

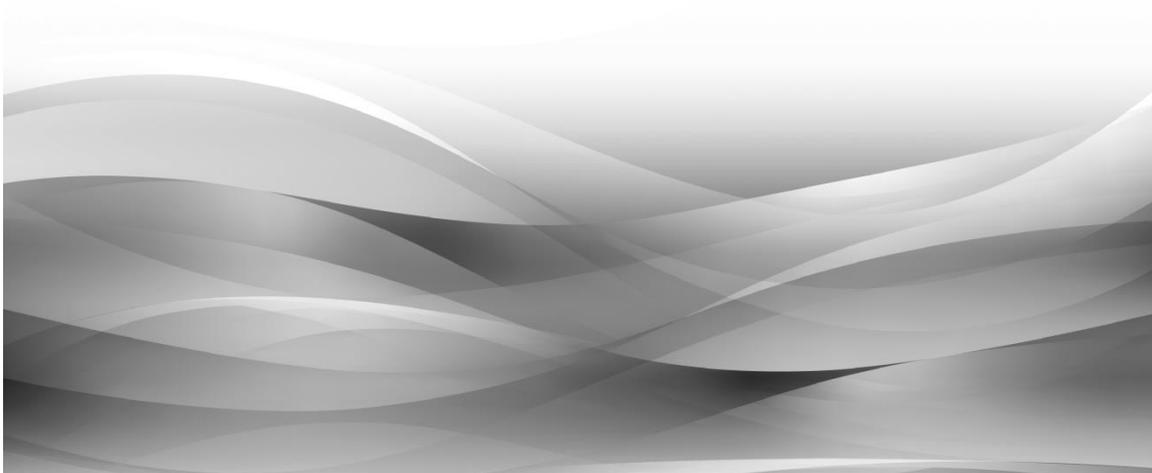
# 30

Half Yearly Financial Report  
31<sup>st</sup> December 2017



**Contents**

Directors' Report .....	3
Auditor's Independence Declaration .....	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	6
Consolidated Statement of Financial Position .....	7
Consolidated Statement of Cash Flows .....	8
Consolidated Statement of Changes in Equity .....	9
Notes to the Consolidated Financial Statements .....	10
Directors' Declaration .....	14
Auditor's Independent Review Report .....	15



## Directors' Report

Your directors submit their report for the half-year ended 31 December 2017.

### 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 (Non-Executive Director)  
 Alan Treisman (Executive Director & Company Secretary)  
 Mark McGeachen (Executive Director)  
 Davy Rosen (Executive Director)

### Review and Results of Operation

My fellow shareholders,

Despite this being a tough 6 months for retail globally which resulted in our revenues being down by 10% from last year, I am pleased to say that the company's EBITDA has grown by 12%. We have managed this by adjusting our overhead structure to be more in line with revenue levels.

In the US, we are investing in a sales strategy which I am confident will come to fruition over the next 12 months. The lull of activity in the US in particular has given the company the opportunity to increase our R&D effort which will have a knock on effect of supporting our sales strategy.

During the last few months two significant deals have been signed in the UK totaling close to \$6m.

Key highlights of our financial performance were:

### Operating Report and Financial Highlights

	Dec-17	Dec-16		Percentage Increase/(Decrease)
Revenue	\$15,766,443	\$17,568,171	↓	-10%
Gross Profit Percentage	89.8%	87.7%	↑	2%
Underlying EBITDA*	\$3,810,770	\$3,392,044	↑	12%
Net Profit After Tax	\$1,646,116	\$207,147	↑	695%
Earnings per Share (cents)	1.10	0.14	↑	687%
Number of Employees	209	248	↓	-16%

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

Directors' Report continued

Reconciliation of underlying EBITDA to Net Profit After Tax

	Dec-17	Dec-16
<b>Underlying EBITDA</b>	<b>3,810,770</b>	<b>3,392,044</b>
Interest received	18,109	14,896
Depreciation & Amortisation	(2,471,558)	(2,289,211)
Foreign exchange adjustment	(173,659)	(186,279)
Finance costs excluding SWAP	(334,182)	(257,697)
Fair value movement on SWAP gain	11,864	13,659
Share based expenses	(236,025)	-
Tax benefit/(expense)	1,020,797	(480,265)
<b>Net Profit after tax</b>	<b>1,646,116</b>	<b>207,147</b>

### Auditor's Independence Declaration

The lead auditor's independence declaration under sections 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2017.

**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, 14 March 2018

## Auditor's Independence Declaration



Tel: +61 2 9251 4100  
Fax: +61 2 9240 9821  
www.bdo.com.au

Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

### DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF 3Q HOLDINGS LIMITED

As lead auditor for the review of 3Q Holdings Limited for the half-year ended 31 December 2017, 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 half-year period.

A handwritten signature in black ink, appearing to read 'Martin Coyle', written over a light blue horizontal line.

**Martin Coyle**  
Partner

**BDO East Coast Partnership**

Sydney, 14 March 2018

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

### For the half-year ended 31 December 2017

	Note	Half-year Ended 31 Dec 2017 \$	Half-year ended 31 Dec 2016 \$
Revenue	2(a)	15,766,443	17,568,171
Cost of sales		(1,608,034)	(2,166,241)
Gross profit		14,158,409	15,401,930
Other income	2(b)	56,203	73,354
Operating expenses		(2,694,421)	(2,586,980)
Employee benefit expenses		(7,691,311)	(9,481,363)
Earnings before tax, finance costs, depreciation, amortisation, share based payments and foreign exchange gains/(losses)		3,828,880	3,406,941
Depreciation		(116,791)	(150,048)
Amortisation of intangibles		(2,354,767)	(2,139,163)
Finance costs		(322,319)	(244,039)
Foreign exchange gains/(losses)		(173,659)	(186,279)
Share based payment expenses		(236,025)	-
Profit before income tax		625,319	687,412
Income tax benefit/(expense)		1,020,797	(480,265)
<b>Profit after income tax for the half-year</b>		<b>1,646,116</b>	<b>207,147</b>
<b>Other comprehensive income:</b>			
Exchange difference on translating foreign operations (net of tax)		(216,114)	277,539
<b>Total comprehensive income for the half-year</b>		<b>1,430,002</b>	<b>484,686</b>
<b>Profit attributable to:</b>			
Owners of the parent		1,646,116	207,147
<b>Total comprehensive income for the half-year is attributable to:</b>			
Owners of the parent		1,430,002	484,686
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		1.10	0.14
Diluted earnings per share (cents per share)		1.10	0.14

The accompanying notes form part of these Consolidated Financial Statements.

## Consolidated Statement of Financial Position As at 31 December 2017

	Note	As at 31 Dec 2017 \$	As at 30 June 2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,490,633	1,383,099
Trade and other receivables		4,704,307	5,586,523
Other assets		1,641,514	1,454,015
Inventories		129,059	134,597
Current tax asset		151,347	-
<b>Total Current Assets</b>		<b>8,116,860</b>	<b>8,558,234</b>
<b>Non-current Assets</b>			
Property, plant and equipment		314,216	387,083
Intangible assets		37,360,673	37,276,819
Deferred tax assets		6,536,406	7,153,244
<b>Total Non-current Assets</b>		<b>44,211,295</b>	<b>44,817,146</b>
<b>TOTAL ASSETS</b>		<b>52,328,155</b>	<b>53,375,380</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	5	7,368,507	8,198,069
Financial liabilities	6	2,986,937	2,318,111
Employee benefits		1,567,549	1,587,572
Current tax liabilities		824,616	662,836
<b>Total Current Liabilities</b>		<b>12,747,609</b>	<b>12,766,588</b>
<b>Non-current Liabilities</b>			
Financial liabilities	6	6,225,524	6,981,781
Provisions		13,440	3,189
Deferred tax liabilities		6,979,218	8,927,486
<b>Total Non-current Liabilities</b>		<b>13,218,182</b>	<b>15,912,456</b>
<b>TOTAL LIABILITIES</b>		<b>25,965,791</b>	<b>28,679,044</b>
<b>NET ASSETS</b>		<b>26,362,364</b>	<b>24,696,336</b>
<b>EQUITY</b>			
Issued capital	4	6,712,050	6,712,050
Reserves		1,705,759	1,685,847
Retained Earnings		17,944,555	16,298,439
<b>TOTAL EQUITY</b>		<b>26,362,364</b>	<b>24,696,336</b>

The accompanying notes form part of these Consolidated Financial Statements.

## Consolidated Statement of Cash Flows For the half-year ended 31 December 2017

Note	Half-year ended 31 Dec 2017 \$	Half-year ended 31 Dec 2016 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	16,718,098	20,974,551
Payments to suppliers and employees	(13,163,536)	(16,969,317)
Interest received	1,163	332
Interest Paid	(350,459)	(302,703)
Taxation paid	(66,619)	(15,228)
Other income	42,784	141,690
<b>Net cash inflows from operating activities</b>	<b>3,181,431</b>	<b>3,829,325</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(47,877)	(76,618)
Payment of development costs	(2,914,936)	(3,240,451)
Loans to related parties	(47,233)	(20,563)
<b>Net cash outflows from investing activities</b>	<b>(3,010,046)</b>	<b>(3,337,632)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-	(724,967)
Repayment of borrowings	(750,000)	(250,000)
Proceeds from borrowings	680,688	506,000
<b>Net cash outflows from financing activities</b>	<b>(69,312)</b>	<b>(468,967)</b>
Net increase in cash and cash equivalents	102,073	22,726
Cash and cash equivalents at beginning of the half-year	1,383,099	1,583,840
Exchange rate/translation adjustments	5,461	(54,734)
<b>Cash and cash equivalents at end of period</b>	<b>1,490,633</b>	<b>1,551,832</b>

The accompanying notes form part of these Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity For the half-year ended 31 December 2017

	Issued Capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	6,712,050	2,377,106	17,150,701	26,239,857
Dividends paid	-	-	(724,967)	(724,967)
Total comprehensive income for the half year	-	277,539	207,147	484,686
<b>Balance at 31 December 2016</b>	6,712,050	2,654,645	16,632,881	25,999,576
<b>Balance at 1 July 2017</b>	6,712,050	1,685,847	16,298,439	24,696,336
Dividend paid	-	-	-	-
Share based payments	-	236,025	-	236,025
Total comprehensive income for the half year	-	(216,114)	1,646,116	1,430,002
<b>Balance at 31 December 2017</b>	6,712,050	1,705,759	17,944,555	26,362,364

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 2017.

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.

Effective 1 January 2018 the US federal tax rates were reduced from 34% to 21%. This had the effect of reducing the deferred tax liability by a significant amount and resulted in the group recognising an income tax benefit for the half year period.

### 2 Revenues and other income

	<b>Half-year Ended 31 Dec 2017 \$</b>	<b>Half-year ended 31 Dec 2016 \$</b>
<b>(a) Revenues</b>		
Sales of goods/hardware	474,362	1,035,448
Rendering of services	6,465,167	6,597,832
Maintenance fees	7,117,063	7,367,815
Licence fees	1,556,421	2,214,788
Other revenue	153,430	352,288
	15,766,443	17,568,171
<b>(b) Other income</b>		
Interest income	18,109	14,896
Other income	38,094	58,458
	56,203	73,354

Notes to the Consolidated Financial Statements continued

### 3 Dividends Paid and Proposed

Dividends declared and paid during the financial year were as follows:

	<b>Consolidated Group</b>	
	<b>Half-year Ended 31 Dec 2017 \$</b>	<b>Half-year ended 31 Dec 2016 \$</b>
Final	-	724,967
	<u>-</u>	<u>724,967</u>

No dividend was declared or paid during the current half-year period.

In the prior period, the record date for the dividend was 13 December 2016, and dividends were paid to shareholders on 30 December 2016 of 0.4905c per ordinary share for a total of \$724,967.

### 4 Issued Capital

	<b>Consolidated Group</b>	
	<b>Number</b>	<b>\$</b>
<b>June 2017</b>		
(a) Ordinary shares		
Fully paid	147,801,603	6,712,050
Partially paid	-	-
	<u>147,801,603</u>	<u>6,712,050</u>
(b) Movements in ordinary share on issue		
Balance at the beginning of the year	147,801,603	6,712,050
<b>Balance at the end of June 2017</b>	<b>147,801,603</b>	<b>6,712,050</b>
<b>December 2017</b>		
(a) Ordinary shares		
Fully paid	147,801,603	6,712,050
Unpaid	5,245,000	-
	<u>153,046,603</u>	<u>6,712,050</u>
(b) Movements in ordinary shares on issue		
Balance at the beginning of the year	147,801,603	6,712,050
Staff shares issued	5,245,000	-
<b>Balance at the end of the half year</b>	<b>153,046,603</b>	<b>6,712,050</b>

During the 6-month period, 5,245,000 shares were issued to staff of the 3Q Group under the 3Q Employee Share Scheme which entitles the employees to shares in the company at an issue price of 17c per share under a limited recourse loan arrangement. The benefit received by the employees at the grant date has been accounted as an option using a Black-Scholes Option Pricing Model which valued the options at 4.5c per share issued.

## 5 Trade and other payables

	<b>As At 31 Dec 2017 \$</b>	<b>As At 30 June 2017 \$</b>
<b>Current</b>		
Trade payables	2,593,326	3,084,920
Deferred revenue	4,089,808	4,453,030
Other payables	454,612	437,050
Payable to related party	230,761	223,069
	<b>7,368,507</b>	<b>8,198,069</b>

## 6 Financial Liabilities

	<b>As At 31 Dec 2017 \$</b>	<b>As At 30 June 2017 \$</b>
<b>Current</b>		
Secured:		
Bank loans	2,983,086	2,302,396
Derivative financial liability	3,851	15,715
	<b>2,986,937</b>	<b>2,318,111</b>
<b>Non-current</b>		
Secured:		
Bank loans	6,225,524	6,981,781
	<b>6,225,524</b>	<b>6,981,781</b>
<b>Total financial liabilities</b>	<b>9,212,461</b>	<b>9,299,892</b>

## 7 Fair Values of Financial Instruments

	31 Dec 2017	30 June 2017
	\$	\$
<b>Recurring fair value measurements</b>		
The following financial instruments are subject to recurring fair value measurements:		
Derivative liabilities	3,851	15,715
- Interest rate swaps - Level 2	3,851	15,715

### Fair value hierarchy

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

- quoted prices (unadjusted) and active markets for identical assets or liabilities (level 1).
- 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
- 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 2017, the consolidated entity had no level 1 and 3 financial instruments.

During the half-year ended 31 December 2017, 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.

## 8 Contingent Assets and Liabilities

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

## 9 Events subsequent to the reporting date

There were no material events subsequent to the balance sheet date.

## 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 2017 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, 14 March 2018

## Auditor's Independent Review Report



Tel: +61 2 9251 4100  
 Fax: +61 2 9240 9821  
 www.bdo.com.au

Level 11, 1 Margaret St  
 Sydney NSW 2000  
 Australia

### INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 3Q Holdings Limited

#### Report on the Half-Year Financial Report

##### Conclusion

We have reviewed the half-year financial report of 3Q Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 Group is not in accordance with the *Corporations Act 2001* including:

- (a) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### 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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO East Coast Partnership**

BDO

A handwritten signature in black ink, appearing to read 'M Coyle', written over a horizontal line.

**Martin Coyle**  
Partner

Sydney, 14 March 2018