Appendix 4E

Name of entity	3Q Holdings Limited
ABN	42 089 058 293
Year Ended	30 June 2011
Previous Corresponding Reporting Period	12 months to 30 June 2010

Results for announcement to the market

	Result	% Increase (Decrease)	$ Increase (Decrease)
Revenue and other income from ordinary activities	23,377,306	0%	43,418
Profit from ordinary activities after tax attributable to members	2,974,065	129%	1,676,049
Net profit for the period attributable to members	2,974,065	129%	1,676,049

Dividends (distributions)	Amount per Security	Franked amount per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlement to the Dividends (if any)	N/A	N/A

No dividends were paid by 3Q Holdings Limited during the reporting period. It is not the current intention of the directors to declare a dividend in respect of this or the next financial year.

Financial Statements

2011 Audited Annual Accounts attached.

Dividends

3Q Holdings Limited has not declared a dividend in respect of the current financial year. There is no dividend reinvestment plan in the current year.

Statement of Retained Earnings movements

A statement of movements in Retained Earnings is attached.

Net Tangible Asset Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	-5.1431 cents	-7.4595 cents

Gain/Loss of Entity

3Q Holdings Limited formed no new subsidiaries during the year.

3Q Holdings Limited did not lose control over entities during the year.

Joint Ventures and Associates

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

Significant Information/Commentary

The Chairman's report, Director's report, Statement of Comprehensive Income, Statement of Financial Position , Statement of Changes in Equity, Statement of Cash Flows and the notes thereto, all of which are attached, will provide a more detailed understanding of the Company.

Foreign Entity

3Q Holdings is not a Foreign Entity. The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements except some of the disclosure requirements under Accounting Standards have not been included where the information that would be disclosed is not considered relevant nor material.

The historical financial information contained in this report has been prepared and presented in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with AIFRS ensures that the financial report of 3Q Holdings Limited complies with International Financial Reporting Standards ("IFRS").

Auditing of Accounts

This report is based on accounts that have been audited. The accounts are not subject to audit dispute or qualification.

The appendix 4E is also to be read in conjunction with the half yearly financial report for the period ended 31 December 2010 and all ASX releases under the code TQH.

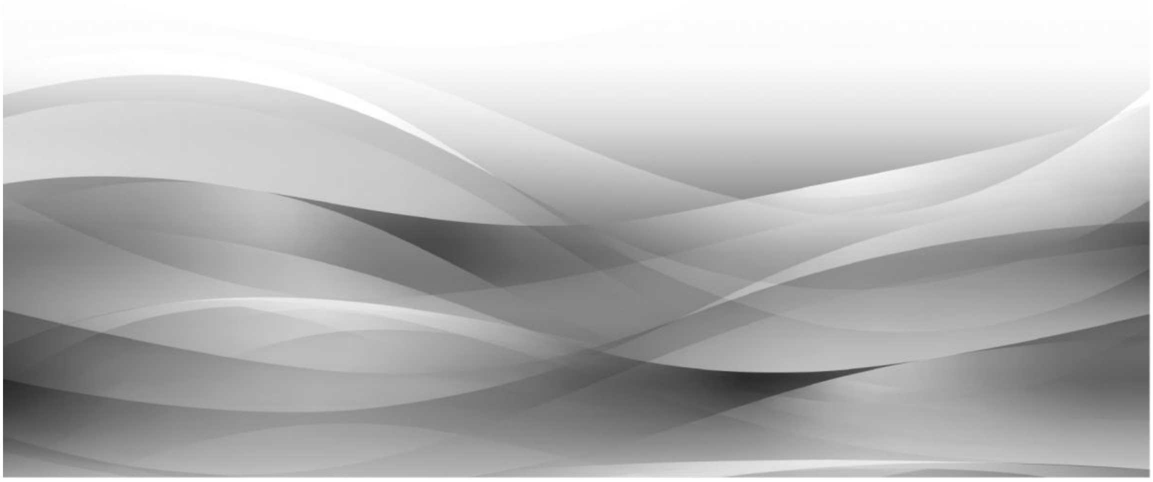
Copies of all ASX releases are available for download on the ASX website.

For further information:

Alan Treisman
Company Secretary
3Q Holdings Limited
02 9369 8590

3Q

2011 Annual Report



Corporate Information

ABN 42 089 058 293

Directors
Shaun Rosen (Executive Chairman)
Clive Klugman
Alan Treisman
Mark McGeachen
Stephe Wilks

Company Secretary
Alan Treisman

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

Principal Place of Business
Ground Floor, 35 Spring Street
Bondi Junction
NSW 2022
Australia
Phone 61 2 9369 8590
Website www.threeq.com.au

Share Register
Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000
Phone 61 8 1300 557 010

Solicitors
Freehills
MLC Centre Martin Place
Sydney NSW 2000
Australia

Bankers
National Australia Bank
Bondi Junction, Sydney NSW
George Street, Sydney NSW

Auditors
PKF
Level 10, 1 Margaret Street
Sydney NSW 2000
Australia

Stock Exchange Listing
Australian Stock Exchange, code: TQH

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Chairman's Report

I am pleased to present the Annual Report for 3Q Holdings Limited for the year ended 30 June 2011.

As outlined in previous years, and despite the ongoing challenging economic climate, the strategies we implemented have underpinned an excellent result:

- Underlying EBITDA up 20%, to just over $6m
- Revenues maintained in AUD (even though revenues grew in terms of some local currencies, but the strong AUD reduced the reported impact)
- Net debt reduced by $3.6 mill from FY2010, down 34% (now at $7.1 mill)
- Gearing ratio decreased from 42% to 31%

This excellent result was achieved while continuing relevant R&D projects across all of the US and UK markets, and in Australia and New Zealand. These projects ensure our company remains highly competitive in our chosen markets. Our competitive capability was borne out, not just in ongoing maintenance revenue from customers receiving updated software each year, but in a number of strategic sales over the year, including:

- Carhartt
- Shoppers World
- Dune

In addition, we continued to successfully implement the large scale projects won in previous years, and - driving our existing resources to capacity – efficiently and effectively delivered an increase in services revenue.

Outlook

Whilst external economic conditions appear likely to remain challenging in the coming financial year, the Board continues to focus on core business.

In addition, as the company's largest shareholder, I recognise the concern of all of the Company's shareholders at the depressed performance of our share price. That share price clearly does not reflect the value inherent in the operating business, as evidenced by the results.

We will continue to take opportunities to develop an appropriate capital structure for the Company, building on initiatives such as the recent unmarketable parcel acquisition, and share purchase plan. We will also continue to pursue all opportunities available to the Company to realise value for shareholders.

Shaun Rosen, Chairman

Directors' Report

Directors & Company Secretary

The names and details of the Directors of 3Q Holdings Limited in office during or since the end of the financial year are as follows:

Shaun Rosen - Executive Chairman
Shaun Rosen joined the Board as the Executive Chairman on 22 December 2005, as part of the acquisition of Island Pacific Australia Pty Limited. He completed a Bachelor of Computer Science degree at the University of Cape Town in 1982 and founded Divergent Technologies in South Africa in 1983, where he served as Managing Director. The focus of the business was developing software for retailers, wholesalers and manufacturers. He has had more than 25 years experience in the information technology industry. In 1986 he immigrated to Australia and started Divergent Technologies in Sydney in 1987. In 1994, 20% of Divergent was sold to Tag Pacific and in 1996, 100% of Divergent was sold to SVI Holdings Inc, which was listed on the OTC Bulletin Board. Shaun retired in late 1999. In 2002, Shaun bought back SVI Retail with his business partner, Clive Klugman. Together they traded the Company back into profitability.

Clive Klugman - Executive Director
Clive joined the Board as Executive Director on 22 December 2005, as part of the acquisition of Island Pacific Australia Pty Limited. Clive studied Computer Science at the University of Cape Town, graduating in 1979. He formed Divergent Technologies with Shaun Rosen and has worked with Shaun since that time. He has had more than 30 years experience in the information technology industry. He has the role of Chief Executive Officer of Island Pacific Australia Pty Limited.

Alan Treisman - Executive Director & Company Secretary
Alan Treisman joined the Board as Executive Director and CFO on 22 December 2005. He completed a Bachelor of Commerce degree and a Bachelor of Accountancy degree in 1989, and qualified as a Chartered Accountant in 1990. Alan joined Divergent Technologies in 1994 where he worked for almost 8 years as Financial Controller and then Finance Director. He has had more than 13 years experience in the information technology industry. He now combines the role of Mergers and Acquisitions with that of Chief Financial Officer while also serving as the Company Secretary.

Stephe Wilks - Non-Executive Director
Stephe holds Bachelor of Science and Law degrees from Macquarie University and a Master of Laws from Sydney University.

He has over 20 years experience in industry in a variety of senior management roles including Regional Director Regulatory Affairs with BT Asia Pacific (1995 to 1998), Director Regulatory and Public Affairs at Optus, and Managing Director of XYZed (1998 to 2002), Chief Operating Officer of Nextgen Networks (2002 to 2003), Chief Operating Officer at Personal Broadband Australia and Consulting Director at NM Rothschild & Sons (2003 to 2005).

Stephe is an active non-executive director with public and private company experience. He is presently a non-executive Director of Service Stream Limited, and Tel.Pacific Limited; and an Advisory Board member of the Network Insight Group.

Mark McGeachen - Executive Director
Mark joined the board on 5 April 2007 as part of the acquisition of AdvanceRetail Technology Limited, where he had served as Managing Director. As one of the initial founders of AdvanceRetail Technology Limited, Mark has experience in international software sales, as well as consulting experience with a number of the regions leading retailers. He has more than 25 years experience in the information technology sector, including over 20 years' experience in the retail software market.

Principal Activities

The principal activities of the Company during the financial year have been to provide solutions to its target markets in Australia, New Zealand, USA, UK and Asia.

The principal activities include the developing, selling, implementing and integrating of retail technology solutions and professional services. The retail technology solutions encompass software, hardware, services, consulting and maintenance.

The target markets include a wide range of retail businesses, operating in the fashion, electronics, department stores, supermarkets, tourist attractions, furniture, general merchandise, jewellery and discount variety industries.

Dynamics of the Business and Business Strategies

The Retail sector can be characterised as the combination of hardware, software and services being provided by one or more parties to an end user. Due to the nature of the point of service and in particular the need for a fully integrated front and back end application, most end user organisations want to work with one party – a systems integrator – who is ultimately responsible for providing a working solution.

3Q has always been focused on being a one-stop shop for providing customers with a complete working solution together with ongoing maintenance and support since its formation in 1987.

There are a number of well run retail solutions providers in the market, some specialising in software, others in services and most with a loyal client base. These organisations are examples of the type of company that 3Q is looking to acquire in order to grow the client base and its stable of software solutions. The Company is currently well established in the "specialty retail" sector and boasts an impressive client list that includes many brand retailers.

In addition, following completion of the most recent acquisitions, the Company is also now very well established in the 'back office' and merchandising solutions segment of the market for high-end 'Fortune 500' retailers in the United States.

It is from this established base that the Company is able to continue its organic growth, both increasing the scope and scale of its contracted maintenance agreements, and through the acquisition of new customers at both the speciality retail end of the business, and the merchandising and 'back office' solutions markets. In addition, the breadth of the existing client base and the scope of the Company's product offerings provide significant opportunities to cross sell products to existing customers currently using only a subset of the Company's overall portfolio.

Summary of the Company Business Plan

In addition to the opportunities available to the Company to grow its existing business organically – a major driver of the Company's Business Plan - the retail software sector in Australia and around the world is in a fragmented state and presents opportunities for sector consolidation.

A key focus in coming years will be to build on the value of the existing base to lock in a major stronghold in the retail software sector both in Australia and overseas. This will be achieved through acquisitions of similar companies, wherever synergies and economies of scale from the acquisitions are anticipated to increase profitability. This has already been displayed with the acquisitions of Island Pacific and Applied Retail Solutions in the USA and UK, and AdvanceRetail Technology in New Zealand and Australia.

Prior acquisitions by the management team illustrate its success in implementing a strategy of growth by acquisition and the Board and Management of the Company are committed to building 3Q as quickly as possible, taking into account the key requirement of only acquiring organisations that offer immediate upside to the profitability of the Company and ensuring the ongoing robustness of the Company's focus on enhancing the existing business opportunities and growing them in parallel.

Review of Operations

Over the year, the Company continued to acquire new and important customers, establishing further relationships that we anticipate will be long and fruitful for each of us.

In addition, the Company continued to benefit from its already well established relationships with long standing customers, with substantial recurring revenues recorded over the year from contracted maintenance customers.

Significant new customer wins over the year included:

- Carhartt
- Shoppers World
- Dune

The Company continues to push our resources to the limit – both in implementing new customers, and in completing additional services for customers. This uses our capacity effectively and efficiently, maintaining the Company's vision of extracting best value from our excellent people. It also ensures that the Company can continue to operate with great resilience in what continues to be challenging economic times.

Operating Results for the Year

Financial Highlights

	2011	2010	Percentage Increase/(Decrease)	
Revenue	$23,377,306	$23,333,887	↑	0%
Gross Profit Percentage	88%	85%	↑	3%
Underlying EBITDA*	$6,025,300	$5,008,309	↑	20%
Net Profit after tax	$2,974,065	$1,298,016	↑	129%
Earnings per Share (cents)	1.84	0.84	↑	120%
Number of Employees	111	113	↓	-2%

**Underlying EBITDA excludes foreign exchange gains and losses on US$ and GBP bank loans and intercompany trade accounts, and share based expenses.*

Key outcome for the 2011 Financial Year include:

- Underlying EBITDA up 20%, to $6m
- Revenues maintained in AUD (even though revenues grew in terms of some local currencies, but the strong AUD reduced the reported impact)
- Net debt reduced by $3.6 mill from FY2010, down 34% (now at $7.1 mill)
- Gearing ratio decreased from 42% to 31%

The strong Australian dollar continued to reduce the reported value of earnings in other countries (we have sales and maintenance revenue across the world, particularly in New Zealand, the United States and the United Kingdom). However, in most countries the 'local currency' sales revenues reported growth – a very important indicator of the ongoing health of the solutions we offer to our customers.

In addition, the Company achieved improved margins given the ongoing shift of sale from third party products to core Company IP.

In our banking arrangements, 3Q continues to maintain debt denominated in both Australian and US dollars, as well as GBP. This arrangement provides a natural hedge to the business, as exchange rates fluctuate across the different markets, allowing amortisation of the principal to be implemented in the most appropriate currency at the time. Over the financial year, net debt was reduced by $3.6 million from last year, a reduction of some 34%. The Company's gearing ratio decreased from 42% to 31%, although we continue to pay down debt as appropriate.

Asset and Capital Structure

The profile of the Group's asset and capital structure is as follows:

Consolidated	2011 $	2010 $
Interest Bearing Loans & Borrowings	9,563,499	12,081,372
Cash & Short Term Deposits	(2,456,811)	(1,380,369)
Net Debt	7,106,688	10,701,003
Total Equity	15,849,570	14,829,725
Total Capital Employed	22,956,259	25,530,728
Gearing (%)	30.96%	41.91%

Profile of Debts

The profile of the Group's debt finance is as follows:

	2011 $	2010 $
Bank Loans	9,563,499	12,629,997
Other Loans	-	-
TOTAL DEBT	**9,563,499**	**12,629,997**

Share issues during the year

750,000 shares under the Employee Share Ownership Plan were issued during the year to staff and Senior Managers.

4,000,000 shares under a Share Purchase Plan were issued during the year to existing 3Q Shareholders.

Options issued during the year

- No options were issued during the year.
- 7,470,000 options expired during the year.
- No options were issued during the prior year.
- 4,000,000 options expired during the prior year.

Directors' interest in shares and options

As at the date of this report, the interests of the Directors in the shares and options of 3Q are as follows:

Director	Ordinary Shares	Options
Shaun Rosen	61,750,000	-
Clive Klugman	54,000,000	-
Stephe Wilks	2,376,452	-
Alan Treisman	3,350,000	-
Mark McGeachen	3,127,900	-

Dividends

3Q Holdings Limited paid no dividends during the reporting period, and none were recommended or declared for payment.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process.

Future Developments and Expected Results

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Significant Changes in the State of Affairs

There are no significant changes in the state of affairs of the Group.

Significant Events After the Balance Date

There were no significant events after the balance date.

Environmental Regulation and Performance

The Directors do not consider that there are any significant environmental issues that relate to the Group's activities.

Indemnification and Insurance of Directors and Officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a part for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Indemnity and Insurance of Auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Remuneration Report (Audited)

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

During the year, all of the Director's and the Key Management's remuneration was not linked to the performance of the Company.

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to a number of indices, including the following:

	2011	2010	2009	2008
	$	$	$	$
Revenue	23,377,306	23,333,887	24,990,105	20,552,262
Net profit before tax	4,275,240	1,979,969	2,222,857	2,148,606
Net profit after tax	2,974,065	1,298,016	1,579,957	1,517,611
Share price at end of year	6c	8c	15c	20c
Basic earnings per share (cents)	1.84	0.84	1.07	1.03
Diluted earnings per share (cents)	1.73	0.77	0.98	0.93

The Company intends to embody the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives; and
- link executive rewards to shareholder value, the Company's performance and the Director's ability to control the relevant segments' performance.

For the year ended 30 June 2011, the Directors' and executives' salary packages were considered relatively modest in relation to the performance of the Company and to market rates.

Remuneration structure

The Company's Constitution provides that the remuneration of the Directors will not be more than the aggregate fixed sum determined by a general meeting.

The annual aggregate Directors remuneration (excluding annual salary) has been set at an amount of $700,000.

The remuneration of executive Directors are fixed by the Board and are paid by way of fixed salary and cash bonus where appropriate.

Key management personnel remuneration

Shaun Rosen, Clive Klugman, Alan Treisman and Mark McGeachen are the only Executive Directors of the Company as at the date of this report. Shaun, Clive and Alan were appointed on 22 December 2005. Mark was appointed on 5 April 2007.

Stephe Wilks is the only Non-Executive Director as at the date of this report. He was appointed on 14 February 2008.

All Directors of the Company receive base Directors' fees of $60,000 per annum. For Executive Directors, these are included as part of their salary packages.

David Rosen, Andrew Bell, Mike Dotson and Richard Gaetano receive a set salary.

A Remuneration Committee has been formed. The Company Secretary and Independent Director together form the Remuneration Committee, with the Chairman and one other Director present if one of the Company Secretary and Independent Director's remuneration is up for consideration.

Directors' fees are paid partly by 3Q Holdings Limited and Island Pacific Australia Pty Limited.

(a) Remuneration of key management personnel

	Financial year	Short-term benefits		Post-employment benefits	Equity-settled share-based payments	TOTAL	Proportion of element of remuneration related to performance
		Cash salary, fees and commissions $	Short-term cash profit sharing $	Super-annuation $	Shares and Options $	$	%
Directors							
Shaun Rosen	**2011**	281,149	-	35,800	-	316,949	-
Executive Chairman	**2010**	171,738	-	10,800	56,200	238,738	-
Clive Klugman	**2011**	212,003	-	37,420	-	249,423	-
Executive Director	**2010**	243,277	-	15,794	56,200	315,271	-
Alan Treisman	**2011**	272,161	-	20,388	-	292,549	-
Finance Director & Secretary	**2010**	161,786	-	12,385	56,200	230,371	-
Mark McGeachen	**2011**	197,847	-	-	-	197,847	-
Executive Director	**2010**	115,165	-	-	28,100	143,265	-
Stephe Wilks	**2011**	60,000	-	-	-	60,000	-
Non-Executive	**2010**	60,000	-	-	7,025	67,025	-
Executives							
David Rosen	**2011**	268,421	-	9,564	-	277,986	-
Director Island Pacific Systems Inc.	**2010**	214,936	-	11,732	56,200	282,868	-
Andrew Bell	**2011**	189,936	-	-	-	189,936	-
Chief Technical Officer	**2010**	114,595	-	-	28,100	142,695	-

	Financial year	Short-term benefits		Post-employment benefits	Equity-settled share-based payments	TOTAL	Proportion of element of remuneration related to performance
		Cash salary, fees and commissions $	Short-term cash profit sharing $	Super-annuation $	Shares and Options $	$	%
AdvanceRetail Technology							
Richard Gaetano	2011	182,257	-	9,564	9,149	200,970	-
Chief Operating Officer Island Pacific USA	2010	243,615	-	12,573	20,793	276,981	-
Mike Dotson	2011	174,522	-	9,138	9,149	192,809	-
Managing Director Island Pacific UK	2010	238,108	-	10,110	26,218	274,436	-
TOTAL	**2011**	**1,838,296**	**-**	**121,875**	**18,298**	**1,978,469**	**-**
	2010	**1,563,220**	**-**	**73,393**	**335,036**	**1,971,649**	**-**

(b) Options issued as part of remuneration

No options were issued during the year to Directors and key management personnel.

No options were issued during the previous financial year to Directors and Key Management Personnel.

(c) Shares issued on Exercise of Compensation Options

During the year no options were exercised that were granted as compensation in prior periods.

(d) Employment/contractor agreement

Mark McGeachen is the only Director employed/contracted by the Company under a contract.

Contract Duration

Mark McGeachen – Mark is contracted by a subsidiary of the Company for a five year period ending 5 April 2015.

Notice periods required to terminate contracts

Both the subsidiary of the Company and Mark McGeachen may terminate the contractor agreement for convenience by giving 6 months written notice. The subsidiary of the Company may terminate Mark's contract by giving immediate written notice if certain circumstances occur which give right to the termination.

Termination payments

There are no provisions in the agreement for termination payments.

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Directors	Meetings Held	Attended
Shaun Rosen	4	4
Clive Klugman	4	4
Alan Treisman	4	4
Mark McGeachen	4	4
Stephe Wilks	4	4

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 12.

Signed in accordance with a resolution of the Directors.

Shaun Rosen
Executive Chairman
Sydney, NSW
30 August, 2011

Auditors Independence Declaration

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of 3Q Holdings Limited and the entities it controlled during the year ended 30 June 2011, I declare that to the best of my knowledge and belief there have been:

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

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

PKF

PKF

P E Bull

Paul Bull
Partner

Sydney, 30 August 2011

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Corporate Governance Statement

The company's website at www.threeq.com.au contains a Corporate Governance section that includes copies of the Company's Corporate Governance Policies.

	ASX Best Practice Recommendation	3Q Compliance Status	Comment
1	**Principle 1 – Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies	In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done to carry out the objectives of the Company. Senior management's primary function is to manage the Company in accordance with the direction and delegations of the Board.
1.2	Disclose the process for evaluating the performance of senior executives.	Complies	The Board has put in place ongoing evaluation of the performance of other senior executives at an operational level, with final approval of any reviews by the CEO and CFO.
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Complies	
2	**Principle 2 – Structure the board to add value**		
2.1	A majority of the Board should be independent Directors	Does not comply	Stephe Wilks is considered to be independent. The skills, experience and knowledge of the other four Directors makes their contribution to the Company and the Board such that it is appropriate for them to remain on the Board, and given the size and nature of the Company it is not currently appropriate to expand the Board further.
2.2	The Chairperson should be an independent Director.	Does not comply	The Company's Chief Executive Officer and Chairman is the same person, Mr Shaun Rosen. Whilst not independent and an executive, the Board considers that it is appropriate for him to be Chairman due to the size and nature of the Company, given his skills, experience and knowledge of the Company.
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	Does not comply	

	ASX Best Practice Recommendation	3Q Compliance Status	Comment
2.4	The Board should establish a Nomination Committee.	Does not comply	The Company does not have a nomination committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a nomination committee can be adequately handled by the full Board.
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Does not comply	Due to the size and nature of the company the Board believes that external formal evaluation is not necessary as performance is continually being evaluated on an ongoing basis.
2.6	Provide the information indicated in the ASX Guide to Reporting on Principle 2.	Complies	
3	**Principle 3 – Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key Executives as to: ▪ the practices necessary to maintain confidence in the company's integrity ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stake-holders ▪ the responsibility and account-ability of individuals for reporting and investigating reports of unethical practices.	Complies	The Board has adopted a Code of Conduct for Directors and employees of the Company. The goal of establishing the Company as a significant Australian-based information technology Company is underpinned by its core values of honesty, integrity, common sense and respect for people. The Company desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Complies	In summary, this policy requires that senior management or their associates only trade in the Company's securities: ▪ outside the 'results preparation' trading windows; and ▪ with the prior approval of the Chairman or Company Secretary.
3.3	Provide the information indicated in the ASX Guide to Reporting on Principle 3.	Complies	

	ASX Best Practice Recommendation	3Q Compliance Status	Comment
4	**Principle 4 – Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	Complies	The Company Secretary and Independent Director together form the Audit Committee.
4.2	Structure the Audit Committee so that it: ▪ consists only of non-executive directors ▪ consists of a majority of independent directors ▪ is chaired by an independent chair, who is not chair of the board ▪ has at least three members.	Does not comply	The Board is of the opinion that due to the nature and size of the Company, the functions performed by an audit committee can be adequately handled by one executive director and one non-executive director.
4.3	The Audit Committee should have a formal charter.	Does not comply	
4.4	Provide the information indicated in the Guide to Reporting on Principle 4.	Complies	
5	**Principle 5 – Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for the compliance and disclosure of those policies or a summary of those policies.	Complies	The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. This disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website.
5.2	Provide the information indicated in the ASX Guide to Reporting on Principle 5.	Complies	
6	**Principle 6 – Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Use company websites to com-plement the official release of material information to the market.	Complies	The Company has a strategy to promote effective communication with shareholders and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs.

	ASX Best Practice Recommendation	3Q Compliance Status	Comment
6.2	Provide the information indicated in the ASX Guide to Reporting on Principle 6.	Complies	
7	**Principle 7 – Recognise and manage risk**		
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management of material business risk and disclose a summary of those policies.	Complies	The Company does not have a risk committee. The risks involved in an information technology company and the specific uncertainties for the Company continue to be regularly monitored and the full Board of the Company meets on a regular basis to formally review those risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies	The company's internal control system is monitored by the CFO (and Board where necessary) and assessed regularly to ensure effectiveness and relevance to the Company's current and future operations.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies	A Director and the CFO declare in writing to the Board that the financial reporting risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively in accordance with section 295A of the Corporations Act. This representation is made prior to the Board's approval of the release of the annual accounts.
7.4	Provide the information indicated in the ASX Guide to Reporting on Principle 7.	Complies	

	ASX Best Practice Recommendation	3Q Compliance Status	Comment
8	**Principle 8 – Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	Complies	The Company Secretary and Independent Director together form the Remuneration Committee, with the Chairman and one other Director present if one of the Company Secretary or the Independent Director's remuneration is up for consideration.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	Remuneration of Executive and Non-Executive Directors is reviewed annually by the Remuneration Committee, and remuneration packages are set at levels intended to attract and retain Directors and Executives capable of managing the Company's operations and adding value to the Company. For details of remuneration paid to Directors and officers for the financial year please refer to the Remuneration Report on page 8.
8.3	Provide the information indicated in the ASX Guide to Reporting on Principle 8.	Complies	

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Consolidated Group	
		2011	2010
		$	$
Revenue	3(a)	23,377,306	23,333,887
Cost of sales		(2,896,613)	(3,438,689)
Gross profit		20,480,693	19,895,198
Other income	3(b)	46,915	79,273
Operating expenses	3(c)	(3,971,158)	(3,975,660)
Employee benefit expenses		(10,527,953)	(10,988,655)
Earnings before tax, finance costs, depreciation, amortisation, foreign exchange losses and share based payments		6,028,497	5,010,156
Depreciation		(263,720)	(192,820)
Amortisation		(1,597,888)	(1,572,849)
Finance costs		(699,621)	(778,060)
Foreign exchange gains and losses		910,874	90,231
Share based payments/expenses		(102,902)	(576,688)
Profit before income tax		**4,275,240**	**1,979,970**
Income tax expense	4	(1,301,175)	(681,954)
Profit for the year		**2,974,065**	**1,298,016**
Other comprehensive income:			
Exchange difference on translating foreign operations (net of tax)		(2,297,122)	(629,496)
Total Comprehensive income for the Year		676,943	668,520
Profit attributable to:			
Owners of the parent		2,974,065	1,298,016
Total comprehensive income attributable to:			
Owners of the parent		676,943	668,520
Earnings per share for profit attributable to the owners:			
· Basic earnings per share (cents per share)	5	1.84	0.84
· Diluted earnings per share (cents per share)	5	1.73	0.77

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	Consolidated Group 2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	2,456,811	1,380,369
Trade and other receivables	8	3,954,100	5,500,942
Other assets	9	635,001	728,297
Inventories	10	193,521	196,332
Total Current Assets		**7,239,433**	**7,805,940**
Non-current Assets			
Property, plant and equipment	11	486,118	678,794
Trade and other receivables	8	129,987	-
Intangible assets	12	24,248,248	26,845,243
Deferred tax assets	18	2,937,361	3,358,625
Total Non-current Assets		**27,801,715**	**30,882,662**
TOTAL ASSETS		**35,041,148**	**38,688,602**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	5,385,593	7,046,962
Financial liabilities	16	2,363,698	5,015,106
Provisions	17	1,072,249	874,994
Current tax liabilities	18	428,386	251,686
Total Current Liabilities		**9,249,926**	**13,188,748**
Non-current Liabilities			
Financial liabilities	16	7,249,770	7,831,372
Trade and other payables	15	32,570	72,561
Provisions	17	51,811	169,353
Deferred tax liabilities	18	2,607,501	2,596,842
Total Non-current Liabilities		**9,941,651**	**10,670,128**
TOTAL LIABILITIES		**19,191,577**	**23,858,876**
NET ASSETS		**15,849,570**	**14,829,726**
EQUITY			
Issued capital	19	7,586,837	7,335,437
Reserves	20	(2,774,181)	(292,136)
Retained Earnings		11,036,914	7,786,425
TOTAL EQUITY		**15,849,570**	**14,829,726**

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Issued Capital	Reserves	Retained Earnings	Total
		$	$	$	$
Balance at 1 July 2009		**6,985,237**	**268,072**	**6,331,209**	**13,584,518**
Option expenses		-	226,488	157,200	383,688
Expiry of options		-	(157,200)	-	(157,200)
Share issued		350,200	-	-	350,200
Total comprehensive income /(loss) for the year		-	(629,496)	1,298,016	668,520
Balance at 30 June 2010	**19**	**7,335,437**	**(292,136)**	**7,786,425**	**14,829,725**
Balance at 1 July 2010		**7,335,437**	**(292,136)**	**7,786,425**	**14,829,725**
Option expenses		-	91,502	276,424	367,926
Expiry of options		-	(276,424)	-	(276,424)
Share issued		251,400	-	-	251,400
Total comprehensive income /(loss) for the year		-	(2,297,122)	2,974,065	676,943
Balance at 30 June 2011	**19**	**7,586,837**	**(2,774,181)**	**11,036,914**	**15,849,570**

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	Consolidated Group 2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		25,191,632	25,913,112
Payments to suppliers and employees		(18,825,333)	(21,438,817)
Interest received		3,203	1,616
Interest Paid		(1,002,620)	(796,633)
Taxation paid		(306,351)	(366,349)
Other income		59,068	77,062
Net cash inflows from operating activities		**5,119,599**	**3,389,991**
Cash flows from investing activities			
Purchase of property, plant and equipment		(125,377)	(263,749)
Loans to other entities		(36,363)	(69,251)
Payment of development costs		(1,844,219)	(1,850,224)
Net cash outflows from investing activities		**(2,005,959)**	**(2,183,225)**
Cash flows from financing activities			
Repayment of borrowings		(1,625,000)	(625,000)
Shares issued		240,000	-
Net cash outflows from financing activities		**(1,385,000)**	**(625,000)**
Net increase/(decrease) in cash and cash equivalents		1,728,640	581,766
Cash and cash equivalents at beginning of period	7	831,744	345,675
Exchange rate/translation adjustments		(267,302)	(95,697)
Cash and cash equivalents at end of period		**2,293,082**	**831,744**

The accompanying notes form part of these Consolidated Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2011

1 Authorisation of Financial Report

The financial report of 3Q Holdings Limited and controlled entities (the consolidated entity) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 30 August 2011.

2 Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial report is presented in Australian dollars.

The financial report covers the consolidated group of 3Q Holdings Limited and controlled entities. 3Q Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

Going Concern

The Directors have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Whilst the current liabilities exceed the current assets, a major component of the current liabilities is prepaid maintenance, deferred revenue, staff leave entitlements and derivative financial liability (fair value of interest rate swap at balance date) of $4,698,685 (2010: $5,050,876) which is not expected to be paid in cash.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial reporting standards ("AIFRS"). Compliance with AIFRS ensures that the financial report of 3Q Holdings Limited complies with International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board.

(i) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of 3Q Holdings Limited and its subsidiaries as at 30 June of each year ("the Group").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies except where stated.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries are measured at cost.

Where there is loss of control of a subsidiary, the consolidated financial statements would include the results for the part of the reporting period during which 3Q Holdings Limited has control.

Reverse acquisition accounting

The consolidated financial statements have been prepared following reverse acquisition accounting.

3Q Holdings Limited, the legal parent is not the (economic) acquirer for accounting purposes. Island Pacific Australia Pty Limited (a private entity) arranged for itself to be "acquired" by a small public entity, 3Q Holdings Limited. However, in economic substance the private entity (Island Pacific Australia Pty Limited) undertook the acquisition.

If the legal subsidiary (Island Pacific Australia Pty Limited) is identified as the acquirer, then the accounting for the business combination is as if the legal subsidiary acquired the legal parent. In comparison, under Australian Accounting Standards, 3Q Holdings Limited would be the acquirer and would fair value all of Island Pacific Australia Pty Limited's net assets including identifiable intangible assets and goodwill.

Consequently, the financial information contained in this report has been presented as if Island Pacific Australia Pty Limited was the acquirer.

(iii) Foreign currency translation

Both the functional and presentation currency of 3Q Holdings Limited and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction.

All differences on settlement of such transactions in the consolidated financial report are taken to the statement of comprehensive income.

The functional currency of the foreign operation, Island Pacific Inc., is United States dollars (US$).

The functional currency of the foreign operation, AdvanceRetail Technology Limited, is New Zealand dollars (NZ$).

The functional currency of the foreign operation, Island Pacific (UK) Limited, is Great British Pounds (GBP).

The functional currency of the foreign operation, AdvanceRetail Technology Asia Sdn.Bhd, is Malaysian Ringgit (MYR).

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of 3Q Holdings Limited at the rate of exchange ruling at the balance date and their income statements are translated at the average exchange rate for the year.

The exchange differences arising on the translation of the assets and liabilities of these subsidiaries are taken directly to a separate component of equity the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

(iv) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts

(v) Depreciation

Depreciation is calculated on a straight-line and diminishing balance basis over the estimated useful life of the asset as follows:

- Straight line – 12.5% - 40%
- Diminishing balance – 13% - 60%

The assets residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(vi) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, their recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(vii) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(viii) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

Intellectual property

Costs incurred in developing products or systems and cost incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and or cost reduction are capitalised to intellectual property.

Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3 to 5 years.

Customer relationships

Customer relationships acquired separately as part of a business combination are recognised separately from goodwill. Customer relationships are carried at items fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows from the customer relationships over their estimated useful lives, which are currently 10 years.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 5 to 15 years.

(ix) Financial instruments

Recognition

Financial instruments are initially measured at fair value plus transaction costs, unless the financial instrument is classified at fair value through the profit and loss in which case these costs are expensed to profit and loss immediately. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(x) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

A provision for stock obsolescence is recognised to the extent to which the cost of the stock exceeds its net realisable value.

(xi) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

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(xii) Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently measured at amortised costs.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(xiii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date, taking into consideration the risks and uncertainty surrounding the obligation.

(xiv) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(xv) Revenue

Revenues are recognised at the fair value of the consideration received net of the amounts of goods and services tax payable to the taxation authority. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery and installation of the goods to the customer.

However, for implementations of software that take 3 months or more, licence revenue will be recognised in proportion to the provision of services as determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably.

Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Rendering of services

Revenue from rendering of services is recognised when the service is provided to the customer.

Interest

Revenue is recognised as the interest accrues.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(xvi) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

3Q Holdings Limited and it's wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the (stand-alone tax payer) approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 22nd December 2005.

(xvii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xviii) Share based payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xix) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(xx) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(xxi) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(xxii) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(xxiii) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key estimates – Impairment of goodwill

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for the Group, growth rates of between 2.5%-5% have been factored into valuation models for the next five years on the basis of management's expectations around the Group's continued ability to capture market share from competitors. Cash flow growth rates of 2.5%-5% subsequent to this period have been used. The rates used incorporate allowance for inflation. Post tax discount rates of 11% (Pre-tax rates of 13.59%) have been used in all models.

No impairment has been recognised in respect of goodwill, intangibles, plant and equipment at the end of the reporting period.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity’s current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

(xxiv) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(xxv) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker has been identified as the Board of Directors

(xxvi) Accounting Standards and interpretations

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2 Share-based Payment Transactions - amendments for Group Cash-settled Share-based Payment Transactions

The consolidated entity has applied the amendments to AASB 2 from 1 July 2010. The amendments clarified the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The consolidated entity has applied Interpretation 19 from 1 July 2010. The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualifies as consideration paid. The equity instruments issued are measured at their fair value, or if not reliably measured, at the fair value of the liability extinguished, with any gain or loss recognised in profit or loss.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

- AASB 101 'Presentation of Financial Statements' - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;
- AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;
- AASB 117 'Leases' - removal of specific guidance on classifying land as a lease;
- AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent; and
- AASB 136 'Impairment of Assets' - clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

AASB 2009-10 Amendments to AASB 132 - Classification of Rights Issues

The consolidated entity has applied AASB 2009-10 from 1 July 2010. The amendments clarified that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendment therefore provides relief to entities that issue rights in a currency other than their functional currency from treating the rights as derivatives with fair value changes recorded in profit or loss.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-3 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:
AASB 127 'Consolidated and Separate Financial Statements' and AASB 3 Business Combinations - clarifies that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not restated; the scope of the measurement choices of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; requires an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2011. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

3 Revenue and Expenses

	Consolidated Group	
	2011	2010
	$	**$**
(a) Revenue		
Sales of goods/hardware	1,575,378	1,826,060
Rendering of services	8,728,582	7,215,250
Maintenance fees	9,490,090	10,320,013
Licence fees	3,263,435	3,483,521
Other revenue	319,822	489,043
	23,377,306	**23,333,887**
(b) Other income		
Interest income	3,197	1,846
Other income	43,718	77,427
	46,915	**79,273**
(c) Other expenses		
Accounting and audit fee	390,059	365,586
Bad and doubtful debts	196,987	98,728
Legal fees	139,938	171,014
Rental expense and operating lease	718,560	811,224
Superannuation	323,925	264,157
Other expenses	2,201,688	2,264,951
	3,971,158	**3,975,660**

4 Income Tax

	Consolidated Group 2011 $	Consolidated Group 2010 $
(a) Income Tax Expenses (Benefit) Comprise:		
Current tax	593,753	156,505
Deferred tax	801,909	658,837
Recoupment/recognition of prior and current year tax losses	(94,487)	(133,388)
	1,301,175	**681,954**
(b) Reconciliation		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	1,282,572	593,991
Add:		
Tax effect of:		
non-deductible depreciation and amortisation	3,089	-
other non-allowable items	53,167	24,844
adjustment for differences in tax rates	201,525	140,930
shares and options expensed during year	30,871	173,006
under/(over) provision for income tax in prior year	(10,231)	(57,170)
other tax adjustments	(1,047)	(23,162)
	1,559,946	**852,439**
Less:		
Tax effect of:		
capitalisation costs in relation to capital raising	(14,691)	-
deduction for current year US state taxes	(32,550)	4,942
foreign currency exchange loss subject to income tax deduction	(46,070)	-
research and development additional allowance	(139,629)	(137,513)
current year losses not brought into account as a deferred tax asset(net of foreign exchange losses taken directly to equity)	21,945	-
recoupment of tax losses not previously recognised	(47,776)	(37,914)
Income tax attributable to entity	**1,301,175**	**681,954**
The applicable weighted average effective tax rates are as follows:	30%	34%

There are no tax effects on exchange differences relating to translating foreign controlled entities.

Tax consolidation

The Australian Tax Consolidation Legislation allows groups, comprising of a parent entity and its wholly-owned Australian resident entities, to elect to consolidate and be treated as a single entity for Australian income tax purposes.

3Q Holdings Limited and its 100% owned Australian resident subsidiaries consolidated under this legislation effective 22 December 2005.

3Q Holdings Limited as the head entity of the tax consolidated group and subsidiary members entered a tax sharing and funding agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

5 Earnings per Share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated Group	
	2011	2010
Net profit attributed to ordinary equity holders of the parent	$2,974,065	$1,298,016
Weighted average number of ordinary shares for basic earnings per share	161,824,487	153,785,446
Effect of dilution: share options	9,613,863	13,966,575
Weighted average number of ordinary shares adjusted for the effect of dilution	171,438,350	167,752,021

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

6 Dividends Paid and Proposed

There are no dividends payable or receivable at reporting date.

Franking Account Balance

	Consolidated Group	
	2011 $	2010 $
Franking Credit Balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at end of the financial year at 30% (2010 - 30%)	1,549,941	1,512,467
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	174,238	48,392
The amount of franking credits available for future reporting periods	1,724,179	1,560,859

7 Cash and Cash Equivalents

(a) Cash Balance

	Consolidated Group 2011 $	Consolidated Group 2010 $
Cash at bank	2,456,811	1,380,369
	2,456,811	**1,380,369**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash at the end of the financial year shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:

	Consolidated Group 2011 $	Consolidated Group 2010 $
Cash and cash equivalents	2,456,811	1,380,369
Overdraft	(163,729)	(548,625)
Cash per Cash Flow Statement	**2,293,082**	**831,744**

(b) Reconciliation of cash flow from operations with profit after income tax

	Consolidated Group 2011 $	Consolidated Group 2010 $
Profit after income tax	**2,974,065**	**1,298,016**
Non-cash flows in profit:		
Depreciation expenses	263,720	192,820
Amortisation expenses	1,597,888	1,572,849
Net profit/loss on disposal of property, plant and equipment	3,089	3,022
Share option expenses	102,902	576,688
Net foreign exchange difference	(12,226)	(58,401)
Changes in assets and liabilities (net of settlement)		
(Increase)/decrease in inventories	2,052	(16,778)
(Increase)/decrease in trade and other receivables	(44,135)	(719,602)
(Increase)/decrease in prepayment	4,777	(361,107)
(Increase)/decrease in deferred tax assets	528,235	(179,289)
(Increase)/decrease in current tax assets	89,614	-
Increase/(decrease) in current/deferred tax liability	363,271	352,671
Increase/(decrease) in trade and other payables	(1,182,366)	268,508
Increase/(decrease) in provisions	159,732	187,324
Increase/(decrease) in maintenance in advance	268,980	273,270
Net Cash from Operating Activities	**5,119,599**	**3,389,991**

8 Trade and other receivables

	Consolidated Group 2011 $	Consolidated Group 2010 $
Current		
Trade receivables	3,782,023	5,078,481
Less: Provision for impairment (a)	(137,079)	(131,068)
	3,644,944	4,947,413
Unbilled receivables	226,675	459,048
Receivable from related party	82,481	94,481
	3,954,100	**5,500,942**
Non-Current		
Trade receivables	129,987	-
	129,987	**-**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 7-30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

At 30 June 2011, the ageing analysis of trade receivables is as follows:

	Consolidated Group 2011 $	Consolidated Group 2010 $
0-30 days	2,193,984	3,882,039
31-60 days/PDNI*	1,012,144	285,150
31-60 days/CI*	-	-
61-90 days/PDNI*	133,413	164,766
61-90 days/CI*	-	-
+ 91 days/PDNI*	435,389	615,458
+ 91 days/CI*	137,079	131,068
	3,912,010	**5,078,481**

* Past due not impaired ('PDNI')
* Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated $1,580,946 (2010: $1,065,374). Payment terms on these amounts have in some cases been re-negotiated, however in certain circumstances credit has been stopped until payment is made. The carrying value of these re-negotiated amounts are $412,289 at 30 June 2011. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets.

	Consolidated Group 2011 $	Consolidated Group 2010 $
Movement in provision		
Balance of the beginning of the year	131,068	40,794
Additional provision	6,011	90,274
Balance at the end of year	**137,079**	**131,068**

(b) Related party receivables

For terms and conditions of related party receivables refer to note 23.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

(d) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 21.

9 Other Assets

	Consolidated Group	
	2011	2010
	$	$
Prepayments	635,001	728,297
	635,001	**728,297**

10 Inventories

	Consolidated Group	
	2011	2010
	$	$
Finished goods at net realisable value	193,521	196,332
	193,521	**196,332**

11 Property, Plant & Equipment

	Consolidated Group	
	2011	2010
	$	$
(a) Property, plant, equipment, furniture and motor vehicle		
At cost	1,182,870	1,180,729
Accumulated depreciation	(818,611)	(692,419)
	364,259	**488,310**
Movement in carrying amount		
Balance of the beginning of the year	488,310	369,915
Additions	107,849	277,857
Disposal	-	(3,094)
Depreciation expense	(186,709)	(142,905)
Foreign currency exchange difference	(45,192)	(13,463)
Balance at the end of year	**364,258**	**488,310**
(b) Leasehold improvements		
At cost	235,790	235,386
Accumulated depreciation	(131,971)	(73,583)
	103,819	**161,803**

	Consolidated Group 2011 $	2010 $
Movement in carrying amount		
Balance of the beginning of the year	161,803	139,680
Additions	20,514	87,262
Disposal	(1,215)	(15,110)
Depreciation expense	(65,030)	(49,071)
Foreign currency exchange difference	(12,254)	(958)
Balance at the end of year	**103,819**	**161,803**

(c) Software

At cost	43,727	47,140
Accumulated depreciation	(25,687)	(18,459)
	18,040	**28,681**
Movement in carrying amount		
Balance of the beginning of the year	28,681	11,559
Additions	5,075	16,762
Depreciation expense	(11,982)	(844)
Foreign currency exchange difference	(3,734)	1,204
Balance at the end of year	**18,040**	**28,681**

Total Property, plant and equipment		
At cost	1,462,387	1,463,255
Accumulated depreciation	(976,269)	(784,461)
	486,118	**678,794**
Movement in carrying amount		
Balance of the beginning of the year	678,794	521,155
Additions	133,439	381,880
Disposal	(1,215)	(18,204)
Depreciation expense	(263,720)	(192,820)
Foreign currency exchange difference	(61,179)	(13,217)
Balance at the end of year	**486,118**	**678,794**

12 Intangible Assets

Consolidated Group	Intellectual Property $	Customer relationship $	Tradename $	Goodwill $	Development costs $	Total $
2010						
At cost	6,302,429	6,836,037	788,546	14,294,422	3,227,943	31,449,377
Accumulated Amortisation	(2,606,354)	(1,727,803)	(129,654)	-	(140,323)	(4,604,134)
Net carrying value	**3,696,075**	**5,108,234**	**658,892**	**14,294,422**	**3,087,620**	**26,845,243**
2011						
At cost	6,302,429	5,545,785	788,546	12,967,750	4,427,392	30,031,902
Accumulated Amortisation	(3,351,333)	(1,956,270)	(181,516)	-	(294,535)	(5,783,654)
Net carrying value	**2,951,096**	**3,589,515**	**607,030**	**12,967,750**	**4,132,857**	**24,248,248**

Consolidated Group	Intellectual Property $	Customer relationship $	Tradename $	Goodwill $	Development costs $	Total $
Balance of the beginning of the year 2010	4,434,823	6,256,165	709,507	14,878,982	1,310,000	27,589,476
Capitalised cost	6,231	-	1,247	-	1,931,301	1,938,779
Reallocation	-	-	-	(99,050)	-	(99,050)
Amortisation	(744,979)	(683,602)	(51,862)	-	(106,098)	(1,586,540)
Foreign currency exchange difference	-	(464,329)	-	(485,510)	(47,583)	(997,422)
Balance at the end of year	**3,696,075**	**5,108,234**	**658,892**	**14,294,422**	**3,087,620**	**26,845,243**
Balance of the beginning of the year 2011	3,696,075	5,108,234	658,892	14,294,422	3,087,620	26,845,243
Capitalised cost	-	-	-	-	1,736,161	1,736,161
Amortisation	(744,979)	(603,053)	(51,862)	-	(197,994)	(1,597,888)
Foreign currency exchange difference	-	(915,665)	-	(1,326,672)	(492,930)	(2,735,267)
Balance at the end of year	**2,951,096**	**3,589,516**	**607,030**	**12,967,750**	**4,132,857**	**24,248,248**

Intangible assets, other than goodwill, have finite useful lives. Goodwill is not amortised but is subject to annual impairment testing (see note 13). No impairment loss was recognised in the 2011 financial year.

Intellectual Property includes software and principal technology.

This software is amortised between 5 to 15 years.

The current amortisation charge is included under the depreciation and amortisation expense in the Income Statement.

13 Goodwill impairment testing and cash-generating units

Goodwill is allocated to cash-generating units as set out below. The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period, including a terminal value in the 6th year. The cash flows are discounted using the weighted average cost of capital at the beginning of the budget period of 11%.

Goodwill is allocated to cash-generating units as follows:

	Consolidated Group 2011 $	2010 $
3Q Holdings & Island Pacific Australia (excluding AdvanceRetail Division of 3Q Holdings)	3,119,666	3,119,666
Business of AdvanceRetail Technology (Subsidiary in New Zealand and division of 3Q Holdings in Australia)	4,606,960	4,706,054
Business of Island Pacific (Subsidiaries in US and UK)	5,241,124	6,468,702
	12,967,750	**14,294,422**

Key assumptions used

The following describes each key assumption on which management has based its cash flow projections when determining the value in use:

- 13.59% (2010: 10.3%) pre-tax discount rate;
- Between 2.5%-5%% (2010: 5%) per annum projected revenue growth rate;

- Between 0%-5% (2010: 0%-5%) per annum increase in operating costs and overheads.

The discount rate of 13.59% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer industry, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 2.5%-5% revenue growth rate is prudent and justified, based on the current market and new product sales resulting from the group's investment in research and development.

Goodwill, fixed assets and principal technology and other intangible assets are consolidated in order to assess whether the carrying amount exceeds the recoverable value of these assets. The reasons they are not separately assessed is because it is not possible to separately distinguish the cash flows for each category of asset. Instead, for the purposes of assessing whether an impairment has occurred, the assets are represented as one business unit.

Cash flows used in cash flow projections include the effects of intercompany transactions, but exclude the effects of financing. There were no other key assumptions.

Based on the above, no impairment has occurred as the carrying amount of goodwill (and other intangibles) exceed their recoverable value.

The calculation of value in use is most sensitive to the following key assumption:

- Revenue growth rate

As disclosed in note 1, the directors have made judgements and estimates in respect of impairment testing of goodwill and other intangible assets. Should these estimates not materialise, the resulting goodwill and intangible assets may vary in carrying amount. The sensitivities are as follows:

- Island Pacific Australia Segment
  Revenue growth would need to decrease more than currently budgeted for before goodwill and other intangible assets would need to be impaired, with all other assumptions remaining constant.

- Island Pacific US/UK Segment
  Revenue growth would need to decrease by more than 13% before goodwill and other intangible assets would need to be impaired, with all other assumptions remaining constant.

- Island Pacific Store Segment
  Revenue growth would need to decrease by more than 17% before goodwill and other intangible assets would need to be impaired, with all other assumptions remaining constant.

- AdvanceRetail Segment
  Revenue growth would need to decrease by more than 10% before goodwill and other intangible assets would need to be impaired, with all other assumptions remaining constant.

Management consider that other reasonable changes in all other key assumptions to the cash flow projections would not have as a material effect on impairment, as does revenue growth rate.

14 Share-based payments

There were no options under the Employee Share Option Plan issued during the year.

7,470,000 options under this plan were cancelled during the prior year.

750,000 shares under the Employee Share Ownership Plan were issued during the year.

(a) Employee Share Ownership Plan

The Employee Share Ownership Plan was approved by the Annual General Meeting and established on 3 December 2009.

Under the terms of the Employee Share Ownership Plan, the company has granted each of the participating executives and employees a limited recourse loan equal to the purchase value of the shares which is repayable within 3 years. The financial assistance becomes immediately repayable in the event of dismissal, resignation, death or retirement of the executive or employee. The financial assistance is secured over the shares and the rights attached to the shares.

All shares issued pursuant to the plan are held by a trustee appointed by the company in trust for the employee until such time as the financial assistance is repaid. 60% of all dividends and distributions made in respect of the shares must be applied towards repayment of the financial assistance. Voting rights attached to the shares may only be exercised by the trustee holder in the best interest of the executive.

For accounting purposes, the shares issued under the Employee Share Ownership Plan has been treated as option grant and the value of the shares vested has been accounted for and included in the result of the period. Any repayment of the financial assistance will be treated as partial payment to be applied towards the payment of shares issued under the Employee Share Ownership Plan.

	Tranche 1	Tranche 2	Tranche 3
Number of Shares on Issue	7,250,000	6,750,000	750,000
Exercise Price	$0.13	$0.10	$0.07
Time to Maturity	3 years	3 years	3 years
Underlying Share Price	$0.13	$0.10	$0.07
Expected Share Price Volatility	36.84%	36.84%	36.84%
Risk-free Interest Rate	5.11%	5.11%	5.11%
Dividend Yield	5.00%	5.00%	5.00%

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 8-11.

(b) Employee Option Plan

The Employee Option Plan (EOP) was approved by the Annual General Meeting and established on 8 November 2006.

Each option issued under the plan will be issued free of charge. The exercise price for options granted under the EOP will be the price fixed by the Board prior to the grant of the options. The options granted under the EOP may be subject to such other restrictions on exercise as may be fixed by the directors prior to the grant of the options including, without limitation, length of services by the employee and threshold prices at which shares are traded on the Australian Securities Exchange (ASX). Any restrictions so imposed by the directors must be set out on the option certificate.

The options granted under the EOP do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant option. The number of shares issued on the exercise of options will be adjusted for bonus issues made prior to the exercise of the options.

Under the EOP, the directors may invite employees to participate in the EOP and receive options. The plan is open to employees of the company or its subsidiaries who the Board determine to be entitled to participate in the EOP.

If the company, after having granted any option under the EOP, reduces its issued share capital or subdivides or consolidates its shares, the number of the shares issued to the option holder on exercise of an option will be reduced, subdivided or consolidated, as the case may be in accordance with the ASX Listing Rules.

Options granted under the EOP are not transferable.

The fair value of the option grant under the EOP is estimated at the date of grant using a Black-Scholes Options Pricing Model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Grant Date	20-Aug-08	15-Jan-09	19-Jan-10
Exercisable Date	1/3 on 20 Aug 09	1/3 on 15 Jan 10	1/3 on 19 Jan 11
	1/3 on 20 Aug 10	1/3 on 15 Jan 11	1/3 on 19 Jan 12
	1/3 on 20 Aug 11	1/3 on 15 Jan 12	1/3 on 19 Jan 13
Expiry Date	20-Aug-12	15-Jan-13	15-Jan-14
Number of Options on Issue	485,000	4,515,000	50,000
Exercise Price	$0.20	$0.15	$0.15
Time to Maturity	1.1 years	1.6 years	2.6 years
Underlying Share Price	$0.11	$0.11	$0.11
Expected Share Price Volatility	36.84%	35.00%	35.00%
Risk-free Interest Rate	5.80%	5.75%	5.75%
Dividend Yield	5.00%	0.00%	0.00%

The expected life of the options is based on historical data, which may not eventuate in the future. The expected share price volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

(c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expenses were as follows:

	Consolidated Group 2011 $	Consolidated Group 2010 $
Payments related to ESOP Shares	11,400	350,200
	11,400	**350,200**

15 Trade and Other Payables

	Consolidated Group 2011 $	Consolidated Group 2010 $
Current		
Trade payable	1,262,051	2,056,822
Deferred revenue	3,524,656	3,959,401
Other payable	406,997	487,081
Payable to related party	191,889	543,658
	5,385,593	**7,046,962**
Non-current		
Other payable	32,570	72,561
	32,570	**72,561**
	5,418,163	**7,119,523**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

(a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Financial guarantees

The Group has guaranteed the National Australia Bank facility, which commits the individual companies within the Group to make payments on behalf of the other entities in the Group upon the failure by any such entity to perform under the terms of the relevant facility agreement.

16 Financial Liabilities

	Consolidated Group	
	2011 $	2010 $
Current		
Secured:		
Bank loans	2,150,000	4,250,000
Bank Overdraft	163,729	548,625
Derivative financial liability	49,969	216,481
	2,363,698	**5,015,106**
Non-current		
Secured:		
Bank loans	7,249,770	7,831,372
	7,249,770	**7,831,372**
Total financial liabilities	**9,613,468**	**12,846,478**

Bank loan

The bank loan is secured by a charge over the assets of the group, held by National Australia Bank.

Part of the interest on this loan is charged at a variable rate of interest and the other part at a fixed rate of interest.

The bank loan facilities above include:

- Tranche A Facility with a limit of $6,506,820 which is a 2 year amortising non-revolving Dollar market rate term facility. This facility bears interest at a variable rate with a margin of 2.75%, and interest fixed at a rate of 5.65% plus a margin of 2.75%. At 30 June 2011 $6,506,820 of this amount was drawn down. This facility expires in January 2013.
- Tranche B Facility with a limit of $747,050 which is a 2 year amortising non-revolving Sterling market rate term facility. This facility bears interest at a variable rate with a margin of 2.75%, and interest fixed at a rate of 1.485% plus a margin of 2.75%. At 30 June 2011 $747,050 of this amount was drawn down. This facility expires in January 2013.
- Tranche C Facility with a limit of $2,145,900 which is a 2 year amortising non-revolving US Dollar market rate term facility. This facility bears interest at a variable rate with a margin of 2.75% , and interest fixed at a rate of 0.84% plus a margin of 2.75%. At 30 June 2011 $2,145,900 of this amount was drawn down. This facility expires in January 2013.
- At 30 June 2011, AUD$3,500,000, GBP400,000 and US$3,750,000 has been fixed (AUD$7,596,390) and the balance is variable.
- The bank loan facilities are for the primary purpose of funding the acquisition of AdvanceRetail Technology and Island Pacific.
- At balance date the unamortised transaction costs were $60,016 (2010 $30,578) and the costs amortised during the year were $57,556 (2010 $65,000)

After the balance sheet date the following material variations were made to the bank facility:

- The overdraft facility was extended to 30 June 2012
- The July 2011 principal repayment was reduced from $1.5 million to $900,000.
- A share buy back from a major shareholder of $1 million was approved by the bank.

- The US$ loan was increased by US$3 million and the AUD$ loan was decreased by the equivalent amount in AUD$.
- A clause was added requiring 3Q to ensure that at all times the Guarantors comprised members of the 3Q Group owning at least 95% of the Group assets.

Financing facilities available

As at balance date, the following financing facilities had been negotiated and were available:

	2011 $	2010 $
Total facilities- bank loan	9,899,770	13,581,372
Facilities used at reporting date-bank loans	9,563,499	12,629,997
Facilities unused at reporting date-bank loans	336,271	951,375

Details of these bank loan facilities are set out above. The facilities were available to both the parent and its subsidiaries jointly and severally.

(a) Fair values

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

(b) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Current			
Cash and cash equivalents	7	2,456,811	1,380,369
Trade and other receivables	8	3,954,100	5,500,942
Other assets	9	635,001	728,297
Inventories	10	193,521	196,332
		7,239,433	**7,805,940**
Non-current			
Deferred income tax asset	18	2,937,361	3,358,625
Trade and other receivables	8	129,987	-
Property, plant and equipment	11	486,118	678,794
Intangible assets	12	24,248,248	26,845,243
		27,801,715	**30,882,662**
Total assets pledged as security		**35,041,148**	**38,688,602**

The National Australia Bank have a fixed and floating charge over all the assets of the Group.

(c) Defaults and breaches

At the balance date there were no breaches or defaults with National Australia Bank.

17 Provisions

	Consolidated Group 2011 $	2010 $
Current - Provision for annual leave	1,072,249	874,994
Non-current - Provision of long service leave	51,811	169,353
	1,124,060	**1,044,347**
Movement in provision		
Balance of the beginning of the year	1,044,347	873,670
Amounts provided	772,921	833,751
Leave taken	(583,152)	(646,405)
Translation differences	(110,056)	(16,667)
Balance at the end of year	**1,124,060**	**1,044,347**

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 2 (xiii) to this report.

18 Tax

	Consolidated Group 2011 $	2010 $
CURRENT		
Income Tax Payable	428,386	**251,686**

NON-CURRENT

	Opening Balance $	Charged to Income $	Charged Directly to Equity $	Changes in Tax Rate $	Exchange Differences $	Closing Balance $
Deferred Tax Liability						
Property Plant and Equipment tax allowance	1,420,353	(6,960)	-	-	(63,144)	1,350,249
Capitalised development costs	530,929	714,058	-	-	(681)	1,244,306
Other	-	2,287	-	-	-	2,287
Balance at June 2010	**1,951,282**	**709,385**	**-**	**-**	**(63,825)**	**2,596,842**
Property Plant and Equipment tax allowance	1,350,249	(47,957)	-	-	(273,046)	1,029,246
Capitalised development costs	1,244,306	586,889	-	-	(255,228)	1,575,967
Other	2,287	-	-	-	-	2,287
Balance at June 2011	**2,596,842**	**538,932**	**-**	**-**	**(528,274)**	**2,607,501**

NON-CURRENT

	Opening Balance	Charged to Income	Charged Directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
	$	$	$	$	$	$
Deferred Tax Assets						
Provisions	481,362	20,739	-	-	(3,788)	498,313
Transaction costs on equity issue	79,501	(67,455)	-	-	-	12,046
Unrealised foreign exchange loss/ (gain)	208,847	(179,468)	-	-	5,852	35,231
tax allowance	377,424	157,420	-	-	899	535,743
Recognition/recoupment of tax losses	2,000,850	140,525	-	-	(127,602)	2,013,773
Other	130,155	112,175	-	-	21,189	263,519
Balance at 30 June 2010	**3,278,139**	**183,936**	**-**	**-**	**(103,450)**	**3,358,625**
Provisions	498,313	24,568	-	-	(50,174)	472,707
Transaction costs on equity issue	12,046	(3,809)	-	-	-	8,237
Unrealised foreign exchange loss/ (gain)	35,231	(326,352)	-	-	(23,481)	(314,602)
tax allowance	535,743	24,568			575	700,733
Recognition/recoupment of tax losses	2,013,773	(3,809)	-	-	(118,286)	1,946,069
Other	263,519	(326,352)	-	-	(61,408)	124,218
Balance at 30 June 2011	**3,358,625**	**24,568**	**-**	**-**	**(252,774)**	**2,937,361**

Deferred tax assets from tax losses which have not been brought into account, the benefits of which will only be realised if the conditions for deductibility as set out in Note 2(b) are met, amount to $3,571,558 (2010: $3,633,481).

3Q Holdings Limited had income tax losses of $15,346,339 at 30 June 2011 ($15,469,049 as at 30 June 2010), of which $4,107,443 of these losses have been recognised as a deferred tax asset in accordance with note (xvi).

Island Pacific (UK) Limited had income tax losses of $2,673,215 at 30 June 2011 ($2,006,930 as at 30 June 2010), of which $2,006,930 of these losses have been recognised as a deferred tax asset in accordance with note (xvi).

AdvanceRetail Technology Limited had income tax losses of $570,264 at 30 June 2011 ($402,686 as at 30 June 2010), all of which have been recognised as a deferred tax asset in accordance with note (xvi).

19 Issued Capital

	Consolidated Group	
	Number	$
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 directors and senior managers	750,000	11,400
Balance at the end of the year	**165,826,542**	**7,586,837**

	Consolidated Group	
	Number	$
2010		
(a) Ordinary shares		
Fully paid	161,076,542	7,335,437
Partially paid	-	-
	161,076,542	7,335,437
(b) Movements in ordinary share on issue		
Balance at the beginning of the year	147,076,542	6,985,237
Share buyback	14,000,000	350,200
Balance at the end of the year	**161,076,542**	**7,335,437**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Options

For information relating to the 3Q employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 14.

For information relating to share options issued to key management personnel during the financial year, refer to Note 14.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures a balanced cost of capital available to the entity.

One method that Management monitors capital, is through the gearing ratio (net debt / total capital). The gearing ratio at balance date has been reduced from the prior year due to amounts repaid to NAB during the current year. Management intend to continually reduce this ratio by repaying part of its debt using internally generated funds.

The Group's debt is governed by the following borrowing covenants:

- Interest cover ratio
- Leverage ratio
- 15% variance from budget

The Group did not breach these covenants in the current year.

The gearing ratios based on operations at 30 June 2011 and 2010 were as follows:

	Consolidated Group	
	2011 $	2010 $
Interest bearing on loans & borrowings	9,563,499	12,629,997
Cash & equivalent	(2,456,811)	(1,380,369)
Net debt	**7,106,688**	**11,249,628**
Total equity	15,849,570	14,829,726
Total capital employed	**22,956,258**	**26,079,354**
Gearing (%)	**30.96%**	**43.14%**

20 Reserves

	Consolidated Group 2011 $	Consolidated Group 2010 $
(a) Foreign currency translation reserve		
Balance at the beginning of the year	(899,202)	(269,706)
Gain/(loss) on translation of overseas controlled entities	(2,297,122)	(629,496)
Balance at the end of the year	**(3,196,324)**	**(899,202)**
(b) Employee equity benefits reserve		
Balance at the beginning of the year	607,066	537,778
Cancellation of options during the year	(276,424)	(157,200)
Options expensed during the year	91,502	226,488
Balance at the end of the year	**422,144**	**607,066**
Total reserves	**(2,774,180)**	**(292,136)**

Foreign Currency Translation Reserve

Exchange differences arising in translation of the Company's foreign subsidiaries are taken to the foreign currency translation reserve, as described in note 2(iii). The reserve is recognised in profit and loss at such time as the Company disposes of its net investment.

Options Reserve

The options reserve records items recognised as expenses on valuation of options over their respective vesting periods.

21 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, bank loans, cash and short-term deposits and derivatives.

	Consolidated Group 2011 $	Consolidated Group 2010 $
Financial assets		
Cash and equivalents	2,456,811	1,380,369
Financial assets at amortised costs - Loans and receivables	4,084,087	5,500,942
Total financial assets	**6,540,898**	**6,881,311**
Financial liabilities		
Financial liabilities at amortised costs - Trade and other payables	5,418,163	7,119,523
- Borrowings	9,563,498	12,629,997
- Financial liabilities at FV through profit or loss	49,969	216,481
Total financial liabilities	**15,031,631**	**19,966,002**

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swaps and forward currency contracts (to a limited extent). The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. These derivatives provide economic hedges, but do not qualify for hedge accounting. The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in note 16.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian, USA, UK and New Zealand Variable interest rate risk that are not designated as cash flow hedges:

	Consolidated Group	
	2011 $	2010 $
Financial assets		
Cash and equivalents	2,456,811	1,380,369
	2,456,811	**1,380,369**
Financial liabilities		
Bank overdrafts	163,729	548,625
Interest rate swaps	49,969	216,481
Bank loans	1,803,380	1,275,683
	2,017,078	**2,040,789**
Net exposure	**(439,733)**	**660,420**

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's policy is to maintain between 50% and 80% of its bank borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 80% of the Group's bank borrowings are at a fixed rate of interest (2010: 84%).

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date (the rates used are based on average movements between 2010 and 2011):

	Consolidated Group	
Judgments of reasonably possible movements	2011 $	2010 $
Post tax profit		
+ 1% (100 basis points)	3,059	(4,330)
- 0.5% (50 basis points)	(1,529)	2,165
Equity		
+ 1% (100 basis points)	3,059	(4,330)
- 0.5% (50 basis points)	(1,529)	2,165

The movements in profit are due to higher/lower interest rates from variable rate debt and cash balances that earn interest which is not fixed. The sensitivity is lower in 2011 than in 2010 because the level of net borrowings has decreased in 2011.

Foreign currency risk

As a result of significant operations in the United States, United Kingdom and New Zealand following the acquisition of Island Pacific in December 2007 and AdvanceRetail in March 2007, the Group's balance sheet can be affected significantly by movements in the US$/A$,GBP/A$ and NZ$/A$ exchange rates. The Group has mitigated the effect of its foreign currency exposure by increasing its borrowing in US Dollars and GBP. The reason only US Dollar and GBP debt has been increased and not other currencies is because the Board believe the US Dollar and GBP are the most volatile of currencies to the AUD Dollar, in comparison to the NZ Dollar, and also the US$ and GBP earnings are larger than the other overseas earnings. These borrowings in foreign currencies then act as a hedge against the earnings from these currencies.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

The Group has no forward currency contracts in place at 30 June 2011.

Between 2010 and 2011, exchange rates moved by almost 21% for the AUD$:US$, by 15% for the AUD$:GBP, and 5% for the AUD$:NZ$. Assuming the average movement was 15%, and using a lower-end movement of 5%,as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated Group	
	2011 $	2010 $
Net Profit after tax	3,842,510	2,737,572
Net Profit after tax subject to exposure	**3,842,510**	**2,737,572**
Equity		
Assets	24,219,917	26,831,352
	24,219,917	26,831,352
Liability		
Bank loans	2,892,950	6,350,471
Others	20,959,786	22,923,074
	23,852,736	29,273,545
Equity to exposure	**367,181**	**(2,442,193)**
Judgments of reasonably possible movements		
Post tax profit		
- 5% movement	84,675	106,089
- 15% movement	254,025	318,268
+ 15% movement	(254,025)	(318,268)
+ 5% movement	(84,675)	(106,089)
Equity		
- 5% movement	(15,791)	(122,110)
- 15% movement	(47,374)	(366,329)
+ 15% movement	47,374	366,329
+ 5% movement	15,791	122,110

The Group has a US$ borrowing of $2,300,000 (2010: $5,410,642) that is used as a hedge of the net investment in the US operation.

At 30 June 2011, the Group hedged none of its foreign currency purchases that are firm commitments.

Price risk

The Group's exposure to commodity price risk is minimal.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. In addition, the Group has the ability to "withhold support" to its customers should it be difficult to receive payment from them.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2011. Cash flows for liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated Group	
	2011 $	2010 $
6 months or less	6,436,876	8,205,463
6-12 months	1,262,445	3,856,605
1-5 years	7,282,340	7,903,933
	14,981,662	**19,966,001**

Included in the maturities of 6 months or less is an amount of $3,524,656 (2010 $3,959,401) representing maintenance and other amounts paid by customers in advance. Even though these are contractual liabilities, it is very unlikely that these amounts will result in a cash outflow in the period, or in any period thereafter.

Based on the above, the actual estimated cash outflows in the 6 months or less is $2,912,220 instead of the stated amount of $6,436,876.

Maturity analysis of financial liabilities based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash outflows.

	Consolidated Group	
	2011 $	2010 $
Trade & other payable		
< 6 months	5,373,147	7,031,838
6 - 12 months	12,445	15,124
1-5 years	32,570	72,561
	5,418,162	7,119,523
Interest rate swaps		
6 - 12 months	49,969	216,481
	49,969	**216,481**

	Consolidated Group 2011 $	Consolidated Group 2010 $
Interest bearing loans & borrowings		
< 6 months	1,063,729	1,173,625
6 - 12 months	1,250,000	3,625,000
1-5 years	7,249,770	7,831,372
	9,563,499	**12,629,997**
	15,031,630	**19,966,001**

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Fair value measurement

As of 30 June 2010, 3Q Holding Limited has adopted the amendment to AASB 7 Financial Instrument: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) and active markets for identical assets or liabilities (level 1) .

(b) inputs other than quoted price included with level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the assets or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's and assets and liabilities measured and recognised at fair value at 30 June 2011. Comparatives included below.

	Consolidated Group Level 1 $	Level 2 $	Level 3 $	Total $
At 30 June 2011				
Assets	-	-	-	-
Liabilities				
Financial liabilities at FV through profit or loss	-	49,969	-	49,969
	-	**49,969**	**-**	**49,969**

	Consolidated Group Level 1 $	Level 2 $	Level 3 $	Total $
At 30 June 2010				
Assets	-	-	-	-
Liabilities				
Financial liabilities at FV through profit or loss	-	216,481	-	216,481
	-	**216,481**	**-**	**216,481**

	Consolidated Group 2011 $	Consolidated Group 2010 $
Movement		
Balance at the beginning of the year	216,481	539,706
Additional provision	(166,513)	(323,225)
Balance at the end of the year	**49,969**	**216,481**

22 Commitments and Contingencies

Commitments

Operating Leases

The group entered into the operating lease agreements set out below, with the following commitments for minimum lease payments (not capitalised in the financial statements).

	Consolidated Group	
	2011 $	2010 $
Within one year	598,231	598,231
After one year, but not more than five year	1,420,448	1,420,448
	2,018,679	**2,018,679**

(i) A commercial property lease for use of its Sydney head office. The lease is a two-year lease and expires on 17 September 2012. There is no option to renew. The lease includes a clause to enable upward revision of the rental charge on an annual basis at 4%.

(ii) A commercial property lease for use of its USA Irvine office. The lease is a 63 month lease and expires on 31 October 2014. There is an option to renew for 5 years. The lease includes a clause to enable upward revision of the rental charge at 3% per annum.

(iii) A commercial property lease for use of its USA San Diego office. The lease is a three and a half year lease and expires on 15 December 2013. There is an option to renew for 3 years. The lease includes a clause to enable upward revision of the rental charge at 3% per annum.

(iv) A lease for a photocopier in New Zealand. The lease is a four-year lease and expires on 30 June 2013.

(v) A lease for 2 motor vehicles in Australia. The leases are five-year leases and expire In February 2014.

(vi) A commercial property lease for use of its NZ office. The lease is a 6 year lease and expires on 2 April 2013. There is an option to renew for 3 years. The lease includes a clause to enable upward revision of the rental charge at the greater of CPI or the market rent calculated on each anniversary date but reviewed on the fourth anniversary of the commencement date.

(vii) A lease for a photocopier in the US. The lease is a three-year lease and expires on 31 May 2013.

(viii) A lease for a motor vehicles in the US. The lease is a three-year lease and expires on 24 September 2012.

(ix) A lease for a computer server in the US. The lease is a two-year lease and expires on 31 May 2011.

(x) A lease for a photocopier in the UK. The lease is a five-year lease and expires on 15 March 2015.

(xi) A lease for a motor vehicle in the US. The lease is a four-year lease and expires on 01 May 2014.

(xii) A lease for furniture in the US. The lease is a four-year lease and expires on 30 June 2013.

(xiii) A lease for a photocopier in the AU. The lease is a five-year lease and expires on 30 June 2016.

A commercial property lease for use of the Asia office. The lease is a twenty one month lease and expires on 31 December 2011. There is an option to renew for 2 years.

Contingencies

There are no contingent liabilities at balance date.

23 Related party disclosure

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 8 and note 15):

Consolidated		**2011 $**	**2010 $**
Rent paid to Related Parties excluding GST	Note 2	120,000	120,000
Compensation of David Rosen	Note 4	277,986	282,868
Transactions with Distributor	Note 3	417,598	990,094
Amounts owed by Related Parties for financed sales	Note 1	82,481	94,481
Amounts owed to Related Parties – Distributor	Note 3	191,889	543,658
Amounts owed by (to) Related Parties for rent	Note 2	7,566	7,566
Compensation of McGeachen Bell Associates Ltd(Mark McGeachen)	Note 5	197,847	143,265
Compensation of McGeachen Bell Associates Ltd (Andrew Bell)	Note 6	189,936	142,695
Compensation of High Expectations Pty Ltd (Stephe Wilks)	Note 7	60,000	67,025

Note 1 - Sales financed by related parties

Sales to certain customers of Island Pacific Australia Pty Limited are financed by Isalux Pty Limited, a related party of the Group. Isalux Pty Ltd is 100% owned by Shaun Rosen, Clive Klugman and David Rosen (through their personally-related entities), who are also Directors of Isalux. Isalux repays Island Pacific Australia Pty Limited on a monthly basis. There were no sales in the current or prior year.

Note 2 - Rent paid to related parties

The Sydney offices are rented from Isalux Pty Limited, a related party.

Note 3 - Distributor

Under an agreement with Pyramid Merchandising Software (Pty) Limited (PMS), Island Pacific Australia Pty Limited was appointed the worldwide master distributor in all territories outside Africa of PMS's merchandising software product known as "IP Planning". David Rosen, who has a 50% interest in Elabrook Pty Limited, one of the vendors of Island Pacific Australia Pty Limited, and who is a Director of Island Pacific Systems Inc, is an owner of 25% of the issued capital of PMS.

Note 4 - Director of Related Party

As disclosed as part of the distributor note above, David Rosen has a 50% interest in Elabrook Pty Limited, one of the vendors of Island Pacific Australia Pty Limited, and is a Director of Island Pacific Systems Inc, a related party. By virtue of his directorship in Island Pacific Systems Inc., a related party, David is a related party himself. David receives remuneration as a Director of Island Pacific Systems Inc, which is disclosed above as a related party transaction.

Note 5 – Company controlled by Director - McGeachen Bell Associates Limited

Mark McGeachen, a Director of 3Q Holdings Limited, has a 50% interest in McGeachen Bell Associates Limited. Mark McGeachen provides all the administrative and management services required for AdvanceRetail Technology to operate efficiently on a day-to-day basis, including the normal day-to-day management of the Company, through McGeachen Bell Associates Limited.

Mark, being a Director of 3Q Holdings Limited, is a related party. By virtue of his controlling interest in McGeachen Bell Associates Limited, this makes McGeachen Bell Associates Limited a related party as well. McGeachen Bell Associates Limited receives remuneration from AdvanceRetail Technology for Mark's services, which is disclosed above as a related party transaction.

Note 6 – Company controlled by Key Management Personnel - McGeachen Bell Associates Limited

Andrew Bell, a Key Management Personnel of AdvanceRetail Technology, has a 50% interest in McGeachen Bell Associates Limited. Andrew Bell provides all the technical services required for AdvanceRetail Technology to operate efficiently on a day-to-day basis, including the normal day-to-day management of all the technical aspects of the Company, through McGeachen Bell Associates Limited.

Andrew, being a Key Management Personnel of AdvanceRetail Technology, is a related party. By virtue of his controlling interest in McGeachen Bell Associates Limited, this makes McGeachen Bell Associates Limited a related party as well. McGeachen Bell Associates Limited receives remuneration from AdvanceRetail Technology for Andrew's services, which is disclosed above as a related party transaction.

Note 7 – Company controlled by Director - High Expectations Pty Limited

Stephe Wilks, a Director of 3Q Holdings Limited, has a 40% interest in High Expectations Pty Limited. Stephe is paid his Director's fees through High Expectations Pty Ltd.

Stephe, being a Director of 3Q Holdings Limited, is a related party. By virtue of his controlling interest in High Expectations Pty Ltd, this makes High Expectations Pty Ltd a related party as well. The Director's fees paid to Stephe are disclosed above as a related party transaction.

24 Events after balance sheet date

There were no material events after balance sheet date.

25 Auditors' Remuneration

The auditor of 3Q Holdings Limited is PKF.

	Consolidated Group	
	2011 $	2010 $
Amounts received, or due and receivable by PKF for:		
- Audit or review of financial reports of the entity	141,719	146,327
- Other non-auditor services in relation to the entity		
R&D tax allowance preparation	8,150	-
Transfer pricing report	10,000	-
Remuneration of other auditors of subsidiaries for:		
- Audit or review of financial reports of the entities	117,616	88,262
- Other non-auditor services in relation to the entities		
Transfer pricing preparation	-	770
Tax services	13,866	59,424
Statutory account preparation	812	9,647
Employee share scheme	-	3,825
Other services charge	971	1,612
	293,134	**309,868**

26 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 services. The 3Q business is not considered to be a reportable segment.

	IPAUS		IP Store		IP (UK&US)		AdvanceRetail		Total	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Revenue from external customers	4,672,567	4,671,108	1,318,020	1,399,181	12,271,259	12,490,072	5,115,460	4,773,525	23,377,306	23,333,887
Inter-segment revenue	52,112	59,588	-	-	600,410	807,117	950,324	736,321	1,602,846	1,603,026
Interest revenue	292	88	-	-	32	118	845	1,636	1,169	1,842
Total segment revenue	4,724,971	4,730,784	1,318,020	1,399,181	12,871,701	13,297,307	6,066,628	5,511,482	24,981,320	24,938,755
Adjusted EBITDA	755,025	1,184,433	315,548	226,793	3,063,240	2,223,729	1,124,919	903,973	5,258,733	4,538,928
Depreciation & amortisation	109,982	85,856	1,826	22,226	922,688	832,812	288,980	286,042	1,323,476	1,226,935
Income tax expenses	165,581	242,190	-	-	490,177	55,625	433,193	109,838	1,088,950	407,654
Interest expenses	4,196	461	10	189	344,654	381,765	1,138	-	349,998	382,415
Total segment assets	5,525,329	5,174,196	1,091,018	894,723	22,657,013	25,953,142	6,989,119	7,363,066	36,262,480	39,385,127
Total segment liabilities	1,114,722	1,238,678	236,193	189,352	17,649,851	19,629,698	4,556,610	4,306,323	23,557,376	25,364,051
Segment non-current assets, other than financial assets & deferred tax	1,394,394	890,875	5,728	3,796	14,817,806	17,764,433	5,526,765	5,745,272	21,744,693	24,404,376

(a) 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 non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

	Consolidation	
	2011 $	2010 $
Adjusted EBITDA	5,258,733	4,538,928
3Q's other sundry income	-	19,856
Interest received	3,197	1,846
3Q's operating expenses	(1,331,470)	(1,553,767)
Intersegment elimination	2,098,038	2,003,292
Underlying EBITDA	**6,028,497**	**5,010,156**

(b) Reconciliation of adjusted EBITDA to operating profit before income tax

	Consolidation 2011 $	Consolidation 2010 $
Adjusted EBITDA	5,258,733	4,538,928
Depreciation and amortisation	(1,861,608)	(1,765,669)
Interest received, foreign exchange gains	914,072	92,077
Finance costs	(699,621)	(778,060)
Share based payments/expenses	(102,902)	(576,688)
3Q's other sundry income	-	19,856
3Q's operation expenses	(1,331,470)	(1,553,767)
Intersegment elimination	2,098,038	2,003,292
Profit before income tax	**4,275,240**	**1,979,970**

(c) 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 2011 $	Consolidation 2010 $
Revenue from external customers	23,377,306	23,333,887
3Q's revenue from external customers	-	-
Total group revenue	**23,377,306**	**23,333,887**

(d) Reconciliation of segment assets to reported group assets

The amounts provided 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 2011 $	Consolidation 2010 $
Segment assets	36,262,480	39,385,127
3Q's assets	36,412,676	36,425,864
Intersegment elimination	(37,634,008)	(37,122,388)
Total group assets	**35,041,148**	**38,688,602**

(e) Reconciliation of segment liabilities to reported group liabilities

	Consolidation 2011 $	Consolidation 2010 $
Segment liabilities	23,557,376	25,364,051
3Q's liabilities	12,680,547	15,356,916
Intersegment elimination	(17,046,346)	(16,862,089)
Total group liabilities	**19,191,577**	**23,858,877**

(f) Reconciliation of segment non current assets to reported group non current assets

	Consolidation 2011 $	2010 $
Segment non-current assets, other than financial assets & deferred tax	21,744,693	24,404,376
3Q's non-current assets	-	-
Intersegment elimination	3,119,661	3,119,661
Unallocated:		
- Deferred tax assets	2,937,361	3,358,625
Total group non current assets	**27,801,715**	**30,882,662**

(g) Geographical Information

The Group operates in five principal geographical areas - Australia (country of domicile), USA, UK, New Zealand and Malaysia.

The Groups revenue from continuing operations from external customers and information about its non-current assets* by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2011 $	2010 $	2011 $	2010 $
Australia	7,704,768	6,929,033	43,808,524	44,125,592
USA	9,633,506	9,001,715	10,155,244	11,441,576
UK	3,955,773	4,887,539	2,750,674	3,451,173
New Zealand	1,984,751	2,460,816	2,159,450	2,209,596
Malaysia	98,508	54,784	2,251	1,330
	23,377,306	**23,333,887**	**58,876,143**	**61,229,266**

*Non-current assets exclude financial instruments and deferred tax.

27 Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 (i)

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2011 %	Equity Holding 2010 %
Island Pacific Australia Pty Limited	Australia	Ordinary	100	100
ARS Australia Pty Limited	Australia	Ordinary	100	100
Island Pacific Systems Inc	United States of America	Ordinary	100	100
AdvanceRetail Technology Limited	New Zealand	Ordinary	100	100
Island Pacific (UK) Limited	United Kingdom	Ordinary	100	100
AdvanceRetail Technology Asia Sdn Bhd	Malaysia	Ordinary	100	100

The two subsidiaries incorporated in Australia have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418, issued by the Australian Securities and Investments Commission.

28 Derivative financial instruments

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

(i) Forward currency contracts - held for trading

The Group has no forward currency contracts in place at 30 June 2011.

(ii) Interest rate swaps - cash flow hedges

The Groups Interest bearing loans at balance date bear an average fixed interest rate of 8.4% on Australian loans, 3.59% on US loans, and 4.235% on Sterling loans. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to pay interest at fixed rates. Swaps in place over bank borrowings at 30 June 2011 cover approximately 80% (2010:84 %) of the principal outstanding and are timed to expire at the renewal dates of each loan. There are no swap contracts in place for all other interest bearing loans. The fixed interest rate at 30 June 2011 was 5.65% on Australian loans (excluding margin), 0.84% on US loans (excluding margin), and 1.485% on the Sterling Loans.

(b) Interest rate risk

Information regarding interest rate risk exposure is set out in note 21.

29 Key Management Personnel Disclosures

(a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Shaun Rosen	Chairman 3Q - Executive
Alan Treisman	Director 3Q and Chief Financial Officer - Executive
Clive Klugman	Director 3Q and CEO Island Pacific Australia Pty Limited - Executive
Mark McGeachen	Director 3Q and CEO AdvanceRetail - Executive
Stephe Wilks	Director 3Q – Non-Executive
David Rosen	Director and CEO of Island Pacific Systems Inc
Andrew Bell	Chief Technical Officer of AdvanceRetail
Richard Gaetano	Chief Operating Officer of Island Pacific USA
Mike Dotson	Managing Director of Island Pacific UK

	Consolidated Group	
	2011 $	2010 $
Short-term employee benefits	1,838,296	1,563,220
Post employment benefits	121,875	73,393
Share-based payment	18,298	335,036
	1,978,469	**1,971,649**

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

(b) Option holdings of directors & executives

The movement during the current financial year in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each Specified Director or Executive, including their personally-related entities, is as follows:

		Opening balance	Granted	Exercised	Lapsed	Total
Shaun Rosen	2010	1,000,000	-	- -	1,000,000	-
	2011	-	-	-	-	-
Clive Klugman	2001	1,000,000	-	- -	1,000,000	-
	2010	-	-	-	-	-
Alan Treisman	2010	1,000,000	-	- -	1,000,000	-
	2011	-	-	-	-	-
Stephe Wilks	2010	-	-	-	-	-
	2011	-	-	-	-	-
Mark McGeachen	2010	-	-	-	-	-
	2011	-	-	-	-	-
Andrew Bell	2010	-	-	-	-	-
	2011	-	-	-	-	-
David Rosen	2010	-	-	-	-	-
	2011	-	-	-	-	-
Richard Gaetano	2010	500,000		-	-	500,000
	2011	500,000		-	-	500,000
Mike Dotson	2010	500,000		-	-	500,000
	2011	500,000		-	-	500,000

(c) Share holdings

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each Specified Director or Executive, including their personally-related entities, is as follows:

	Held at 30 June 2010	Received as compensation	Options exercised	Net change others*	Held at 30 June 2011
Shaun Rosen	59,500,000	-	-	2,250,000	61,750,000
Clive Klugman	59,500,000	-	-	- 5,500,000	54,000,000
Alan Treisman	2,100,000	-	-	1,250,000	3,350,000
Stephe Wilks	365,000	-	-	2,011,452	2,376,452
Mark McGeachen	2,877,900	-	-	250,000	3,127,900
Andrew Bell	1,938,950	-	-	250,000	2,188,950
David Rosen	59,500,000	-	-	-	59,500,000
Richard Gaetano	-	-	-	-	-
Mike Dotson	250,000	-	-	-	250,000
	186,031,850	-	-	511,452	186,543,302

* Net change others refers to shares purchased or sold during the financial year.

Transactions with key management personnel have been disclosed under note 23.

30 Parent Entity Information

Information relating to 3Q Holdings Limited.

	Consolidated Group	
	2011	2010
	$	$
Current assets	1,442,960	1,383,054
Total assets	42,929,909	43,805,442
Current liabilities	3,352,845	4,714,978
Total liabilities	13,414,481	15,929,024
Shareholder's equity	29,515,428	27,876,418
Profit or loss	1,296,108	(373,876)
Total comprehensive loss	1,296,108	(373,876)

	Consolidated Group	
	2011	2010
	$	$
Guarantees entered into by 3Q in relation to the debts of its subsidiaries:		
Bank loans on acquisition of Island Pacific System Inc., and Island Pacific (UK) Limited	-	628,683
Contingent liabilities		
There are no contingent liabilities	-	-
Contractual commitments by 3Q for the acquisition of property, plant or equipment		
There are no commitments in the current year	-	-

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 15 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Dated at Sydney, 30 August 2011.

....
Director

Independent Auditor's Report

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 3Q HOLDINGS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of 3Q Holdings Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of 3Q Holdings Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

Independence

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

Opinion

In our opinion:

(a) the financial report of 3Q Holdings Limited and the consolidated entity is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the financial statements, within the directors' report for the year ended 30 June 2011. The directors of the entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of 3Q Holdings Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

PKF

PKF

P E Bull

Paul Bull
Partner

Sydney, 30 August 2011

Additional ASX Information

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report is set out below:

SHAREHOLDINGS

As at 11 August 2011

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

	Ordinary Shares	%
Eastfall Pty Limited	54,000,000	36.94
Elabrook Pty Limited	61,750,000	38.18

Voting Rights

Each ordinary shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every ordinary shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

Holders of options over ordinary shares are not entitled to receive notice of general meetings nor are they entitled to vote.

Distribution of equity security holders

As at 11 August 2011

Category	Ordinary Shareholders	Options Holders
1 – 1,000	102	-
1,001 – 5,000	50	-
5,001 – 10,000	40	5
10,001 – 100,000	75	42
100,001 and over	67	6
TOTAL	**334**	**53**

The number of ordinary shareholders holding less than a marketable parcel of ordinary shares is 692.

Number of holders of each class of equity securities

Equity Security	Number of Holders
Ordinary Shares	334
Options over ordinary shares	53

On-Market buy back

There is no current on-market buy back.

Equity Securities on issue

Equity Security	Number
Ordinary Shares	165,826,542
Options over ordinary shares	5,050,000

Twenty largest shareholders of quoted ordinary shares

As at 11 August 2011

Name	Ordinary Shares	%
Elabrook Pty Limited	57,500,000	34.67
Eastfall Pty Limited	52,000,000	31.36
Data Group Limited	6,822,650	4.11
Ron-Ton Fashions Pty Ltd (Retirement fund A/C)	4,285,733	2.58
Alan Treisman	3,350,000	2.02
Towns Corporation Pty Ltd PAE Family A/C	3,474,685	2.1
Shaun Rosen	2,250,000	1.36
Mark James McGeachen + Robyn McGeachen + Andrew Bell	2,127,900	1.28
Jay Fisher	2,000,000	1.21
Clive Klugman	2,000,000	1.21
Old Trafford Super Pty Ltd	2,000,000	1.21
David Rosen	2,000,000	1.21
Wintol Pty Ltd (G&P Burg Super Fund)	2,000,000	1.21
High Expectations Pty Ltd	1,876,452	1.13
UBS Wealth Mnagement Australia Nominess Pty Ltd	1,314,414	0.79
Hillridge Pty Ltd	1,242,883	0.75
Mark James McGeachen + Andrew Bell	1,188,950	0.72
Andy Bell	1,000,000	0.6
Mark McGeachen	1,000,000	0.6
Tristania Holdings Pty Ltd	890,399	0.54
TOTAL	**150,324,066**	**90.66**

Quotation of Securities on other Stock Exchanges

The equity securities of the Company are not quoted on any other stock exchange, other than the Australian Stock Exchange.

Restricted securities or securities subject to voluntary escrow

There are no restricted securities or securities subject to voluntary escrow.

Unquoted Securities

Unquoted Equity Security	Number of Holders	Securities on issue
Options over ordinary shares	53	5,050,000

Statement of usage of cash and assets in a form readily convertible to cash

Since readmission of the Company to the Australian Stock Exchange, the Company has used its cash and assets in a form readily convertible to cash, primarily to repay debt. However, at this stage, as with 2010 year end, the funds have not been used on research and development of the Thin POS to the extent that is consistent with its business objectives. As was disclosed in the Prospectus dated 25 November 2005, of the cash resources that were raised, $250,000 was to be allocated to research and development of the Thin POS. At the date of this report, the amount spent on research and development of the Thin POS has been minimal and there are no further amounts expected to be spent.