Contents

CORPORATE INFORMATION

ABN 42 089 058 293

Directors
Shaun Rosen (Executive Chairman)
Clive Klugman
Alan Treisman
Mark McGeachen
Stephe Wilks

Company Secretary
Alan Treisman

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Bankers
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George Street, Sydney NSW

Commonwealth Bank of Australia
Bondi Junction, Sydney NSW

St George Bank
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Auditors
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Stock Exchange Listing
Australian Stock Exchange, code: TQH

CHAIRMAN’S REPORT

I am pleased to present the Annual Report for 3Q Holdings Limited for the year ended 30 June 2008.

This has been a successful year for the company, with a strong emphasis on the integration and consolidation of our two major recent acquisitions – Advance Retail, and Island Pacific. The company has achieved a satisfactory financial outcome despite the challenging retail environment.

Variation from Preliminary Final Report

Before presenting the financial overview and highlights for the year, shareholders should note that there are two material changes in the accounts between the time of the Preliminary Final Report and the enclosed Annual Report of the Company. The first of these changes reflects a re-allocation of the after tax effect of a foreign exchange gain between the parent and a subsidiary, and the second affects the balance sheet position of the Company for intangible asset foreign exchange translations.

There is no change to the consolidated profit and loss account for the year resulting from these adjustments.

In the first change, the Company has corrected the allocation of a foreign exchange gain between 3Q’s New Zealand subsidiary, and 3Q (as the parent entity). Parent net profit after tax has decreased by $134,854, parent deferred tax asset has increased by $57,794, and the parent long-term trade and other receivables decreased by $192,648. The subsidiary’s accounts reflect the opposite of these figures. As noted above, there is **no change** to the consolidated figures for the Company in light of this change.

In the second variation, the Company has corrected an error where intangible assets held in foreign currencies were translated to Australian dollar amounts at the rate prevailing at the date of acquisition, rather than the appropriate balance date (30 June 2008). The exchange rate at 30 June 2008 was AUD$1=US$0.95 compared to current exchange rates which approximate AUD$1=US$0.84. As a consequence of the correction, consolidated net assets and reserves (not profits) have decreased by $1,464,999, as a consequence primarily of the significant rise in the Australian dollar against the US dollar in the first half of this calendar year. The relevant translation amounts are taken to a translation reserve (and not booked to the profit and loss account), and the value of all assets and liabilities will continue to be translated to Australian dollar amounts as at the relevant balance date for each future financial report.

Financial Overview & Highlights

Over the course of this financial year, the Company:

Completed the acquisition of Island Pacific (in December 2007)
Finalised the full integration of the Advance Retail business, following its acquisition just prior to the start of the financial year
Increased, compared to the previous year:

- Revenue by 85%, at $20.8m
- EBITA (before options expense) by 61% at $4.3m.
- Profit before tax by 12%, at $2.1m

In the prior year 65,000,000 shares were issued.
Successfully launched the Island Pacific Planning product into Australia, and expanded its reach in the US and UK markets
Exciting customer wins – with both substantial renewals, and new business successes.

Financial Highlights

	2008	2007	Percentage Increase/(Decrease)
Revenue & other income	$20,853,657	$11,268,697	↑ 85%
Gross Profit Percentage	78%	76%	↑ 2%
EBITDA (before options expense)	$4,305,814	$2,664,238	↑ 61%
Net Profit before Income Tax	$2,148,606	$1,938,933	↑ 11%
Earnings per Share (cents)	1.0296	1.6907	↓ 39%
Cash	$6,267,050	$2,155,810	↑ 191%
Trade and other Receivables	$8,096,837	$3,345,937	↑ 142%
Net Assets	$10,918,604	$10,390,579	↑ 5%
Net Current Assets	($3,787,660)	$2,126,158	↓ 278%
Number of Employees	113	80	↑ 41%

Company Background

The Company is now well established on its long term strategy of sustainable growth. That growth will continue to come from the development of the businesses controlled by the Group, as well as through acquisition.

The Company has now all but completed the integration of the Island Pacific business (acquired from Island Pacific Inc in December 2007, for a total consideration of US$16m). To facilitate the Island Pacific acquisition, the Company secured bank finance across the group of approximately $19.5 million, approximately $3.9m which was used to payout existing bank debt used to acquire AdvanceRetail.) Under the terms of the bank finance, the Company was obliged to undertake a capital raising by the end of the financial year, and pay down part of the outstanding debt some months following that raising.

Following discussions with the Company's financier and brokers, 3Q undertook a rights issue and subsequent placement review in May 2008, recognising that it would prove challenging to secure new investors in the Company at this time of stress in the public markets.

While the raising was not ultimately successful, we believe that the exercise proved useful as a further opportunity to showcase the Company to critical prospective investors. Indeed, the feedback we received whilst on the road show was consistently positive. Ultimately however we paid down a substantial part of the outstanding debt from existing cash reserves, and we will continue to work with the bank to ensure that we meet their ongoing requirements.

The purchase of Island Pacific was a significant milestone in 3Q Holdings' short history, strengthening the Company and even better allowing it to deliver best in breed products to existing and new clients. The Board is delighted at the further expansion of the Company's US operations and particularly excited by the expansion into the UK.

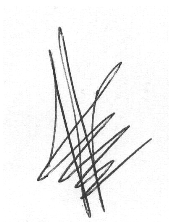
Finally, the Company continues to be active on the sales front, with many new customers over the course of the year representing success in both geographic and product coverage.

Financial Outlook

Although external economic conditions continue to be negative, the Board continues to see excellent consolidation opportunities in the retail software and services industry, both in Australia and overseas.

We look forward to acting on these opportunities in the coming years, where they fall within the capital capacity of the company, and meet the stringent criteria of the Board, which ensure that any acquisition adds substantial value to the existing operations, the shareholders and other stakeholders. We are however cognisant that the retail sector is facing a very tough year ahead and the company will continue to monitor and react to this environment as the circumstances require. The Board continues to expect success from the current business – working with management to achieve consistent operational performance. The Company's strong earnings this year have proven the capabilities of the executive management and we expect this to continue into 2009.

In all, I am pleased to present this report to you – demonstrating another successful milestone in the Company's history, and I look forward to delivering more positive news at the half and full year results for 2009.

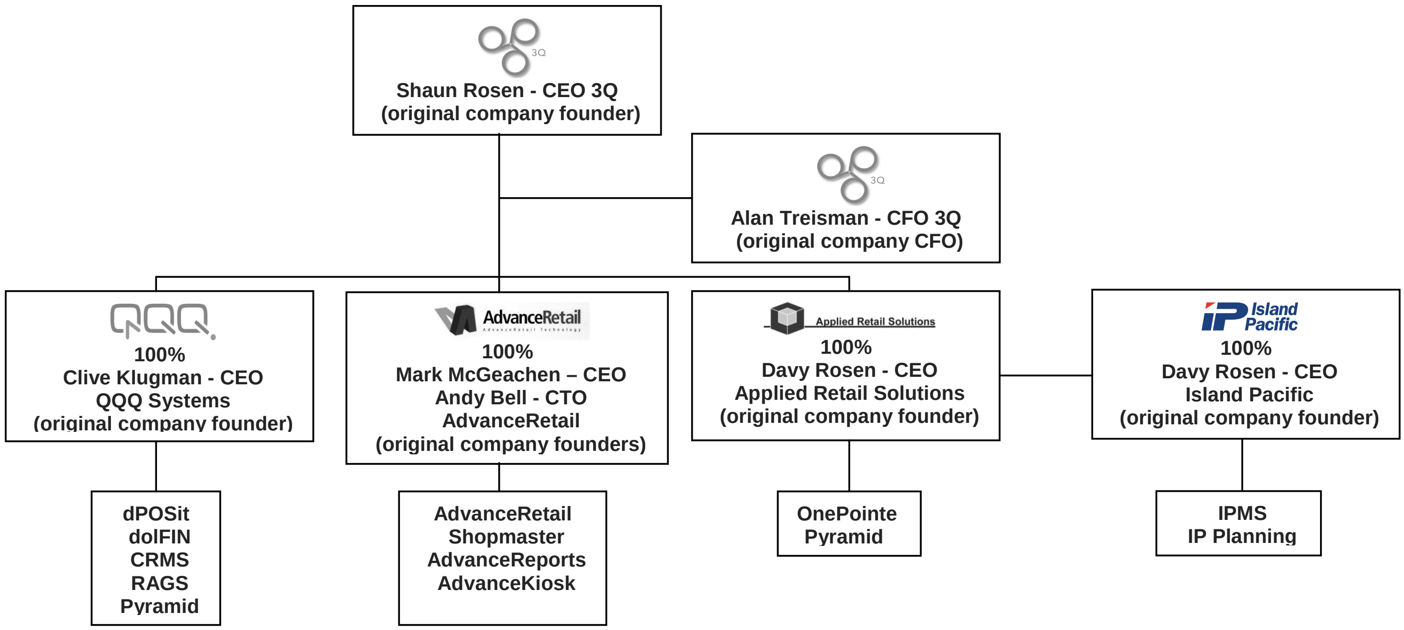


Shaun Rosen
Chairman

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.



The Company, trading as QQQ Systems in Australia, Island Pacific in the USA and UK, 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, department stores, supermarkets, tourist attractions, 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.

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

The Company services approximately 450 customers. 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
Thin RMS	Thin Client
AdvanceRetail/Shopmaster	General Retail
AdvanceKiosk	In Store Kiosk

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
IP Planning	Merchandise Planning
Other	
RAGS	Fashion (vertically integrated production)

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 25 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 30 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 10 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.

Stephe Wilks
Non-Executive Director

Stephe holds Bachelor of Science and Law degrees from Macquarie University and a Master of Laws from Sydney University.

He has over 15 years experience in the telecommunications industry in a variety of senior management roles including Regional Director Regulatory Affairs with BT Asia Pacific (1995 to 1998), Director Regulatory and Public Affairs at Optus, and Managing Director of XYZed Pty Limited (an Optus Company) (1998 to 2002), Chief Operating Officer of Nextgen Networks (2002 to 2003), Chief Operating Officer at Personal Broadband Australia and Consulting Director at NM Rothschild & Sons (2003 to 2005).

Stephe is an active non-executive director with public and private company experience. He is presently a Non-Executive Director of Longreach Group Limited, Service Stream Limited, Tel.Pacific Limited and People Telecom Limited, Chairman of Mooter Media Limited, and an Advisory Board member of the Network Insight Group.

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.

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2008.

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, USA, UK and Asia.

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, department stores, supermarkets, tourist attractions, furniture, general merchandise, jewellery and discount variety industries.

There were significant changes in the principal activities during the year, with the acquisition of Island Pacific in the USA and UK.

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.

In December 2007, the Group acquired Island Pacific, a global software solutions leader in retail merchandising and store operations. Headquartered in Irvine, California, it has offices in the United States and the United Kingdom.

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

The retail software sector in Australia and Worldwide 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 Island Pacific and Applied Retail Solutions in the USA and UK, 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, AdvanceRetail Technology and Island Pacific have laid a strong foundation for the future growth of the Group.

The Group's net profit for the year after income tax is $1,517,611 (2007: $2,077,834) representing a decrease of 27% (2007: 22% increase) from the previous year. The Group's net profit for the year before income tax is $2,148,606 (2007: $1,938,933) representing an increase of 11% (2007: 15% decrease) from the previous year.

The main reason for the decrease in net profit after tax and increase in net profit before tax in the current year is that in the previous year, the Group recognised a deferred tax asset on the Australian tax losses of $705,278, whereas no such deferred tax asset has been recognised in the current year. Had the deferred tax asset not been recognised in the prior year, the net profit after tax in the current year would have increased by 5% over the prior year.

A summary of the Group's operating results for the financial year ending June 30, 2008, is as follows:

Business Segments	**Revenue & Other Income** **$**
Australian Operations	8,408,318
UK Operations	2,050,450
USA Operations	7,046,413
NZ Operations	3,348,476
TOTAL	**20,853,657**

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 2008 of $4,111,240 (2007: $1,504,552).

Operating activities generated approximately $3,238,656 (2007: $1,289,627) of net cash in-flows.

There was a net decrease in the cash flows from investing activities of $17,278,325 (2007: $3,678,365), which was mainly attributable to the acquisition of Island Pacific for $17,006,937 in the current year.

There was a net increase in cash flows from financing activities of approximately $18,346,963 (2007:$3,893,290) due primarily to net banking finance received of $18,333,439 for the acquisition of Island Pacific in the current year.

Asset and Capital Structure

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

Consolidated	**2008** **$**	**2007** **$**
Interest Bearing Loans & Borrowings	22,227,379	4,178,861
Cash & Short Term Deposits	(6,267,050)	(2,155,810)
Net Debt	15,960,329	2,023,051
Total Equity	10,918,604	10,390,579
Total Capital Employed	26,878,933	12,413,630
Gearing (%)	59.37%	16.30%

Profile of Debts

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

	2008 **$**	**2007** **$**
Bank Loans	18,973,817	4,178,861
Other Loans	3,253,562	-
TOTAL DEBT	22,227,379	4,178,861

Share issues during the year

On 24 December 2007, 100,000 shares were issued to Alan Treisman, a director of 3Q Holdings Limited.

On 13 June 2008, 56,337 shares were issued to existing shareholders as part of a rights issue that took place during the year.

Options issued during the year

On 30 June 2008, 650,000 options over ordinary shares in 3Q Holdings Limited that were issued to staff of the 3Q Group under the 3Q Holdings Limited employee share option plan, were cancelled.

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
Stephe Wilks	115,000	-
Alan Treisman	100,000	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 Island Pacific in the USA and UK on 21 December 2007 created additional opportunities for further sales and profit growth, as well as a solid presence in the USA and a new presence in the UK. The acquisition will also have a significant effect on the earnings of the Group.

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 company has paid premiums to insure the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of director and officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a part for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

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 2008, all of the Director's and the majority of part of the Key Management's remuneration was not linked to the performance of the Company. There was however 1 Key Manager whose remuneration was based partly on the performance of their divisions.

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 2008, the Directors' and executives' salary packages were considered modest in relation to the performance of the Company and to market rates, although they were up on the previous year.

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.

Stephe Wilks is the only Non-Executive Director of which he still is at the date of this report. He was appointed as such on 14 February 2008.

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

David Rosen, Andrew Bell and Richard Gaetano receive a set salary.

Mike Dotson receives a base salary and then a performance-based component based on the revenues of his division. The performance-based structure will be reviewed periodically and performance assessed and paid quarterly. It is tailored specifically to the area that Mike is involved in and has a level of control over.

The Board believe these performance-based structures hold greater potential for group expansion and profit.

The Board may exercise its discretion in relation to approving Directors and key managements incentives, bonuses and options, and can recommend changes to Directors and key managements 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 and commissions	**Short-term cash profit sharing**	**Superannuation**	**Equity settled – options**		
		$	**$**	**$**	**$**	**$**	**%**
Shaun Rosen [1]	2008	259,760	-	91,200	7,160	358,120	-
Executive Chairman	2007	118,594	-	42,385	32,140	193,119	-
Clive Klugman [1]	2008	200,438	-	47,200	7,160	254,798	-
Executive Director	2007	150,000	-	42,385	32,140	224,525	-
Alan Treisman [1]	2008	187,940	-	12,385	33,160	233,485	-
Finance Director & Secretary	2007	125,601	-	31,617	32,140	189,358	-
Geoff Gander [2]	2008	15,000	-	-	7,160	22,160	-
Non-Executive	2007	60,000	-	-	32,140	92,140	-
Mark McGeachen [3]	2008	111,996	-	-	-	111,996	-
Executive Director	2007	33,611	-	-	-	33,611	-
Stephe Wilks [4]	2008	47,500	-	-	-	47,500	-
Non-Executive	2007	-	-	-	-	-	-
TOTAL	**2008**	**822,634**	**-**	**150,785**	**54,640**	**1,028,059**	**-**
	2007	**487,806**	**-**	**116,387**	**128,560**	**732,753**	**-**

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. Resigned as Non-Executive Director on 17 October 2007.
3 Mark McGeachen was appointed as an Executive Director on 5 April 2007.
4 Stephe Wilks appointed as Non-Executive Director on 14 February 2008.

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

(b) 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 and commissions	Short-term cash profit sharing	Superannuation	Equity settled – options		
		$	$	$	$	$	%
David Rosen [1] Director Island Pacific Systems Inc.	2008 2007	201,239 203,368	- -	- -	- -	201,239 203,368	- -
Andrew Bell [2] Chief Technical Officer AdvanceRetail Technology	2008 2007	111,996 33,611	- -	- -	- -	111,996 33,611	- -
Richard Gaetano [3] Chief Operating Officer Island Pacific USA	2008 2007	105,410 -	- -	- -	- -	105,410 -	- -
Mike Dotson [3] Chief Operating Officer Island Pacific UK	2008 2007	56,462 -	- -	- -	- -	56,462 -	- -
TOTAL	**2008** **2007**	**475,107** **236,979**	- -	- -	- -	**475,107** **236,979**	- -

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.
3 Richard Gaetano and Mike Dotson were employed by the Group effective from the date the business of Island Pacific was acquired on 21 December 2007, although Mike only became full time effective 1 May 2008.They are employed as at the date of this report.

(c) Options issued as part of remuneration

During the financial year there were no options over ordinary shares in the Company granted as equity compensation benefits to Directors and key management personnel. 4 million 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**

Half the options issued in the 2007 year vested immediately and the other half vested within one year of grant date. They all expire within 3 years of the grant date.

The exercise price approximated the market price at the date of the grant.

All options were granted for nil consideration.

(d) Shares issued on Exercise of Compensation Options

During the year no options were exercised that were granted as compensation in prior periods.

(e) 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 previous year.

Contract Duration

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.

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	6	6
Clive Klugman	6	6
Alan Treisman	6	6
Geoff Gander	1	1
Mark McGeachen	6	6
Stephe Wilks	3	3

There was one meeting held by the remuneration committee of the board during the year, which was attended by Alan Treisman and Stephe Wilks.

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 the Groups auditors for the provision of non-audit services:

Provision of accounting advice and due diligence services - $86,895.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 25.

Signed in accordance with a resolution of the Directors.

Shaun Rosen
Executive Chairman
Sydney, NSW
29 September, 2008

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.

Mr Stephe Wilks is a Non-Executive Director of the Company and is considered to be independent.

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/Chief Financial Officer 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 2008 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, 9.1, 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 remuneration report in 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 at least 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/Chief Financial Officer who have significant broad-ranging industry experience plus general experience of running a company. They 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.

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 Chairperson 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	
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	

#	ASX Recommendation	Complied	Note
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: Stephe Wilks is considered to be independent. The skills, experience and knowledge of the other four 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 which determines the remuneration of the Directors and key management. 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. The Board did however establish a Remuneration Committee during the year which determines remuneration levels for all employees of the Company with the exception of Directors.

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.

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of 3Q Holdings Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, 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

29 September 2008
Sydney

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DX 10173 | Sydney Stock Exchange | New South Wales

INCOME STATEMENT

For the year ending 30 June 2008

	Note	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT 2008 $	PARENT 2007 $
Revenue	3(a)	20,552,262	11,196,055	3,046,909	1,058,705
Other income	3(b)	301,395	72,642	621,317	561,251
Cost of sales		(4,654,967)	(2,697,690)	(1,124,173)	(572,504)
Depreciation and amortisation expense	3(e)	(1,031,468)	(270,550)	(531,766)	(64,635)
Employee benefits expense (excluding shares and options expense)	3(f)	(8,790,493)	(4,359,697)	(589,103)	(178,044)
Employee benefits expense – shares and options		(167,338)	(359,078)	(167,338)	(359,078)
Finance costs	3(d)	(1,145,779)	(117,595)	(903,829)	(13,251)
Other expenses	3(c)	(2,915,006)	(1,525,154)	(380,555)	(388,379)
PROFIT / (LOSS) BEFORE INCOME TAX		**2,148,606**	**1,938,933**	**(28,538)**	**44,065**
Income tax expense / (benefit)	4(a)	630,995	(138,901)	(113,540)	(700,195)
NET PROFIT AFTER INCOME TAX		**1,517,611**	**2,077,834**	**85,002**	**744,260**
Basic earnings per share (cents per share)	5	1.0296	1.6907	-	-
Diluted earnings per share (cents per share)	5	0.9311	1.5715	-	-

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

BALANCE SHEET

As at 30 June 2008

	Note	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	7	6,267,050	2,155,810	2,711,529	464,536
Trade and other receivables	8	8,096,837	3,345,937	835,019	385,723
Inventories	9	169,973	124,074	-	-
TOTAL CURRENT ASSETS		**14,533,860**	**5,625,821**	**3,546,548**	**850,259**
Non-current assets					
Plant and equipment	11	466,090	270,516	12,386	7,796
Intangible assets	12	26,780,127	9,774,187	8,532,762	4,283,527
Financial assets	10	-	37,525	24,426,103	23,212,332
Trade and other receivables	8	-	-	12,298,032	1,773,992
Deferred tax assets	4(c)	1,420,668	1,253,095	1,127,690	1,014,150
TOTAL NON-CURRENT ASSETS		**28,666,885**	**11,335,323**	**46,396,973**	**30,291,797**
TOTAL ASSETS		**43,200,745**	**16,961,144**	**49,943,521**	**31,142,056**
LIABILITIES					
Current liabilities					
Trade and other payables	15	8,939,812	1,978,198	316,290	484,150
Financial liabilities	16	8,353,562	1,167,259	4,516,436	417,950
Short-term provisions	17	380,026	299,436	6,354	3,369
Current tax liability		648,120	54,770	191,816	-
TOTAL CURRENT LIABILITIES		**18,321,520**	**3,499,663**	**5,030,896**	**905,469**
Non-current liabilities					
Financial liabilities	16	13,873,817	3,011,602	13,213,247	-
Trade and other payables	15	-	-	3,154,253	1,943,188
Long-term provisions	17	86,804	59,300	5,550	19,688
TOTAL NON-CURRENT LIABILITIES		**13,960,621**	**3,070,902**	**16,373,050**	**1,962,876**
TOTAL LIABILITIES		**32,282,141**	**6,570,565**	**21,403,946**	**2,868,345**
NET ASSETS		**10,918,604**	**10,390,579**	**28,539,575**	**28,273,711**
EQUITY					
Issued capital	18	7,059,243	7,019,719	45,542,945	45,503,421
Reserves	18	(727,091)	302,019	554,184	412,846
Retained earnings / (accumulated losses)	18	4,586,452	3,068,841	(17,557,554)	(17,642,556)
TOTAL EQUITY		**10,918,604**	**10,390,579**	**28,539,575**	**28,273,711**

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

STATEMENT OF CHANGES IN EQUITY

For the year ending 30 June 2008

	CONSOLIDATED				
	Issued Capital	**Retained Earnings**	**Option and Share Reserve**	**Foreign Currency Translation Reserve**	**Total**
	$	**$**	**$**	**$**	**$**
At 1 July 2006	**3,089,200**	**991,007**	**-**	**(7,878)**	**4,072,329**
Profit for the period	-	2,077,834	-	-	**2,077,834**
Adjustment resulting from translating foreign controlled entities	-	-	-	(49,181)	**(49,181)**
Fair value adjustment on conversion of performance shares to ordinary shares.	174,719	-	-	-	**174,719**
Issue of 14,340,000 options during the year	-	-	359,078	-	**359,078**
Shares issued for the acquisition of AdvanceRetail Technology	3,755,800	-	-	-	**3,755,800**
At 30 June 2007	**7,019,719**	**3,068,841**	**359,078**	**(57,059)**	**10,390,579**
At 1 July 2007	**7,019,719**	**3,068,841**	**359,078**	**(57,059)**	**10,390,579**
Profit for the period	-	1,517,611	-	-	**1,517,611**
Adjustment resulting from translating foreign controlled entities	-	-	-	(1,170,448)	**(1,170,448)**
Issue of 14,340,000 options during the previous year	-	-	141,338	-	**141,338**
Issue of 100,000 shares to Director during the year	26,000	-	-	-	**26,000**
Issue of 56,337 shares during the year as part of Rights issue	13,524	-	-	-	**13,524**
At 30 June 2008	**7,059,243**	**4,586,452**	**500,416**	**(1,227,507)**	**10,918,604**

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

PARENT

	Issued Capital $	Retained Earnings $	Option and Share Reserve $	Foreign Currency Translation Reserve $	Total $
At 1 July 2006	**41,572,902**	**(18,386,816)**	**53,768**	**-**	**23,239,854**
Profit for the period	-	744,260	-	-	**744,260**
Adjustment resulting from translating foreign controlled entities	-	-	-	-	**-**
Fair value adjustment on conversion of performance shares to ordinary shares.	174,719	-	-	-	**174,719**
Issue of 14,340,000 options during the year	-	-	359,078	-	**359,078**
Shares issued for the acquisition of AdvanceRetail Technology	3,755,800	-	-	-	**3,755,800**
At 30 June 2007	**45,503,421**	**(17,642,556)**	**412,846**	**-**	**28,273,711**
At 1 July 2007	**45,503,421**	**(17,642,556)**	**412,846**	**-**	**28,273,711**
Profit for the period	-	85,002	-	-	**85,002**
Adjustment resulting from translating loans payable to foreign controlled entities	-	-	-	-	**-**
Issue of 14,340,000 options during the previous year	-	-	141,338	-	**141,338**
Issue of 100,000 shares to Director during the year	26,000	-	-	-	**26,000**
Issue of 56,337 shares during the year as part of Rights issue	13,524	-	-	-	**13,524**
At 30 June 2008	**45,542,945**	**(17,557,554)**	**554,184**	**-**	**28,539,575**

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

CASH FLOW STATEMENT

For the year ending 30 June 2008

	Note	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT 2008 $	PARENT 2007 $
Cash flows from operating activities					
Receipts from customers		21,055,631	11,222,398	3,087,764	1,283,134
Payments to suppliers & employees		(16,597,429)	(8,929,487)	(1,478,841)	(831,682)
Interest paid		(1,088,176)	(10,374)	(760,074)	(1,472)
Income tax paid		(185,329)	(1,002,025)	(38,230)	(22,458)
Other income		53,959	9,115	11,176	920
NET CASH PROVIDED BY OPERATING ACTIVITIES	7(a)	**3,238,656**	**1,289,627**	**821,795**	**428,442**
Cash flows from investing activities					
Interest received		160,401	22,034	85,346	3,517
Cash paid for the purchase of AdvanceRetail Technology Limited		-	(3,911,918)	(177,003)	(352,313)
Purchase of plant, equipment and leasehold improvements		(164,075)	(111,141)	(8,665)	(2,475)
Payment for exclusivity deposit in relation to investment in Island Pacific		(120,287)	-	-	-
Refund of exclusivity deposit in relation to investment in Island Pacific		122,100	-	-	-
Costs incurred on purchase of subsidiary – AdvanceRetail Technology Limited		(164,090)	-	-	-
Cash acquired on purchase of Subsidiary – AdvanceRetail Technology Limited		-	332,160	-	-
Net cash paid for the purchase of Island Pacific		(17,006,937)	-	(12,257,950)	-
Loans to subsidiaries and other entities		(131,823)	(9,500)	(153,373)	(4,952)
Proceeds from disposal of listed investments		26,386	-	26,386	-
NET CASH USED IN INVESTING ACTIVITIES		**(17,278,325)**	**(3,678,365)**	**(12,485,259)**	**(356,223)**
Cash flows from financing activities					
Proceeds from Rights issue		13,524	-	13,254	-
Other		-	(23,893)	-	(23,894)
Proceeds from borrowings		22,530,057	4,037,183	17,729,952	407,175
Repayment of borrowings		(4,196,618)	(120,000)	(3,832,749)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**18,346,963**	**3,893,290**	**13,910,457**	**383,281**
Net increase in cash and cash equivalents		4,307,294	1,504,552	2,246,993	455,500
Net foreign exchange differences		(196,054)	(32,843)	-	-
Cash and cash equivalents at beginning of period		2,155,810	684,101	464,536	9,036
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	**6,267,050**	**2,155,810**	**2,711,529**	**464,536**

The Cash Flow Statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008.

1 Authorisation of Financial Report

The financial report of 3Q Holdings Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 29 September 2008.

2 Statement of Significant Accounting Policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, 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) Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial reporting standards (“AIFRS”). Compliance with AIFRS ensures that the financial report of 3Q Holdings Limited complies with International Financial Reporting standards (“IFRS”).

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. Investment in subsidiaries are measured at cost.

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.

(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, Island Pacific Inc., is United States dollars (US$).
The functional currency of the foreign operation, AdvanceRetail Technology Limited, is New Zealand dollars (NZ$).
The functional currency of the foreign operation, Island Pacific (UK) Limited, is Great Britain Pounds.

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 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 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 is 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 15 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 in general are expensed as incurred.

Where there is a major research and development project, the development costs relating to such will be capitalised.

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 fair value plus transaction costs, unless the financial instrument is classified at fair value through the profit and loss in which case these costs are expensed 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. 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 7-30 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 Cash Flow Statement, 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 is provided to the customer.

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.

3Q Holdings Limited and it's wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the (stand-alone tax payer) approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 22nd December 2005.

(xvii) Goods and Services Tax (GST

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 Cash Flow Statement 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 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.

(xix) 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

(xxiii) 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.

(xxiv) 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.

(xxv) 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.

(xxvi) Accounting Standards and interpretations

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
8	Operating Segments	Feb 2007	1 Jan 2009
101	Presentation of Financial Statements (Amended)	Sept 2007	1 Jan 2009
123	Borrowing Costs (Amended)	June 2007	1 Jan 2009
3	Business combinations (Amended)	Mar 2008	1 Jul 2009
127	Consolidated and Separate Financial Statements(Amended)	Mar 2008	1 Jul 2009
2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jan 2009
2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Jul 2008	1 Jan 2009
2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	Sept 2008	1 Jul 2009

This is not an exhaustive list of accounting standards that have been issued but not yet effective but represents the standards most likely to have a material impact on Australian organisations.

Australian Interpretations

Int No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
4	Determining whether an Arrangement contains a Lease [revised]	Feb 2007	1 Jan 2008
16	Hedges of a Net Investment in a Foreign Operation	Aug 2008	1 Oct 2008

3 Profit/(Loss) Before Income Tax

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
(a) Revenue				
Sales of goods/hardware	1,515,152	1,516,867	7,121	-
Rendering of services	5,137,885	3,546,733	505,746	162,164
Maintenance fees	8,952,603	3,928,266	941,425	678,938
License fees	4,654,603	2,100,383	1,562,863	208,737
Other revenue	292,019	103,806	29,754	8,866
TOTAL REVENUE	**20,552,262**	**11,196,055**	**3,046,909**	**1,058,705**
(b) Other income				
Management fees – intra-group	-	-	307,287	530,151
Interest received	187,378	21,918	313,651	3,517
Other Income	114,017	50,724	379	27,583
TOTAL OTHER INCOME	**301,395**	**72,642**	**621,317**	**561,251**
(c) Other expenses				
Rental expense	718,286	285,284	15,444	5,951
Accounting and audit fees	295,538	232,732	146,225	132,040
Bad and doubtful debts – trade receivables	535	13,652	-	-
Legal fees	135,666	112,539	89,276	83,461
Other expenses	1,764,981	880,947	129,610	166,927
TOTAL OTHER EXPENSES	**2,915,006**	**1,525,154**	**380,555**	**388,379**
(d) Finance costs				
Interest on Loans	1,145,779	117,595	903,829	13,251
TOTAL FINANCE COSTS	**1,145,779**	**117,595**	**903,829**	**13,251**
(e) Depreciation and amortisation				
Depreciation	119,928	114,248	4,074	-
Amortisation	911,540	156,302	527,692	64,635
TOTAL DEPRECIATION AND AMORTISATION	**1,031,468**	**270,550**	**531,766**	**64,635**
(f) Employee benefits expense (excluding shares and options)				
Wages and salaries (including Directors' fees)	7,471,265	3,631,538	500,285	156,640
Workers' compensation costs	17,988	12,112	2,653	677
Superannuation expense	329,332	265,638	38,897	9,441
Annual and long service leave provision	132,799	94,878	(734)	3,369
Fringe benefits tax	175,522	54,818	-	-
Life insurance expense	17,732	2,167	17,732	2,167
Payroll tax	379,478	174,112	27,491	5,712
Other payroll related expenses	56,746	77,078	1,206	-
Other staff benefits, including training	209,631	47,356	1,573	38
TOTAL EMPLOYEE BENEFITS EXPENSE (EXCLUDING SHARES AND OPTIONS)	**8,790,493**	**4,359,697**	**589,103**	**178,044**

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	
	2008 $	**2007 $**	**2008 $**	**2007 $**
The components of tax comprise:				
Current Tax	826,678	537,731	-	-
Deferred Tax	(58,340)	28,646	(113,540)	5,083
Recoupment / recognition of prior and current year tax losses	(137,343)	(705,278)	-	(705,278)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**630,995**	**(138,901)**	**(113,540)**	**(700,195)**

(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	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Accounting profit / (loss) before income tax	2,148,607	1,938,933	(28,538)	44,065
At the Group's statutory income tax rate of 30% (2007: 30%)	644,582	581,680	(8,561)	13,220
Add / (less) tax effect of following:				
Non-deductible share-based payments	42,401	107,726	42,401	107,726
Non-deductible amortisation of intangible assets	8,838	13,961	8,838	13,961
Non-deductible legal expenses	17,056	5,389	17,056	5,389
Other non-deductible expenses	14,818	-	8,290	-
Deductible capitalisation costs in relation to capital raising	(104,885)	(100,690)	(104,885)	(100,690)
Adjustment for differences in tax rates	203,843	(7,167)	-	-
Recognition of tax losses not previously recognised	(272,162)	(705,278)	-	(705,278)
Recognition of deferred tax balances not previously recognised	-	(6,917)	-	(6,917)
Recoupment of tax losses not previously recognised	(37,987)	-	(37,987)	-
Other tax adjustments	114,491	(27,605)	(38,692)	(27,606)
INCOME TAX EXPENSE / (BENEFIT)	**630,995**	**(138,901)**	**(113,540)**	**(700,195)**

(c) Deferred tax assets
Deferred income tax at 30 June relates to the following:

CONSOLIDATED	Balance Sheet		Charge to Income	
	2008 $	2007 $	2008 $	2007 $
Written down value of Principal Technology – Accounting	(3,633,306)	(523,554)	380,025	(496,054)
Written down value of Principal Technology – Tax	3,895,744	668,415	(250,635)	530,913
Provision for audit fees	-	-	-	(12,000)
Unrealised Foreign Exchange losses/(gains)	31,157	-	13,428	-
Provision for staff entitlements	160,110	107,621	51,602	42,200
Provision for impairment	5,228	5,228	(2,737)	(75,795)
Research and development	(130,619)	-	(137,450)	-
Tax losses	1,111,231	1,007,233	137,342	705,278
Other	(18,877)	(11,848)	4,287	(17,910)
TOTAL	1,420,668	1,253,095	195,682	676,632

PARENT	Balance Sheet		Charge to Income	
	2008 $	2007 $	2008 $	2007 $
Provision for audit fees	-	-	-	(12,000)
Provision for staff entitlements	3,571	6,917	(3,346)	6,917
Written down value of Principal Technology- Accounting	(3,728,596)	-	279,753	-
Written down value of Principal Technology-Tax	3,911,893	-	(96,456)	-
Unrealised Foreign Exchange losses/(gains)	(66,411)	-	(66,411)	-
Tax losses	1,007,233	1,007,233	-	705,278
TOTAL	1,127,690	1,014,150	113,540	700,195

3Q Holdings Limited had income tax losses of $15,747,826 at 30 June 2008 ($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	
	2008 $	**2007 $**
Net profit attributable to ordinary equity holders of the parent	1,517,611	2,077,834
Weighted average number of ordinary shares for basic earnings per share	147,400,019	122,894,308
Effect of dilution: Share options	14,940,000	15,590,000
Weighted average number of ordinary shares adjusted for the effect of dilution	162,988,393	132,217,239
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

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

There are no dividends payable or receivable at reporting date.

Franking Account Balance

CONSOLIDATED	**2008 $**	**2007 $**
Balance of Franking Account at year end adjusted for franking credits arising from payment of provisions for income tax	1,318,800	988,044

PARENT	**2008 $**	**2007 $**
Balance of Franking Account at year end adjusted for franking credits arising from payment of provisions for income tax	1,318,800	988,044

7 Cash and Cash Equivalents

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Cash at bank and in hand	3,848,959	2,077,399	636,550	502,220
Overdraft	-	(37,684)	-	(37,684)
Short-term deposits	2,418,091	116,095	2,074,979	-
TOTAL CASH & CASH EQUIVALENTS	**6,267,050**	**2,155,810**	**2,711,529**	**464,536**

(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	
	2008 $	2007 $	2008 $	2007 $
Net profit/(loss)	1,517,611	2,077,834	85,002	744,260
Adjustments for:				
Depreciation	118,779	114,248	4,075	-
Amortisation	911,540	156,302	527,692	64,635
Net (profit)/loss on disposal of property, plant and equipment	9,492	-	-	-
Interest received	(160,401)	(21,918)	(85,346)	(3,517)
Net fair value change on investments	-	(26,663)	-	(26,663)
Net exchange differences	(12,920)	-	-	-
Other	-	29,354	-	-
Changes in assets and liabilities:				
(Increase) in inventories	(47,660)	(28,171)	-	-
(Increase)/decrease in trade and other receivables	1,307,854	(1,054,147)	48,667	(15,108)
(Increase)/decrease in equity	61,338	359,078	(54,031)	359,078
(Increase) in prepayments	(383,278)	(67,054)	(83,071)	(102,192)
(Increase)/decrease in deferred tax assets	19,259	(678,541)	(113,540)	(700,195)
(Decrease)/increase in current tax liability	683,401	(461,020)	(38,230)	(22,458)
(Decrease)/increase in trade and other payables	(73,934)	624,649	527,238	(17,366)
Increase in provisions	70,121	105,760	-	3,369
(Decrease)/increase in maintenance in advance	(782,546)	159,916	3,339	144,599
NET CASH FLOWS FROM OPERATING ACTIVITIES	**3,238,656**	**1,289,627**	**821,795**	**428,442**

8 Trade and other receivables - Current

Current assets - trade and other receivables

	CONSOLIDATED		PARENT	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Trade receivables	6,426,358	3,046,937	355,142	246,746
-Allowance for impairment loss (a)	(17,428)	(17,428)	-	-
	6,408,930	3,029,509	355,142	246,746
Prepayments	382,762	162,649	220,952	137,882
Related party receivables: (b)	201,029	146,481	256,145	1,095
Associates	6,915	7,298	2,780	-
Other	(687)	-	-	-
Other – Vendor of Island Pacific	1,097,888	-	-	-
Carrying amount of trade and other receivables	8,096,837	3,345,937	835,019	385,723

(a) Allowance for impairment loss
Trade receivables are non-interest bearing and are generally on 7-30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognized in the current year.

At 30 June 2008, the ageing analysis of trade receivables is as follows:

	Total $	**0-30 days** $	**31-60 days PDNI*** $	**31-60 days CI*** $	**61-90 days PDNI*** $	**61-90 days CI*** $	**+91 days PDNI*** $	**+91 days CI*** $
2008 Consolidated	6,426,358	2,337,774	2,247,300	-	357,812	-	1,466,044	17,428
Parent	355,142	276,741	10,180	-	15,511	-	52,710	-
2007 Consolidated	3,046,937	2,120,433	251,294	-	407,215	-	250,567	17,428
Parent	246,746	205,381	17,954	-	1,709	-	21,702	-

* Past due not impaired ('PDNI')
* Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated $4,071,156 (2007: $909,076); Parent $78,401 (2007: $41,365). Payment terms on these amounts have in some cases been re-negotiated, however in certain circumstances credit has been stopped until payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets.

(b) Related party receivables
For terms and conditions of related party receivables refer to notes 22

(c) Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, with the exception of Australia and New Zealand where there is retention of title over hardware which is sold. It is also not the Group's policy to transfer (on-sell) receivables to special purpose entities.

(d) Foreign exchange and interest rate risk
Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 19.

Non-current assets - receivables

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Loan	-	-	12,298,032	1,773,992
Carrying amount of non-current receivables	-	-	12,298,032	1,773,992

All amounts are receivable in Australian Dollars and are not considered past due or impaired.

(a) Loan notes
These loan notes are all Group loans made by the Parent to the respective Subsidiary companies. They are interest bearing and have no fixed terms of repayment.

(b) Fair values
The carrying values of the Loans are assumed to approximate their fair value fair values.

(c) Interest rate risk
The Loans are subject to Interest. The rates are reviewed at least once annually by the directors. There is interest rate risk for the Parent, however not for the Group.

(d) Credit risk
The credit risk is not applicable as there is no terms for repayment of the loans. No collateral is held as security.

9 Inventories

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Finished goods (at net realisable value)	169,973	124,074	-	-
TOTAL INVENTORIES	169,973	124,074	-	-

10 Financial Assets

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Available-for-sale financial asset - investment in shares of listed entity	-	37,525	-	37,525
Shares in subsidiaries at cost	-	-	24,426,103	23,174,807
TOTAL FINANCIAL ASSETS	**-**	**37,525**	**24,426,103**	**23,212,332**

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

11 Plant and Equipment

	CONSOLIDATED $	PARENT $
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
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
Year ended 30 June 2008		
At 1 July 2007, net of accumulated depreciation	270,516	7,796
Additions – normal from operations	194,544	8,664
– Acquisition	135,806	-
Adjustment on forex	(14,848)	-
Depreciation charge for the year	(119,928)	(4,074)
At 30 June 2008, net of accumulated depreciation	466,090	12,386
At 1 July 2007 - Cost or fair value	533,504	7,796
Accumulated depreciation	(262,988)	-
NET CARRYING AMOUNT	270,516	7,796
At 30 June 2008		
Cost or fair value	849,006	16,460
Accumulated depreciation	(382,916)	(4,074)
NET CARRYING AMOUNT	466,090	12,386

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	Intellectual Property	Customer Relationships	Tradenames	Goodwill	Other	Total
At 30 June 2007						
Cost (gross carrying amount)	2,359,815	-	-	8,029,007	-	10,388,822
Accumulated amortisation	(614,635)	-	-	-	-	(614,635)
Net Carrying Amount	1,745,180	-	-	8,029,007	-	9,774,187
Additions						
Capitalised Development costs	-	-	-	-	304,896	304,896
Organisational costs	-	-	-	-	17,778	17,778
Acquisition of a subsidiary (note 20)	3,465,404	7,392,862	693,081	7,516,867	-	19,068,214
Foreign exchange rate movements	-	(690,568)	-	(810,603)	-	(1,501,171)
Amortisation	(501,749)	(353,545)	(25,943)	-	(2,540)	(883,777)
As at 30 June 2008 net of accumulated amortisation	2,963,655	6,348,749	667,138	6,706,264	320,134	17,005,940
At 30 June 2008						
Cost (at current exchange rates)	5,825,219	6,702,294	693,081	14,735,271	322,674	28,278,539
Accumulated amortisation	(1,116,384)	(353,545)	(25,943)	-	(2,540)	(1,498,412)
Net Carrying Amount	4,708,835	6,348,749	667,138	14,735,271	320,134	26,780,127

PARENT	Intellectual Property	Customer Relationships	Tradenames	Goodwill	Other	Total
At 30 June 2007						
Cost (gross carrying amount)	1,809,815	-	-	595,160	-	2,404,975
Accumulated amortisation	(64,635)	-	-	-	-	(64,635)
Fair value adjustment	-	-	-	1,943,188	-	1,943,188
Net Carrying Amount	1,745,180	-	-	2,538,348	-	4,283,528
Additions						
Capitalised Development costs	-	-	-	-	-	-
Organisational costs	-	-	-	-	-	-
Acquisition of a subsidiary (note 20)	3,465,404	-	693,081	618,441	-	4,776,926
Amortisation	(501,749)	-	(25,943)	-	-	(527,692)
As at 30 June 2007 net of accumulated amortisation	2,963,655	-	667,138	618,441	-	4,249,234
At 30 June 2008						
Cost (gross carrying amount)	5,275,219	-	693,081	3,156,789	-	9,125,089
Accumulated amortisation	(566,384)	-	(25,943)	-	-	(592,327)
Net Carrying Amount	4,708,835	-	667,138	3,156,789	-	8,532,762

Goodwill is not amortised but is subject to annual impairment testing (see note 13). No impairment loss was recognised in the 2008 financial year. Costs of an acquisition shown as goodwill are amortised in proportion to the value of the intangibles of the specific acquisition and on the same amortisation terms of those intangibles.

Intellectual Property includes software and principal technology.

This software is amortised between 5 to 15 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.

Fair Value adjustment

On the 5 April 2007, the 3Q Holdings Group acquired the business of AdvanceRetail, which included the Australian and New Zealand businesses. The purchase price was determined on a group basis. At the time, goodwill was allocated to the New Zealand entity, AdvanceRetail Technologies Limited. The Directors have had the opportunity to analyse the business and have determined that it is more appropriate to now attribute a portion of that goodwill to the Australian Entity. Consequently, goodwill in the New Zealand entity has decreased by $1,943,188 and goodwill in 3Q has increased by an equivalent amount. This adjustment has had no effect on net assets of the Group nor of 3Q Holdings as the loan account has been adjusted by the same amount.

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, including a terminal value in the 6th year. The cash flows are discounted using the weighted average cost of capital at the beginning of the budget period of 12%.

Goodwill is allocated to cash-generating units as follows:

	2008 $	2007 $
3Q Holdings & QQQ Systems (excluding AdvanceRetail division of 3Q Holdings)	3,119,657	3,119,661
Business of AdvanceRetail Technology (subsidiary in New Zealand & division of 3Q Holdings in Australia)	4,667,432	4,909,346
Business of Island Pacific (subsidiaries in US/UK)	6,948,182	-
Total	**14,735,271**	**8,029,007**

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 between 5 and 7.5%.
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, tax and other costs of finance.

14 Employee Share Option Plan

No options under the Employee Share Option Plan were issued during the year.
650,000 options under this plan were cancelled during the year.

15 Trade and Other Payables

	CONSOLIDATED		PARENT	
CURRENT	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Trade payables	2,489,323	1,262,167	161,585	286,356
Other payables	4,860,737	716,031	154,705	197,794
	7,350,060	1,978,198	316,290	484,150
Other – Vendor of Island Pacific	1,589,752	-	-	-
Carrying amount of trade and other payables	8,939,812	1,978,198	316,290	484,150
NON-CURRENT				
Loans to subsidiaries	-	-	**3,154,253**	**1,943,188**

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

(a) Fair value
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Financial guarantees
The Group has guaranteed the NAB bank facility, which commits the individual companies within the Group to make payments on behalf of the other entities in the Group upon the failure by any such entity to perform under the terms of the relevant facility agreement.

(c) Related party payables
For terms and conditions relating to related party payables refer to note 22.

(d) Interest rate, foreign exchange and liquidity risk
Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 19.

16 Financial Liabilities

	CONSOLIDATED		**PARENT**	
CURRENT	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Vendor Loan	3,253,562	-	-	-
Bank Loan	5,100,000	1,167,259	4,516,436	417,950
TOTAL FINANCIAL LIABILITIES	**8,353,562**	**1,167,259**	**4,516,436**	**417,950**

	CONSOLIDATED		**PARENT**	
NON-CURRENT	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Bank Loan	13,873,817	3,011,602	13,213,247	-
TOTAL FINANCIAL LIABILITIES	**13,873,817**	**3,011,602**	**13,213,247**	**-**

Bank loan

The bank loan is secured by a charge over the assets of the group, held by National Australia 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:

Tranche A Facility of $15,000,000 which is a 3 year amortising non-revolving cash advance facility. This facility is made up of:- 1) a Market Rate Facility with a limit of $13,564,854 which bears interest at a variable rate of 7.70 % at balance date with a margin of 1.75% (9.45%), and interest fixed at a rate of 7.88% plus a margin of 1.75% (9.63%). At balance date $13,311,290 was drawn down. $10,800,000 of this facility has been fixed at balance date. 2) a Foreign Currency Loan of US$1,231,642 which bears interest at a variable rate of 2.80 % at balance date with a margin of 1.75% (4.55%). After balance date this Foreign currency Loan was increased by US$5,600,000, and the Market Rate Facility was decreased by AUD$5,829,566.
Tranche B Facility of $4,500,000 which is a 3-year bullet non-revolving cash advance facility. The facility bears interest at a variable rate of 7.70 % at balance date with a margin of 2% (9.70%). At balance date $4,418,393 was drawn down.

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

Financing facilities available

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

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Total facilities – bank loan	19,500,000	5,500,000	18,064,854	5,500,000
Facilities used at reporting date - bank loans	19,017,734	4,037,684	17,729,683	4,037,684
Facilities unused at reporting date - bank loans	482,266	1,462,316	335,171	1,462,316
TOTAL FACILITIES USED AT REPORTING DATE	19,017,734	4,037,684	17,729,683	4,037,684
TOTAL FACILITIES UN-USED AT REPORTING DATE	482,266	1,462,316	335,171	1,462,316

Details of these bank loan facilities are set out above. The facilities were available to both the parent and its subsidiaries jointly and severally.

(a) Fair values
The carrying amount of the Group's current and non-current borrowings approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk
Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 19.

(c) Assets pledged as security
The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Note	CONSOLIDATED		PARENT	
		2008 $	2007 $	2008 $	2007 $
Current					
Fixed and Floating charge					
Cash and cash equivalents	7	6,267,050	2,156,810	2,711,529	464,536
Trade and other Receivables	8	8,096,837	3,345,937	835,019	385,723
Inventories	9	169,974	124,074	-	-
Total current assets pledged as security		14,533,861	5,625,821	3,546,548	850,259
Non-current					
Fixed and Floating charge					
Deferred income tax asset		1,420,668	1,253,095	1,127,690	1,014,150
Trade and other Receivables	8	-	-	12,298,032	1,773,992
Financial assets	10	-	37,525	24,426,103	23,212,332
Intangible assets	12	26,781,127	9,774,187	8,532,762	4,283,527
Plant and equipment	11	466,090	270,516	12,386	7,796
Total non-current assets pledged as security		28,666,885	11,335,323	46,396,973	30,291,797
Total assets pledged as security		43,200,746	16,961,144	49,943,521	31,142,056

The NAB have a fixed and floating charge over all the assets of the Group.

(d) Defaults and breaches
During the current year, one of the banks financial covenants, the leverage ratio covenant for the quarter ended 31 March 2008, was waived due to the seasonality of 3Q's earnings. There was only one quarters earnings for the Island Pacific business which was acquired in December 2007, and hence to annualize these earnings based on one quarters results, would not reflect a true picture of the annual earnings.

In discussions with the NAB prior to 30 June 2008 the bank effectively waived the requirement of the leverage ratio covenant for the 30 June 2008 quarter. This was confirmed in subsequent communication with the Company.

In addition, one of the requirements of the NAB loan facility agreement was that the Group had to do a minimum equity raising by 21 June 2008 of $8 million. This did not happen for many reasons, in particular the economic climate. The bank effectively waived this requirement prior to the end of the year.

17 Provisions

	CONSOLIDATED		PARENT	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Current – Provision for Annual Leave	380,026	299,436	6,354	3,369
Non-current - Provision for Long Service Leave	86,804	59,300	5,550	19,688
TOTAL PROVISIONS	466,830	358,736	11,904	23,057

MOVEMENT IN PROVISIONS	**CONSOLIDATED**	**PARENT**
	$	**$**
Year ended 30 June 2007		
Balance at 1 July 2006	218,071	-
Amounts provided	331,814	27,363
Leave taken	(192,492)	(4,306)
Translation differences	1,343	-
Balance at 30 June 2007	358,736	23,057
Year ended 30 June 2008		
Balance at 1 July 2007	358,736	23,057
Amounts provided	526,538	34,310
Leave taken	(400,889)	(45,463)
Translation differences	(17,555)	-
Balance at 30 June 2008	466,830	11,904

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) (xx).

18 Issued Capital & Reserves

CONSOLIDATED

Movement During the Year	**2008**	**2007**
Ordinary shares issued and fully paid	7,059,243	7,019,719
Movements in ordinary shares on issue	**Number of shares**	**$**
At 1 July 2007	147,345,460	7,019,719
Issue of 100,000 shares to Director during the year	100,000	26,000
Issue of 56,337 shares during the year as part of Rights issue	56,337	13,524
AT 30 JUNE 2008	147,501,797	7,059,243

PARENT

Movement During the Year	**2008**	**2007**
Ordinary shares issued and fully paid	45,542,945	45,503,421
Movements in ordinary shares on issue	**Number of shares**	**$**
At 1 July 2007	147,345,460	45,503,421
Issue of 100,000 shares to Director during the year	100,000	26,000
Issue of 56,337 shares during the year as part of Rights issue	56,337	13,524
AT 30 JUNE 2008	147,501,797	45,542,945

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.

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures a balanced cost of capital available to the entity.

During 2008, management attempted to do a minimum equity raising of $8 million. This however was not successful due mainly to the state of the economy in Australia and worldwide.

No dividends were paid during the year.

One method that Management monitors capital, is through the gearing ratio (net debt / total capital). The gearing ratio at balance date was higher than anticipated due to the unsuccessful capital raising. Management intend to reduce this ratio during the 2009 year by repaying part of its debt using internally generated funds.

The gearing ratios based on operations at 30 June 2008 and 2007 were as follows:

Consolidated	**2008** **$**	**2007** **$**
Interest Bearing Loans & Borrowings	22,227,379	4,178,861
Cash & Short Term Deposits	(6,267,050)	(2,155,810)
Net Debt	15,960,329	2,023,051
Total Equity	10,918,604	10,390,579
Total Capital Employed	26,878,933	12,413,630
Gearing (%)	59.37%	16.30%

19 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, bank loans, cash and short-term deposits and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swaps and forward currency contracts (to a limited extent).The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. These derivatives provide economic hedges, but do not qualify for hedge accounting. The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. The Group restructured its debt subsequent to year end by converting part of the debt repayable in Australian dollars, into debt repayable in US dollars. The reasons for doing this were to hedge against currency risks from its US earnings. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in note 16.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian, USA and New Zealand Variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Financial Assets				
Cash and cash equivalents	1,740,102	2,045,771	636,550	500,407
	1,740,102	2,045,771	636,550	500,407
Financial Liabilities				
Bank overdrafts	-	37,684	-	37,684
Bank loans	8,517,733	2,122,261	7,229,682	417,950
Vendor loan	3,209,646	-	-	-
	11,727,379	2,159,945	7,229,682	455,634
Net exposure	9,987,277	114,174	6,593,132	(44,773)

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's policy is to maintain between 50% and 80% of its bank borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 55% of the Group's bank borrowings are at a fixed rate of interest (2007: 50%). The borrowings from the Vendor of the Island Pacific business of $3,209,646 are not fixed as the amount is repayable within one year, and hence the risk is not as high as the bank debt, which is repayable within 3 years.

After year-end, the Group restructured its interest rate swaps (together with the restructure of its debt), and approximately 81% of the Group's bank borrowings are now at a fixed rate of interest.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible Movements	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2008 $	2007 $	2008 $	2007 $
Consolidated				
+1% (100 basis points)	(65,916)	(800)	(65,916)	(800)
-.5% (50 basis points)	32,958	400	32,958	400
Parent				
+1% (100 basis points)	(43,515)	295	(43,515)	295
-.5% (50 basis points)	21,757	(148)	21,757	(148)

The movements in profit are due to higher/lower interest rates from variable rate debt and cash balances that earn interest which is not fixed. The sensitivity is lower in 2007 than in 2008 because of the level of borrowings has increased substantially in 2008.

Foreign currency risk

As a result of significant operations in the United States, United Kingdom and New Zealand following the acquisition of Island Pacific in December 2007 and AdvanceRetail in March 2007, the Group's balance sheet can be affected significantly by movements in the US$/A$,GBP/A$ and NZ$/A$ exchange rates. The Group has mitigated the effect of its foreign currency exposure by increasing its borrowing in US Dollars in July 2008.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

The Group has no forward currency contracts at balance date.

The following sensitivity analysis is based on the exchange rate exposures in existence at the balance sheet date:

At 30 June 2008, if the US$/A$, GBP/A$ and NZ$/A$ had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible Movements	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Consolidated				
- 5% movement	(42,928)	(2,733)	(468,517)	23,399
- 1% movement	(8,239)	(256)	(111,684)	4,388
+1% movement	8,075	909	56,404	(4,551)
+ 5% movement	38,839	3,106	373,307	(21,377)
Parent				
-1% movement	(507)	-	(20,727)	-
- 5% movement	-	-	(111,220)	-
+1% movement	(743)	-	21,832	-
+ 5% movement	(1,187)	-	102,085	-

The Group has a US$ borrowing of $1,231,462 (2007: $Nil) that is used as a hedge of the net investment in the US operation. This US$ borrowing increased to $6,831,462 in July 2008. The Group has no forward currency contracts at 30 June 2008.

At 30 June 2008, the Group hedged none of its foreign currency purchases that are firm commitments.

Price risk

The Group's exposure to commodity price risk is minimal.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. In addition, the Group has the ability to "withhold support" to its customers should it be difficult to receive payment from them. This can impact the customer in a big way and invariably results in payment to the Group.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2008. Cash flows for liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	CONSOLIDATED		PARENT	
	2008 $	**2007 $**	**2008 $**	**2007 $**
6 months or less	14,957,359	2,532,833	4,561,557	693,125
6-12 months	2,336,015	612,625	271,169	208,975
1-5 years	13,873,817	3,011,602	13,213,246	-
Over 5 years	-	-	3,103,433	-
	31,167,191	6,157,060	21,149,405	902,100

The Group restructured its debt in December 2007 when it acquired Island Pacific. Hence the contractual maturities for 2007 per the table above would vary from the actual contractual maturities that resulted post December 2007. The comparatives in the table above were prepared as though no restructure of debt occurred.

Maturity analysis of financial liabilities based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash outflows.

Year ended 30 June 2008	**<6 Months $**	**6-12 Months $**	**1-5 Years $**	**>5 Years $**	**Total $**
Consolidated					
Financial liabilities					
Trade & other payables	8,860,817	78,995	-	-	8,939,812
Interest bearing loans & borrowings	6,096,542	2,257,020	13,873,817	-	22,227,379
	14,957,359	2,336,015	13,873,817	-	31,167,191

Year ended 30 June 2008	**<6 Months $**	**6-12 Months $**	**1-5 Years $**	**>5 Years** $	**Total $**
Parent					
Financial liabilities					
Trade & other payables	315,121	1,169	-	3,103,433	3,419,723
Interest bearing loans & borrowings	4,246,436	270,000	13,213,246	-	17,729,682
	4,561,557	271,169	13,213,246	3,103,433	21,149,405

The Group monitors its forecasts of liquidity reserves on the basis of expected cash flow.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

20 Business Combinations

Acquisition of Island Pacific Inc

On 21 December 2007, Applied Retail Solutions Inc and Island Pacific (UK) Limited, wholly owned subsidiaries of 3Q Holdings Limited, acquired the assets and business of a division of Island Pacific Inc. Island Pacific Inc .is a provider of software solutions and services to the retail industry.

In connection with the business combination, 3Q Holdings Limited and its wholly owned subsidiaries has paid $19,451,505.

The acquired business has contributed revenues of $7,599,859 and a net income of $547,928 for the period 22 December 2007 to 30 June 2008.

The consolidated net profit and consolidated revenues that would have resulted had the acquisition been made on 1 July 2007 have not been disclosed as their estimation is unreliable due to the previous structure of the business.

Details of the fair values of identifiable assets and liabilities as at the date of acquisition and the goodwill acquired are as follows:

	$
Cash at bank	2,000,000
Accounts Receivable	3,956,484
Property Plant and Equipments	135,806
Existing Technology	3,465,404
Customer Relationships	7,392,861
Trade Name	693,081
Payables and Accruals	(6,027,794)
Total Fair Value of net assets	**11,615,842**
Goodwill arising on acquisition	7,516,867
Total	**19,132,709**

Intangible assets acquired excluding goodwill, will be amortised over their expected useful lives ranging from 8-15 years.

Purchase consideration:	**$**
Cash consideration	18,357,741
Cost of Acquisition	774,968
Total Consideration	**19,132,709**

21 Commitments and Contingencies

Commitments

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.

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	2008 $	2007 $
Within one year	288,331	268,278
After one year but not more than five years	677,790	934,808
TOTAL OPERATING LEASE PAYMENTS	966,121	1,203,086

(i) A commercial property lease for use of its Sydney head office. The lease was a five-year lease and expired on 5 August 2007. There is an option to renew for a further five years. This option has not been taken up. 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 was a 13-month lease and expired on 31 January 2008. There was no option to renew.

(iv) A commercial property lease for use of its USA San Diego 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.

(iv) A commercial property lease for use of its UK office. The lease is a two-year lease and expires on 31 May 2010. There is no option to renew. The lease is for furnished offices and includes a minimum monthly lease charge based on 6 workstations.

3Q pays certain operating lease charges for equipment in the US and UK. However these leases are not in the name of 3Q or its subsidiaries (but instead in the name of the Vendor of the Island Pacific business) and hence there is no legal commitment to pay these monthly operating lease charges.

(a) Parent
There are no commitments for the parent company at balance date.

Contingencies – consolidated

There are no contingencies for the Group or 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) $	Compensation of David Rosen (Note 4) $	Amounts owed by Related Parties for financed sales (Note 1) $	Amounts owed to Related Parties for rent (Note 2) $	Compensation of McGeachen Bell and Associates (Mark McGeachen) (Note 5) $	Compensation of McGeachen Bell and Associates (Andrew Bell) (Note 6) $	Loan to Related Party – Isalux (Note 7) $	Compensation of High Expectations Pty Ltd (Stephe Wilks) (Note8) $
2008	-	94,000	185,875	118,481	(14,300)	111,996	111,996	75,044	47,500
2007	165	94,000	203,368	146,481	(14,300)	33,611	33,611	-	-

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 Island Pacific Systems Inc, is an owner of 25% of the issued capital of PMS.

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 Island Pacific Systems Inc, a related party. By virtue of his directorship in Island Pacific Systems Inc., a related party, David is a related party himself. David receives remuneration as a Director of Island Pacific Systems 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.

Note 7 – Loan to related party – Isalux Pty Limited

During the year the Group made certain loans to Isalux Pty Limited. The funds were used to renovate the Sydney offices (refer to note 2 above).

Note 8 – Company controlled by Director - High Expectations Pty Limited

Stephe Wilks, a Director of 3Q Holdings Limited, has a 40% interest in High Expectations Pty Limited. Stephe is paid his Director's fees through High Expectations Pty Ltd.

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

23 Events after balance sheet date

After the Balance sheet date the Group restructured its debt owing to the National Australia Bank by converting part of the debt repayable in Australian dollars, into debt repayable in US dollars. The US dollar loan of US$1,231,642 was increased by US$5,600,000 to a total US$ loan of US$6,831,642. The reasons for doing this were to hedge against currency risks from its US earnings.

The Group also restructured its interest rate swaps, and approximately 81% of the Group's bank borrowings are now at a fixed rate of interest.

24 Auditors' Remuneration

The auditor of 3Q Holdings Limited is PKF.

	CONSOLIDATED		**PARENT**	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Amounts received or due and receivable by PKF for: - audit or review of financial reports of the entity	128,932	93,170	128,932	93,170
- other non-audit services in relation to the entity	15,248	22,985	15,248	22,985
Remuneration of other auditors of subsidiaries for: - auditing or reviewing the financial report of subsidiaries	61,999	32,665	-	-
- other non-audit services in relation to subsidiaries	71,647	-	64,201	-
TOTAL	277,826	148,820	208,381	116,155

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, UK and Asia-Pacific.

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

CONSOLIDATED – 2008	**Australia $**	**New Zealand $**	**United Kingdom $**	**United States $**	**TOTAL $**
Year ended 30 June 2008– Revenue:					
Sales to customers	8,244,725	3,296,198	2,027,585	6,983,754	20,552,262
Segment assets *	18,343,266	3,236,519	8,454,493	13,166,467	43,200,745
Acquisition of non current assets **	4,739,495	5,875	5,115,422	9,244,932	19,105,724

* Excludes Intercompany loans and Investments in Subsidiaries
** Includes acquisition of fixed assets and Intangables

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
Segment assets *	12,045,928	4,277,063	638,153	16,961,144
Acquisition of non current assets **	4,579,919	2,351,972	29,038	6,960,929

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 2008 %**	**Equity Holding 2007 %**
QQQ Systems Pty Limited	Australia	Ordinary	100	100
ARS Australia Pty Limited	Australia	Ordinary	100	100
Island Pacific Systems Inc	United States of America	Ordinary	100	100
AdvanceRetail Technology NZ Limited	New Zealand	Ordinary	100	100
Island Pacific (UK) Limited	United Kingdom	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.

27 Derivative financial instruments

(a) Instruments used by the Group
Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates(to a lesser extent).

(i) Forward currency contracts - held for trading
The Group has not entered into any forward exchange contracts at the balance date.

(ii) Interest rate swaps - cash flow hedges
The Groups Interest bearing loans at balance date bear an average variable interest rate of between 9.45% and 9.70% on Australian loans and 4.55% on US loans. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to pay interest at fixed rates. Swaps in place over bank borrowings at 30 June 2008 cover approximately 55% (2007: 50%) of the principal outstanding and are timed to expire at the renewal dates of each loan. There are no swap contracts in place for all other interest bearing loans. The fixed interest rate at 30 June 2008 was 9.63% and the variable rates vary between 1.75% and 2% above the base bank rate.
After year-end, the Group restructured its interest rate swaps (together with the restructure of its debt), and approximately 81% of the Group's bank borrowings are now at a fixed rate of interest.

(iii) Hedge of net investments in foreign operations
After year-end the Group hedged the earnings of its US operations by converting Loans repayable in Australian dollars, into US dollars, amounting to US$5,600,000. These will be designated as a hedge of the net earnings in the US operations. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its earnings in the US operations. Gains or losses on the translation of this borrowing will be transferred to Profit and loss.

In addition to the hedging benefits described above, the Group will be also saving a material amount on interest costs as a result of the US interest rates substantially less than the Australian interest rates.

(b) Interest rate risk
Information regarding interest rate risk exposure is set out in note 19.

28 Key Management Personnel Compensation

a) **Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:**

Key Management Person	**Position**
Shaun Rosen	Chairman - Executive
Alan Treisman	Director and Chief Financial Officer - Executive
Clive Klugman	Director and CEO QQQ Systems Pty Limited - Executive
Mark McGeachen	Director and CEO AdvanceRetail - Executive
Stephe Wilks	Director – Non-Executive
David Rosen	Director and CEO of Island Pacific Systems Inc
Andrew Bell	Chief Technical Officer of AdvanceRetail
Richard Gaetano	Chief Operating Officer of Island Pacific USA
Mike Dotson	Chief Operating Officer of Island Pacific UK

	CONSOLIDATED		**PARENT**	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Short-term employee benefits	1,297,741	724,785	510,200	304,195
Post-employment benefits	150,785	116,387	103,585	74,002
Other long-term benefits	-	-	-	-
Share-based payment	54,640	128,560	47,480	96,420
TOTAL COMPENSATION	1,503,166	969,732	661,265	474,617

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

(b) Option Holdings of Directors & Executives

At the reporting period there were 3 million options over ordinary shares in the Company held by Directors or Executives.

4 million options over ordinary shares in the Company were issued to Directors or Executives in the previous financial year.

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 2007	Granted	Exercised	Lapsed	Held at 30 June 2008	Total Vested at 30 June 2008	Total Exercisable at 30 June 2008	Total Unexercisable at 30 June 2008
Shaun Rosen	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Clive Klugman	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Alan Treisman	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Stephe Wilks	-	-	-	-	-	-	-	-
Mark McGeachen	-	-	-	-	-	-	-	-
Andrew Bell	-	-	-	-	-	-	-	-
David Rosen	-	-	-	-	-	-	-	-
Richard Gaetano	-	-	-	-	-	-	-	-
Mike Dotson	-	-	-	-	-	-	-	-

c) Shareholdings

The movement during the reporting 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 2007	Received as compensation	Options exercised	Net Change Other*	Held at 30 June 2008
Shaun Rosen	57,500,000	-	-	-	57,500,000
Clive Klugman	57,500,000	-	-	-	57,500,000
Mark McGeachen	9,389,500	-	-	-	9,389,500
David Rosen	57,500,000	-	-	-	57,500,000
Andrew Bell	9,389,500	-	-	-	9,389,500
Alan Treisman	-	100,000	-	-	100,000
GA Gander	82,500	-	-	-	82,500
Stephe Wilks	-	-	-	115,000	115,000
Richard Gaetano	-	-	-	-	-
Mike Dotson	-	-	-	-	-

* Net Change Other refers to shares purchased or sold during the financial year.

	Held at 1 July 2006	Shares issued for sale of business	Options exercised	Net Change Other*	Held at 30 June 2007
Shaun Rosen	25,000,000	32,500,000	-	-	57,500,000
Clive Klugman	25,000,000	32,500,000	-	-	57,500,000
GA Gander	882,500	-	-	(800,000)	82,500
AR Cunningham	800,000	-	-	(800,000)	-
Alan Treisman	-	-	-	-	-
Mark McGeachen	-	9,389,500	-	-	9,389,500
David Rosen	25,000,000	32,500,000	-	-	57,500,000
Andrew Bell	-	9,389,500	-	-	9,389,500

* Net Change Other refers to shares purchased or sold during the financial year.

29 Loans and other transactions – key management personnel

Loans

There were no loans from Specified Directors and Executives including their personally-related entities during the current or previous years.

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.

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' DECLARATION

The directors of 3Q Holdings Limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 26 to 65, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 14 to 17, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Dated at Sydney, 29 September 2008

....
Director

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of 3Q Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of 3Q Holdings Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both 3Q Holdings Limited (the disclosing entity) and the consolidated entity. The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial 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 establishing and maintaining internal controls 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. In Note 2 (a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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PKF

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& Business Advisers

Independence

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

Auditor's Opinion

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 company's and consolidated entity's financial position as at 30 June 2008 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*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of 3Q Holdings Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PKF

PKF

Arthur Milner
Partner

29 September 2008
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 25 September 2008

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	38.98
Elabrook Pty Limited	57,500,000	38.98
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 29 August 2008

Category	Ordinary Shareholders	Options Holders
1 – 1,000	540	-
1,001 – 5,000	199	-
5,001 – 10,000	67	-
10,001 – 100,000	97	34
100,001 and over	46	20
TOTAL	949	54

The number of ordinary shareholders holding less than a marketable parcel of ordinary shares is 684.

Number of holders of each class of equity securities

Equity Security	Number of Holders
Ordinary Shares	949
Options over ordinary shares	54

On-Market buy back

There is no current on-market buy back.

Equity Securities on issue

Equity Security	Number
Ordinary Shares	147,501,797
Options over ordinary shares	15,520,000

Twenty largest shareholders of quoted ordinary shares

As at 25 September 2008

Name	Ordinary Shares	%
Eastfall Pty Limited	57,500,000	38.98
Elabrook Pty Limited	57,500,000	38.98
AR Investments Limited	9,389,500	6.37
Ron-Ton Fashions Pty Ltd (Retirement fund A/C)	2,485,561	1.69
Ron-Ton Fashions Pty Ltd (Ron-Ton Retirement fund A/C)	1,800,172	1.22
Hillridge Pty Ltd	1,242,883	0.84
Sydney Boardriders Pty Ltd	1,000,000	0.68
Lewis Securities Ltd (LSL Holdings Pty Ltd A/C)	998,855	0.68
Fishgills Pty Ltd (Gillon Super Fund A/C)	890,399	0.60
Towns Corporation Pty Ltd PAE Family A/C	700,000	0.47
Cardy & Co Pty Ltd	640,300	0.43
GDL Investments Pty Ltd	584,243	0.40
Ortis Investments SA	480,117	0.33
HSBC Custody Nominees (Australia) Limited	475,000	0.32
Lewis Securities Ltd	415,745	0.28
BV Holdings Australia Pty Ltd	400,000	0.27
Mr Martin Gilbert	316,300	0.21
Affinity Ltd c/o Mr Lax Sentinal	300,000	0.20
Mr Roland Bloch (Ricci L and Jamie Bloch acc)	300,000	0.20
Mr Mark Hoffman and Mrs Joanne Lee Hoffman Rylor Pty Ltd	300,000	0.20
TOTAL	137,719,075	93.35

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	54	15,520,000

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 2007 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 and there are no further amounts expected to be spent.

Instead, these resources were used primarily for working capital.