

Appendix 4D

Half yearly report

31 December 2009

QRSciences Holdings Limited ABN 27 009 259 876

Results for announcement to the market

Extracts from this report for announcement to the market.

\$A'000

Revenues from ordinary activities	Up	14.05%	to	10,144
Net Profit/(loss) from ordinary activities after tax attributable to members	Up	202.2%	to	3,829
Net Profit/ for the period attributable to members	Up	202.2%	to	3,829

Dividends	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

+Record date for determining entitlements to the dividend

No dividend has been declared or paid.

Brief explanation of any of the figures reported above and short details of any other item(s) of importance not previously released to the market:

Refer attached Half Year financial report

Net Tangible Assets Backing	Current period	Previous corresponding Period
Net tangible asset backing per +ordinary security	7.81¢	(0.24¢)

Entities over which control has been lost during the period:

Name of Entity: Spectrum SDI

Date: 30 December 2009

Name of Entity: QRSciences Co

Date: 30 October 2009

These accounts are not subject to audit dispute or qualification. The review report is attached as part of the Interim Report.

**HALF YEAR FINANCIAL REPORT
31 DECEMBER 2009
ABN 27 009 259 876**



**Holdings Limited
and Controlled Entities**

**QRSciences Holdings Limited
is incorporated in Western Australia**

QRSciences Holdings Limited and Controlled Entities
ABN 27 009 259 876

Interim Financial Report

This Interim Financial Report covers QRSciences Holdings Limited and its controlled entities as a consolidated group. The Group's functional presentation currency is Australian Dollars.

CORPORATE DIRECTORY

DIRECTORS

Mr Rick Stokes (Chairman)
Mr Kevin Russeth
Mr Douglas Potter
Mr Robert Halverson (Non-Executive)

AUDITORS

Moore Stephens
Chartered Accountants
Level 14, 607 Bourke Street
Melbourne Victoria 3000
Telephone: +61 3 9614 4444
Facsimile: +61 3 9629 5716

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr Jamie Taylor

BANKERS

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Geelong Victoria 3220

REGISTERED OFFICE

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Port Melbourne Victoria 3207
Telephone +61 3 9646 9016
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SOLICITORS

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SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
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Telephone: +61 8 9323 2000
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STOCK EXCHANGE

Australian Stock Exchange
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

WEBSITE

www.qrsciences.com
www.qcctv.com.au

ASX CODE

QRS - Ordinary Shares
QRSNY.PK - U.S. ADR's

QRSciences Holdings Limited and Controlled Entities

ABN 27 009 259 876

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2009.

Directors

The names of directors who held office during or since the end of the half-year:

Rick Stokes

Kevin Russeth

Douglas Potter

Bob Halverson

Review of Operations

The Group has completed an excellent first half with outstanding results being achieved for the Group. The profits achieved by QRSciences Security Pty Ltd, and the gain on disposal of Spectrum SDI (USA) has provided extremely good outcomes for the Group.

The Group achieved a net profit of \$3.83m for the period which equates to 2.52 cents per share, in addition to this the net asset position of the Group is now \$11.84m which equates to 7.81 cents per share, this result is outstanding given the Group has written off all the remaining IP relating to the QR technology over the last year and underpins the Group's renewed focus of delivering a long term profitable Group that will ultimately deliver shareholder value.

QRSciences Security Pty Ltd, which comprises Q Video Systems, Q Alarm Supplies and Q Detection Systems, continues to grow and is expected to generate positive cash flow in the future as revenues and profits increase. The business had sales in the first six months of \$10.14m and posted a before tax profit of \$1.01m which is a \$1.8m improvement over the corresponding period last year.

The Group's investment in Spectrum has been sold and a gain on disposal of \$3.34m was realised. Additional funds may accrue in the future as the Group has agreements in place with a "holdback" payment of US\$532k due in 15 months, subject to adjustment and potential "earn out" payments of up to US\$7.31m over the next 6 years also subject to adjustment.

Announcements can be expected in relation to the disposal of other technology assets: QRSciences Pty Ltd, the Perth based R&D business, DVOP our 97.83% owned listed Company Shell in the USA and Tek84, the business that holds our residual Spectrum assets following the sale of the *CarScan* product to SAIC (USA).

The Board remains intent on improving the sales and profits of the Group and is determined to continue to deliver increased shareholder value through aggressive business strategies and expansion of the Group in line with our profitable business units.

Update on QRSciences Security Pty Ltd

QRSciences Security Pty Ltd, which comprises Q Video Systems, Q Alarm Supplies and Q Detection Systems, with offices located in Melbourne, Sydney, Brisbane and Perth, achieved a Net Profit before tax of \$1.01m.

Highlights for the period were;

- Revenue up 14.05% to \$10.14m when compared to the previous corresponding period.
- Net assets up 32.09% to \$5.61m compared to the previous corresponding period.
- Profit before tax for the period of \$1.01m compares favorably to a loss of \$461k for the same period last year.
- Our distribution arrangements with all major suppliers including Samsung Korea, Verint Canada and Pelco USA has strengthened materially throughout the period under review.
- Geographic expansion into the growing Perth market has been successful.

QRSciences Holdings Limited and Controlled Entities

ABN 27 009 259 876

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DIRECTORS' REPORT

The Company remains pleased with progress to date in the Q Video business and there is much potential in the Q Alarm Supplies business.

With several other strategic and operational matters being addressed, the future for the business is indeed bright.

Merger and expansion opportunities are under constant review as are the various forms of funding to support these future activities.

Sales for the next period are in line with the expectations for the Company and we expect to post an operating profit for the coming period.

Update on QRSciences Pty Ltd

QRSciences Pty Ltd, the Group's Perth based R&D business, is continuing the AMDS 2 contract, which we expect to be completed by the end of March 2010. On completion of the contract additional revenue of approximately \$400k is expected.

The business has experienced delays in attaining contract milestones for the AMDS 2 contract and this was the reason for the cash flow deficit experienced by the Company in the reporting period.

The Company has informed the market of its intention to sell/dispose of the business in the near future and remains diligent in managing this business whilst it seeks the best possible outcome.

Relevant market updates will be made as appropriate.

Update on USA Operations

The Company expects to finalise the remaining elements of its business operations in the USA in the short term. Appropriate advice will be tendered to the market as reportable events occur in line with our intention to remain focused on creating a viable, profitable and expanding business in Australia.

The sale of the Company's interest in Spectrum SDI announced on 21 December 2009 was an outstanding result for the Group and was the prime catalyst for the significant result for the period.

The Group also expects to receive a further payment, which will be subject to some adjustments of US\$532k around March 2011 and further payments aligned to the rollout of the *CarScan* product over the next 6 years of up to US\$7.31m.

The earn out payments are out of the control of the Company as the *CarScan* product is yet to be proven in the field, but the *CarScan* product shows great promise and SAIC did make a significant investment in the future development of the product for the Global Security market.

Highlights for the period were;

- The Company's investment in Spectrum SDI (USA) was sold for a profit of \$3.34m and funds received in January 2010 from the USA of \$6.24m.
- The Company maintained a 20.4% ownership of Tek84 (residual assets in Spectrum SDI) after the sale of the *CarScan* technology.

The Board and senior management are delighted with recent efforts to refocus the Group, increased revenue and the profit for the period. The continued improvement of earnings and the creation of a stronger statement of financial position are significant recent events.

QRSciences Holdings Limited and Controlled Entities

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DIRECTORS' REPORT

The Board is committed to continue to restructure and dispose of businesses that fail to contribute to the Group's new strategic direction. The Group has emerged stronger, more resilient and are confident that a bright future awaits.

We look forward to the future with confidence.

Events Occurring After The Reporting Period

The following events occurred after the end of the reporting period, being;

- On 27 January 2010 the Company received the proceeds from the Spectrum sale, increasing its cash reserves by \$6.24m. This equates to approximately 4 cents per share.
- On 12 February 2010 the Company announced the sale of Diversified Opportunities (DVOP-OB) for US\$215k. The sale is expected to be completed by the end of March 2010.

Both of these major events for the Group reinforced the Board's commitment to concentrate on profitable businesses that expand shareholder value.

Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.



Mr Rick Stokes

Director

Dated this 25th day of February 2010

**Auditor's Independence Declaration under Section 307C of the Corporations Act
2001 to the directors of QRSciences Holdings Limited**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2009 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.



MOORE STEPHENS
Chartered Accountants



Grant Sincock
Partner

Melbourne, 25 February 2010

QRSciences Holdings Limited and Controlled Entities

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CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		\$'000	\$'000
Revenue		10,144	8,894
Costs of goods sold		(7,112)	(6,526)
Gross profit		3,032	2,368
Interest income		35	9
Other Income		4,718	133
Employee benefits expense		(1,884)	(1,351)
Depreciation and amortisation expense		(91)	(53)
Finance costs		(135)	(193)
Other expenses		(1,303)	(1,874)
Profit/(Loss) before income tax		4,372	(961)
Income tax (expense)/benefit		(11)	133
Profit/(Loss) from continuing operations		4,361	(828)
(Loss) from discontinued operations	5	(532)	(2,918)
Profit/(Loss) for the period	2	3,829	(3,746)
Profit/(Loss) attributable to:			
Members of the parent entity		3,829	(3,746)
Non-controlling interest		-	-
		3,829	(3,746)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		2.52	(4.24)
Diluted earnings per share (cents)		2.52	(2.51)
From continuing operations:			
Basic earnings per share (cents)		2.87	(0.94)
Diluted earnings per share (cents)		2.87	(0.55)

The accompanying notes form part of these financial statements.

QRSciences Holdings Limited and Controlled Entities
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Interim Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		\$'000	\$'000
Profit/(Loss) for the period		3,829	(3,746)
Other comprehensive income			
Exchange differences on translating foreign controlled entities		26	1,345
Other comprehensive income for the period, net of tax		26	1,345
Total comprehensive income for the period		<u>3,855</u>	<u>(2,401)</u>
Total comprehensive income attributable to:			
Members of the parent entity		3,855	(2,401)
Non-controlling interest		-	-
		<u>3,855</u>	<u>(2,401)</u>

The accompanying notes form part of these financial statements.

QRSciences Holdings Limited and Controlled Entities
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Interim Financial Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	30.06.2009
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	747	1,675
Trade and other receivables	10,004	3,496
Inventories	5,077	4,441
Other financial assets	322	-
Other assets	115	134
	16,265	9,746
Non-current assets classified as held for sale	219	162
TOTAL CURRENT ASSETS	16,484	9,908
NON-CURRENT ASSETS		
Trade and other receivables	554	-
Property, plant and equipment	345	333
Deferred tax assets	410	179
Other financial assets	-	3,319
Other assets	154	188
TOTAL NON-CURRENT ASSETS	1,463	4,019
TOTAL ASSETS	17,947	13,927
CURRENT LIABILITIES		
Trade and other payables	2,622	2,400
Borrowings	1,477	1,604
Current tax liabilities	242	95
Short-term provisions	13	7
	4,354	4,106
Liabilities directly associated with non-current assets classified as held for sale	289	345
TOTAL CURRENT LIABILITIES	4,643	4,451
NON-CURRENT LIABILITIES		
Borrowings	1,431	1,461
Long-term provisions	29	27
TOTAL NON-CURRENT LIABILITIES	1,460	1,488
TOTAL LIABILITIES	6,103	5,939
NET ASSETS	11,844	7,989

QRSciences Holdings Limited and Controlled Entities
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	30.06.2009
	\$'000	\$'000
EQUITY		
Issued capital	70,790	70,790
Reserves	447	421
Retained earnings	(59,393)	(63,222)
Parent entity interest	11,844	7,989
Non-controlling interest	-	-
TOTAL EQUITY	11,844	7,989

The accompanying notes form part of these financial statements.

QRSciences Holdings Limited and Controlled Entities
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note	Issued Capital Ordinary \$'000	Retained (Losses) \$'000	Foreign Currency Translation Reserve \$'000	Options Reserve \$'000	Total \$'000
Balance at 1 July 2008	69,285	(63,895)	(821)	52	4,621
Shares issued during the period	174	-	-	-	174
Total other comprehensive income for the period	-	-	1,345	-	1,345
Loss attributable to members of the parent entity	-	(3,746)	-	-	(3,746)
Subtotal	69,459	(67,641)	524	52	2,394
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2008	69,459	(67,641)	524	52	2,394
Balance at 1 July 2009	70,790	(63,222)	369	52	7,989
Profit attributable to members of the parent entity	-	3,829	-	-	3,829
Total other comprehensive income for the period	-	-	26	-	26
Subtotal	70,790	(59,393)	395	52	11,844
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2009	70,790	(59,393)	395	52	11,844

The accompanying notes form part of these financial statements.

QRSciences Holdings Limited and Controlled Entities
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Interim Financial Report

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	31.12.2008
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	10,530	9,620
Payments to suppliers and employees	(10,711)	(11,875)
Grants received	145	652
Interest received	35	24
Finance costs	(97)	(132)
Income tax paid	(95)	-
Net cash (used in)/provided by operating activities	(193)	(1,711)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(68)	(39)
Proceeds from loans repaid by others	-	320
Payment for subsidiary, net of cash acquired	-	(114)
Net cash (used in)/provided by investing activities	(68)	167
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(153)	(290)
Net cash used in financing activities	(153)	(290)
Net decrease in cash and cash equivalents held	(414)	(1,834)
Cash and cash equivalents at beginning of period	853	1,113
Cash and cash equivalents at end of period	439	(721)
Reconciliation of cash and cash equivalents		
Cash at bank	747	609
Bank overdraft	(308)	(1,330)
	439	(721)

The accompanying notes form part of these financial statements.

QRSciences Holdings Limited and Controlled Entities
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Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of QRSciences Holdings Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the separate income statement approach to the presentation of the statement of comprehensive income;
- other primary statements are renamed in accordance with the Standard; and

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash-generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

QRSciences Holdings Limited and Controlled Entities
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Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 2: PROFIT/(LOSS) FOR THE PERIOD

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		\$'000	\$'000
The following revenue and expense items are relevant in explaining the financial performance for the interim period:			
Net gain on the disposal of investments		3,818	50
Realised gains/(Losses) on foreign currency		416	262
Unrealised gains on foreign currency		102	-

NOTE 3: BORROWINGS

QRSciences Security Pty Ltd's banking facilities with National Australia Bank are due for review in May 2010. The Group does not anticipate that its facilities will be withdrawn, however in the unlikely event that this were to occur, the parent entity QRSciences Holdings Ltd has a significantly strong cash position to fund its wholly owned subsidiary.

As at 31 December 2009, the Group complied with all the required covenants.

NOTE 4: OPERATING SEGMENTS

Segment 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
- the geographic target of the segment operations

Types of products and services by segment

(i) *Investment*

QRSciences Holdings Ltd is an investment company that continues to explore and evaluate investment opportunities and has cash reserves in excess of \$6.66m at the time of release of this report.

(ii) *Closed Circuit Television (CCTV) Distribution*

The distribution segment imports and distributes CCTV equipment primarily via its wholly owned subsidiary QRSciences Security Pty Ltd (QRSS). QRSS comprises three business units, which are Q Video Systems, Q Alarm Supplies and Q Detection Systems. These business units are aggregated as one reportable segment as the products are similar in nature and distributed to similar types of customers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: 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.

Inter-segment transactions

QRSciences Holdings Ltd provides staff services to its wholly owned subsidiary QRSciences Security Pty Ltd. Service Fees are charged across accordingly on a fortnightly basis. All such transactions are eliminated on consolidation for the Group's Financial Statements.

Inter-segment loans payable and receivable exist between the following entities:

QRSciences Holdings Ltd to Diversified Opportunities

QRSciences Holdings Ltd to QRSciences Pty Ltd

These transactions are entered into on normal commercial terms.

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. Borrowings and 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

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:

- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- discontinuing operations;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONTINUED)

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(i) Segment performance

	Investment	Distribution	Total
	\$'000	\$'000	\$'000
Six months ended			
31.12.2009			
Revenue			
External sales	-	10,144	10,144
Inter-segment sales	249	-	249
Interest revenue	14	21	35
Total segment revenue	263	10,165	10,428
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			(249)
Total group revenue			10,179
Segment net profit/(loss) before tax	(294)	1,001	707
<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	(34)	(57)	(91)
Unallocated items:			
• Corporate charges			(16)
• Finance costs			(135)
• Unrealised gain on investments			89
• Net Gain on Disposal			3,818
Net profit before tax from continuing operations			4,372

QRSciences Holdings Limited and Controlled Entities
ABN 27 009 259 876

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONTINUED)

(i) Segment performance

	Investment	Distribution	Total
	\$'000	\$'000	\$'000
Six months ended			
31.12.2008			
Revenue			
External sales	-	8,894	8,894
Inter-segment sales	474	-	474
Interest revenue	9	-	9
Total segment revenue	483	8,894	9,377
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			(474)
Total group revenue			8,903
Segment net profit/(loss) before tax	(235)	(462)	(697)
<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	-	(53)	-
Unallocated items:			
• Corporate charges			(30)
• Finance costs			(193)
• Unrealised loss on investment			(38)
• Net gain on disposal of available-for-sale investments			50
Net profit/(loss) before tax from continuing operations			(961)

QRSciences Holdings Limited and Controlled Entities

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Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONTINUED)

(ii) Segment assets

	Investment \$'000	Distribution \$'000	Total \$'000
As at 31.12.2009			
Segment assets	13,878	9,426	23,304
Segment asset increases for the period:			
• Capital expenditure	-	67	67
• Acquisitions	185	-	185
	185	67	252
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment eliminations			(5,986)
Unallocated assets:			
• Deferred tax assets			410
Total group assets from continuing operations			17,728
As at 30.6.2009			
Segment assets	11,505	8,461	19,966
Segment asset increases for the period:			
• Capital expenditure	-	25	25
	-	25	25
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment eliminations			(6,380)
Unallocated assets:			
• Deferred tax assets			179
Total group assets from continuing operations			13,765

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONTINUED)

(iii) Segment liabilities

	Investment \$'000	Distribution \$'000	Total \$'000
As at 31.12.2009			
Segment liabilities	1,645	3,981	5,626
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations			(54)
Unallocated liabilities:			
• Current tax liabilities			242
Total liabilities from continuing operations			5,814
As at 30.6.2009			
Segment liabilities	1,629	4,295	5,924
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations			(426)
Unallocated liabilities:			
• Deferred tax liabilities			96
Total liabilities from continuing operations			5,594

(iv) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	For the six months ended 31.12.2009 \$'000	For the six months ended 31.12.2008 \$'000
Australia	10,179	8,903
United States of America	-	-
Total revenue	10,179	8,903

(v) Assets by geographical region

The location of segment assets is disclosed below by geographical location of the assets:

	Balance as at 31.12.2009 \$'000	Balance as at 30.6.2009 \$'000
Australia	17,543	13,758
United States of America	185	7
Total assets	17,728	13,765

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONTINUED)

(vi) Major customers

QRSciences Security Pty Ltd has a diversified customer base that contribute to the sales of the business and the top 20 customers account for 48% of the sales revenue for the business. The business continues to diversify its customer base to ensure that no major customer will become a critical source of revenue for the business.

NOTE 5: DISCONTINUED OPERATIONS

Consolidated Group

31.12.2009 31.12.2008
\$000 \$000

Diversified Opportunities (DVOP-OB)

In February 2009 the group announced its intention to dispose of Diversified Opportunities (DVOP-OB), thereby discontinuing its operations in this USA Operations.

The financial performance of the discontinued operation to the date of this interim financial report which is included in profit/(loss) from discontinued operations per the statement of comprehensive income is as follows:

Revenue	-	-
Expenses	(17)	(129)
Loss before income tax	(17)	(129)
Income tax expense	-	-
Loss attributable to members of the parent entity	(17)	(129)

QRSciences Pty Ltd

In October 2009 the group announced to the market its intention to dispose of QRSciences Pty Ltd. The disposal is expected to be completed by the end of March 2010, on completion of the AMDS 2 contract, thereby discontinuing its operations in this business.

The financial performance of the discontinued operation to the date of this interim financial report which is included in profit/(loss) from discontinued operations per the statement of comprehensive income is as follows:

Revenue	146	824
Expenses	(661)	(3,354)
Loss before income tax	(515)	(2,530)
Income tax expense	-	-
Loss attributable to members of the parent entity	(515)	(2,530)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 5: DISCONTINUED OPERATIONS (CONTINUED)

Consolidated Group

31.12.2009 31.12.2008
\$000 \$000

QRSciences Co

In February 2009 the board resolved to wind up the operations of its wholly owned USA subsidiary QRSciences Co. A certificate of dissolution was issued on 30 October 2009, thereby discontinuing its operations in this business.

The financial performance of the discontinued operation to the date of this interim financial report which is included in profit/(loss) from discontinued operations per the statement of comprehensive income is as follows:

Revenue	-	43
Expenses	-	(258)
Loss before income tax	-	(215)
Income tax expense	-	-
Loss attributable to members of the parent entity	-	(215)

Spectrum SDI

In December 2009 the Group disposed of its 20.8% holding of Spectrum SDI, thereby discontinuing its operations in this business

The financial performance of the discontinued operation to the date of this interim financial report which is included in profit/(loss) from discontinued operations per the statement of comprehensive income is as follows:

Share of net loss of an associate	-	(44)
Loss before income tax	-	(44)
Income tax expense	-	-
Loss attributable to members of the parent entity	-	(44)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 6: DISPOSAL OF CONTROLLED ENTITIES

(i) Disposal of interest in Spectrum SDI (USA)

On 30 December 2009, the Group disposed of its investment in Spectrum.

The sale considerations comprises:	\$'000
- Cash payment	6,355
- Holdback payment (after 15 months)	594
- Share holdings in Tek84	185
Total considerations	<u>7,134</u>
Less:	
- Legal expenses	(46)
- Investments cost	<u>(3,747)</u>
Net gain on disposal	<u><u>3,341</u></u>

The earn-out payment of up to US\$7.31m over the next 6 years has not been recognised due to the uncertainty in the future sales of the CarScan product, as explained in the director's report.

(ii) Wind up of wholly owned US subsidiary QRSciences Co.

In February 2009, the board resolved to wind up the operations of its wholly owned US subsidiary QRS Co. The dissolution was authorised by the State of Delaware on 30 October 2009.

No cash consideration was received upon the winding up of the above entity.

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the end of the last annual reporting period.

NOTE 8: EVENTS AFTER THE REPORTING DATE

The following events occurred after the reporting date of the accounts, being:

- On 27 January 2010 the Group received the proceeds from the Spectrum sale, increasing its cash reserves by \$6.24m which is approximately 4 cents per share.
- On 12 February 2010 the Group announced the sale of Diversified Opportunities (DVOP-OB) for USD \$215K the sale is expected to be completed by the end of March 2010.

Both of these major events for the Group reinforced the Board's commitment to concentrate on profitable businesses and to unlock shareholder value.

QRSciences Holdings Limited and Controlled Entities

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Interim Financial Report

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 22 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
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.

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



Mr Rick Stokes

Director

Dated this 25th day of February 2010

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF QRSCIENCES HOLDINGS LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of QRSciences Holdings Limited and controlled entities (the consolidated entity), which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed cash flow statement for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of QRSciences Holdings Limited (the company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of QRSciences Holdings Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2009 included on the website of QRSciences Holdings Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this financial report are concerned about the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QRSciences Holdings Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (ii) complying with *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.



MOORE STEPHENS
Chartered Accountants



Grant Sincock
Partner

Melbourne, 25 February 2010