

**ASX AND MEDIA RELEASE**

29 January 2010

## **QRSCIENCES REPORTS A STRONG PROFIT FOR THE FIRST HALF ON CONTINUED GROWTH IN REVENUE**

QRSciences Holdings Limited is pleased to report the following information to the market.

- Group Revenue up 7.6% to \$10.8m compared to the previous corresponding period
- A profit on the sale of Spectrum SDI(USA) of \$ 3.2m, with a cash payment of \$ 6.24m
- QRSciences Security Pty Ltd, our distribution business, to post a profit for the first half of approximately \$1m.
- On the 27 January The Company received the proceeds from the Spectrum sale, bolstering its cash reserves by approximately 4 cents per share.

**QRSciences Security Pty Ltd:**

- Revenue up 12.4% to \$ 10.14m when compared to the previous corresponding period.
- Net assets up 23% to \$ 5.625m compared to the previous corresponding period.
- Unaudited net profit for the period of \$1m compares most favorably to a loss of \$ 794K 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.

**QRSciences Pty Ltd & Spectrum SDI:**

- It is our intention to either wind up or sell QRSciences Pty Ltd, the Groups R&D business based in Perth.
- Our investment in Spectrum SDI (USA) has been sold for a profit of \$ 3.2m and funds repatriated from the USA over recent days of \$ 6.240m.
- The Group's US assets, DVOP and Tek84 (residual assets in Spectrum SDI), will be either sold or otherwise disposed of.

The company has completed an excellent first half with outstanding results being achieved. Profits from both QRSciences Security Distribution business and our investment in Spectrum SDI (USA) have provided extremely good outcomes.

Consolidated Group cash flow was negative \$185k for Q2, but positive \$456k in the distribution business, the QRSciences Pty Ltd R&D business delivered a negative \$325k cash flow for Q2. The distribution business continues to achieve good results and this trend is expected to continue.

The Company's investment in Spectrum has been sold and a gain on disposal of \$3.3m was realised. Additional funds may be achieved in the future as the company has agreements in place with a "holdback" payment of US\$515k due in 15 months, subject to adjustment and potential "earnout" payments of up to US\$ 7.25 million over the next 6 years also subject to adjustment.

The outcome from the sale of Spectrum has been a happy one and our commitment to unlock shareholder value remains.

More announcements can be expected in the near term in relation to the disposal of our other technology assets: QRSciences Pty Ltd, the Perth based R&D business, DVOP our 97% owned listed Company Shell in the USA and Tek84, the business that holds our residual Spectrum assets following the sale of the Car Scan product to SAIC (USA)

The Board remains confident that satisfactory outcomes for all three investments will further enhance our ambitions to deliver increased shareholder worth.

Further expansion will seek to improve our business generally and we expect to see increased profitability and scale of operations as the business grows.

### **QRSciences Security Pty Ltd**

QRSciences Security Pty Ltd comprises Q Video Systems, Q Alarm Supplies and Q Detection Systems. Each of these business units continues to grow and is expected to generate positive cash flow for the remainder of the year. Sales for Q2 were \$4.95m with net profit of \$628k. The business had sales in the first six months of \$10.145m and an unaudited net profit of \$1m which is a \$1.8m improvement over the corresponding period last year.

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.

### **Update on USA Operations**

The remaining elements of our business operations in the US will be sold in the short term. Appropriate advice will be tendered to the market as reportable events occur. Our intentions remain focused on creating a viable, profitable and expanding business in Australia.

## **Update on QRSciences Pty Ltd**

The QRSciences Pty Ltd, Perth based R&D business, is continuing the AMDS 2 contract, which we expect to be completed by the end of March 2010. Revenue remaining on the contract is approximately \$400k and the Company expects the majority of this revenue to be collected in Q3 2010. Delays in attaining contract milestones were the main reason for the cash flow deficit for Q2. The Company is diligent in managing this business and will we look for the best possible outcome for the business and for all those involved.

Relevant market updates will be made as appropriate.

The Board and senior management is delighted with recent efforts to refocus the Company. Increased sales, the improvement of earnings and the creation of a stronger balance sheet are significant recent events. Restructuring and disposal of businesses that fail to contribute to the company's new strategic direction will be constantly reviewed. Finally, whilst recent events have tested management's capabilities and resourcefulness, the company has emerged stronger, more resilient and we are confident that a bright future awaits. None of our recent success could have been achieved without the full support of a tireless, industrious and capable staff

We look forward to the future with confidence.

Rick Stokes

CEO

QRSciences Holdings Limited

## **About QRSciences**

QRSciences Holdings Limited is based in Melbourne, Victoria. Its wholly owned distribution business QRSciences Security Pty Ltd comprising Q Video Systems, Q Alarm Supplies and Q Detection Systems has offices located in Melbourne, Sydney, Brisbane and Perth. The company's R&D business is located in Perth and specialises in the design, development and sale of advanced technology systems, sub-systems, components and software for security related applications.

For more information on the Company please visit [www.QRSciences.com](http://www.QRSciences.com) or [www.qcctv.com.au](http://www.qcctv.com.au), phone 03 9681 9854.