

Appendix 4E Preliminary final report

Name of entity

BQT SOLUTIONS LIMITED

ABN or equivalent company
reference

89 000 029 265

Preliminary
final (tick)

√

financial year ended ('current period')

30 JUNE 2007

Results for announcement to the market

| | <i>\$A'000</i> | | | |
|--|---------------------|------|-----------------------------|----------|
| Revenues from ordinary activities | up | 41% | to | 3,944 |
| Profit (loss) from ordinary activities after tax attributable to members | up | 229% | to | (29,041) |
| Profit (loss) from extraordinary items after tax attributable to members) | gain (loss) | - | | - |
| Net profit (loss) for the period attributable to members | up | 229% | to | (29,041) |
| Dividends (distributions) | Amount per security | | Franked amount per security | |
| Final dividend | Nil ¢ | | Nil ¢ | |
| Previous corresponding period | Nil ¢ | | Nil ¢ | |
| ⁺ Record date for determining entitlements to the dividend (in the case of a trust, distribution) | N/A | | | |

There are no dividend reinvestment plans in operation. No dividend have been declared or paid during the current or previous financial year.

Brief Commentary

Revenue increased by 41% over the previous year reflecting further adoption of Smart card based access control systems globally and the Company's newer products will add to revenues in future periods. The loss for the year increased by 229% to \$29.0m reflecting, in particular, a share based expense amount of \$18.7m relating to the issue of 120million options to the financiers of the \$9m equity raising completed in February 2007.

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Consolidated statement of financial performance

| Revenue and expenses from ordinary activities | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|---|-----------------------------|--|
| Revenue from sales or services | 3,748 | 2,680 |
| Sundry income | 68 | 81 |
| Interest revenue | 128 | 45 |
| Revenue from sale of investments | - | - |
| Total revenues from ordinary activities | 3,944 | 2,806 |
| <i>Details of relevant expenses:</i> | | |
| Cost of sales | (2,622) | (1,002) |
| Corporate / office costs | (2,161) | (2,026) |
| Employee costs | (2,783) | (2,424) |
| Communication costs | (114) | (117) |
| Cost of investments sold | - | - |
| Consulting Fees | (770) | (215) |
| Marketing/travel expenses | (426) | (773) |
| Loss on disposal of fixed assets | (1) | - |
| Foreign exchange gain/(loss) | - | (489) |
| Provision for obsolescence | (142) | - |
| Share based payment expense | (19,871) | (1,101) |
| Other expenses | (583) | (76) |
| Depreciation and amortisation | (567) | (965) |
| Impairment of Intellectual Property | (3,170) | (2,769) |
| Total expenses from ordinary activities | (33,210) | (11,957) |
| Borrowing costs | (21) | (11) |
| Share of net profits (losses) of associates and joint venture entities | - | - |
| Profit (loss) from ordinary activities before tax | (29,287) | (9,162) |
| Income tax on ordinary activities | 246 | 322 |
| Profit (loss) from ordinary activities after tax | (29,041) | (8,840) |
| Profit (loss) from extraordinary items after tax | - | - |

| | | |
|---|-----------------|----------------|
| Net profit (loss) | (29,041) | (8,840) |
| Net profit (loss) attributable to outside equity interests | - | - |
| Net profit (loss) for the period attributable to members | (29,041) | (8,840) |

There have been no non-owner transaction changes in equity during the current financial year

| Earnings per security (EPS) | Current period | Previous corresponding period |
|------------------------------------|----------------|-------------------------------|
| Basic EPS | (10.7) cents | (4.8) cents |
| Diluted EPS | (9.7) cents | (4.8) cents |

Management discussion

Background

The Company has continued to expand its range of smart card based access control systems and it is pleasing to report increasing adoption of this technology globally.

The broadening of the range of products has continued as already announced and includes CCTV digital analysis software systems and a full access control system which fills a niche for smaller applications and sites.

Sales Revenues

Sales revenue for the year increased by 40% to \$3,748K and this high growth rate is expected to be sustained as more customers adopt Smart Card/biometric based access solutions.

The introduction of the SmaX access control system late in the year will continue to broaden the Company's sales base to include an increasing number of small to medium sized access control applications.

Expenses

In the current year an additional expense of \$19,871k, relating to an option issue, has been added to the loss for the period. The adoption of IFRS also required a current year impairment expense of \$3,170k to the value of the Intellectual Property acquired at the December 2002 takeover.

The Company has continued to expand its technical expertise and has appointed a number of additional staff in this area. Our R & D team has successfully developed and enhanced a number of new and existing products will be released commercially in the very near future

Private Placement Activities

The Company made private placements to sophisticated investors, raising \$11,629k during the year (before capital raising costs).

Consolidated retained profits

| | Current period - \$A'000 | Previous corresponding period - \$A'000 |
|--|-----------------------------|--|
| Retained profits (accumulated losses) at the beginning of the financial period | (35,030) | (26,190) |
| Net profit (loss) attributable to members | (29,041) | (8,840) |
| Net transfers from (to) reserves | - | - |
| Net effect of changes in accounting policies | - | - |
| Dividends and other equity distributions paid or payable | - | - |
| Retained profits (accumulated losses) at end of financial period | (64,071) | (35,030) |

Consolidated statement of financial position

| | At end of current period \$A'000 | As shown in previous corresponding period \$A'000 |
|---|-------------------------------------|---|
| Current assets | | |
| Cash | 5,140 | 480 |
| Receivables | 2,096 | 1,322 |
| Investments | - | - |
| Inventories | 903 | 1,139 |
| Tax assets | - | - |
| Other (provide details if material) | - | - |
| Total current assets | 8,139 | 2,941 |
| Non-current assets | | |
| Receivables | - | - |
| Investments | - | - |
| Other investments | - | - |
| Inventories | - | - |
| Other property, plant and equipment (net) | 605 | 893 |
| Intangibles (net) | 5,448 | 8,838 |
| Tax assets | - | - |
| Other | 185 | 185 |
| Total non-current assets | 6,238 | 9,916 |
| Total assets | 14,377 | 12,838 |
| Current liabilities | | |
| Payables | 1,327 | 1,739 |
| Interest bearing liabilities | - | 21 |
| Tax liabilities | - | - |
| Provisions exc. tax liabilities | 325 | 191 |
| Other | - | - |
| Total current liabilities | 1,652 | 1,951 |

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| Non-current liabilities | At end of current period \$A'000 | As shown in previous corresponding period \$A'000 |
|--------------------------------------|-------------------------------------|---|
| Payables | - | - |
| Interest bearing liabilities | - | 56 |
| Tax liabilities | - | - |
| Provisions exc. tax liabilities | 74 | 31 |
| Other | - | - |
| Total non-current liabilities | 74 | 87 |
| Total Liabilities | 1,726 | 2,020 |
| Net Assets | 12,651 | 10,818 |

| | | |
|--|---------------|---------------|
| Equity | | |
| Capital/contributed equity | 53,430 | 42,426 |
| Reserves | 23,292 | 3,422 |
| Retained profits (accumulated losses) | (64,071) | (35,030) |
| Equity attributable to members of the parent entity | 12,651 | 10,818 |
| Outside ⁺ equity interests in controlled entities | - | - |
| Total equity | 12,651 | 10,818 |

| | | |
|--------------------|------------|------------|
| Preference capital | NIL | NIL |
|--------------------|------------|------------|

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Consolidated statement of cash flows

| Cash flows related to operating activities | Current period \$A'000 | Previous corresponding period - \$A'000 |
|---|---------------------------|---|
| Receipts from customers | 2,919 | 2,375 |
| Payments to suppliers and employees | (9,397) | (7,551) |
| Interest and other items of similar nature received | 128 | 45 |
| Interest and other costs of finance paid | (21) | (11) |
| Other Receipts | 261 | 142 |
| Net operating cash flows | (6,110) | (5,000) |
| Cash flows related to investing activities | | |
| Payment for purchases of property, plant and equipment | (117) | (604) |
| Proceeds from sale of property, plant & equipment | 61 | - |
| Other | (99) | - |
| Net investing cash flows | (155) | (604) |
| Cash flows related to financing activities | | |
| Proceeds from issues of ⁺ securities (shares, options, etc.) | 11,629 | 5,404 |
| Proceeds from borrowings | - | - |
| Repayment of borrowings | (77) | (35) |
| Dividends paid | - | - |
| Other-Capital raising costs | (627) | (122) |
| Net financing cash flows | 10,925 | 5,247 |
| Net increase (decrease) in cash held | 4,660 | (357) |
| Cash at beginning of period <i>(see Reconciliation of cash)</i> | 480 | 837 |
| Exchange rate adjustments | - | - |
| Cash at end of period <i>(see Reconciliation of cash)</i> | 5,140 | 480 |

Reconciliation of cash

| Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current period \$A'000 | Previous corresponding period - \$A'000 |
|--|------------------------|---|
| Cash on hand and at bank | 1,184 | 480 |
| Deposits at call | - | - |
| Bank overdraft | - | - |
| Other (term deposits) | 3,956 | - |
| Total cash at end of period | 5,140 | 480 |

Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027:

'Earnings Per Share' has been calculated as follows:

The Basic Weighted average of 271,902,353 fully paid ordinary shares over 365 days to 30 June 2007.

NTA backing

| NTA backing | Current period | Previous corresponding Period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | 2.1cents | 2.2cents |

Segment reporting

Primary Segment Reporting:- Geographical Segment

| | Consolidated | |
|--|-----------------|----------------|
| | 2007 | 2006 |
| Segment Revenue: | A\$'000 | A\$'000 |
| Australia | 2,457 | 1,725 |
| UK | 1,460 | 1,028 |
| USA | 27 | 53 |
| Total Segment Revenue | <u>3,944</u> | <u>2,806</u> |
| Unallocated Revenue | - | - |
| Total Revenue (There are no inter-segment revenues) | <u>3,944</u> | <u>2,806</u> |
| | | |
| Segment Result: | | |
| Australia | (8,452) | (8,019) |
| UK | (575) | (736) |
| USA | (389) | (407) |
| Segment result | <u>(9,416)</u> | <u>(9,163)</u> |
| Unallocated corporate expenses | (19,871) | - |
| Profit/(Loss) from ordinary activities before income tax | <u>(29,287)</u> | <u>(9,163)</u> |
| Income tax benefit | 246 | 322 |
| Net/Profit/(loss) | <u>(29,041)</u> | <u>(8,840)</u> |
| Depreciation and amortisation of fixed assets | 567 | 234 |
| Amortisation of intangibles – | 3,170 | 3,349 |
| | | |
| Segment Assets: | | |
| Australia | 13,625 | 12,450 |
| UK | 731 | 382 |
| USA | 21 | 25 |
| Total Assets | <u>14,377</u> | <u>12,857</u> |
| | | |
| Segment Liabilities: | | |
| Australia | 1,567 | 1,806 |
| UK | 231 | 231 |
| USA | 1 | 1 |
| Unallocated corporate liabilities | - | - |
| Total Liabilities | <u>1,727</u> | <u>2,038</u> |

Secondary Segment Reporting:- Business Segment

Segment Revenue:

| | | |
|------------------------------------|-------|-------|
| Smart card security access systems | 3,816 | 2,761 |
| Investment | 128 | 45 |
| Total Revenue | 3,944 | 2,806 |

Segmented Assets by Business Segment

| | | |
|------------------------------------|--------|--------|
| Smart card security access systems | 14,377 | 12,857 |
| Investment | - | - |
| Total Assets | 14,377 | 12,857 |

Additional notes to Appendix 4E

1 Basis of accounts preparation

a) Basis of preparation of the preliminary final report

The preliminary final report has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting and Urgent Issues Group consensus views.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those applied in the 30 June 2006 Annual Financial Report.

This preliminary final report does not include full note disclosures of the type normally included in an annual financial report.

b) Going concern

The 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 consolidated entity incurred an operating loss of \$6,000K (excluding share based payment expense and IP impairment charge), during the year ended 30 June 2007. The Directors nevertheless believe that it is appropriate to prepare the financial statements on a going concern basis

for the following reasons:

- The Company believes it has sufficient working capital in place to be able to achieve the objectives as contemplated in the business plan.
- The security access market is expected to increase markedly over the next few years, and the BQT Solution's products are now developed and accepted by the major Security Contractors internationally and should create increasing sales revenue.

The consolidated entity's ability to generate positive net cash flow in the 12 months from the date of this report, as contemplated in the business plan, is dependent on a number of factors but primarily on its ability to successfully develop the US , European and Middle-East markets.

Other Information

- 1 This report is based on accounts which are in the process of being audited.
- 2 The entity has a formally constituted audit committee.

Sign here:..... Date:31/08/2007

Company Secretary

Print name: G A Rann

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