

ASX AND MEDIA RELEASE  
31 October, 2012

## COMMENTARY ON CASHFLOW

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Q Technology Group Limited (QTG) today announced a positive operating cash flow for the first quarter of 2012 of \$544k. The cashflow for the quarter after investing and financing activities resulted in an inflow of \$65k which includes repayment of borrowings of \$478k. The results for the first quarter cashflow reflect the operations of both the Q Video Systems and API Locksmiths business for the full three month period.

As has been previously announced the sale of API Services and Solutions Pty Ltd was completed 2 October 2012 to GWA Group Limited. The acquisition price was \$13.1m less \$1.1m which was utilised to payout finance leases held by API Services and Solutions Pty Ltd giving net proceeds of \$12m which has been utilised to pay down debt in the Group post the reported first quarter cashflow results. This has significantly changed the debt profile and cashflows of the group.

QTG utilised the proceeds of the sale of API Services and Solutions of \$13.1m to pay down debt within the Group. The allocation of proceeds from the sale of API Services and Solutions Pty Ltd after negotiations with the Group's lenders was as follows:

Sale Proceeds	\$13.1m
Allocation	
Payout of API Finance Leases	\$1.1m
Payout to Helmsman Capital Fund Trust IIB	\$7.2m
Payment to GE Capital	\$3.3m
Payment to Group Debtor Finance Facility	\$1.5m
	<hr/>
	\$13.1m

The payout of finance leases related to finance leases held by API Services and Solutions Pty Ltd. The allocations fully extinguished all debts owed to Helmsman Capital Trust Fund IIB. The above allocation will be reflected in the second quarterly cashflow released to the market in January 2013.

QTG has been able to re-negotiate the GE Capital Loan facility to provide facilities for the Group going forward. GE Capital signed a Deed of Variation to amend the Group's lending facilities post the sale of API Services and Solutions. The Group's revolving facilities limit will be reduced to \$3.4m with a letter of credit limit of \$1m and a receivables purchase facility limit of \$2.4m. Post the sale and payment of significant legal and consulting fees the revolving debtor facility has been operating between \$1m-1.3m for the second half of October.

The Board is investigating merger and sale opportunities for Q Video Systems that will enable the company to realise shareholder value. The board is also open to proposals regarding Q Technology Group for a merger which creates scale, synergies, liquidity and value for all shareholders. The company will keep shareholders informed of its progress with this strategy.

Rick Stokes

Managing Director and CEO

### **About Q Technology Group Limited**

Q Technology Group Limited is based in Melbourne, Victoria. The Group has annualised revenues of approximately \$25 million from Q Video Solutions a leader in the supply and support of high quality CCTV, video switching, networking, alarm & access control products...

For more information on the Company please visit

<http://www.qtechnologygroup.com.au>

<http://www.qvideosystems.com.au>

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Q Technology Group Ltd

ABN

27 009 259 876

Quarter ended ("current quarter")

30 Sept 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	13,861	13,861
1.2 Payments for		
(a) staff costs	(3,627)	(3,627)
(b) advertising & marketing	(142)	(142)
(c) research & development	-	-
(d) leased assets	(393)	(393)
(e) other working capital	(8,996)	(8,996)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(160)	(160)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>544</b>	<b>544</b>

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	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	544	544
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(161)	(161)
(e) other non-current assets		
<b>1.10 Proceeds from disposal of:</b>		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	37	37
(e) other non-current assets		
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
	(124)	(124)
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	420	420
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	123	123
1.18 Repayment of borrowings	(478)	(478)
1.19 Dividends paid		
1.20 Other (provide details if material)		
	(355)	(355)
<b>Net financing cash flows</b>		
<b>Net increase (decrease) in cash held</b>	65	65
1.21 Cash at beginning of quarter/year to date	(4,273)	(4,273)
1.22 Exchange rate adjustments to item 1.20	-	-
	(4,208)	(4,208)
<b>1.23 Cash at end of quarter</b>		

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	109
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	5,614	5,470
3.2	Credit standby arrangements	-	-

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	914	1,010
4.2 Deposits at call	-	-
4.3 Bank overdraft	(5,122)	(5,283)
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>(4,208)</b>	<b>(4,273)</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
 (Company secretary)

Date: 31 October 2012

Print name: Adrian McKenzie

+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.