3Q Holdings Limited

Half-Year Financial Report 31 December 2009

Contents

Appendix 4D

Name of Entity	3Q Holdings Limited
ABN	42 089 058 293
Period Ended	31 December 2009
Previous Corresponding Reporting Period	6 months to 31 December 2008

1 Results for announcement to the market

	Half-Year Ended 31 Dec 2009	Half-Year Ended 31 Dec 2008	Increase (Decrease) %	Increase (Decrease) $
Revenue and other income from ordinary activities	11,624,625	11,861,696	(2%)	(237,071)
Profit from ordinary activities after tax attributable to members	768,352	(2,494,720)	131%	3,263,072
Net profit for the period attributable to members	768,352	(2,494,720)	131%	3,263,072

Brief explanation of results

Over the half year, the Company reinvigorated its sales momentum – with a number of new customers beginning or completing implementations in the period, establishing relationships which we anticipate will be long and fruitful for each of us. In particular, we announced major wins in the period with LK Bennet, Primark (Great Britain's largest clothing retailer by volume) and Whitestuff in the UK, and Pandora Jewelry (Australia), Roger David, G star (Denim Australia), Ed Hardy and Versace (Australia) in Australia.

With the scale of these wins – particularly the larger ones - the Company's resources were pushed to the limit. This shows that the Group is using its capacity wisely to generate sustainable growth, without inefficient waste.

As will often be the case with significant customer acquisitions, many of the costs were incurred in advance of revenues from the customer. Whilst revenue was held relatively steady over the period, there was a small decrease in underlying EBITDA for the year compared to the previous comparable period.

The Company also invested in significant R&D projects that will result in new products being available for sale to our existing and new customers in the short to medium term.

No dividends were paid by 3Q Holdings Limited during the reporting period. The directors do not currently intend to declare a dividend in respect of this or the following financial year.

2 Net tangible asset backing per ordinary security

	Half-Year Ended 31 Dec 2009	Half-Year Ended 31 Dec 2008
Net tangible asset backing per ordinary security	(7.96) cents	(13.378) cents

3 Joint ventures and associates

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

4 3Q Holdings is not a foreign entity

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

6 Earnings per share

	Half-Year Ended 31 Dec 2009	**Half-Year Ended 31 Dec 2008**
Basic earnings per share (cents per share)	0.518	(1.69)
Diluted earnings per share (cents per share)	0.470	(1.69)

Directors' Report

Your directors submit their report for the half-year ended 31 December 2009.

Directors

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

Shaun Rosen (Executive Chairman)
Clive Klugman (Executive Director)
Alan Treisman (Executive Director)
Mark McGeachen (Executive Director)
Stephe Wilks (Non-Executive Director)

Review and Results of Operation

I am pleased to present the Half Yearly Report for 3Q Holdings Limited for the half year ended 31 December 2009.

Over the half year, the Company reinvigorated its sales momentum. A number of new customers began or completed implementations in the period, establishing relationships, which we anticipate, will be long and fruitful for each of us. In particular, we announced major wins in the period with LK Bennet, Primark (Great Britain's largest clothing retailer by volume) and Whitestuff in the UK, and Pandora Jewellery (Australia), Roger David, G star (Denim Australia), Ed Hardy and Versace (Australia) in Australia.

With the scale of these wins – particularly the larger ones - the Company's resources were pushed to the limit. I am comfortable with this position as it shows that we are using our capacity wisely to generate sustainable growth, without inefficient waste. The Company's operating divisions ensured we met, or exceeded customer expectations by dealing with the various challenges that accompany all new implementations.

Many of the costs associated with these implementations were incurred in advance of revenues from the customer. I believe however that some of our later wins in the period were a direct consequence of earlier successes, where no expense was spared by the Company to deliver a successful outcome for the customer.

Hence, whilst revenue was held relatively steady over the period, we saw a small decrease in our underlying EBITDA for the previous comparable period.

I am very pleased to report a solid operating profit for the period.

Operating Report and Financial Highlights

	Half-Year Ended 31 Dec 2009	Half-Year Ended 31 Dec 2008		Percentage Increase/(Decrease)
Revenue	$11,624,625	$11,861,696	↓	(2%)
Gross Profit Percentage	82%	78%	↑	4%
Underlying EBITDA*	$2,150,259	$2,400,227	↓	(10%)
Net Profit After Tax	$768,352	(2,494,719)	↑	131%
Earnings per Share	$0.52	(1.69)	↑	131%
Number of Employees	114	113	-	-

*Underlying EBITDA excludes foreign exchange movements on US$ bank loan and intercompany trade accounts, and share based payments.

Director's Report Continued

In the period, the Company's revenue decreased slightly from the previous comparable period, from $11.9m at 31 December 2008, to $11.6m at 31 December 2009.

Revenues from ongoing maintenance agreements continue to represent a substantial 45% of the Company's top line. As we bring on new customers, this base line maintenance revenue will continue to strengthen. However, maintenance as a percentage of total revenue should decrease due to new licence sales, even though the quantum of the maintenance should increase.

Underlying EBITDA of the business decreased around 10%, from $2.4m at 31 December 2008 to $2.2m at 31 December 2009. The Board and I are comfortable that the decrease is temporary and was driven by factors (discussed below), which were primarily investments in future growth. We continue to be confident with the ongoing strength and capacity of the Company to pursue profitable earnings.

We will continue to use an underlying EBITDA measure for comparison with previous periods, to provide shareholders and other users of these accounts with a more clear understanding of the effective earnings of the business over time. The adjustments from EBITDA to 'Underlying EBITDA' are to eliminate certain non-operating costs and incomes, which are also substantially non-cash items. These adjustments are primarily the exclusion of the following significant expense and income items:

- Swap interest valuation income of $222,066
- Foreign exchange gains arising from restating the balance of US$ bank debt in the Company's books and from exchange rate fluctuations from intercompany trade accounts of $465,520
- Share based payments of $357,176

A primary driver for the decrease in underlying EBITDA for the half year was the costs of the significant customer rollouts we undertook.

In some cases we had resources commencing work on customer implementation arrangements in July of 2009, where the contracts were not finally signed and formal work commenced until October 2009. In addition, the Company is not afraid to 'throw additional resources' at its customers (particularly strategic ones) at the earliest stages of their relationship with us, to ensure a successful implementation. This maximises the value of that customer to the Company over the longer term, and maintains our excellent reputation as "The One That Works".

This level of commitment is one that provides a much stronger platform for the future growth and development of the Company's revenues, and is an excellent investment.

Underlying EBITDA was also affected by the utilisation of some technical resources on research and development projects over the period. Although the Company will continue to focus its efforts on software development for specific customer needs, we took the opportunity during the period to undertake some major technological development of benefit across the group, which was not directly chargeable. These R&D costs were capitalised, but the impact on underlying EBITDA was felt in the temporary 'loss' of the affected technical resources to other chargeable work.

Finally, the other material contribution to the decrease in underlying EBITDA over the period was a change in the mix of products, including an increase in the proportion of sales of software which the Company licenses rather than owns. The Board is considering various options in terms of the licensing arrangements, which would maximise the margins on such third party products. At this point, the securing of additional strategic customers has driven our sales and resulted in reduced margins. The Board considers the securing of additional customer contracts in this economic climate to be more beneficial than to retain maximum margins.

Again, the result for the half-year period was produced in the context of the fallout of a very challenging global financial environment, characterised by severely depressed retail markets, particularly evident in the United States and United Kingdom. Despite these challenges, and given our excellent banking relationship, the Company was also able to continue to enhance its debt arrangements during the period to align with the Company's historically 'lumpy' cash flows, associated with the substantial maintenance 'bill run' each six months.

Key Customer Highlights

During the period (and since the end of the period), we successfully completed rollouts for Jaycar and Pandora, and backed this up with some excellent customer wins which included:

Primark
Whitestuff
G star (Denim Australia)
Roger David
Ed Hardy (Australia)
Versace (Australia)
Pandora (Australia)

Another highlight of these wins was the fact that they included the first sale of IP Store into the United Kingdom. This is a significant strategic outcome, resulting as it did as a synergy of recent acquisitions across the group. We look forward to more of the same in the coming years.

In addition, Island Pacific was rated in the Top 10 software vendors in US (of 100), in a broad reaching industry survey. Whilst no surprise to the Company, it is always good to see our capabilities publicly recognised by the industry (including customers) in this way.

In summary, the half-year to 31 December 2009 continued to see the pursuit of the Company's strategic model:

- Building a scalable business with a substantial contracted recurring revenue base from maintenance agreements
- Organic growth from sales of superior retail technology to new customers
- Adding new products for sale to our existing and acquired customers

Auditor's Independence Declaration

The lead auditor's independence declaration under sections 307C of the Corporations Act 2001 is set out on page 8 for the half-year ended 31 December 2009.

Signed in accordance with a resolution of the directors

Shaun Rosen, Director
Sydney, 26 February 2010

PKF

Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the review of 3Q Holdings Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF

PKF

Arthur Milner
Partner

Sydney, 26 February 2010

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Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2009

	Note	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $
Revenue	2(a)	11,624,625	11,861,696
Cost of sales		(2,037,213)	(1,378,937)
Gross profit		9,587,412	10,482,759
Other income	2(b)	718,672	382,086
Operating expenses		(1,747,735)	(2,268,595)
Employee benefit expenses		(5,720,504)	(6,126,989)
Earnings before tax, finance costs, depreciation, amortization, share based payments and foreign exchange losses		2,837,845	2,469,261
Depreciation		(111,907)	(105,485)
Amortisation of intangibles		(816,609)	(812,019)
Finance costs		(562,988)	(1,711,773)
Foreign exchange loss		-	(2,623,901)
Share based payments/expenses		(357,176)	(56,051)
Profit before income tax		989,165	(2,839,968)
Income tax expense		(220,813)	345,248
Profit for the year		768,352	(2,494,720)
Other comprehensive income:			
Exchange difference on translating foreign operations		(933,484)	1,562,444
Total Comprehensive Loss for the Year		(165,132)	(932,276)
Profit attributable to:			
Owners of the parent		768,352	(2,494,720)
Total comprehensive loss attributable to:			
Owners of the parent		(165,132)	(932,276)
Earnings per share			
· Basic earnings per share (cents per share)		0.52	(1.69)
· Diluted earnings per share (cents per share)		0.47	(1.69)

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position
As at 31 December 2009

	Note	As at 31 Dec 2009 $	As at 30 June 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents		635,984	579,929
Trade and other receivables		4,974,365	4,673,290
Other assets		902,473	374,451
Inventories		220,599	179,472
Total Current Assets		6,733,421	5,807,142
Non-current Assets			
Property, plant and equipment		670,333	521,155
Intangible assets		26,067,683	27,589,476
Deferred tax assets		3,039,797	3,278,139
Total Non-current Assets		29,777,813	31,388,770
TOTAL ASSETS		36,511,234	37,195,912
LIABILITIES			
Current Liabilities			
Trade and other payables	5	5,853,771	6,150,000
Financial liabilities		2,880,516	2,787,680
Provisions		794,055	741,310
Current tax liabilities		164,654	812,052
Total Current Liabilities		9,692,996	10,491,042
Non-current Liabilities			
Financial liabilities		11,007,768	11,036,711
Trade and other payables	5	80,227	-
Provisions		132,360	132,360
Deferred tax liabilities		1,821,321	1,951,281
Total Non-current Liabilities		13,041,676	13,120,352
TOTAL LIABILITIES		22,734,672	23,611,394
NET ASSETS		13,776,562	13,584,518
EQUITY			
Issued capital	4	7,188,962	6,985,237
Reserves		(669,161)	268,072
Retained Earnings		7,256,761	6,331,209
TOTAL EQUITY		13,776,562	13,584,518

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2009

	Notes	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $
Cash flows from operating activities			
Receipts from customers		12,112,596	12,866,566
Payments to suppliers and employees		(11,211,518)	(9,805,725)
Interest received		870	29,586
Interest Paid		(427,834)	(719,440)
Taxation paid		(307,690)	(374,954)
Other income		46,746	311,164
Net cash inflows from operating activities		213,170	2,307,197
Cash flows from investing activities			
Purchase of property, plant and equipment		(202,135)	(68,075)
Loans from/to other entities		(38,590)	24,135
Payment of development costs		(777,906)	(444,825)
Payment for other non current asset		(22,418)	-
Net cash paid for the purchase of US Subsidiary		-	(55,313)
Net cash outflows from investing activities		(1,041,049)	(544,078)
Cash flows from financing activities			
Proceeds from borrowings		968,147	-
Repayment of borrowings		-	(5,746,436)
Others- share buyback		-	(61,278)
Net cash inflows/(outflows) from financing activities		968,147	(5,807,714)
Net increase/(decrease) in cash and cash equivalents		140,268	(4,044,595)
Cash and cash equivalents at beginning of period		579,929	6,267,050
Exchange rate/translation adjustments		(84,213)	611,285
Cash and cash equivalents at end of period		635,984	2,833,740

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2009

	Note	Issued Capital $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2008		**7,059,243**	**(727,091)**	**4,586,452**	**10,918,604**
Issue of options		-	56,051	-	56,051
Expiry of options		-	(164,800)	164,800	-
Share buyback		(74,006)	-	-	(74,006)
Total comprehensive income/(loss) for the half year		-	1,562,444	(2,494,720)	(932,276)
Balance at 31 December 2008		**6,985,237**	**726,604**	**2,256,532**	**9,968,373**
Balance at 1 July 2009		**6,985,237**	**268,072**	**6,331,209**	**13,584,518**
Options expenses		-	153,451	-	153,451
Expiry of options		-	(157,200)	157,200	-
Shares issued	4	203,725	-	-	203,725
Total comprehensive income/(loss) for the half year			(933,484)	768,352	(165,132)
Balance at 31 December 2009		**7,188,962**	**(669,161)**	**7,256,761**	**13,776,562**

The accompanying notes form part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 Basis of Preparation

This general purpose financial report for the interim half-year reporting period Ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*, and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of 3Q Holdings Limited for the year ended 30 June 2009, and any other public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Other than as noted below, the accounting policies have been consistently applied by the accounting entities in the consolidated group and are consistent with those in the June 2009 financial report.

Early adoption of Standards

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from the previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report included:

- the replacement of Income Statement which Statement of Comprehensive Income. Items of income and expenses not recognized in profit or loss are now disclosed as components of "other comprehensive income". In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Segment Reporting

The Group has applied the following revised account standard AASB 8 -"Operating Segments" from 1 July 2008. AASB requires a "Management approach" under which segment information is presented on the same basis as that used for internal reporting purpose. This has resulted in no change to the reporting segments as operating segments continue to be reported in a manner consistent with the internal reporting provided to the chief operating decision officer, which is the Board of Directors.

Current assets and current liabilities

Whilst the current liabilities exceed the current assets by $2,959,575, a major component of the current liabilities is prepaid maintenance and deferred revenue of $3,856,410 (2008 $4,967,398) which is not expected to be paid in cash.

	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $
2 Revenues and Expenses		
(a) Revenues		
Sales of goods/hardware	1,105,952	722,387
Rendering of services	3,434,420	3,252,420
Maintenance fees	5,260,205	6,193,284
Licence fees	1,622,070	1,314,148
Other revenue	201,978	379,457
	11,624,625	11,861,696
(b) Other income		
Interest income	860	69,035
Other income	30,226	313,051
Foreign exchange gain	465,520	-
Interest rate swap valuation	222,066	-
	718,672	382,086

3 Dividends Paid and Proposed

There are no dividends payable or receivable at reporting date.

4 Issued Capital

	As at 31 Dec 2009	As at 30 June 2009
Ordinary shares		
Issued and fully paid ($)	7,188,962	6,985,237

	As at 31 Dec 2009 Numbers of shares	As at 31 Dec 2009 $
Movements in ordinary shares on issue		
Balance at the beginning of the year	147,076,542	6,985,237
Issued 7,250,000 Director's shares	7,250,000	203,725
Balance at the end of the year	154,326,542	7,188,962

5 Trade and other Payables

	As at 31 Dec 2009 $	As at 30 June 2009 $
Current		
Trade payables	1,633,852	1,798,660
Deferred revenue	3,856,410	4,001,418
Finance lease	30,249	-
Other payables	333,260	349,922
	5,853,771	6,150,000
Non-current		
Finance lease	80,227	-
	80,227	-
	5,933,998	6,150,000

6 Segment Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors considers the business from a product perspective and has identified 4 reportable segments. These operating segments are essentially based on reports reviewed by the Board of Directors which are used to make strategic decisions. The operating segments identified comprise of individual businesses acquired by 3Q. All segments operate in the retail technology industry providing IT services. The 3Q business is not considered to be a reportable segment.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group

	IPAUS		ARS		IP (UK&US)		AdvanceRetail		Total	
	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $
Revenue from external customers	2,580,160	2,435,740	675,785	781,932	5,737,287	6,703,355	2,631,393	1,789,469	11,624,625	11,710,496
Inter-segment revenue	42,169	-	-	-	436,537	652,083	301,272	161,269	779,978	813,352
Interest revenue	26	2,733	-	-	7	52,774	825	7,656	858	63,163
Total segment revenue	2,622,355	2,438,473	675,785	781,932	6,173,831	7,408,212	2,933,490	1,958,394	12,405,461	12,587,011
Adjusted EBITDA	505,843	555,522	80,185	112,153	673,833	1,813,680	667,685	221,634	1,927,546	2,702,989
									-	-
Depreciation & amortisation	47,065	30,399	11,005	16,277	458,708	455,993	142,372	145,469	659,150	648,138
Income tax expenses	81,852	131,995	-	(15,193)	(208,881)	871,592	74,014	(14,525)	(53,015)	973,869
Interest expenses	461	-	144	-	175,957	409,865	-	-	176,562	409,865

6 Segment information (continued)

	As at 31 Dec 2009	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2008
Total segment assets	4,692,979	3,592,933	656,396	593,616	21,836,859	25,929,630	4,979,426	7,228,144	32,165,660	37,344,323
Segment non-current assets, other than financial assets & deferred tax	699,330	374,805	8,780	24,987	13,378,475	16,394,464	3,231,547	6,228,673	17,318,132	23,022,929

Note: IPAUS has been previously called QQQ Systems Pty Ltd.

Reconciliation of adjusted EBITDA to reported group EBITDA

	Half-year ended 31 Dec 2009 $	Half-year ended 31Dec 2008 $
Adjusted EBITDA	1,927,546	2,702,989
3Q's net revenue from external customers	-	28,800
3Q's other sundry income	-	278,170
3Q's operating expenses	(554,509)	(307,597)
Intersegment elimination	776,364	(302,135)
Profit before tax	2,149,401	2,400,227

Reconciliation of Revenue from external customer to reported group revenue

	Half-year ended 31 Dec 2009 $	Half-year ended 31 Dec 2008 $
Revenue from external customers	11,624,625	11,710,496
3Q's revenue from external customers	-	151,200
Total group revenue	11,624,625	11,861,696

Reconciliation of segment assets to reported group assets

	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Segment assets	32,165,660	37,344,323
3Q's assets	42,544,789	38,666,836
Intersegment elimination	(38,199,214)	(33,293,514)
Total group assets	36,511,235	42,717,645

6 Segment information (continued)

Reconciliation of segment non current assets to reported group non current assets

	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Segment non-current assets, other than financial assets & deferred tax	17,318,132	23,022,929
3Q's non-current assets	6,300,224	4,160,779
Intersegment elimination	3,119,660	3,119,656
Unallocated:		
- Deferred tax assets	3,039,797	2,547,091
Total group non-current assets	29,777,813	32,850,455

7 Contingent Assets and Liabilities

There are no contingent assets or liabilities at the balance sheet date.

8 Events after the Balance Sheet Date

After the balance sheet date, 6.75 million shares were issued as part of the Employee Share Ownership Plan.

9 Company Details

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

Directors’ Declaration

The directors of 3Q Holdings Limited declare that they are of the opinion that:

(a) the financial statements and notes of the consolidated entity as set out on pages 10 to 17:

   (i) comply with Accounting Standard AASB134 “Interim financial reporting” and the *Corporations Regulations 2001*; and

   (ii) give a true and fair view of the financial position of the consolidated entity as at 31 December 2009 and of its performance for the half-year ended on that date;

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

Signed in accordance with a resolution of the directors.

On behalf of the Board

Shaun Rosen
Director

Sydney, 26 February 2010

Auditor's Independent Review Report

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 3Q Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of 3Q Holdings Limited (the company), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 3Q Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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PKF

Chartered Accountants
& Business Advisers

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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Arthur Milner
Partner

Sydney, 26 February 2010