

3Q Holdings Limited

Preliminary Final Report for the year ending 30 June 06



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Appendix 4E

Name of entity	3Q Holdings Limited
ABN	42 089 058 293
Year Ended	30 June 2006
Previous Corresponding Reporting Period	12 months to 30 June 2005

Results for announcement to the market

	Result	% Increase (Decrease)	\$ Increase (Decrease)
Revenue from ordinary activities	8,367,043	30.68%	1,964,323
Profit from ordinary activities after tax attributable to members	1,998,324	94.41%	970,440
Net profit for the period attributable to members	1,998,324	94.41%	970,440

Dividends (distributions)	Amount per Security	Franked amount per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlement to the Dividends (if any)	N/A	N/A

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

A dividend of \$1,690,000 was paid by QQQ Systems Pty Limited during the reporting period to its shareholders prior to the acquisition by 3Q Holdings Limited.

A dividend of \$515,867 was paid by QQQ Systems Pty Limited during the previous corresponding reporting period to its shareholders prior to the acquisition by 3Q Holdings Limited.

Financial Statements

Statements of financial performance, financial position, cash flows and the notes thereto are attached.

Dividends

3Q Holdings Limited has not declared a dividend in respect of the current financial year.

Statement of Retained Earnings movements

A statement of movements in Retained Earnings is attached.

Net Tangible Asset Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	1.41965 cents	1.55672 cents

Gain/Loss of Entity

Details of entities over which 3Q Holdings Limited gained control during the year is attached.

3Q Holdings Limited did not lose control over entities during the year.

Joint Ventures and Associates

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

Significant Information/Commentary

The Director's report, statements of financial performance, financial position, cash flows and the notes thereto, all of which are attached, will provide a more detailed understanding of the Company.

Foreign Entity

3Q Holdings is not a Foreign Entity. The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards AAS B 101 and other mandatory professional reporting requirements except some of the disclosure requirements under Accounting Standards have not been included where the information that would be disclosed is not considered relevant nor material.

The historical financial information contained in this report has been prepared and presented in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS).

Auditing of Accounts

This report is based on accounts that are in the process of being audited. The accounts are not subject to audit dispute or qualification.

The appendix 4E is also to be read in conjunction with the half yearly financial report for the period ended 31 December 2005 and all ASX releases under the code TQH.

Copies of all ASX releases are available for download at www.asx.com.au

For further information:

Alan Treisman
Company Secretary
3Q Holdings Limited
02 9389 3555



Corporate Information

ABN 42 089 058 293

Directors

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

Company Secretary

Alan Treisman

Registered office

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

Principal Place of Business

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

Share Register

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

Solicitors

Freehills
MLC Centre Martin Place
Sydney NSW 2000
Australia

Bankers

Commonwealth Bank of Australia

- Western Perth WA
- St George's Terrace, Perth WA
- Bondi Junction, Sydney NSW

National Australia Bank

- Bondi Junction, Sydney NSW

St George Bank

- George Street, Sydney NSW

Auditors

PKF
Level 10 /1 Margaret Street
Sydney NSW 2000
Australia

Stock Exchange Listing

Australian Stock Exchange, code: TQH

Additional Commentary to Appendix 4E

Financial Overview & Highlights

In the financial year ending 30 June 2006, 3Q Holdings Pty Ltd (3Q) followed its strategic direction and traded well, meeting its financial objectives. A solid foundation has been laid on which to build further profit growth in 2007.

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

The key operating highlights of 2006

- The acquisition of the profitable business of QQQ Systems Pty Limited (trading as SVI Retail), giving 3Q a strategic position in the Australian retail Point-of-Sale market.
-
- The re-listing of 3Q Holdings Limited on the Australian Stock Exchange (ASX Code: TQH)
-
- The acquisition of Applied Retail Solutions business, gaining a valuable presence in the USA
-
- The completion of a software and hardware upgrade for a leading retail clothing brand chain.

Financial Highlights

For the financial year ending 30 June, 2006.

Consolidated Revenue	\$8,367,043
Operating Profit After Tax *	\$1,998,324
Ebitda *	2,537,822
Earnings per Share (undiluted)	3.2257c
Gearing	3.41%
Number of Employees	38

* includes excess of interest in net fair value of assets and liabilities acquired on acquisition of Applied Retail Solutions on 31 March 2006

Preamble

This preliminary final report covers both 3Q Holdings Limited (3Q) as an individual entity and the consolidated entity comprising 3Q Holdings Limited and its subsidiaries (The Group).

The Group's presentation currency is AUD (\$).

Business Overview

3Q, trading as SVI Retail (SVI) in Australia and Applied Retail Solutions (ARS) in the USA, develops, sells, implements and integrates retail technology solutions for a wide range of retail clients, operating in the fashion, electronics, furniture, general merchandise and discount variety industries.

Generally, its revenue model consists of an upfront fee for the technology, hardware and related services, with an ongoing maintenance revenue trail on the software, for the life of its use. 3Q estimates that customers typically replace their POS technology every eight years.

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

3Q services some household brands in the electronics, general merchandise and discount variety sectors, with approximately 150 customers and 2,500 POS lanes in Australia and New Zealand. ARS' clients operate approximately 5,000 POS lanes in the USA. Maintenance revenue is generally calculated on a per lane or per user basis and forms the basis for the recurring income stream.

One of the key factors in the success of 3Q's strategy is its commitment to the highest levels of customer service and managing relationships with customers.

3Q's key competitive advantages include the:

- proven quality of the products
- extensive features and functionality of the products
- experience of the 3Q management team in the Australian and USA markets
- stability of the current customer base
- expertise and track record of the 3Q management team in managing and integrating acquisitions.

Mission Statement

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

Summary of Products & Services

SVI 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.

SVI's key off the shelf products are:

- doIFIN – a fully integrated financial and retail management system, developed for multi-store retailers, wholesalers and manufacturers.
- dPOsit – SVI Retail's flagship point of sale product
- CRMS (Complete Retail Management System) – a product based around the four essential stages of the retail merchandising cycle: purchasing, stocking, selling and replenishment. This retail solution has an emphasis on furniture and electrical retailers.
- RAGS – adding manufacturing functionality to the SVI range of products.

SVI also provides extensive support that includes consulting, project management and business process planning.

ARS' product range include:

- OnePointe – in-store front and back office functions
- Retail Chain Manager (RCM) – Chain controller, CRM, voucher / gift card services, centralized and consolidated transactional database
- Peer to peer data communication subsystems between store and head office.
- Island Pacific Merchandise System (IPMS) – Sales audit, merchandising fundamentals, store hierarchy setup, purchasing, distribution, warehousing, replenishment, ticketing, events, financials, and business intelligence for retail.
- Market Penetration

Ongoing Strategies

The 3Q 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, rationalization of sales forces, rationalization 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.

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

Clive Klugman

Executive Director

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

Alan Treisman

Executive Director and Chief Financial Officer

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 Chartered Accountant in 1990. Alan Joined Divergent Technologies in 1994 where he worked for almost 8 years as Financial Controller and then Finance Director. He has had more than 9 years experience in the information technology industry. He now combines the role of Mergers and Acquisitions with that of Finance director while also serving as the Company Secretary.

Geoff Gander

Non-Executive Director

Geoff was appointed as a Director on 4 December 2003 and moved from an Executive role to a Non-Executive role on completion of the acquisition of QQQ Systems Pty Limited. He has the role of managing Investor Relations for the Company. Geoff graduated from the University of Western Australia in 1984 where he completed a Bachelor of Commerce Degree and has had more than 20 years experience in the information technology industry, with much of that specifically related to the Point of Sale sector. Geoff also works as an industry consultant to a range of private and public companies. In addition to his Non Executive Director role at the Company, he also sits on the boards of publicly listed VPH Limited, EQiTX Limited, Australian Waterwise Solutions Limited and Jupiter Energy Limited as well as the privately held company, Highway 1 (Australia) Pty Limited.

Tony Ammendola

Non-Executive Director

Tony has a long history in the Financial Planning industry with roles at AGC Finance, Westpac, IOOF and ANZ Wealth Management, over the past 25 years. He was appointed a Director on 8 August 2005 and resigned on 22 December 2005.

Bernard Crawford

Non-Executive Director

Bernard is a chartered accountant with extensive experience in various senior roles with Nike, Merrill Lynch & Atlantic Richfield. He holds a Bachelor of Commerce Degree and a Masters of Business Administration from London Business School. Bernard was a Director from 1 July 2003 until he resigned on 10 November 2003 and was reappointed on 4 December 2003 and resigned finally on 22 December 2005.

Tony Cunningham

Non-Executive Director

Tony holds a Bachelor of Commerce Degree and worked as an investment manager at a major West Australian broking firm from 1995 to 2001. He is now the principal of Cunningham Securities, established in 2001 and the holder of an Australian Financial Services License. Tony has assisted numerous companies to gain admittance to the official list of the ASX. Tony was a Director of the company for the following periods:

- 23 April 2003 to 28 October 2003
- 4 December 2003 to 24 January 2005
- 12 April 2005 to 9 August 2005

Directors' Interest in the ordinary shares in the Company

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

Director	Ordinary Shares
Shaun Rosen	25,000,000
Clive Klugman	25,000,000
Geoff Gander	82,500
Alan Treisman	-

Dividends

3Q paid no dividends during the reporting period.

A dividend of \$1,690,000 was paid by QQQ Systems Pty Limited during the reporting period to its shareholders prior to the acquisition by 3Q.

Principal Activities

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

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

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

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 point of sale 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.

During the year Acuity Investment Management Limited acquired QQQ Systems Pty Limited (trading as SVI Retail).

The purchase was completed on 22 December 2005 and the Company changed its name to 3Q Holdings Limited effective on the same date. On 28th December 2005 the Company was readmitted onto the ASX and began trading that day.

Australia's retail software sector is in a fragmented state and the acquisition of QQQ Systems Pty Limited presents a major opportunity for sector consolidation.

On 31 March 2006, the Group acquired the Applied Retail Solutions business (ARS) 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 3Q an entry point into the large US retail market through a business with an established solution set, existing clients and an experienced management team.

Dynamics of the Business

The Retail sector can be characterized 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 organizations want to work with one party – a systems integrator – who is ultimately responsible for providing a working solution.

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

Summary of the Company Business Plan

Australia's retail software sector is in a fragmented state and the acquisition of QQQ Systems Pty Limited 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 at a later stage, overseas. This will be achieved through acquisitions of similar companies, wherever synergies and economies of scale from the acquisitions are anticipated to increase profitability.

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 organizations that offer immediate upside to the profitability of the Company.

Operating Results for the Year

The successful completion of the acquisitions of QQQ Systems Pty Limited (trading as SVI Retail) and Applied Retail Solutions Inc (USA) have laid a strong foundation for the future growth of the Group.

The Group's net profit for the year after income tax is \$1,998,324 (2005: \$1,027,884) representing an increase of 94% (2005: 336%) from the previous year. The acquisition of QQQ Systems Pty Limited (trading as SVI Retail) has been the major factor in accounting for the growth of the Group.

A summary of the Group's operating results for the financial year ending June 30, 2006, is as follows:

Business Segments	Revenues \$	Net Profit After Tax \$
Australian Operations	7,207,133	1,557,503
USA Operations	1,060,175	353,122
NZ Operations	99,735	*87,699
TOTAL	8,367,043	1,998,324

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

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 2006 of \$78,710 (2005: \$422,507).

Operating activities generated approximately \$1,377,190 (2005: \$734,829) of net cash in-flows.

There was a net increase in the cash flows from investing activities of \$1,976,215 (2005: (\$56,887)), which was mainly attributable to cash acquired on the purchase of subsidiaries of approximately \$1,990,000.

There was a net increase in cash out-flows from financing activities of approximately \$3,263,705 (2005: \$255,435) due primarily to a dividend paid of \$1,690,000 and payments relating to costs of re-listing, recapitalisation and the public offering of approximately \$1,387,000.

Asset and Capital Structure

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

Consolidated	2006 \$	2005 \$
Interest Bearing Loans & Borrowings	139,068	346,040
Cash & Short Term Deposits	(684,101)	(605,391)
NET DEBT	(545,033)	(259,351)
Total Equity	4,072,329	682,883
Total Capital Employed	3,527,296	423,532
Gearing (%)	3.41%	50.67%

Profile of Debts

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

Profile of Debts	2006 \$	2005 \$
Obligations under hire purchase agreements	17,921	17,921
Bank Loans	121,147	-
Other Loans	-	328,119
TOTAL DEBT	139,068	346,040

The Group anticipates that its debts will increase over the coming year once more acquisitions are made. The Group is in the process of negotiating acquisition finance amounting to at least 10 million dollars.

Share issues during the year

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

It is the intention of the holders to convert the 65 million performance shares to ordinary shares in 2006 as the specified targets in the period 2006 were achieved. Conversion of the performance shares into ordinary shares will take place within 20 business days of the release by the company to the ASX of its audited financial statements for the financial year ending 30 June 2006. The effect of converting these performance shares into ordinary shares has been included in the calculation of the diluted earnings per share.

7,500,000 fully paid ordinary shares at 20c each were also issued pursuant to a prospectus. Accordingly, the only cash cost of the acquisition related to direct legal and professional expenses.

Options issued during the year

During the year 1,250,000 unlisted options over ordinary shares in 3Q Holdings Limited were issued with an exercise price of 20c per option. Refer to note 19 of the financial statements for further details of the options 900,000 out of the 1,250,000 options were issued to Investec Bank (Australia) Limited, and the balance of 300,000 options were issued to Capital Investment Partners Pty Ltd. The options expire on 30 June 2010.

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 QQQ Systems Pty Limited has allowed the Group to gain control of a significant provider of retail solutions in Australia. This ensures the potential opportunity for strong sales and profitability, for the Group.

The acquisition of Applied Retail Solutions in the USA on 31 March 2006 created additional opportunities for further sales and profit growth, as well as an entry into the lucrative USA market.

Significant Events After the Balance Date

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

Environmental Regulation and Performance

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

Indemnification and Insurance of Directors and Officers

The insurance premium for the period ending 30 June 2007 in respect of Directors and Officers' liability and legal expenses' insurance contracts, for past, present or future Directors or Officers' of the 3Q Holdings Group, including any Company Secretary and any Employee who is concerned in, or takes part in, the management of the Company, was \$32,413.

The insurance premium relates to:

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

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 2006, director's and executive's remuneration was not linked to performance of the Company. The Company intends to embody the following principles in its remuneration framework:

- Provide competitive rewards to attract high caliber executives
- 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 2006, the director's and executive's salary packages were considered very modest in relation to the performance of the Company and to market rates.

Remuneration structure

The Company's Constitution provides that the remuneration of the Directors will be not 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.

Director Remuneration

Shaun Rosen, Clive Klugman and Alan Treisman are the only Executive Directors of the Company as at the date of this report. They were all appointed on the 22 December 2005.

Geoff Gander was an Executive Director up to 22 December 2005. He resigned as an executive Director on this date and then became a Non-Executive Director of which he still is at the date of this report.

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

Shaun Rosen's annual salary was set at \$60,000 excluding superannuation for the year ended 30 June 2006.

Clive Klugman's annual salary was set at \$90,000 excluding superannuation for the year ended 30 June 2006.

Alan Treisman was entitled to a bonus of \$30,000 net upon the successful re-quotation of the shares on ASX.

Alan Treisman and Geoff Gander were employed by the Company on an Hourly or project basis for the year ended 30 June 2006.

It is the intention of the Directors to issue 1,000,000 Options to each Director as part of the remuneration policy. The issue of these Options will be conditional upon Shareholder approvals at the forthcoming general meeting.

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

(a) The remuneration of executive & non-executive specified directors for the period ending 30 June 2006 is as follows:

Specified Directors	Years	Primary Benefits	Post Employment	Equity	TOTAL
		Salaries & Fees	Superannuation	Options	
		\$	\$		\$
Shaun Rosen *	2006	74,942	40,560	-	115,502
Executive Chairman	2005	-	-	-	-
Clive Klugman *	2006	85,359	35,560	-	120,919
Executive Director	2005	-	-	-	-
Alan Treisman *	2006	91,878	3,058	-	94,936
Finance Director & Secretary	2005	-	-	-	0
Geoff Gander **	2006	73,750	-	-	73,750
Non-Executive	2005	51,500	-	-	51,500
Bernard Crawford ***	2006	7,742	-	-	7,742
Non-Executive	2005	30,000	-	-	30,000
Tony Ammendola ***	2006	11,775	-	-	11,775
Non-Executive	2005	-	-	-	-
Tony Cunningham ****	2006	-	-	-	-
Non-Executive	2005	21,550	-	-	21,550
Graham Morrow *****	2006	-	-	-	-
Non-Executive	2005	-	-	-	-
TOTAL REMUNERATION	2006	345,446	79,178	-	424,624
Specified Directors	2005	103,050	-	-	103,050

* Appointed as Executive Directors on 22 December 2005.

** Resigned as Executive Director on 22 December 2005. Appointed as Non-Executive Director on 22 December 2005.

*** Tony Ammendola was appointed as Non-Executive Director on 9 August 2005.

Bernard Crawford and Tony Ammendola resigned as Non-Executive Directors on 22 December 2005.

**** Tony Cunningham resigned on 9 August 2005.

***** Graham Morrow was appointed on 24 January 2005 and resigned on 12 April 2005.

In addition to the Directors, the only other specified executive is David Rosen.

The remuneration of the specified executive for the period ending 30 June 2006 is as follows:

Specified Executives	Years	Primary	Post	Equity	Incentives	TOTAL
		Benefits	Employment	Options		
		Salaries & Fees	Superannuation			\$
Davy Rosen *	2006	41,625	-	-	-	41,625
Director Applied Retail Solutions	2005	-	-	-	-	-
TOTAL REMUNERATION	2006	41,625	-	-	-	41,625
Specified Executives	2005	-	-	-	-	-

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

(b) Compensation Options

During the financial year there were no options over ordinary shares in the Company granted as equity compensation benefits to Directors or Executives.

The Board of Directors is in the process of approving the issue of 4 million Options over Ordinary shares in the Company to Directors.

These options if approved will then be required to be approved by Shareholders in the Annual General Meeting to be held in November 2006. Thereafter it is expected that the options will be issued.

(c) Open Holdings of Directors & Executives

At the reporting period there were no options over ordinary shares in the Company held by Directors or Executives.

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

The movement during the previous reporting period 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 2004	Consolidation (1:5)	Transferred	Lapsed	Held at 30 June 2005
AR Cunningham */**	17,500,000	(14,000,000)	(1,000,000)	(2,500,000)	-
GA Gander */**	17,500,000	(14,000,000)	(1,000,000)	(2,500,000)	-

Equity Holdings and Transactions with Specified Directors and Executives

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

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

	Held at 1 July 2004	Issues/ Purchases	Consolidation (1:5)	Sales	Held at 30 June 2005
AR Cunningham */**	33,350,000	-	(26,680,000)	-	6,670,000
GA Gander */**/**	33,350,000	-	(26,680,000)	-	6,670,000

* AR Cunningham and GA Gander are Directors of Buyshop Limited which has an interest of 6,670,000 ordinary shares

** Directors at 30 June 2005

*** Directors at 30 June 2006

**** The consideration for the 100% equity in QQQ comprised the issue of 50,000,000 ordinary shares at 20c per share (25,000,000 to Eastfall Pty Limited , a related party of Clive Klugman, and 25,000,000 to Elabrook Pty Limited , a related party of Shaun Rosen) and 65,000,000 (32,500,000 to Eastfall Pty Limited , a related party of Clive Klugman, and 32,500,000 to Elabrook Pty Limited , a related party of Shaun Rosen) performance shares which are convertible into up to 65,000,000 ordinary shares upon achievement of certain specified targets in the periods ending 30 June 2006 or 2007.

It is the intention of the Vendors of QQQ Systems Pty Limited to convert the 65 million performance shares to ordinary shares in 2006 as it expected that the specified targets in the period 2006 will be achieved.

The effect of converting the performance shares into ordinary shares has been included in the calculation of the diluted earnings per share.

Conversion of the performance shares into ordinary shares will take place within 20 business days of the release by the company to the ASX of its audited financial statements for the financial year ending 30 June 2006.

Loans and other transactions with Specified Directors and Executives

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

	Balance at beginning of period	Advanced	Interest Charged	Repaid	Balance at end of period
2006					
Shaun Rosen	-	120,000	917	120,917	-
Clive Klugman	-	30,000	230	30,230	-
2005	-	-	-	-	-

Terms and conditions of loans

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

Sales financed by related parties of Specified Directors - Sales to certain customers of QQQ Systems Pty Limited are financed by Isalux Pty Limited, a related party of the Group. Isalux Pty Ltd is 100% owned by Shaun Rosen and Clive Klugman who are also directors of Isalux.

Isalux repays QQQ on a monthly basis. For additional information refer to note 22.

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

Security for Bank Loan Facility - Two related parties of Specified Directors, Eastfall Pty Limited and Elabrook Pty Limited, provide security for the QQQ System Pty Limited bank facility referred to in note 16.

Other Transactions

During the previous year, Cunningham Securities Pty Ltd (an associate of former Director, Mr. AR Cunningham), received placement fees in respect of share placement in May 2005 of \$6,875.

During the previous year, Sigma Alpha Group Limited (an associate of former Director Mt GV Morrow) paid monies in respect of funding of the costs associated with the prospectus dated 25 January 2005.

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

Directors' Meetings

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

Directors	Meetings Held	Attended
Shaun Rosen	4	4
Clive Klugman	4	3
Alan Treisman	4	4
Geoff Gander	5	5
Tony Cunningham	1	1
Bernard Crawford	1	1
Graham Morrow	0	0
Tony Ammendola	0	0

The Income Statement

For the year ending 30 June 2006

	Note	CONSOLIDATED		PARENT	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	3(a)	7,939,449	6,392,089	583,961	626,310
Other income	3(b)	427,594	10,631	11,022	-
Cost of sales		2,014,269	1,720,732	576,056	593,535
Depreciation and amortization expense	3(e)	170,545	149,952	-	-
Employee benefits expense	3(f)	2,701,539	2,130,148	57,941	124,747
Other expenses	3(c)	1,113,412	826,019	575,538	283,661
Finance costs	3(d)	89,956	35,126	2,629	-
PROFIT (LOSS) BEFORE INCOME TAX		2,277,322	1,540,743	(617,181)	(375,633)
Income tax expense/(income)	4	278,998	512,859	(291,497)	-
PROFIT (LOSS) AFTER TAX		1,998,324	1,027,884	(325,684)	(375,633)
Earnings per share (cents per share)	5				
- basic for profit for the year attributable to ordinary equity holders of the parent		3.2257	2.0558		
- diluted for profit for the year attributable to ordinary equity holders of the parent		1.5661	0.8938		

The Balance Sheet

As at 30 June 2006

	NOTE	CONSOLIDATED		PARENT	
		2006 \$	2005 \$	2006 \$	2005 \$
ASSETS					
Current Assets					
Cash and cash equivalents	7	684,101	605,391	9,036	144,700
Trade and other receivables	8	1,350,205	998,686	148,040	110,007
Inventories	9	83,331	149,817	-	-
Prepayments		62,366	20,918	29,570	-
TOTAL CURRENT ASSETS		2,180,003	1,774,812	186,646	254,707
Non-current Assets					
Available-for-sale investments	10	10,862		10,862	
Plant and equipment	11	160,934	148,702	1,730	-
Intangible assets	12	3,036,609	201,672	-	-
Financial Assets	26 & 27	-	-	23,000,000	
Deferred tax assets	4	576,462	132,799	313,955	-
TOTAL NON-CURRENT ASSETS		3,784,867	483,173	23,326,547	-
TOTAL ASSETS		5,964,870	2,257,985	23,513,193	254,707
LIABILITIES					
Current Liabilities					
Trade and other payables	15	1,018,264	575,138	250,881	182,986
Short Term borrowings	16	139,068	328,119	-	-
Current tax liability	4	517,138	489,926	22,458	-
Provisions	17	178,459	163,998	-	-
TOTAL CURRENT LIABILITIES		1,852,929	1,557,181	273,339	182,986
Non-current Liabilities					
Long term borrowings	16	-	17,921	-	-
Provisions	17	39,612	-	-	-
TOTAL NON-CURRENT LIABILITIES		39,612	17,921	-	-
TOTAL LIABILITIES		1,892,541	1,575,102	273,339	182,986
NET ASSETS		4,072,329	682,883	23,239,854	71,721
EQUITY					
Contributed equity	18	3,089,200	200	41,572,902	18,132,853
Reserves	18	(7,878)	-	53,768	-
Retained earnings/(Accumulated losses)	18	991,007	682,683	(18,386,816)	(18,061,132)
TOTAL EQUITY		4,072,329	682,883	23,239,854	71,721

Statement of Changes in Equity

For the year ending 30 June 2006

CONSOLIDATED	Issued Capital \$	Retained Income \$	Option /Forex Reserve \$	Total \$
At 1 July 2004	200	170,666	-	170,866
Profit for the period	-	1,027,884	-	1,027,884
Dividend paid	-	(515,867)	-	(515,867)
At 30 June 2005	200	682,683	-	682,883
Cost of acquisition	3,089,000	-	-	3,089,000
Profit for the period	-	1,998,324	-	1,998,324
Translation Reserve resulting from translating USA Subsidiary from US dollars to Australian dollars	-	-	(7,878)	(7,878)
Dividends paid	-	(1,690,000)	-	(1,690,000)
AS AT 30 JUNE 2006	3,089,200	991,007	(7,878)	4,072,329

PARENT	Issued Capital \$	Retained Income \$	Option /Forex Reserve \$	Total \$
At 1 July 2004	17,889,728	(17,685,499)	-	204,229
Loss for the period	-	(375,633)	-	(375,633)
Exercise of 1,000,000 options at 12.5c per share – December 2004	125,000	-	-	125,000
Issue of 2,777,780 shares at 4.5c per share – June 2005	125,000	-	-	125,000
Capital raising costs	(6,875)	-	-	(6,875)
At 30 June 2005	18,132,853	(18,061,132)	-	71,721
Issue of share capital – 7,500,000 fully paid ordinary shares at 20c each issued pursuant to the prospectus	1,500,000	-	-	1,500,000
Costs associated with this share issue	(1,059,951)	-	-	(1,059,951)
Issue of 1,250,000 options in consideration for services rendered	-	-	53,768	53,768
Cost of acquisition of QQQ Systems Pty Ltd – Issue of 50,000,000 ordinary shares and 65,000,000 performance shares	23,000,000	-	-	23,000,000
Loss for the period	-	(325,684)	-	(325,684)
AS AT 30 JUNE 2006	41,572,902	(18,386,816)	53,768	23,239,854

Statement of Cash Flows

For the year ending 30 June 2006

	NOTE	CONSOLIDATED		PARENT	
		2006 \$	2005 \$	2006 \$	2005 \$
Cash flows from operating activities					
Receipts from customers		7,894,431	5,937,658	698,697	762,758
Payments for staff costs		(2,584,706)	(2,086,754)	(95,396)	-
Interest paid		(87,191)	(35,126)	(2,629)	-
Advertising and marketing		(50,763)	(26,651)	-	-
Income tax paid		(691,433)	(139,581)	-	-
Other working capital payments including payments to suppliers		(3,117,365)	(3,156,752)	(821,881)	(1,063,767)
Other Income		14,217	242,035	160	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	7	1,377,190	734,829	(221,049)	(301,009)
Cash flows from investing activities					
Interest received	3(a)	20,525	16,799	5,721	5,249
Purchase of property, plant and equipment	11	(33,702)	(73,686)	(1,730)	-
Other - Cash acquired on purchase of subsidiary which is deemed to be 3Q Holdings Limited (including proceeds from public offering of \$1,500,000)		1,502,707	-	-	-
Cash acquired on purchase of subsidiary, ARS, effective 31 March 2006.		486,685	-	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		1,976,215	(56,887)	3,991	5,249
Cash flows from financing activities					
Proceeds from capital raising		-	-	1,500,000	125,000
Capital raising costs		(1,075,525)	(27,500)	(1,059,951)	(6,875)
Other costs relating to re-listing and recapitalisation		(310,905)	-	(262,865)	-
Proceeds from exercise of options		-	-	-	125,000
Proceeds from borrowings		480,000	-	-	-
Repayment of borrowings		(667,275)	(122,602)	-	(22,798)
Loan to subsidiary		-	-	(95,790)	-
Equity dividends paid	6	(1,690,000)	(105,331)	-	-
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES		(3,263,705)	(255,433)	81,394	220,327
Net increase/(decrease) in cash and cash equivalents					
Net foreign exchange differences		(10,991)	-	-	-
Cash and cash equivalents at beginning of period		605,392	182,882	144,700	220,133
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	684,101	605,391	9,036	144,700

Notes to the Financial Statements

For the year ended 30 June 2006

1 Corporate Information

The financial report of 3Q Holdings Limited (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on (August 2006.)

- 3Q Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.
- The nature of the operations and principal activities of the Group are described in the director's report.

2 Summary of Significant Accounting Policies

Basis of preparation

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

The financial report covers the economic entity of 3Q Holdings Limited and controlled entities, and the 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.

(a) Statement of compliance

The financial report complies with Australian Standards, which include AIFRS. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with the International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Company has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 2(b).

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

(i) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

The figures for the comparative financial year ending 30 June 2005 include those of QQQ Systems Pty Limited only.

The financial report has been prepared on a historical cost basis and does not take account of changing money values or, except where stated, current valuations of non-current assets.

(ii) Foreign currency translation

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

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

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

The functional currency of the foreign operation, Applied Retail Solution Inc., is United States dollars (US\$).

As at the reporting date the assets and liabilities of this subsidiary 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 basis over the estimated useful life of the asset as follows:

- Plant and equipment – 12.5% - 40%

Impairment

The carrying values of plant, furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or the assets may have been impaired.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and expensed in the income statement.

Impairment testing will be performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group will estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

(iv) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(v) Goodwill

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

Impairment testing will be performed annually for goodwill.

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

Goodwill is not amortised.

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

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

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

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

(vi) Intangible assets – Intellectual property

Acquired both separately and from a business combination

Intellectual property acquired separately is capitalised at cost and from a business combination are 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 years.

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

Research and development costs are expensed as incurred.

Intellectual property with indefinite lives is tested for impairment where an indicator of impairment exists.

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

(vii) Recoverable amount of assets

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

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

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

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

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

(viii) Financial Instruments

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

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

(ix) Inventories

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

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

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

(x) Trade and other receivables

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

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

(xi) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits. For the purposes of the 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 recognized 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 recognized when the service provided to the customer is completed.

Interest

Revenue is recognised as the interest accrues.

Dividends

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

(xvi) Income tax

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

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

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

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

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

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

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

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

As at the 22 December 2005, the Group consolidated for tax purposes (Refer note 4).

(xvii) Other taxes

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

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

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

Cash flows are included in the 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 by an external valuer using a binomial model.

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

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

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

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

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

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

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

(xx) Trade and other payables

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

(xxi) Employee leave benefits

Wages, salaries, annual leave and sick leave

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

Long service leave

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

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

(xxii) Contributed equity

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

(xxiii) Earnings per share

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

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

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

(xxiv) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 13 for details of these assumptions and the potential impact of changes to the assumptions.

(xxv) Business Combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 20). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(xxvi) Segment Information

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

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

The segment information is prepared in conformity with accounting standard AASB 114 "Segment reporting".

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

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.

(b) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

CONSOLIDATED	30-Jun-05	01-Jul-04
Total equity under AGAAP	682,883	170,866
Adjustments to equity:	-	-
TOTAL EQUITY UNDER AIFRS	682,883	170,866

(ii) Reconciliation of net profit under AGAAP to that under AIFRS

	Year ended 30-Jun-05 \$
Net profit after tax as previously reported under AGAAP	1,027,884
Adjustments to net profit after tax	-
NET PROFIT UNDER AIFRS	1,027,884

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

(iv) There were no adjustments in relation to the adoption of AASB 132 Financial Instruments Presentation and AASB 139 Financial Instruments Recognition and Measurement to the consolidated group or parent.

3 Revenue and Expenses

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Revenue				
Sales of Hardware	1,916,747	1,464,010	-	-
Rendering of Services	2,569,990	2,012,267	311,840	354,661
Maintenance	1,698,146	1,345,912	-	-
License Fees	1,675,412	1,345,894	266,400	266,400
Interest	20,525	16,798	5,721	5,249
Other	58,629	207,208	-	-
TOTAL REVENUE	7,939,449	6,392,089	583,961	626,310
(b) Other Income				
Recoupment of QQQ Systems' pre 30 June 2005 listing and recapitalization fees from 3Q Holdings Pty Limited	105,000	-	-	-
Excess of interest in net fair value of assets and liabilities acquired on acquisition of Applied Retail Solutions on 31 March 2006	271,522	-	-	-
Other Revenue	51,072	10,631	11,022	-
TOTAL OTHER REVENUE	427,594	10,631	11,022	-
(c) Other expenses				
Re-listing and recapitalization expenses	-	-	262,865	-
Prospectus expenses	-	-	-	143,611
Options expense	-	-	53,768	-
Rental expense	169,132	150,087	-	-
Accounting and Audit Fees	101,415	65,347	106,300	39,348
Bad and doubtful debts - trade receivables	317,824	13,370	-	-
Legal Fees	102,281	116,118	94,184	-
Other expenses	422,760	481,097	58,421	100,702
TOTAL OTHER EXPENSES	1,113,412	826,019	575,538	283,661
(d) Finance costs				
Bank loans	10,319	-	2,629	-
Other loans	77,533	35,126	-	-
Finance charges payable under finance leases and hire purchase contracts	2,104	-	-	-
TOTAL FINANCE COSTS	89,956	35,126	2,629	-
(e) Depreciation & Amortisation				
Depreciation	60,545	39,952	-	-
Amortisation of principal technology	110,000	110,000	-	-
TOTAL DEPRECIATION & AMORTISATION	170,545	149,952	-	-

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
(f) Employee benefits expense				
Wages and salaries (including Directors fees)	2,243,805	1,738,737	56,516	122,765
Workers' compensation costs	8,715	7,924	-	-
Superannuation expense	220,326	217,151	-	1,982
Annual leave provision	21,406	41,175	-	-
Long service leave provision	39,612	-	-	-
Payroll Tax	118,805	82,946	-	-
Other Payroll related expenses	48,870	42,215	1,425	-
TOTAL EMPLOYEE BENEFITS EXPENSE	2,701,539	2,130,148	57,941	124,747

4 Income Tax

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.

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

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Accounting profit before tax from continuing operations				
Accounting profit before income tax	2,277,322	1,540,743	(617,181)	(375,633)
At the Group's statutory income tax rate of 30% (2005: 30%)	683,197	462,223	(185,154)	-
Prima face tax payable on profit from ordinary activities before income tax at 30% for other members of the income tax consolidated group net of intercompany transactions.	-	-	86,064	-
Expenditure/ (Income) not allowable for income tax purposes	103,990	50,636	128,249	-
Tax effect of deductible accounting and legal expenses	(31,500)	-	-	-
Tax effect of deductible capitalisation costs in relation to capital raising	(81,656)	-	(99,716)	-
Recoupment of tax losses not previously recognised	(26,201)	-	(26,201)	-
Adjustment due to difference between USA and Australian tax rates.	57,818	-	-	-
Recognition of current year pre acquisition tax losses of 3Q Holdings Limited for tax purposes	(119,471)	-	-	-
Recognition of tax losses not previously recognised	(301,955)	-	(301,955)	-
Recognition of deferred tax asset in foreign subsidiary	(6062)	-	-	-
Other adjustments	838	-	(3,403)	-
Movement in temporary differences recognised by subsidiaries, post tax consolidation.	-	-	110,619	-
Income tax expense reported in the consolidated income statement	278,998	512,859	(291,497)	-

Deferred Income Tax

Deferred income tax at 30 June relates to the following:

CONSOLIDATED	Balance Sheet		Income Statement	
	2006 \$	2005 \$	2006 \$	2005 \$
Deferred tax assets				
Written down value of Principal Technology - Accounting	(91,667)	(201,667)	110,000	110,000
Written down value of Principal Technology – Tax	458,333	480,333	(22,000)	(22,000)
Provision for audit fees	40,000	-	40,000	
Provision for staff entitlements	218,071	163,998	54,073	41,175
Provision for doubtful debts	270,079	-	270,079	-
Tax losses	1,006,516	-	1,006,516	
Other	20,207		20,207	
TOTAL	1,921,539	442,664	1,478,875	129,175
Gross deferred income tax assets @ 30%	576,462	132,799	-	-
Deferred tax income/ (expense)	-	-	443,662	38,753

PARENT	Balance Sheet		Income Statement	
	2006 \$	2005 \$	2006 \$	2005 \$
Deferred tax assets				
Provision for audit fees	40,000	-	40,000	-
Tax losses	1,006,516	-	1,006,516	-
TOTAL	1,046,516	-	1,046,516	-
Gross deferred income tax assets @ 30%	313,955	-	-	-
Deferred tax income/ (expense)	-	-	313,955	-

3Q Holdings Limited had income tax losses of \$16,095,487 as at 30 June 2006. We have recognised \$1,006,516 of these losses as a deferred tax asset.

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 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 are eligible to consolidate under this Legislation and will elect to be taxed as a single entity effective 22 December 2005. 3Q Holdings will formally notify the Australian Taxation Office in conjunction with the lodgment of the 2006 company income tax return.

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 finalized 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	
	2006 \$	2005 \$
Net profit attributable to ordinary equity holders of the parent	1,998,324	1,027,884
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share	61,949,678	50,000,000
Effect of dilution: Share options	1,250,000	-
Performance shares	65,000,000	-
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution	65,650,685	-
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	127,600,363	-

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

6 Dividends Paid and Proposed

	2006 \$	2005 \$
Equity dividends on ordinary shares	-	-
Dividends were paid by QQQ Systems Pty Limited prior to the acquisition by 3Q Holdings limited.	1,690,000	515,867

7 Cash Assets

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Cash at bank and in hand	659,712	252,917	9,036	144,700
Short-term deposits	24,389	352,474	-	-
TOTAL CASH & CASH EQUIVALENTS	684,101	605,391	9,036	144,700

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.

At 30 June 2006, the Group had available \$360,000 undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation of net profit after tax to net cash flows from operations	CONSOLIDATED		PARENT	
	2005 \$	2005 \$	2006 \$	2005 \$
Net profit/(loss)	1,998,324	1,027,884	(325,684)	(375,633)
Adjustments for:				
Depreciation	60,305	39,952	-	-
Amortisation	110,239	110,000	-	-
Impairment of non-current assets and held-for-sale assets	-	-	-	-
Loss recognised on re-measurement to fair value	-	-	-	-
Transfer of listing fees recouped by QQQ from prior year – initially shown as sundry income thereafter transferred to financing activities	(105,000)	27,500	-	-
Listing fees included in Income Statement of Parent but shown in Financing activities in Cash Flow	-	-	262,865	-
Net (profit)/loss on disposal of property, plant and equipment	6,185	-	-	-
Organisational costs written off	14,077	-	-	-
Share of associates' net (profits) and losses	-	-	-	-
Excess of net assets acquired over purchase price of Applied Retail Solutions	(271,522)	-	-	-
Interest received	(20,525)	(16,799)	(5,721)	(5,249)
Dividends receivable	-	-	-	-
Net fair value change on investments	(10,862)	-	(10,862)	-
Net exchange differences	6,373	-	-	-
Share options expensed	-	-	53,768	-
Other	9,756	-	-	-
Changes in assets and liabilities	66,486	169,934	-	-
(Increase)/decrease in inventories				
(Increase)/decrease in trade and other receivables	(617,856)	(942,088)	57,757	74,083
(Increase)/decrease in equity	(27,914)	-	-	-
(Increase)/decrease in prepayments	(41,312)	4,464	(29,570)	-
(Increase)/decrease in pension assets	-	-	-	-
(Increase)/decrease in deferred tax assets	(443,663)	(38,753)	(313,955)	-
(Decrease)/increase in deferred tax liabilities	-	-	-	-
(Decrease)/increase in current tax liability	27,212	412,031	22,458	-
(Decrease)/increase in trade and other payables	278,948	(213,275)	67,895	5,790
(Decrease)/increase in provisions	352,720	41,175	-	-
(Decrease)/increase in pension liability	-	-	-	-
(Decrease)/increase in maintenance in advance	(14,781)	112,804	-	-
NET CASH FROM OPERATING ACTIVITIES	1,377,190	734,829	(221,049)	(301,009)

8 Trade and other receivables

Current Receivables	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Trade receivables	1,428,060	815,545	52,250	104,500
Provision for impairment of receivables	(270,079)	-	-	-
	1,157,981			
Other Debtors	-	-	-	5,507
Sundry Loans	21,909	-	-	-
Intercompany Loan	-	-	95,790	-
Related party receivables:	170,315	183,141	-	-
TOTAL TRADE & OTHER RECEIVABLES	1,350,205	998,686	148,040	110,007

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of \$270,079 has been recognised as an expense for the current year for specific debtors for which such evidence exists. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

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

9 Inventories

	CONSOLIDATED		PARENT	
	2005 \$	2005 \$	2006 \$	2005 \$
Finished goods (at net realisable value)	83,331	149,817	-	-
TOTAL INVENTORIES	83,331	149,817	-	-

10 Available-for-sale Investments

	CONSOLIDATED		PARENT	
	2005 \$	2005 \$	2006 \$	2005 \$
TOTAL at fair value: Shares – listed	10,862	-	-	-

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

11 Plant and Equipment

	CONSOLIDATED \$	PARENT \$
Plant and Equipment Year ended 30 June 2005. At 1 July 2004, net of accumulated depreciation	80,723	-
Additions	73,726	-
Carrying value of Computer equipment under Hire purchase contract capitalised during year	34,205	-
Disposals	-	-
Depreciation charge for the year	(39,952)	-
At 30 June 2005, net of accumulated depreciation	148,702	-
Plant and Equipment At 1 July 2004 Cost or fair value	129,206	-
Accumulated depreciation	48,483	-
NET CARRYING AMOUNT	80,723	-
At 30 June 2005		
Cost or fair value	237,137	-
Accumulated depreciation	88,435	-
NET CARRYING AMOUNT	148,702	-
Plant and Equipment - Year ended 30 June 2006. At 1 July 2005, net of accumulated depreciation	148,702	-
Additions – normal from operations	33,702	1,730
– Acquired on acquisition of Applied Retail Solutions	45,020	-
Disposals	(6,185)	-
Depreciation charge for the year	(60,305)	-
At 30 June 2006, net of accumulated depreciation	160,934	1,730
At 1 July 2005 - Cost or fair value	237,137	-
Accumulated depreciation	88,435	-
NET CARRYING AMOUNT	148,702	-
At 30 June 2006		
Cost or fair value	309,674	1,730
Accumulated depreciation	148,740	-
NET CARRYING AMOUNT	160,934	1,730

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

- Plant and equipment – 12.5% - 40%

The carrying value of plant and equipment held under hire purchase contracts at 30 June 2006 is \$32,792 (2005 \$34,206)

Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities.

12 Intangible Assets

	CONSOLIDATED			PARENT	
	Principal Technology	Goodwill	Total	Goodwill	Total
At 1 July 2005					
Cost (gross carrying amount)	550,000	5	550,005	-	-
Accumulated amortisation	(348,333)	-	(348,333)	-	-
Net carrying amount	201,667	5	201,672	-	-
Year ended June 30, 2006					
At 1 July 2005, net of accumulated amortisation	201,667	5	201,672	-	-
Additions				-	-
Acquisition of a subsidiary (Note 21)	-	2,944,937	2,944,937	-	-
Amortisation	(110,000)	-	(110,000)	-	-
At 30 June 2006, net of accumulated amortisation	91,667	2,944,942	3,036,609	-	-
At 30 June 2006					
Cost (gross carrying amount)	550,000	2,944,942	3,494,942	-	-
Accumulated amortisation	(458,333)	-	(458,333)	-	-
NET CARRYING AMOUNT	91,667	2,944,942	3,036,609	-	-

Research and Development costs are not capitalised but are expensed as and when they occur in the Income Statement. Goodwill is not amortised but is subject to annual impairment testing (see note 13). No impairment loss was recognised in the 2006 financial year.

Principal Technology includes software that was previously acquired by QQQ Systems Pty Limited.

This software is amortised over 5 years.

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

The software will be fully amortised over the next 10 months.

13 Impairment testing of Goodwill

Goodwill is allocated to a cash-generating unit which is based on the group's primary reporting segment.

The recoverable amount of the 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 3-year period. The cash flows are discounted using the weighted average cost of capital at the beginning of the budget period of 11.3%"

Key assumptions used

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

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

14 Employee Share Plan

There was no Employee Share Plan in place at the date of this report.

It is the intention of Management to implement an Employee Share Plan towards the latter part of this calendar year or early next year.

15 Trade and Other Payables

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Trade and other payables	631,638	281,567	269,941	186,423
GST due	99,994	81,417	(19,060)	(3,437)
Maintenance in advance	286,632	212,154	-	-
TOTAL TRADE & OTHER PAYABLES	1,018,264	575,138	250,881	182,986
Related party payables (included in trade And other payables above)	(14,300)	-	-	-

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 arms length commercial terms.

16 Short Term Borrowings

Current	Maturity	CONSOLIDATED		PARENT	
		2006 \$	2005 \$	2006 \$	2005 \$
Obligations under hire purchase contracts	30 June 2007	17,921	20,844	-	-
Bank Loan		121,147	-	-	-
Other Loans		-	307,275	-	-
TOTAL		139,068	328,119	-	-

Long Term	Maturity	CONSOLIDATED		PARENT	
		2006 \$	2005 \$	2006 \$	2005 \$
Obligations under hire purchase contracts	30 June 2007	-	17,921	-	-
Bank Loan		-	-	-	-
Other Loans		-	-	-	-
TOTAL		-	17,921	-	-

Bank loan

The 3Q Group provides no security for this loan.

Two related companies, Eastfall Pty Limited and Elabrook Pty Limited, provide security for this loan.

Interest is charged on this loan at the Variable rate of interest.

The loan has no fixed terms of repayment.

The loan is subject to an annual review.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Total facilities – bank loan	480,000	-	-	-
Facilities used at reporting date - bank loans	120,000	-	-	-
Facilities unused at reporting date - bank loans	360,000	-	-	-
TOTAL FACILITIES USED AT REPORTING DATE	120,000	-	-	-
TOTAL FACILITIES UN-USED AT REPORTING DATE	360,000	-	-	-

17 Provisions

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Current – Provision for Annual Leave	178,459	163,998	-	-
Long Term - Provision for Long Service Leave	39,612	-	-	-
TOTAL PROVISIONS	218,071	163,998	-	-

Provision for Employee Entitlements

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

18 Contributed Equity and Reserves

CONSOLIDATED	Issued Capital \$	Retained Income \$	Option /Forex Reserve \$	Total \$
At 1 July 2004	200	170,666	-	170,866
Profit for the period	-	1,027,884	-	1,027,884
Dividend paid	-	(515,867)	-	(515,867)
At 30 June 2005	200	682,683	-	682,883
Cost of acquisition	3,089,000	-	-	3,089,000
Profit for the period	-	1,998,324	-	1,998,324
Translation Reserve resulting from translating USA Subsidiary from US dollars to Australian dollars	-	-	(7,878)	(7,878)
Dividends paid	-	(1,690,000)	-	(1,690,000)
AS AT 30 JUNE 2006	3,089,200	991,007	(7,878)	4,072,329

PARENT	Issued Capital \$	Retained Income \$	Option /Forex Reserve \$	Total \$
At 1 July 2004	17,889,728	(17,685,499)	-	204,229
Loss for the period	-	(375,633)	-	(375,633)
Exercise of 1,000,000 options at 12.5c per share – December 2004	125,000	-	-	125,000
Issue of 2,777,780 shares at 4.5c per share – June 2005	125,000	-	-	125,000
Capital raising costs	(6,875)	-	-	(6,875)
At 30 June 2005	18,132,853	(18,061,132)	-	71,721
Issue of share capital – 7,500,000 fully paid ordinary shares at 20c each issued pursuant to the prospectus	1,500,000	-	-	1,500,000
Costs associated with this share issue	(1,059,951)	-	-	(1,059,951)
Issue of 1,250,000 options in consideration for services rendered	-	-	53,768	53,768
Cost of acquisition of QQQ Systems Pty Ltd – Issue of 50,000,000 ordinary shares and 65,000,000 performance shares	23,000,000	-	-	23,000,000
Loss for the period	-	(325,684)	-	(325,684)
AS AT 30 JUNE 2006	41,572,902	(18,386,816)	53,768	23,239,854

CONSOLIDATED		
Movement During the Year	2006	2005
Ordinary shares issued and fully paid	3,089,200	200
Movements in ordinary shares on issue	Number of shares	\$
At 1 July 2005	30,911,883	18,132,853
Consolidation of shares 1 for 2	(15,455,923)	-
Ordinary shares issued per the acquisition of QQQ Systems Pty Limited	50,000,000	3,089,000
Issue of share capital – 7,500,000 fully paid shares at 20c each issued pursuant to the prospectus	7,500,000	1,500,000
Costs associated with this share issue	-	(1,103,025)
Elimination of cost of 3Q Holdings Limited's share capital on acquisition of QQQ Systems Pty Limited	-	(18,529,828)
Cost of QQQ Systems Pty Ltd's share capital pre-acquisition	-	200
AS AT 30 JUNE 2006	72,955,960	3,089,200

PARENT

Movement During the Year	2006	2005
Ordinary shares issued and fully paid	28,132,853	18,132,853

Movements in ordinary shares on issue	Number of shares	\$
At 1 July 2005	30,911,883	18,132,853
Consolidation of shares 1 for 2	(15,455,923)	-
Ordinary shares issued per the acquisition of QQQ Systems Pty Limited	50,000,000	10,000,000
Performance shares issued per the acquisition of QQQ Systems Pty Limited	-	13,000,000
Issue of share capital – 7,500,000 fully paid shares at 20c each issued pursuant to the prospectus	7,500,000	1,500,000
Costs associated with this share issue	-	(1,059,951)
Elimination of cost of 3Q Holdings Limited's share capital on acquisition of QQQ Systems Pty Limited	-	-
Cost of QQQ Systems Pty Ltd's share capital pre-acquisition	-	-
AS AT 30 JUNE 2006	72,955,960	41,572,902

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 subsidiary 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.

19 Financial Risk Management Objectives and Policies

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

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

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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

Cash flow interest rate risk - The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligation with a floating interest rate, although this is not considered material.

Foreign currency risk - As a result of investment in operations in the United States, the Group's balance sheet can be affected by movements in the US\$/A\$ exchange rates. At this stage the Group does not seek to hedge this exposure, however as the investment in the USA grows, the Group may change its policy.

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

Commodity price risk

The Group's exposure to price risk is minimal.

Credit risk

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

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

20 Business Combinations**Acquisition of QQQ Systems Pty Limited**

On the 24th October 2005 3Q Holdings Limited (formerly Acuity Investment Management Limited) signed a share sale and purchase agreement for the acquisition of 100% of QQQ Systems Pty Limited trading as SVI Retail subject to all relevant regulatory and shareholder approvals and the satisfaction of a number of conditions. All these approvals were obtained and all the conditions were met and the transaction was finally completed on 22 December 2005 (date effective gain of control of QQQ took place) and the company recommenced trading on the ASX on 28 December 2005. The consideration for the 100% equity in QQQ comprised the issue of 50,000,000 ordinary shares at 20c per share and 65,000,000 performance shares which are convertible into up to 65,000,000 ordinary shares upon achievement of certain specified targets in the periods ending 30 June 2006 or 2007.

3Q Holdings Limited also issued 7,500,000 ordinary shares under a public offering at an issue price of 20c per share to raise \$1,500,000.

The net assets of 3Q on completion of the sale included cash reserves of \$1,502,707, which included \$1,500,000 proceeds from the issue of the 7,500,000 ordinary shares under the public offering.

QQQ Systems Pty Limited contributed \$1,889,647 net profit before tax from ordinary activities (\$1,550,165) net profit after tax from ordinary activities) during the year ended 30 June 2006.

The fair value of the identifiable assets and liabilities of 3Q Holdings Limited as at the date of acquisition are:

CONSOLIDATED	Recognised on Acquisition \$	Carrying Value \$
Cash and cash equivalents	1,502,707	1,502,707
Trade receivables	104,500	104,500
Other assets	19,992	19,992
Loan from QQQ Systems Pty Limited	(819,257)	(819,257)
Trade payables	(663,879)	(663,879)
Fair value of net assets	144,063	144,063
Goodwill arising on acquisition	2,944,937	2,944,937
Shares issued at fair value	3,089,000	3,089,000
The cash inflow on acquisition is as follows:		
Net cash acquired on acquisition of QQQ	1,502,707	-
Cash paid	-	-
NET CASH INFLOW	1,502,707	-

	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
Purchase consideration				
Ordinary Shares Issued – 50 million shares at 20 cents per share	10,000,000	-	10,000,000	-
Cash Consideration	-	-	-	-
Deferred Consideration – 65 million performance shares at 20 cents per share	13,000,000	-	13,000,000	-
Capitalised Costs Associated with the Acquisition	(1,103,025)	-	(1,059,951)	-
Total Consideration	21,896,975	-	21,940,049	-

As the acquisition was recognised in the consolidated accounts as a reverse acquisition, the actual cost on acquisition amounted to \$3,089,000. The goodwill associated with the acquisition was \$2,944,937.

Acquisition of Applied Retail Solutions Inc

On the 31st March 2006 Applied Retail Solutions Inc acquired the Applied Retail Solutions business of Island Pacific. The consideration for the business was AUD \$300,000.

The net assets of Applied Retail Solutions Inc on acquisition included cash reserves of \$486,685.

Applied Retail Solutions Inc contributed \$584,135 net profit before tax, which includes a surplus of net assets over the purchase price of Applied Retail Solutions of \$271,522 (\$353,122 net profit after tax) during the year ended 30 June 2006.

The fair value of the identifiable assets and liabilities of Applied Retail Solutions Inc as at the date of acquisition are:

CONSOLIDATED	Recognised on Acquisition \$	Carrying Value \$
Cash and cash equivalents	486,685	486,685
Trade receivables	47,527	47,527
Fixed assets	45,828	45,828
Loan from QQQ Systems Pty Limited	104,678	104,678
Other	(13,340)	(13,340)
Trade payables	(89,259)	(89,259)
Fair value of net assets	582,119	567,545
Surplus of net assets over the purchase price **	(282,119)	(282,119)
Payable to Island Pacific	300,000	300,000
The cash inflow on acquisition is as follows:		
Net cash acquired	486,685	486,685
Cash paid	-	-
NET CASH INFLOW	486,685	486,685

	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
Purchase consideration				
Ordinary Shares Issued	-	-	-	-
Cash Consideration *	300,000	-	300,000	-
Deferred Consideration – 65 million performance shares at 20 cents per share	-	-	-	-
Capitalised Costs Associated with the Acquisition	-	-	-	-
Total Consideration	300,000	-	300,000	-

* This consideration of \$300,000 was set off against a trade receivable with Island Pacific.

** the surplus of net assets over the purchase price of \$282,119 is based on the exchange rate at the date of acquisition, being 31 March 2006. The surplus of net assets over the purchase price at the average exchange rate for the period from acquisition (31 March 2006) to 30 June 2006, is \$271,522

21 Commitments and Contingencies

Commitments

Hire Purchase Agreements

The Group has a hire purchase contract for various items of computer equipment.

Future minimum installments under the hire purchase contract are as follows:

CONSOLIDATED	2006 \$	2005 \$
Within one year	17,921	20,844
After one year but not more than five years	-	17,921
TOTAL HIRE PURCHASE PAYMENTS	17,921	38,765

Lease Agreements

The group entered into a commercial property lease for use of its Sydney offices. The lease is a five year lease and expires on 5 August 2007. There is an option to renew for a further five years. The lease includes a clause to enable upward revision of the rental charge on an annual basis, according to the prevailing consumer price index.

CONSOLIDATED	2006 \$	2005 \$
Within one year	94,000	94,000
After one year but not more than five years	9,271	103,271
TOTAL LEASE PAYMENTS	103,271	197,271

There are no commitments for the parent company

Contingencies

The Group has no contingent liabilities as at the date of this report

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 5)	Amounts owed by Related Parties for financed sales (Note 1)	Amounts owed to Related Parties for rent (Note 2)
2006	9,780	34,000	41,625	170,315	(14,300)
2005	-	-	-	-	-

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 arms length commercial terms.

Note 3 - Security for Bank Loan Facility

Two related companies, Eastfall Pty Limited and Elabrook Pty Limited, provide security for the QQQ System Pty Limited bank facility referred to in note 16.

Note 4 - Distributor

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

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

Note 5 - Director of Related Party

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

23 Events after balance sheet date

The Board of Directors are in the process of approving an Employee Share Plan, which would come into effect at the earliest 28 December 2006. The plan will provide for the issue of approximately 2.5 million Options in Ordinary shares to employees of the Group.

The Board of Directors are also in the process of approving the issue of 4 million Options in Ordinary shares to Directors of 3Q Holdings Limited.

These options are required to be approved by Shareholders in the Annual General Meeting to be held in November 2006.

The Board of Directors are also in the process of approving the issue of 4 million Options in Ordinary shares to a Third Party Consultant. These options are also required to be approved by Shareholders in the Annual General Meeting to be held in November 2006.

The Group is currently in negotiations for the approval of an Acquisition Finance Facility of approximately \$10 million.

24 Auditors' Remuneration

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

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Amounts received or due and receivable by PKF for an audit or review of financial reports of the entity and any other entity in the consolidated group	57,440	-	17,440	-
Other services in relation to the entity and any other entity in the consolidated group	2,505	-	2,505	-
TOTAL	59,945		19,945	
Amounts received or due and receivable by KPMG for an audit or review of the financial report of subsidiaries	15,000	16,000	15,000	16,000
investigating accountants/experts report	-	12,500	-	12,500
taxation services	3,300	11,340	3,300	11,340
other services	575	-	575	-
TOTAL	18,875	39,840	18,875	39,840

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 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.

CONSOLIDATED	Australia \$	New Zealand \$	United States \$	Total \$
Year ended 30 June 2006 - Revenue				
Sales to customers	7,018,869	99,735	779,203	7,897,807
Other revenues from customers	188,264	-	9,450	197,714
Other revenue	-	-	271,522	271,522
TOTAL	7,207,133	99,735	1,060,175	8,367,043
Inter-segment sales	-	-	-	-
TOTAL REVENUE	7,306,868		1,060,175	8,367,043
NET PROFIT AFTER TAX	1,557,503	87,699**	353,122	1,998,324
Other segment information				
Segment assets – before consolidation adjustments	25,170,955	71,628	710,990	25,953,573
Consolidation adjustments	(19,987,941)	-	(762)	(19,988,703)
Consolidated Segment assets	5,183,014*	71,628	710,228	5,964,870
Segment liabilities – before consolidation adjustments	1,460,435	-	337,069	1,797,504
Consolidation adjustments	95,037-	-	-	95,037
Consolidated Segment liabilities	1,555,472	-	337,069	1,892,541

*Included in consolidated segment assets above are the acquisition of plant and equipment on the purchase of the Applied Retail Solutions business of \$45,828.

Also included in the segment assets are the cost of plant and equipment acquired during the year of \$33,702.

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

26 Financial Assets

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Shares in Subsidiaries at cost (note 30)	-	-	23,000,000	-
Total Financial Assets	-	-	23,000,000	-

27 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 2006 %	Equity Holding* 2005 %
QQQ Systems Pty Limited	Australia	Ordinary	100	-
ARS Australia Pty Limited	Australia	Ordinary	100	-
Applied Retail Solutions Inc	United States of America	Ordinary	100	-

These subsidiaries 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.