



## 3Q Holdings Limited

Half-Year Financial Report 31 December 2006

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## Appendix 4D

1.

<b>Name of entity</b>	3Q Holdings Limited
<b>ABN</b>	42 089 058 293
<b>Half Year Ended</b>	31 December 2006
<b>Previous Corresponding Reporting Period</b>	6 months to 31 December 2005

2. Results for announcement to the market

	<b>Result</b>	<b>% Increase (Decrease)</b>	<b>\$ Increase (Decrease)</b>
Revenue	4,783,869	27.58%	1,034,034
Profit after tax attributable to members	562,617	(47.39%)	(506,830)
Net profit for the period attributable to members	562,617	(47.39%)	(506,830)

The profit after tax attributable to members of \$562,617 was after taking into account the cost of issuing options over ordinary shares during the period of \$260,309.

The profit after tax attributable to members before taking into account the cost of issuing options over ordinary shares during the period was \$822,926 (before tax \$1,007,426).

No dividends were paid by 3Q Holdings Limited during the reporting period. It is not the current intention of the directors to declare a dividend in respect of this or the following financial year.

3.

	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible asset backing per ordinary security	0.943 cents	0.084 cents

4. Joint Ventures and Associates

3Q Holdings Limited does not have any holdings in either associates or any joint venture entities.

5. 3Q Holdings is not a foreign entity

6. The accounts of 3Q Holdings Limited have been reviewed and are not subject to dispute or qualification.

## Directors' Report

Your directors submit their report for the half-year ended 31 December 2006.

### **DIRECTORS**

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

Directors were in office for this entire period unless otherwise stated.

Shaun Rosen (Executive Chairman)

Clive Klugman (Executive Director)

Alan Treisman (Executive Director)

Geoff Gander (Non-Executive Director)

### **REVIEW AND RESULTS OF OPERATIONS**

I am delighted to provide shareholders with the results of 3Q Holdings Limited (ASX: TQH) to the period ended 31 December 2006.

The Company relisted on the Australian Stock Exchange (ASX) on December 28 2005 after having raised \$1.5m through a Prospectus, shortly after shareholders approved the acquisition of SVI Retail by Acuity Investment Management Limited (AMD) at the Annual General Meeting of the Company held on December 14 2005. The Company has used the past twelve months to consolidate the business and adjust to life as a publicly listed organization. The Board is pleased to report that this process has been completed and as the Company enters into its second year, it is ready to implement its longer-term strategy of growth through acquisition.

For the six months to 31 December 2006, TQH is delighted to report revenues for the period of \$4,783,869 (previous period \$3,749,835) and a net profit after tax of \$562,617 (previous period \$1,069,447). The business continues to perform to expectations and the decrease in net profit after tax was largely due to one off expenses amounting to almost \$44,000 relating to moving to a public entity as well as seeking comprehensive advice regarding the availability of past AMD tax losses to TQH which amounted to \$74,000 in the six month period. The availability of these tax losses should deliver significant benefits to shareholders over the coming years. In addition, the business incurred additional expenses in excess of \$170,000 for the full six-month period as a result of being a public entity, whereas such expenditure was incurred for a much shorter period in the comparable period. It should also be noted that the result also included an expense relating to the expensing of options that were issued during the six month period. Whilst these options are a non-cash expense, they impact the result by \$260,309.

Operating highlights for the six month period included:

- Gross Margins for the period were 77.4%
- Confirmation of the availability of approximately \$16 million in tax losses to TQH
- Overseas expansion of our dolFIN and dPOSit products into Asia Pacific through a contract win

with Quicksilver Asia Pacific

- Continued good performance by the recently acquired US operations (ARS) including growth in revenues from the new Pyramid product line
- New contract with Mountain Designs
- The winning back of the Marcs and Morrisey accounts
- The winning of further business with the Specialty Fashion Group Limited
- An extension to the existing outsourcing agreement with Hutchison for the Thin POS software
- TQH being awarded a top 10 position in the prestigious Deloitte Fast 50 Australia awards and a top 25 position in the Deloitte Fast 500 Asia Pacific awards

The Company clearly outlined in its original Prospectus that the Board and Management of TQH saw great consolidation opportunities in the Retail software and services industry, both in Australia and overseas and that the TQH Business Plan is based on a strategy of growth via acquisition.

As already discussed, the Company is now well positioned to implement this strategy and the Executive team has already been in discussions with a range of potential target opportunities and expects to make some announcements in the short term regarding the first such transaction. The company is also in the process of finalising acquisition finance. Overall, the Board believes that the Information Technology sector is likely to go through positive growth in 2007 and 2008 and believes that TQH will be well positioned to take advantage of this improved market sentiment.

From an innovation perspective, the Company is delighted with the progress it has made in a number of product areas. The US based ARS product line released a newly developed mobile and hand held version of its Point of Sale solution. It has already gone into pilot in a national chain and, if successful, will be deployed in potentially thousands of stores around the US. The benefits of the solution are numerous including ease of customer service and increased flexibility. In addition, the Company has been delighted with the early acceptance of its new Pyramid product. Pyramid Planning is a Decision Support Tool encompassing Pre-Season and In-Season Merchandise Planning, Store Planning and Assortment Planning and is targeted at retailers of all sizes. Installations of Pyramid have occurred in the United Kingdom, USA and are currently being finalised in Australia. In the CRMS division a number of new innovations have also been implemented including store-to-store and bin-to-bin transfer capability.

The TQH Board looks forward to a solid second half and believes that the revenue and net profit before tax figures will continue to be in line with expectations. Two major rollouts, already expensed before 31 December 2006, will be paid for during the next quarter, which will have a positive impact on the company's cash position.

Again, we thank shareholders, old and new, for their support and we look forward to keeping shareholders informed of the Company's progress over the coming months.

Auditors' Independence Declaration.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act

2001 is set out on the following page.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, consisting of several overlapping, slanted strokes that form a stylized, somewhat abstract representation of the name 'Shaun Rosen'.

Shaun Rosen

Director

Sydney, 28 February 2007



Chartered Accountants  
& Business Advisers

### Auditor's Independence Declaration

#### To the Directors of 3Q Holdings Limited:

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2006, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

PKF

**Arthur Milner**  
Partner

Sydney, 28th February 2007

## Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	CONSOLIDATED	
		2006	2005
		\$	\$
<b>Continuing Operations</b>			
<b>Revenue</b>	2	<b>4,783,869</b>	<b>3,749,835</b>
Cost of sales		(1,081,683)	(880,437)
<b>Gross profit</b>		<b>3,702,186</b>	<b>2,869,398</b>
Other income	2	16,982	135,166
Other expenses	2	(2,704,067)	(1,417,347)
<b>Profit before tax, finance costs and options expense</b>		<b>1,015,101</b>	<b>1,587,217</b>
Finance costs		(7,675)	(78,454)
<b>Profit before income tax and options expense</b>		<b>1,007,426</b>	<b>1,508,763</b>
Ordinary Share Options expensed		(260,309)	-
<b>Profit before income tax</b>		<b>747,117</b>	<b>1,508,763</b>
Income tax expense		(184,500)	(439,316)
<b>Profit after tax</b>		<b>562,617</b>	<b>1,069,447</b>
• Basic earnings per share (cents per share)		0.5426	2.08
• Diluted earnings per share (cents per share)		0.5202	0.92
• Dividends per share		-	-
• Basic earnings per share before Share Options (cents per share)		0.7936	2.08
• Diluted earnings per share before Share Options (cents per share)		0.7609	0.92

The weighted average number of ordinary shares on issue and used in the calculation of basic earnings per share was 103,689,656 (2005 – 51,519,346).

The above Income Statement is to be read in conjunction with the accompanying notes and the 2006 Annual Financial Report.

## Condensed Balance Sheet

AS AT 31 DECEMBER 2006

	Notes	CONSOLIDATED	
		As at 31 December 2006 \$	As at 30 June 2006 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		487,679	684,101
Trade and other receivables		2,108,859	1,350,205
Inventories		136,563	83,331
Prepayments		73,328	62,366
<b>Total Current Assets</b>		<b>2,806,429</b>	<b>2,180,003</b>
<b>Non-current Assets</b>			
Available-for-sale-investments		11,850	10,862
Deferred income tax asset		593,183	576,462
Property, plant and equipment		119,119	160,934
Intangible assets		3,156,328	3,036,609
<b>Total Non-current Assets</b>		<b>3,880,480</b>	<b>3,784,867</b>
<b>TOTAL ASSETS</b>		<b>6,686,909</b>	<b>5,964,870</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		705,874	731,632
Short term borrowings		10,623	139,068
Income tax payable		190,823	517,138
Short term Provisions		222,506	178,459
Maintenance in advance		463,328	286,632
<b>Total Current Liabilities</b>		<b>1,593,154</b>	<b>1,852,929</b>
<b>Non-current Liabilities</b>			
Long term Provisions		43,770	39,612
<b>Total Non-current Liabilities</b>		<b>43,770</b>	<b>39,612</b>
<b>TOTAL LIABILITIES</b>		<b>1,636,924</b>	<b>1,892,541</b>
<b>NET ASSETS</b>		<b>5,049,985</b>	<b>4,072,329</b>
<b>EQUITY</b>			
Issued capital	4	3,263,919	3,089,200
Reserves		232,442	(7,878)
Retained Earnings		1,553,624	991,007
<b>TOTAL EQUITY</b>		<b>5,049,985</b>	<b>4,072,329</b>

The above Balance Sheet is to be read in conjunction with the accompanying notes and the 2006 Annual Financial Report.

## Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	CONSOLIDATED	
		2006	2005
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,654,266	4,082,206
Payments to suppliers and employees		(4,157,426)	(2,497,633)
Interest received		6,254	11,954
Interest Paid		(8,362)	(76,384)
Taxation paid		(527,033)	(107,648)
<b>Net cash flows from operating activities</b>		<b>(32,301)</b>	<b>1,412,495</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(16,849)	(5,484)
Loans advanced		(3,863)	(377)
Other – Cash acquired on purchase of subsidiary (deemed to be 3Q Holdings Limited)		-	1,502,707
Other – payments relating to costs of public offering and relisting		-	(623,324)
Other – Additional funds received on public offer		-	16,400
<b>Net cash flows from investing activities</b>		<b>(20,712)</b>	<b>889,922</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	480,000
Repayment of borrowings		(120,000)	(547,275)
Dividends paid		-	(1,690,000)
<b>Net cash flows from financing activities</b>		<b>(120,000)</b>	<b>(1,757,275)</b>
Net increase/(decrease) in cash and cash equivalents		(173,013)	545,142
Cash and cash equivalents at beginning of period	8	684,101	605,391
Exchange rate/translation adjustments		(23,409)	-
<b>Cash and cash equivalents at end of period</b>		<b>487,679</b>	<b>1,150,533</b>

The above Cash Flow Statement is to be read in conjunction with the accompanying notes and the 2006 Annual Financial Report.

## Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	CONSOLIDATED			Total
	Issued Capital	Retained Earnings	Option /forex Reserve	
	\$	\$	\$	\$
<b>At 1 July 2005</b>	<b>18,132,853</b>	<b>(18,061,132)</b>	-	<b>71,721</b>
• Issue of share capital – 7,500,000 fully paid ordinary shares at 20c each issued pursuant to the prospectus	1,500,000	-	-	1,500,000
• Costs associated with this share issue	(1,103,025)	-	-	(1,103,025)
• Losses of 3Q Holdings Limited from 1 July 2005 to date of completion of acquisition	-	(324,633)	-	(324,633)
• Issue of 1,250,000 options in consideration for services rendered	-	-	53,768	53,768
• Elimination of cost of 3Q Holdings Limited share capital, reserves and accumulated losses on acquisition	(18,529,828)	18,385,765	(53,768)	(197,831)
• Cost of acquisition	3,089,000	-	-	3,089,000
• QQQ Systems Pty Ltd share capital and retained earnings pre-acquisition	200	682,683	-	682,883
• Profit for the period	-	1,069,447	-	1,069,447
• Dividends paid	-	(1,690,000)	-	(1,690,000)
<b>At 31 December 2005</b>	<b>3,089,200</b>	<b>62,130</b>	-	<b>3,151,330</b>
<b>At 1 July 2006</b>	<b>3,089,200</b>	<b>991,007</b>	<b>(7,878)</b>	<b>4,072,329</b>
• Profit for the period	-	562,617	-	562,617
• Translation Reserve resulting from translating USA Subsidiary from US dollars to Australian dollars	-	-	(19,989)	(19,989)
• Adjustment to the cost of the acquisition of QQQ arising on conversion to ordinary shares of the performance shares issued in part consideration for the acquisition.	174,719	-	-	174,719
• Value of options over ordinary shares issued during the period	-	-	260,309	260,309
<b>At 31 December 2006</b>	<b>3,263,919</b>	<b>1,553,624</b>	<b>232,442</b>	<b>5,049,985</b>

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes and the 2006 Annual Financial Report.

## Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This consolidated interim financial report of 3Q Holdings Limited and its controlled entities for the half-year ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. It is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and the *Corporations Act 2001*.

#### Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRS (AIFRS) ensures that the financial report, comprising the consolidated financial statements and notes of 3Q Holdings Limited, complies with IFRS.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of 3Q Holdings Limited for the year ended 30 June 2006, and any other public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2006.

## Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<b>CONSOLIDATED</b>	
	2006	2005
	\$	\$
<b>2 Revenue and Expenses</b>		
Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
(i) Revenue		
Sale of goods (services, software, hardware)	3,276,940	3,093,987
Maintenance revenue	1,506,929	655,848
	4,783,869	3,749,835
(ii) Other income		
Recoupment of QQQ Systems pre 30 June 2005 listing and recapitalization fees from 3Q Holdings Pty Limited	-	105,000
Other income	16,982	30,166
	16,982	135,166
(iii) Expenses		
Depreciation	57,318	25,760
Amortisation of Principal technology	55,000	55,000
Employee benefits	1,826,659	1,002,361

**Notes to the Half-Year Financial Statements (continued)**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	<b>CONSOLIDATED</b>	
	2006	2005
	\$	\$
<b>3 Dividends Paid and Proposed</b>		
Equity dividends on ordinary shares:		
Dividends paid during the half-year	-	1,690,000
<b>4 Issued Capital</b>		
	As at 31 December 2006	As at 30 June 2006
	\$	\$
Ordinary shares		
Issued and fully paid	3,263,919	3,089,200
	Number of shares	\$
Movements in ordinary shares on issue		
At 1 July 2006	72,955,960	3,089,200
Conversion of Performance shares issued per the acquisition of QQQ Systems Pty Limited,	65,000,000	-
Adjustment to the cost of the acquisition of QQQ arising on conversion to ordinary shares of the performance shares issued in part consideration for the acquisition	-	174,719
	137,955,960	3,263,919

**5 Segment Reporting**

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 and USA.

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

There is no comparative information as the Geographic Segment only commenced with the acquisition of Applied Retail Solutions in the USA on 31 March 2006.

**Notes to the Half-Year Financial Statements (continued)**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

**6 Contingent Assets and Liabilities**

There are no contingent liabilities or contingent assets.

**7 Events after the balance sheet date**

No material events have taken place after the balance sheet date.

**8 Additional Information**

## Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the

Following at 31 December:

	<b>CONSOLIDATED</b>	
	As at 31 December 2006	As at 30 June 2006
	\$	\$
Cash at bank and in hand	481,724	659,712
Short-term deposits	5,955	24,389
	487,679	684,101
	487,679	684,101

## Directors' Declaration

The directors of 3Q Holdings Limited declare that in their opinion:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including that they:
  - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting*, other Australian Accounting Standards, and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date;
  
- (b) at the date of this declaration there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Shaun Rosen', written in a cursive style.

Shaun Rosen  
Director

Sydney, 28 February 2007



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 3Q Holdings Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of 3Q Holdings Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 3Q Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

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*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF



**Arthur Milner**  
Partner

Sydney, 28<sup>th</sup> February 2007