Appendix 4E

Name of entity	3Q Holdings Limited
ABN	42 089 058 293
Year Ended	30 June 2010
Previous Corresponding Reporting Period	12 months to 30 June 2009

Results for announcement to the market

	Result	% Increase (Decrease)	$ Increase (Decrease)
Revenue and other income from ordinary activities	23,333,887	-7%	-1,656,218
Profit from ordinary activities after tax attributable to members	1,298,016	-18%	-281,941
Net profit for the period attributable to members	1,298,016	-18%	-281,941

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.

Financial Statements

2010 Audited Annual Accounts attached.

Dividends

3Q Holdings Limited has not declared a dividend in respect of the current financial 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	-7.4595 cents	-9.5222 cents

Gain/Loss of Entity

3Q Holdings Limited formed a new subsidiary in Malaysia, effective 1 January 2010. The net loss from the date of formation was $12,556.

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, Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the notes thereto, all of which are attached, will provide a more detailed understanding of the Company.

Auditing of Accounts

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

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

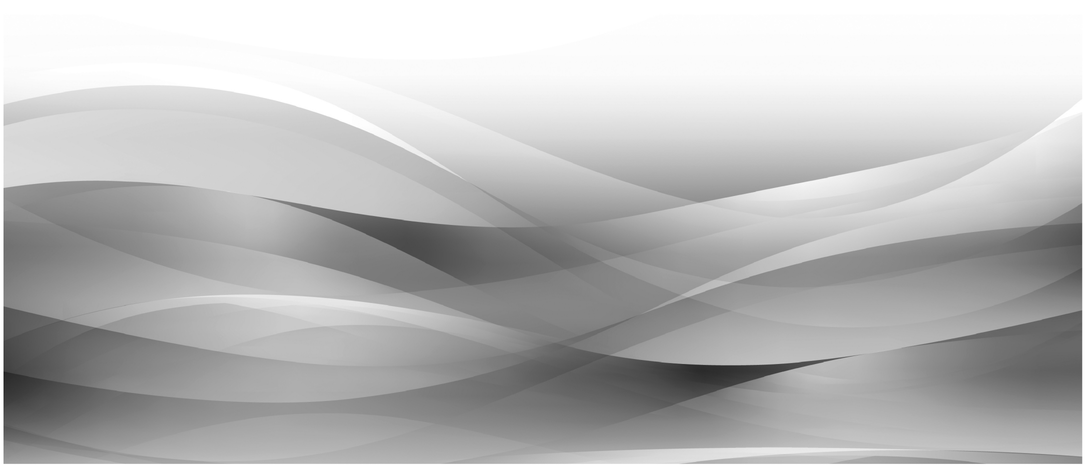
For further information:

Alan Treisman
Company Secretary
3Q Holdings Limited
02 9369 8590

A Treisman

3Q

2010 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

Contents

Annual Report 2010

Chairman's Report

I am pleased to present the Annual Report for 3Q Holdings Limited for the year ended 30 June 2010.

Despite the tough economic climate in which we find ourselves, I am satisfied that our company continues to move in the right direction with substantial contracted recurring revenue from maintenance agreements, whilst adding further revenue from new customers.

Whilst we have reported a decline in revenue and EBITDA from last year, this is primarily as a result of the company reporting in AUD and the effect of the high Australian dollar. Had last year's exchange rates applied to this year, there would have been a 5% growth in both EBITDA and revenue.

The company has also taken the opportunity to embark upon some significant R&D projects which will ensure that the company's technology continues to be leading edge. These efforts have already paid dividends in terms of some of our major customers agreeing to become early adopters of our newer technologies.

The company has also appointed a number of distributors for our products in Asia within the last year. We believe this strategy will result in an expanded base across the region without the necessity of setting up offices in each of the major markets. We have however opened our own office in Malaysia in order to better service our customers and our distributors in the region.

As a consequence of the strategic nature of the abovementioned endeavours as well as the upfront investment made to secure a number of significant customer contracts, the reported EBITDA for the period has been impacted. I remain confident that this approach will yield long term benefits.

As set out in the Directors' Report, the Company has proved its resilience at the operating level in the face of the global economic contraction with some significant customer wins in all the markets we are operating in.

In addition, Island Pacific was rated in the top 10 software vendors by RIS news, the leading provider of coverage in retail technology in North America

Outlook

Although external economic conditions remain challenging in the coming financial year, the Board continues to focus on the business in hand. The Company will seek to further develop the existing client base and product portfolio over the coming year.

The Board also believes that opportunities continue to exist in consolidation of the retail software and services industry, both in Australia and overseas.

I am, once again, delighted to present this report to you – proving the success of the strategic vision for the Company, and highlighting the strength of the platform we have built for future growth.

Shaun Rosen, Chairman

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 QQQ Systems 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 QQQ Systems 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 QQQ Systems 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 10 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 Chairman of Service Stream Limited and a non-executive Director of 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 services 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 major 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 reinvigorated its sales momentum. A number of new customers began or completed implementation in the year, establishing 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.

Substantial new customer wins over the year included:

- Harvey Norman (Australia's largest furniture and electrical group)
- Primark (Great Britain's largest clothing retailer by volume)
- Jazz Basketball Investors (USA)

- Whitestuff (UK)
- Pandora Jewelry (Australia)
- Roger David (Australia)
- Denim Enterprises (Australia)
- Versace (Australia)
- Palmers Franchise Systems (New Zealand)

With the scale of these wins, particularly the larger ones, the Company's resources were pushed to the limit. As reported at the half-year result, the Board remains comfortable with this position as it shows that we are using our capacity wisely to generate sustainable growth, without inefficient waste. The Company's operating divisions ensured we met, or exceeded customer expectations by dealing with the various challenges that accompany all new implementations.

Many of the costs associated with these implementations were incurred in advance of revenues from the customer. However, some of our later wins in the period were a direct consequence of earlier successes, where no expense was spared by the Company to deliver a successful outcome for the customer.

Hence, while revenue was held relatively steady over the period, we saw a small decrease in our underlying EBITDA for the year compared to the previous comparable period.

The Board is very pleased to see that the business demonstrated great resilience at the operating level in the face of a global economic contraction.

Operating Results for the Year

Financial Highlights

	2010	**2009**
Revenue	$23,333,887	$24,990,105
Gross Profit Percentage	85%	88%
Underlying EBITDA*	$5,008,309	$5,513,267
Net Profit after tax	$1,298,016	$1,579,957
Earnings per Share (cents)	0.84	1.07
Number of Employees	113	106

**Underlying EBITDA excludes foreign exchange gains and losses on US$ bank loan and intercompany trade accounts, gain on settlement of Retail Pro and share based expenses.*

While revenue and EBITDA are each down on last year (in AUD$), revenue across the group as a whole grew when taken in the context of the relevant local currency. Had last year's exchange rates applied to this year, there would have been a 5% growth in EBITDA and revenue.

Asset and Capital Structure

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

Consolidated	2010 $	2009 $
Interest Bearing Loans & Borrowings	12,081,372	13,284,685
Cash & Short Term Deposits	(1,380,369)	(579,929)
Net Debt	10,701,003	12,704,756
Total Equity	14,829,725	13,584,518
Total Capital Employed	25,530,728	26,289,274
Gearing (%)	41.91%	48.33%

Profile of Debts

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

	2010 $	2009 $
Bank Loans	12,629,997	13,284,685
TOTAL DEBT	**12,629,997**	**13,284,685**

The Company has long term bank debt of $7,831,372, with a separate facility due to be refinanced in the 2011 financial year (that facility of $3m is shown as current in the balance sheet).

Over the coming months the Company will finalise negotiations on refinancing and extending the $3m 'debt' portion of its current liability, with a view to rolling that amount into the overall refinance which was anticipated in the 2012 financial year (but which will practically be concluded in the 2011 financial year), on terms substantially similar to those already in place.

The Company's current liabilities include substantial 'non cash' liabilities of $5,050,876 (2009: $5,282,434) which are not expected to be paid in cash (refer note 2 (xxvi)). Removing this amount (and the facility of $3m to be refinanced this year) would yield a positive net current asset position of greater than $2.6m.

Share issues during the year

14,000,000 shares under the Employee Share Ownership Plan were issued during the year to Directors and Senior Managers.

Options issued during the year

- No options were issued during the year.
- 4,000,000 options expired during the 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	59,500,000	-
Clive Klugman	59,500,000	-
Stephe Wilks	365,000	-
Alan Treisman	2,100,000	-
Mark McGeachen	2,877,900	-

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.

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

Other than what has been reported in note 24 to the accounts, 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 paid premiums to insure the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of director and officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

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

There were no non-audit services provided by the Company's auditor, PKF during the year.

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:

	2010	2009	2008	2007
	$	$	$	$
Revenue	23,333,887	24,990,105	20,552,262	11,196,055
Net profit before tax	1,979,969	2,222,857	2,148,606	1,938,933
Net profit after tax	1,298,016	1,579,957	1,517,611	2,077,834
Share price at end of year	8c	15c	20c	34c
Basic earnings per share (cents)	0.84	1.07	1.03	1.69
Diluted earnings per share (cents)	0.77	0.98	0.93	1.57

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 2010, 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.

The Board may exercise its discretion in relation to approving Directors and key managements incentives, bonuses and options, and can recommend changes to Directors and key managements remuneration.

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	2010	171,738	-	10,800	56,200	238,738	-
Executive Chairman	2009	328,242	-	88,000	-	416,242	-
Clive Klugman	2010	243,277	-	15,794	56,200	315,271	-
Executive Director	2009	264,759	-	97,000	-	361,759	-
Alan Treisman	2010	161,786	-	12,385	56,200	230,371	-
Finance Director & Secretary	2009	250,438	-	12,385	-	262,823	-
Mark McGeachen	2010	115,165	-	-	28,100	143,265	-
Executive Director	2009	177,450	-	-	-	177,450	-
Stephe Wilks	2010	60,000	-	-	7,025	67,025	-
Non-Executive	2009	61,500	-	-	-	61,500	-
Executives							
David Rosen	2010	214,936	-	11,732	56,200	282,868	-
Director Island Pacific Systems Inc.	2009	338,680	-	9,312	-	347,992	-
Andrew Bell	2010	114,595	-	-	28,100	142,695	-
Chief Technical Officer AdvanceRetail Technology	2009	169,476	-	-	-	169,476	-

	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 $	$	%
Richard Gaetano	2010	243,615	-	12,573	20,793	276,981	-
Chief Operating Officer Island Pacific USA	2009	231,558	-	9,585	12,576	253,719	-
Mike Dotson	2010	238,108	-	10,110	26,218	274,436	-
Chief Operating Officer Island Pacific UK	2009	232,184	-	19,203	12,576	263,963	-
TOTAL	**2010**	**1,563,220**		**73,393**	**335,036**	**1,971,649**	**-**
	2009	**2,054,287**		**235,485**	**25,152**	**2,314,924**	**-**

(b) Options issued as part of remuneration

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

During the previous financial year the following options over ordinary shares in the Company were granted as equity compensation benefits to key management personnel.

Key management person	No. held at start of year	No. granted during year	Grant date	Fair value of options at grant date ($ per option)	Exercise price ($)	Exercise date	Expiry date	No. held at end of year
Richard Gaetano	-	500,000	15/01/2009	0.095	0.15	15/01/2010 (one third) 15/01/2011 (one third) 15/01/2012 (one third)	15/01/2013	500,000
Mike Dotson	-	500,000	15/01/2009	0.095	0.15	15/01/2010 (one third) 15/01/2011 (one third) 15/01/2012 (one third)	15/01/2013	500,000
TOTAL	**-**	**1,000,000**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**1,000,000**

All options were granted for nil consideration.

(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	6	6
Clive Klugman	6	6
Alan Treisman	6	6
Mark McGeachen	6	6
Stephe Wilks	6	6

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
31 August, 2010

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of 3Q Holdings Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief there have been:

(a) no contraventions of the auditor independence requirements of 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.

This declaration is in respect of 3Q Holdings Limited and the entities it controlled during the year.

PKF

PKF

Arthur Milner
Partner

Sydney, 31 August 2010

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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 stakeholders ▪ the responsibility and accountability 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.	Does not comply	The Company does not have an audit committee. The Board believes that due to the nature and size of the Company, the functions performed by an audit committee can be adequately handled by the full Board.
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.		
4.3	The Audit Committee should have a formal charter.		
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 complement 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 2010

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
Revenue	3(a)	23,333,887	24,990,105
Cost of sales		(3,438,689)	(3,084,051)
Gross profit		19,895,198	21,906,054
Other income	3(b)	79,273	3,379,918
Operating expenses	3(c)	(3,711,503)	(4,363,435)
Employee benefit expenses		(11,252,812)	(12,470,144)
Earnings before tax, finance costs, depreciation, amortisation, foreign exchange losses and share based payments		5,010,156	8,452,393
Depreciation		(192,820)	(246,483)
Amortisation		(1,572,849)	(1,641,866)
Finance costs		(778,060)	(2,269,957)
Foreign exchange gains and losses		90,231	(1,869,069)
Share based payments/expenses		(576,688)	(202,161)
Profit before income tax (EBIT)		**1,979,970**	**2,222,857**
Income tax expense	4	(681,954)	(642,900)
Profit for the year		**1,298,016**	**1,579,957**
Other comprehensive income:			
Exchange difference on translating foreign operations (net of tax)		(629,496)	957,802
Total Comprehensive income for the Year		668,520	2,537,759
Profit attributable to:			
Owners of the parent		1,298,016	1,579,957
Total comprehensive income attributable to:			
Owners of the parent		668,520	2,537,759
· Basic earnings per share (cents per share)	5	0.84	1.07
· Diluted earnings per share (cents per share)	5	0.77	0.98

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	Consolidated Group 2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,380,369	579,929
Trade and other receivables	8	5,500,942	4,673,290
Other assets	9	728,297	374,451
Inventories	10	196,332	179,472
Total Current Assets		**7,805,940**	**5,807,142**
Non-current Assets			
Property, plant and equipment	11	678,794	521,155
Intangible assets	12	26,845,243	27,589,476
Deferred tax assets	18	3,358,625	3,278,139
Total Non-current Assets		**30,882,662**	**31,388,769**
TOTAL ASSETS		**38,688,602**	**37,195,912**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	7,046,962	6,150,000
Financial liabilities	16	5,015,106	2,787,680
Provisions	17	874,994	741,310
Current tax liabilities	18	251,686	812,052
Total Current Liabilities		**13,188,748**	**10,491,041**
Non-current Liabilities			
Financial liabilities	16	7,831,372	11,036,711
Trade and other payables	15	72,561	-
Provisions	17	169,353	132,360
Deferred tax liabilities	18	2,596,842	1,951,281
Total Non-current Liabilities		**10,670,128**	**13,120,353**
TOTAL LIABILITIES		**23,858,876**	**23,611,394**
NET ASSETS		**14,829,726**	**13,584,518**
EQUITY			
Issued capital	19	7,335,437	6,985,237
Reserves	20	(292,136)	268,072
Retained Earnings		7,786,425	6,331,209
TOTAL EQUITY		**14,829,726**	**13,584,518**

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Note	Issued Capital	Reserves	Retained Earnings	Total
		$	$	$	$
Balance at 1 July 2008		**7,059,243**	**(727,091)**	**4,586,452**	**10,918,604**
Expiry of options		-	(164,800)	-	(164,800)
Share buyback		(74,007)	-	-	(74,007)
Total comprehensive income (loss) for the year		-	957,802	1,579,957	2,537,759
Balance at 30 June 2009	**19**	**6,985,237**	**268,072**	**6,331,209**	**13,584,518**
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**

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Notes	Consolidated Group	
		2010	2009
		$	$
Cash flows from operating activities			
Receipts from customers		25,913,112	23,806,520
Payments to suppliers and employees		(21,438,817)	(19,891,372)
Interest received		1,616	37,265
Interest Paid		(796,633)	(1,246,018)
Taxation paid		(366,349)	(697,361)
Other income		77,062	333,525
Net cash flows from operating activities		**3,389,991**	**2,342,559**
Cash flows from investing activities			
Purchase of property, plant and equipment		(263,749)	(171,606)
Loans from (to) other entities		(69,251)	26,020
Payment of development costs		(1,850,224)	(1,040,753)
Net cash paid for the purchase of US Subsidiary		-	(55,875)
Net cash flows from investing activities		**(2,183,225)**	**(1,242,214)**
Cash flows from financing activities			
Repayment of borrowings		(625,000)	(7,308,595)
Share buyback payment		-	(74,006)
Net cash flows from financing activities		**(625,000)**	**(7,382,601)**
Net increase/(decrease) in cash and cash equivalents		581,766	(6,282,256)
Cash and cash equivalents at beginning of period	7	345,675	6,267,050
Exchange rate/translation adjustments		(95,697)	360,881
Cash and cash equivalents at end of period		**831,744**	**345,675**

The accompanying notes form part of these Consolidated Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2010

1 Authorisation of Financial Report

The financial report of 3Q Holdings Limited (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 31 August 2010.

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 consolidated entity had net current liabilities of $5,382,808 at 30 June 2010, which include $3m of debt which is due for repayment during the 2010/2011 financial year. This indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

However, the Board is satisfied that the financial report is properly prepared on a going concern basis, given the following matters:

- The Company has long-term bank debt of $7,831,372, and a separate facility of $3 million due to be refinanced in the 2011 financial year, which is reflected in the balance sheet as a current liability.

- Over the coming months the Company will finalise negotiations on refinancing and extending the $3m debt, with a view to rolling that amount into the overall refinancing that was anticipated in the 2012 financial year (but which will practically be concluded in the 2011 financial year), on terms substantially similar to those already in place.

- The Company's current liabilities include substantial 'non cash' liabilities, including prepaid maintenance, deferred revenue, staff leave entitlements and derivative financial liability (fair value of interest rate swap at balance date) of $5,050,876 (2009: $5,282,434) which is not expected to be paid in cash. Removing this amount (and the facility of $3m to be refinanced this year) would yield a net current asset position of greater than $2.6m.

- The Company has and is budgeted to continue to generate strong operating cash flows.

After taking into account all of the available information, and the fact that the Company has already received a number of informal offers which would allow it to refinance the outstanding liabilities, the Directors have concluded that there are reasonable grounds to believe that the going concern basis for the preparation of the financial statements is appropriate.

No adjustments have been made to the financial statements in relation to this uncertainty.

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").

(i) 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. Investment 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.

(ii) 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 Britain Pounds.

The functional currency of the foreign operation, AdvanceRetail Technology Asia GDN.BHD, is Malaysian Ringgit.

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.

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.

(iii) 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

(iv) 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.

(v) 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. 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.

(vi) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix) 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

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 Australia, growth rates of between 5-15% 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 5% subsequent to this period have been used. The rates used incorporate allowance for inflation. Discount rates of 9% 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.

(xxiii) 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.

(xxiv) Segment information

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

(xxv) Accounting Standards and interpretations

Changes in Accounting Policies

Starting as of 1 July 2009, the group has changed its accounting policies in the following areas:

Presentation of consolidated financial statements

AASB 101 prescribes the contents and structure of the final statements. Changes reflected in this consolidated financial statements include:

- replacement of income statement with consolidated statement of comprehensive income. Items of income and expenses not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the consolidated statement of change in equity;
- the adoption of the single statement approach to the presentation of the consolidated statement of comprehensive income; and
- other financial statements are renamed in accordance with the Standards.

Determination and representation of operating segments

The group has applied the following revised accounting standard AASB 8 - Operating Segments from 1 July 2009.

AASB requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change to the reporting segments as operating segments continue to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is the Board of Directors.

Accounting for borrowing costs

AASB 123 - Borrowing costs became applicable to annual reporting periods beginning on or after 1 January 2009.

The revised AASB 123 now requires an entity to capitalise the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The application does not have any material impact on the consolidated financial results.

Accounting for business combinations

AASB 3 - Business combinations (revised 2008) requires acquisition costs to be expensed, the fair value of measurement of contingent consideration in the statement of financial position as acquisition date, with subsequent changes reflected in the consolidated statement of comprehensive income.

Recently issued accounting standards to be applied in future reporting periods

The accounting standards and AASB interpretations that have not been early adopted for the year ended 30 June 2010, but will be applicable to the consolidated entity in future reporting periods are detailed below. Apart from these standards and interpretations, the directors have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant or no impact to the group.

AASB 9 Financial Instruments;

AASB 9 Financial Instruments was issued by AASB in December 2009 and is applicable to annual reporting periods beginning on or after 1 January 2013, with early adoption permitted. A related omnibus standard AASB 2009-11. Amendments to Australian Accounting Standards arising from AASB 9 makes a number of amendments to other accounting standards as a result of AASB 9 and must be adopted at the same time. AASB introduces new classification and measurement models for financial assets. For financial assets, there are only two models, amortised cost and fair value. To be classified and measured at amortised cost, the asset must satisfy the business model test and have contractual cash flow characteristics. All other instruments are to be classified and measured at fair value.

The accounting for financial liabilities will continue be performed under AASB 139 Financial Instruments - Classification and Measurement until further amendments are made by the International Accounting Standards Board. The impact of these standards are currently being assessed.

AASB 124 Related Party Disclosure;

AASB 124 Related Party Disclosure was revised in December 2009 to clarify the definition of a related party, mainly in the areas of subsidiary and associate relationships and in addition to dual joint ventures. It also removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This new standard is applicable from 1 July 2011 and it is anticipated to have no impact on the group.

In addition to the above recently issued accounting standards that are applicable in future years, the following new accounting standards and interpretations that are applicable in future years:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project;
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues;
- AASB 2009-14 Amendments to Australian Interpretation - Prepayment of a Minimum Funding Requirement; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The group does not expect these accounting standards and interpretations to have material impact on our financial results upon adoption.

(xxvi) Current assets and current liabilities

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 $5,050,876 (2009: $5,282,434) which is not expected to be paid in cash**.**

3 Revenue and Expenses

	Consolidated Group 2010 $	Consolidated Group 2009 $
(a) Revenue		
Sales of goods/hardware	1,826,060	1,552,272
Rendering of services	7,215,250	7,027,951
Maintenance fees	10,320,013	12,564,407
Licence fees	3,483,521	3,385,371
Other revenue	489,043	460,104
	23,333,887	**24,990,105**
(b) Other income		
Interest income	1,846	106,895
Gain on Retail Pro's settlement *	-	2,939,127
Other income	77,427	333,897
	79,273	**3,379,918**
* Gain on Retail Pro settlement in May 2009		
Vendor loan	-	3,930,495
Other working capital amounts	-	(178,765)
Total owing	-	3,751,730
Cash paid on settlement	-	(812,603)
Gain on settlement	**-**	**2,939,127**
(c) Other expenses		
Accounting and audit fee	365,586	570,091
Bad and doubtful debts	98,728	32,830
Legal fees	171,014	273,667
Rental expense and operating lease	811,224	1,160,924
Other expenses	2,264,951	2,325,924
	3,711,503	**4,363,435**

4 Income Tax

	Consolidated Group 2010 $	Consolidated Group 2009 $
(a) Income Tax Expenses (Benefit) Comprise:		
Current tax	156,505	530,351
Deferred tax	658,837	792,817
Recoupment/recognition of prior and current year tax losses	(133,388)	(680,268)
	681,954	**642,900**
(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% (2009: 30%)	593,991	666,857
Add:		
Tax effect of:		
other non-allowable items	24,844	19,249
adjustment for differences in tax rates	140,930	535,624
shares and options expensed during year	173,006	60,648
under/(over) provision for income tax in prior year	(57,170)	5,882
other tax adjustments	(23,162)	9,697
	852,439	**1,297,956**
Less:		
Tax effect of:		
investment allowances	-	(2,964)
capitalisation costs in relation to capital raising	-	(157,639)
deduction for current year US state taxes	4,942	(144,961)
research and development carry overs from 2010	(137,513)	-
recoupment of tax losses not previously recognised	(37,914)	38,843
recognition of prior tax losses not previously brought to account	-	(388,336)
Income tax attributable to entity	**681,954**	**642,900**
The applicable weighted average effective tax rates are as follows:	34%	29%

The average effective tax rate for 2010 is higher than the 30% statutory rate mainly as a result of the higher tax rates in the US of 42% as compared with Australian rates of 30%.

The non recognition of prior year losses not previously brought into account as compared to 2009 where they were recognised, is a major reason for the increase in average effective rate in 2010 as compared to 2009.

3Q Holdings Limited had income tax losses of $15,469,049 at 30 June 2010 ($15,595,427 as at 30 June 2009), of which $4,107,443 of these losses have been recognised as a deferred tax asset in accordance with note 2 (a) (xv).

The recoupment of these carried forward tax losses is subject to the company satisfying the loss recoupment provisions contained in the *Income Tax Assessment Act 1997*.

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	
	2010	2009
Net profit attributed to ordinary equity holders of the parent	$1,298,016	$1,579,957
Weighted average number of ordinary shares for basic earnings per share	153,785,446	147,280,967
Effect of dilution: share options	13,966,575	14,692,603
Weighted average number of ordinary shares adjusted for the effect of dilution	167,752,021	161,973,570

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	
	2010 $	2009 $
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% (2009 - 30%)	1,512,467	1,400,607
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	48,392	129,686
The amount of franking credits available for future reporting periods	1,560,859	1,530,293

7 Cash and Cash Equivalents

(a) Cash Balance

	Consolidated Group 2010 $	Consolidated Group 2009 $
Cash at bank	1,380,369	579,929
	1,380,369	**579,929**

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 2010 $	Consolidated Group 2009 $
Cash and cash equivalents	1,380,369	579,929
Overdraft	(548,625)	(234,254)
Cash per Cash Flow Statement	**831,744**	**345,675**

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

	Consolidated Group 2010 $	Consolidated Group 2009 $
Profit after income tax	**1,298,016**	**1,579,957**
Non-cash flows in profit:		
Depreciation expenses	192,820	246,483
Amortisation expenses	1,572,849	1,641,866
Net profit/loss on disposal of property, plant and equipment	3,022	3,126
Share option expenses	576,688	202,161
Net foreign exchange difference	(58,401)	(298,159)
Changes in assets and liabilities (net of settlement)		
(Increase)/decrease in inventories	(16,778)	(9,496)
(Increase)/decrease in trade and other receivables	(719,602)	(522,154)
(Increase)/decrease in prepayment	(361,107)	66,408
(Increase)/decrease in deferred tax assets	(179,289)	(1,262,189)
Increase/(decrease) in current/deferred tax liability	352,671	1,881,540
Increase/(decrease) in trade and other payables	268,508	(2,433,206)
Increase/(decrease) in provisions	187,324	355,824
Increase/(decrease) in maintenance in advance	273,270	890,398
Net Cash from Operating Activities	**3,389,991**	**2,342,559**

8 Trade and other receivables – Current

Current assets – trade and other receivables

	Consolidated Group 2010 $	Consolidated Group 2009 $
Current		
Trade receivables	5,078,481	4,280,587
Less: Provision for impairment (a)	(131,068)	(40,794)
	4,947,413	4,239,793
Unbilled receivables	459,048	327,017
Receivable from related party	94,481	106,481
	5,500,942	**4,673,290**

(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. An impairment loss of $90,000 has been recognised in the current year.

At 30 June 2010, the ageing analysis of trade receivables is as follows:

	Consolidated Group 2010 $	Consolidated Group 2009 $
0-30 days	3,882,039	3,413,921
31-60 days/PDNI*	285,150	199,659
31-60 days/CI*	-	-
61-90 days/PDNI*	164,766	71,724
61-90 days/CI*	-	-
+ 91 days/PDNI*	615,458	554,489
+ 91 days/CI*	131,068	40,794
	5,078,481	**4,280,586**

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

Receivables past due but not considered impaired are: Consolidated $1,065,374 (2009: $825,872). Payment terms on these amounts have in some cases been re-negotiated, however in certain circumstances credit has been stopped until payment is made.

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

(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.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, with the exception of Australia and New Zealand where there is retention of title over hardware which is sold. It is also not the Group's policy to transfer (on-sell) receivables to special purpose entities.

(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 2010 $	Consolidated Group 2009 $
Prepayments	728,297	374,451
	728,297	**374,451**

10 Inventories

	Consolidated Group 2010 $	Consolidated Group 2009 $
Finished goods at net realisable value	196,332	179,472
	196,332	**179,472**

11 Property, Plant & Equipment

	Consolidated Group 2010 $	Consolidated Group 2009 $
(a) Property, plant, equipment, furniture and motor vehicle		
At cost	1,180,729	929,580
Accumulated depreciation	(692,419)	(559,665)
	488,310	**369,915**
Movement in carrying amount		
Balance of the beginning of the year	369,915	412,030
Additions	277,857	152,131
Disposal	(3,094)	(2,566)
Depreciation expense	(142,905)	(209,034)
Foreign currency exchange difference	(13,463)	17,355
Balance at the end of year	**488,310**	**369,915**
(b) Leasehold improvements		
At cost	235,386	169,763
Accumulated depreciation	(73,583)	(30,082)
	161,803	**139,680**
Movement in carrying amount		
Balance of the beginning of the year	139,680	46,887
Additions	87,262	108,624
Disposal	(15,110)	-
Depreciation expense	(49,071)	(15,873)
Foreign currency exchange difference	(958)	42
Balance at the end of year	**161,803**	**139,680**

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	Consolidated Group 2010 $	Consolidated Group 2009 $
(c) Software		
At cost	47,140	31,786
Accumulated depreciation	(18,459)	(20,227)
	28,681	**11,559**
Movement in carrying amount		
Balance of the beginning of the year	11,559	7,173
Additions	16,762	25,043
Depreciation expense	(844)	(21,577)
Foreign currency exchange difference	1,204	920
Balance at the end of year	**28,681**	**11,559**
Total Property, plant and equipment		
At cost	1,463,255	1,131,129
Accumulated depreciation	(784,461)	(609,974)
	678,794	**521,155**
Movement in carrying amount		
Balance of the beginning of the year	521,155	466,090
Additions	381,880	285,798
Disposal	(18,204)	(2,566)
Depreciation expense	(192,820)	(246,483)
Foreign currency exchange difference	(13,217)	18,316
Balance at the end of year	**678,794**	**521,155**

12 Intangible Assets

Consolidated Group	Intellectual Property $	Customer relationship $	Tradename $	Goodwill $	Development costs $	Total $
2009						
At cost	6,296,198	7,384,079	787,299	14,878,982	1,345,811	30,692,370
Accumulated Amortisation	(1,861,375)	(1,127,915)	(77,793)	-	(35,811)	(3,102,894)
Net carrying value	**4,434,823**	**6,256,165**	**709,507**	**14,878,982**	**1,310,000**	**27,589,476**
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**

Consolidated Group	Intellectual Property $	Customer relationship $	Tradename $	Goodwill $	Development costs $	Total $
Balance of the beginning of the year 2009	4,708,835	6,348,749	667,138	14,735,271	320,134	26,780,127
Capitalised cost	-	-	-	-	978,508	978,508
Cost reallocation	470,967	-	94,230	(565,198)	-	(0)
Additional	-	-	-	11,619	(11,619)	0
Amortisation	(744,979)	(807,874)	(51,862)	-	(37,151)	(1,641,866)
Foreign currency exchange difference	-	715,289	-	697,289	60,128	1,472,706
Balance at the end of year	**4,434,823**	**6,256,165**	**709,507**	**14,878,982**	**1,310,000**	**27,589,476**
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**

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 2010 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 9%.

Goodwill is allocated to cash-generating units as follows:

	Consolidated Group 2010 $	2009 $
3Q Holdings & Island Pacific Australia (excluding AdvanceRetail Division of 3Q Holdings)	3,119,666	3,119,661
Business of AdvanceRetail Technology (Subsidiary in New Zealand and division of 3Q Holdings in Australia)	4,706,054	4,682,169
Business of Island Pacific (Subsidiaries in US and UK)	6,468,702	7,077,152
	14,294,422	**14,878,982**

Key assumptions used

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

- Budgeted gross margins — the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year. Thus, values assigned to gross margins reflect past experience.
- Sales and some applicable variable costs are budgeted at an average annual increase of between 0 and 15%.
- Certain fixed costs are budgeted at the same annual cost achieved in the year immediately before the budgeted year.
- Cash flows exclude cost of borrowings and other costs of finance.

14 Share-based payments

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

4,000,000 options under this plan were cancelled during the prior year.

14,000,000 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.

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

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	Tranche 4
Grant Date	8-Feb-07	20-Aug-08	15-Jan-09	19-Jan-10
Exercisable Date	1/3 on 8 Feb 08	1/3 on 20 Aug 09	1/3 on 15 Jan 10	1/3 on 19 Jan 11
	1/3 on 8 Feb 09	1/3 on 20 Aug 10	1/3 on 15 Jan 11	1/3 on 19 Jan 12
	1/3 on 8 Feb 10	1/3 on 20 Aug 11	1/3 on 15 Jan 12	1/3 on 19 Jan 13
Expiry Date	8-Feb-11	20-Aug-12	15-Jan-13	15-Jan-13
Number of Options on Issue	5,665,000	560,000	4,825,000	50,000
Exercise Price	$0.20	$0.20	$0.15	$0.15
Time to Maturity	0.67 years	2.1 years	2.6 years	3.6 years
Underlying Share Price	$0.19	$0.19	$0.20	$0.14
Expected Share Price Volatility	36.84%	36.84%	35.00%	35.00%
Risk-free Interest Rate	5.80%	5.80%	5.75%	5.75%
Dividend Yield	5.00%	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	
	2010 $	2009 $
Payments related to ESOP Shares	$350,200	-
	$350,200	**-**

15 Trade and Other Payables

	Consolidated Group	
	2010 $	2009 $
Current		
Trade payable	2,600,480	1,798,660
Deferred revenue	3,959,401	4,001,418
Other payable	487,081	349,923
	7,046,962	**6,150,000**
Non-current		
Other payable	72,561	-
	72,561	**-**
	7,119,523	**6,150,000**

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.

(c) Related party payables

For terms and conditions relating to related party payables refer to note 23.

(d) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 21.

16 Financial Liabilities

	Consolidated Group	
	2010 $	2009 $
Current		
Secured:		
Bank loan	4,250,000	2,013,720
Overdraft	548,625	234,254
Derivative financial liability	216,481	539,706
	5,015,106	**2,787,680**
Non-current		
Secured:		
Bank loan	7,831,372	11,036,711
	7,831,372	**11,036,711**
Total financial liabilities	**12,846,478**	**13,824,391**

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 $7,662,979 which is a 3 year amortising non-revolving cash advance facility. This facility is made up of:- 1) a Market Rate Facility with a limit at balance date of $1,312,508 , made available to 3Q Holdings Limited which bears interest at a variable rate with a margin of 1.75% , and interest fixed at a rate of 7.68% plus a margin of 1.75% and a liquidity margin of 0.35% (9.73%). At 30 June 2010 $1,312,508 of this amount was drawn down. 2) a Foreign Currency Loan with a limit at balance date of AUD$ 628,683 (US$535,642) made available to Island Pacific Systems Inc which bears interest at a variable rate with a margin of 1.75% and a liquidity margin of 0.35%, and interest fixed at a rate of 4.015% plus a margin of 1.75% and a liquidity margin of 0.35% (6,12%). At 30 June 2010, US$535,642 of this amount was drawn down. 3) a Foreign Currency Loan with a limit at balance date of AUD$5,721,788 (US$4,875,000) made available to 3Q Holdings Limited which bears interest at a variable rate with a margin of 1.75%, and interest fixed at a rate of 4.015% plus a margin of 1.75% and a liquidity margin of 0.35% (6,12%) . At balance date US$4,875,000 of this amount was drawn down. This facility expires in July 2011.

- Tranche B Facility of $4,418,393 which is a 3-year bullet non-revolving cash advance facility. The facility bears interest at a variable rate with a margin of 2%, and interest fixed at a rate of 7.68% plus a margin of 2% and a liquidity margin of 0.35% (10.03%). At 30 June 2010, $4,418,393 was drawn down. $3,000,000 of this facility expires in January 2011, and the balance of $1,418,393 expires in July 2011.

- At 30 June 2010, AUD$4,995,746 and US$4,950,110 has been fixed and the balance is variable.

- A revolving overdraft facility made available to 3Q Holdings Limited with a limit of $1,500,000. The facility terminates on 31 July 2010. This facility bears interest at the aggregate of the Overdraft Reference Rate plus a liquidity margin. At 30 June 2010, $548,625 was drawn down. This facility is currently on a rolling month by month basis.

- The bank loan facilities are for the primary purpose of funding the acquisition of AdvanceRetail Technology and Island Pacific.

Financing facilities available

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

	2010 $	2009 $
Total facilities- bank loan	13,581,372	13,800,431
Facilities used at reporting date-bank loans	12,629,997	13,050,431
Facilities unused at reporting date-bank loans	951,375	750,000

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) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 21.

(c) Assets pledged as security

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

	Note	Consolidated Group	
		2010 $	2009 $
Current			
Cash and cash equivalents	7	1,380,369	579,929
Trade and other receivables	8	5,500,942	4,673,290
Other assets	9	728,297	374,451
Inventories	10	196,332	179,472
		7,805,940	**5,807,142**
Non-current			
Deferred income tax asset	18	3,358,625	3,278,139
Property, plant and equipment	11	678,794	521,155
Intangible assets	12	26,845,243	27,589,476
		30,882,662	**31,388,770**
Total assets pledged as security		**38,688,602**	**37,195,912**

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

(d) **Defaults and breaches**

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

17 Provisions

	Consolidated Group 2010 $	2009 $
Current - Provision for annual leave	874,994	741,310
Non-current - Provision of long service leave	169,353	132,360
	1,044,347	**873,670**
Movement in provision		
Balance of the beginning of the year	873,670	466,830
Amounts provided	833,751	860,998
Leave taken	(646,405)	(465,050)
Translation differences	(16,667)	10,892
Balance at the end of year	**1,044,347**	**873,670**

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 to this report.

18 Tax

	Consolidated Group 2010 $	2009 $
CURRENT		
Income Tax Payable	**251,686**	**812,052**

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	93,504	1,235,435	-	-	91,414	1,420,353
Capitalisation development costs	130,617	354,770	-	-	45,541	530,929
Balance at June 2009	**224,121**	**1,590,205**	**-**	**-**	**136,955**	**1,951,282**
Property Plant and Equipment tax allowance	1,420,353	(6,960)	-	-	(63,144)	1,350,249
Capitalisation 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**
Deferred Tax Assets						
Provisions	176,572	301,048	-	-	3,742	481,362
Transaction costs on equity issue	-	79,501	-	-	-	79,501

NON-CURRENT	Opening Balance	Charged to Income	Charged Directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
	$	$	$	$	$	$
Unrealised foreign exchange loss/ (gain)	(242,872)	75,405	365,007	-	11,307	208,847
tax allowance	304,580	72,751	-	-	93	377,424
Recognition of tax losses	1,370,132	721,501	-	-	(90,783)	2,000,850
Other	36,377	227,451	-	-	(133,673)	130,155
Balance at 30 June 2009	**1,644,789**	**1,477,657**	**365,007**	**-**	**(209,314)**	**3,278,139**
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
Property, Plant and Equipment, Intangibles						
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**

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 2(b) occur.

- Tax losses: operating losses $3,633,481 (2009: $3,446,395).

19 Issued Capital

	Consolidated Group Number	Consolidated Group $
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
Shares issued to directors and senior managers	14,000,000	350,200
Balance at the end of the year	**161,076,542**	**7,335,437**
2009		
(a) Ordinary shares		
Fully paid	147,076,542	6,985,237
Partially paid		-
	147,076,542	**6,985,237**
(b) Movements in ordinary share on issue		
Balance at the beginning of the year	147,501,797	7,059,243
Share buyback	(425,255)	(74,007)
Balance at the end of the year	**147,076,542**	**6,985,237**

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.

No dividends were paid during the year.

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

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

The gearing ratios based on operations at 30 June 2010 and 2009 were as follows:

	Consolidated Group	
	2010 $	2009 $
Interest bearing on loans & borrowings	12,629,997	13,284,685
Cash & equivalent	(1,380,369)	(579,929)
Net debt	**11,249,628**	**12,704,756**
Total equity	14,829,726	13,584,518
Total capital employed	**26,079,354**	**26,289,274**
Gearing (%)	**43.14%**	**48.33%**

20 Reserves

	Consolidated Group	
	2010 $	2009 $
(a) Foreign currency translation reserve		
Balance at the beginning of the year	(269,706)	(1,227,508)
Gain/(loss) on translation of overseas controlled entities	(629,496)	957,802
Balance at the end of the year	**(899,202)**	**(269,706)**

	Consolidated Group 2010 $	Consolidated Group 2009 $
(b) Employee equity benefits reserve		
Balance at the beginning of the year	537,778	500,417
Cancellation of options during the year	(157,200)	(164,800)
Options expensed during the year	226,488	202,161
Balance at the end of the year	**607,066**	**537,778**
Total reserves	**(292,136)**	**268,072**

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(ii). 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 2010 $	Consolidated Group 2009 $
Financial assets		
Cash and equivalents	1,380,369	579,929
Financial assets at amortised costs		
- Loans and receivables	5,500,942	4,673,290
Total financial assets	**6,881,311**	**5,253,219**
Financial liabilities		
Financial liabilities at amortised costs		
- Trade and other payables	7,119,523	6,150,000
- Borrowings	12,846,478	13,824,391
Total financial liabilities	**19,966,002**	**19,974,391**

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.

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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	
	2010 $	2009 $
Financial assets		
Cash and equivalents	1,380,369	579,929
	1,380,369	**579,929**
Financial liabilities		
Bank overdrafts	548,625	234,254
Interest rate swaps	216,481	539,706
Bank loans	1,275,683	941,501
	2,040,789	**1,715,461**
Net exposure	**660,420**	**1,135,532**

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 2010, after taking into account the effect of interest rate swaps, approximately 84% of the Group's bank borrowings are at a fixed rate of interest (2009: 80%).

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 2009 and 2010):

	Consolidated Group	
Judgments of reasonably possible movements	2010 $	2009 $
Post tax profit		
+ 1% (100 basis points)	(4,330)	(8,071)
- 0.5% (50 basis points)	2,165	4,036
Equity		
+ 1% (100 basis points)	(4,330)	(8,071)
- 0.5% (50 basis points)	2,165	4,036

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 2010 than in 2009 because the level of net borrowings has decreased in 2010.

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 in July 2008. The reason only US Dollar debt has been increased and not other currencies is because the

Board believe the US Dollar is the most volatile of currencies to the AUD Dollar, in comparison to the GBP and NZ Dollar, and also the US$ earnings are larger than the other overseas earnings.

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 one forward currency contract in place at 30 June 2010.The value of this at balance date is immaterial and as such has not been disclosed in the accounts.

Between 2010 and 2009, exchange rates moved by almost 16% for the AUD$:US$, by almost 17% for the AUD$:GBP, and 2% for the AUD$: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	
	2010 $	2009 $
Net Profit after tax	2,737,572	2,819,357
Net Profit after tax subject to exposure	**2,737,572**	**2,819,357**
Equity		
Assets	26,831,352	24,685,212
	26,831,352	24,685,212
Liability		
Bank loans	6,350,471	7,166,752
Others	22,923,074	21,110,283
	29,273,545	28,277,035
Equity to exposure	**(2,442,193)**	**(3,591,823)**
Judgments of reasonably possible movements		
Post tax profit		
- 5% movement	106,089	104,428
- 15% movement	318,268	313,285
+ 15% movement	(318,268)	(313,285)
+ 5% movement	(106,089)	(104,428)
Equity		
- 5% movement	(122,110)	(179,591)
- 15% movement	(366,329)	(538,773)
+ 15% movement	366,329	538,773
+ 5% movement	122,110	179,591

The Group has a US$ borrowing of $5,410,642 (2009: $5,835,462) that is used as a hedge of the net investment in the US operation.

At 30 June 2010, 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 2010. Cash flows for liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010.

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

	Consolidated Group	
	2010 $	2009 $
6 months or less	8,205,463	7,363,571
6-12 months	3,856,605	1,574,109
1-5 years	7,903,933	11,036,711
	19,966,001	**19,974,391**

Included in the maturities of 6 months or less is an amount of $3,959,401 (2009 $4,001,418) 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 $4,246,062 instead of the stated amount of $8,205,463

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	
	2010 $	2009 $
Trade & other payable		
< 6 months	7,031,838	6,122,458
6 - 12 months	15,124	27,542
1-5 years	72,561	-
	7,119,523	**6,150,000**
Interest rate swaps		
6 - 12 months	216,481	539,706
	216,481	**539,706**
Interest bearing loans & borrowings		
< 6 months	1,173,625	1,241,114
6 - 12 months	3,625,000	1,006,860
1-5 years	7,831,372	11,036,711
	12,629,997	**13,284,685**
	19,966,001	**19,974,391**

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 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Consolidated Group			
At 30 June 2010	Level 1 $	Level 2 $	Level 3 $	Total $
Assets	-	-	-	-
Liabilities				
Financial liabilities at FV through profit or loss	-	216,481	-	216,481
	-	216,481	-	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	
	2010 $	2009 $
Within one year	598,231	608,350
After one year, but not more than five year	1,420,448	1,619,536
	2,018,679	**2,227,886**

(i) A commercial property lease for use of its Sydney head office. The lease is a three-year lease and expires on 16 September 2010. 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 commercial property lease for use of its UK office. The lease is a 12 month lease and expires on 31 May 2011. There is no option to renew. The lease is for furnished offices and includes a minimum monthly lease charge based on 6 workstations.

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

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

(vii) 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.

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

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

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

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

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		**2010 $**	**2009 $**
Sales financed by Related Parties excluding GST	Note 1	-	-
Rent paid to Related Parties excluding GST	Note 2	120,000	168,045
Compensation of David Rosen	Note 4	282,868	347,992
Amounts owed by Related Parties for financed sales	Note 1	94,481	106,481
Amounts owed by (to) Related Parties for rent	Note 2	7,566	(14,300)
Compensation of McGeachen Bell and Associates (Mark McGeachen)	Note 5	143,265	177,450
Compensation of McGeachen Bell and Associates (Andrew Bell)	Note 6	142,695	169,476
Compensation of High Expectations Pty Ltd (Stephe Wilks)	Note 7	67,025	61,500

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.

Note 2 - Rent paid to related parties

The Sydney offices are rented from Isalux Pty Limited, a related party. The rental paid to Isalux is at normal market related prices and on arm's length commercial terms.

Note 3 - Distributor

Under an agreement with Pyramid Merchandising Software (Pty) Limited, Island Pacific Australia Pty Limited was appointed the worldwide master distributor in all territories outside Africa of PMS's merchandising software product know 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

Subsequent to the end of the financial year, the Company won a material contract with Harvey Norman for the supply and implementation of the AdvanceRetail point of sale (POS) solution.

The AdvanceRetail POS system will be deployed to the Harvey Norman retail stores in Australia, New Zealand, Republic of Ireland and Northern Ireland.

The initial contracts cover software licences, support and system design consultancy services and are worth in excess of $2 million (some part of which is already work in hand), with further work in the solution build, test and deployment phases expected over the following two years.

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25 Auditors' Remuneration

The auditor of 3Q Holdings Limited is PKF.

	Consolidated Group	
	2010 $	2009 $
Amounts received, or due and receivable by PKF for:		
- Audit or review of financial reports of the entity	146,327	182,501
- Other non-auditor services in relation to the entity	-	1,433
Remuneration of other auditors of subsidiaries for:		
- Audit or review of financial reports of the entity	88,262	160,243
- Other non-auditor services in relation to the entity	75,279	183,876
	309,868	**528,053**

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	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Revenue from external customers	4,671,108	4,975,374	1,399,181	1,546,115	12,490,072	14,284,306	4,773,525	4,033,111	23,333,887	24,838,905
Inter-segment revenue	59,588	653	-	-	807,117	1,362,439	736,321	392,172	1,603,026	1,755,264
Interest revenue	88	3,522	-	283	118	85,237	1,636	8,950	1,842	97,992
Total segment revenue	4,730,784	4,979,549	1,399,181	1,546,398	13,297,307	15,731,982	5,511,482	4,434,233	24,938,755	26,692,161
Adjusted EBITDA	1,184,433	939,043	226,793	240,606	2,223,729	2,555,675	903,973	625,196	4,538,928	4,360,520
									-	-
Depreciation & amortisation	85,856	68,773	22,226	28,175	832,812	966,040	286,042	286,627	1,226,935	1,349,615
Income tax expenses	242,190	323,572	-	(15,193)	55,625	1,580,495	109,838	34,703	407,654	1,923,577
Interest expenses	461	-	189	-	381,765	842,127	-	1,710	382,415	843,837
										-
Total segment assets	5,174,196	4,059,249	894,723	803,404	25,953,142	24,913,816	7,363,066	6,982,304	39,385,127	36,758,773
Total segment liabilities	1,238,678	980,741	189,352	283,778	19,629,698	18,194,865	4,306,323	3,562,222	25,364,051	23,021,606
Segment non-current assets, other than financial assets & deferred tax	890,875	525,901	3,796	19,207	17,764,433	18,464,729	5,745,272	5,981,138	24,404,376	24,990,975

(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 2010 $	Consolidation 2009 $
Adjusted EBITDA	4,538,928	4,360,520
3Q's net revenue from external customers	-	28,800
3Q's other sundry income	19,856	278,475
3Q's operating expenses	(1,553,767)	(1,548,970)
Intersegment elimination	2,003,292	2,394,442
Underlying EBITDA	**5,008,309**	**5,513,266**

(b) 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 2010 $	Consolidation 2009 $
Revenue from external customers	23,333,887	24,838,905
3Q's revenue from external customers	-	151,200
Total group revenue	**23,333,887**	**24,990,105**

(c) 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 2010 $	Consolidation 2009 $
Segment assets	39,385,127	36,758,773
3Q's assets	36,425,864	35,365,903
Intersegment elimination	(37,122,388)	(34,928,764)
Total group assets	**38,688,602**	**37,195,912**

(d) Reconciliation of segment liabilities to reported group liabilities

	Consolidation 2010 $	Consolidation 2009 $
Segment liabilities	25,364,051	23,021,606
3Q's liabilities	15,356,916	15,434,979
Intersegment elimination	(16,862,089)	(14,845,191)
Total group liabilities	**23,858,877**	**23,611,394**

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

	Consolidation 2010 $	Consolidation 2009 $
Segment non-current assets, other than financial assets & deferred tax	24,404,376	24,990,975
3Q's non-current assets	-	-
Intersegment elimination	3,119,661	3,119,656
Unallocated:		-
- Deferred tax assets	3,358,625	3,278,139
Total group non current assets	**30,882,662**	**31,388,769**

(f) 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 2010 $	Revenue from external customers 2009 $	Non-current assets* 2010 $	Non-current assets* 2009 $
Australia	6,929,033	6,538,337	44,125,592	43,076,824
USA	9,001,715	11,841,658	11,441,576	10,834,909
UK	4,887,539	3,988,762	3,451,173	4,237,177
New Zealand	2,460,816	2,621,348	2,209,596	2,191,870
Malaysia	54,784	-	1,330	-
	23,333,887	**24,990,105**	**61,229,266**	**60,340,779**

*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 2010 %	Equity Holding 2009 %
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 NZ Limited	New Zealand	Ordinary	100	100
Island Pacific (UK) Limited	United Kingdom	Ordinary	100	100
AdvanceRetail Technology Asia SDN BHD	Malaysia	Ordinary	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 one forward currency contract in place at 30 June 2010.The value of this at balance date is immaterial and as such has not been disclosed in the accounts.

(ii) Interest rate swaps - cash flow hedges

The Groups Interest bearing loans at balance date bear an average fixed interest rate of between 9.73% and 9.98% on Australian loans and 6.065% on US 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 2010 cover approximately 84% (2009:80%) 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 2010 was 7.68% on Australian loans (excluding margin) and 4.015% on US loans (excluding margin).

(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	Chief Operating Officer of Island Pacific UK

	Consolidated Group	
	2010 $	2009 $
Short-term employee benefits	1,563,220	2,054,287
Post employment benefits	73,393	235,485
Share-based payment	335,036	25,152
	1,971,649	**2,314,924**

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	2009	1,000,000	-	-	-	1,000,000
	2010	1,000,000	-	-	- 1,000,000	-
Clive Klugman	2009	1,000,000	-	-	-	1,000,000
	2010	1,000,000	-	-	- 1,000,000	-
Alan Treisman	2009	1,000,000	-	-	-	1,000,000
	2010	1,000,000	-	-	- 1,000,000	-
Stephe Wilks	2009	-	-	-	-	-
	2010	-	-	-	-	-
Mark McGeachen	2009	-	-	-	-	-
	2010	-	-	-	-	-
Andrew Bell	2009	-	-	-	-	-
	2010	-	-	-	-	-
David Rosen	2009	-	-	-	-	-
	2010	-	-	-	-	-
Richard Gaetano	2009	-	500,000	-	-	500,000
	2010	500,000		-	-	500,000
Mike Dotson	2009	-	500,000	-	-	500,000
	2010	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 2009	Received as compensation	Options exercised	Net change others*	Held at 30 June 2010
Shaun Rosen	57,500,000	2,000,000	-	-	59,500,000
Clive Klugman	57,500,000	2,000,000	-	-	59,500,000
Alan Treisman	100,000	2,000,000	-	-	2,100,000
Stephe Wilks	115,000	250,000	-	-	365,000
Mark McGeachen	9,389,500	1,000,000	-	- 7,511,600	2,877,900
Andrew Bell	9,389,500	1,000,000	-	- 8,450,550	1,938,950
David Rosen	57,500,000	2,000,000	-	-	59,500,000
Richard Gaetano	-	-	-	-	-
Mike Dotson	-	250,000	-	-	250,000
	191,494,000	10,500,000	-	- 15,962,150	186,031,850

* 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 Holding Limited.

	Consolidated Group 2010 $	Consolidated Group 2009 $
Current assets	1,383,054	812,892
Total assets	43,805,442	43,380,215
Current liabilities	4,714,978	3,330,885
Total liabilities	15,929,024	15,706,609
Shareholder's equity	27,876,418	27,673,606
Profit or loss	(373,876)	(994,124)
Total comprehensive loss	(373,876)	(994,124)

	Consolidated Group 2010 $	Consolidated Group 2009 $
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	657,822
Contingent liabilities		
There are no contingent liabilities in the parent entity	-	-

Directors' Declaration

The Directors of 3Q Holdings Limited declare that:

(a) in the Directors' opinion the financial statements and notes on pages 13 to 59, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 8 to 11, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

Dated at Sydney, 31 August 2010.

....
Director

PKF
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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of 3Q Holdings Limited (the consolidated entity). The consolidated entity comprises 3Q Holdings Limited 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 3Q Holdings Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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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Independence

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

Auditor's Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates the consolidated entity's current liabilities exceeded its current assets by $5,382,808 at 30 June 2010. Current liabilities include $3m of debt which is due for repayment during the 2010/2011 financial year.

These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2010. The directors of 3Q Holdings Limited 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.

Auditor's Opinion

In our opinion the Remuneration Report of 3Q Holdings Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PKF

PKF

Arthur Milner
Partner
Sydney, 31 August 2010

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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 12 August 2010

Substantial Shareholders

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

	Ordinary Shares	%
Eastfall Pty Limited	59,500,000	36.94
Elabrook Pty Limited	61,500,000	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 31 July 2010

Category	Ordinary Shareholders	Options Holders
1 – 1,000	526	-
1,001 – 5,000	185	-
5,001 – 10,000	61	8
10,001 – 100,000	82	68
100,001 and over	60	12
TOTAL	**914**	**88**

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	914
Options over ordinary shares	88

On-Market buy back

There is no current on-market buy back.

Equity Securities on issue

Equity Security	Number
Ordinary Shares	161,076,542
Options over ordinary shares	11,100,000

Twenty largest shareholders of quoted ordinary shares

As at 12 August 2010

Name	Ordinary Shares	%
Eastfall Pty Limited	57,500,000	35.7
Elabrook Pty Limited	57,500,000	35.7
Data Group Limited	6,572,650	4.08
Ron-Ton Fashions Pty Ltd (Retirement fund A/C)	2,485,561	1.54
Alan Treisman	2,100,000	1.3
Jay Fisher	2,000,000	1.24
Clive Klugman	2,000,000	1.24
David Rosen	2,000,000	1.24
Shaun Rosen	2,000,000	1.24
Mark James McGeachen & Robyn McGeachen & Andrew Bell	1,877,900	1.17
Ron-Ton Fashions Pty Ltd (Ron-Ton Retirement fund A/C)	1,800,172	1.12
Towns Corporation Pty Ltd PAE Family A/C	1,500,000	0.93
UBS Wealth Management Australia Nominees Pty Ltd	1,314,414	0.82
Hillridge Pty Ltd	1,242,883	0.77
Mark McGeachen	1,000,000	0.62
Andy Bell	1,000,000	0.62
Mark James McGeachen + Andrew Bell	938,950	0.58
Tristania Holdings Pty Ltd	890,399	0.55
Towns Corporation Pty Ltd PAE Family A/C	823,985	0.51
David Marcuson	675,000	0.42
TOTAL	**147,221,914**	**91.39**

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	88	11,100,000

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 2009 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.