



**Half Yearly Financial Report  
31<sup>st</sup> December 2015**



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## Directors' Report

Your directors submit their report for the half-year ended 31 December 2015.

### 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

I am pleased to present the Half Yearly Report for 3Q Holdings Limited for the half year ended 31 December 2015.

The Company has again achieved a strong financial result for the half year, with the business continuing to grow off a very sound foundation.

Given the strength of the operations, the Directors took the opportunity to declare a \$1.3m dividend, returning earnings to shareholders where surplus to the growth needs of the Company. A further dividend is proposed by 30 June 2016, subject to continued strong performance to that time.

Other highlights in the period included:

- On the customer side, the 2015 financial year saw another raft of excellent wins which flowed into the first half of 2016 financial year, including well known icons such as Nasty Gal, EzyMart, M&Co, Superdry as well as numerous other brands.
- Our service capability also continues to be valued, with a number of large service deals with existing customers signed up during the calendar year. The combined effect of all this activity has ensured that the 2016 financial year is leveraging off the largest amount of outstanding orders and maintenance revenue to date.
- The Company continues to invest in its core technology, with a number of major development projects well underway which will lead to new product launches and product upgrades in the short and medium term. We also continue to see momentum in our multichannel retail products with both existing customers and new retailers, using our technology to run all their channels from traditional brick and mortar to web stores and now through mobility. Our products, giving them both an endless aisle capability and a single view of inventory, continue to be ratified by retailers worldwide, resulting in new sales and new customers coming on board.

With the team executing the incoming work (and increased headcount where appropriate), and working on ongoing product development and refinement, the Company is off to an excellent start to FY2016.

All of which leads inevitably to great financial results.

### Outlook

The 2016 financial year has already seen benefits from our continued investment in R&D and product development, as well as the further expansion of the Intelligent Retail business.

We will continue to invest in the people and other resources required to ensure that the Company maintains a strong position in all of our markets, and can competitively enter new markets.

During the year, we continued to review potential acquisition targets; and we will continue to review market opportunities over the coming year, and have maintained a number of relationships to help provide access to acquisition capital, if we identify any targets that meet our strict requirements.

The Board is continually looking at options to ensure that we derive optimal value for all stakeholders. The entire business remains focused on creating long term shareholder value.

## Director's Report Continued

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

## Operating Report and Financial Highlights

	Dec-15	Dec-14		Percentage Increase/(Decrease)
Revenue	\$21,849,605	\$17,179,130	↑	27%
Gross Profit Percentage	82.6%	85.3%	↓	-2.7%
Underlying EBITDA*	\$4,249,923	\$3,500,044	↑	21%
Net Profit After Tax	\$595,414	\$889,295	↓	-33%
Earnings per Share (cents)	\$0.40	\$0.59	↓	-32%
Number of Employees	245	211	↑	16%

\*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-15	Dec-14
<b>Underlying EBITDA</b>	<b>4,249,923</b>	<b>3,500,044</b>
Interest received	12,232	12,429
Depreciation & Amortisation	(2,663,744)	(1,422,974)
Foreign exchange adjustment	(301,604)	(721,828)
Finance costs	(272,532)	(302,702)
Fair value movement on SWAP (loss)/gain	4,873	(5,507)
Share options expenses and earn-out paid to vendors of Intelligent Retail	(270,533)	-
Tax expenses	(163,201)	(170,167)
<b>Net Profit after tax</b>	<b>595,414</b>	<b>889,295</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 2015.

**This report is made in accordance with a resolution of Directors, pursuant to section 306 (3) (a) of the Corporations Act 2001.**

**On behalf of the directors**



Shaun Rosen, Director  
Sydney, 11 March 2016

## Auditor's Independence Declaration



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### DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF 3Q HOLDINGS LIMITED

As lead auditor for the review of 3Q Holdings Limited for the half-year ended 31 December 2015, 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 'Arthur Milner', is written over a light blue horizontal line.

**Arthur Milner**  
Partner

**BDO East Coast Partnership**

Sydney, 11 March 2016

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the half-year ended 31 December 2015

	Note	Half-year ended 31 Dec 2015 \$	Half-year ended 31 Dec 2014 \$
Revenue	2(a)	21,849,605	17,179,130
Cost of sales		(3,791,096)	(2,520,451)
Gross profit		18,058,509	14,658,679
Other income	2(b)	55,811	63,047
Operating expenses		(2,643,785)	(2,442,876)
Employee benefit expenses		(11,208,379)	(8,766,377)
Earnings before tax, finance costs, depreciation, amortisation, share based payments and foreign exchange gains/(losses)		4,262,156	3,512,473
Depreciation		(189,014)	(127,760)
Amortisation of intangibles		(2,474,730)	(1,295,214)
Finance costs		(267,660)	(308,209)
Foreign exchange gains/(losses)		(301,604)	(721,828)
Share based payments/expenses		(39,789)	-
Earn-out paid to vendors of Intelligent Retail		(230,744)	-
Profit before income tax		758,615	1,059,462
Income tax expense		(163,201)	(170,167)
<b>Profit after income tax for the half-year</b>		<b>595,414</b>	<b>889,295</b>
<b>Other comprehensive income:</b>			
Exchange difference on translating foreign operations (net of tax)		902,873	1,979,187
<b>Total comprehensive income for the half-year</b>		<b>1,498,287</b>	<b>2,868,482</b>
<b>Profit attributable to:</b>			
Owners of the parent		595,414	889,295
<b>Total comprehensive income for the half-year is attributable to:</b>			
Owners of the parent		1,498,287	2,868,482
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		0.403	0.59
Diluted earnings per share (cents per share)		0.403	0.59

The accompanying notes form part of these Consolidated Financial Statements.

## Consolidated Statement of Financial Position

### As at 31 December 2015

	Note	As at 31 Dec 2015 \$	As at 30 June 2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,573,477	2,754,064
Trade and other receivables		7,744,526	9,366,751
Other assets		1,729,219	1,152,243
Inventories		282,155	234,682
Current tax asset		329,294	337,015
<b>Total Current Assets</b>		<b>13,658,671</b>	<b>13,844,755</b>
<b>Non-current Assets</b>			
Property, plant and equipment		718,670	729,599
Trade and other receivables		16,481	22,481
Intangible assets		37,165,928	36,318,216
Deferred tax assets		5,783,593	5,682,116
<b>Total Non-current Assets</b>		<b>43,684,672</b>	<b>42,752,412</b>
<b>TOTAL ASSETS</b>		<b>57,343,343</b>	<b>56,597,167</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	9,085,304	9,341,251
Financial liabilities	8	1,588,525	1,529,429
Employee benefits		1,773,621	1,670,789
Current tax liabilities		79,375	184,084
<b>Total Current Liabilities</b>		<b>12,526,825</b>	<b>12,725,553</b>
<b>Non-current Liabilities</b>			
Financial liabilities	8	9,543,980	10,520,102
Provisions		35,166	21,655
Deferred tax liabilities		8,173,466	7,804,027
<b>Total Non-current Liabilities</b>		<b>17,752,612</b>	<b>18,345,784</b>
<b>TOTAL LIABILITIES</b>		<b>30,279,437</b>	<b>31,071,337</b>
<b>NET ASSETS</b>		<b>27,063,906</b>	<b>25,525,830</b>
<b>EQUITY</b>			
Issued capital	4	6,712,052	6,672,263
Reserves		3,340,773	2,437,900
Retained Earnings		17,011,081	16,415,667
<b>TOTAL EQUITY</b>		<b>27,063,906</b>	<b>25,525,830</b>

The accompanying notes form part of these Consolidated Financial Statements.



## Consolidated Statement of Cash Flows

### For the half-year ended 31 December 2015

	Note	Half-year ended 31 Dec 2015 \$	Half-year ended 31 Dec 2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		26,076,022	15,579,194
Payments to suppliers and employees		(20,616,173)	(13,586,450)
Interest received		975	3,496
Interest Paid		(387,815)	(296,069)
Taxation paid		(128,869)	(258,100)
Other income		98,707	58,232
<b>Net cash inflows from operating activities</b>		<b>5,042,847</b>	<b>1,500,303</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(146,204)	(269,796)
Payment for purchase of business, net of cash acquired		(230,744)	-
Payment of development costs		(2,340,388)	(1,838,332)
Loans (to)/from related parties		(465,122)	(375,473)
<b>Net cash outflows from investing activities</b>		<b>(3,182,458)</b>	<b>(2,483,601)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,685,550)	-
Proceeds from borrowings		544,713	130,684
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(1,140,837)</b>	<b>130,684</b>
Net increase/(decrease) in cash and cash equivalents		719,552	(852,614)
Cash and cash equivalents at beginning of the half-year		2,754,064	2,954,295
Exchange rate/translation adjustments		99,861	144,851
<b>Cash and cash equivalents at end of period</b>		<b>3,573,477</b>	<b>2,246,532</b>

The accompanying notes form part of these Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity For the half-year ended 31 December 2015

	Issued Capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
<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
<b>Balance at 1 July 2015</b>	6,672,263	2,437,900	16,415,667	25,525,830
Share based payments	39,789	-	-	39,789
Total comprehensive income for the half year	-	902,873	595,414	1,498,287
<b>Balance at 31 December 2015</b>	6,712,052	3,340,773	17,011,081	27,063,906

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 covers the consolidated group of 3Q Holdings Limited and controlled entities. 3Q Holdings Limited is an unlisted public company, incorporated and domiciled in Australia. The half year financial report has been prepared in Australian Dollars.

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 2015.

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 2015 \$	Half-year ended 31 Dec 2014 \$
<b>(a) Revenues</b>		
Sales of goods/hardware	979,069	1,104,218
Rendering of services	9,892,054	7,562,970
Maintenance fees	8,149,374	6,160,134
Licence fees	2,594,735	2,149,956
Other revenue	234,373	201,852
	<u>21,849,605</u>	<u>17,179,130</u>
<b>(b) Other income</b>		
Interest income	12,232	12,429
Other income	43,579	50,618
	<u>55,811</u>	<u>63,047</u>

### 3 Dividends Paid and Proposed

There are no dividends payable or receivable at reporting date.

## 4 Issued Capital

	Consolidated Group	
	Number	\$
<b>June 2015</b>		
(a) Ordinary shares		
Fully paid	147,228,893	6,672,263
Partially paid	-	-
	<u>147,228,893</u>	<u>6,672,263</u>
(b) Movements in ordinary share on issue		
Balance at the beginning of the year	149,778,893	6,724,598
Staff shares cancelled	(2,550,000)	(52,335)
<b>Balance at the end of June 2015</b>	<u>147,228,893</u>	<u>6,672,263</u>
<b>December 2015</b>		
(a) Ordinary shares		
Fully paid	147,801,603	6,712,052
Partially paid	-	-
	<u>147,801,603</u>	<u>6,712,052</u>
(b) Movements in ordinary shares on issue		
Balance at the beginning of the year	147,228,893	6,672,263
Shares issued to vendor of Intelligent Retail	572,710	39,789
<b>Balance at the end of the half year</b>	<u>147,801,603</u>	<u>6,712,052</u>

## 5 Contingent Assets and Liabilities

There were no material contingent assets and liabilities at balance sheet date.

## 6 Events subsequent to the reporting date

A dividend was paid on 12 February 2016 with a record date of 2 February 2016. The amount paid on 12 February 2016 was \$0.009 per share (0.9c), for a total of \$1,330,214. The dividend was fully franked.

## 7 Trade and other payables

	As At 31 Dec 2015 \$	As At 30 June 2015 \$
<b>Current</b>		
Trade payables	3,252,762	3,967,777
Deferred revenue	4,972,245	4,460,274
Other payables	564,940	618,490
Payable to related party	295,357	294,710
	<u>9,085,304</u>	<u>9,341,251</u>

## 8 Financial Liabilities

	As At 31 Dec 2015 \$	As At 30 June 2015 \$
<b>Current</b>		
Secured:		
Bank loans	1,563,968	1,500,000
Derivative financial liability	24,557	29,429
	<u>1,588,525</u>	<u>1,529,429</u>
<b>Non-current</b>		
Secured:		
Bank loans	9,543,980	10,520,102
	<u>9,543,980</u>	<u>10,520,102</u>
<b>Total financial liabilities</b>	<u>11,132,505</u>	<u>12,049,531</u>

Notes to the Consolidated Financial Statements continued

## 9 Fair Values of Financial Instruments

	31 Dec 2015 \$	30 June 2015 \$
<b>Recurring fair value measurements</b>		
The following financial instruments are subject to recurring fair value measurements:		
Derivative liabilities		
- Interest rate swaps - Level 2	24,557	29,429

### 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 2015, the consolidated entity had no level 1 and 3 financial instruments.

During the half-year ended 31 December 2015, 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>December 2015</b>		
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	16,481	15,120
	<u>16,481</u>	<u>15,120</u>
<b>June 2015</b>		
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	22,481	20,625
	<u>22,481</u>	<u>20,625</u>

### Notes to the Consolidated Financial Statements continued

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.

## 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 2015 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, 11 March 2016



## 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 2015, 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 2015 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

### 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 2015 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



Arthur Milner  
Partner

Sydney, 11 March 2016