

# 3Q HOLDINGS ENTERS INTO AGREEMENT TO ACQUIRE INTERNATIONAL MERCHANDISING SOLUTION

## Key Highlights:

- **3Q Holdings Limited (ASX: TQH) enters into conditional agreement to purchase US based Island Pacific business for \$US16m cash.**
- **Revenues generated for the year ended 31 March 2007 exceeded \$US10 Million, with at least 50% occurring through maintenance contracts\***
- **Provides TQH with access to market leading retail merchandising, store operations, CRM, and multi-channel software solutions in the US, UK and internationally.**
- **Business well known to TQH Management through previous association as well as through partnerships in both our ARS POS and Pyramid Planning divisions. This provides excellent basis for optimizing synergies.**
- **UK office provides TQH a springboard into UK and European markets.**
- **Client base includes many leading International retailers with a number of Fortune 500 companies as customers**

**\* Based on unaudited figures for the 12 months ended 31 March 2007.**

The Board of 3Q Holdings Limited (ASX: TQH) is pleased to announce that it has today entered into a conditional agreement whereby TQH will acquire the business of Island Pacific Merchandising Division (**Island Pacific**), a division of Island Pacific, Inc. (IPIN.PK) (**IPINC**)

Island Pacific was founded in 1978 and the company is headquartered in Irvine, California, and has offices in the United States and the United Kingdom.

For more than 25 years, Island Pacific, working in conjunction with IBM, has been one of the leaders in retail software solutions, and has developed a reputation for delivering high-quality, high-reliability software to the retail industry.

Island Pacific has over 100 active customers which includes many well known international retailers such as Phillips Van Heusen, Pasttimes, Ethel Austin, The Perfume Shop, Aeropostale, Godiva Chocolatiers, Timberland, Pacific Sunwear, Signet Group, Vodafone, Hamley's of London, Fredrick's of Hollywood and American Eagle Outfitters.

The acquisition is in line with the TQH Board's mission, namely to achieve scale through strategic acquisitions wherever synergies and economies of scale are anticipated to increase profitability.

This will be the second US acquisition by TQH with the Company having purchased the San Diego based Applied Retail Solutions last year. The Applied Retail Solutions (ARS) division performed well during the 2006/2007 year and was instrumental in the introduction of TQH's new Pyramid Planning product offering into the US and UK. It is anticipated that the ARS management team will be responsible for integrating and running Island Pacific which will ensure the quick, efficient and effective integration of Island Pacific into the overall TQH business.

The material terms of the acquisition agreement are as follows:

1. The purchase price payable by TQH will be the payment on completion of \$US16 million in cash.
2. The agreement for the purchase of the business is conditional upon certain matters including: TQH securing banking finance; all key Island Pacific staff accepting a position with the TQH group; and at least 95% of the customers of Island Pacific transferring to TQH.
3. Subject to fulfilment of the conditions, completion of this transaction must take place no later than 24 December 2007.
4. The economic benefit relating to new licences signed by Island Pacific or relating to maintenance revenue billed by Island Pacific between execution and completion of the agreement will accrue to TQH. The next maintenance billing cycle for the period January 2008 to June 2008 is scheduled to be billed in mid November 2007 and it is anticipated such billings will amount to approximately \$US3,500,000.
5. At completion the business is required to have net tangible assets equal to at least US\$800,000 (over and above the amounts mentioned in point 4 above) with the purchase price to be adjusted by the amount of the shortfall or excess (as the case may be).

Commenting on the transaction, TQH Executive Chairman Shaun Rosen said

*"The purchase of Island Pacific is a significant milestone in 3Q Holdings' short history. We have already successfully completed the acquisition of both AdvanceRetail in New Zealand and Applied Retail Solutions in the US, but Island Pacific is clearly of a size that propels 3Q into another league in terms of our international profile, our revenue and most importantly our bottom line profitability. In addition, the strong Australian dollar makes it very appealing for 3Q to make a US acquisition at this juncture.*

*We believe that we have already proven our ability to effectively acquire and manage companies in the US market and I am delighted that the Applied Retail Solutions team, led by Davy Rosen, has accepted the task of integrating Island Pacific into the overall 3Q Holdings structure. I believe that Island Pacific brings a quality customer base as well as excellent technology to the 3Q Holdings group. My Board and I look forward to Island Pacific's contribution to what should be a year of continued growth for 3Q"*

Any questions relating to this announcement should be directed to TQH's Chief Financial Officer, Alan Treisman, on 02 9389 3555.