# Half Yearly Financial Report
## 31st December 2011

# Contents

# Appendix 4D

| | |
|---|---|
| **Name of Entity** | 3Q Holdings Limited |
| **ABN** | 42 089 058 293 |
| **Period Ended** | 31 December 2011 |
| **Previous Corresponding Reporting Period** | 6 months to 31 December 2010 |

## 1 Results for announcement to the market

| | Half-Year Result | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2011** | **2010** | **%** | **$** |
| Revenue and other income from ordinary activities | 11,486,803 | 11,881,099 | -3% | (394,296) |
| Profit from ordinary activities after tax attributable to members | 1,178,884 | 1,233,452 | -4% | (54,568) |
| Net profit for the period attributable to members | 1,178,884 | 1,233,452 | -4% | (54,568) |

**Brief explanation of results**

The Company achieved an excellent result in the half year in a challenging retail environment, effectively maintaining revenue and profitability, continuing to sign quality customers, reducing debt, and further strengthening its intellectual property portfolio:

- In the more strategic country operations such as the US and UK, revenues increased over the period, a testament to the ongoing success of our products in the market. The small overall decrease in revenue and profitability compared to the previous period was due to the continued strengthening of the Australian dollar, as those currencies were converted back to AUD.

- The ongoing success of the operations and cash generating ability allowed the Company to continue to pay down debt, with the result that gearing is currently at historically low levels of less than 1x EBITDA. This gearing level once again gives the Company scope to consider appropriate acquisitions with debt funding, in addition to the use of other potential sources of capital.

- In the period, some excellent customer wins (including Kitsons in the US, Top Shop in Australia, and Whitcoulls in New Zealand) continued to show that the Company's products and services appeal to leading brand names and companies around the world.

- The Company also took the opportunity to invest further in its core technology, with a number of major development projects now well underway. Notably, the Company's mobile and internet fulfilment products have already been deployed with customers in Australia, Asia, and a 100 site customer in the United Kingdom. Equally satisfying has been the positive response from potential clients at trade shows such as NRF in the US.

- As noted above, to assist with the organic growth opportunities now in front of the Company, and given the favourable debt levels, the Company bolstered its investment in research and development and has been able to invest in new staff and open an office in India. Eventually, cash flow permitting, the Company would like to achieve a spend on research and development of 10% of revenues, which is in line with industry standards.

- The Board continues to review the overall capital structure of the Company, and opportunities to best undertake further expansion and growth of the business. The Board has previously identified that it would pursue a strategy of inorganic expansion in the appropriate circumstances, where targets meet the demanding criteria established by management. With this strategic imperative as background, the ongoing effectiveness of the underlying business and the improving retail sector particularly in the US and UK, the Board anticipates that this calendar year will be an appropriate time to take further action on this front.

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. The bulk of the free cash in the company is being utilised for debt reduction and investment in future product sets.

**2 Net tangible asset backing per ordinary security**

| | Half - Year ended 31 December 2011 | | Half - Year ended 31 December 2010 | |
|---|---|---|---|---|
| Net tangible asset backing per ordinary security | (4.56) | cents | (6.22) | 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 December 2011 | Half - Year ended 31 December 2010 |
|---|---|---|
| Basic earnings per share (cents per share) | 0.711 | 0.764 |
| Diluted earnings per share (cents per share) | 0.690 | 0.715 |

# Directors' Report

Your directors submit their report for the half-year ended 31 December 2011.

## 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 2011.

The Company achieved an excellent result in the half year in a challenging retail environment, effectively maintaining revenue and profitability, continuing to sign quality customers, reducing debt, and further strengthening its intellectual property portfolio:

- In the more strategic country operations such as the US and UK, revenues increased over the period, a testament to the ongoing success of our products in the market. The small overall decrease in revenue and profitability compared to the previous period was due to the continued strengthening of the Australian dollar, as those currencies were converted back to AUD.

- The ongoing success of the operations and cash generating ability allowed the Company to continue to pay down debt, with the result that gearing is currently at historically low levels of less than 1x EBITDA. This gearing level once again gives the Company scope to consider appropriate acquisitions with debt funding, in addition to the use of other potential sources of capital.

- In the period, some excellent customer wins (including Kitsons in the US, Top Shop in Australia, and Whitcoulls in New Zealand) continued to show that the Company's products and services appeal to leading brand names and companies around the world.

- The Company also took the opportunity to invest further in its core technology, with a number of major development projects now well underway. Notably, the Company's mobile and internet fulfilment products have already been deployed with customers in Australia, Asia, and a 100 site customer in the United Kingdom. Equally satisfying has been the positive response from potential clients at trade shows such as NRF in the US.

- As noted above, to assist with the organic growth opportunities now in front of the Company, and given the favourable debt levels, the Company bolstered its investment in research and development and has been able to invest in new staff and open an office in India. Eventually, cash flow permitting, the Company would like to achieve a spend on research and development of 10% of revenues, which is in line with industry standards.

- The Board continues to review the overall capital structure of the Company, and opportunities to best undertake further expansion and growth of the business. The Board has previously identified that it would pursue a strategy of inorganic expansion in the appropriate circumstances, where targets meet the demanding criteria established by management. With this strategic imperative as background, the ongoing effectiveness of the underlying business and the improving retail sector particularly in the US and UK, the Board anticipates that this calendar year will be an appropriate time to take further action on this front.

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

## Operating Report and Financial Highlights

| | Dec-11 | Dec-10 | | Percentage Increase/(Decrease) |
|---|---|---|---|---|
| Revenue* | $11,486,803 | $11,881,099 | ↓ | -3% |
| Gross Profit Percentage | 89% | 86% | ↑ | 3% |
| Underlying EBITDA** | $2,859,503 | $2,754,928 | ↑ | 4% |
| Net Profit After Tax | $1,178,884 | $1,233,452 | ↓ | -4% |
| Earnings per Share | $0.71 | $0.76 | ↓ | -7% |
| Number of Employees | 124 | 109 | ↑ | 14% |

*Revenue includes US and UK revenues which represent 61% of the total Group revenue. The average exchange rates used in converting these US and UK revenues into Australian dollars were Aud$1=US$0.93 and Aud$1=£0.60 for the 2010 half-year and Aud$1=US$1.04 and Aud$1=£0.65 for the 2011 half-year.

**Underlying EBITDA excludes foreign exchange gains/losses on foreign denominated bank loan accounts and intercompany trade accounts, and share based expenses.

## Non-IFRS Information

- Underlying EBITDA

Underlying EBITDA is a more realistic and accurate method of determining the operating performance of the group than Net Profit after Tax. In particular, items such as interest, depreciation, foreign exchange gains or losses and options expense, have nothing to do with the operating performance of the group. Most of these items are non-cash items. The effects of movements in exchange rates are significant as can be seen by the $1.07 million movement in the foreign exchange adjustment between 2010 and 2011, which had a material negative impact on reported earnings (reducing net profit before tax by $1.07 million). In addition, each country has a different tax regime and tax rates, some countries are in tax loss position while others are not, and hence including tax figures will not show a consistent performance measurement of results of each segment or country.

- Reconciliation of underlying EBITDA to Net Profit after Tax

| | Dec-11 | Dec-10 |
|---|---|---|
| **Underlying EBITDA** | **2,859,503** | **2,754,928** |
| Interest received | 12,410 | 741 |
| Depreciation & Amortisation | (920,790) | (947,922) |
| Foreign exchange adjustment | (261,288) | 809,453 |
| Finance costs | (288,515) | (540,807) |
| Fair value movement on SWAP (loss)/gain | (5,098) | 193,288 |
| Share options expenses | (27,309) | (73,191) |
| Tax expenses | (190,029) | (963,038) |
| **Net Profit after tax** | **1,178,884** | **1,233,452** |

I look forward to 3Q continuing to deliver quality software and services to our existing and future customers, and to deliver ongoing growth in the profitability of the Company, to the benefit of all shareholders.

# 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 2011.

**Signed in accordance with a resolution of the directors**

Shaun Rosen, Director
**Sydney, 28 February 2012**

PKF

Chartered Accountants
& Business Advisers

**Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

**To:** the directors of 3Q Holdings Limited and the entities it controlled during the year

I declare that to the best of my knowledge and belief, in relation to the review for the financial half-year ended 31 December 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

- no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

**PKF**

**Paul Bull**
**Partner**

**Sydney**

**Dated this 28th day of February 2012**

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PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

# Consolidated Statement of Comprehensive Income
## For the half-year ended 31 December 2011

| | Note | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ |
|---|---|---|---|
| Revenue | 2(a) | 11,486,803 | 11,881,099 |
| Cost of sales | | (1,210,015) | (1,634,210) |
| Gross profit | | 10,276,788 | 10,246,889 |
| Other income | 2(b) | 30,501 | 1,030,266 |
| Operating expenses | | (1,498,755) | (1,801,424) |
| Employee benefit expenses | | (5,936,621) | (5,717,321) |
| Earnings before tax, finance costs, depreciation, amortization, share based payments and foreign exchange losses | | 2,871,913 | 3,758,410 |
| Depreciation | | (95,975) | (97,124) |
| Amortisation of intangibles | | (824,815) | (850,798) |
| Finance costs | | (293,613) | (540,807) |
| Foreign exchange loss on foreign currency denominated loan, intercompany trade accounts & other trading accounts | | (261,288) | - |
| Share based payments/expenses | | (27,309) | (73,191) |
| Profit before income tax | | 1,368,913 | 2,196,490 |
| Income tax expense | | (190,029) | (963,038) |
| **Profit after income tax for the half-year** | | 1,178,884 | 1,233,452 |
| **Other comprehensive income:** | | | |
| Exchange difference on translating foreign operations (net of tax) | | 428,564 | (1,879,338) |
| **Total comprehensive income for the half-year** | | 1,607,448 | (645,886) |
| **Profit attributable to:** | | | |
| Owners of the parent | | 1,178,884 | 1,233,452 |
| **Total comprehensive income for the half-year is attributable to:** | | | |
| Owners of the parent | | 1,607,448 | (645,886) |
| **Earnings per share** | | | |
| Basic earnings per share (cents per share) | | 0.711 | 0.764 |
| Diluted earnings per share (cents per share) | | 0.690 | 0.715 |

The accompanying notes form part of these Consolidated Financial Statements.

# Consolidated Statement of Financial Position
## As at 31 December 2011

| | Note | As at 31 Dec 11 $ | As at 30 June 11 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 2,790,274 | 2,456,811 |
| Trade and other receivables | | 3,348,056 | 3,954,100 |
| Other assets | | 533,273 | 635,001 |
| Inventories | | 202,258 | 193,521 |
| **Total Current Assets** | | 6,873,861 | 7,239,433 |
| | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | | 637,730 | 486,118 |
| Trade and other receivables | | 78,200 | 129,987 |
| Intangible assets | | 25,049,744 | 24,248,248 |
| Deferred tax assets | | 3,220,480 | 2,937,361 |
| **Total Non-current Assets** | | 28,986,154 | 27,801,715 |
| **TOTAL ASSETS** | | 35,860,015 | 35,041,148 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 7 | 4,829,815 | 5,385,593 |
| Financial liabilities | | 2,106,131 | 2,363,698 |
| Employee benefits | | 1,243,574 | 1,072,249 |
| Current tax liabilities | | 209,566 | 428,386 |
| **Total Current Liabilities** | | 8,389,086 | 9,249,926 |
| | | | |
| **Non-current Liabilities** | | | |
| Financial liabilities | | 6,943,772 | 7,249,770 |
| Trade and other payables | 7 | - | 32,570 |
| Employee benefits | | 38,428 | 51,811 |
| Deferred tax liabilities | | 3,004,402 | 2,607,501 |
| **Total Non-current Liabilities** | | 9,986,602 | 9,941,651 |
| **TOTAL LIABILITIES** | | 18,375,688 | 19,191,577 |
| **NET ASSETS** | | 17,484,327 | 15,849,570 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 4 | 7,586,837 | 7,586,837 |
| Reserves | | (2,318,308) | (2,774,181) |
| Retained Earnings | | 12,215,798 | 11,036,914 |
| **TOTAL EQUITY** | | 17,484,327 | 15,849,570 |

The accompanying notes form part of these Consolidated Financial Statements.

# Consolidated Statement of Cash Flows
## For the half-year ended 31 December 2011

| | Note | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 12,465,024 | 12,314,031 |
| Payments to suppliers and employees | | (9,429,066) | (10,123,803) |
| Interest received | | 12,401 | 745 |
| Interest Paid | | (283,279) | (577,834) |
| Taxation paid | | (295,543) | (207,384) |
| Other income | | 26,380 | 35,074 |
| **Net cash inflows from operating activities** | | 2,495,917 | 1,440,830 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (49,930) | (50,277) |
| Loans from/to other entities | | - | (43,661) |
| Payment of development costs | | (1,102,492) | (644,775) |
| Payment for other non-current asset | | (8,295) | - |
| **Net cash outflows from investing activities** | | (1,160,717) | (738,714) |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (1,065,991) | (810,602) |
| **Net cash inflows/(outflows) from financing activities** | | (1,065,991) | (810,602) |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 269,209 | (108,486) |
| | | | |
| Cash and cash equivalents at beginning of the half-year | | 2,456,811 | 1,380,369 |
| Exchange rate/translation adjustments | | 64,254 | (159,007) |
| **Cash and cash equivalents at end of period** | | 2,790,274 | 1,112,876 |

The accompanying notes form part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity
## For the half-year ended 31 December 2011

| | Issued Capital | Reserves | Retained Earnings | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2010** | **7,335,437** | **(292,136)** | **7,786,425** | **14,829,726** |
| Option expenses | - | 62,847 | - | 62,847 |
| Expiry of options | - | - | - | - |
| Share issued | 11,400 | - | - | 11,400 |
| Total comprehensive income(loss) for the half year | - | (1,879,338) | 1,233,452 | (645,886) |
| **Balance at 31 December 2010** | **7,346,837** | **(2,108,627)** | **9,019,877** | **14,258,087** |
| | | | | |
| **Balance at 1 July 2011** | **7,586,837** | **(2,774,181)** | **11,036,914** | **15,849,570** |
| Option expenses | - | 27,309 | - | 27,309 |
| Expiry of options | - | - | - | - |
| Share issued | - | - | - | - |
| Total comprehensive income(loss) for the year | - | 428,564 | 1,178,884 | 1,607,448 |
| **Balance at 31 December 2011** | **7,586,837** | **(2,318,308)** | **12,215,798** | **17,484,327** |

The accompanying notes form part of these Consolidated Financial Statements.

# 1 Significant Accounting Policies

### Statement of Compliance

This general purpose financial report for the interim half-year reporting period Ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34.

### Interim Financial Reporting

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 2011, and any other public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the accounting entities in the consolidated group and are consistent with those in the 30 June 2011 financial report.

These accounting policies are consistent with the Australian Accounting standards and with International Financial Reporting Standards.

### Basis of Preparation

This interim financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

### Current assets and current liabilities

Whilst the current liabilities exceed the current assets by $1,515,225, a major component of the current liabilities is prepaid maintenance, deferred revenue and staff leave entitlements of $4,569,938 which is not expected to be paid in cash. Removing this amount would yield a positive net current asset position of $3,054,713.

# 2 Revenues

| | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ |
|---|---|---|
| **(a) Revenues** | | |
| Sales of goods/hardware | 533,696 | 942,058 |
| Rendering of services | 4,342,141 | 4,107,842 |
| Maintenance fees | 4,573,998 | 4,908,613 |
| Licence fees | 1,905,245 | 1,752,127 |
| Other revenue | 131,723 | 170,458 |
| | 11,486,803 | 11,881,099 |
| **(b) Other income** | | |
| Interest income | 12,410 | 741 |
| Other income | 18,091 | 26,783 |
| Foreign exchange gain on foreign currency denominated loan, intercompany trade accounts and other trading accounts | - | 809,453 |
| SWAP valuation | - | 193,288 |
| | 30,501 | 1,030,266 |

## 3 Dividends Paid and Proposed

There are no dividends payable or receivable at reporting date.

## 4 Issued Capital

| | Consolidated Group | |
|---|---|---|
| | Number | $ |
| **June 2011** | | |
| (a) Ordinary shares | | |
| Fully paid | 165,826,542 | 7,586,837 |
| Partially paid | - | - |
| | 165,826,542 | 7,586,837 |
| | | |
| (b) Movements in ordinary share on issue | | |
| Balance at the beginning of the year | 161,076,542 | 7,335,437 |
| Shares issued as part of a share purchase plan | 4,000,000 | 240,000 |
| Shares issued to senior managers | 750,000 | 11,400 |
| **Balance at the end of the year** | 165,826,542 | 7,586,837 |
| | | |
| **December 2011** | | |
| (a) Ordinary shares | | |
| Fully paid | 165,826,542 | 7,586,837 |
| Partially paid | - | - |
| | 165,826,542 | 7,586,837 |
| | | |
| (b) Movements in ordinary share on issue | | |
| Balance at the beginning of the year | 165,826,542 | 7,586,837 |
| Shares issued to directors and senior managers | - | - |
| **Balance at the end of the year** | 165,826,542 | 7,586,837 |

## 5 Contingent Assets and Liabilities

There are no contingent assets or liabilities at the reporting date.

## 6 Events subsequent to the reporting date

There have been no material events after the reporting date.

## 7 Trade and other payables

| | As At 31 Dec 2011 $ | As At 30 June 2011 $ |
|---|---|---|
| **Current** | | |
| Trade payables | 988,332 | 1,262,051 |
| Deferred revenue | 3,326,364 | 3,524,656 |
| Other payables | 336,353 | 406,997 |
| Payable to related party | 178,766 | 191,889 |
| | 4,829,815 | 5,385,593 |

Trade and other payables continued

| | As At 31 Dec 2011 $ | As At 30 June 2011 $ |
|---|---|---|
| **Non-current** | | |
| Other payable | - | 32,570 |
| | - | 32,570 |
| Total | 4,829,815 | 5,418,163 |

## 8 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. The operating segments identified comprise of individual businesses acquired by 3Q. All segments operate in the Retail technology industry providing IT software and services. The 3Q business is not considered to be a reportable segment.

| | IPAUS | | IPSTORE (formerly ARS) | | IP (UK, US & India) | | AdvanceRetail | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ | Half-year ended 31 Dec 2011 $ | Half-year ended 31 Dec 2010 $ |
| Revenue from external customers | 2,150,119 | 2,575,589 | 697,023 | 673,114 | 6,346,702 | 5,960,291 | 2,292,959 | 2,672,106 | 11,486,803 | 11,881,099 |
| Inter-segment revenue | 80,877 | 20,321 | - | - | 262,733 | 384,035 | 399,723 | 465,292 | 743,333 | 869,648 |
| Interest revenue | 370 | 122 | - | - | 80 | 4 | 537 | 500 | 987 | 626 |
| **Total segment revenue** | 2,231,366 | 2,596,031 | 697,023 | 673,114 | 6,609,515 | 6,344,330 | 2,693,219 | 3,137,898 | 12,231,123 | 12,751,373 |
| **Adjusted EBITDA** | 306,658 | 382,136 | 276,407 | 140,769 | 1,278,090 | 1,236,008 | 503,434 | 578,879 | 2,364,589 | 2,337,792 |
| Depreciation & amortisation | 47,537 | 60,741 | 3,811 | 6,938 | 458,350 | 467,085 | 141,942 | 144,045 | 651,640 | 678,809 |
| Income tax expenses | 11,503 | 54,996 | - | - | 199,990 | 50,207 | 110,782 | 419,649 | 322,276 | 524,852 |
| Interest expenses | 2,474 | 2,654 | - | - | 18,221 | 38,661 | 1,779 | 17 | 22,473 | 41,332 |
| Total segment assets | 6,063,857 | 5,359,720 | 1,370,374 | 864,763 | 19,729,100 | 18,965,734 | 6,915,117 | 7,155,012 | 34,078,448 | 32,345,229 |
| Segment non-current assets, other than financial assets & deferred tax | 1,848,709 | 991,418 | 2,135 | 1,112 | 12,803,623 | 12,156,671 | 5,413,591 | 5,490,155 | 20,068,058 | 18,639,357 |
| Total segment liabilities | 1,422,182 | 1,160,148 | 187,544 | 151,572 | 16,784,624 | 17,208,847 | 4,803,040 | 4,570,117 | 23,197,390 | 23,090,684 |

**Reconciliation of adjusted EBITDA to reported group EBITDA**

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as goodwill impairment when the impairment is the result of an isolated nonrecurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments as well as gains and losses on Intercompany trading accounts.

| | Consolidation | |
|---|---|---|
| | 31 Dec 2011 | 31 Dec 2010 |
| | $ | $ |
| **Adjusted EBITDA** | 2,364,589 | 2,337,792 |
| 3Q's operating expenses | (633,779) | (583,609) |
| Intersegment elimination | 1,128,693 | 1,000,745 |
| **Total Group Adjusted EBITDA** | 2,859,503 | 2,754,928 |

**Reconciliation of adjusted EBITDA to operating profit before income tax**

| | Consolidation | |
|---|---|---|
| | 31 Dec 2011 | 31 Dec 2010 |
| | $ | $ |
| **Adjusted EBITDA** | 2,364,589 | 2,337,792 |
| Depreciation | (920,790) | (947,922) |
| Interest received, foreign exchange gains /(loss) & Swap valuation | (248,878) | 1,003,482 |
| Finance costs | (293,613) | (540,807) |
| Share based payments/expenses | (27,309) | (73,191) |
| 3Q's operation expenses | (633,779) | (583,609) |
| Intersegment elimination | 1,128,693 | 1,000,745 |
| **Profit before income tax** | 1,368,913 | 2,196,490 |

**Reconciliation of Revenue from external customer to reported group revenue**

Sales between segments are carried out at arms-length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

Revenues from external customers are derived from the sale of services, software, maintenance and hardware.

| | Consolidation | |
|---|---|---|
| | 31 Dec 2011 | 31 Dec 2010 |
| | $ | $ |
| Revenue from external customers | 11,486,803 | 11,881,099 |
| 3Q's revenue from external customers | - | - |
| **Total group revenue** | 11,486,803 | 11,881,099 |

**Reconciliation of segment assets to reported group assets**

The amounts provided to the Board of Directors with respect to the total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

| | Consolidation | |
|---|---|---|
| | 31 Dec 2011 | 31 Dec 2010 |
| | $ | $ |
| **Segment assets** | 34,078,448 | 32,345,229 |
| 3Q's assets | 39,277,516 | 39,057,696 |
| Intersegment elimination | (37,495,949) | (37,417,577) |
| **Total group assets** | 35,860,015 | 33,985,348 |

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

| | Consolidation | |
|---|---|---|
| | 31 Dec 2011 | 31 Dec 2010 |
| | $ | $ |
| **Segment non-current assets, other than financial assets & deferred tax** | 20,068,058 | 18,639,357 |
| 3Q's non-current assets | 2,577,955 | 3,116,256 |
| Intersegment elimination | 3,119,661 | 3,119,661 |
| Unallocated: | | |
| - Deferred tax assets | 3,220,480 | 2,446,691 |
| **Total group non-current assets** | **28,986,154** | **27,321,965** |

**Reconciliation of segment liabilities to reported group liabilities**

| | Consolidation | |
|---|---|---|
| | 31 Dec 2011 | 31 Dec 2010 |
| | $ | $ |
| **Segment liabilities** | 23,197,390 | 23,090,684 |
| 3Q's liabilities | 12,153,747 | 13,357,024 |
| Intersegment elimination | (16,975,449) | (16,720,446) |
| **Total group liabilities** | 18,375,688 | 19,727,262 |

# 9 Company Details

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

# Directors' Declaration

In the directors' opinion:

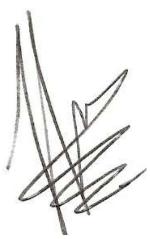
- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the *Corporate Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

- 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 directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors,



Shaun Rosen
Director

Sydney, 28 February 2012

PKF

Chartered Accountants
& Business Advisers

**INDEPENDENT AUDITOR'S REVIEW REPORT**
**TO THE MEMBERS OF 3Q HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying consolidated half-year financial report of 3Q Holdings Limited which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises 3Q Holdings Limited and the entities it controlled at 31 December 2011 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 3Q Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

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PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

**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 the consolidated entity 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 2011 and of its performance for the half-year ended on that date; and

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

**PKF**

**Paul Bull**
**Partner**

**Sydney**

**Dated this 28th day of February 2012**