure of the Board going forward and the need to have a majority of independent directors.

Performance Evaluation

An annual performance evaluation of the Board and all Board members was conducted by the Board for the financial year ended 30 June 2016.

A performance assessment for senior executives last took place in October 2015 and will be due to be completed for 2016 at a similar time.

Board Committees: To facilitate achieving its objectives. The Board has established two sub committees comprising Board members – the Risk and Audit Committee and the Remuneration Committee. Each of these Committees has formal terms of reference that outline the committee's roles and responsibilities and the authorities delegated to it by the Board. Due to the size of the company, all Committees comprise the same members.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Nomination Committee

The Company has not assigned a Nomination Committee, which is a departure from ASX Corporate Governance Council best practice recommendation 2.1. The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and nominating Directors for appointment to the Board. Candidates are initially appointed by the Board and must stand for election at the next general meeting of Shareholders.

Directors are selected on the basis of qualification, skills and experience, and are subject to retirement by rotation in accordance with the Company's constitution.

Independent Professional Advice

Directors have the right to seek independent professional advice at the Company's expense in the furtherance of their duties as Directors. Approval must be obtained from the Chairman prior to incurring any such expense on behalf of the Company.

Identifying and Managing Business Risks

The Board regularly monitors the operational and financial performance of the Company and economic entity and also reviews and (where necessary) receives independent external advice on areas of operational and financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

Trading Policy

The Company's securities dealing policy regarding Directors and employees trading in its securities is set by the Board. The policy restricts Directors and employees from trading on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

Risk and Audit Committee

The Risk and Audit Committee is responsible for the nomination of the external auditors and for reviewing the adequacy of existing external audit arrangements, including the scope and quality of the audit.

The Risk and Audit Committee consists of the following directors:

Mr D Potter, Chairman
Mr E Tern
Mr R Rosa

Mr Potter, the Chairman, is deemed not to be independent, which is a departure from ASX Corporate Governance Council best practice recommendation 2.5. The Board considers the current composition of the Risk and Audit Committee is the most appropriate blend of skills and expertise, relevant to the Company's business. The Company will review the composition of the Risk and Audit Committee on an on-going basis.

For qualifications of Risk and Audit Committee members and details on the number of meetings of the Risk and Audit Committee held during the year and the attendees at those meetings, refer to the Director's Report.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise Shareholder wealth. A yearly assessment of the business risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks.

Internal controls to negate the identified risks are assessed and reviewed by the Board.

Remuneration Committee

The Remuneration Committee of the Board is responsible for reviewing and approving the remuneration packages, if any, and policies applicable to the Directors and the Executive Chairman. This responsibility extends to share option schemes and incentive performance packages.

The Remuneration Committee consists of the following directors:

Mr D Potter, Chairman
Mr R Rosa
Mr E Tern

Executives and staff are also entitled to participate in the employee share and option arrangements.

The remuneration package of each Executive Director and Executive includes a performance based component.

A more detailed explanation of the Company's remuneration policies and framework, performance based remuneration, and the amount of remuneration for all Directors (including Non-Executive Directors) and other key management personnel including all monetary and non-monetary components, are detailed in the Remuneration Report.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price on the date of issue and the amount paid by the key management personnel. Options are valued using the Black-Scholes methodology. There are no retirement benefits for Non-Executive Directors.

The Board has a remuneration structure that will result in the Company attracting and retaining the best people to run the business. As part of this strategy it will also provide Executives with the necessary incentives to work to grow long term shareholder value. For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Director's Report.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between Board members, management, employees, customers and suppliers. These values are enshrined in the Board's Code of Conduct policy. The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring Directors and employees to:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflict of interest;
- Comply with both the letter and spirit of the law;
- Encourage the reporting and investigating of unlawful and unethical behaviour, and
- Comply with the securities trading policy outlined in the code of conduct.

A copy of the Company's code of conduct for Directors and key officers is available on the company website.

Continuous Disclosure and Shareholder Communication

The Company has a Continuous Disclosure policy that sets out who is responsible for ensuring compliance with the Continuous Disclosure and all communication with the ASX. All information disclosed to the ASX is posted on the company website as soon as it is disclosed to the ASX.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The annual report is available to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Law.
- Half year financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 and subject to an audit review are lodged with the Australian Securities and Investments Commission and Australian Stock Exchange Limited.
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as resolutions. The shareholders are responsible for voting on the appointment of Directors

Other

The best practice recommendations of the ASX Corporate Governance Council require the Company to formalise and make publicly available (preferably on its website) a number of different charters and policies.

Subject to the exceptions outlined below, the Company will adopt the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations released in 2007 ("Recommendations") to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

The Company's compliance with Recommendations is summarised in the table below:

Recommendation	ASX P & R ¹	If not, why not ²	Recommendation	ASX P & R ¹	If not, why not ²
Recommendation 1.1	Yes		Recommendation 4.2	Yes	
Recommendation 1.2	Yes		Recommendation 4.3	Yes	
Recommendation 1.3	Yes		Recommendation 5.1	Yes	
Recommendation 1.4	Yes		Recommendation 6.1	Yes	
Recommendation 1.5	No	Yes	Recommendation 6.2	Yes	
Recommendation 1.6	Yes		Recommendation 6.3	Yes	
Recommendation 1.7	Yes		Recommendation 6.4	Yes	
Recommendation 2.1	No	Yes	Recommendation 7.1	No	Yes
Recommendation 2.2	Yes		Recommendation 7.2	Yes	
Recommendation 2.3	Yes		Recommendation 7.3	No	Yes
Recommendation 2.4	No	Yes	Recommendation 7.4	Yes	
Recommendation 2.5	No	Yes	Recommendation 8.1	No	Yes
Recommendation 2.6	Yes		Recommendation 8.2	Yes	
Recommendation 3.1	Yes		Recommendation 8.3	Yes	
Recommendation 4.1	No	Yes			

¹ Indicates where the Company has followed the Recommendations and summarised those practices below.

² Indicates where the Company has provided a 'if not, why not' disclosure below

In acknowledging the Key Messages of the first review of the corporate governance reporting under the Revised Recommendations by ASX Markets Supervision ("ASXMS"), the Company has provided additional disclosure for each of the 29 recommendations. Where the Company has departed from a Recommendation, the Company has provided substantive reasons and refers to material containing additional disclosure, as relevant.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

The “if not, why not” disclosure of the Company is summarised in the table below:

Recommendation	Explanation of Departure from Recommendation
1.5	Owing to the size, skill set and current composition of the Board, the Company does not have a gender diversity policy. The board will consider the need to have a gender diversity policy in due course.
2.1	Owing to the size and composition of the Board it is not appropriate to establish an Independent Nomination Committee or to establish a formal Nomination Policy at this stage.
2.4	Owing to the size, skill set and current composition, the Board does not comprise a majority of independent Directors. The board will consider the structure of the board going forward and the need to have a majority of independent directors.
2.5	Owing to the size and skill set of the board and shareholder composition the board does not have a Chairman who is deemed to be independent.
4.1	Owing to the size, composition, and skill mix of the Board, the Company's Audit Committee are not all non executive Directors, have a majority of whom are independent or a Chair who is not Chair of the Board of Directors.
7.1	Owing to the size and composition of the Board the Risk and Audit Committee does not have a majority of independent Directors nor a Chairman who is an independent Director.
7.3	Owing to the size, the Company does not have an internal audit function. The board will consider this in due course.
8.1	Owing to the size and composition of the Board the Remuneration Committee does not have a majority of independent Directors nor a Chairman who is an independent Director.

As the Company's activities develop in size, nature and scope, the Company's corporate governance policies and processes will continue to be reviewed and improved as resources permit.

Board Roles and Responsibilities

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the company's performance.

As a part of its corporate governance arrangements, the Board has established a strategy for engaging and communicating with shareholders that includes:

- regular meetings with institutional shareholders;
- quarterly reporting to all shareholders; and
- actively encouraging shareholders to attend and participate in the company's Annual General Meeting

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

The Board has delegated to the Chief Executive Officer (CEO), Mr R Rosa, all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value. Notwithstanding these delegations of authority by the Board, the CEO remains accountable to the Board for the authority delegated to him and for the performance of the company's business activities at all times. As noted above, the Board regularly monitors the decisions and actions of the CEO as well as the performance of the company's business activities.

Independent Directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as Directors at the company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of Directors, changes to the constitution and receipt of annual and interim financial statements. The Board actively encourages shareholders to attend and participate in the Annual General Meetings of QTG, to lodge questions to be responded to by the Board and/or the CEO and are able to appoint proxies.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2016

Continuing Operations	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Revenue	3	21,888	23,786
Other Income	3	753	312
Changes in Inventory		(2,157)	989
Purchases		(16,099)	(19,243)
Employee benefits expense		(4,796)	(4,760)
Depreciation and amortisation expense		(52)	(113)
Finance costs		(344)	(238)
Occupancy Costs		(711)	(822)
Legal fees		(38)	(67)
Insurance		(149)	(170)
Advertising and promotion		(168)	(78)
Motor vehicle		(38)	(57)
Travel expenses		(115)	(111)
Other expenses		(790)	(1,462)
Loss before income tax		(2,816)	(2,034)
Income tax expense	5	(635)	(229)
Net Loss from continuing operations		(3,451)	(2,264)
Net Loss for the year	4	(3,451)	(2,264)
Profit/(Loss) attributable to:			
- Members of the parent entity		(3,451)	(2,264)
		(3,451)	(2,264)
Earnings per share			
From continuing and discontinued operations:			
- Basic earnings per share (cents)	10	(1.106)	(1.155)
- Diluted earnings per share (cents)	10	(1.106)	(1.155)
From continuing operations:			
- Basic earnings per share (cents)	10	(1.106)	(1.155)
- Diluted earnings per share (cents)	10	(1.106)	(1.155)

The accompanying notes form part of these financial statements

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2016

	Consolidated Group	
	2016	2015
Notes	\$'000	\$'000
Loss for the period	(3,451)	(2,264)
Other comprehensive income for the year:	-	-
Total comprehensive income for the year	(3,451)	(2,264)
Total comprehensive income attributable to:		
- Members of the parent entity	(3,451)	(2,264)
	(3,451)	(2,264)

The accompanying notes form part of these financial statements

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	11	220	157
Trade and other receivables	12	4,397	4,184
Inventories	13	6,123	5,281
Other current assets	16	129	176
TOTAL CURRENT ASSETS		10,869	9,798
<u>NON-CURRENT ASSETS</u>			
Property, plant and equipment	15	305	356
Deferred tax assets	19	-	635
TOTAL NON-CURRENT ASSETS		305	991
TOTAL ASSETS		11,174	10,789
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Trade and other payables	17	6,152	3,683
Borrowings	18	3,449	2,778
Provisions	20	434	475
TOTAL CURRENT LIABILITIES		10,035	6,936
<u>NON-CURRENT LIABILITIES</u>			
Borrowings	18	-	-
Provisions	20	96	95
TOTAL NON-CURRENT LIABILITIES		96	95
TOTAL LIABILITIES		10,131	7,031
NET ASSETS		1,043	3,758
<u>EQUITY</u>			
Issued capital	21	73,121	72,385
Reserves		-	-
Accumulated losses		(72,078)	(68,627)
TOTAL EQUITY		1,043	3,758

The accompanying notes form part of these financial statements

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2016

	Note	Issued Capital \$'000	Accumulated losses \$'000	Options Reserve \$'000	Total \$'000
Balance at 1 July 2015		72,385	(68,627)	-	3,758
Loss attributable to members of the parent entity		-	(3,451)	-	(3,451)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the year		72,385	(72,078)	-	307
Transactions with owners, in their capacity as owner, and other transfers					
Dividends paid and provided for		-	-	-	-
Shares issued during the period		736	-	-	736
Transfers from reserves to accumulated losses		-	-	-	-
Balance at 30 June 2016		73,121	(72,078)	-	1,043
Balance at 1 July 2014		72,385	(66,363)	-	6,022
Loss attributable to members of the parent entity		-	(2,264)	-	(2,264)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the year		72,385	(68,627)	-	3,758
Transactions with owners, in their capacity as owner, and other transfers					
Dividends paid and provided for		-	-	-	-
Shares issued during the period		-	-	-	-
Transfers from reserves to accumulated losses		-	-	-	-
Balance at 30 June 2015		72,385	(68,627)	-	3,758

The accompanying notes form part of these financial statements

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASHFLOWS FOR YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group	
		2016 \$000	2015 \$000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers		24,728	24,221
Payments to suppliers and employees		(25,675)	(25,219)
Interest received		3	4
Finance costs		(344)	(238)
Net cash provided by/(used in) operating activities	25	(1,288)	(1,232)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from sale of property, plant and equipment		7	1
Purchase of property, plant and equipment		(63)	(59)
Net cash provided by/(used in) investing activities		(56)	(58)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from issue of shares		736	-
Proceeds from borrowings		660	-
Repayment of borrowings		(397)	(109)
Net cash provided by/(used in) financing activities		999	(109)
Net (decrease)/increase in cash held		(345)	(1,399)
Cash and cash equivalents at beginning of financial year		(2,614)	(1,215)
Cash and cash equivalents at end of financial year	11	(2,959)	(2,614)

The accompanying notes form part of these financial statements

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Q Technology Group Limited and controlled entities ('Consolidated Group' or 'Group').

The separate financial statements and notes of Q Technology Group Limited have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*.

The financial information for the parent entity as disclosed in Note 2 to the financial statements has been prepared on the same basis as the consolidated financial statements.

The financial statements are authorised for issue on 31 August 2016 by the Directors of the Company.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for the cash flow information the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

A. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Q Technology Group Limited at the end of the reporting period. A controlled entity ('subsidiary') is any entity over which Q Technology Group Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method unless it is a combination involving entities or businesses under common control.

The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not measurable and its subsequent settlement is accounted for with equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

B. Income tax

The income tax expense/(income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Q Technology Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The Group formed an income tax consolidated group to apply from 1 July 2010. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

C. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property, plant and equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5 – 37.5%
Plant and equipment under lease	15 – 60%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated income statement.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

F. Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

G. Fair value of Assets and Liabilities

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

The Group did not measure any of its assets and liabilities at fair value on either a recurring or non-recurring basis, during the financial year.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

I. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is determined using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in the comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Employee Benefits

Short –term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departure and are discounted at rates determined by reference to market yields and the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the charges occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measurable using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

L. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

M. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

N. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability.

O. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

R. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

S. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the year ended 30 June 2016 the consolidated entity reported operating losses of \$3,451,000 (FY2015 \$2,264,000 loss) and the consolidated entity reported cash outflows from operating activities of \$1,288,000 (FY2015 - \$1,232,000 cash outflows).

This indicates a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The second half of FY2016 produced a positive EBIT, before allowance for additional inventory provisioning and a number of one-off adjustments;
- The company's strategic plan for FY2017 is a lower cost, more efficient model with a smaller branch footprint and increased head office provision of distribution services;
- Significant opportunities exist to increase sales and profits from primary distribution of Flir/DvteI for the project market and the new distribution of Dahua run rate products;
- The company entered into a new finance arrangement during the year through an invoice financing facility, details of which are set out in note 18, which does not have a requirement for financial covenants to be met;
- As set out in note 23, the company has recently announced a rights issue to improve the cash position and allow the company to realize its potential with new suppliers; and
- At 30 June 2016, the consolidated entity's current assets were \$834,000 in excess of its current liabilities and net assets were \$1,043,000.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. New standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective. Other than changes to disclosure formats, it is not expected that the initial application of these new standards in the future will have any material impact on the financial report.

Reference	Title	Summary	Application date (financial years beginning)
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 & 127 for issuance of AASB 9.	1 January 2018
AASB 14	<i>Regulatory Deferral Accounts</i>	This Standard permits first-time adopters to recognise amounts related to rate regulation in accordance with their previous GAAP requirements, when first adopting IFRS.	1 January 2016
AASB 1057	<i>Application of Australian Accounting Standards</i>	The AASB moved application paragraphs in all Australian Accounting Standards to this new standard, in order to maintain consistency with the layout of IFRS standards.	1 January 2016
AASB 2014-1 D	<i>Amendments to Australian Accounting Standards</i>	Part D of AASB 2014- 1 makes amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> , which arise from the issuance of AASB 14 <i>Regulatory Deferral Accounts</i> in June 2014.	1 January 2016
AASB 2014-3	<i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	1 January 2016

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date (financial years beginning)
AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, and to clarify that revenue is generally presumed to be an inappropriate basis for that purpose.	1 January 2016
AASB 2014-6	<i>Amendments to Australian Accounting Standards – Agriculture: Bearer Plants</i>	This amending standard defines bearer plants, and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 <i>Property, Plant and Equipment</i> .	1 January 2016
AASB 2014-9	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	This amending standard allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016
AASB 2014-10	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	This amending standard requires a full gain or loss to be recognised when a transaction involves a business (even if the business is not housed in a subsidiary), and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business (even if those assets are housed in a subsidiary).	1 January 2016
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	The Standard makes amendments to various Australian Accounting Standards arising from the IASB's Annual Improvements process, and editorial corrections.	1 January 2016

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date (financial years beginning)
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project.	1 January 2016
AASB 2015-5	<i>Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception</i>	This Standard makes amendments to AASB 10, AASB 12 and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016
AASB 2015-9	<i>Amendments to Australian Accounting Standards – Scope and Application Paragraphs</i>	This Standard inserts scope paragraphs into AASB 8 <i>Operating Segments</i> and AASB 133 <i>Earnings Per Share</i> , as the AASB inadvertently deleted the scope details from AASB 8 and AASB 133 when moving the application paragraphs to AASB 1057 <i>Application of Australian Accounting Standards</i> .	1 January 2016
AASB 2015-10	<i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>	This Standard defers the application of the <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> amendments to AASB 10 and AASB 128 to 1 January 2018.	1 January 2016
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the effective date of AASB 15 <i>Revenue from Contracts with Customers</i> to 1 January 2018.	1 January 2017
AASB 15	<i>Revenue from Contracts with Customers</i>	It contains a single model for contracts with customers based on a five-step analysis of transactions for revenue recognition, and two approach, a single time or over time, for revenue recognition.	1 January 2018

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date (financial years beginning)
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Consequential amendments arising from the issuance of AASB 15.	1 January 2018
AASB 9	<i>Financial Instruments</i>	This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a “fair value through other comprehensive income” category for debt instruments, contains requirements for impairment of financial assets, etc.	1 January 2018
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	Consequential amendments arising from the issuance of AASB 9	1 January 2018
AASB 16	Leases	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts, effectively resulting in the recognition of almost all leases on the statement of financial position. The accounting by lessors, however, will not significantly change.	1 January 2019
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	2016-1 clarifies the accounting requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date (financial years beginning)
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	2016- 3 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.	1 January 2018

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

STATEMENT OF FINANCIAL POSITIONS	Note	Parent Entity	
		2016 \$'000	2015 \$'000
ASSETS			
Current Assets		37	39
Non Current Assets		5,673	5,673
TOTAL ASSETS		5,710	5,712
LIABILITIES			
Current Liabilities		2,272	2,656
Non Current Liabilities		-	-
TOTAL LIABILITIES		2,272	2,656
EQUITY			
Issued Capital		73,121	72,385
Share Option Reserve		-	-
Accumulated Losses		(69,683)	(69,329)
TOTAL EQUITY		3,438	3,056
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME			
Total profit/(loss)		(506)	(1,125)
Total comprehensive income		(506)	(1,125)

Guarantees

Q Technology Group Limited has entered into a deed of cross guarantee with wholly owned subsidiary and QRSciences Security Pty Ltd.

Contingent Liabilities

Q Technology Group Limited did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

Contractual Commitments

At 30 June 2016, Q Technology Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2015: Nil).

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 3: REVENUE AND OTHER INCOME

		Consolidated Group	
	Note	2016 \$'000	2015 \$'000
Revenue from Continuing Operations			
Sales revenue			
Sale of goods		21,888	23,786
Total Revenue		21,888	23,786
Other Income			
Interest received		3	4
Insurance recovery		-	-
(Loss) on disposal of fixed assets		(55)	(3)
Foreign exchange gains		504	69
Other income		301	242
		753	312

NOTE 4: PROFIT/LOSS FOR THE YEAR

Profit/Loss before income tax from continuing operations includes the following specific items:

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Expenses			
Cost of sales		18,256	18,254
Finance costs			
- external parties		213	178
- other related entities		-	-
- bank charges		131	60
- amortisation of prepaid finance costs		-	-
Total finance costs		344	238
Employee benefits expenses			
Defined contribution superannuation expense		403	397
Other employee benefits expense		4,393	4,363
Total employee benefits expense		4,796	4,760
Bad and doubtful debts			
Trade receivables		84	54
Total bad and doubtful debts		84	54
Inventory adjustments			
Write-down of inventories to net realisable value		1,560	698
Total inventory adjustments		1,560	698

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 5: INCOME TAX EXPENSE

		Consolidated Group	
	Note	2016 \$'000	2015 \$'000
The components of tax expense / (benefit) comprise:			
Deferred tax	19	-	229
		-	229
The prima facie tax on profit from continuing activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit / (loss) from continuing activities before income tax at 30% (2015: 30%)		(845)	(610)
Add:			
Tax effect of:			
Other non-allowable items		386	14
		(459)	(596)
Less:			
Tax effect of:			
Non recognition of current year tax loss		459	372
De-recognition of deferred tax assets		635	453
Income tax attributable to entity		635	229

NOTE 6: ONEROUS CONTRACT

		Consolidated Group	
	Note	2016 \$'000	2015 \$'000
Onerous rent paid till 12-Feb-2017	20	23	101
Total onerous contracts		23	101

On 27 May 2015, the company entered into a sub-lease arrangement to sub-let Laverton North warehouse facilities, merging the National warehouse and operation teams into the existing Port Melbourne facilities. A rental shortfall of \$101,000 over the life of the contract was brought into the accounts per AASB 137: Provisions, Contingent Liabilities and Contingent Assets.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 7: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2016.

The total remuneration paid to KMP of the company and the Group during the year are as follows:

	2016 \$'000	2015 \$'000
Short-term employee benefits	441	670
Post-employment benefits	55	66
Share based payments	8	8
	504	744

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chairman and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' Report.

NOTE 8: AUDITOR'S REMUNERATION

	Consolidated Group	
	2016 \$'000	2015 \$'000
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial statements	72	72

NOTE 9: DIVIDENDS

No dividends were paid or provided for during the year (2015: Nil).

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 10: EARNINGS PER SHARE

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
a. Reconciliation of earnings to profit / (loss)			
Profit/(loss)		(3,451)	(2,264)
Earnings used to calculate basic and diluted EPS		(3,451)	(2,264)
b. Reconciliation of earnings to profit or (loss) from continuing operations			
Profit/(loss) from continuing operations		(3,451)	(2,264)
Earnings used to calculate basic and diluted EPS from continuing operations		(3,451)	(2,264)
c. Reconciliation of earnings to profit or loss from discontinuing operations			
Profit/(Loss) from discontinuing operations		-	-
Earnings used to calculate basic EPS from discontinuing operations		-	-
		No.	No.
d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	21	312,093,276	196,065,483
Weighted average number of diluted options outstanding		-	-
Weighted average number of ordinary shares and options outstanding during the year used in calculating dilutive EPS	21	312,093,276	196,065,483
e. Diluted earnings per share is not reflected for discontinued operations as the result is anti-dilutive in nature		-	-
f. Anti-dilutive options on issue not used in diluted EPS calculation		2,700,000	2,700,000

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 11: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Cash at bank and in hand		220	157
	27	220	157

There are no short term bank deposits at 30 June 2016.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Cash and cash equivalents		220	157
Debtors financing facility	18	(3,179)	(2,771)
		(2,959)	(2,614)

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to Note 18 for further details.

NOTE 12: TRADE AND OTHER RECEIVABLES

		Consolidated Group	
	Note	2016 \$'000	2015 \$'000
CURRENT			
Trade receivables	12b	4,585	4,334
Provision for impairment	12a	(213)	(169)
		4,372	4,165
Other receivables		26	(9)
Provision for impairment		-	-
		26	(9)
Total current trade and other receivables		4,397	4,184

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 12: TRADE AND OTHER RECEIVABLES (continued)

a. Provision for Impairment of Receivables

Current trade receivables are non-interest bearing loans and generally on 30-day terms from statement date. Non-current trade receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

	Consolidated Group		
	Opening Balance 01-07-2015 \$'000	Charge for the Year \$'000	Closing Balance 30-06-2016 \$'000
(i) Current trade receivables	169	116	(72)
(ii) Current other receivables	-	-	-
	169	116	(72)

	Consolidated Group		
	Opening Balance 01-07-2014 \$'000	Charge for the Year \$'000	Closing Balance 30-06-2015 \$'000
(i) Current trade receivables	444	(221)	(54)
(ii) Current other receivables	-	-	-
	444	(221)	(54)

b. Credit Risk - Trade and Other Receivables

The Group has some credit risk with respect to a single counterparty or group of counterparties other than those receivables specifically provided for per Operating Segments note. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 12: TRADE AND OTHER RECEIVABLES (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount \$'000	Past due and impaired \$'000	Past due but not impaired (days overdue)				Within initial trade terms \$'000
			< 30 \$'000	31-60 \$'000	61-90 \$'000	> 90 \$'000	
2016							
Trade receivables	4,585	213	1,395	305	313	230	2,342
Other receivables	-	-	-	-	-	-	-
Total	4,585	213	1,395	305	313	230	2,342

	Gross amount \$'000	Past due and impaired \$'000	Past due but not impaired (days overdue)				Within initial trade terms \$'000
			< 30 \$'000	31-60 \$'000	61-90 \$'000	> 90 \$'000	
2015							
Trade receivables	4,353	169	1,179	546	271	252	2,105
Other receivables	-	-	-	-	-	-	-
Total	4,353	169	1,179	546	271	252	2,105

c. Financial assets classified as loans and receivables

		Consolidated Group	
	Note	2016 \$'000	2015 \$'000
Trade and other receivables			
- Total current	27	4,398	4,184
Financial assets		4,398	4,184

NOTE 13: INVENTORIES

	Consolidated Group	
	2016 \$'000	2015 \$'000
CURRENT		
Finished goods at cost	8,605	6,448
Provision for obsolescence	(2,482)	(1,167)
	6,123	5,281

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 14: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interest held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its Country of incorporation.

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
Subsidiaries of Q Technology Group Ltd:			
- QRSciences Security Pty Ltd	Australia	100	100

b. Acquisition of Controlled Entities

No acquisition activity took place during the 2016 financial year.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2016	2015
Note	\$'000	\$'000
<u>Plant and equipment:</u>		
At cost	1,377	1,376
Accumulated depreciation	(1,072)	(1,020)
Total Plant and Equipment	305	356
 Total Property, Plant and Equipment	 305	 356

a. Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Consolidated Group	
	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2015	357	357
Additions	63	63
Disposals	(62)	(62)
Disposals' depreciation	36	36
Depreciation / Amortisation expense	(89)	(89)
Balance at 30 June 2016	305	305
 Balance at 1 July 2014	 414	 414
Additions	59	59
Disposals	(13)	(13)
Disposals' depreciation	10	10
Depreciation / Amortisation expense	(113)	(113)
Balance at 30 June 2015	357	357

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 16: OTHER ASSETS

	Consolidated Group	
	2016	2015
Note	\$'000	\$'000
CURRENT		
Prepayments	84	145
Other	45	31
	129	176

NOTE 17: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2016	2015
Note	\$'000	\$'000
CURRENT		
Unsecured liabilities		
Trade payables	5,037	3,253
Sundry payables and accrued expenses	1,115	428
27	6,152	3,681

NOTE 18: BORROWINGS

	Consolidated Group	
	2016	2015
Note	\$'000	\$'000
CURRENT		
Secured liabilities		
Lease liability	22 -	7
Debtor Finance Facility	18a 3,179	2,771
Unsecured liabilities		
Directors loans	270	-
Total current borrowings	3,449	2,778
Total borrowings	3,449	2,778

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 18: BORROWINGS (continued)

QRSciences Pty Ltd has an invoice discounting facility with the Classic Funding Group. This has a limit of \$4.0m and at 30 June 2016 was drawn down to \$3.179m. Collateral is by way of general security Deed over the assets of that entity together with a guarantee over the assets of Q Technology Group Ltd. Interest is charged at an effective rate of 9% rate. The facility has a yearly review which is set for 10 March 2017. There are no financial covenants required under this facility.

Access was available at balance date to the following lines of credit:

	Consolidated Group	
	2016	2015
	\$'000	\$'000
Invoice Discounting	4,000	4,000
Bank Guarantee	-	500
Total facility	4,000	4,500
Used at balance date	3,179	2,778
Unused at balance date	821	1,722

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 19: TAX

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Deferred Tax Assets		-	635
Deferred Tax Liabilities		-	-
		-	635

Non-Current	Opening Balance	Charged to Income	Sale of Controlled Entity	Closing Balance
	\$'000	\$'000	\$'000	\$'000
Deferred Tax Asset 2016				
Relates to temporary differences arising from the following:				
Trade and other receivables impairment	50	(50)	-	-
Inventory impairment	350	(350)	-	-
Accrued expenses	15	(15)	-	-
Foreign currency balances	31	(31)	-	-
Provision for employee entitlements	171	(171)	-	-
Unused tax losses (Revenue losses)	-	-	-	-
Unused tax losses (Capital losses)	-	-	-	-
Other	18	(18)	-	-
Balance at 30 June	635	(635)	-	-

Non-Current	Opening Balance	Charged to Income	Sale of Controlled Entity	Closing Balance
	\$'000	\$'000	\$'000	\$'000
Deferred Tax Asset 2015				
Relates to temporary differences arising from the following:				
Trade and other receivables impairment	133	(83)	-	50
Inventory impairment	195	155	-	350
Accrued expenses	19	(4)	-	15
Foreign currency balances	-	31	-	31
Provision for employee entitlements	135	36	-	171
Unused tax losses (Revenue losses)	453	(453)	-	-
Unused tax losses (Capital losses)	-	-	-	-
Other	40	(22)	-	18
Balance at 30 June	975	(340)	-	635

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 19: TAX (continued)

Non-Current	Opening Balance	Charged to Income	Sale of Controlled Entity	Closing Balance
Deferred Tax Liability	\$'000	\$'000	\$'000	\$'000

2016

Deferred tax liability relates to temporary differences arising from the following:

Prepayments	-	-	-	-
Foreign Currency Balances	-	-	-	-
Balance at 30 June 2016	-	-	-	-

Non-Current	Opening Balance	Charged to Income	Sale of Controlled Entity	Closing Balance
Deferred Tax Liability	\$'000	\$'000	\$'000	\$'000

2015

Deferred tax liability relates to temporary differences arising from the following:

Prepayments	-	-	-	-
Foreign Currency Balances	111	(111)	-	-
Balance at 30 June 2015	111	(111)	-	-

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 (b) occur are as follows:

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Tax losses			
- Revenue		3,703	2,173
- Capital		-	-

These amounts have no expiry date.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 20: PROVISIONS

Consolidated Group	Annual leave \$'000	Long service leave \$'000	Onerous lease \$'000	Total \$'000
Opening balance at 1 July 2015	298	171	101	570
Additional Provision	2	36	(78)	(40)
Balance at 30 June 2016	300	207	23	530

Analysis of Total Provisions

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Current		434	475
Non-current		96	95
Total		530	570

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(j).

Provision for Onerous Rent

In accordance to AASB 137: Provisions, Contingent Liabilities and Contingent Assets, \$23,000 remains as a provision for onerous contracts for rental shortfall on Laverton North facilities expiring on 12-Feb-2017.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 21: ISSUED CAPITAL

	Notes	Consolidated Group	
		2016 \$'000	2015 \$'000
392,130,966 (2015:196,065,483) fully paid ordinary shares		73,121	72,385
		73,121	72,385

The company has share capital amounting to 392,130,968 ordinary shares.

a. Ordinary Shares

	Note	2016 No.	2015 No.
At the beginning of reporting period		196,065,483	196,065,483
Movements in the reporting period	21a	196,065,483	-
At the end of the reporting period	10	392,130,966	196,065,483

During the year the company had a 1 for 1 rights issue and raised \$784,000 for working capital purposes.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern so they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios for the years ended 30 June 2016 and 30 June 2015 are as follows:

	Notes	Consolidated Group	
		2016 \$'000	2015 \$'000
Total payables and borrowings	17,18	9,601	6,461
Less cash and cash equivalents	11	(220)	(157)

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

	9,381	6,304
Total equity	1,043	3,758
Total capital	10,424	10,062
Gearing ratio	90.0%	62.6%

NOTE 22: CAPITAL AND LEASING COMMITMENTS

a. Finance Lease Commitments

	Consolidated Group	
	2016	2015
Notes	\$'000	\$'000
Payable - minimum lease payments		
- not later than 12 months	-	7
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
Minimum lease payments	-	-
Less future finance charges	-	-
Present value of minimum lease payments	-	7

b. Operating Lease Commitments

	Consolidated Group	
	2016	2015
Notes	\$'000	\$'000
Payable - minimum lease payments		
- not later than 12 months	429	663
- between 12 months and 5 years	157	502
- later than 5 years	-	-
	586	1,165

The Group leases various offices and warehouses under non-cancellable operating leases expiring within one to five years. These leases have varying terms. On renewal, the terms of the lease are renegotiable.

NOTE 23: EVENTS AFTER THE REPORTING PERIOD

On 23 August 2016 the company announced a non renounceable rights issue of one ordinary share for every ordinary share held seeking to raise \$1.96 million dollars to provide additional working capital and allow the business to achieve it's potential.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 24: OPERATING SEGMENTS

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or service;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment

(i) Investment

Q Technology Group Ltd is a holding company which owns 100% of QRSciences Security Pty Ltd which, in turn, holds the group's security systems distribution operations

(ii) Security Systems Distribution

The distribution segment imports and distributes CCTV, alarm intrusion and access control equipment primarily via its wholly owned subsidiary QRSciences Security Pty Ltd (QRSS). QRSS comprises two product groups, which are Q Video Systems, and Q Alarm Supplies. These product groups are aggregated as one reportable segment as the products are similar in nature and distributed to similar types of customers and trades as Q Security Systems (QSS).

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 24: OPERATING SEGMENTS (continued)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment transactions

Q Technology Group Ltd provides services to its wholly owned subsidiary QRSciences Security Pty Ltd. All such transactions are eliminated on consolidation for the Group's Financial Statements.

Intersegment loans payable and receivable exist between the following entities:

- QRSciences Security Pty Ltd to Q Technology Group Ltd

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the reporting period, segment assets are clearly identifiable to a specific segment on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

In the 2015 prior period the following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- finance costs; and
- discontinuing operations

In 2016 they were included in the segment result.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 24: OPERATING SEGMENTS (continued)

Segment information

(i) Segment performance

30 June 2016	Investment \$'000	CCTV Distribution \$'000	Services and Solutions \$'000	Total \$'000
Revenue				
External sales	-	21,888	-	21,888
Intersegment sales	-	-	-	-
Interest revenue	-	3	-	3
Total segment revenue	-	21,891	-	21,891
<i>Reconciliation of segment revenue to group revenue</i>				
Intersegment elimination	-	-	-	-
(Revenue) from discontinued operations	-	-	-	-
Total group revenue	-	21,891	-	21,891
Segment net profit/(loss) before tax	(354)	(2,462)		(2,816)

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 24: OPERATING SEGMENTS (continued)

30 June 2015	Investment \$'000	CCTV Distribution \$'000	Services and Solutions \$'000	Total \$'000
Revenue				
External sales	-	23,786	-	23,786
Intersegment sales	-	-	-	-
Interest revenue	-	4	-	4
Total segment revenue	-	23,790	-	23,790
<i>Reconciliation of segment revenue to group revenue</i>				
Intersegment elimination	-	-	-	-
(Revenue) from discontinued operations	-	-	-	-
Total group revenue	-	23,790	-	23,790
Segment net profit/(loss) before tax	(604)	(1,079)		(1,683)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
Depreciation and amortisation				(113)
Unallocated items:				-
Finance Costs				(238)
Net gain on disposal of discontinued operation				-
Net operating loss of discontinued operation				-
Net profit /(loss) before tax from continuing operations				(2,034)

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 24: OPERATING SEGMENTS (continued)

(ii) Segment assets

30 June 2016	Investment \$'000	CCTV Distribution \$'000	Services and Solutions \$'000	Total \$'000
Segment assets	5,710	12,903	-	18,613

Segment asset increases for the period:

- Capital expenditure	-	63	-	63
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Reconciliation of segment assets to group assets

Intersegment eliminations				(7,502)
---------------------------	--	--	--	---------

Unallocated assets:				-
---------------------	--	--	--	---

Deferred tax assets				-
---------------------	--	--	--	---

Total group assets from continuing operations				11,174
--	--	--	--	---------------

30 June 2015	Investment \$'000	CCTV Distribution \$'000	Services and Solutions \$'000	Total \$'000
Segment assets	5,712	13,823	-	19,535

Segment asset increases for the period:

- Capital expenditure	-	59	-	59
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Reconciliation of segment assets to group assets

Intersegment eliminations				(9,381)
---------------------------	--	--	--	---------

Unallocated assets:				-
---------------------	--	--	--	---

Deferred tax assets				635
---------------------	--	--	--	-----

Total group assets from continuing operations				10,789
--	--	--	--	---------------

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 24: OPERATING SEGMENTS (continued)

(iii) Segment liabilities

30 June 2016	Investment \$'000	CCTV Distribution \$'000	Services and Solutions \$'000	Total \$'000
Segment liabilities	2,272	9,688	-	11,960

Reconciliation of segment liabilities to group liabilities

Intersegment eliminations (1,829)

Unallocated Liabilities:

- Current tax liabilities

Total liabilities from continuing operations **10,131**

30 June 2015	Investment \$'000	CCTV Distribution \$'000	Services and Solutions \$'000	Total \$'000
Segment liabilities	2,656	8,081	-	10,737

Reconciliation of segment liabilities to group liabilities

Intersegment eliminations (3,706)

Unallocated Liabilities:

- Current tax liabilities

Total liabilities from continuing operations **7,031**

(iv) Revenue and Assets by geographical region

The company operates in one geographical area, being Australia.

(v) Major customers

QRSciences Security Pty Ltd has a diversified customer base that contributes to the sales of the business. Top 10 customers accounted for 25.7% of the sales revenue.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 25: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Profit/(loss) after income tax		(3,451)	(2,264)
Non-cash flows in profit			
- Depreciation and amortisation		52	113
- Net loss/(gain) on sale of plant & equipment		55	2
Changes in assets and liabilities			
- (Increase)/decrease in receivables		(213)	268
- (Increase)/decrease in inventories		(842)	1,506
- (Increase)/decrease in other assets		47	68
- (Increase)/decrease in deferred tax		635	232
- Increase/(decrease) in payables		2,469	(1,277)
- Increase/(decrease) in provisions		(40)	120
Net cash inflow/(outflow) from operating activities		(1,288)	(1,232)

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 26: RELATED PARTY TRANSACTIONS

During the year the following loans were entered into with Directors of the company:

Director	Date of loan	Amount	Balance at 30 June 2016	Repayment date	Note
		\$	\$		
Douglas Potter (Helmsman Capital)	6 October 2015	200,000	-		1
Douglas Potter (Helmsman Capital)	21 October 2015	100,000	3,935	19 October 2016	2
Rob Rosa	20 October 2015	60,000	9,567	19 October 2016	3
Edmond Tern	15 September 2015	200,000	156,827	15 September 2016	4
Edmond Tern	20 October 2015	100,000	100,000	19 October 2016	
1. Principal transferred to equity on 30 November 2015					
2. Transferred \$96,065 to equity on 30 November 2015					
3. Transferred \$41,040 to equity on 30 November 2015, repaid \$9,393 31 January 2016					
4. Transferred \$43,173 to equity on 31 December 2015					

All loans were on a commercial basis with an interest rate of 10%. There were no other transactions between related parties during the period.

NOTE 27: FINANCIAL RISK MANAGEMENT

- (a) The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, banks and other borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

- (b) Parent Entity
The parent entity within the Group is Q Technology Group Limited who is also the ultimate parent entity.
- (c) Subsidiaries
Subsidiaries are set out in note 14.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 27: FINANCIAL RISK MANAGEMENT (continued)

	Notes	Consolidated Group	
		2016 \$'000	2015 \$'000
Financial Assets			
Cash and cash equivalents	11	220	157
Loans and receivables at amortised cost	12	4,397	4,184
Total Financial Assets		4,617	4,341
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	17	6,152	3,681
- Borrowings	18	3,449	2,778
Total Financial Liabilities		9,601	6,459

Financial Risk Management Policies

The Risk and Audit Committee (RAC) has been delegated with responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The RAC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk.

The RAC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 27: FINANCIAL RISK MANAGEMENT (continued)

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

a. Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to Australia. Details with respect to credit risk of Trade and Other Receivables are provided in Note 12.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 12.

Credit risk related to balances with banks and other financial institutions is managed by the RAC in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities:

Consolidated Group			
		2016	2015
	Note	\$'000	\$'000
Cash and cash equivalents			
- AA Rated	11	220	157
		220	223

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 27: FINANCIAL RISK MANAGEMENT (continued)

b. Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions, and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that invoice discounting facilities will be renegotiated upon expiry.

Financial Liability and Financial Asset Maturity Analysis

\$'000	Consolidated Group							
	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial liabilities due for payment								
Debtor Finance facility and loans	3,449	2,771	-	-	-	-	3,449	2,771
Trade and other payables	6,152	3,681			-	-	6,152	3,681
Finance lease liabilities	-	7	-	-	-	-	-	7
Total expected outflows	9,601	6,459	-	-	-	-	9,601	6,459
Financial assets - cash flows realisable								
Cash and cash equivalents	220	157			-	-	220	157
Trade, other and loans receivables	4,397	4,184			-	-	4,397	4,184
Total anticipated inflows	4,617	4,341	-	-	-	-	4,617	4,341
Net (outflow)/inflow on financial instruments	(4,984)	(2,118)	-	-	-	-	(4,984)	(2,118)

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 27: FINANCIAL RISK MANAGEMENT (continued)

Financial Assets Pledged as Collateral

Certain financial assets are guaranteed as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 18(a) for further details.

c. Market Risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows. The interest rate payable on the invoice discounting facility is currently 9%. The Group does not use derivatives to mitigate these exposures.

The net effective variable interest rate borrowings (i.e. unhedged debt) exposes the Group to interest rate risk which will impact future cash flows and interest charges and are indicated by the following floating interest rate financial liabilities:

	Consolidated Group	
	2016	2015
Notes	\$'000	\$'000
Floating rate instruments		
Invoice Discounting facility	3,179	2,771
	3,179	2,771

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 27: FINANCIAL RISK MANAGEMENT (continued)

Consolidated Group	Net financial assets/(liabilities) in AUD \$'000			
	2016		2015	
<i>Functional currency of Group entity</i>	<i>USD</i>	<i>Others</i>	<i>USD</i>	<i>Others</i>
<u>Financial assets</u>				
Trade and other receivables	-	-	-	-
<u>Financial liabilities</u>				
Trade and other payables	(2,472)	(21)	(1,757)	(53)
Statement of financial position exposure	(2,472)	(21)	(1,757)	(53)

Forward Exchange Contracts

The Group did not have open forward exchange contracts at balance date relating to highly probable forecast transactions and recognised financial assets and financial liabilities.

Other Price Risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is not subject to significant other price risk.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 27: FINANCIAL RISK MANAGEMENT (continued)

	Consolidated Group	
	Profit / (Loss) \$'000	Other Equity \$'000
<u>Year ended 30 June 2016</u>		
+/- 2% in interest rates	+/- 64	+/- 64
+/- 11.8% in \$A/\$US	+/- 227	+/- 227
<u>Year ended 30 June 2015</u>		
+/- 2% in interest rates	+/- 55	+/- 55
+/- 9.2% in \$A/\$US	+/- 162	+/- 162

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 27: FINANCIAL RISK MANAGEMENT (continued)

Consolidated Group		2016		2015	
		Net Carrying Amount \$'000	Fair Value \$'000	Net Carrying Amount \$'000	Fair Value \$'000
<u>Financial assets</u>					
Cash and cash equivalents	11	220	220	157	157
Trade and other receivables	12	4,397	4,397	4,184	4,184
Total financial assets		4,617	4,617	4,341	4,341
<u>Financial liabilities</u>					
Trade and other payables	17	6,152	6,152	3,683	3,683
Lease liability	18	-	-	7	7
Borrowings	18	3,449	3,449	2,771	2,771
Total financial liabilities		9,601	9,601	6,461	6,461

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables including debtor finance facility are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.
- (ii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate bank debt will differ to the carrying values.

NOTE 28: DEED OF CROSS GUARANTEE

Q Technology Group Limited and QRSciences Security Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Director's report under class order 98/1418 issued by the Australian Securities and Investments Commission.

The consolidated statement of financial position as at 30 June 2016 represents the closed group who are parties to the deed of cross guarantee.

NOTE 29: RESERVES

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

NOTE 30: COMPANY DETAILS

The registered office of the company is:

Q Technology Group Limited	5/435 Williamstown Road, Port Melbourne VIC 3207
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The principal places of business are:

Q Technology Group Limited	5/435 Williamstown Road, Port Melbourne VIC 3207
QRSciences Security Pty Ltd	5/435 Williamstown Road, Port Melbourne VIC 3207

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 29 to 82, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

The company and wholly owned subsidiary QRSciences Security Pty Ltd, have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will be able to meet any obligation or liabilities to which they are, or may become, subject to virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



.....
Rob Rosa
Managing Director
31 August 2016

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INDEPENDENT AUDITOR'S REPORT**TO THE MEMBERS OF****Q TECHNOLOGY GROUP LIMITED****Report on the Financial Report**

We have audited the accompanying financial report of Q Technology Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Q Technology Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Q Technology Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(t) in the financial report, which indicates the consolidated entity reported operating losses of \$3,451,000 (FY2015 - \$2,264,000 loss) and the consolidated entity reported cash outflows from operating activities of \$1,288,000 (FY2015 - \$1,232,000 cash outflows). These conditions, along with other matters as set forth in Note 1(t), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Q Technology Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



RSM AUSTRALIA PARTNERS



P A RANSOM

Partner

Melbourne, VIC

31 August 2016

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The shareholder information set out below was applicable as at 30 June 2016.

Shareholding

a. Distribution of Shareholders

	Total holders	Ordinary Shares
Category (size of holding)		
1 – 1,000	179	85,831
1,001 – 5,000	248	662,214
5,001 – 10,000	115	886,661
10,001 – 100,000	347	13,816,738
100,001 – and over	163	376,679,524
Total	1,052	392,130,968

b. The number of shareholders with less than marketable parcels is 926.

c. The names of the substantial shareholders listed in the holding company's register as at 30 June 2016 are:

Shareholder	Number of ordinary shares
Bond Street Custodians Limited (Helmsman Capital Fund Trust IIA)	130,115,852
Cherryoak Investments Pty Ltd	45,000,000
NINETEEN25 PTY LIMITED <VH SUPERANNUATION FUND A/C>	22,837,940

a. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares	Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
Options	No voting rights.

Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

ADDITIONAL INFORMATION FOR PUBLICLY LISTED COMPANIES

b. 20 Largest Shareholders — Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
BOND STREET CUSTODIANS LIMITED <HELMSMAN CAP FUND TST IIA>	130,115,852	33.18
CHERRYOAK INVESTMENTS PTY LTD <C & N FAMILY A/C>	45,000,000	11.48
NINETEEN25 PTY LIMITED <VH SUPERANNUATION FUND A/C>	22,837,940	5.82
ROSA INVESTMENT GROUP PTY LTD <ROSA SUPER FUND A/C>	16,019,482	4.09
MR MICHAEL RAEBURN CONNOR	14,910,285	3.80
MR PETER HIGGINS + MRS JAYNE HIGGINS <SUPER FUND A/C>	11,942,764	3.05
MR EDMOND MINFUI TERN	10,793,131	2.75
MR STEPHEN JOHN HART	10,000,000	2.55
TALSTON PTY LTD <J P CORNISH P/L S/FUND A/C>	10,000,000	2.55
MS BROOKE BOROS	8,580,164	2.19
SPANDAY PTY LTD <TENNYSON RETIREMENT S/F A/C>	4,940,000	1.26
CANDIDE INVESTMENTS PTY LTD <CANDIDE SUPER FUND A/C>	4,000,000	1.02
MR RYAN COLBRAN	3,799,919	0.97
STOKES SUPERANNUATION PTY LTD <STOKES SUPER FUND A/C>	3,183,078	0.81
CANDIDE INVESTMENTS PTY LTD	3,000,000	0.77
MR HARDI KURNADI	2,860,000	0.73
MR JAMES PATRICK SIMON MCFARLANE	2,500,000	0.64
MR ALBERT SERCHONG CHEN	2,461,236	0.63
PINDIMS PTY LTD <THE PEACOCK S/F NO 2 A/C>	2,083,334	0.53
MR RICHARD ALEXANDER COUTTS	2,000,000	0.51
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	311,027,185	79.33
Total Remaining Holders Balance	81,103,783	20.68