



**Half Yearly Financial Report  
31<sup>st</sup> December 2014**



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## Directors' Report

Your directors submit their report for the half-year ended 31 December 2014.

### 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 & Company Secretary)  
Mark McGeachen (Executive Director)  
Stephe Wilks (Non-Executive Director)  
Davy Rosen (Executive Director)

### Review and Results of Operation

The Company achieved a very satisfying result in the half year substantially increasing revenue on the previous comparable period. A record underlying EBITDA of \$3.5m was achieved whilst simultaneously expanding our intellectual property portfolio and expanding the business. This has proven to be the best half year the Company has reported.

Highlights for the half year:

- Even whilst the Company was delivering a record financial result, the Company continued its program on growing the business, by investing in resources across the group (both in R&D spend, and in overall staff complement).
- At this stage, the R&D investment has shown initial returns and the new and further refined products are catching the attention of new and existing customers. Nonetheless, the Board believes it will be possible to drive still larger growth from our intellectual property assets over the coming years. This will then naturally translate into improved earnings.
- As ever, there were some good customer wins during the half, such as Camuto, NastyGal and EzyMart. The Company is heartened to see such strong and ongoing customer support for its range of expanding retail solutions.
- The Company continued to focus on potential corporate activities, exploring options with prospective targets to create a larger combined entity. In parallel, the Company has also concluded discussions with advisers to secure the required funding for any potential acquisitions. The Company is actively engaged in a number of activities that, subject to due diligence and funding, may come to fruition in near future
- Intelligent Retail, the Company's latest acquisition, continues to deliver on its existing organic business, growing in line with expectations. Until recently, Intelligent Retail only had operations and customers in the UK. The Company has now successfully commenced the process of bringing Intelligent Retail's unique proposition to customers outside the UK. Australia and New Zealand are up and running and revenues are already being generated. The business is in its early days, but the Company will continue to provide all necessary investment which we expect will translate into further organic growth for the Company

## Director's Report Continued

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

## Operating Report and Financial Highlights

	Dec-14	Dec-13	Percentage Increase/(Decrease)	
Revenue	\$17,179,130	\$14,531,506	↑	18%
Gross Profit Percentage	85.3%	87.1%	↓	-2%
Underlying EBITDA*	\$3,500,044	\$2,406,922	↑	45%
Net Profit After Tax	\$889,295	\$268,715	↑	231%
Earnings per Share (cents)	\$0.59	\$0.18	↑	231%
Number of Employees	211	193	↑	9%

\*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. The reasons for this is that all the reconciling 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. 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-14	Dec-13
<b>Underlying EBITDA</b>	<b>3,500,044</b>	<b>2,406,922</b>
Interest received	12,429	197,668
Depreciation & Amortisation	(1,422,974)	(1,397,355)
Foreign exchange adjustment	(721,828)	(358,333)
Finance costs	(302,702)	(423,979)
Fair value movement on SWAP (loss)/gain	(5,507)	(9,145)
Share options expenses	-	-
Tax expenses	(170,167)	(147,063)
<b>Net Profit after tax</b>	<b>889,295</b>	<b>268,715</b>

## **Auditor's Independence Declaration**

The lead auditor's independence declaration under sections 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2014.

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



Shaun Rosen, Director  
**Sydney, 12 March 2015**

## Auditor's Independence Declaration



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### DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF 3Q HOLDINGS LIMITED

As lead auditor for the review of 3Q Holdings Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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 period.

A handwritten signature in black ink, appearing to read 'P. Bull', is written over a light blue grid background.

**Paul Bull**  
**Partner**

**BDO East Coast Partnership**  
Sydney, 12 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the half-year ended 31 December 2014

	Note	Half-year ended 31 Dec 2014 \$	Half-year ended 31 Dec 2013 \$
Revenue	2(a)	17,179,130	14,531,506
Cost of sales		(2,520,451)	(1,874,048)
Gross profit		14,658,679	12,657,458
Other income	2(b)	63,047	222,151
Operating expenses		(2,442,876)	(2,008,559)
Employee benefit expenses		(8,766,377)	(8,266,462)
Earnings before tax, finance costs, depreciation, amortisation, share based payments and foreign exchange gains/(losses)		3,512,473	2,604,588
Depreciation		(127,760)	(127,137)
Amortisation of intangibles		(1,295,214)	(1,270,217)
Finance costs		(308,209)	(433,123)
Foreign exchange gains/(losses)		(721,828)	(358,333)
Share based payments/expenses		-	-
Profit before income tax		1,059,462	415,778
Income tax expense		(170,167)	(147,063)
<b>Profit after income tax for the half-year</b>		<b>889,295</b>	<b>268,715</b>
<b>Other comprehensive income:</b>			
Exchange difference on translating foreign operations (net of tax)		1,979,187	1,140,248
<b>Total comprehensive income for the half-year</b>		<b>2,868,482</b>	<b>1,408,963</b>
<b>Profit attributable to:</b>			
Owners of the parent		889,295	268,715
<b>Total comprehensive income for the half-year is attributable to:</b>			
Owners of the parent		2,868,482	1,408,963
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		0.59	0.18
Diluted earnings per share (cents per share)		0.59	0.17

The accompanying notes form part of these Consolidated Financial Statements.

## Consolidated Statement of Financial Position

### As at 31 December 2014

	Note	As at 31 Dec 2014 \$	As at 30 June 2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,246,532	2,954,295
Trade and other receivables		8,127,694	5,836,682
Other assets		1,219,786	801,610
Inventories		275,864	213,770
<b>Total Current Assets</b>		<b>11,869,876</b>	<b>9,806,357</b>
<b>Non-current Assets</b>			
Property, plant and equipment		641,244	477,072
Trade and other receivables		28,481	34,481
Intangible assets		34,565,251	31,502,807
Deferred tax assets		5,118,741	4,664,907
<b>Total Non-current Assets</b>		<b>40,353,717</b>	<b>36,679,267</b>
<b>TOTAL ASSETS</b>		<b>52,223,593</b>	<b>46,485,624</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	7,925,710	6,777,966
Financial liabilities	8	693,862	557,671
Employee benefits		1,353,860	1,318,515
Current tax liabilities		56,584	129,992
<b>Total Current Liabilities</b>		<b>10,030,016</b>	<b>8,784,144</b>
<b>Non-current Liabilities</b>			
Financial liabilities	8	10,958,558	10,230,140
Provisions		86,238	61,518
Deferred tax liabilities		6,532,295	5,661,818
<b>Total Non-current Liabilities</b>		<b>17,577,091</b>	<b>15,953,476</b>
<b>TOTAL LIABILITIES</b>		<b>27,607,107</b>	<b>24,737,620</b>
<b>NET ASSETS</b>		<b>24,616,486</b>	<b>21,748,004</b>
<b>EQUITY</b>			
Issued capital	4	6,724,598	6,724,598
Reserves		1,949,774	(29,413)
Retained Earnings		15,942,114	15,052,819
<b>TOTAL EQUITY</b>		<b>24,616,486</b>	<b>21,748,004</b>

The accompanying notes form part of these Consolidated Financial Statements.



## Consolidated Statement of Cash Flows

### For the half-year ended 31 December 2014

	Note	Half-year ended 31 Dec 2014 \$	Half-year ended 31 Dec 2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		15,579,194	16,303,661
Payments to suppliers and employees		(13,586,450)	(12,711,278)
Interest received		3,496	48,285
Interest Paid		(296,069)	(277,160)
Taxation paid		(258,100)	(241,461)
Other income		58,232	24,638
<b>Net cash inflows from operating activities</b>		<b>1,500,303</b>	<b>3,146,685</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(269,796)	(73,524)
Payment for purchase of business, net of cash acquired		-	(1,015,141)
Payment of development costs		(1,838,332)	(1,434,394)
Payment for other non-current assets		-	(5,795)
Loans (to)/from related parties		(375,473)	10,853
<b>Net cash outflows from investing activities</b>		<b>(2,483,601)</b>	<b>(2,518,001)</b>
<b>Cash flows from financing activities</b>			
Repayment of finance leases		-	(31,542)
Repayment of borrowings		-	(241,418)
Proceeds from borrowings		130,684	-
<b>Net cash inflows/(outflows) from financing activities</b>		<b>130,684</b>	<b>(272,960)</b>
Net increase/(decrease) in cash and cash equivalents		(852,614)	355,724
Cash and cash equivalents at beginning of the half-year		2,954,295	4,547,348
Exchange rate/translation adjustments		144,851	278,575
<b>Cash and cash equivalents at end of period</b>		<b>2,246,532</b>	<b>5,181,647</b>

The accompanying notes form part of these Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity For the half-year ended 31 December 2014

	Issued Capital	Reserves	Retained Earnings	Option Premium on Convertible Notes	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	6,724,598	(545,437)	13,613,690	243,536	20,036,387
Total comprehensive income for the half year	-	1,140,248	268,715	-	1,408,963
<b>Balance at 31 December 2013</b>	6,724,598	594,811	13,882,405	243,536	21,445,350
<b>Balance at 1 July 2014</b>	6,724,598	(29,413)	15,052,819	-	21,748,004
Total comprehensive income for the half year	-	1,979,187	889,295	-	2,868,482
<b>Balance at 31 December 2014</b>	6,724,598	1,949,774	15,942,114	-	24,616,486

The accompanying notes form part of these Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements

### 1 Significant Accounting Policies

#### Basis of Preparation

The half-year financial report has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards, including AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirement, as appropriate for-profit orientated entities.

The half-year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, it is recommended that the half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2014.

The same accounting policies and methods of computation have been followed in this half-year financial report as compared with the most recent annual financial report.

### 2 Revenues and other income

	Half-year ended 31 Dec 2014 \$	Half-year ended 31 Dec 2013 \$
<b>(a) Revenues</b>		
Sales of goods/hardware	1,104,218	802,301
Rendering of services	7,562,970	5,713,402
Maintenance fees	6,160,134	6,277,278
Licence fees	2,149,956	1,500,972
Other revenue	201,852	237,553
	<u>17,179,130</u>	<u>14,531,506</u>
<b>(b) Other income</b>		
Interest income	12,429	197,668
Other income	50,618	24,483
	<u>63,047</u>	<u>222,151</u>

### 3 Dividends Paid and Proposed

There are no dividends payable or receivable at reporting date.

## 4 Issued Capital

	Consolidated Group	
	Number	\$
<b>June 2014</b>		
(a) Ordinary shares		
Fully paid	149,778,893	6,724,598
Partially paid	-	-
	<u>149,778,893</u>	<u>6,724,598</u>
(b) Movements in ordinary share on issue		
Balance at the beginning of the year	149,778,893	6,724,598
Share buy-back	-	-
Shares issued to senior managers	-	-
On Market buy-back	-	-
<b>Balance at the end of June 2014</b>	<u>149,778,893</u>	<u>6,724,598</u>
<b>December 2014</b>		
(a) Ordinary shares		
Fully paid	149,778,893	6,724,598
Partially paid	-	-
	<u>149,778,893</u>	<u>6,724,598</u>
(b) Movements in ordinary shares on issue		
Balance at the beginning of the year	149,778,893	6,724,598
Shares issued as part of a share purchase plan	-	-
Share buyback	-	-
<b>Balance at the end of the half year</b>	<u>149,778,893</u>	<u>6,724,598</u>

## 5 Contingent Assets and Liabilities

As disclosed in the June 2014 Report, effective 30 April 2013, the consolidated entity acquired 100% of the ordinary shares of Intelligent Retail Limited. Under the terms of the agreement, an earnout is payable to the vendors of Intelligent Retail Limited for the financial periods ended 30 April 2014 and 30 April 2015 contingent on the performance of Intelligent Retail Limited for the periods then ended. The potential earnout ranges from £Nil to £1,000,000 (AUD\$1,905,100) depending on the final EBITDA of Intelligent Retail Limited for the 12 months ending 30 April 2015.

## 6 Events subsequent to the reporting date

No material events occurred after balance sheet date.

## 7 Trade and other payables

	As At 31 Dec 2014 \$	As At 30 June 2014 \$
<b>Current</b>		
Trade payables	3,041,075	1,951,735
Deferred revenue	4,119,851	4,106,246
Other payables	657,313	571,273
Payable to related party	107,471	148,712
	<u>7,925,710</u>	<u>6,777,966</u>

## 8 Financial Liabilities

	As At 31 Dec 2014 \$	As At 30 June 2014 \$
<b>Current</b>		
Secured:		
Bank loans	630,684	500,000
Derivative financial liability	63,178	57,671
	<u>693,862</u>	<u>557,671</u>
<b>Non-current</b>		
Secured:		
Bank loans	8,211,138	7,482,720
Convertible notes	2,747,420	2,747,420
	<u>10,958,558</u>	<u>10,230,140</u>
<b>Total financial liabilities</b>	<u>11,652,420</u>	<u>10,787,811</u>

### Convertible Notes

As at 31 December 2014, the entire convertible notes liability has been classified as non-current based on an agreement, which provided the Group with no obligation to repay the outstanding convertible notes liability until the bank debt has been repaid in full.

## 9 Fair Values of Financial Instruments

	31 Dec 2014 \$	30 June 2014 \$
<b>Recurring fair value measurements</b>		
The following financial instruments are subject to recurring fair value measurements:		
Derivative liabilities		
- Interest rate swaps - Level 2	63,178	57,671

## Notes to the Consolidated Financial Statements continued

### Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- (a) quoted prices (unadjusted) and active markets for identical assets or liabilities (level 1).
- (b) inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly (as process) or indirectly (derived from process) (level 2), and
- (c) inputs for the assets or liability that are not based on observable market data (unobservable inputs) (level 3).

### Transfers

During the half-year ended 31 December 2014, the consolidated entity had no level 1 and 3 financial instruments.

During the half-year ended 31 December 2014, there were no transfers between levels 1 and 2 of the fair value hierarchy.

### Valuation techniques used to derive level 2 fair values

The fair value of derivatives not traded in an active market (interest rate swaps) are determined using discounted cash flow calculations. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates discounted at a rate that reflects the credit risk of various counterparties.

### Fair values of financial instruments not measured at fair value

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Carrying Amount \$	Fair Value \$
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	28,481	26,129
	<u>28,481</u>	<u>26,129</u>
<b>NON-CURRENT LIABILITIES</b>		
Convertibles notes	2,747,420	2,893,490
	<u>2,747,420</u>	<u>2,893,490</u>

Due to their short-term nature, the carrying amounts of cash and cash equivalents, current receivables, current trade and other payables are assumed to approximate their fair value. A discount rate of 9% has been applied to all non-current trade and other receivables to determine fair value.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The carrying amount of borrowings disclosed in note 8 are assumed to approximate their fair values except for the convertible notes liability which has a carrying value and fair value as disclosed above.

## 10 Company Details

**Registered Office**  
Level 14, Tower 2, 101 Grafton 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 2014 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, 12 March 2015

## Auditor's Independent Review Report



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### 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, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### 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 internal 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 half-year 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 2014 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 3Q Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### 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 2014 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*

### BDO East Coast Partnership



**Paul Bull**  
**Partner**

Sydney, 12 March 2015