3Q HOLDINGS LIMITED

3Q Holdings Limited
2007 Annual Report

Contents

Corporate Information

ABN 42 089 058 293

Directors

Shaun Rosen (Executive Chairman)
Clive Klugman
Alan Treisman
Geoff Gander
Mark McGeachen

Company Secretary

Alan Treisman

Registered Office

Level 14, Tower 2, 500 Oxford Street
Bondi Junction
NSW 2022
Australia

Principal Place of Business

Ground Floor, 35 Spring Street
Bondi Junction
NSW 2022
Australia
Phone 61 2 9389 3555
Website www.threeq.com.au

Share Register

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000
Phone 61 8 1300 557 010
Website www.computershare.com

Solicitors

Freehills
MLC Centre Martin Place
Sydney NSW 2000
Australia

Bankers

Commonwealth Bank of Australia

- Bondi Junction, Sydney NSW

National Australia Bank

- Bondi Junction, Sydney NSW

St George Bank

- George Street, Sydney NSW

Auditors

PKF
Level 10, 1 Margaret Street
Sydney NSW 2000
Australia

Stock Exchange Listing

Australian Stock Exchange, code: TQH

Chairman's Report

I am pleased to present the Annual Report for 3Q Holdings Limited (3Q) for the year ended 30 June 2007.

Financial Overview & Highlights of the Year

In the financial year ending 30 June 2007, 3Q followed its strategic direction and traded well, meeting its financial objectives. A solid foundation has been laid upon which to build further profit growth in FY2008.

3Q is in a strong position to take advantage of the fragmented nature of its industry and pursue its strategy of growth by acquisition.

The key operating highlights of 2007

- The acquisition of the profitable business of AdvanceRetail in both New Zealand and Australia.
- The completion of the first full financial year since the listing of 3Q at the end of 2005.
- The successful launch of the Pyramid product into Australia.
- The growth of the Pyramid product in the USA and UK.
- The ongoing organic growth of our core businesses.

Financial Highlights

	2007	2006	Percentage Increase/(Decrease)
Revenue & other income	$11,268,697	$8,367,043	↑ 35%
Gross Profit Percentage	76%	75%	↑ 1%
EBITDA (before options expense)	$2,664,238	$2,517,298	↑ 6%
Net Profit After Income Tax (before options expense)	$2,436,912	$1,998,324	↑ 22%
Earnings per Share (diluted and before options expensed)	1.8431c	1.5661c	↑ 18%
Cash	$2,155,810	$684,101	↑ 215%
Trade Receivables	$3,029,509	$1,157,981	↑ 162%
Net Assets	$10,390,579	$4,072,329	↑ 155%
Net Current Assets	$2,126,158	$327,074	↑ 550%
Number of Employees	80	38	↑ 111%

Group Overview

Whilst we are pleased with our result this financial year, it is worth noting there were still some expenses which, when one looks to compare the year on year results, have impacted the 2007 position by some $620,000.

Examples of these expenses include the comprehensive advice we received regarding the availability of past tax losses to the Company. These were a one off expense but it is important to note that the availability of these tax losses should deliver significant benefits to shareholders over the coming years and therefore we believe the advice was strategically important. It should also be noted that while such losses will be offset against future revenues over a number of years, the costs of getting the advice has been expensed in the period it was incurred.

The result also included costs associated with the expensing of options that were issued during the year as well the Company incurring the full twelve months costs associated with being a public entity as compared to these costs for only a six month period in the previous year's results.

The Company continued to make progress in terms of building the client base and the geographic spread which we cover. We signed a number of new and existing retailers for new business during the year including Mountain Designs, Marcs, Morrisey, Retravision, Forty Winks and Specialty Fashion Group and we were also awarded a contract to supply product into South East Asia by Quiksilver.

We were recognised in both the Australian and Asian marketplaces as being a significant growth company via awards in the prestigious Deloitte Fast 50 (Australia) where we were placed 8th and Fast 500 (Asia Pacific) Programs.

Pyramid

FY2007 saw the introduction of our Pyramid planning product into Australia, the USA and the UK. Pyramid, which is a business intelligence tool, is used by major retailers for pre season and in season merchandise planning as well as for store and assortment planning. The product has been extremely well received and we expect the product offering to be a significant part of our future. 3Q is now able to offer a product to retailers who are not part of our customer base and as such opens many opportunities to use Pyramid as an entree to retailers who do not currently do business with 3Q.

AdvanceRetail (NZ)

In April, 2007, 3Q finalised the acquisition of the New Zealand based AdvanceRetail Technology (AR). AR is a leading retail solutions provider with offices in Auckland, Sydney and Brisbane and representation in Malaysia, China and Singapore. AR has a range of strategic alliances through which the Company takes its products and services to market and these alliances are with industry leaders that include SAP, Microsoft and IBM. AR brought with it an impressive customer base and some of its clients include leading New Zealand retailers such as Farmers, Postie Plus, Max Fashions, Smith & Caughey, Paper Plus, PGG Wrightson as well as high profile Australian retailers such as Dymocks, Fone Zone, Angus & Coote, Prouds, Australian Geographic and Napoleon Perdis.

AR was only owned for 3 months and as such the revenue from that period only flowed through to the group. It is expected that a full 12 months of revenues should have a significant effect on the group revenues for FY2008.

The purchase of AR has seen the Company acquire an organisation that offers great synergies in terms of providing excellent management, a loyal customer base, strategic products and an existing reseller network in Asia, where we see many expansion opportunities over the coming few years. AR has also become a reseller of the Merlin X2 software, a product aimed at hairdressers. We are in the process of negotiating a distributorship agreement for Australia and New Zealand. As part of the acquisition we welcomed AR's Mark McGeachen to the Board. Mark is well known in the New Zealand retail sector and brings a wealth of knowledge to the Company.

The acquisition of AR has created a company that dominates the retail software sector in Australia/NZ and provides a platform to roll out a number of products to the installed base. We expect to roll out our Pyramid planning product to our AdvanceRetail customers and the AdvanceReports and AdvanceKiosk products to our QQQ Solutions/CRMS (Australia/NZ) and Applied Retail Solutions (USA) customers. We expect the synergies from these opportunities to translate into organic growth for the Australian and New Zealand businesses in FY2008.

Applied Retail Solutions (USA)

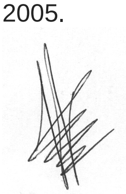
Our United States division, Applied Retail Solutions, continued to perform well during the year and was instrumental in the introduction our new Pyramid product offering into the US, UK and Australian markets. Customers who have installed Pyramid include Roland DG and Ally Fashions (AUS), Past Times and The Perfume Shop (UK), Sur La Table (USA).

Applied Retail Solutions have identified a number of strategic acquisition opportunities in the USA and we anticipate the conversion of at least one of these opportunities over the next year. We would anticipate the existing management team to be responsible for integrating and running any such businesses when they are eventually acquired.

Ongoing

The Board continues to be focused on identifying more suitable acquisition targets and we will announce progress to shareholders as and when it is appropriate. As we have always stated, ultimately 3Q is about achieving scale through strategic acquisitions wherever synergies and economies of scale are anticipated to increase profitability. Our focus continues to be very clear and we know that our underlying business is profitable and robust.

We look forward to your continued support as we work though another busy year ahead and I thank you, the shareholders, as well as our dedicated staff and alliance partners for helping us make the progress we have since listing in December 2005.

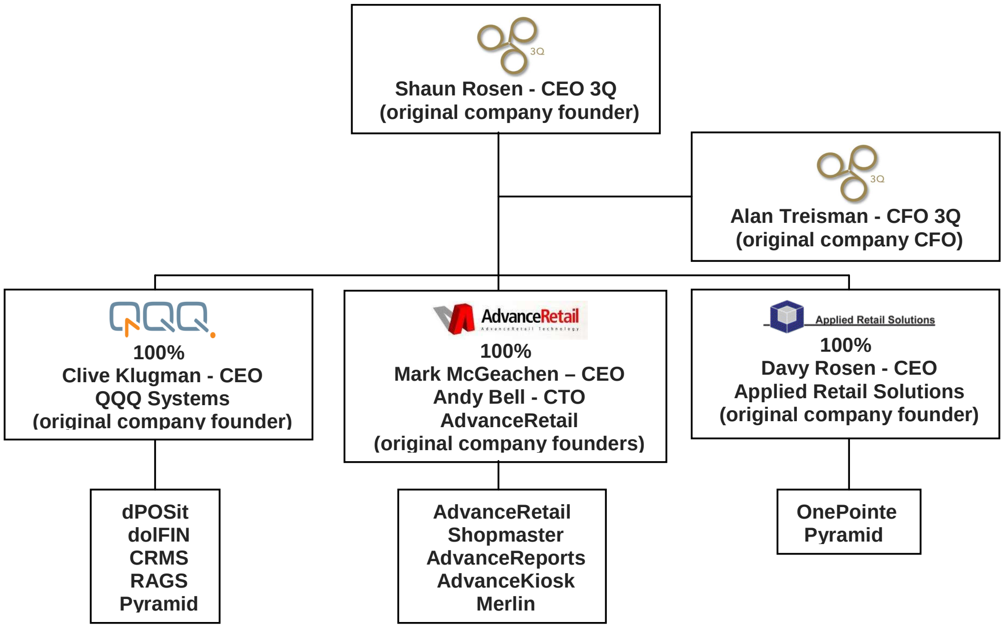


Shaun Rosen
Chairman

Business Overview

Mission Statement

3Q Holdings Limited strives to be at the forefront of retail technology development, providing retailers with a combination of premium technology products and services. 3Q Holdings Limited will grow by acquisition and organically to become the Australian industry leader, with global expansion to follow.



The Company, trading as QQQ Systems in Australia, Applied Retail Solutions (ARS) in the USA and Advance Retail Technology (AR) in New Zealand and Australia develops, sells, implements and integrates retail technology solutions for a wide range of retail clients, operating in the fashion, electronics, furniture, general merchandise and discount variety industries.

Generally, its revenue model consists of an upfront fee for the technology, hardware and related services, with an ongoing maintenance revenue trail on the software, for the life of its use. We estimate that customers typically replace their Point-of-Sale (POS) technology every eight years.

The majority of sales are made to retailers establishing their inaugural operations or those actively seeking a new software solution.

The Company services household brands in the electronics, general merchandise and discount variety sectors, with approximately 275 customers and 9,000 POS lanes in Australia and New Zealand. ARS' clients operate approximately 8,250 POS lanes in the USA. Maintenance revenue is generally calculated on a per lane or per user basis and forms the basis for the recurring income stream.

One of the key factors in the success of the Company's strategy is its commitment to the highest levels of customer service and managing relationships with customers.

We believe that our key competitive advantages include the:

- proven quality of the products
- extensive features and functionality of the products
- experience of the management team in the Australian, New Zealand, Asian, UK and USA markets
- stability of the current customer base
- expertise and track record of the Board and management team in managing and integrating acquisitions.

Summary of Products & Services

3Q Holdings Limited delivers proven retail technology solutions that include software, hardware, services, consulting and maintenance. Its scalable suite of products satisfy the majority of a retailer's needs in traditional retail software applications and can operate independently or be fully integrated with solutions provided by other vendors.

Store Solutions	**Sector**	
dPOSit	Fashion	
OnePointe	Tier 1	(500 plus stores)
Thin RMS	Thin Client	
AdvanceRetail/Shopmaster	General Retail	
Merlin *	Hairdressing/Salon	
AdvanceKiosk	In Store Kiosk	
RCM	CRM/Voucher/Gift	
Head Office Solutions	**Sector**	
Merchandising Solutions		
dolFIN	Specialty (Fashion) Merchandising	
CRMS	Furniture and Electrical Merchandising	
AdvanceRetail/Shopmaster	General Merchandising	
IPMS *	Tier 1 Merchandising	
Business Intelligence		
AdvanceReports	Data Warehousing/Decision Support for Retailers	
Pyramid	Merchandise Planning	
Other		
RAGS	Fashion (vertically integrated production)	

* Via reseller arrangements

Ongoing Strategies

The 3Q Holdings Limited Business Plan is focused on a strategy of growth by acquisition. The stated objective is to become the market leader of the sector the Company operates in.

The retail technology industry is highly fragmented. The previous experience of the 3Q Management Team has proven that consolidation within a fragmented sector can greatly increase profitability through the consolidation of overhead expenses, improved purchasing power, rationalisation of sales forces, rationalisation of products and cross selling of products.

The Board has established a formal process to be followed which will generally be used for each acquisition. Potential acquisition targets will need to meet the following broad criteria:

- operate in the software/services or related sectors
- have a history of profitability, positive cash flows and recurring revenue streams
- demonstrate operating margins in line with 3Q's existing business model
- own their technology
- possess a management team who will be prepared to continue their relationship with the business.

However, there are exceptions to these criteria where the motives for the acquisitions are to take into account strategic, geographic or technological advantages.

In addition,

- every acquisition should be accretive to existing 3Q's shareholders on its own merit
- consideration will generally be via a mixture of shares and cash, with appropriate escrow arrangements
- where deemed appropriate, purchase consideration will be linked to future profitability.

Board of Directors

The names and details of the Directors of 3Q Holdings Ltd in office during or since the end of the financial year are as follows:

Shaun Rosen
Executive Chairman

Shaun Rosen joined the Board as the Executive Chairman on 22 December 2005, as part of the acquisition of QQQ Systems Pty Limited. He completed a Bachelor of Computer Science degree at the University of Cape Town in 1982 and founded Divergent Technologies in South Africa in 1983, where he served as Managing Director. The focus of the business was developing software for retailers, wholesalers and manufacturers. He has had more than 20 years experience in the information technology industry. In 1986 he immigrated to Australia and started Divergent Technologies in Sydney in 1987. In 1994, 20% of Divergent was sold to Tag Pacific and in 1996, 100% of Divergent was sold to SVI Holdings Inc, which was listed on the OTC Bulletin Board. Shaun retired in late 1999. In 2002, Shaun bought back SVI Retail with his business partner, Clive Klugman. Together they traded the Company back into profitability.

Clive Klugman
Executive Director

Clive joined the Board as Executive Director on 22 December 2005, as part of the acquisition of QQQ Systems Pty Limited. Clive studied Computer Science at the University of Cape Town, graduating in 1979. He formed Divergent Technologies with Shaun Rosen and has worked with Shaun since that time. He has had more than 20 years experience in the information technology industry. He has the role of Chief Executive Officer of QQQ Systems Pty Limited.

Alan Treisman
Executive Director & Company Secretary

Alan Treisman joined the Board as Executive Director and CFO on 22 December 2005. He completed a Bachelor of Commerce degree and a Bachelor of Accountancy degree in 1989, and qualified as a Chartered Accountant in 1990. Alan joined Divergent Technologies in 1994 where he worked for almost 8 years as Financial Controller and then Finance Director. He has had more than 9 years experience in the information technology industry. He now combines the role of Mergers and Acquisitions with that of Chief Financial Officer while also serving as the Company Secretary.

Geoff Gander
Non-Executive Director

Geoff was appointed as a Director of the Company on 4 December 2003 and moved from an Executive role to a Non-Executive role on completion of the acquisition of QQQ Systems Pty Limited. He also has the role of managing Investor Relations for the Company. Geoff graduated from the University of Western Australia in 1984 where he completed a Bachelor of Commerce degree and has had more than 20 years experience in the information technology industry, with much of that specifically related to the POS sector. Geoff works as an industry consultant to a range of private and public companies. In addition to his Non-Executive Director role at the Company, he serves as the Chairman of the publicly listed Jupiter Energy Limited, EQiTX Limited and Biron Apparel Limited. He also serves on the Boards of the privately held Highway 1 (Australia) Pty Limited and Australian Financial Services & Securities Dealers Association Pty Limited.

Mark McGeachen
Executive Director

Mark joined the board on 5 April 2007 as part of the acquisition of AdvanceRetail Technology Ltd, where he had served as Managing Director. As one of the initial founders of AdvanceRetail Technology Ltd, Mark has experience in international software sales, as well as consulting experience with a number of the regions leading retailers. He has more than 23 years experience in the information technology sector, including over 17 years experience in the retail software market.

The Directors' Report

Your Directors submit their report for the year ended 30 June 2007.

Directors & Company Secretary

Please refer to page 8.

Principal Activities

The principal activities of the Company during the financial year have been to provide solutions to its target markets in Australia, New Zealand and the USA.

The principal activities include the developing, selling, implementing and integrating of retail technology solutions and professional services. The retail technology solutions encompass software, hardware, services, consulting and maintenance.

The target markets include a wide range of retail businesses, operating in the fashion, electronics, furniture, general merchandise, jewellery and discount variety industries.

There were no significant changes in the principal activities during the year, other than expansion of the Company's operations to New Zealand.

Group Overview

3Q Holdings Limited (formerly known as Acuity Investment Management Limited and before this as Thin Technologies Limited) was established to develop and market an innovative integrated POS Retail Management System. The Company was registered in Western Australia on 23 August 1999 as a public company and was listed on Australian Stock Exchange (ASX) on 11 April 2000. The Company was suspended from the ASX from November 2003.

To date, the Retail Management System solution has attracted one major client, Hutchison 3G Australia Pty Ltd. Hutchison uses the technology in its "3" stores around the country and the offering has proved to be rich in functionality and very reliable. The Company has outsourced the entire operation, development and support of the Hutchison RMS solution to the London Stock Exchange (LSE) listed, global information technology company LogicaCMG.

3Q Holdings Limited acquired QQQ Systems Pty Limited (trading as SVI Retail) on 22 December 2005. QQQ is an established solutions provider with branches in Sydney, Melbourne and Adelaide. Operating since 1987 in Australia, New Zealand and more recently the Asia Pacific region, QQQ delivers proven retail technology solutions that include software, hardware, services, consulting and maintenance. Its scalable suite of products satisfy the majority of retailers needs in traditional retail software applications and can operate independently or can be fully integrated with solutions provided by other vendors. QQQ services household brands in the electronics, fashion, general merchandise and discount variety sectors.

On 31 March 2006, the Group acquired the Applied Retail Solutions Inc (ARS) business in the USA. ARS has been providing software and services to mid sized and large retailers in the United States since 1987.

The ARS product mix is synergistic with the existing product range available through 3Q in Australia and the acquisition offers the Company an entry point into the large US retail market through a business with an established solution set, existing clients and an experienced management team.

On 5 April 2007, the Group acquired the business of AdvanceRetail Technology. AdvanceRetail Technology is a leading retail solutions provider with offices in Auckland, Sydney and Brisbane and representation in Malaysia, China and Singapore with a staff complement of 42.

AdvanceRetail Technology has a range of strategic alliances through which the Company takes its products and services to market and these alliances are with industry leaders that include SAP, Microsoft and IBM.

The purchase of AdvanceRetail Technology sees the Group acquire an organisation that offers great synergies in terms of providing excellent management, a loyal customer base, strategic products and an existing reseller network in Asia, where the Group sees many expansion opportunities over the coming few years.

Dynamics of the Business

The Retail sector can be characterised as the combination of hardware, software and services being provided by one or more parties to an end user. Due to the nature of the point of service and in particular the need for a fully integrated front and back end application, most end user organisations want to work with one party – a systems integrator – who is ultimately responsible for providing a working solutions.

3Q has always been focused on being a one-stop shop for providing customers with a full working solution and ongoing maintenance and support since its formation in 1987.

There are a number of well run retail solutions providers in the market, some specialising in software, others in services and most with a loyal client base. These organisations are examples of the type of company that 3Q is looking to acquire in order to grow the client base and its stable of software solutions. The Company is currently well established in the "specialty retail" sector and boasts an impressive client list that includes many brand retailers.

Summary of the Company Business Plan

Australia's retail software sector is in a fragmented state and presents a major opportunity for sector consolidation.

The Company's Business Plan will drive the future strategy of the Company. The Directors believe that the key focus will be to obtain a major stronghold in the retail software sector both in Australia and overseas. This will be achieved through acquisitions of similar companies, wherever synergies and economies of scale from the acquisitions are anticipated to increase profitability. This has already been displayed with the acquisitions of Applied Retail Solutions in the USA , and AdvanceRetail Technology in New Zealand and Australia.

Prior acquisitions by the QQQ System's Pty Limited management team illustrate its success in implementing a strategy of growth by acquisition and the Board and Management of the Company are committed to building 3Q as quickly as possible, taking into account the key requirement of only acquiring organisations that offer immediate upside to the profitability of the Company.

Review of Operations

Refer to the Chairman's Report on page 4.

Operating Results for the Year

The successful completion of the acquisitions of Applied Retail Solutions Inc and AdvanceRetail Technology have laid a strong foundation for the future growth of the Group.

The Group's net profit for the year after income tax but before the expensing of share options is $2,436,912 (2006: $1,998,324) representing an increase of 22% (2006: 94%) from the previous year.

A summary of the Group's operating results for the financial year ending June 30, 2007, is as follows:

Business Segments	**Revenue & Other Income $**	**Net Profit After Income Tax (before options expense) $**
Australian Operations	7,784,361	2,339,761
USA Operations	2,263,013	48,249
NZ Operations	1,221,323	48,902
TOTAL	11,268,697	2,436,912

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2007 of $1,504,552 (2006: $89,700).

Operating activities generated approximately $1,289,627 (2006: $1,377,190) of net cash in-flows.

There was a net decrease in the cash flows from investing activities of $3,678,365 (2006: increase of $1,976,215), which was mainly attributable to the acquisition of AdvanceRetail of approximately $3,911,918.

There was a net increase in cash flows from financing activities of approximately $3,893,290 (2006: outflow of $3,263,705) due primarily to banking finance received of $4,037,183 for the acquisition of AdvanceRetail.

Asset and Capital Structure

The profile of the Group's asset and capital structure is as follows:

Consolidated	**2007** **$**	**2006** **$**	**2005** **$**
Interest Bearing Loans & Borrowings	4,178,861	139,068	346,040
Cash & Short Term Deposits	(2,155,810)	(684,101)	(605,391)
Net Debt	2,023,051	(545,033)	(259,351)
Total Equity	10,390,579	4,072,329	682,883
Total Capital Employed	12,413,630	3,527,296	423,532
Gearing (%)	40.22%	3.41%	50.67%

Profile of Debts

The profile of the Group's debt finance is as follows:

	2007 **$**	**2006** **$**	**2005** **$**
Obligations under hire purchase agreements	-	17,921	38,765
Bank Loans	4,178,861	121,147	-
Other Loans	-	-	328,119
TOTAL DEBT	4,178,861	139,068	346,040

The Group anticipates that its debts will increase over the coming year once more acquisitions are made.

Share issues during the year

The acquisition of QQQ Systems Pty Limited was funded by the issue of 50 million ordinary shares at a price of 20 cents per share, plus the issue of 65 million performance shares which were convertible into ordinary shares upon achievement of certain specified targets in the periods ending 30 June 2006 or 2007.

On 6 October 2006, the holders of the 65 million performance shares converted them into 65 million ordinary shares as the specified targets in the period 2006 were achieved.

The acquisition of the business of AdvanceRetail Technology on 5 April 2007 was funded by the issue of 9,389,500 ordinary shares at a price of 40 cents per share.

Options issued during the year

On 27 September 2006, 4,000,000 unlisted options over ordinary shares in 3Q Holdings Limited were issued to Hillridge Pty Limited. The options have an exercise price of 20 cents per option and expire on 26 September 2008.

On 10 November 2006, 4,000,000 unlisted options over ordinary shares in 3Q Holdings Limited were issued to the Directors of 3Q Holdings Limited. The options have an exercise price of 20 cents per option and expire on 10 November 2009.

On 8 February 2007, 5,270,000 unlisted options over ordinary shares in 3Q Holdings Limited were issued to staff of the 3Q Group under the 3Q Holdings Limited employee share option plan. The options have an exercise price of 20 cents per option and expire on 8 February 2011.

On 8 February 2007, 1,070,000 unlisted options over ordinary shares in 3Q Holdings Limited were issued to certain contractors of the 3Q Group. The options have an exercise price of 20 cents per option and expire on 8 February 2011.

No options were exercised during the financial year.

Directors' interest in shares and options

As at the date of this report, the interests of the Directors in the shares and options of 3Q are as follows:

Director	Ordinary Shares	Options
Shaun Rosen	57,500,000	1,000,000
Clive Klugman	57,500,000	1,000,000
Geoff Gander	82,500	1,000,000
Alan Treisman	-	1,000,000
Mark McGeachen	9,389,500	-

Dividends

3Q Holdings Ltd paid no dividends during the reporting period, and none were recommended or declared for payment.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process.

Significant Changes in the State of Affairs

The acquisition of AdvanceRetail Technology in New Zealand and Australia on 5 April 2007 created additional opportunities for further sales and profit growth, as well as a solid presence in New Zealand.

Significant Events After the Balance Date

Other than what has been reported in note 23 to the accounts, there were no significant events after the balance date.

Environmental Regulation and Performance

The Directors do not consider that there are any significant environmental issues that relate to the Group's activities.

Indemnification and Insurance of Directors and Officers

The insurance premium for the period ending 30 June 2008 in respect of Directors and Officers' liability and legal expenses for past, present or future Directors or Officers' of the 3Q Holdings Group, including any Company Secretary and any Employee who is concerned in, or takes part in, the management of the Company, was $39,716.

The insurance premium relates to:

- costs and expenses incurred by the Directors and Officers in defending proceedings, whether civil or criminal made against them alleging a wrongful act; and
- damages awarded or judgments entered against the relevant Directors and Officers.

Proceedings on behalf of the Company

None at balance date.

Remuneration Report

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

During 2007, Director's and executive's remuneration was not linked to the performance of the Company.
The Company intends to embody the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives; and
- link executive rewards to shareholder value, the Company's performance and the Director's ability to control the relevant segments' performance.

For the year ended 30 June 2007, the Directors' and executives' salary packages were considered very modest in relation to the performance of the Company and to market rates.

Remuneration structure

The Company's Constitution provides that the remuneration of the Directors will not be more than the aggregate fixed sum determined by a general meeting.

The annual aggregate Directors remuneration (excluding annual salary) has been set at an amount of $700,000.

The remuneration of executive Directors are fixed by the Board and are paid by way of fixed salary.

Key management personnel remuneration

Shaun Rosen, Clive Klugman, Alan Treisman and Mark McGeachen are the only Executive Directors of the Company as at the date of this report. Shaun, Clive and Alan were appointed on 22 December 2005. Mark was appointed on 5 April 2007.

Geoff Gander is the only Non-Executive Director of which he still is at the date of this report. He was appointed as such on 22 December 2005.

All Directors of the Company receive base Directors' fees of $60,000 per annum.

Shaun Rosen's annual salary was set at $60,000, excluding superannuation for the year ended 30 June 2007.

Clive Klugman's annual salary was set at $90,000, excluding superannuation for the year ended 30 June 2007.

Alan Treisman's annual salary was set at $90,000, including superannuation for the year ended 30 June 2007.

Mark McGeachen's annual salary including Director's fees was set at NZ$150,000 for the year ended 30 June 2007.

1,000,000 Share Options were issued to each Director (with the exception of Mark McGeachen) as part of their remuneration.

Directors' fees are paid partly by 3Q Holdings Limited, QQQ Systems Pty Limited and AdvanceRetail Limited.

(a) Remuneration of key management personnel – Directors

Directors	Financial year	Short-term benefits		Post-employment benefits	Share-based payments	TOTAL	Performance related
		Cash salary, fees, short-term compensated absences	Short-term cash profit sharing	Superannuation	Equity settled – options		
		$	$	$	$	$	%
Shaun Rosen [1] Executive Chairman	2007	118,594	-	42,385	32,140	193,119	-
	2006	74,492	-	40,560	-	115,502	-
Clive Klugman [1] Executive Director	2007	150,000	-	42,385	32,140	224,525	-
	2006	85,359	-	35,560	-	120,919	-
Alan Treisman [1] Finance Director & Secretary	2007	125,601	-	31,617	32,140	189,358	-
	2006	87,878	4,000	3,058	-	94,936	-
Geoff Gander [2] Non-Executive	2007	60,000	-	-	32,140	92,140	-
	2006	73,750	-	-	-	73,750	-
Mark McGeachen [6] Executive Director	2007	33,611	-	-	-	33,611	-
	2006	-	-	-	-	-	-
Bernard Crawford [3] Non-Executive	2007	-	-	-	-	-	-
	2006	7,742	-	-	-	7,742	-
Tony Ammendola [3] Non-Executive	2007	-	-	-	-	-	-
	2006	11,775	-	-	-	11,775	-
Tony Cunningham [4] Non-Executive	2007	-	-	-	-	-	-
	2006	-	-	-	-	-	-
Graham Morrow [5] Non-Executive	2007	-	-	-	-	-	-
	2006	-	-	-	-	-	-
TOTAL	**2007**	**487,806**	**-**	**116,387**	**128,560**	**732,753**	**-**
	2006	**341,446**	**4,000**	**79,178**	**-**	**424,624**	**-**

1 Appointed as Executive Directors on 22 December 2005.
2 Resigned as Executive Director on 22 December 2005. Appointed as Non-Executive Director on 22 December 2005.
3 Tony Ammendola was appointed as Non-Executive Director on 9 August 2005.
Bernard Crawford and Tony Ammendola resigned as Non-Executive Directors on 22 December 2005.
4 Tony Cunningham resigned on 9 August 2005.
5 Graham Morrow was appointed on 24 January 2005 and resigned on 12 April 2005.
6 Mark McGeachen was appointed as an Executive Director on 5 April 2007.

In addition to the Directors, the only other key management personnel are David Rosen and Andy Bell.

(a) Remuneration of key management personnel – executives & others

Executives & others	Financial year	Short-term benefits		Post-employment benefits	Share-based payments	TOTAL	Performance related
		Cash salary, fees, short-term compensated absences	Short-term cash profit sharing	Superannuation	Equity settled – options		
		$	$	$	$	$	%
David Rosen [1] Director Applied Retail Solutions Inc.	2007 2006	203,368 41,625	- -	- -	- -	203,368 41,625	- -
Andrew Bell [2] Chief Technical Officer AdvanceRetail Technology	2007 2006	33,611 -	- -	- -	- -	33,611 -	- -
TOTAL	**2007** **2006**	**236,979** **41,625**	- -	- -	- -	**236,979** **41,625**	- -

1 David Rosen was employed by the Group effective from the date the business of Applied Retail Solutions was acquired on 31 March 2006. He is employed as at the date of this report.

2 Andy Bell was employed by the Group effective from the date the business of AdvanceRetail was acquired on 5 April 2007. He is employed as at the date of this report.

(b) Compensation Options

During the financial year there were 4 million options over ordinary shares in the Company granted as equity compensation benefits to Directors. No options were issued in the prior year.

Key management person	No. held at start of year	No. granted during year	Grant date	Fair value of options at grant date ($ per option)	Exercise price ($)	Exercise date	Expiry date	No. held at end of year
Shaun Rosen	-	1,000,000	10/11/2006	0.0393	0.20	10/11/2006 (half) 10/11/2007 (half)	10/11/2009	1,000,000
Clive Klugman	-	1,000,000	10/11/2006	0.0393	0.20	10/11/2006 (half) 10/11/2007 (half)	10/11/2009	1,000,000
Alan Treisman	-	1,000,000	10/11/2006	0.0393	0.20	10/11/2006 (half) 10/11/2007 (half)	10/11/2009	1,000,000
Geoff Gander	-	1,000,000	10/11/2006	0.0393	0.20	10/11/2006 (half) 10/11/2007 (half)	10/11/2009	1,000,000
TOTAL	-	**4,000,000**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**4,000,000**

(c) Option Holdings of Directors & Executives

At the reporting period there were 4 million options over ordinary shares in the Company held by Directors or Executives.

There was no movement during the previous financial year in options over ordinary shares in the Company to Directors or Executives.

The movement during the current financial year in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each Specified Director or Executive, including their personally-related entities, is as follows:

	Held at 1 July 2006	Granted	Exercised	Lapsed	Held at 30 June 2007
Shaun Rosen	-	1,000,000	-	-	1,000,000
Clive Klugman	-	1,000,000	-	-	1,000,000
Alan Treisman	-	1,000,000	-	-	1,000,000
Geoff Gander	-	1,000,000	-	-	1,000,000
Mark McGeachen	-	-	-	-	-

(d) Employment/contractor agreement

Clive Klugman and Mark McGeachen are the only two Directors employed/contracted by the Company under a contract. Shaun Rosen's employment agreement with the Company expired during the year.

Contract Duration

Shaun Rosen – Shaun was employed by the Company for a one year period ending 21 December 2006.
Clive Klugman – Clive is employed by the Company for a three year period ending 21 December 2008.
Mark McGeachen – Mark is contracted by a subsidiary of the Company for a three year period ending 5 April 2010.

Notice periods required to terminate contracts

Clive Klugman may terminate his employment by giving between 30 days and 6 months written notice, depending on the circumstance giving right to the termination. The Company may terminate Clive's employment by giving immediate or 6 months written notice, depending on the circumstance giving right to the termination.

Mark McGeachen cannot terminate his contractor agreement with the subsidiary of the Company. The subsidiary of the Company may terminate Mark's contract by giving immediate written notice if certain circumstances occur which give right to the termination.

Termination payments

The termination benefits payable to Clive will vary between no payment being made, to an amount equal to the Director's annual remuneration package immediately prior to the termination of the employment.

The termination benefits payable to Mark will vary between no payment being made, to an amount equal to three months fees based on the annual fees immediately prior to the termination of the agreement.

Equity Holdings and Transactions – key management personnel

The movement during the reporting period and the previous period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each Specified Director or Executive, including their personally-related entities, is as follows:

	Held at 1 July 2006	**Issues/ Purchases/Conversion**	**Sales**	**Held at 30 June 2007**
Shaun Rosen 3/4/6	25,000,000	32,500,000	-	57,500,000
Clive Klugman 3/4/6	25,000,000	32,500,000	-	57,500,000
GA Gander 1/2/3	882,500	-	(800,000)	82,500
AR Cunningham 1/2	800,000	-	(800,000)	-
Mark McGeachen 7	-	9,389,500	-	9,389,500
David Rosen 5/6	25,000,000	32,500,000	-	57,500,000
Andrew Bell 8	-	9,389,500	-	9,389,500

	Held at 1 July 2005	**Issues/ Purchases**	**Consolidation (1:2)**	**Sales**	**Held at 30 June 2006**
Shaun Rosen 3/4/6	-	25,000,000	-	-	25,000,000
Clive Klugman 3/4/6	-	25,000,000	-	-	25,000,000
GA Gander 1/2/3	6,670,000	82,500	(3,335,000)	(2,535,000)	882,500
AR Cunningham 1/2	6,670,000	-	(3,335,000)	(2,535,000)	800,000
David Rosen 5/6	-	25,000,000	-	-	25,000,000

1 AR Cunningham and GA Gander are Directors of Buyshop Limited which had an interest of 800,000 ordinary shares at 30 June 2006.
2 Directors at 30 June 2005.
3 Directors at 30 June 2006.
4 The consideration for the 100% equity in QQQ comprised the issue of 50,000,000 ordinary shares at 20 cents per share (25,000,000 to Eastfall Pty Limited, a related party of Clive Klugman, and 25,000,000 to Elabrook Pty Limited, a related party of Shaun Rosen) and 65,000,000 (32,500,000 to Eastfall Pty Limited, a related party of Clive Klugman, and 32,500,000 to Elabrook Pty Limited, a related party of Shaun Rosen) performance shares which were convertible into a maximum of 65,000,000 ordinary shares upon achievement of certain specified targets in the periods ending 30 June 2006 or 2007.
5 David Rosen has a beneficial interest in 50% of the issued capital in Elabrook Pty Limited. Accordingly, David Rosen has a relevant interest in the shares held by Elabrook Pty Limited in the Company under s608(3) of the Corporations Act.
6 Elabrook Pty Limited and Eastfall Pty Limited each held 57,500,000 shares in 3Q Holdings Limited as at 30 June 2007.
7 AR Investments Limited is the registered holder of 9,389,500 ordinary shares in 3Q Holdings Limited. Mark James McGeachen, Robyn McGeachen and Andrew Bell are trustees of the M and R McGeachen Family Trust. The McGeachen Trust holds 20% of AR Investments Limited and is therefore an associate. Shares were issued by 3Q Holdings Limited to AR Investments Limited as partial consideration for the sale of its business of AdvanceRetail Technology to 3Q Holdings Limited pursuant to a Business Sale Agreement dated 5 April 2007.
8 AR Investments Limited is the registered holder of 9,389,500 ordinary shares in 3Q Holdings Limited. Andrew Bell and Mark James McGeachen are trustees of The Bell Family Trust. The Bell Family Trust holds 10% of AR Investments Limited and is therefore an associate. Shares were issued by 3Q Holdings Limited to AR Investments Limited as partial consideration for the sale of its business of AdvanceRetail Technology to 3Q Holdings Limited pursuant to a Business Sale Agreement dated 5 April 2007.

Loans and other transactions – key management personnel

Loans

Details of aggregates of loans from Specified Directors and Executives including their personally-related entities are as follows:

	Balance at Beginning of period $	Advanced $	Interest Charged $	Repaid $	Balance at end of period $
2007	-	-	-	-	-
2006					
Shaun Rosen	-	120,000	917	120,917	-
Clive Klugman	-	30,000	230	30,230	-

Terms and conditions of loans

Loans from Directors accrue interest at market rates. The loans were repaid in full during the prior year.

Sales financed by related parties of Specified Directors

Sales to certain customers of QQQ Systems Pty Limited are financed by Isalux Pty Limited, a related party of the Group. Isalux Pty Ltd is 100% owned by Shaun Rosen, Clive Klugman and David Rosen (through their personally-related entities), who are also Directors of Isalux. Isalux repays QQQ on a monthly basis. For additional information refer to note 22.

Rent paid to related parties of Specified Directors

The Sydney offices are rented from Isalux Pty Limited, a related party of the Group. The rental paid to Isalux is at normal market prices and on normal commercial terms. For additional information refer to note 22.

Security for Bank Loan Facility

During 2006, two related parties of Specified Directors, Eastfall Pty Limited and Elabrook Pty Limited, provided security for the QQQ System Pty Limited bank facility referred to in note 16. This facility was repaid in 2007 and at 30 June 2007 the facility did not exist.

Other Transactions

From time to time, Specified Directors and Executives of the Company may purchase goods from the Company.
These purchases are on favourable terms however are trivial or domestic in nature.

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Directors	Meetings Held	Attended
Shaun Rosen	7	7
Clive Klugman	7	7
Alan Treisman	7	7
Geoff Gander	7	7
Mark McGeachen	2	2

There were no meetings of any committees of the board during the year.

Non-Audit Services

The following non-audit services were provided by the Company's auditor, PKF. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of the non-audit services provided is the reason why auditor independence was not compromised.

The following amount was paid or payable to PKF for the provision of non-audit services:

Provision of accounting advice and due diligence services - $23,000.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, which forms part of this Director's Report, is set out on page 27.

Signed in accordance with a resolution of the Directors.

Shaun Rosen
Executive Chairman
Sydney, NSW
28 September, 2007

Corporate Governance Statement

External events have changed the way in which corporate governance responsibilities are viewed and in March 2003 the ASX Corporate Governance Council released its ‘Principles of Good Corporate Governance and Best Practice Recommendations’. The principles of corporate governance have been developed, supported by best practice and implementation recommendations. The Council has recognised that these principals and recommendations do not contain a “one size fits all” solution and that it will be necessary for companies to adopt a “fit for purpose” solution in the adoption of these practices.

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. This corporate governance statement summarises the corporate governance practices that have been formally reviewed and adopted by the Board with a view to ensuring continued investor confidence in the operations of the Company and is endorsing the corporate governance principles relevant to a company of 3Q’s nature and size. A table has been included at the end of this statement detailing the Company’s compliance with the best practice recommendations.

The Company’s website at www.threeq.com.au contains a corporate governance section that includes copies of the Company’s corporate governance policies.

Board of Directors

Role of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Set the strategic direction for the Company and monitor progress of those strategies;
- Establish policies appropriate for the Company;
- Monitor the performance of the Company, the Board and management;
- Approve the business plan and work programs and budgets;
- Authorise and monitor investment and strategic commitments;
- Review and ratify systems for health, safety and environmental management; risk and internal control; codes of conduct and regulatory compliance;
- Report to shareholders, including but not limited to, the financial statements of the Company; and
- Take responsibility for corporate governance.

Composition of the Board

To add value to the Company the Board has been formed so that it has the effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations.

The names of Directors of the Company in office at the date of this statement are set out on page 8, Board of Directors. Information regarding Directors’ experience and responsibilities are also included on page 8.

The number of Directors is specified in the Constitution of the Company as a minimum of three up to a maximum of ten.

The preferred skills and experiences for a Director of the Company include Information Technology, Corporate Finance, Business Development and Public Company administration.

Chairman of the Board

The Chairman of the Board should preferably be a Non-Executive Director and elected by the Directors. The Board considers that the Chairman, Mr. Shaun Rosen is not independent (refer to items 2.2/2.3 under the ASX best practice recommendations below).

Independent Directors

The Board considers that a Director is independent if that Director complies with the following criteria:

- Apart from Director's fees and shareholding, independent Directors should not have any business dealings which could materially affect their independent judgment;
- Must not have been in an executive capacity in the Company in the last 3 years;
- Must not have been in an advisory capacity to the Company in the last 3 years;
- Must not be a significant customer or supplier for the Company;
- Must not be appointed through a special relationship with a board member;
- Must not owe allegiance to a particular group of shareholders which gives rise to a potential conflict of interest;
- Must not hold conflicting cross directorships; and
- Must not be a substantial shareholder or a nominee of a substantial shareholder (as defined under section 9 of the *Corporations Act 2001*).

Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, The Board considers that of a total of four Directors, none are considered to be independent.

Mr. Geoff Gander is a Non-Executive Director of the Company and is not considered to be independent. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Retirement and Rotation of Directors

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year one third of the Directors must retire and offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received the advice is to be made immediately available to all board members.

Access to Employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or company policies to the Executive Director and/or Company Secretary/Financial Controller who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent Director without further reference to senior managers of the Company.

Share Ownership

Directors are encouraged to own shares in the Company.

Board Meetings

The following points identify the frequency of Board meetings and the extent of reporting from management at the meetings:

- A minimum of four meetings are to be held per year;
- Other meetings will be held as required, meetings can be held by telephone link; and
- Information provided to the Board includes all material information on: operations, budgets, cash flows, funding requirements, shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessment, new venture proposals, and health, safety and environmental reports.

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year are set out in the Directors' Report.

Board Performance Review

It is the policy of the Board to conduct an evaluation of its performance. The objective of this evaluation will be to provide best practice governance of the Company.

Other Areas for Board Review

Reporting to shareholders and the market to ensure trade in the Company's securities takes place in an efficient, competitive and informed market; and insurance, both corporate and joint-venture related.

Board Committees

Audit Committee (item 4.2 below) - The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the establishment of a formal audit committee at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards in order to safeguard the integrity of the Company's financial reporting.

The CEO and the Finance Director declare in writing to the Board that the Company's financial statements for the year ended 30 June 2007 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This representation is made by the Director's prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management (item 4.1 below).

Nomination Committee (item 2.4 below) and Remuneration Committee (items 8.1, 9.2, & 9.5 below). The following key issues will continue to be addressed in detail by the full Board of the Company rather than by subcommittees:

- remuneration of the Directors; and
- nomination of Directors.

The Board has determined having regard to its size and the role and functions of the Directors, that it is more appropriate for the full Board of the Company to consider and address these issues. At a minimum, the Board considers nomination and remuneration issues on an annual basis. It is intended that the Board will regularly monitor this structure and will establish separate committees if it is determined it would be more efficient and effective to do so.

The Company's policy for determining the nature and amount of emoluments of Board members is as follows:

- Remuneration of Executive and Non-Executive Directors is reviewed annually by the Board.
- Remuneration packages are set at levels intended to attract and retain Directors and Executives capable of managing the Company's operations and adding value to the Company.

For details of remuneration paid to Directors and officers for the financial year please refer to the Directors' Report.

Risk Management

The risks involved in an information technology company and the specific uncertainties for the Company continue to be regularly monitored and the full Board of the Company meets on an annual basis to formally review such risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

The potential exposures associated with running the Company have been managed by the Directors and Company Secretary/Financial Controller who have significant broad-ranging industry experience, work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. A Director and the Company Secretary/Financial Controller declare in writing to the Board that the financial reporting risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively. This representation is made by a Director and Company Secretary/Financial Controller prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management (items 4.1 & 7.2 below).

Promotion of ethical and responsible decision-making

Code of Conduct (item 10.1 below) - The goal of establishing the Company as a significant Australian-based information technology company is underpinned by its core values of honesty, integrity, common sense and respect for people. The Company desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.

The Board has adopted a Code of Conduct for Directors and employees of the Company. The Company's goal of achieving above average wealth creation for our shareholders should be enhanced by complying with this code of conduct which provides principles to which Directors and employees should be familiar and to which they are expected to adhere and advocate (item 3.1 below).

It is the responsibility of the Board to ensure the Company's performance under this Code and for its regular review.

Trading in Company Securities by Directors, officers and employees - Trading of shares is covered by, amongst other things, the *Corporations Act 2001* and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a Director, officer or an employee can deal in company shares. The policy prohibits trading in the Company's securities whilst the Directors, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors' Report (item 3.2 below).

Shareholder communication

The Board aims to ensure that shareholders and investors have equal access to the Company's information.
The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. This disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website (item 5.1 below).

The Company also has a strategy to promote effective communication with shareholders (item 6.1 below) and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- Conflicts of interest and related party transactions;
- Executive remuneration;
- The grant of options and details of Share Option Plans;
- The process for performance evaluation of the Board, its committees, individual Directors and key managers;
- The link between remuneration paid to Directors and Executives and corporate performance; and
- Shorter, more comprehensible notices of meetings.

The following information is communicated to shareholders:

- The Annual Report and notices of meetings of shareholders;
- Quarterly cash flow reports
- All documents that are released to the ASX are made available on the Company's website; and
- All other information on the Company's website is updated on an ongoing basis.

ASX best practice recommendations

The table on the following pages identifies the ASX Best Practice Recommendations and whether or not the Company has complied with the recommendations during the reporting period:

#	ASX Recommendation	Complied	Note
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	X	
2.1	A majority of the Board should be independent Directors.		1
2.2	The Chairperson should be an independent Director.		2
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.		2
2.4	The Board should establish a Nomination Committee.		3
2.5	Provide the information indicated in Guide to Reporting on Principle 2.	X	
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key Executives as to: 3.1.1 The practices necessary to maintain confidence in the Company's integrity. 3.2.1 The responsibility of and accountability of individuals for reporting and investigating of unethical practices.	X	
3.2	Disclose the policy concerning trading in company securities by Directors, officers and employees.	X	
3.3	Provide information indicated in Guide to Reporting on Principle 3.	X	
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	X	
4.2	The Board should establish an Audit Committee.		4
4.3	Structure the Audit Committee so that it consists of: • Only Non-Executive Directors; • A majority of independent Directors; • An independent Chairperson, who is not Chair-person of the Board; and • At least three members.		4
4.4	The Audit Committee should have a formal charter.		4
4.5	Provide the information indicated in Guide to Reporting on Principle 4.	X	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for the compliance.	X	

#	ASX Recommendation	Complied	Note
5.2	Provide the information indicated in Guide to Reporting on Principle 5.	X	
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	X	
6.2	Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors' Report.	X	
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.	X	
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that: 7.2.1 The statement given in accordance with the best practice recommendation 4.1 (the integrity of financial statements) is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board. 7.2.2 The Company's risk management and internal compliance and control system is operating efficiently in all material respects.	X	
7.3	Provide the information indicated in Guide to Reporting on Principle 7.	X	
8.1	Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key Executives and corporate performance.		5
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand: (i) The costs and benefits of these policies; and (ii) The link between remuneration paid to Directors and key Executives and corporate performance.	X	
9.2	The Board should establish a Remuneration Committee.		6
9.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.		7
9.4	Ensure that payment of equity-based Executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	X	
9.5	Provide the information indicated in Guide to Reporting on Principle 9.	X	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	X	

Note 1: All of the Directors are not considered to be independent. However, the skills, experience and knowledge of these three Directors makes their contribution to the Company and the Board such that it is appropriate for them to remain on the Board.

Note 2: The Companies Chief Executive Officer and Chairman is the same person. Whilst not independent, Mr. Shaun Rosen is the Chairman of the Board. Given his skills, experience and knowledge of the Company, the Board considers that it is appropriate for him to be Chairman.

Note 3: The Board of Directors of the Company does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full Board.

Note 4: The Company does not have an Audit Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an Audit Committee can be adequately handled by the full Board.

Note 5: It is the policy of the Board to evaluate its performance. The evaluation process was introduced via the Board Charter and was implemented for the year ended 30 June 2005. The objective of this evaluation was to provide best practice governance to the Company.

Note 6: The Company does not have a Remuneration Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Remuneration Committee can be adequately handled by the full Board.

Note 7: All Directors receive the same Director's fees. In addition, executive Directors are rewarded separately for executive duties performed over and above this.

Independence Declaration by Auditors

PKF

Chartered Accountants
& Business Advisers

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF 3Q HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 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.

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

PKF

PKF

Arthur Milner
Partner

Dated 28 September 2007
Sydney

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms

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Income Statement

For the year ending 30 June 2007

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Revenue	3(a)	11,196,055	7,918,924	1,058,705	578,240
Other income	3(b)	72,642	448,119	561,251	16,743
Cost of sales		(2,697,690)	(2,014,269)	(572,504)	(576,056)
Depreciation and amortisation expense	3(e)	(270,550)	(170,545)	(64,635)	-
Employee benefits expense (excluding options expense)	3(f)	(4,359,697)	(2,701,539)	(178,044)	(57,941)
Employee benefits expense – options		(359,078)	-	(359,078)	(53,768)
Finance costs	3(d)	(117,595)	(89,956)	(13,251)	(2,629)
Other expenses	3(c)	(1,525,154)	(1,113,412)	388,379	(521,770)
PROFIT / (LOSS) BEFORE INCOME TAX		**1,938,933**	**2,277,322**	**44,065**	**(617,181)**
Income tax expense / (benefit)	4(a)	(138,901)	278,998	(700,195)	(291,497)
NET PROFIT/(LOSS) AFTER INCOME TAX		**2,077,834**	**1,998,324**	**744,260**	**(325,684)**
Earnings per share for net profit after income tax (cents per share)	5				
- basic earnings per share		1.6907	3.2257	-	-
- diluted earnings per share		1.5715	1.5661	-	-
Earnings per share for net profit after income tax – before options expense (cents per share)	5				
- basic earnings per share		1.9829	3.2257	-	-
- diluted earnings per share		1.8431	1.5661	-	-

The Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2007

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
ASSETS					
Current assets					
Cash and cash equivalents	7	2,155,810	684,101	464,536	9,036
Trade and other receivables	8	3,183,288	1,350,205	247,841	148,040
Inventories	9	124,074	83,331	-	-
Other assets		162,649	62,366	137,882	29,570
TOTAL CURRENT ASSETS		**5,625,821**	**2,180,003**	**850,259**	**186,646**
Non-current assets					
Plant and equipment	11	270,516	160,934	7,796	1,730
Intangible assets	12	9,774,187	3,036,609	2,340,339	-
Financial assets	10	37,525	10,862	23,212,332	23,010,862
Trade and other receivables	8	-	-	1,773,992	-
Deferred tax assets	4(c)	1,253,095	576,462	1,014,150	313,955
TOTAL NON-CURRENT ASSETS		**11,335,323**	**3,784,867**	**28,348,609**	**23,326,547**
TOTAL ASSETS		**16,961,144**	**5,964,870**	**29,198,868**	**23,513,193**
LIABILITIES					
Current liabilities					
Trade and other payables	15	1,978,198	1,018,264	484,150	250,881
Financial liabilities	16	1,167,259	139,068	417,950	-
Provisions	17	299,436	178,459	3,369	-
Current tax liability	4	54,770	517,138	-	22,458
TOTAL CURRENT LIABILITIES		**3,499,663**	**1,852,929**	**905,469**	**273,339**
Non-current liabilities					
Financial liabilities	16	3,011,602	-	-	-
Provisions	17	59,300	39,612	19,688	-
TOTAL NON-CURRENT LIABILITIES		**3,070,902**	**39,612**	**19,688**	**-**
TOTAL LIABILITIES		**6,570,565**	**1,892,541**	**925,157**	**273,339**
NET ASSETS		**10,390,579**	**4,072,329**	**28,273,711**	**23,239,854**
EQUITY					
Issued capital	18	7,019,719	3,089,200	45,503,421	41,572,902
Reserves	18	302,019	(7,878)	412,846	53,768
Retained earnings / (accumulated losses)	18	3,068,841	991,007	(17,642,556)	(18,386,816)
TOTAL EQUITY		**10,390,579**	**4,072,329**	**28,273,711**	**23,239,854**

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ending 30 June 2007

CONSOLIDATED	**Issued capital $**	**Retained earnings $**	**Option / forex reserve $**	**Total $**
At 1 July 2005	200	682,683	-	682,883
Cost of acquisition of QQQ Systems Pty Limited	3,089,000	-	-	3,089,000
Profit for the period	-	1,998,324	-	1,998,324
Translation reserve resulting from translating USA & New Zealand subsidiaries from USD & NZD to Australian dollars	-	-	(7,878)	(7,878)
Dividends paid	-	(1,690,000)	-	(1,690,000)
AS AT 30 JUNE 2006	**3,089,200**	**991,007**	**(7,878)**	**4,072,329**
Fair value adjustment on conversion of performance shares to ordinary shares	174,719	-	-	174,719
Shares issued for the acquisition of AdvanceRetail Technology	3,755,800	-	-	3,755,800
Profit for the period	-	2,077,834	-	2,077,834
Adjustment resulting from translating foreign controlled entities	-	-	(49,181)	(49,181)
Issue of 14,340,000 options during the year	-	-	359,078	359,078
AS AT 30 JUNE 2007	**7,019,719**	**3,068,841**	**302,019**	**10,390,579**

PARENT	**Issued capital $**	**Retained earnings $**	**Option / forex reserve $**	**Total $**
At 1 July 2005	18,132,853	(18,061,132)	-	71,721
Issue of share capital – 7,500,000 fully paid ordinary shares at 20c each issued pursuant to the prospectus	1,500,000	-	-	1,500,000
Costs associated with this share issue	(1,059,951)	-	-	(1,059,951)
Issue of 1,250,000 options in consideration for services rendered	-	-	53,768	53,768
Cost of acquisition of QQQ Systems Pty Ltd – issue of 50,000,000 ordinary shares and 65,000,000 performance shares	23,000,000	-	-	23,000,000
Loss for the period	-	(325,684)	-	(325,684)
AS AT 30 JUNE 2006	**41,572,902**	**(18,386,816)**	**53,768**	**23,239,854**
Fair value adjustment on conversion of performance shares to ordinary shares	174,719	-	-	174,719
Cost of acquisition of AdvanceRetail Technology	3,755,800	-	-	3,755,800
Issue of 14,340,000 options during the year	-	-	359,078	359,078
Profit for the period	-	744,260	-	744,260
AS AT 30 JUNE 2007	**45,503,421**	**(17,642,556)**	**412,846**	**28,273,711**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ending 30 June 2007

	Note	CONSOLIDATED		PARENT	
		2007 $	2006 $	2007 $	2006 $
Cash flows from operating activities					
Receipts from customers		11,222,398	7,894,431	1,283,134	698,697
Payments to suppliers & employees		(8,929,487)	(5,752,834)	(831,682)	(917,277)
Interest paid		(10,374)	(87,191)	(1,472)	(2,629)
Income tax paid		(1,002,025)	(691,433)	(22,458)	-
Other income		9,115	14,217	920	160
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	7(a)	**1,289,627**	**1,377,190**	**428,442**	**(221,049)**
Cash flows from investing activities					
Interest received		22,034	20,525	3,517	5,721
Cash paid for the purchase of subsidiary		(3,911,918)	-	(352,313)	-
Purchase of plant, equipment and leasehold improvements		(111,141)	(33,702)	(2,475)	(1,730)
Cash acquired on purchase of subsidiary – deemed to be 3Q Holdings Limited		-	1,502,707	-	-
Cash acquired on purchase of subsidiary – AdvanceRetail Technology Limited		332,160	-	-	-
Cash acquired on purchase of subsidiary – Applied Retail Solutions Inc		-	486,685	-	-
Loans to subsidiaries and other entities		(9,500)	-	(4,952)	-
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(3,678,365)**	**1,976,215**	**(356,223)**	**3,991**
Cash flows from financing activities					
Proceeds from capital raising		-	-	-	1,500,000
Capital raising costs		-	(1,075,525)	-	(1,059,951)
Other costs relating to re-listing and recapitalisation		-	(310,905)	-	(262,865)
Other		(23,893)	-	(23,894)	-
Proceeds from borrowings		4,037,183	480,000	407,175	-
Repayment of borrowings		(120,000)	(667,275)	-	-
Loan to subsidiary		-	-	-	(95,790)
Equity dividends paid	6	-	(1,690,000)	-	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**3,893,290**	**(3,263,705)**	**383,281**	**81,394**
Net increase/(decrease) in cash and cash equivalents		1,504,552	89,700	455,500	(135,664)
Net foreign exchange differences		(32,843)	(10,991)	-	-
Cash and cash equivalents at beginning of period		684,101	605,392	9,036	144,700
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	**2,155,810**	**684,101**	**464,536**	**9,036**

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2007

1 Corporate Information

The financial report of 3Q Holdings Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors on (28 September 2007.)

3Q Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Director's Report.

2 Summary of Significant Accounting Policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial report is presented in Australian dollars.

The financial report covers the consolidated group of 3Q Holdings Limited and controlled entities, and 3Q Holdings Limited as an individual parent entity. 3Q Holdings Limited is a listed public company, incorporated and domiciled in Australia.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

(a) Statement of compliance

The financial report complies with Australian Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of 3Q Holdings Limited and its subsidiaries as at 30 June of each year ("the Group").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies except where stated.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements would include the results for the part of the reporting period during which 3Q Holdings Limited has control.

Reverse acquisition accounting

The consolidated financial statements have been prepared following reverse acquisition accounting.

3Q Holdings Limited, the legal parent is not the (economic) acquirer for accounting purposes. QQQ Systems Pty Limited (a private entity) arranged for itself to be “acquired" by a small public entity, 3Q Holdings Limited. However, in economic substance the private entity (QQQ) undertook the acquisition.

If the legal subsidiary (QQQ) is identified as the acquirer, then the accounting for the business combination is as if the legal subsidiary acquired the legal parent. In comparison, under A-GAAP, 3Q Holdings Limited would be the acquirer and would fair value all of QQQ net assets including identifiable intangible assets and goodwill.

Consequently, the financial information contained in this report has been presented as if QQQ was the acquirer. The consolidated figures for the year ended 30 June 2006 (shown as comparatives in this financial report) included QQQs’ results for the year as well as 3Q’s results from completion (22 December 2005).

(ii) Foreign currency translation

Both the functional and presentation currency of 3Q Holdings Limited and its Australian subsidiary is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction.

All differences on settlement of such transactions in the consolidated financial report are taken to the income statement.

The functional currency of the foreign operation, Applied Retail Solution Inc., is United States dollars (US$).
The functional currency of the foreign operation, AdvanceRetail Technology Limited, is New Zealand dollars (NZ$).

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of 3Q Holdings Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(iii) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line and diminishing balance basis over the estimated useful life of the asset as follows:

- Straight line – 12.5% - 40%
- Diminishing balance – 13% - 60%

Impairment

The carrying values of plant, furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or the assets may have been impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and expensed in the income statement.

Impairment testing will be performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group will estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(iv) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(v) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Impairment testing will be performed annually for goodwill.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(vi) Intangible assets – Intellectual property

Intellectual property acquired separately is capitalised at cost. Intellectual property acquired from a business combination is capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Principal technology is being amortised over a period of 5 to 7 years.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs are expensed as incurred.

Intellectual property with indefinite lives is tested for impairment annually.

Gains or losses arising from derecognition of an intellectual property are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(vii) Recoverable amount of assets

Once a year, the Group will assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group will make a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and will be written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(viii) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(ix) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

A provision for stock obsolescence is recognised to the extent to which the cost of the stock exceeds its net realisable value.

(x) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

The collectivity of debts is assessed at reporting date and a specific provision is made for any doubtful accounts. Bad debts are written off when identified.

(xi) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(xii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

(xiii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(xiv) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(xv) Revenue

Revenues are recognised at fair value of the consideration received net of the amounts of goods and services tax payable to the taxation authority. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery and installation of the goods to the customer.

Rendering of services

Revenue from rendering of services is recognised when the service provided to the customer is completed.

Interest

Revenue is recognised as the interest accrues.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(xvi) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

As at the 22 December 2005, the Group consolidated for tax purposes.

(xvii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xviii) Share based payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, in some scenarios consideration is given to performance conditions, other than conditions linked to the price of the shares.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xx) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(xxi) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(xxii) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(xxiii) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(xxiv) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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.

Key estimates – Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2 (v). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

(xxv) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(xxvi) Segment information

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and plant and equipment, net of allowances and accumulated depreciation and amortisation.

While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by more than one segment is allocated to the segments on a reasonable basis.

Segment liabilities consist principally of accounts payable, accrued expenses, borrowings, tax liabilities and provision for staff entitlements.

3 Profit/(Loss) Before Income Tax

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
(a) Revenue				
Sales of goods/hardware	1,516,867	1,916,747	-	-
Rendering of services	3,546,733	2,569,990	162,164	311,840
Maintenance fees	3,928,266	1,698,146	678,938	-
License fees	2,100,383	1,675,412	208,737	266,400
Other revenue	103,806	58,629	8,866	-
TOTAL REVENUE	**11,196,055**	**7,918,924**	**1,058,705**	**578,240**
(b) Other income				
Recoupment of QQQ Systems listing and recapitalisation fees from 3Q Holdings	-	105,000	-	-
Excess of interest in net fair value of assets, liabilities and contingent liabilities acquired on acquisition of Applied Retail Solutions	-	271,522	-	-
Management fees – intra-group	-	-	530,151	-
Interest Income	21,918	20,525	3,517	5,721
Other Income	50,724	51,072	27,583	11,022
TOTAL OTHER INCOME	**72,642**	**488,119**	**561,251**	**16,743**
(c) Other expenses				
Re-listing and recapitalisation expenses	-	-	-	262,865
Rental expense	285,284	169,132	5,951	-
Accounting and audit fees	232,732	101,415	132,040	106,300
Bad and doubtful debts – trade receivables	13,652	317,824	-	-
Legal fees	112,539	102,281	83,461	94,184
Other expenses	880,947	422,760	166,927	58,421
TOTAL OTHER EXPENSES	**1,525,154**	**1,113,412**	**388,379**	**521,770**
(d) Finance costs				
Bank loans	117,595	10,319	13,251	2,629
Other loans	-	77,533	-	-
Finance charges payable under finance leases and hire purchase contracts	-	2,104	-	-
TOTAL FINANCE COSTS	**117,595**	**89,956**	**13,251**	**2,629**
(e) Depreciation and amortisation				
Depreciation	114,248	60,545	-	-
Amortisation of Principal Technology	156,302	110,000	64,635	-
TOTAL DEPRECIATION AND AMORTISATION	**270,550**	**170,545**	**64,635**	**-**

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
(f) Employee benefits expense (excluding options)				
Wages and salaries (including Directors' fees)	3,631,538	2,243,805	156,640	56,516
Workers' compensation costs	12,112	8,715	677	-
Superannuation expense	265,638	220,326	9,441	-
Annual and long service leave provision	94,878	61,018	3,369	-
Fringe benefits tax	54,818	-	-	-
Life insurance expense	2,167	-	2,167	-
Payroll tax	174,112	118,805	5,712	-
Other payroll related expenses	77,078	48,870	-	1,425
Other staff benefits, including training	47,356	-	38	-
TOTAL EMPLOYEE BENEFITS EXPENSE (EXCLUDING OPTIONS)	**4,359,697**	**2,701,539**	**178,044**	**57,941**

4 Income Tax

(a) Income tax expense/(benefit)

The major components of income tax expense in the Income Statement are current income tax, current income tax charge, deferred income tax, relating to origination and reversal of temporary differences and income tax expense reported in the income statement.

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
The components of tax comprise:				
Current Tax	537,731	718,646		48,660
Deferred Tax	28,646	(137,693)	5,083	(12,000)
Recoupment / recognition of prior year tax losses	(705,278)	(301,955)	(705,278)	(328,157)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	(138,901)	278,998	(700,195)	(291,497)

(b) Reconciliation

A reconciliation between income tax expense / (benefit) and the product of accounting profit / (loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Accounting profit / (loss) before income tax	1,938,933	2,277,322	44,065	(617,181)
At the Group's statutory income tax rate of 30% (2006: 30%)	581,680	683,197	13,220	(185,154)
Add / (less) tax effect of following:				
Non-deductible share-based payments	107,726	-	107,726	-
Non-deductible amortisation of intangible assets	13,961	-	13,961	-
Non-deductible legal expenses	5,389	-	5,389	-
Other non-deductible expenses	-	103,990	-	128,249
Deductible accounting and legal expenses	-	(31,500)	-	-
Deductible capitalisation costs in relation to capital raising	(100,690)	(81,656)	(100,690)	(99,716)
Adjustment for difference between USA and Australian tax rates	(7,167)	57,818	-	-
Recognition of pre-acquisition tax losses of 3Q Holdings Limited	-	(119,471)	-	-
Recognition of tax losses not previously recognised	(705,278)	(301,955)	(705,278)	(301,955)
Recognition of deferred tax balances not previously recognised	(6,917)	-	(6,917)	-
Recoupment of tax losses not previously recognised	-	(26,201)	-	(26,201)
Recognition of deferred tax asset in foreign subsidiary	-	(6,062)	-	-
Movement in temporary differences recognised by subsidiaries, post tax consolidation	-	-	-	196,683
Other adjustments	(27,605)	838	(27,606)	(3,403)
INCOME TAX EXPENSE / (BENEFIT)	**(138,901)**	**278,998**	**(700,195)**	**(291,497)**

(c) Deferred tax assets

Deferred income tax at 30 June relates to the following:

CONSOLIDATED	Balance Sheet		Income Statement	
	2007 $	2006 $	2007 $	2006 $
Written down value of Principal Technology - Accounting	(1,745,180)	(91,667)	(1,653,513)	110,000
Written down value of Principal Technology – Tax	2,228,050	458,333	1,769,717	(22,000)
Provision for audit fees	-	40,000	(40,000)	40,000
Provision for staff entitlements	358,736	218,071	140,665	54,073
Provision for impairment	17,428	270,079	(252,651)	270,079
Tax losses	3,357,443	1,006,516	2,350,927	1,006,516
Other	(39,494)	20,207	(59,701)	20,207
TOTAL	4,176,983	1,921,539	2,255,444	1,478,875
Gross deferred income tax assets @ 30%	1,253,095	576,462	-	-
Deferred tax income/ (expense)	-	-	676,632	443,662

PARENT	Balance Sheet		Income Statement	
	2007 $	2006 $	2007 $	2006 $
Provision for audit fees	-	40,000	(40,000)	40,000
Provision for staff entitlements	23,057	-	23,057	-
Tax losses	3,357,443	1,006,516	2,350,927	1,006,516
TOTAL	3,380,500	1,046,516	2,333,984	1,046,516
Gross deferred income tax assets @ 30%	1,014,150	313,955	-	-
Deferred tax income/ (expense)	-	-	700,195	313,955

3Q Holdings Limited had income tax losses of $15,851,528 as at 30 June 2007, of which $3,357,443 of these losses have been recognised as a deferred tax asset in accordance with note 2 (a) (xvi).

The recoupment of these carried forward tax losses is subject to the company satisfying the loss recoupment provisions contained in the *Income Tax Assessment Act 1997*.

Tax consolidation

The Australian Tax Consolidation Legislation allows groups, comprising of a parent entity and its wholly-owned Australian resident entities, to elect to consolidate and be treated as a single entity for Australian income tax purposes.

3Q Holdings Limited and its 100% owned Australian resident subsidiaries consolidated under this legislation effective 22 December 2005.

3Q Holdings Limited as the head entity of the tax consolidated group and subsidiary members intend to enter a tax sharing and funding agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. The details of the agreement have yet to be finalised but the Directors are of the opinion that the agreement will be valid under the tax consolidation legislation. The agreement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

5 Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2007 $	**2006 $**
Net profit attributable to ordinary equity holders of the parent	2,077,834	1,998,324
Weighted average number of ordinary shares for basic earnings per share	122,894,308	61,949,678
Effect of dilution: Share options	15,590,000	1,250,000
Performance shares	-	65,000,000
Weighted average number of ordinary shares adjusted for the effect of dilution	132,217,239	65,650,685
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	127,600,363

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

6 Dividends Paid and Proposed

	2007 $	**2006 $**
Equity dividends on ordinary shares		
Franking deficit tax at year end:	-	71,834
- 70% to be offset against future tax liabilities	-	(50,284)
- 30% non creditable	-	21,550

There are no dividends payable or receivable at reporting date

7 Cash and Cash Equivalents

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Cash at bank and in hand	2,077,399	659,712	502,220	9,036
Overdraft	(37,684)	-	(37,684)	-
Short-term deposits	116,095	24,389	-	-
TOTAL CASH & CASH EQUIVALENTS	**2,155,810**	**684,101**	**464,536**	**9,036**

(a) Cash flow information

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation of net profit after tax to net cash flows from operating activities	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Net profit/(loss)	2,077,834	1,998,324	744,260	(325,684)
Adjustments for:				
Depreciation	114,248	60,305	-	-
Amortisation	156,302	110,239	64,635	-
Transfer of listing fees classified as financing activities	-	(105,000)	-	-
Listing fees classified as financing activities	-	-		262,865
Net (profit)/loss on disposal of property, plant and equipment	-	6,185	-	-
Organisational costs written off	-	14,077	-	-
Excess of net assets acquired over purchase price of Applied Retail Solutions	-	(271,522)	-	-
Interest received	(21,918)	(20,525)	(3,517)	(5,721)
Net fair value change on investments	(26,663)	(10,862)	(26,663)	(10,862)
Net exchange differences	-	6,373	-	-
Share options expensed	359,078	-	359,078	53,768
Other	29,354	9,756	-	-
Changes in assets and liabilities:				
(Increase)/decrease in inventories	(28,171)	66,486	-	-
(Increase)/decrease in trade and other receivables	(1,054,147)	(617,856)	(15,108)	57,757
(Increase)/decrease in equity	-	(27,914)	-	-
(Increase)/decrease in prepayments	(67,054)	(41,312)	(102,192)	(29,570)
(Increase)/decrease in deferred tax assets	(678,541)	(443,663)	(700,195)	(313,955)
(Decrease)/increase in current tax liability	(461,020)	27,212	(22,458)	22,458
(Decrease)/increase in trade and other payables	624,649	278,948	(17,366)	67,895
(Decrease)/increase in provisions	105,760	352,720	3,369	-
(Decrease)/increase in maintenance in advance	159,916	(14,781)	144,599	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,289,627**	**1,377,190**	**428,442**	**(221,049)**

8 Trade and other receivables

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
CURRENT	$	$	$	$
Trade receivables	3,046,937	1,428,060	246,746	52,250
Provision for impairment	(17,428)	(270,079)	-	-
	3,029,509	1,157,981	246,746	52,250
Other Debtors	-	-	-	-
Sundry Loans	7,298	21,909	-	-
Inter-company loan	-	-	1,095	95,790
Related party receivables	146,481	170,315	-	-
TOTAL TRADE & OTHER RECEIVABLES	3,183,288	1,350,205	247,841	148,040
NON-CURRENT				
Loans to subsidiaries	-	-	1,773,992	-

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No allowance has been recognised as an expense for the current year. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

For terms and conditions relating to related party receivables, refer to note 22.

9 Inventories

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$	$	$	$
Finished goods (at net realisable value)	124,074	83,331	-	-
TOTAL INVENTORIES	124,074	83,331	-	-

10 Financial Assets

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Available-for-sale investment in shares of listed entity	37,525	10,862	37,525	10,862
Shares in subsidiaries at cost	-	-	23,174,807	23,000,000
TOTAL FINANCIAL ASSETS	37,525	10,862	23,212,332	23,010,862

Available-for-sale investments consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

11 Plant and Equipment

	$	$
Year ended 30 June 2006		
At 1 July 2005, net of accumulated depreciation	148,702	-
Additions – normal from operations	33,702	1,730
– Acquired on acquisition of Applied Retail Solutions	45,020	-
Disposals	(6,185)	-
Depreciation charge for the year	(60,305)	-
At 30 June 2006, net of accumulated depreciation	160,934	1,730
At 1 July 2005 - Cost or fair value	237,137	-
Accumulated depreciation	88,435	-
NET CARRYING AMOUNT	148,702	-
At 30 June 2006		
Cost or fair value	309,674	1,730
Accumulated depreciation	148,740	-
NET CARRYING AMOUNT	160,934	1,730
Year ended 30 June 2007		
At 1 July 2006, net of accumulated depreciation	160,934	1,730
Additions – normal from operations	117,672	2,474
– Acquisition	106,158	3,592
Disposals	-	-
Depreciation charge for the year	(114,248)	-
At 30 June 2007, net of accumulated depreciation	270,516	7,796
At 1 July 2006 - Cost or fair value	309,674	-
Accumulated depreciation	148,740	-
NET CARRYING AMOUNT	160,934	1,730
At 30 June 2007		
Cost or fair value	533,504	7,796
Accumulated depreciation	262,988	-
NET CARRYING AMOUNT	270,516	7,796

Depreciation is calculated on a straight-line and diminishing balance basis over the estimated useful life of the asset as follows:

- Straight line – 12.5% - 40%
- Diminishing balance – 13% - 60%

All fixed assets fall within a single class of plant and equipment.

12 Intangible Assets

	CONSOLIDATED			PARENT		
	Principal Technology	Goodwill	Total	Principal Technology	Goodwill	Total
At 1 July 2006						
Cost (gross carrying amount)	550,000	2,944,942	3,494,942	-	-	-
Accumulated amortisation	(458,333)	-	(458,333)	-	-	-
Net Carrying Amount	91,667	2,944,942	3,036,609	-	-	-
Additions						
Issue of performance shares at price						
price above initial 20 cents.	-	174,719	174,719			
Acquisition of a subsidiary (note 21)	1,809,815	4,909,346	6,719,161	1,809,815	595,159	2,404,974
Amortisation	(156,302)	-	(156,302)	(64,635)	-	(64,635)
As at 30 June 2007 net of accumulated amortisation	1,653,513	5,084,065	6,737,578	1,745,180	595,159	2,340,339
At 30 June 2007						
Cost (gross carrying amount)	2,359,815	8,029,007	10,388,822	1,809,815	595,159	2,404,974

Goodwill is not amortised but is subject to annual impairment testing (see note 13). No impairment loss was recognised in the 2007 financial year.

Principal Technology includes software that was previously acquired by QQQ Systems Pty Limited and also by 3Q Holdings Limited.

This software is amortised between 5 to 7 years.

The current amortisation charge is included under the depreciation and amortisation expense in the Income Statement.

The software acquired by QQQ Systems Pty Limited has been fully amortised.

13 Goodwill impairment testing and cash-generating units

Goodwill is allocated to cash-generating units as set out below. The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using the weighted average cost of capital at the beginning of the budget period of 11.3%.

Goodwill is allocated to cash-generating units as follows:

	2007 $	2006 $
3Q Holdings & QQQ Systems (excluding AdvanceRetail division of 3Q Holdings)	3,119,661	2,944,942
Business of AdvanceRetail Technology (subsidiary in New Zealand & division of 3Q Holdings in Australia)	4,909,346	-
Total	**8,029,007**	**2,944,942**

Key assumptions used

The following describes each key assumption on which management has based its cash flow projections when determining the value in use:

- Budgeted gross margins — the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year. Thus, values assigned to gross margins reflect past experience.
- Sales and all applicable variable costs are budgeted at an average annual increase of 10%.
- Certain fixed costs are budgeted at the same annual cost achieved in the year immediately before the budgeted year.
- Cash flows exclude cost of borrowings and other costs of finance.

14 Employee Share Option Plan

An Employee Share Option Plan was approved at the Annual General Meeting of 3Q Holdings held on 8 November 2006. 5,270,000 options under this plan were issued during the year.

15 Trade and Other Payables

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Trade and other payables	1,262,167	631,638	286,356	269,941
GST due	139,788	99,994	15,941	(19,060)
Maintenance in advance	576,243	286,632	181,853	-
TOTAL TRADE & OTHER PAYABLES	1,978,198	1,018,264	484,150	250,881

Trade payables are non-interest bearing and are normally settled on 30-day terms.

The Sydney offices are rented from Isalux Pty Limited, a related party.

The rental paid to Isalux is at normal market related prices and on arm's length commercial terms.

16 Financial Liabilities

CURRENT	**Maturity**	CONSOLIDATED		PARENT	
		2007 $	2006 $	2007 $	2006 $
Obligations under hire purchase contracts	30-Jun-07	-	17,921	-	-
Bank Loan		1,167,259	121,147	417,950	-
TOTAL FINANCIAL LIABILITIES		1,167,259	139,068	417,950	-

NON-CURRENT	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Bank Loan	3,011,602	-	-	-
TOTAL FINANCIAL LIABILITIES	3,011,602	-	-	-

Bank loan

The bank loan is secured by a charge over the assets of the group, held by St George Bank.

Part of the interest on this loan is charged at a variable rate of interest and the other part at a fixed rate of interest.

The bank loan facilities above include:

- Foreign Currency Term Loan of AUD $2,000,000 that is interest only and has a 4-year term. The interest is charged at a fixed rate which equates to St George Bank's NZD cost of funds (fixed 3 year rate) plus a margin of 2.0% (11.12% at balance date). This loan was drawn down by AdvanceRetail Technology to NZD $2,260,000 at balance date.
- Foreign Currency Term Loan of AUD 2,000,000 that is principal and interest and is amortised over 30 months. The interest is charged at a variable rate which equates to St George Bank's NZD cost of funds (variable rate) plus a margin of 1.75% (10.03% at balance date). This loan was drawn down by AdvanceRetail Technology to NZD $1,790,000 at balance date.
- A component of each of the Foreign Currency Term Loans above was drawn down by 3Q Holdings to a total of AUD $400,000 principal and interest at balance date.
- Deferred Foreign Currency Term Loan of AUD $1,000,000 that is principal and interest and is amortised over 30 months. This loan had not been drawn down as at the date of this report.
- A Multi Option (Bank Guarantee) of AUD $500,000 with a term of 1 year, which is to be used for working capital. The interest is charged at a variable rate of interest. This multi option facility is subject to an annual review, and had not been drawn down as at the date of this report.

The bank loan facilities are for the primary purpose of funding the acquisition of AdvanceRetail Technology.

Financing facilities available

As at balance date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Total facilities – bank loan	5,500,000	480,000	5,500,000	-
Facilities used at reporting date - bank loans	4,037,684	120,000	4,037,684	-
Facilities unused at reporting date - bank loans	1,462,316	360,000	1,462,316	-
TOTAL FACILITIES USED AT REPORTING DATE	4,037,684	120,000	4,037,684	-
TOTAL FACILITIES UN-USED AT REPORTING DATE	1,462,316	360,000	1,462,316	-

Details of these bank loan facilities are set out above. The facilities were available to both the parent and two of its subsidiaries jointly and severally. The total facilities used at reporting date by the consolidated entity are also shown as used by the parent entity, for the purpose of reconciling to the un-used facilities at reporting date which are available to both the parent and the consolidated entity.

17 Provisions

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Current – Provision for Annual Leave	299,436	178,459	3,369	-
Non-current - Provision for Long Service Leave	59,300	39,612	19,688	-
TOTAL PROVISIONS	358,736	218,071	23,057	-

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave. The measurement and recognition criteria relating to provisions have been included in note 2 (a) (xxi).

18 Issued Capital & Reserves

CONSOLIDATED

Movement During the Year	2007	2006
Ordinary shares issued and fully paid	7,019,719	3,089,200

Movements in ordinary shares on issue	Number of shares	$
At 1 July 2006	72,955,960	3,089,200
Ordinary shares issued for the acquisition of AdvanceRetail Technology	9,389,500	3,755,800
Performance shares issued per the acquisition of QQQ Systems Pty Limited	65,000,000	174,719
AT 30 JUNE 2007	147,345,460	7,019,719

PARENT

Movement During the Year	2007	2006
Ordinary shares issued and fully paid	45,503,421	41,572,902

Movements in ordinary shares on issue	Number of shares	$
At 1 July 2006	72,955,960	41,572,902
Ordinary shares issued for the acquisition of AdvanceRetail Technology	9,389,500	3,755,800
Performance shares issued per the acquisition of QQQ Systems Pty Limited	65,000,000	174,719
AT 30 JUNE 2007	147,345,460	45,503,421

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At 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.

Nature and Purpose of Reserves

Foreign Currency Translation Reserve

Exchange differences arising in translation of the Company's foreign subsidiaries are taken to the foreign currency translation reserve, as described in note 2(a)(ii). The reserve is recognised in profit and loss at such time as the Company disposes of its net investment.

Options reserve

The options reserve records items recognised as expenses on valuation of options over their respective vesting periods.

19 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise a bank loan facility, and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The foreign currency risk on the foreign currency loan is hedged as the loan is repayable in the currency in which the funds were borrowed. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligation with a floating interest rate.

The effective weighted average interest rates on financial assets and liabilities is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within Year		1 to 5 Years		Over 5 Years		Non-interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	$	$	$	$	$	$	$	$	$	$	$	$
Financial Assets:														
Cash & Cash Equivalents	4.69	3.45	2,155,810	684,101	-	-	-	-	-	-	-	-	2,155,810	684,101
Trade & Other Receivables	-	-	-	-	-	-	-	-			3,183,288	1,350,205	3,183,288	1,350,205
TOTAL FINANCIAL ASSETS			2,155,810	684,101	-	-	-	-	-	-	3,183,288	1,350,205	5,339,098	2,034,306
Financial Liabilities:														
Short Term & Long Term Borrowings	10.26	11.92	2,036,075	-	-	121,147	2,056,600	-	-	-	-	-	4,092,675	121,147
Lease & Hire Purchase Liabilities	-	7.79	-	-	-	17,921	-	-	-	-	-	-	-	17,921
Trade & Other Payables	-	-	-	-	-	-	-	-	-	-	1,978,198	1,018,264	1,908,198	1,018,264
TOTAL FINANCIAL LIABILITIES			2,036,075	-	1,058,735	139,068	977,340	-	-	-	1,978,198	1,018,264	6,000,873	1,157,332

Foreign currency risk

As a result of investment in operations in the United States and New Zealand, the Group's balance sheet can be affected by movements in the US$/A$ and NZ$/A$ exchange rates. At this stage the Group does not seek to hedge this exposure, however, the Group may change its policy in the future.

The Group also has some transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the unit's functional currency. These are not considered material.

Commodity price risk

The Group's exposure to price risk is minimal.

Credit risk

In general, the Group trades with recognised, creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

20 Business Combinations

Acquisition of business of AdvanceRetail Technology

On the 13th March 2007 3Q Holdings Limited signed a business sale agreement for the acquisition of 100% of the business of AdvanceRetail Technology subject to the satisfaction of a number of conditions. All these conditions were met and the transaction was finally completed on 5 April 2007. The purchase price included an initial payment on completion of NZ$8,100,000 comprising the issue of 9,389,500 fully paid ordinary shares in 3Q Holdings Limited at 40 cents per share and NZ$4,050,000 in cash.

There is also a deferred payment of up to one times AdvanceRetail Technology's EBITDA for the 12-months ended 30 September 2007, capped at NZ$2,025,000. This deferred consideration will be settled as to one half in cash and one half in fully paid ordinary shares in 3Q Holdings Limited. The deferred consideration will not be paid if the EBITDA for the 12-month period ending 30 September 2007 is less than 60% of the EBITDA for the previous 12 month period. If the EBITDA is between 60% and 80% of the EBITDA for the previous 12-month period, then 50% of that EBITDA will be paid. If the EBITDA is greater than 80%, then that EBITDA will be paid. All shares issued will be subject to a 24-month escrow period.

AdvanceRetail Technology contributed $189,296 net profit before tax from ordinary activities for the three month period since 3Q Holdings took control.

The fair value of the identifiable assets and liabilities of AdvanceRetail Technology as at the date of acquisition are:

CONSOLIDATED	**Recognised on acquisition $**	**Carrying value $**
Shares issued at fair value	3,755,800	3,755,800
Cash paid (excluding costs of acquisition)	3,577,233	3,577,233
Cash paid – costs associated with the acquisition	423,430	423,430
Total cost of acquisition	**7,756,463**	**7,756,463**
Fair value of identifiable assets and liabilities acquired:		
Cash and cash equivalents	324,798	324,798
Trade receivables	893,230	893,230
Plant and equipment	102,095	102,095
Prepayments	14,515	14,515
Inventories	12,209	12,209
Accrued payables	(31,207)	(31,207)
Provision for employee entitlements	(19,688)	(19,688)
Unearned income	(137,683)	(137,683)
Fair value of net tangible assets	**1,158,269**	**1,158,269**
Intangible asset – Principal Technology	1,809,815	1,809,815
Goodwill – arising on acquisition	4,193,220	4,193,220
Goodwill – fair value adjustment in relation to shares issued	171,729	171,729
Goodwill – costs of acquisition	423,430	423,430
Total goodwill on acquisition	**4,788,379**	**4,788,379**

Goodwill on acquisition of $4,193,220 held by the subsidiary AdvanceRetail Technology at date of acquisition has been translated at the year end exchange rate, and is recognised in the balance sheet as part of total goodwill of $4,909,346.

Purchase consideration	**CONSOLIDATED**		**PARENT**	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Ordinary shares issued – 9,389,500 million shares at 40 cents per share	3,755,800	-	3,755,800	-
Cash consideration	3,577,233	-	-	-
Costs associated with the acquisition	423,430	-	423,430	-
TOTAL CONSIDERATION	**7,756,463**	**-**	**4,179,230**	**-**

21 Commitments and Contingencies

Commitments

(a) Financial leases – consolidated

The Group had entered into a hire purchase contract for various items of computer equipment.
This contract was repaid in full in April 2007.

There are no future minimum instalments under the hire purchase contract.

CONSOLIDATED	**2007 $**	**2006 $**
Within one year	-	17,921
After one year but not more than five years	-	-
TOTAL HIRE PURCHASE PAYMENTS	-	17,921

(b) Operating Leases – consolidated

The group entered into the operating lease agreements set out below, with the following commitments for minimum lease payments (not capitalised in the financial statements).

CONSOLIDATED	**2007 $**	**2006 $**
Within one year	268,278	94,000
After one year but not more than five years	934,808	9,271
TOTAL OPERATING LEASE PAYMENTS	1,203,086	103,271

(i) A commercial property lease for use of its Sydney head office. The lease is a five-year lease and expires on 5 August 2007. There is an option to renew for a further five years. The lease includes a clause to enable upward revision of the rental charge on an annual basis, according to the prevailing consumer price index.

(ii) A commercial property lease for use of its Auckland offices. The lease is a six-year lease and expires on 2 April 2013. There is an option to renew for a further three years. The lease includes a clause to enable upward revision of the rental charge on two occasions within the lease term and also on the renewal date if the lease is renewed, according to the prevailing consumer price index.

(iii) A commercial property lease for use of its AdvanceRetail Technology office in Sydney. The lease is a 13-month lease and expires on 31 January 2008. There is no option to renew.

(iv) A commercial property lease for use of its USA office. The lease is a three-year lease and expires on 30 April 2010. There is no option to renew. The lease includes a clause to enable upward revision of the rental charge at 4% per annum.

(c) Parent

There are no commitments for the parent company at balance date.

Contingencies – consolidated

A contingent liability exists for the consolidated group in relation to the deferred settlement on the acquisition of AdvanceRetail Technology, details of which are set out at note 20 above. The contingent liability is capped at NZD$2,025,000.

There are no contingencies for the parent company at balance date.

22 Related party disclosure

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 8 and note 15):

Consolidated	Sales financed by Related Parties excluding GST (Note 1) $	Rent paid to Related Parties excluding GST (Note 2) $	Compens-ation of David Rosen (Note 4) $	Amounts owed by Related Parties for financed sales (Note 1) $	Amounts owed to Related Parties for rent (Note 2) $	Compens-ation of McGeachen Bell and Associates (Mark McGeachen) (Note 5) $	Compens-ation of McGeachen Bell and Associates (Andrew Bell) (Note 6) $	Compens-ation of Symdean Pty Ltd (Geoff Gander) (Note 7) $
2007	165	94,000	203,368	146,481	(14,300)	33,611	33,611	60,000
2006	9,780	34,000	41,625	170,315	(14,300)	-	-	73,750

Note 1 - Sales financed by related parties

Sales to certain customers of QQQ Systems Pty Limited are financed by Isalux Pty Limited, a related party. Isalux repays QQQ on a monthly basis.

Note 2 - Rent paid to related parties

The Sydney offices are rented from Isalux Pty Limited, a related party. The rental paid to Isalux is at normal market related prices and on arm’s length commercial terms.

Note 3 - Distributor

Under an agreement with Pyramid Merchandising Software (Pty) Limited, QQQ Systems Pty Limited was appointed the worldwide master distributor in all territories outside Africa of PMS's merchandising software product know as "Pyramid". David Rosen, who has a 50% interest in Elabrook Pty Limited, one of the vendors of QQQ Systems Pty Limited, and who is a Director of Applied Retail Solutions Inc, is an owner of 25% of the issued capital of PMS.

Under an agreement with Island Pacific Inc, QQQ Systems Pty Limited granted Island Pacific rights in respect of the Pyramid Software in the Americas and Europe. QQQ Systems Pty Limited has earned revenues over the last few years from the granting of such rights to Island Pacific.

Note 4 - Director of Related Party

As disclosed as part of the distributor note above, David Rosen has a 50% interest in Elabrook Pty Limited, one of the vendors of QQQ Systems Pty Limited, and is a Director of Applied Retail Solutions Inc, a related party. By virtue of his directorship in Applied Retail Solutions Inc., a related party, David is a related party himself. David receives remuneration as a Director of Applied Retail Solutions Inc, which is disclosed above as a related party transaction.

Note 5 – Company controlled by Director - McGeachen Bell Associates Limited

Mark McGeachen, a Director of 3Q Holdings Limited, has a 50% interest in McGeachen Bell Associates Limited. Mark McGeachen provides all the administrative and management services required for AdvanceRetail Technology to operate efficiently on a day-to-day basis, including the normal day-to-day management of the Company, through McGeachen Bell Associates Limited.

Mark, being a Director of 3Q Holdings Limited, is a related party. By virtue of his controlling interest in McGeachen Bell Associates Limited, this makes McGeachen Bell Associates Limited a related party as well. McGeachen Bell Associates Limited receives remuneration from AdvanceRetail Technology for Mark's services, which is disclosed above as a related party transaction.

Note 6 – Company controlled by Key Management Personnel - McGeachen Bell Associates Limited

Andrew Bell, a Key Management Personnel of AdvanceRetail Technology, has a 50% interest in McGeachen Bell Associates Limited. Andrew Bell provides all the technical services required for AdvanceRetail Technology to operate efficiently on a day-to-day basis, including the normal day-to-day management of all the technical aspects of the Company, through McGeachen Bell Associates Limited.

Andrew, being a Key Management Personnel of AdvanceRetail Technology, is a related party. By virtue of his controlling interest in McGeachen Bell Associates Limited, this makes McGeachen Bell Associates Limited a related party as well. McGeachen Bell Associates Limited receives remuneration from AdvanceRetail Technology for Andrew's services, which is disclosed above as a related party transaction.
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Note 7 – Company controlled by Director - Symdean Pty Limited

Geoff Gander, a Director of 3Q Holdings Limited, has a 100% interest in Symdean Pty Ltd. Geoff is paid his Director's fees through Symdean Pty Ltd.

Geoff, being a Director of 3Q Holdings Limited, is a related party. By virtue of his controlling interest in Symdean Pty Ltd, this makes Symdean Pty Ltd a related party as well. The Director's fees paid to Geoff are disclosed above as a related party transaction.

23 Events after balance sheet date

There were no events after balance date to report, as at the date of this financial report.

24 Auditors' Remuneration

The auditor of 3Q Holdings Limited is PKF. Prior to the Acquisition of QQQ Systems Pty Limited on 22 December 2005, the auditor of 3Q Holdings was KPMG.

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Amounts received or due and receivable by PKF for:				
- audit or review of financial reports of the entity and any other entity in the consolidated group	125,835	57,440	93,170	17,440
- other non-audit services in relation to the entity and any other entity in the consolidated group	22,985	2,505	22,985	2,505
TOTAL	148,820	59,945	116,150	19,945
Amounts received or due and receivable by KPMG for:				
- an audit or review of the financial report of subsidiaries	-	15,000	-	15,000
- taxation services	-	3,300	-	3,300
- other services	-	575	-	575
TOTAL	-	18,875	-	18,875

25 Segment Information

The operating businesses in the Group operate in the same segment with each business unit offering primarily the same products and markets.

The group operates in the information technology industry in Australia, New Zealand, USA and Asia-Pacific.

The Group's primary segment reporting format is by business unit and its secondary reporting format is by geographic region.

CONSOLIDATED – 2007	**Australia** **$**	**New Zealand** **$**	**United States** **$**	**TOTAL** **$**
Year ended 30 June 2007 – Revenue:				
Sales to customers	7,728,241	1,210,923	2,256,890	11,196,054
Other revenues from customers	14,951	-	-	14,951
Other revenue	41,169	10,400	6,123	57,692
Total revenue	7,784,361	1,221,323	2,263,013	11,268,697
Inter-segment management fees	282,747	(71,622)	(211,125)	-
Inter-segment sales	45,074	143,288		188,362
Inter-segment cost of sales	(143,288)	(45,074)	-	(188,362)
Net profit after tax	**1,980,683**	**48,902**	**48,249**	**2,077,834**
Other segment information:				-
Segment assets – before consolidation adjustments	32,128,994	4,277,063	638,153	37,044,210
Consolidation adjustments	(20,083,066)	-	-	(20,083,066)
Consolidated segment assets	12,045,928	4,277,063	638,153	16,961,144
Segment liabilities – before consolidation adjustments	2,076,564	4,227,746	266,255	6,570,565
Consolidated segment liabilities	2,076,564	4,227,746	266,255	6,570,565

CONSOLIDATED – 2006	Australia $	New Zealand $	United States $	TOTAL $
Year ended 30 June 2006 – Revenue:	7,018,869	99,735	779,203	7,897,807
Sales to customers	188,264	-	9,450	197,714
Other revenues from customers	-	-	271,522	271,522
	7,207,133	99,735	1,060,175	8,367,043
Total revenue	7,306,868	-	1,060,175	8,367,043
Net profit after tax	**1,557,503**	** **7,699**	**353,122**	**1,998,324**
Other segment information:				
Segment assets – before consolidation adjustments	25,170,955	71,628	710,990	25,953,573
Consolidation adjustments	(19,987,941)	-	(762)	(19,988,703)
Consolidated segment assets	* 5,183,014	71,628	710,228	5,964,870
Segment liabilities – before consolidation adjustments	1,460,435	-	337,069	1,797,504
Consolidation adjustments	95,037	-	-	95,037
Consolidated segment liabilities	1,555,472	-	337,069	1,892,541

* Included in consolidated segment assets above are the acquisition of plant and equipment on the purchase of the Applied Retail Solutions business of $45,828.
Also included in the segment assets are the cost of plant and equipment acquired during the year of $33,702.

** The profit from New Zealand operations does not take into account tax which is payable in Australia.

26 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 (a) (i)

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2007 %	Equity Holding 2006 %
QQQ Systems Pty Limited	Australia	Ordinary	100	100
ARS Australia Pty Limited	Australia	Ordinary	100	100
Applied Retail Solutions Inc	United States of America	Ordinary	100	100
AdvanceRetail Technology NZ Limited	New Zealand	Ordinary	100	-

The two subsidiaries incorporated in Australia have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418, issued by the Australian Securities and Investments Commission.

Directors' Declaration

The Directors of 3Q Holdings Limited declare that:

1 the financial statements and notes, as set out on pages 28 to 58, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and consolidated group;

2 the audited remuneration disclosures set out on pages 13 to 18 of the Directors' Report comply with Accounting Standards and the *Corporations Regulations 2001*;

3 the declarations required in accordance with section 295A of the *Corporations Act 2001* have been made;

4 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Shaun Rosen
Director & Executive Chairman

Dated at Sydney this 28th day of September 2007

Independent Auditor's Report

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 3Q HOLDINGS LIMITED

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of 3Q Holdings Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both 3Q Holdings Limited (the disclosing entity) and consolidated entity. The consolidated entity comprises the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001,* the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124: *Related Party Disclosures*, under the heading "remuneration report" on pages 13 to 18 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the disclosing entity are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's Opinion on the Financial Report

In our opinion the financial report of 3Q Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the disclosing entity's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained on pages 13 to 18 of the directors' report comply with Accounting Standard AASB 124.

PKF

PKF

Arthur Milner
Partner

Dated 28 September 2007
Sydney

ASX Additional Information

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report is set out below:

SHAREHOLDINGS

As at 31 August 2007

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

	Ordinary Shares	%
Eastfall Pty Limited	57,500,000	39.02
Elabrook Pty Limited	57,500,000	39.02
AR Investments Limited	9,389,500	6.37

Voting Rights

- Each ordinary shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every ordinary shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.
- Performance shareholders are entitled to receive notice of general meetings of the Company, however they are not entitled to vote.
- Holders of options over ordinary shares are not entitled to receive notice of general meetings nor are they entitled to vote.

Distribution of equity security holders

As at 31 August 2007

Category	Ordinary Shareholders	Options Holders
1 – 1,000	579	-
1,001 – 5,000	215	-
5,001 – 10,000	78	-
10,001 – 100,000	110	20
100,001 and over	48	21
TOTAL	1,030	41

The number of ordinary shareholders holding less than a marketable parcel of ordinary shares is 628.

Number of holders of each class of equity securities

Equity Security	Number of Holders
Ordinary Shares	1,030
Options over ordinary shares	41

On-Market buy back

There is no current on-market buy back.

Equity Securities on issue

Equity Security	Number
Ordinary Shares	147,345,460
Options over ordinary shares	15,590,000

Twenty largest shareholders of quoted ordinary shares

Name	Ordinary Shares	%
Eastfall Pty Limited	57,500,000	39.02
Elabrook Pty Limited	57,500,000	39.02
AR Investments Limited	9,389,500	6.37
Hillridge Pty Ltd	2,161,813	1.47
Ron-Ton Fashions Pty Ltd (Retirement fund A/C)	1,606,914	1.09
Ron-Ton Fashions Pty Ltd (Ron-Ton Retirement fund A/C)	1,473,193	1.00
Sydney Boardriders Pty Ltd	1,000,000	0.68
Lewis Securities Ltd (LSL Holdings Pty Ltd A/C)	956,255	0.65
Fishgills Pty Ltd (Gillon Super Fund A/C)	890,399	0.60
Cardy & Co Pty Ltd	640,300	0.43
Bullimore Investments Pty Ltd (The CK Super fund A/C)	600,000	0.41
GDL Investments Pty Ltd	584,243	0.40
Lewis Securities Ltd	515,745	0.35
Ortis Investments SA	480,117	0.33
HSBC Custody Nominees (Australia) Limited	475,000	0.32
BV Holdings Australia Pty Ltd	400,000	0.27
Mr Martin Gilbert	330,404	0.22
Affinity Ltd c/o Mr Lax Sentinal	300,000	0.20
Manikato Financial Services Pty Ltd	300,000	0.20
Ortis Investments SA c/o JP Condrau and Associates	298,900	0.20
TOTAL	137,402,783	93.25

Quotation of Securities on other Stock Exchanges

The equity securities of the Company are not quoted on any other stock exchange, other than the Australian Stock Exchange.

Restricted securities or securities subject to voluntary escrow

The ordinary shares held by AR Investments Limited (9,389,500) are restricted and subject to a 2-year escrow which ends on 5 April 2009.

Unquoted Securities

Unquoted Equity Security	Number of Holders	Securities on issue
Options over ordinary shares	41	15,590,000

Statement of usage of cash and assets in a form readily convertible to cash

Since readmission of the Company to the Australian Stock Exchange, the Company has used its cash and assets in a form readily convertible to cash, primarily in a way that is consistent with its business objectives. However, at this stage, as with 2006 year end, the funds have not been used on research and development of the Thin POS to the extent that is consistent with its business objectives. As was disclosed in the Prospectus dated 25 November 2005, of the cash resources that were raised, $250,000 was to be allocated to research and development of the Thin POS. At the date of this report, the amount spent on research and development of the Thin POS has been minimal. The expenditure on this commitment will depend on the feasibility of launching the product particularly in the USA.

Instead, these resources were used primarily for working capital.