

Appendix 4E
Preliminary Final Report
30 June 2010

Name of entity

QRSciences Holdings Limited

ABN

26 009 259 876

Financial year ended

30 June 2010

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	Up	7.1%	to	19,298
Profit from ordinary activities after tax attributable to members	Up	531.2%	to	4,248
Profit for the period attributable to members	Up	531.2%	to	4,248
Dividends		Amount per security		Franked amount per security
Final dividend		Nil		Nil
Interim dividend				
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.				
Brief explanation of any of the figures reported above and short details of any other item(s) of importance not previously released to the market: Refer attached Preliminary Final Report				

Net Tangible Assets Backing	2010	2009
Net tangible asset backing per ordinary security	8.1¢	5.3¢

Entities over which control has been lost during the period:

Name of Entity: Spectrum SDI	Date: 30 December 2009
Name of Entity: QRSciences Co	Date: 30 October 2009
Name of Entity: Diversified Opportunities (DVOP-OB)	Date: 17 March 2010

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COMMENTARY ON THE RESULTS FOR THE PERIOD

QRSciences Holdings Limited is based in Melbourne, Victoria. Its wholly owned distribution business, QRSciences Security Pty Ltd has offices located in Melbourne, Sydney, Brisbane and Perth, and comprises; Q Video Systems and Q Alarm Supplies.

Consolidated Result

QRSciences Holdings Limited results for the year ended 30 June 2010 were outstanding with the board and management delivering on the Company's strategy to exit non-revenue producing businesses and assets.

The Company's full year revenue increased by 7.1% to \$19.298m and for the period the Company had a net profit result up 531.2% to \$4.248m.

The profit was driven by the continuing success of the Q Video Systems and Q Alarm Supplies businesses and the sale of the Company's interest in Spectrum San Diego.

Review of Operations

The Company has completed a ground breaking year with outstanding results being achieved for the Group and the profits achieved in our QRSciences Security Distribution business and our investment in Spectrum SDI (USA) has provided extremely good outcomes for the Company.

QRSciences Security Pty Ltd, which comprises Q Video Systems and Q Alarm Supplies, continues to grow and is expected to continue to generate positive cash flow in the future with growing revenues and profits. The business had sales for the year of \$19.298m and a net profit after tax of \$1.257m.

The Company's investment in Spectrum was sold and a gain on disposal of \$3.341m was realised. Additional funds may be achieved in the future as the company has agreements in place with a "holdback" payment of US\$531k due in March 2011, subject to adjustment and potential "earn out" payments of up to US\$7.31 million over the next 6 years also subject to adjustment. The residual asset associated with the Spectrum business, Tek84, was also sold in the period and a gain of \$264K was realised from this sale.

The Company also sold the DVOP.OB asset, our 97% owned listed Company Shell in the USA for US\$215k in the period.

The QRSciences Pty Ltd, the Perth based R&D business, was also exited in the period with the sale of the business assets and associated IP to Rapiscan Systems Inc for a total price of US\$150k. The remainder of the staff were terminated on 17 June 2010 and the business operations ceased trading at this time.

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

Update on QRSciences Security Pty Ltd

QRSciences Security Pty Ltd, which comprises Q Video Systems and Q Alarm Supplies, with offices located in Melbourne, Sydney, Brisbane and Perth, achieved a Net Profit after tax of \$1.257m on continued earnings growth of \$19.298m, which was up 7.1% compared to the previous corresponding period.

Highlights for the period were;

- **Revenue up 7.1% to \$ 19.298m when compared to the previous corresponding period.**
- **Net Profit before tax for the period of \$1.448m up significantly from the loss of \$756k for the same corresponding period last year.**
- **Distribution arrangements with major suppliers Samsung Korea and DSC Canada strengthened materially throughout the period under review.**

The Company is pleased with the ongoing progress in the Q Video Systems and Q Alarm Supplies businesses and the growth opportunities that are present in the market for the businesses.

Merger and expansion opportunities are under constant review as are the various forms of funding to support these future activities, the current discussions with the API Security business announced on 23 July 2010 is testament to the drive of the management to continue to expand in the security market in Australia.

Update on QRSciences Pty Ltd

The Company has now exited QRSciences Pty Ltd, the Company's Perth based R&D business, with the sale of the assets and associated IP to Rapiscan Systems Inc in the USA for US\$150k. The sale of the assets rules a line through any further exposure to a cash flow negative business and will allow management to focus on the profitable business units the Company operates in Australia.

Update on USA Operations

The Company has also exited all the US business operations and no longer holds any US based assets.

The result in the sale process announced on 21 December 2009 in relation to the Companies Spectrum SDI investment was an outstanding result for the Company and was one of the prime drivers in our stellar result for the period.

The Company received \$6.240m cash in January as part of the sales process for Spectrum, which was a profit before tax of \$3.341m.

The Company also expects to receive a further payment, subject to some adjustments of US\$531k around March 2011 and further payments aligned to the rollout of the car Scan product over the next 7 years of up to US\$7.31m.

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

Highlights for the period were;

- **The Company's investment in Spectrum SDI (USA) was sold for a profit of \$ 3.341m and funds received in January 2010 from the USA of \$ 6,240m.**
- **The Company maintained a 20.4% ownership of Tek84 (residual assets in Spectrum SDI) after the sale of the car Scan technology which was sold for \$264k in the period.**

The Board and senior management are delighted with recent efforts to refocus the Company, increase revenue and post a profit for the period. The continued improvement of earnings and the creation of a stronger balance sheet are significant recent events.

The Company has emerged stronger, more resilient and looks forward to the future with confidence.

Events Occurring After Balance Date

The following events occurred after the balance date of the accounts, being;

- **On 13 July 2010 the Company entered into an exclusive distribution agreement with Tyco Security Products for the DSC Alarm products for Australia.**
- **On 23 July 2010 the Company announced entering into a term sheet to acquire the API services and Solutions business.**

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- On 10 August 2010 the Company announced the intention to close down some dormant subsidiaries and to place QRSciences Pty Ltd into voluntary administration.

These events for the Company demonstrates the Board's commitment to expand the Company and grow revenues, concurrent with the commitment to ensure cash flow negative business units are exited with the ultimate aim to unlock shareholder value.

Carrying strong momentum into FY11

The Company is expecting continued revenue growth in FY11. This positive outlook embraces a continuation of the strong growth being experienced by our Distribution businesses, as it increases market share and diversifies its products in the rapidly growing Australian security products market along with the intention of the Company to acquire synergistic businesses that will deliver revenue and profit growth.

Annual meeting

The annual meeting will be held as follows:

Place	To be advised
Date	To be advised
Time	To be advised
Approximate date the annual report will be available	29 September 2010

Compliance statement

- The Appendix 4E, and the accounts upon which the Appendix 4E is based, use the same accounting policies.
- This Appendix 4E does give a true and fair view of the matters disclosed.
- This Appendix 4E is based on financial statements which are in the process of being audited.
- The entity has a formally constituted audit committee.

These accounts are not subject to audit dispute or qualification. The preliminary final report is attached as part of this report. The accounts are currently in the process of being audited.

Sign here:



Date: 31 August 2010

(Company Secretary)

Print name: Jamie Taylor

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CONSOLIDATED INCOME STATEMENT
FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group	
		2010	2009
		\$'000	\$'000
Revenue		19,298	18,009
Costs of goods sold		(13,731)	(13,474)
Gross profit		<u>5,567</u>	<u>4,535</u>
Interest income		185	13
Other Income		5,724	(3)
Employee benefits expense		(3,804)	(3,031)
Depreciation and amortisation expense		(190)	(111)
Finance costs		(335)	(482)
Other expenses		<u>(2,201)</u>	<u>(2,809)</u>
Profit/(Loss) before income tax		4,946	(1,888)
Income tax expense		(191)	(116)
Profit/(Loss) from continuing operations		4,755	(2,004)
Profit/(Loss) from discontinued operations	4	<u>(507)</u>	<u>2,677</u>
Profit for the period	2	<u>4,248</u>	<u>673</u>
Profit attributable to:			
Members of the parent entity		4,248	673
Non-controlling interest		-	-
		<u>4,248</u>	<u>673</u>
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		2.8	0.5
Diluted earnings per share (cents)		2.8	0.5
From continuing operations:			
Basic earnings per share (cents)		3.1	(1.3)
Diluted earnings per share (cents)		3.1	(1.3)
From discontinuing operations:			
Basic earnings per share (cents)		(0.3)	1.8
Diluted earnings per share (cents)		(0.3)	1.8

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group	
		2010 \$'000	2009 \$'000
Profit for the period		4,248	673
Other comprehensive income, net of tax:			
Exchange differences on translating foreign controlled entities		18	1,190
Total comprehensive income for the period		4,266	1,863
Total comprehensive income attributable to:			
Members of the parent entity		4,266	1,863
Non-controlling interest		-	-
		4,266	1,863

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group	
		2010 \$'000	2009 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		6,920	1,675
Trade and other receivables		4,786	3,496
Inventories		5,839	4,441
Financial assets		68	-
Other current assets		124	134
		17,737	9,746
Non-current assets classified as held for sale		136	162
		17,873	9,908
NON-CURRENT ASSETS			
Financial assets		-	3,319
Property, plant and equipment		358	333
Deferred tax assets		265	179
Other assets		120	189
		743	4,020
		18,616	13,928
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		3,188	2,400
Borrowings		1,406	1,604
Current tax liabilities		277	95
Short-term provisions		14	7
		4,885	4,106
Liabilities directly associated with non-current assets classified as held for sale		-	345
		4,885	4,451
NON-CURRENT LIABILITIES			
Borrowings		1,476	1,461
Long-term provisions		-	27
		1,476	1,488
		6,361	5,939
NET ASSETS		12,255	7,989

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group	
		2010	2009
		\$'000	\$'000
EQUITY			
Issued capital		70,790	70,790
Reserves		52	421
Retained earnings		(58,587)	(63,222)
TOTAL EQUITY		12,255	7,989

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2010

Note	Issued Capital Ordinary \$'000	Retained (Losses) \$'000	Foreign Currency Translation Reserve \$'000	Options Reserve \$'000	Total \$'000
Balance at 1 July 2008	69,285	(63,895)	(821)	52	4,621
Shares issued during the period	1,505	-	-	-	1,505
Total other comprehensive income for the period	-	-	1,190	-	1,190
Profit attributable to members of the parent entity	-	673	-	-	673
Subtotal	70,790	(63,222)	369	52	7,989
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2009	69,459	(63,222)	369	52	7,989
Balance at 1 July 2009	70,790	(63,222)	369	52	7,989
Profit attributable to members of the parent entity	-	4,248	-	-	4,248
Total other comprehensive income for the period	-	-	18	-	18
Reclassification on disposal of foreign operations	-	387	(387)	-	-
Subtotal	70,790	(58,587)	-	52	12,255
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2009	70,790	(58,587)	-	52	12,255

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STATEMENT OF CASHFLOWS FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group	
		2010 \$000	2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		21,953	20,581
Payments to suppliers and employees		(22,733)	(23,389)
Grants received		-	918
Interest received		185	126
Finance costs		(257)	(306)
Income tax paid		(95)	(120)
Net cash provided by (used in) operating activities		(947)	(2,190)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of intellectual property		169	-
Proceeds from sale of equity investments		6,755	50
Purchase of property, plant and equipment		(156)	(73)
Purchase of available-for-sale investments		-	(99)
Loans repaid by other entities		-	1,145
Payment for investments in controlled entities		-	-
Net cash provided by (used in) investing activities		6,768	1,023
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,321
Proceeds from borrowings		-	1,200
Repayment of borrowings		(270)	(1,554)
Convertible Note Interest and Fees		-	(67)
Net cash provided by (used in) financing activities		(270)	900
Net increase in cash held		5,551	(267)
Cash and cash equivalents at beginning of financial year		853	1,120
Cash and cash equivalents at end of financial year		6,404	853

The accompanying notes form part of these financial statements.

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NOTE 1: BASIS OF PREPARATION

The consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this Preliminary Final Report is read in conjunction with any public announcements made by the Company and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2009 annual report, unless otherwise stated. This report does not include full disclosures of the type normally included in an annual financial report.

The Preliminary Final Report covers the consolidated entity of QRSciences Holdings Limited and controlled entities. QRSciences Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The Preliminary Final Report of QRSciences Holdings Limited and controlled entities complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

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

Accounting Standards not previously applied

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

Presentation of Financial Statements

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

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

NOTE 1: BASIS OF PREPARATION (CONTINUED)

Operating Segments

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

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

NOTE 2: PROFIT/(LOSS) FOR THE PERIOD

	Consolidated Group	
	2010	2009
	\$'000	\$'000
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Net gain on the disposal of investments	4,454	46
Realised gains on foreign currency	659	-
Unrealised gains on foreign currency	145	-

NOTE 3: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or service;
- the distribution method; and
- the geographic target of the segment operations

NOTE 3: OPERATING SEGMENTS (CONTINUED)

Segment Information (Continued)

Types of products and services by segment

(i) *Investment*

QRSciences Holdings Ltd is an investment company that continues to explore and evaluate investment opportunities and has cash reserves in excess of \$6.86m at the time of release of this report.

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

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

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

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

QRSciences Holdings Ltd to Diversified Opportunities

QRSciences Holdings Ltd to QRSciences Pty Ltd

These transactions are entered into on normal commercial terms.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the reporting period, segment assets are clearly identifiable to a specific segment on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;

NOTE 3: OPERATING SEGMENTS (CONTINUED)

Segment Information (Continued)

Basis of accounting for purposes of reporting by operating segments (Continued)

Unallocated items (continued)

- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- discontinuing operations;

Comparative information

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

(i) Segment performance

	Investment \$'000	Distribution \$'000	Total \$'000
30 June 2010			
Revenue			
External sales	-	19,298	19,298
Inter-segment sales	509	-	509
Interest revenue	152	33	185
Other revenue	-	436	436
Total segment revenue	661	19,767	20,428
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			(509)
Total group revenue			19,919
Segment net profit/(loss) before tax	2,036	1,448	3,484
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation and amortisation	(68)	(122)	(190)

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NOTE 3: OPERATING SEGMENTS (CONTINUED)

(i) Segment performance (Continued)

	Investment \$'000	Distribution \$'000	Total \$'000
30 June 2010 (Continued)			
Unallocated items:			
• Corporate charges			(16)
• Finance costs			(336)
• Unrealised gain on investments			30
• Net Gain on Disposal			4,454
• Consulting fee			(105)
• Bad and doubtful debts			(56)
• Realised/unrealised FX gain			804
• Discontinued operations			(3114)
• Other			(9)
			4,946
Net profit before tax from continuing operations			4,946

	Investment \$'000	Distribution \$'000	Total \$'000
30 June 2009			
Revenue			
External sales	-	17,782	17,782
Inter-segment sales	438	-	438
Interest revenue	21	-	21
Other revenue		227	227
Total segment revenue	459	18,009	18,468
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			(438)
Total group revenue			18,030
Segment net profit/(loss) before tax	(8,580)	(756)	(9,220)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			

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NOTE 3: OPERATING SEGMENTS (CONTINUED)

(i) Segment performance (Continued)

	Investment \$'000	Distribution \$'000	Total \$'000
30 June 2009 (Continued)			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation and amortisation	-	(111)	(111)
Unallocated items:			
• Consulting fees			(471)
• Finance costs			(482)
• Bad and doubtful debts			(580)
• Net gain on disposal of available-for-sale investments			46
• Realised/unrealised FX loss			(50)
• Discontinued operations			9,057
• Others			(77)
Net (loss) before tax from continuing operations			(1,888)

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NOTE 3: OPERATING SEGMENTS (CONTINUED)

(ii) Segment assets

	Investment \$'000	Distribution \$'000	Total \$'000
30 June 2010			
Segment assets	13,453	10,767	24,220
Segment asset increases for the period:			
• Capital expenditure	-	67	67
	-	67	67
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment eliminations			(6,071)
Unallocated assets:			
• Deferred tax assets			264
Total group assets from continuing operations			18,480
30 June 2009			
Segment assets	11,505	8,461	19,966
Segment asset increases for the period:			
• Capital expenditure	-	25	25
	-	25	25
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment eliminations			(6,380)
Unallocated assets:			
• Deferred tax assets			179
Total group assets from continuing operations			13,765

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NOTE 3: OPERATING SEGMENTS (CONTINUED)

(iii) Segment liabilities

	Investment \$'000	Distribution \$'000	Total \$'000
30 June 2010			
Segment liabilities	1,541	4,886	6,427
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations			(343)
Unallocated liabilities:			
• Current tax liabilities			277
Total liabilities from continuing operations			6,361
30 June 2009			
Segment liabilities	1,629	4,295	5,924
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations			(426)
Unallocated liabilities:			
• Deferred tax liabilities			96
Total liabilities from continuing operations			5,594

(iv) Revenue by geographical region

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

	2010 \$'000	2009 \$'000
Australia	19,919	18,022
Total revenue	19,919	18,022

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NOTE 3: OPERATING SEGMENTS (CONTINUED)

(v) Assets by geographical region

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

	2010	2009
	\$'000	\$'000
Australia	18,480	13,758
United States of America	-	7
Total assets	<u>18,480</u>	<u>13,765</u>

(vi) Major customers

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

NOTE 4: DISCONTINUED OPERATIONS

Consolidated Group

2010 2009
\$000 \$000

Diversified Opportunities (DVOP-OB)

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

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

Revenue	-	-
Expenses	(17)	(157)
Profit/(Loss) before income tax	(17)	(157)
Income tax expense	-	-
Loss attributable to members of the parent entity	(17)	(157)

QRSciences Pty Ltd

In October 2009 the group announced to the market its intention to dispose of QRSciences Pty Ltd, thereby discontinuing its operations in this business.

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

Revenue	492	7,316
Expenses	(970)	(4,251)
Loss before income tax	(478)	3,065
Income tax expense	-	-
Loss attributable to members of the parent entity	(478)	3,065

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NOTE 4: DISCONTINUED OPERATIONS (CONTINUED)

Consolidated Group

2010 **2009**
\$000 **\$000**

QRSciences Co

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

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

Revenue	-	135
Expenses	(12)	(367)
Loss before income tax	(12)	(231)
Income tax expense	-	-
Loss attributable to members of the parent entity	(12)	(231)

NOTE 5: DISPOSAL OF CONTROLLED ENTITIES

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

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

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

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

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

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

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

(iii) Disposal of interest in Diversified Opportunities (DVOP-OB) (USA)

On 17 March 2010, the Group disposed of its investment in DVOP.

	\$'000
The sale considerations comprises:	
- Cash payment	234
Total considerations	234
Less:	
- Impairment of Investment	422
- Investments cost	(681)
Net loss on disposal	(25)

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NOTE 6: CONTRIBUTED EQUITY

	2010	2009
	\$'000	\$'000
151,735,256 Ordinary Shares Fully Paid	70,790	70,790
Movements During the Period		
Ordinary Issued and fully paid Share Capital		
Opening balance at the beginning of the reporting period	70,790	69,285
Issue of 348,484 FPO Shares – Per Trafalgar Con Note	-	25
Issue of 198,059 FPO Shares – Per Trafalgar Con Note	-	15
Issue of 205,925 FPO Shares – Per Trafalgar Con Note	-	15
Issue of 209,474 FPO Shares – Per Trafalgar Con Note	-	15
Issue of 104,672 FPO Shares – Per Trafalgar Con Note	-	10
Issue of 550,000 FPO Shares – Per Wakabayashi Consultancy Agreement	-	72
Issue of 93,487 FPO Shares – Per Trafalgar Con Note	-	5
Issue of 235,520 FPO Shares – Per Trafalgar Con Note	-	11
Issue of 196,844 FPO Shares – Per Trafalgar Con Note	-	6
Issue of 336,134	-	10
Issue of 12,425,864 FPO Shares – Private Placement Helmsman	-	271
Issue of 50,578,419 FPO Shares via Rights Issue	-	1,104
Transaction Costs relating to Share Issues	-	(54)
Closing balance at the end of the reporting period 151,735,256	70,790	70,790

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NOTE 7: CONTINGENT LIABILITIES

On 22 April 2010, QRSciences Holdings Ltd (QRSH) announced the sale of the assets of the QRSciences Pty Ltd (QRSPL) business to Rapiscan. After completion of that sale on 29 April 2010, QRSPL's only remaining asset is cash of \$121k. The employment of all QRSPL employees was terminated and their entitlements paid out in full on 17 June 2010, at which time operations ceased and QRSPL became dormant.

QRSPL owes \$27.5 million to its parent QRSH by way of an intercompany loan. Following the cessation of trading of QRSPL, QRSH has formally withdrawn all financial support to QRSPL which has resulted in the decision by the director of QRSPL to appoint a voluntary administrator.

On the 27 July 2010 AusIndustry wrote to QRSciences Pty Ltd informing them that they viewed the lack of a commercial outcome on the AusIndustry R&D Start Program Grant Agreement which QRS entered into in 2004 breached the terms of the contract, and indicated that they may seek to recover 50% of grant monies provided, namely \$1.4 million.

In light of the fact that no further financial support would be provided by QRSH to QRSPL, it is the boards' view that the maximum carrying value for the contingent liability is the value of its cash assets of \$121k.

NOTE 8: EVENTS AFTER THE REPORTING DATE

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

- **On 13 July 2010 the Company entered into an exclusive distribution agreement with Tyco Security Products for the DSC Alarm products for Australia.**
- **On 23 July 2010 the Company announced entering into a term sheet to acquire the API services and Solutions business.**
- **On 10 August 2010 the Company announced the intention to close down some dormant subsidiaries and to place QRSciences Pty Ltd into voluntary administration.**

These events for the Company reinforced the Board's commitment to expand the Company and grow revenues, concurrent with the commitment to ensure cash flow negative business units are exited with the ultimate aim to unlock shareholder value.