Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

(ABN 27 009 259 876)

Appendix 4E and Annual Report

FOR THE YEAR ENDED 30 JUNE 2013

Final Report to the Australian Securities Exchange and Annual Report
including Audited Financial Statements
for the Year Ended 30 June 2013

Table of Contents

Results for announcement to the market

Key information	2013 $'000	2012 $'000	% Change
Revenues from ordinary activities	23,929	24,280	-1.4%
Profit from ordinary activities after tax attributable to members	(2,047)	(3,180)	+35.6%
Net profit attributable to members	158	(2,168)	+107.3%

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	2013	2012
Net tangible asset backing per ordinary security	$0.035	$0.014

Control gained or lost over entities in the year

On 2 October 2012, the Group disposed of its 100% interest in API Securities & Solutions Pty Ltd. API Securities and Solutions Pty Ltd contributed a $115,000 loss to the Group's consolidated profit from ordinary activities during the year ended 30 June 2013. API Securities & Solutions Pty Ltd reported an operating profit of $1,012,000 for the year 2012.

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 2013 financial report and accompanying notes for Q Technology Group Limited have been audited and are not subject to any disputes or qualifications. Refer to page 87 of the 30 June 2013 financial report for a copy of the auditor's report.

Financial Summary

$'000	**2013**			**2012**		
	Actual	**Adjust**	**Normalised**	**Actual**	**Adjust**	**Normalised**
Revenue	23,929		23,929	24,280		24,280
Gross Profit	6,212		6,212	6,385		6,385
GP Margin	*26.0%*		*26.0%*	*26.3%*		*26.3%*
EBITDA	**(375)**	**213**	**(162)**	**(1,695)**		**(1,695)**
EBITDA Margin	*-1.5%*		*-0.7%*	*-7.0%*		*-7.0%*
EBIT	(634)	213	(421)	(1,852)		(1,852)
EBIT Margin	*-2.6%*		*-1.8%*	-7.6%		-7.6%
Interest	(1,413)	942	(471)	(1,549)		(1,549)
Net Profit / (Loss) before tax continuing operations	**(2,047)**	**1,155**	**(892)**	**(3,401)**		**(3,401)**
Profit / (Loss) before tax discontinued operations	**(115)**		**(115)**	**1,383**		**1,383**
Profit on disposal of discontinued operations	**2,320**		**2,320**	**-**		**-**
Net Profit / (Loss) before tax	**158**	**1,155**	**1,313**	**(2,018)**		**(2,018)**

NONRECURRING ITEMS	
Legal expenses	**213**
Finance break fees	**942**

Q Technology Group Limited
and Controlled Entities

(ABN 27 009 259 876)

2013 FINANCIAL REPORT

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 Bruce Higgins (Chairman, Non-Executive)
Mr Richard Stokes
Mr Douglas Potter (Non- Executive)

AUDITORS

Moore Stephens
Accountant & Advisors
Level 10, 530 Collins Street
Melbourne Victoria 3000
Telephone: +61 3 8635 1800
Facsimile: +61 3 8102 3400

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr Edmond Tern

BANKERS

National Australia Bank Limited
49 Malop Street
Geelong Victoria 3220

GE Capital
572 Swan Street
Richmond Victoria 3121

REGISTERED OFFICE

5/435 Williamstown Road
Port Melbourne Victoria 3207
Telephone +61 3 9646 9016
Facsimile: +61 3 9646 2049

SOLICITORS

Minter Ellison
Rialto Towers
525 Collins Street
Melbourne Victoria 3000
Telephone: +61 3 8608 2000
Facsimile: +61 3 8608 1000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

STOCK EXCHANGE

Australian Stock Exchange
Level 45
South Tower, Rialto
525 Collins Street
Melbourne Vic 3000

WEBSITE

www.qtechnologygroup.com.au
www.qvideosystems.com.au

ASX CODE

QTG - Ordinary Shares

CHAIRMAN'S REPORT

Dear Shareholders

On behalf of the Directors I enclose the company results for the year ending 30 June 2013 within this annual report.

Q Technology Group has undergone significant changes to the company structure in the first half of the financial year with the sale of API Services and Solutions (API) to GWA Group Limited. During the year the directors determined that the current structure of the business and business performance was not meeting our expectations and that the Company share price did not reflect the net assets of the business. The Company commenced a process to realise that value with two strategies, firstly to reduce cost and improve the operations and secondly to seek offers for the Company as a whole or as individual businesses. In October 2012, the Company completed the sale of API on favourable terms, which significantly lowered the overall debt position that was burdening the Company.

The key outcomes as a result of this transaction are;

- Group debt reduced from $12.7 million to $1.9 million.
- Sale of API Services and Solutions completed in October 2012 (Discontinued Operations).
- Repayment of all secondary debt instruments out of sale receipts.
- Restructure primary debt with GE Capital in line with the size and scope of the newly structured Group.
- Restructure of QTG Head Office and QTG Board in line with size and complexity of the newly structured Group.
- Cost cutting initiatives across all areas of Corporate and QRSciences Security Pty Ltd trading as Q Video Systems (QVS).

The Company's full year revenue decreased by 1.4% to $23.9 million for continuing operations. On a consolidated basis including discontinued operations we reported a net profit before tax of $0.16 million for the year ended 30 June 2013. Normalised results excluding gains on disposal of API for the year resulted in a net loss before tax of $0.89 million on continuing operations compared with $3.40 million loss for comparative period in 2012.

QVS, with its Q Video Systems and Q Alarm Supplies product groups reported earnings before interest and Tax (EBIT) of $0.94 million, a decrease of 9% over the previous year.

Summary of financial result (Continuing Operations)

	30 June 2013	30 June 2012	Change
Revenue	$23.9 million	$24.3 million	-1.7 %
EBITDA	-$0.4 million	-$1.6 million	+218.8 %
NPAT	-$2.0 million	-$3.2 million	+108.4 %
EPS	(1.051) cents	(1.622) cents	-35.2 %

QRSciences Security Pty Ltd (QVS)

Our remaining business is QRSciences Security Pty Ltd trading as Q Video Systems (QVS) comprising of Q Video Systems and Q Alarm Supplies product groups, focused on the importation and distribution of CCTV cameras, digital video recorders, security video management systems and access controls with offices located in Melbourne, Sydney, Brisbane, Adelaide and Perth. The company has a strong reputation for service excellence, high stock availability, fast and reliable delivery, expert technical support and end-to-end turn-key solutions.

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

Revenues within the business were $23.9 million representing a small drop of 1.4% on the prior year.

QVS trading performance in first half was slower than expected due to lower activity in the commercial building market. Demand for our products improved in the second half of the year with sales of $12.2 million an improvement of 2.7% over the first half. Margins were 26% for the continuing operations consistent with the prior year. The average unit price and costs of our products has continued trend lower and as a result we are able to offer more cost effective solutions for our clients. This trend has resulted in the total available market for our products growing and increasing the demand for our products across the Australian Markets.

During the year we invested in diversifying our business into access control products sourced from Tyco in the USA and we have extended our capabilities in IP networked video and access control technologies. Our relationships with Tyco and Samsung continue to provide leading products that we expect to support growth over the next year.

API Services and Solutions, (divested October 2012, Discontinued Operations)

The API Services and Solutions business was acquired by the Group in September 2010 and the sale of the business was completed on 2 October 2012. The API Locksmith business reported revenues of $6.4 million in the three month trading before divestment.

The sale price of API of $13.1 million included the discharge of all finance leases associated with that business of $1.1 million. The company pre completion of the API sale had a total liability to our lenders of $13 million. As part of the financial restructure associated with the sale of API we repaid both lenders of the company (GE Capital and Helmsman Capital Fund Trust IIB), and redrew funds from GE Capital under an amended debtors finance facility to provide working capital for the corporate costs and remaining operating business QVS.

CHAIRMAN'S REPORT

Corporate

Our balance sheet has significantly improved over the year. Our net assets are $6.8 million, net tangible assets 3.5 cents per share, and we have a net debt of $1.9 million. We have reduced corporate costs by approximately $0.7 million. Rick Stokes our Managing Director has reduced his workload to 2.5 days per week with a saving of 50% to these costs.

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

Q Technology Group Limited has delivered a result that has underperformed on our expectations for the group in the 2013 financial year. We have addressed our debt position with the sale of the API business and deleveraged our business consistent with the economic conditions and business performance of the company. QVS has delivered a profitable EBIT result of $0.94 million and we expect that now with a single business focus these results can improve. 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 of Q Technology Group Limited.

Bruce E Higgins
Chairman
Q Technology Group Limited

2 September 2013

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 2013.

Q Technology Group Limited is based in Melbourne, Victoria. It's wholly owned distribution business, QRSciences Security Pty Ltd trading as Q Video Systems (QVS). The business has 6 offices located throughout Australia with a presence in all major capital cities.

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 Bruce Higgins, Chairman
Mr Richard Stokes
Mr Douglas Potter
Mr Michael O'Leary, resigned on 27 November 2012

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were:

- The importation and distribution of CCTV cameras, digital video recorders and security video management systems through Q Video Systems, and

The following significant changes in the nature of the principal activities occurred during the financial year:

- The consolidated group sold its interest in API Services and Solutions Pty Ltd, a supplier and service provider of safes, locks, alarms and lock smithing services, on 2nd October 2012.

Dividends

No dividends have been paid or recommended for the financial year ended 30 June 2013.

Consolidated Result

QVS had a slow start in the financial year, primarily driven by a downturn in the commercial building market. The trading conditions have improved in the second half of the year with sales of $12.2 million an improvement of 2.7% over the first half. Sales for the full year of $23.99 million were 1.4% lower than the prior year. Margins were 26% for the continuing operations consistent with the prior year. Continuing deflationary trend in cost price per unit enabled us to offer more cost effective solutions for our clients generating greater sales volume relative to the same revenue performance. The total available market for our products is growing as a price-performance improvement is increasing the demand for our products across the Australian Markets.

During the year QVS invested in diversifying our business through the investment into access control products sourced from Tyco in the USA, further growth in the alarm product segment of the business and the continued uptake in IP and network video technologies that the Australian market has embraced. Consequently the key supplier relationships that QVS has in place with Tyco and Samsung have further strengthened and will underpin growth expected in the next year.

The Company reported a net profit before tax of $0.16 million for the year ended 30 June 2013 on a consolidated basis including discontinued operations. Normalised result which is calculated by deducting the once-off finance break fee and legal expenses, results in a net loss before tax of $0.89 million on continuing operations compared with $3.40 million loss for comparative period in 2012.

$'000	2013			2012		
	Actual	**Adjust**	**Normalised**	**Actual**	**Adjust**	**Normalised**
Revenue	23,929		23,929	24,280		24,280
Gross Profit	6,212		6,212	6,385		6,385
GP Margin	*26.0%*		*26.0%*	*26.3%*		*26.3%*
EBITDA	**(375)**	**213**	**(162)**	**(1,695)**		**(1,695)**
EBITDA Margin	*-1.5%*		*-0.7%*	*-7.0%*		*-7.0%*
EBIT	(634)	213	(421)	(1,852)		(1,852)
EBIT Margin	*-2.6%*		*-1.8%*	-7.6%		-7.6%
Interest	(1,413)	942	(471)	(1,549)		(1,549)
Net Profit / (Loss) before tax continuing operations	**(2,047)**	**1,155**	**(892)**	**(3,401)**		**(3,401)**
Profit / (Loss) before tax discontinued operations	**(115)**		**(115)**	**1,383**		**1,383**
Profit on disposal of discontinued operations	**2,320**		**2,320**	**-**		**-**
Net Profit / (Loss) before tax	**158**	**1,155**	**1,313**	**(2,018)**		**(2,018)**

NONRECURRING ITEMS		
Legal expenses		**213**
Finance break fees		**942**

Gains on disposal of business were related to the sale of API businessafter taking into account legal expenses and finance break fees associated with the transaction.

Review of Operations

Q Technology Group had undergone significant changes to the company structure in the first half of the financial year with the sale of API to GWA Group Limited (GWA). The sale was completed on 2nd of October for a net sale price of $12 million. The sale had enabled the group to unwind significant debt position of the Company which was at high interest rates. The Company particularly at the corporate office level is now operating with a much leaner and cost effective structure which reflects the size and complexity of the Company after the API divestment.

QVS has two product groups namely Q Video Systems and Q Alarm Supplies with offices in Brisbane, Sydney, Melbourne, Adelaide and Perth. The Company opened an Adelaide office in March 2013 to now have complete coverage of all capital cities except Tasmania (serviced by Victorian office). QVS also differentiates itself from others with a strong team of technical support personnel provides before and after sales service for our customers.

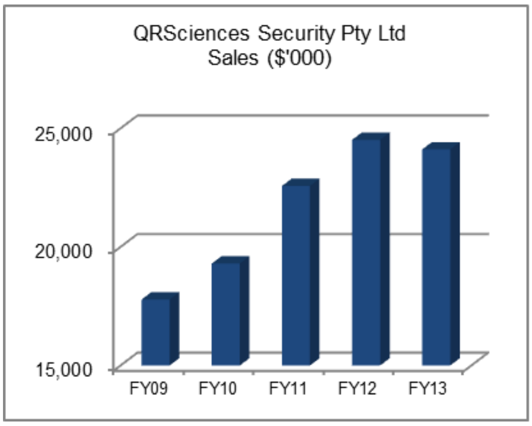
QVS has built a strong reputation for service excellence, high stock availability, fast and reliable delivery, expert technical supports with a total end-to-end turn-key solution and is the second largest CCTV distributor in Australia. The business has achieved a strong growth record over the last five years and further opportunities are expected for growth as a specialist supplier of analytics-embedded video encoders and wireless transmitters, megapixel and networked cameras, robust video management software, comprehensive access control technology, and world class alarm systems.

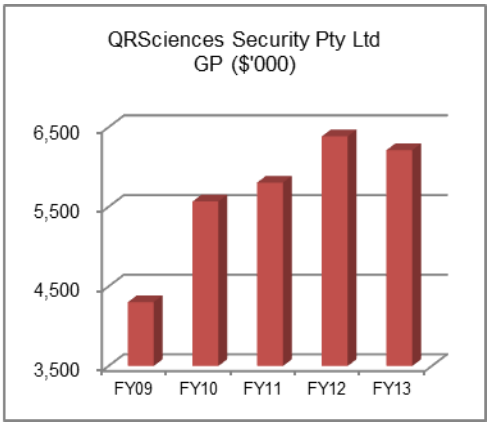
QVS had a slow start in the financial year in line with the trading conditions in the construction industry and reduced government spending. The second half of the financial year however, was much stronger as trading conditions improved. Sales in the second half of the year were $12.2 million an improvement of 2.7% over the first half. Currency exchange movement, particularly USD which QVS transacts for imported product purchases, had fallen from levels above parity with the US Dollar to levels of around 90 cents to the US Dollar towards the end of the financial year. This movement required careful monitoring and price list management on a timely basis. The Company did experience some time lag on price increases that we were able to pass onto clients and this coupled with creditors revaluation in May and June due to sudden drop of AUD at the end of the period which contributed to the lower than expected profitability.

For the year, QVS achieved an EBIT of $0.94m ($1.04 million last year) on revenue of $23.9 million ($24.1 million last year).

During the year the Board announced that the Company was investigating merger and sale opportunities for the QVS business due to the current operations lacking sufficient scale for a listed entity. The directors continue to review opportunities to improve shareholder value.

During the year we worked to optimize the operations of our National Warehouse which is located in Laverton, Victoria to centralise stock for the group to improve efficiency of stock transfer to branches and ensures that stock levels are optimized to meet customer demand.





API Services and Solutions Pty Ltd (API) was acquired by the Group in September 2010. In early 2012 the Directors determined that the company share price did not reflect the net assets of the business, and commenced a process to realize that value with two strategies, firstly to reduce cost and improve our operations and secondly to seek offers for the company as a whole or as individual businesses. In May 2012, the Company announced the execution of a conditional offer to acquire all of the company via a Scheme of Arrangement, unfortunately the Scheme of Arrangement was terminated mutually by both parties and the directors subsequently resolved to sell the API business. This sale was completed on 2 October 2012.

The sale price for API of $13.1 million has resulted in the discharge of all finance leases associated with that business of $1.1 million. The Company pre completion of the API sale had a total liability to our lenders of $13 million. As part of the financial restructure associated with the sale of API we repaid both lenders of the company (GE Capital and Helmsman Capital Fund Trust IIB), and redrew funds from GE Capital under an amended debtors finance facility to provide working capital for the corporate costs and remaining operating business Q Video Systems (QVS).

The Company restructured our corporate operations post sale of API. The Board of the Company has been reduced to 3 directors and total cost savings in excess of $0.75 million per annum have been achieved. Our Chief Financial Offer (CFO) Adrian McKenzie retired and Edmond Tern was appointed CFO and Company Secretary in November 2012.

Finance Facilities and Lending Covenants

The Company funds its working capital requirements through GE Capital and had been operating within the lending covenants under Deed of Variation entered into on 30th September 2012. The three-year agreement is expiring on 30th September 2013.

Funding facilities of $3.4 million are in place with GE Capital, comprising of Debtor Funding Facility of $2.4 million and Bank Guarantee Facility of $1.0 million. These facilities mature on 30 September 2013.

A $0.65 million Bank Guarantee is held by GWA Group as security for warranties related to the API sale to GWA in October 2012 and matures on 30 September 2013 at which time the guarantee will expire.

The Company has worked diligently to pursue alternative funding arrangements with other financial institutions and is in advanced stages of discussions to finalize a loan agreement before end of September.

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.

Matters subsequent to the end of the financial year

No matter or circumstances have risen since the end of financial year to this date that may significantly affect the operation of the Group, result of these operations, or the state of affairs of the Group in future financial periods.

Information on the Directors

Bruce Higgins	-	**Chairman** **Non-Executive Director**
Experience and Qualifications	-	Mr Higgins is an experienced non-executive director, chairman and former chief executive of both private and listed companies within Australia and internationally. His experience spans 25 years in diverse companies ranging from engineering, manufacturing and professional services to larger contracting businesses. Bruce was the recipient of Ernst & Young "Entrepreneur of the Year" award in Southern California in June 2005. Mr Higgins has a Bachelor Degree in Electronic Engineering, MBA in Technology Management and is a Chartered Professional Engineer and Fellow of the Australian Institute of Company Directors.
Interest in Shares and Options	-	500,000 Ordinary shares in Q Technology Group Limited
Special Responsibilities	-	Non-Executive Chairman of Board Chairman of Remuneration Committee Member of Risk and Audit Committee

Directorships held in other listed entities during the three years prior to the current year	-	Currently Chairman of Legend Corporation Limited (appointed October 2007), Chairman of HUB24 Limited (appointed October 2012). Previously Non-Executive Director of FeOre Limited (August 2011 – August 2013) Chairman of TSV Holdings Limited (July 2007 – August 2010) and former Director of Global Health Limited (January 2010 – November 2010).
Richard Stokes	-	**Managing Director** **Chief Executive Officer**
Experience and Qualifications	-	Mr Stokes joined the Company in a Consulting role on 9 February 2007 where he was the CEO of the acquired business Baxall Australia. Mr Stokes became the CEO and a Director of Q Technology Group Limited on 19 December 2007. Mr Stokes has been involved in the electrical and security industry for some 24 years where he has successfully developed and operated numerous electrical contracting and security distribution businesses. He was the founder of Vicam CCTV systems which revolutionised the delivery of CCTV products in the Australian market.
Interest in Shares and Options	-	3,183,078 ordinary shares in Q Technology Group.
Special Responsibilities	-	Chief Executive Officer
Directorships held in other listed entities during the three years prior to the current year	-	Nil
Douglas Potter	-	**Non-Executive Director**
Experience and Qualifications	-	Mr Potter, Managing Director of Helmsman Funds Management Limited, is responsible for the fund raising as well as originating, managing and exiting investments. Mr Potter has experience as a director on a number of private companies including not for profit boards. Mr Potter 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	-	Chairman of Risk and Audit Committee Member of Remuneration Committee.
Directorships held in other listed entities during the three years prior to the current year	-	Nil.

Information on the Company Secretary

Edmond Tern, Company Secretary

Experience and Qualifications	Mr. Tern was appointed as Company Secretary / Chief Financial Officer on 27 November 2012. Mr. Tern is a CPA with over 20 years of experience as senior financial executive with Amcor Limited and ASSA ABLOY AB.
Special Responsibilities	Chief Financial Officer, Q Technology Group Limited

Meetings of Directors

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
Bruce Higgins	11	11	5	5	3	3
Richard Stokes	11	10	-	-	-	-
Douglas Potter	11	11	5	4	3	3
Michael O'Leary	4	3	2	2	1	-

Indemnifying Officers or Auditor

During or since the end of the financial year, the company has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has entered into an agreement to indemnify the directors and officer holders. In addition to this indemnity the company has a directors and officers liability insurance policy to an amount of $10 million. The agreement provides for the company to pay all damages and costs which may be awarded.

Options

At the date of this report, there is no unissued ordinary share of Q Technology Group Limited under option.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that 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 that 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 Moore Stephens for non-audit services provided during the year ended 30 June 2013. 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 2013 has been received and is included in the Financial Report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Remuneration Policy

The remuneration policy of Q Technology Group Limited has been designed to align key management personnel 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 key management personnel of the consolidated group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board.
- Key management personnel 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, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel 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.

All remuneration paid to key management personnel 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.

Key management personnel 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.

Key management personnel who are subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, i.e. put options, on unvested shares and options which form part of their remuneration package.

Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. 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.

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 being a performance-based bonus based on key performance indicators, and the second being the issue of options to executives to encourage the alignment of personal and shareholder interests when considered appropriate.

The following table shows the gross revenue and profits for the last 5 years for the listed entity, as well as the share prices at the end of the respective financial years.

	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000
Revenue	18,009	19,298	39,842	49,083	30,335
Net Profit/(loss)	673	4,615	(4,998)	(2,168)	157
Share price at year-end (cents)	2.5	5.0	4.0	3.5	1.1

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives 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.

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.

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.

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 Key Management Personnel
Details of Remuneration

Position held as at 30 June 2013	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 %
Bruce Higgins, Chairman	-	-	-	100	100
Douglas Potter, Non-Executive Director	-	-	-	100	100
Richard Stokes, Chief Executive Officer	6	-	-	94	100
Michael O'Leary, Non-Executive Director (resigned on 27 November 2012)	-	-	-	100	100
Adrian McKenzie, Company Secretary and CFO (resigned on 27 November 2012)	11	-	-	89	100
Edmond Tern, Company Secretary and CFO (appointed on 27 November 2012)	12	-	-	88	100

Service Agreements

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.

Remuneration and other terms of employment for the chief executive officer and chief financial officer are also formalised in service agreements. Each of these agreement provide for the provision of performance related cash bonuses, other benefits including car allowances, mobile telephone and laptop, and participation, when eligible, in the Group's Employee Equity Plans. Other major provisions of the agreements relating to remuneration are set out below.

Name	Term of Agreement	Base salary including superannuation	Termination notice	Termination benefits
Richard Stokes Chief Executive Officer	Ongoing agreement (Part-time)	$150,000	6 months	3 months
Edmond Tern Company Secretary and CFO	Ongoing agreement	$150,000	3 months	3 months

The employment terms and conditions of other key management personnel and Group executives are formalised in contracts of employment.

Terms of employment of other key management personnel 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.

Table of Benefits and Payments for the Year Ended 30 June 2013
Directors and other Key Management Personnel

		Short-term benefits				Post-employment benefits		Long-term benefits		Equity-settled share-based payments				
		Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Pension and Superannuation	Other	Incentive plans	LSL	Shares / Units	Options / Rights	Cash-settled shared-based payments	Termination benefits	Total
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Non-executive directors														
Bruce Higgins 1	2013	80		-	20	-	-	-	-	-	-	-	-	100
	2012	80	-	-	-	-	-	-	-	-	-	-	-	80
Michael O'Leary 2	2013	19												19
	2012	45	-	-	-	-	-	-	-	-	-	-	-	45
Robert Halverson 5	2013	-	-	-	-	-	-	-	-	-	-	-	-	-
	2012	35	-	-	-	-	-	-	-	-	-	-	-	35
Douglas Potter	2013	45	-	-	-	-	-	-	-	-	-	-	-	45
	2012	45	-	-	-	-	-	-	-	-	-	-	-	45
Executive Director														
Richard Stokes	2013	214	15	-	-	22	-	-	-	-	-	-	-	251
	2012	318	58	-	-	22	-	-	-	-	-	-	-	398
Other Key Management Personnel														
Adrian McKenzie 3	2013	106	15	-	-	15	-	-	-	-	-	-	-	136
	2012	182	64	-	-	17	-	-	-	-	-	-	-	263
Edmond Tern 4	2013	98	15	-	-	10	-	-	-	-	-	-	-	123
	2012	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2013**	**562**	**45**	**-**	**20**	**47**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**674**
Total	**2012**	**705**	**122**	**-**	**-**	**39**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**866**

1 Mr Higgins appointed on 21 December 2010
2 Mr O'Leary resigned on 27 November 2012
3 Mr McKenzie resigned on 27 November 2012
4 Mr Tern joined on 22 October 2012
5 Mr Halverson resigned on 1 April 2012.

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.

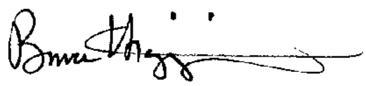
Cash Bonuses, Performance-related Bonuses and Share-based Payments

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:

Group Key Management Personnel

	Remuneration type	Payment	Value $'000	Reason for grant
Richard Stokes	Cash	Mar 2013	15	Bonus – API completion
Adrian McKenzie	Cash	Mar 2013	15	Bonus – API completion
Edmond Tern	Cash	Mar 2013	15	Performance bonus per employment contract

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



Bruce Higgins, Chairman
2 September 2013

AUDITOR'S INDEPENDENCE DECLARATION

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 10, 530 Collins Street
Melbourne VIC 3000

T +61 (0)3 8635 1800
F +61 (0)3 8102 3400

www.moorestephens.com.au

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Q Technology Group Limited

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2013 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Rami Eltchelebi
Partner
Melbourne, 2 September 2013

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2013.

Board of Directors and Corporate Governance

The Board of Q Technology Group Limited 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 2013.

Composition of the Board

The Board of Directors consists of one executive Director and two Non-executive Directors. 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 Q Technology Group Limited 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 5% 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.

In accordance with the definition of the independence above, and the materiality threshold set, the following table indicates the directors of Q Technology Group Ltd considered to be independent:

Names	Role	Non-Executive	Independent
Mr Rick Stokes	Chief Executive Officer	No	No
Mr Douglas Potter	Non-Executive Director	Yes	No
Mr Bruce Higgins	Non-Executive Chairman	Yes	Yes

Mr Douglas Potter, being Managing Director of Helmsman Funds Management Limited ("HFML"), is deemed to be, not 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 Rick Stokes	CEO/Director Executive Service Agreement
Mr Douglas Potter	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.
Mr Bruce Higgins	Chairman 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. 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 2013. A questionnaire was provided for all Board members to provide feedback on how the Board had performed. The results from the questionnaire were collated and presented to the Board for discussion and formalisation of improvement recommendations for the next year.

A performance assessment for senior executives last took place in June 2013.

Nomination Committee

The Company has not assigned a Nomination Committee, which is a departure from ASX Corporate Governance Council best practice recommendation 2.4. 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.

A copy of the Company's securities dealing policy is available on the company website.

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 Audit Committee consists of the following directors:

Mr D Potter, Chairman
Mr B Higgins

Mr Potter, the Chairman, is deemed to be, not independent, which is a departure from ASX Corporate Governance Council best practice recommendation 4.2. The Board considers the current composition of the 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 Audit Committee on an on-going basis.

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

A copy of the Company's risk and audit committee charter is available on the company website.

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

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 B Higgins, Chairman
Mr D Potter
Mr M O'Leary (Resigned 27 November 2012)

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.

Ethical Standards

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 with integrity
- 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 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.

Gender Diversity

The Board recognises that it is appropriate to have gender diversity throughout the company to assist in balancing overall priorities and skills for the company as a whole. Accordingly, the company has developed a diversity policy, a copy of which can be found on the company website. The Board has established the following objectives in relation to gender diversity.

The aim is to achieve these objectives over the coming 2 to 3 years as positions become vacant and appropriate skilled candidates are available.

	Actual 2013		**Objective**	
	No.	%	No.	%
Women in management roles	0	0	2	8
Women employees in the company	4	10	40	20

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.

A copy of the Company's Continuous Disclosure policy is available on the company website.

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

A copy of the Company's shareholder communication policy is available on the company website.

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.

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	No	Yes
Recommendation 1.2	Yes		Recommendation 4.3	Yes	
Recommendation 1.3	Yes		Recommendation 4.4	Yes	
Recommendation 2.1	No	Yes	Recommendation 5.1	Yes	
Recommendation 2.2	Yes		Recommendation 5.2	Yes	
Recommendation 2.3	Yes		Recommendation 6.1	Yes	
Recommendation 2.4	No	Yes	Recommendation 6.2	Yes	
Recommendation 2.5	Yes		Recommendation 7.1	Yes	
Recommendation 2.6	Yes		Recommendation 7.2	Yes	
Recommendation 3.1	Yes		Recommendation 7.3	Yes	
Recommendation 3.2	Yes		Recommendation 7.4	Yes	

Recommendation 3.3	Yes	Recommendation 8.1	Yes	
Recommendation 3.4	Yes	Recommendation 8.2	No	Yes
Recommendation 3.5	Yes	Recommendation 8.3	Yes	
Recommendation 4.1	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 27 recommendations. Where the Company has departed from a Recommendation, the Company has provided substantive reasons and refers to material containing additional disclosure, as relevant.

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

Recommendation	Explanation of Departure from Recommendation
2.1	Owing to the size and current composition of the Board from a recent departure, the Board has not comprised of a majority of independent directors since April 2012. The Board will consider the structure of the Board going forward and need to have a majority of independent directors.
2.4	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.
4.2	Owing to the size, composition, and skill mix of the Board, the Company's audit committee is not chaired by an independent director and does not comprise at least three members.
8.2	Owing to the size and current composition of the Board, the Company's remuneration committee does not comprise at least three members.

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.

CONSOLIDATED INCOME STATEMENT
FOR YEAR ENDED 30 JUNE 2013

		Consolidated Group	
		2013	2012
Continuing Operations	**Note**	**$'000**	**$'000**
Revenue	3	23,929	24,280
Interest income		3	13
Other Income	3	649	814
Changes in Inventory		(1,638)	770
Purchases		(16,079)	(18,665)
Employee benefits expense		(4,493)	(5,579)
Depreciation and amortisation expense		(139)	(157)
Finance costs		(1,694)	(1,841)
Occupancy Costs		(508)	(377)
Legal fees		(255)	(300)
Insurance		(298)	(202)
Advertising and promotion		(197)	(292)
Motor vehicle		(94)	(81)
Travel expenses		(95)	(167)
Other expenses		(1,138)	(1,617)
Profit/(Loss) before income tax		**(2,047)**	**(3,401)**
Income tax benefit	5	-	221
Net Profit/(Loss) from continuing operations		**(2,047)**	**(3,180)**
Discontinued Operations:			
Profit on disposal from discontinued operations	6	2,320	-
Profit/(Loss) from discontinued operations after tax	6	(115)	1,012
Net Profit/(Loss) for the year	4	**158**	**(2,168)**
Loss attributable to:			
- Members of the parent entity		158	(2,168)
- Non-controlling interest		-	-
		158	(2,168)
Earnings per share			
From continuing and discontinued operations:			
- Basic earnings per share (cents)	10	0.081	(1.106)
- Diluted earnings per share (cents)	10	0.081	(1.106)
From continuing operations:			
- Basic earnings per share (cents)	10	(1.051)	(1.622)
- Diluted earnings per share (cents)	10	(1.051)	(1.622)
From discontinuing operations:			
- Basic earnings per share (cents)	10	1.133	0.52

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2013

		Consolidated Group	
	Notes	2013 $'000	2012 $'000
Profit/(Loss) for the period		158	(2,168)
Other comprehensive income for the year:			
Total comprehensive income for the year		**158**	**(2,168)**
Total comprehensive income attributable to:			
- Members of the parent entity		158	(2,168)
		158	**(2,168)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR YEAR ENDED 30 JUNE 2013

		Consolidated Group	
		2013	2012
	Note	$'000	$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	320	1,009
Trade and other receivables	12	5,075	8,642
Inventories	13	8,026	9,495
Other current assets	17	213	590
TOTAL CURRENT ASSETS		**13,634**	**19,736**
NON-CURRENT ASSETS			
Property, plant and equipment	16	457	2,827
Deferred tax assets	20	955	1,600
Other assets	17	-	70
Intangible assets	14	-	4,029
TOTAL NON-CURRENT ASSETS		**1,412**	**8,526**
TOTAL ASSETS		**15,046**	**28,262**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	6,134	7,965
Borrowings	19	1,936	7,706
Current tax liabilities	20	-	-
Provisions	21	90	655
TOTAL CURRENT LIABILITIES		**8,160**	**16,326**
NON-CURRENT LIABILITIES			
Borrowings	19	25	5,002
Provisions	21	17	125
Deferred tax liabilities	20	23	124
TOTAL NON-CURRENT LIABILITIES		**65**	**5,251**
TOTAL LIABILITIES		**8,225**	**21,577**
NET ASSETS		**6,821**	**6,685**
EQUITY			
Issued capital	22	72,385	72,406
Reserves		52	52
Retained earnings		(65,616)	(65,773)
TOTAL EQUITY		**6,821**	**6,685**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2013

	Note	Issued Capital Ordinary	Retained Profit / (Loss)	Options Reserve	Total
		$'000	$'000	$'000	$'000
Balance at 1 July 2011		72,406	(63,605)	52	8,853
Loss attributable to members of the parent entity		-	(2,168)	-	(2,168)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the year		**72,406**	**(65,773)**	**52**	**6,685**
Transactions with owners, in their capacity as owner, and other transfers					
Dividends paid and provided for		-	-	-	-
Shares issued during the period		-	-	-	-
Balance at 30 June 2012		**72,406**	**(65,773)**	**52**	**6,685**
Balance at 1 July 2012		72,406	(65,774)	52	6,684
Profit attributable to members of the parent entity		-	158	-	158
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the year		**72,406**	**(65,615)**	**52**	**6,842**
Transactions with owners, in their capacity as owner, and other transfers					
Dividends paid or provided for		-	-	-	-
Shares issued (bought back) during the period		(21)	-	-	(21)
Balance at 30 June 2013		**72,385**	**(65,616)**	**52**	**6,821**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 2013 $000	2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		33,952	52,315
Payments to suppliers and employees		(34,367)	(51,421)
Interest received		3	13
Finance costs		(3,445)	(859)
Income tax paid		-	(149)
Net cash provided by/(used in) operating activities	**26(a)**	**(3,857)**	**(101)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of subsidiary, net of cash		-	-
Proceeds from sale of property, plant and equipment		18	56
Disposal of subsidiary		13,100	-
Purchase of property, plant and equipment		(166)	(854)
Proceeds from Loan Repayment		-	-
Net cash provided by/(used in) investing activities		**12,952**	**(798)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		(21)	-
Proceeds from borrowings		254	801
Repayment of borrowings		(6,646)	(1,937)
Net cash provided by/(used in) financing activities		**(6,413)**	**(1,136)**
Net (decrease)/increase in cash held		2,682	(2,035)
Cash and cash equivalents at beginning of financial year		(4,273)	(2,238)
Cash and cash equivalents at end of financial year	**11**	**(1,591)**	**(4,273)**

The accompanying notes form part of these financial statements

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 2 September 2013 by the directors of the company.

Basis of Preparation

The financial report is a general purpose financial report that has 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 a financial report 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 this financial report are presented below and have been consistently applied unless otherwise stated.

Except for the cash flow information, the financial report has been prepared on an accruals basis and is 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 15 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.

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.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest, and
(iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall, form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Refer to Note 14 for information on the goodwill policy adopted by the Group for acquisitions.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transitions and do not affect the carrying values of goodwill.

B. Income tax

The income tax expense/(revenue) 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 ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable 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, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Cost of inventory is based on the average cost of goods available for sale. The average cost is calculated by dividing the total cost of goods available for sale by the total units available for sale.

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 be 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on 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%
Motor Vehicles - Leased	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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d. less any reduction for impairment.

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.

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.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Financial liabilities

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately.

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. 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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives and intangible assets not yet available for use.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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.

I. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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.

J. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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).

M. 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 with the amount being normally paid within 30 days of recognition of the liability.

N. 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.

O. 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 cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Treasury Shares

Own equity interests which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if any is recognised in other capital reserves.

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 Class Order 98/100 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Going concern

The Group's financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group recorded an operating profit after tax of $0.2m for the period and at 30 June 2013 had positive net assets of $6.8m.

The Group has prepared forecasts for the period up to 30 June 2014 and is confident that in the event that sales and profit are achieved the Group will remain in compliance with all financial covenants. The Group budgets assume 5% revenue growth. In the event that forecast revenue and profit is not achieved, notwithstanding any cost restructuring or equity issues that could be undertaken, a breach of the financial debt covenants may occur.

As discussed in Note 19, the current funding facility with GE Capital expires on 30 September 2013. The Group is reliant on the facility for its working capital requirements and the Group is at an advanced stage of securing alternate funding arrangement with other commercial banks. If those arrangements are not in place by 30 September 2013, the Group will be reliant on extending current funding arrangement with GE Capital or raising equity. Should those facilities not be available there would be a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. The directors are of the opinion that there is no reason to suggest that funding facility cannot be renewed or replaced.

U. New Accounting Standards applicable in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

– AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [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, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2015).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives; financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

– AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12:

Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

– AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

– AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013)
This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paragraphs Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report because the Corporations Legislation Amendment Regulation 2013 (No. A) proposes to include the requirements in AASB 124 that will be deleted by AASB 2011-4 in the Corporations Regulations.

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.

		Parent Entity	
STATEMENT OF FINANCIAL POSITIONS	**Note**	**2013 $'000**	**2012 $'000**
ASSETS			
Current Assets		540	556
TOTAL ASSETS		**6,779**	**15,399**
LIABILITIES			
Current Liabilities		1,785	6,745
TOTAL LIABILITIES		**1,802**	**11,139**
EQUITY			
Issued Capital		72,385	72,405
Share Option Reserve		52	52
Retained earnings		(67,460)	(68,196)
TOTAL EQUITY		**4,977**	**4,260**
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME			
Total profit/(loss)		737	(3,453)
Total comprehensive income		**737**	**(3,453)**

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 2013 or 30 June 2012.

Contractual Commitments

At 30 June 2013, Q Technology Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012: Nil).

NOTE 3: REVENUE AND OTHER INCOME

	Note	Consolidated Group 2013 $'000	2012 $'000
Revenue from Continuing Operations			
Sales revenue			
sale of goods		23,929	24,280
Other revenue			
interest received	3a	3	13
Total Revenue		23,932	24,293
Other Income			
Insurance recovery		131	105
(loss) on disposal of fixed assets		(4)	(4)
foreign exchange gains		301	322
other income		221	391
		649	814
a. Interest revenue from:			
financial institutions on cash and cash equivalents		3	13
Total interest revenue on financial assets not at fair value through profit or loss		3	13

NOTE 4: PROFIT/LOSS FOR THE YEAR

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

	Note	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
Expenses			
- Cost of sales		17,718	17,895
- Interest expense on financial liabilities not at fair value through profit or loss			
- external parties		196	484
- other related entities		1,217	1,064
- bank charges		160	175
- amortisation of prepaid finance costs		121	118
Total interest expense		**1,694**	**1,841**
Employee benefits expenses			
Defined contribution superannuation expense		317	350
Other employee benefits expense		4,176	5,229
Total employee benefits expense		**4,493**	**5,579**
Bad and doubtful debts:			
trade receivables		36	100
other		-	-
Total bad and doubtful debts		**36**	**100**
Write-down of inventories to net realisable value		289	467
Write-off of assets destroyed during flood		-	110

NOTE 5: INCOME TAX EXPENSE

	Note	Consolidated Group 2013 $'000	2012 $'000
The components of tax expense / (benefit) comprise:			
Deferred tax	20	-	150
		-	150
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% (2012: 30%)		82	(605)
Add:			
Tax effect of:			
(Over) / under provision in respect of prior years		-	(113)
other non-allowable items		34	50
other assessable items		-	103
		116	(565)
Less:			
Tax effect of:			
Non recognition of current year tax loss		580	715
Gain on disposal of discontinued operations		(696)	-
Income tax attributable to entity		-	150
Applicable weighted average effective tax rates		-	7%

The positive weighted average effective consolidated tax rate for 2012 is a result of the non-recognition of tax losses relating to the current financial year.

NOTE 6: DISCONTINUED OPERATIONS

API Services and Solutions Pty Ltd

On 2nd October 2012, the Group divested 100% of its interest in API Services and Solutions Pty Ltd, thereby discontinuing its operations in this business.

The financial performance of the discontinued operation included in profit/(loss) from discontinued operations in the income statement is as follows:

		Consolidated Group	
	Note	2013 $'000	2012 $'000
Revenue		6,406	24,803
Expenses		(6,521)	(23,420)
Profit/(Loss) before income tax		(115)	1,383
Gain on disposal of discontinued operations		2,320	-
Income tax expense		-	(371)
Total profit after tax attributable to discontinued operations		2,205	1,012

The net cash flows of the discontinuing operations which have been incorporated into the statement of cash flows are as follows:

	2013 $'000	2012 $'000
Net cash outflow from operating activities	72	2,077
Net cash inflow from investing activities	(142)	(1,974)
Net cash outflow from financing activities	(180)	(72)
Net cash decrease in cash generated by the discontinuing operations	(250)	31

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 2013.

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

	Note	2013 $'000	2012 $'000
Short-term employee benefits		627	827
Post-employment benefits		47	39
		674	866

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:

	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
30 June 2013								
Richard Stokes	-	-	-	-	-	-	-	-
Bruce Higgins	-	-	-	-	-	-	-	-
Douglas Potter	-	-	-	-	-	-	-	-
Robert Halverson	-	-	-	-	-	-	-	-
Michael O'Leary	-	-	-	-	-	-	-	-
Adrian McKenzie	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
30 June 2012								
Richard Stokes	80,026	-	-	(80,026)	-	-	-	-
Bruce Higgins	-	-	-	-	-	-	-	-
Douglas Potter	-	-	-	-	-	-	-	-
Robert Halverson	42,000	-	-	(42,000)	-	-	-	-
Michael O'Leary	-	-	-	-	-	-	-	-
Adrian McKenzie	-	-	-	-	-	-	-	-
Total	**122,066**	**-**	**-**	**(122,026)**	**-**	**-**	**-**	**-**

NOTE 7: INTERESTS OF KEY MANAGEMENT PERSONNEL (continued)

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 2013					
Richard Stokes	3,183,078	-	-	-	3,183,078
Bruce Higgins	500,000	-	-	-	500,000
Douglas Potter	-	-	-	-	-
Michael O'Leary	-	-	-	-	-
Adrian McKenzie	-	-	-	-	-
Total	**3,683,078**			**-**	**3,683,078**
30 June 2012					
Richard Stokes	3,183,078	-	-	-	3,183,078
Bruce Higgins	500,000	-	-	-	500,000
Douglas Potter	-	-	-	-	-
Robert Halverson[1]	4,083,334	-	-	(4,083,334)	-
Michael O'Leary	-	-	-	-	-
Adrian McKenzie	-	-	-	-	-
Total	**7,766,412**	**-**	**-**	**(4,083,334)**	**3,683,078**

1 On 1 April 2012, Robert Halverson resigned from his position as Director of the Company. The balance of his holdings is shown as nil at 30 June 2012 as he was no longer a director at this date.
2 On 27 November 2012, Michael O'Leary resigned from his position as Director of the Company.
3 On 27 November 2012, Adrian McKenzie resigned from his position as Company Secretary and Chief Financial Officer of the Company
4 On 27 November 2012, Edmond Tern was appointed as Company Secretary and Chief Financial Officer of the Company.

Other KMP Transactions

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

For details of other transactions with KMP, refer to Note 27: Related Party Transactions.

NOTE 8: AUDITORS' REMUNERATION

	Note	Consolidated Group 2013 $'000	2012 $'000
Remuneration of the auditor of the parent entity for:			
- auditing or reviewing the financial statements		135	173
- taxation services		-	22
- other services		-	2

NOTE 9: DIVIDENDS

No dividends were paid or provided for during the year (2012: Nil).

NOTE 10: EARNINGS PER SHARE

	Note	Consolidated Group 2013 $'000	2012 $'000
a. Reconciliation of earnings to profit / loss			
Profit/(loss)		158	(2,168)
Earnings used to calculate basic and dilutive EPS		**158**	**(2,168)**
b. Reconciliation of earnings to profit or loss from continuing operations			
Profit/(loss) from continuing operations		(2,047)	(3,180)
Earnings used to calculate basic and dilutive EPS from continuing operations		**(2,047)**	**(3,180)**
c. Reconciliation of earnings to profit or loss from discontinuing operations			
Profit/(Loss) from discontinuing operations		(2,205)	1,012
Earnings used to calculate basic EPS from discontinuing operations		**(2,205)**	**1,012**

	Note	No.	No.
d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	22	194,695,771	194,695,771
Weighted average number of dilutive options outstanding		-	-
Weighted average number of ordinary shares and options outstanding during the year used in calculating dilutive EPS	**22**	**194,695,771**	**194,695,771**

NOTE 11: CASH AND CASH EQUIVALENTS

		Consolidated Group	
	Note	2013 $'000	2012 $'000
Cash at bank and in hand		320	1,009
	29	320	1,009

There are no short term bank deposits at 30 June 2013.

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:		Consolidated Group	
	Note	2013 $'000	2012 $'000
Cash and cash equivalents		320	1,009
Debtor Finance Facility	19	(1,911)	(5,282)
		(1,591)	(4,273)

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to Note 19 for further details.

NOTE 12: TRADE AND OTHER RECEIVABLES

		Consolidated Group	
	Note	2013 $'000	2012 $'000
CURRENT			
Trade receivables	12d	5,376	8,791
Provision for impairment	12a (i)	(304)	(363)
		5,072	8,428
Other receivables		86	297
Provision for impairment	12a (ii)	(83)	(83)
		3	214
Total current trade and other receivables		5,075	8,642

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 01-07-2012 $'000	**Charge for the Year $'000**	**Amounts Written Off $'000**	**Closing Balance 30-06-2013 $'000**
(i) Current trade receivables	363	-	(59)	304
(ii) Current other receivables	83	-	-	83
	446	**-**	**(59)**	**387**

	Opening Balance 01-07-2011 $'000	**Charge for the Year $'000**	**Amounts Written Off $'000**	**Closing Balance 30-06-2012 $'000**
(i) Current trade receivables	302	122	(61)	363
(ii) Current other receivables	83	-	-	83
	385	**122**	**(61)**	**446**

b. Credit Risk - Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for. 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.

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	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31–60	61–90	> 90	
2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables	5,376	304	1,727	750	222	122	2,250
Other receivables	86	83	-	-	-	-	3
Total	**5,462**	**387**	**1,727**	**750**	**222**	**122**	**2,253**
2012							
Trade receivables	8,791	363	2,673	704	288	356	4,407
Other receivables	297	83	-	-	-	-	214
Total	**9,088**	**446**	**2,673**	**704**	**288**	**356**	**4,621**

c. Financial assets classified as loans and receivables

	Note	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
Trade and other receivables			
- Total current	29	5,075	8,642
Financial assets		**5,075**	**8,642**

d. Collateral pledged

A floating charge over trade receivables has been provided for certain debts. Refer to Note 19 for further details.

NOTE 13: INVENTORIES

	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
CURRENT		
Finished goods, at lower of cost and net realisable value	8,026	9,495

NOTE 14: INTANGIBLE ASSETS

	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
Goodwill		
Cost	-	8,018
Accumulated impairment losses	-	(3,989)
Net carrying amount	**-**	**4,029**

	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
Balance at the beginning of the year	4,029	4,029
Additions	-	-
Disposals	(4,029)	-
	-	4,029

NOTE 15: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%) 2013	Percentage Owned (%) 2012
Subsidiaries of Q Technology Group Ltd:			
- QRSciences Security Pty Ltd	Australia	100	100
- API Services and Solutions Pty Ltd	Australia	-	100

b. Disposal of Controlled Entities

During the 2013 financial year the parent entity disposed of its interest in API Services and Solutions Pty Ltd. No remaining interests in the entity were held by any member of the consolidated entity. Refer to Note 6.

c. Acquisition of Controlled Entities

No acquisition activity during the 2013 financial year.

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group 2013 $'000	2012 $'000
Plant and equipment:			
At cost		1,267	3,229
Accumulated depreciation		(810)	(1,243)
Total Plant and Equipment		**457**	**1,986**
Plant and equipment under finance lease			
At cost			1,276
Accumulated amortisation			(435)
		-	841
Total Plant and Equipment under finance lease		**457**	**2,827**
Total Property, Plant and Equipment		**457**	**2,827**

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 under lease $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2011	1,263	1,690	2,953
Additions	189	1,024	1,213
Disposals	(299)	(162)	(461)
Depreciation / Amortisation expense	(312)	(566)	(878)
Balance at 30 June 2012	**841**	**1,986**	**2,827**
Balance at 1 July 2012	841	1,986	2,827
Additions	-	100	100
Disposals	-	(14)	(14)
Disposal of discontinued operations	(841)	(1,476)	(2,317)
Depreciation / Amortisation expense	-	(139)	(139)
Balance at 30 June 2013	**-**	**457**	**457**

NOTE 17: OTHER ASSETS

	Note	Consolidated Group 2013 $'000	2012 $'000
CURRENT			
Prepayments		113	350
Other		100	240
		213	590
NON-CURRENT			
Prepaid finance cost		-	70
		-	**70**

NOTE 18: TRADE AND OTHER PAYABLES

	Note	Consolidated Group 2013 $'000	2012 $'000
CURRENT			
Unsecured liabilities			
Trade payables		5,411	4,956
Sundry payables and accrued expenses		495	2,329
	28	5,906	7,285
Annual leave provision		228	680
		6,134	**7,965**

NOTE 19: BORROWINGS

	Note	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
CURRENT			
Unsecured liabilities			
Lease liability	23	25	39
Secured liabilities			
Debtor Finance Facility	19a	1,911	5,282
Other loans		-	1,844
Lease liability	23	-	541
		1,911	7,667
Total current borrowings		**1,936**	**7,706**
NON-CURRENT			
Unsecured liabilities			
Lease liability	23	25	16
Secured liabilities			
Other loans		-	4,389
Lease liability	23	-	597
Total non-current borrowings		**25**	**5,002**
Total borrowings	**28**	**1,961**	**12,708**

a. Total current and non-current secured liabilities

	Note	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
Debtor Finance Facility	(i)	1,911	5,282
Lease Liability	23	-	1,138
Helmsman loans	(ii)	-	5,982
Term loan	(ii)	-	250
		1,911	**12,652**

NOTE 19: BORROWINGS (continued)

(i). GE Facility Details

As at 30 June 2013, the Group had Debtor Finance Facility up to $3.4m with a prepayment percentage of up to 85% to expire on 30 September 2013. Interest is charged at a rate of 4.5% plus the 90 day Bank bill swap rate which at 30 June 2013 was an effective rate of 7.4% along with an unused line fee on the debtor finance facility of 0.75%. The group at year end owed $1.9m on the debtor finance facility.

Financial covenants require under this facility are to have a net tangible worth of the reporting group of at least $4m, capital expenditure of less than $1m per annum, a fixed coverage charge ratio for the reporting group of not less than the pre-determined rates set out in the Deed of Variation, aggregate lease and rental payments of less than $2m per annum and to not have entered into new licence or operating leases for equipment exceeding $0.5m in any 12 month period.

The directors recognise that the current funding facility with GE Capital expires on 30 September 2013 and the Group is reliant on the facility for its working capital requirements. The Group is in an advanced stage of securing alternate funding arrangement with other commercial banks. If those arrangements are not in place by 30 September 2013, the Group will be reliant on extending current funding arrangement with GE Capital or raising equity. Refer to Note 1(T) for further details.

(ii) Helmsman Loans

Consequent to divestment of API on 2nd October 2012, Helmsman's loans and GE term loans were fully settled out of proceed of sales.

Financial Covenant Compliance

The Group had complied with all covenants set up in the agreement.

Collateral Provided

Financial assets that have been pledged as part of the total collateral for the benefit of bank debt are as follows:

		Consolidated Group	
	Note	**2013 $'000**	**2012 $'000**
Cash and cash equivalents	11	320	1,009
Trade receivables	12	5,075	8,642
Total financial assets pledged		**5,395**	**9,651**

The collateral over cash and cash equivalents represents a floating charge, held by GE Capital.

NOTE 20: TAX

	Note	Consolidated Group 2013 $'000	2012 $'000
CURRENT			
Income Tax payable		-	-

Non-Current	Opening Balance	Charged to Income	Sale of Controlled Entity	Closing Balance
Deferred Tax Asset	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax asset relates to temporary differences arising from the following:				
Trade and other receivables (provision for impairment)	109	7	(24)	92
Inventory (provision for impairment)	375	(97)	(109)	169
Accrued expenses	82	(68)	-	14
Foreign currency balances	-	21	-	21
Provision for employee entitlements	490	86	(456)	120
Unused tax losses (Revenue losses)	453	-	-	453
Unused tax losses (Capital losses)	38	-	-	38
Property, plant and equipment	-	-	-	-
Other	53	(4)	-	49
Balance at 30 June 2013	**1,600**	**(55)**	**(589)**	**956**
Trade and other receivables (provision for impairment)	72	37	-	109
Inventory (provision for impairment)	126	249	-	375
Accrued expenses	270	(188)	-	82
Foreign currency balances	(47)	47	-	-
Provision for employee entitlements	452	38	-	490
Unused tax losses (Revenue losses)	453	-	-	453
Unused tax losses (Capital losses)	38	-	-	38
Property, plant and equipment	89	(89)	-	-
Other	200	147	-	53
Balance at 30 June 2012	**1,653**	**(53)**	**-**	**1,600**

NOTE 20: TAX (continued)

Non-Current	Opening Balance	Charged to Income	Sale of Controlled Entity	Closing Balance
Deferred Tax Liability	**$'000**	**$'000**	**$'000**	**$'000**
Prepayments	88	(18)	(47)	23
Foreign Currency Balances	36	(36)	-	-
Balance at 30 June 2013	**124**	**(54)**	**(47)**	**23**
Prepayments	27	61	-	88
Foreign Currency Balances	-	36	-	36
Balance at 30 June 2012	**27**	**97**	**-**	**124**

Deferred tax assets not bought 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 2013 $'000	Consolidated Group 2012 $'000
Temporary differences			119
Tax losses			
- Revenue		1,163	1,336
- Capital		357	-

NOTE 21: PROVISIONS

Consolidated Group	Long-term Employee Benefits $'000	Total $'000
Opening balance at 1 July 2012	780	780
Additional Provision	44	44
Amounts transferred with API sales	(717)	(717)
Balance at 30 June 2013	**107**	**107**

Analysis of Total Provisions

	Note	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
Current		90	655
Non-current		17	125
Total		**107**	**780**

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. 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 included in Note 1 of the financial statements.

NOTE 22: ISSUED CAPITAL

	Notes	Consolidated Group 2013 $'000	2012 $'000
196,065,483 (2012:196,065,483) fully paid ordinary shares		72,423	72,444
1,369,712 (2011:1,369,712) fully paid treasury shares		(38)	(38)
Treasury shares allocated under employee incentive plan		-	-
		72,385	**72,406**

The company has share capital amounting to 196,065,483 ordinary shares.

a. Ordinary Shares

	Note	2013 No.	2012 No.
At the beginning of reporting period		196,065,483	196,065,483
At the end of the reporting period		196,065,483	196,065,483
- less treasury shares		(1,369,712)	(1,369,712)
At the end of the reporting period	**10**	**194,695,771**	**194,695,771**

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.

Treasury Shares

Treasury shares are shares in Q Technology Group Ltd that are held for the purpose of an employee incentive plan.

	2013 Number of shares	2013 $'000	2012 Number of shares	2012 $'000
Opening Balance	1,369,712	38	1,369,712	38
Acquisition for employee incentive plan	-	-	-	-
Closing Balance	**1,369,712**	**38**	**1,369,712**	**38**

NOTE 22: ISSUED CAPITAL (continued)

Capital Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that 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.

		Consolidated Group	
	Notes	2013 $'000	2012 $'000
Total payables and borrowings	18,19	8,095	20,673
Less cash and cash equivalents	11	(320)	1,009
Net debt		7,775	19,664
Total equity		6,821	6,685
Total capital		14,596	26,349
Gearing ratio		53.3%	74.6%

NOTE 23: CAPITAL AND LEASING COMMITMENTS

a. Finance Lease Commitments

		Consolidated Group	
	Notes	2013 $'000	2012 $'000
Payable - minimum lease payments			
- not later than 12 months		25	667
- between 12 months and 5 years		25	689
- greater than 5 years		-	-
Minimum lease payments		56	1,356
Less future finance charges		(6)	(163)
Present value of minimum lease payments		**50**	**1,193**

The Group leases various plant and equipment and motor vehicles under finance leases expiring within one to five years. Under the terms of the leases, the Group has to acquire leased asset at the residual value on the expiry of the lease. Finance leases are secured by leased assets.

NOTE 23: CAPITAL AND LEASING COMMITMENTS (continued)

b. Operating Lease Commitments

	Notes	Consolidated Group 2013 $'000	2012 $'000
Payable - minimum lease payments			
- not later than 12 months		214	1,212
- between 12 months and 5 years		411	2,572
		625	**3,784**

The Group leases various offices, warehouse, and retail stores 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 24: EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant events after the balance date.

NOTE 25: 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 an investment company that continues to explore and evaluate investment opportunities.

(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 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.

NOTE 25: 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 staff 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

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;
- finance costs;
- deferred tax assets and liabilities; and
- discontinuing operations

NOTE 25: OPERATING SEGMENTS (continued)

Segment information
(i) Segment performance

30 June 2013	Investment $'000	Distribution $'000	CCTV Services and Solutions $'000	Total $'000
Revenue				
External sales	-	23,929	6,406	30,335
Intersegment sales	-	181	-	181
Interest revenue	1	2	-	3
Total segment revenue	**1**	**24,112**	**6,406**	**30,519**
Reconciliation of segment revenue to group revenue				
Intersegment elimination				(181)
(Revenue) from discontinued operations				(6,406)
Total group revenue				**23,932**
Segment net profit/(loss) before tax	**782**	**1,404**	**91**	**2,277**
Reconciliation of segment result to group net profit/(loss) before tax Amounts not included in segment result but reviewed by the Board:				
Depreciation and amortisation	-	(221)	(168)	(389)
Unallocated items:				
Finance Costs				(1,730)
Net gain on disposal of discontinued operation				(2,320)
Net operating loss of discontinued operation				115
Net profit /(loss) before tax from continuing operations				**(2,047)**

NOTE 25: OPERATING SEGMENTS (continued)

30 June 2012	Investment $'000	CCTV Distribution $'000	Services and Solutions $'000	Total $'000
Revenue				
External sales	-	24,281	24,802	49,083
Intersegment sales	-	232	1	233
Interest revenue	13	-	-	13
Total segment revenue	**13**	**24,513**	**24,803**	**49,329**
Reconciliation of segment revenue to group revenue				
Intersegment elimination				(233)
(Revenue) from discontinued operations				(24,803)
Total group revenue				**24,293**
Segment net profit/(loss) before tax	**(2,856)**	**1,455**	**2,325**	**925**
Reconciliation of segment result to group net profit/(loss) before tax Amounts not included in segment result but reviewed by the Board:				
- Depreciation and amortisation	-	(157)	(721)	(878)
Unallocated items:				
Finance costs				(2,016)
Net loss on Disposal				(49)
Net operating profit from discontinued operation				(1,383)
Net profit before tax from continuing operations				**(3,401)**

NOTE 25: OPERATING SEGMENTS (continued)

(ii) Segment assets

30 June 2013	Investment $'000	CCTV Distribution $'000	Services and Solutions $'000	Total $'000
Segment assets	6,212	15,765	-	21,977
Segment asset increases for the period:				
Capital Expenditure	-	100	-	100
	-	100	-	100
Reconciliation of segment assets to group assets				
Intersegment eliminations				(7,886)
Unallocated assets:				
Deferred tax assets				955
Total group assets from continuing operations				**15,046**

30 June 2012	Investment $'000	CCTV Distribution $'000	Services and Solutions $'000	Total $'000
Segment assets	18,822	16,582	14,977	50,381
Segment asset increases for the period:				
Capital expenditure	-	177	677	854
	-	177	677	854
Reconciliation of segment assets to group assets				
Intersegment eliminations				(23,719)
Unallocated assets:				
Deferred tax assets				1,600
Total group assets from continuing operations				**28,262**

NOTE 25: OPERATING SEGMENTS (continued)

(iii) Segment liabilities

30 June 2013	Investment $'000	CCTV Distribution $'000	Services and Solutions $'000	Total $'000
Segment liabilities	1,802	8,613	-	10,415
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(2,213)
- Deferred tax liabilities				23
- Current tax liabilities				-
Total liabilities from continuing operations				**8,225**

30 June 2012	Investment $'000	CCTV Distribution $'000	Services and Solutions $'000	Total $'000
Segment liabilities	11,138	9,936	5,874	26,948
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(5,495)
Unallocated Liabilities:				
- Deferred tax liabilities				124
- Current tax liabilities				-
Total liabilities from continuing operations				**21,577**

(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 and the top 10 customers account for 26.6% of the sales revenue for the business. Included in these numbers is one customer which represented 9.5% of sales revenue for the 2013 financial year. 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 26: CASH FLOW INFORMATION

a. Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Note	Consolidated Group	
		2013	**2012**
		$'000	**$'000**
Profit/(loss) after income tax		158	(2,168)
Cash flows excluded from profit attributable to operating activities			
Non-cash flows in profit			
- Depreciation		307	878
- Amortisation		121	118
- Bad debt expense		116	122
- Non-cash expenses		(384)	-
- Net gain on disposal of investments		(2,320)	-
- Net gain on disposal of property, plant & equipment		16	49
- Impairment of goodwill		-	-
- FX translation movements		(309)	(118)
- Write down to receivable amount		289	467
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
- (Increase)/decrease in trade and term receivables		274	(875)
- (Increase)/decrease in prepayments		(49)	88
- (Increase)/decrease in inventories		(1,730)	863
- Increase/(decrease) in trade payables and accruals		(390)	196
- Increase/(decrease) in taxes payable		-	-
- Increase/(decrease) in provisions		44	279
- **Cash flows from operations**		**(3,857)**	**(101)**

NOTE 26: CASH FLOW INFORMATION (continued)

b. Disposal of entities

During the year the controlled entity API Services and Solutions Pty Ltd was sold. Aggregate details of this transaction are:

	Note	Consolidated Group 2013 $'000	2012 $'000
Disposal price		13,100	-
Cash consideration		13,100	-
Assets and liabilities held at disposal date:			
Cash assets		354	-
Receivables		4,375	-
Inventory		3,198	-
Goodwill		4,028	-
Property, plant and equipment		2,317	-
Other assets		443	-
Deferred tax assets		542	-
Trade & other payables		(2,803)	-
Borrowings		(957)	-
Provisions		(717)	-
		10,780	-
Profit on disposal		2,320	-
Net cash received		**13,100**	**-**

NOTE 27: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

a. Entity which has a significant influence on the Group

	Note	Consolidated Group 2013 $'000	2012 $'000
Statement of financial position			
Loan Payable to Helmsman Capital Fund Trust IIB. The key terms are described in Note 19(a) to the financial statements.		-	5,982
Borrowing costs		-	23
Income statement			
Interest expense		1,050	885
Termination fee expensed		167	179
	4	1,217	1,064
Borrowing costs amortised		23	20

NOTE 28: 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 15.

	Notes	Consolidated Group 2013 $'000	2012 $'000
Financial Assets			
Cash and cash equivalents	11	320	1,009
Loans and receivables at amortised cost	12	5,075	8,642
Total Financial Assets		**5,395**	**9,651**
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	18	5,906	7,285
- Borrowings	19	1,961	12,708
Total Financial Liabilities		**7,867**	**19,993**

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.

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.

NOTE 28: FINANCIAL RISK MANAGEMENT (continued)

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 and Note 25.

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	
	Note	**2013 $'000**	**2012 $'000**
Cash and cash equivalents			
- AA Rated (NAB Savings Maximiser & Term Deposit Account)		320	1,009
		320	**1,009**

NOTE 28: 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. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable within 12 months.

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 banking facilities will be rolled forward.

Financial Liability and Financial Asset Maturity Analysis

	Consolidated Group							
	Within 1 Year		**1 to 5 Years**		**Over 5 Years**		**Total**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Financial liabilities due for payment								
Debtor Finance facility and loans	1,911	6,333	-	6,612	-	-	1,911	12,945
Trade and other payables	5,906	7,285	-	-	-	-	5,906	7,285
Finance lease liabilities	25	667	25	689	-	-	50	1,356
Total contractual outflows	7,842	14,285	25	7,301	-	-	7,867	21,586
Less debtor facility	(1,911)	(5,282)	-	-	-	-	(1,911)	(5,282)
Total expected outflows	**5,931**	**9,003**	**25**	**7,301**	**-**	**-**	**5,956**	**16,304**
Financial assets - cash flows realisable								
Cash and cash equivalents	320	1,009	-	-	-	-	320	1,009
Trade, other and loans receivables	5,075	8,642	-	-	-	-	5,075	8,642
Total anticipated inflows	5,395	9,651	-		-	-	5,395	9,651
Net (outflow)/inflow on financial instruments	**(536)**	**648**	**(25)**	**(7,301)**	**-**	**-**	**(561)**	**(6,653)**

Net outflow on financial instruments is due to tight management of debtor finance loans which has unused excess availability of $729,000 as at 30 June 2013.

NOTE 28: FINANCIAL RISK MANAGEMENT (continued)

Financial Assets Pledged as Collateral

Certain financial assets have been pledged 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 19(b) 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 floating interest rates are based on 90 day bank bill swap rate plus 4.5% or effective interest rate of 7.37% as at 30 June 2013. The Group does not use derivatives to mitigate these exposures.

The net effective variable interest rate borrowings (i.e. unhedged debt) expose 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	
	Notes	2013 $'000	2012 $'000
Floating rate instruments			
Debtor finance facility		1,911	5,283
Term Loan (GE Capital)		-	250
		1,911	**5,533**

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.

	Net financial assets/(liabilities) in AUD $'000			
Consolidated Group	**2013**		**2012**	
Functional currency of Group entity	***USD***	***Others***	***USD***	***Others***
Financial assets				
Trade and other receivable	-	-	-	-
Financial liabilities				
Trade and other payables	(3,516)	-	(2,085)	-
Statement of financial position exposure	**(3,516)**	**-**	**(2,085)**	**-**

NOTE 28: FINANCIAL RISK MANAGEMENT (continued)

Forward Exchange Contracts

The Group had no 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.

	Consolidated Group	
	Profit / (Loss)	**Other Equity**
Year ended 30 June 2013	**$'000**	**$'000**
+/- 2% in interest rates	+/- 38	-
+/- 15.8% in $A/$US	+/- 556	-
Year ended 30 June 2012		
+/- 2% in interest rates	+/- 111	-
+/- 24.4% in $A/$US	+/- 319	-

NOTE 28: FINANCIAL RISK MANAGEMENT (continued)

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.

Consolidated Group		2013 Net Carrying Amount $'000	2013 Fair Value $'000	2012 Net Carrying Amount $'000	2012 Fair Value $'000
Financial assets					
Cash and cash equivalents	(i)	320	320	1,009	1,009
Trade and other receivables	(i)	5,075	5,075	8,642	8,642
Total financial assets		**5,395**	**5,395**	**9,651**	**9,651**
Financial liabilities					
Trade and other payables	(i)	5,906	5,906	7,285	7,285
Other Borrowings	(ii)	-	-	5,982	5,982
Lease liability	(ii)	50	50	1,193	1,164
Debtor Finance Facility	(i)	1,911	1,911	5,282	5,282
Term Loan	(i)	-	-	250	250
Total financial liabilities		**7,867**	**7,867**	**19,992**	**19,963**

NOTE 28: FINANCIAL RISK MANAGEMENT (continued)

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 29: 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.

Set out below is a consolidated statement of financial position as at 30 June 2013 of the closed group who are parties to the deed of cross guarantee.

	Note	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	320	1,009
Trade and other receivables	12	5,075	8,642
Inventories	13	8,026	9,495
Other current assets	17	213	590
TOTAL CURRENT ASSETS		**13,634**	**19,736**
NON-CURRENT ASSETS			
Property, plant and equipment	16	457	2,827
Deferred tax assets	20	955	1,600
Other assets	17	-	70
Intangible assets	14	-	4,029
TOTAL NON-CURRENT ASSETS		**1,412**	**8,526**
TOTAL ASSETS		**15,046**	**28,262**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	6,134	7,965
Borrowings	19	1,936	7,706
Current tax liabilities	20	-	-
Provisions	21	90	655
TOTAL CURRENT LIABILITIES		**8,160**	**16,326**
NON-CURRENT LIABILITIES			
Borrowings	19	25	5,002
Provisions	21	17	125
Deferred tax liabilities	20	23	124
TOTAL NON-CURRENT LIABILITIES		**65**	**5,251**
TOTAL LIABILITIES		**8,225**	**21,577**
NET ASSETS		**6,821**	**6,685**
EQUITY			
Issued capital	22	72,385	72,406
Reserves		52	52
Retained earnings		(65,616)	(65,773)
TOTAL EQUITY		**6,821**	**6,685**

NOTE 30: RESERVES

Option Reserve

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

NOTE 31: COMPANY DETAILS

The registered office of the company is:

Q Technology Group Limited	5/435 Williamstown Road, Port Melbourne VIC 3207

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

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 30 to 85, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards which, as stated in accounting policy Note 1 to financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), and
   b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and consolidated group.

2. The Chief Executive Officer and Chief Financial Officer have each declared that:

   a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001,
   b. the financial statements and notes for the financial year comply with the Accounting Standards, and
   c. the financial statements and notes for the financial year give a true and fair view.

3. 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.

The Company and wholly owned subsidiary QRSciences Security Pty Ltd, has 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.

……………………………………
Richard Stokes
Managing Director
2 September 2013

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 10, 530 Collins Street
Melbourne VIC 3000

T +61 (0)3 8635 1800
F +61 (0)3 8102 3400

www.moorestephens.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF Q TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Q Technology Group Ltd and Controlled Entities (the "consolidated group"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement, the 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 company and the consolidated group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Director's 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. Those 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 opinion.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Q Technology Group Limited and Controlled Entities for the period ended 30 June 2013 included on Q Technology Groups Limited's website. The company's directors are responsible for the integrity of Q Technology Groups Limited's website. We have not been engaged to report on the integrity of the Q Technology Groups Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Q Technology Group Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated group's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 qualification to the opinion expressed above, we draw your attention to Note 1(T) in the financial report which indicates that the current funding facility with GE Capital expires on 30 September 2013 and is yet to be renewed. The group is reliant on the facility for its working capital requirements. This matter indicates the existence of a material uncertainty which may cast significant doubt about the consolidated group's ability to continue as a going concern and therefore the consolidated group may be unable to realise its assets and discharge its liabilities in the normal course of business.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2013. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Q Technology Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Rami Eltchelebi
Partner

Melbourne, 2 September 2013

The shareholder information set out below was applicable as at 28 August 2013.

Shareholding

a. Distribution of Shareholders

Category (size of holding)	Ordinary Shares
1 – 1,000	189
1,001 – 5,000	278
5,001 – 10,000	122
10,001 – 100,000	394
100,001 – and over	130
Total	**1,113**

b. The number of shareholdings held in less than marketable parcels is 862.

c. The names of the substantial shareholders listed in the holding company's register as at 28 August 2013 are:

Shareholder	Number of ordinary shares
Bond Street Custodians Limited (Helmsman Capital Fund Trust IIA)	56,099,626
Cherryoak Investments Pty Ltd	17,784,000
NINETEEN25 PTY LIMITED <VH SUPERANNUATION FUND A/C>	9,800,000

d. 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.

e. 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>	56,099,626	28.61
CHERRYOAK INVESTMENTS PTY LTD <C & N FAMILY A/C>	17,784,000	9.07
NINETEEN25 PTY LIMITED <VH SUPERANNUATION FUND A/C>	9,800,000	5.00
TALSTON PTY LTD <J P CORNISH P/L S/FUND A/C>	6,250,000	3.19
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	5,560,575	2.84
MRS VANESSA FAYE CONNOR	4,041,997	2.06
CORNISH GROUP INVESTMENTS PTY LTD <CORNISH GROUP INVESTMENT AC>	3,823,320	1.95
MR PETER HIGGINS + MRS JAYNE HIGGINS <SUPER FUND A/C>	3,800,000	1.94
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,638,554	1.86
STOKES SUPERANNUATION PTY LTD <STOKES SUPER FUND A/C>	3,183,078	1.62
WHITECHURCH DEVELOPMENTS PTY LTD	2,780,636	1.42
MR HENRY MICHAEL NOONAN <NOONAN SUPER FUND A/C>	2,671,817	1.36
MR ALBERT SERCHONG CHEN	2,211,236	1.13
SPANDAY PTY LTD <TENNYSON RETIREMENT S/F A/C>	2,063,000	1.05
MR PETER CHARLES BERMAN + MRS ROSLYN BARNCASTLE BERMAN	2,000,000	1.02
MR RYAN COLBRAN	1,993,253	1.02
AVANTEOS INVESTMENTS LIMITED <3934172 ZUGERHORN A/C>	1,800,000	0.92
BTG INTERNATIONAL LTD	1,733,557	0.88
MR FRANJO BOROS	1,719,000	0.88
MR TONY GANDEL + MRS HELEN GANDEL	1,558,320	0.79
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	**134,511,969**	**68.61**
Total Remaining Holders Balance	**61,553,514**	**31.39**