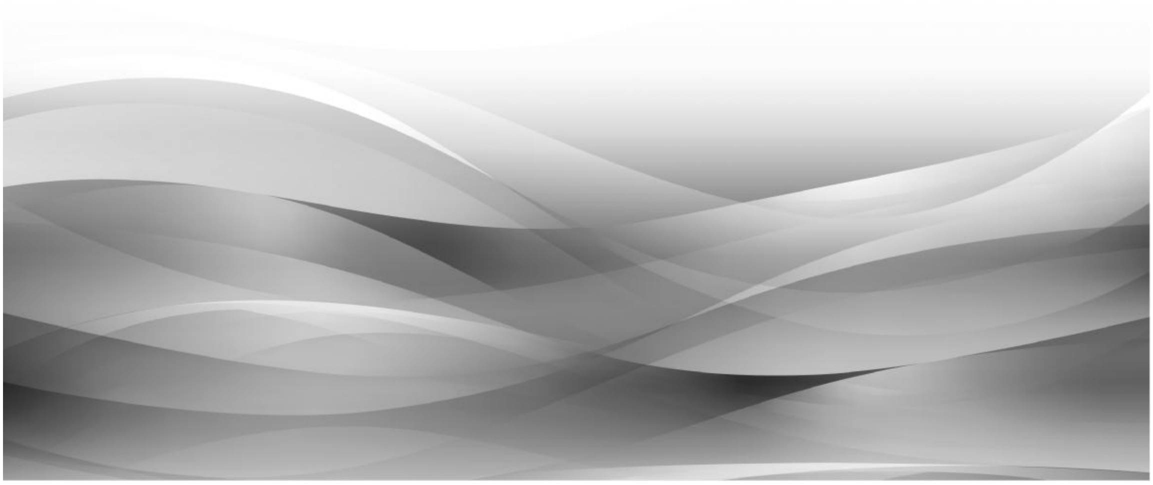
Half Yearly Financial Report
31st December 2013



Contents

Directors' Report

Your directors submit their report for the half-year ended 31 December 2013.

Directors

The names of the company's directors in office during the half-year and until the date of this report are:

Shaun Rosen (Executive Chairman)
Clive Klugman (Executive Director)
Alan Treisman (Executive Director & Company Secretary)
Mark McGeachen (Executive Director)
Stephe Wilks (Non-Executive Director)
Gary Burg (Non-Executive Director) (resigned 11 September 2013)
Davy Rosen (Executive Director) (appointed 12 December 2013)

Review and Results of Operation

The Company achieved a solid result in the half year substantially increasing revenue on the previous comparable period (with a material influence of the Intelligent Retail acquisition), reducing debt, achieving a solid underlying EBITDA of $2.4m, and further strengthening our intellectual property portfolio.

Highlights for the half year included:

- Again, a focus on growing the business, particularly with continued investment in resources across the group, kept earnings to a moderate level. As with the previous half, those new resources were primarily focused on further enhancing the Company's intellectual property assets. In particular, new resources were deployed in the Company's growing Indian based facility, which has proven to be a very successful base for quality support and development activities.

- The Company again had a very successful appearance at the industry event of the year, the NRF conference in New York. The enunciated product development strategy was well received, with the Company's market leading mobile solutions, and developing Smart Retail solution, capturing prospective clients' and existing customers' imagination. As in previous reports, these developments confirm the Company's capacity to develop software and solutions that our customers and the market want, and we anticipate revenue growth to follow.

- The Company continued to focus on potential corporate activities, identifying a number of prospective targets and initiating conversations with them about working with the Company to drive a more successful combined entity. In parallel, the Company has also pursued discussions with advisers to assist in securing the required funding for any acquisitions.

- The Company's most recent acquisition, the UK based Intelligent Retail, demonstrated the value of a process of targeted M&A. Intelligent Retail has delivered on its existing organic business promise, and continues to grow in line with expectations. The Company is in the process of bringing Intelligent Retail's unique proposition to customers outside the UK – starting with developments in Australia and New Zealand, which are expected to bring new revenues into the Company towards the middle of 2014.

- The Board continues to believe the Company is very well placed to make appropriate acquisitions – a number of which continue to be under active consideration.

I am happy to report the operating profit for the period.

Operating Report and Financial Highlights

	Dec-13	Dec-12		Percentage Increase/(Decrease)
Revenue	$14,531,506	$11,430,653	↑	27%
Gross Profit Percentage	87.1%	88.6%	↓	-1.5%
Underlying EBITDA*	$2,406,922	$2,391,644	↑	1%
Net Profit After Tax	$268,715	$868,495	↓	-69%
Earnings per Share (cents)	0.18	0.56	↓	-69%
Number of Employees	193	139	↑	39%

*Underlying EBITDA excludes foreign exchange gains/losses on foreign denominated bank loan accounts and intercompany trade accounts, and share based expenses.

Non-IFRS Information

- Underlying EBITDA

Underlying EBITDA is a more realistic and accurate method of determining the operating performance of the group than Net Profit After Tax. The reasons for this is that all the reconciling items such as interest, depreciation, foreign exchange gains or losses and options expense, have nothing to do with the operating performance of the group. Most of these items are non-cash items. In addition, each country has a different tax regime and tax rates, some countries are in tax loss position while others are not, and hence including tax figures will not show a consistent performance measurement of results of each segment or country.

- Reconciliation of underlying EBITDA to Net Profit after Tax

	Dec-13	Dec-12
Underlying EBITDA	**2,406,922**	**2,391,644**
Interest received	197,666	26,013
Depreciation & Amortisation	(1,397,355)	(1,051,793)
Foreign exchange adjustment	(358,331)	43,657
Finance costs	(423,979)	(360,799)
Fair value movement on SWAP (loss)/gain	(9,145)	24,340
Share options expenses	-	(17,551)
Tax expenses	(147,063)	(187,018)
Net Profit after tax	**268,715**	**868,495**

Auditor's Independence Declaration

The lead auditor's independence declaration under sections 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the directors

Shaun Rosen, Director
Sydney, 13 March 2014

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF 3Q HOLDINGS LIMITED

As lead auditor for the review of 3Q Holdings Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of 3Q Holdings Limited and the entities it controlled during the period.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 13 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2013

	Note	Half-year ended 31 Dec 2013 $	Half-year ended 31 Dec 2012 $
Revenue	2(a)	14,531,506	11,430,653
Cost of sales		(1,874,048)	(1,302,635)
Gross profit		12,657,458	10,128,018
Other income	2(b)	222,151	113,799
Operating expenses		(2,008,559)	(1,628,285)
Employee benefit expenses		(8,266,462)	(6,195,873)
Earnings before tax, finance costs, depreciation, amortisation, share based payments and foreign exchange gains/(losses)		2,604,588	2,417,659
Depreciation		(127,137)	(126,341)
Amortisation of intangibles		(1,270,217)	(925,452)
Finance costs		(433,123)	(336,459)
Foreign exchange gains/(losses)		(358,333)	43,657
Share based payments/expenses		-	(17,551)
Profit before income tax		415,778	1,055,513
Income tax expense		(147,063)	(187,018)
Profit after income tax for the half-year		268,715	868,495
Other comprehensive income:			
Exchange difference on translating foreign operations (net of tax)		1,140,248	(54,535)
Total comprehensive income for the half-year		1,408,963	813,960
Profit attributable to:			
Owners of the parent		268,715	868,495
Total comprehensive income for the half-year is attributable to:			
Owners of the parent		1,408,963	813,960
Earnings per share			
Basic earnings per share (cents per share)		0.179	0.563
Diluted earnings per share (cents per share)		0.166	0.475

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position
As at 31 December 2013

	Note	As at 31 Dec 2013 $	As at 30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents		5,181,647	4,547,348
Trade and other receivables		4,246,136	5,646,240
Other assets		837,248	701,440
Inventories		235,864	243,581
Current tax asset		363,721	251,144
Total Current Assets		10,864,616	11,389,753
Non-current Assets			
Property, plant and equipment		487,194	664,294
Trade and other receivables		171,033	173,968
Intangible assets		31,726,947	30,302,894
Deferred tax assets		3,888,378	3,585,574
Total Non-current Assets		36,273,552	34,726,730
TOTAL ASSETS		47,138,168	46,116,483
LIABILITIES			
Current Liabilities			
Trade and other payables	7	6,978,862	7,820,987
Financial liabilities		1,791,820	1,181,239
Employee benefits		1,448,504	1,362,774
Current tax liabilities		200,928	255,693
Total Current Liabilities		10,420,114	10,620,693
Non-current Liabilities			
Financial liabilities		10,268,742	10,833,438
Trade and other payables		-	-
Provisions		63,007	53,689
Deferred tax liabilities		4,940,955	4,572,276
Total Non-current Liabilities		15,272,704	15,459,403
TOTAL LIABILITIES		25,692,818	26,080,096
NET ASSETS		21,445,350	20,036,387
EQUITY			
Issued capital	4	6,724,598	6,724,598
Reserves		838,347	(301,901)
Retained Earnings		13,882,405	13,613,690
TOTAL EQUITY		21,445,350	20,036,387

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2013

	Note	Half-year ended 31 Dec 2013 $	Half-year ended 31 Dec 2012 $
Cash flows from operating activities			
Receipts from customers		16,303,661	12,971,467
Payments to suppliers and employees		(12,711,278)	(9,726,439)
Interest received		48,285	26,008
Interest Paid		(277,160)	(143,287)
Taxation paid		(241,461)	(209,998)
Other income		24,638	90,066
Net cash inflows from operating activities		3,146,685	3,007,817
Cash flows from investing activities			
Purchase of property, plant and equipment		(73,524)	(121,430)
Payment for purchase of business, net of cash acquired		(1,015,141)	-
Payment of development costs		(1,434,394)	(1,086,974)
Payment for other non-current assets		(5,795)	-
Receipts from other entities		10,853	-
Net cash outflows from investing activities		(2,518,001)	(1,208,406)
Cash flows from financing activities			
Repayment of finance leases		(31,542)	(19,162)
Repayment of borrowings		(241,418)	(750,000)
Share buy-back	4	-	(874,217)
Net cash outflows from financing activities		(272,960)	(1,643,379)
Net increase in cash and cash equivalents		355,724	156,032
Cash and cash equivalents at beginning of the half-year		4,547,348	3,653,456
Exchange rate/translation adjustments		278,575	(52,598)
Cash and cash equivalents at end of period		5,181,647	3,756,890

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2013

	Issued Capital $	Reserves $	Retained Earnings $	Option Premium on Convertible Notes $	Total $
Balance at 1 July 2012	7,586,837	(2,258,281)	13,481,939	190,138	19,000,633
Share based payments	17,551	-	-	-	17,551
Share buy back	(874,217)	-	-	-	(874,217)
Total comprehensive income for the half year	-	(54,535)	868,495	-	813,960
Balance at 31 December 2012	6,730,171	(2,312,816)	14,350,434	190,138	18,957,927
Balance at 1 July 2013	6,724,598	(545,437)	13,613,690	243,536	20,036,387
Total comprehensive income for the half year	-	1,140,248	268,715	-	1,408,963
Balance at 31 December 2013	6,724,598	594,811	13,882,405	243,536	21,445,350

The accompanying notes form part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 Significant Accounting Policies

Basis of Preparation

The half-year financial report has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards, including AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirement, as appropriate for-profit orientated entities.

The half-year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, it is recommended that the half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2013.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements. AASB 10 revises the definition of control and provides extensive new guidance on its application. Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's sites held during the period or comparative periods covered by these financial statements.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. This standard does not prescribe when to use fair value. Instead it provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. AASB 134 requires particular AASB 13 disclosures in the interim financial statements which are provided in note 8.

AASB 19 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard changed the definition of short term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

2 Revenues and other income

	Half-year ended 31 Dec 2013 $	Half-year ended 31 Dec 2012 $
(a) Revenues		
Sales of goods/hardware	802,301	606,574
Rendering of services	5,713,402	4,873,233
Maintenance fees	6,277,278	4,807,788
Licence fees	1,500,972	944,102
Other revenue	237,553	198,956
	14,531,506	11,430,653
(b) Other income		
Interest income	197,666	26,013
Other income	24,485	87,786
	222,151	113,799

3 Dividends Paid and Proposed

There are no dividends payable or receivable at reporting date.

4 Issued Capital

	Consolidated Group	
	Number	**$**
June 2013		
(a) Ordinary shares		
Fully paid	149,778,893	6,724,598
Partially paid	-	-
	149,778,893	6,724,598
(b) Movements in ordinary share on issue		
Balance at the beginning of the year	165,826,542	7,586,837
Share buy-back	(17,484,326)	(874,217)
Shares issued to senior managers	1,500,000	17,551
On Market buy-back	(63,323)	(5,573)
Balance at the end of June 2013	149,778,893	6,724,598
December 2013		
(a) Ordinary shares		
Fully paid	149,778,893	6,724,598
Partially paid	-	-
	149,778,893	6,724,598
(b) Movements in ordinary shares on issue		
Balance at the beginning of the year	149,778,893	6,724,598
Shares issued as part of a share purchase plan	-	-
Share buyback	-	-
Balance at the end of the half year	149,778,893	6,724,598

5 Contingent Assets and Liabilities

As disclosed in the June 2013 Annual Report, effective 30 April 2013, the consolidated entity acquired 100% of the ordinary shares of Intelligent Retail Limited. Under the terms of the agreement, an earn out is payable to the vendors of Intelligent Retail Limited for the financial periods ended 30 April 2014 and 30 April 2015 contingent on the performance of Intelligent Retail Limited for the periods then ended. The potential earn out ranges from £Nil to £2,000,000 (AUD$3,712,800) depending on the final EBITDA of Intelligent Retail Limited during these periods.

6 Events subsequent to the reporting date

No material events occurred after balance sheet date.

7 Trade and other payables

	As At 31 Dec 2013 $	As At 30 June 2013 $
Current		
Trade payables	1,734,220	1,521,250
Deferred revenue	4,551,839	4,606,815
Other payables	473,799	383,295
Payable to vendor	-	1,105,949
Payable to related party	219,004	203,678
	6,978,862	7,820,987

8 Fair Values of Financial Instruments

	31 Dec 2013 $	30 June 2013 $
Recurring fair value measurements		
The following financial instruments are subject to recurring fair value measurements:		
Derivative liabilities		
- Interest rate swaps - Level 2	64,168	55,023

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

(a) quoted prices (unadjusted) and active markets for identical assets or liabilities (level 1).
(b) inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly (as process) or indirectly (derived from process) (level 2), and
(c) inputs for the assets or liability that are not based on observable market data (unobservable inputs) (level 3).

Transfers

During the half-year ended 31 December 2013, the consolidated entity had no level 1 and 3 financial instruments.

During the half-year ended 31 December 2013, there were no transfers between levels 1 and 2 of the fair value hierarchy.

Valuation techniques used to derive level 2 fair values

The fair value of derivatives not traded in an active market (interest rate swaps) are determined using discounted cash flow calculations. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates discounted at a rate that reflects the credit risk of various counterparties.

Fair values of financial instruments not measured at fair value

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Carrying Amount $	Fair Value $
NON-CURENT ASSETS		
Trade and other receivables	171,033	156,911
	171,033	156,911

Due to their short-term nature, the carrying amounts of cash and cash equivalents, current receivables, current trade and other payables are assumed to approximate their fair value. A discount rate of 9% has been applied to all non-current trade and other receivables & other non-current liabilities to determine fair value.

9 Company Details

Registered Office
Level 14, Tower 2, 101 Grafton Street
Bondi Junction
NSW 2022
Australia

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the *Corporate Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors,

Shaun Rosen
Director

Sydney, 13 March 2014

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 3Q Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of 3Q Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 3Q Holdings Limited and the entities it controlled at the half-years end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 3Q Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 3Q Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 3Q Holdings Limited is not in accordance with the *Corporations Act 2001* including:

A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

B. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

BDO

Paul Bull
Partner

Sydney, 13 March 2014