2021 Annual Report

Corporate Information

ABN 42 089 058 293

Directors
Shaun Rosen (Executive Chairman)
Alan Treisman
Mark McGeachen
David Rosen

Auditors
BDO
Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

Company Secretary
Alan Treisman

Registered Office
Level 14, Tower 2, 101 Grafton 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

Solicitors
Marque Lawyers
Level 4
343 George Street
Sydney NSW 2000

Bankers
Commonwealth Bank of Australia
Bondi Junction, Sydney NSW

*Front Cover Image courtesy of Tom Servais

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Chairman's Report

My fellow shareholders,

After a year in which we experienced lockdowns and re-openings across most of the geographies we operate in, I am pleased to say that our company has weathered the COVID-19 storm and things are starting to turn around.

Due to rigid financial disciplines, we have managed to keep the company afloat and to declare our first dividend since 2016, indicating a healthy balance sheet.

We now see the retail sector picking up and I am confident that the future augurs well for all shareholders.

In the last year we have managed to increase our EBITDA by 31% despite revenues dropping by almost 19%. This was a result of lower operating costs and receipt of government grants of $1.65m. We also curtailed R&D in this period.

In addition, the company has reduced its net-debt by $4m bringing our percentage geared down from 25% to 2%. Whilst certain large customers have completed their contracts with us, we have had a few major wins as well as upgrades in the last twelve months.

I am confident that the company is now in a very healthy financial position.

As flagged last year, this will be my last report as the CEO of the company, as I intend stepping down at the end of the year as Group CEO. I will then be handing over to David Rosen (CEO of the UK and USA) who will assume the role of Group CEO.

I will remain on as a director and as chairman of the board.

I am hopeful that the coming years will see a more regular dividend stream for shareholders.

However, we are also mindful that there are shareholders who wish to exit their investment and we will be setting up a mechanism for shareholders to offer their shares to the company shortly. We will announce this program once up and running.

Key highlights of our financial performance were:

	2021	**2020**		**Percentage Increase/(Decrease)**
Revenue	$22,226,393	$27,543,422	↓	-19%
Gross Profit Percentage	90.73%	88.82%	↑	2%
Underlying EBITDA*	$9,533,645	$7,275,566	↑	31%
Underlying NPBT*	$7,236,938	$1,065,390	↑	579%
Underlying NPAT*	$5,800,657	$5,433,133	↑	7%
Net Profit/(Loss) after tax	$5,377,960	($16,938,593)	↑	132%
Total Number of Shares	150,916,603	151,531,603	↓	0%
Earnings/(Loss) per Share (cents)	3.55	(11.16)	↑	132%
Employee Benefit Expenses	$10,604,890	$13,557,992	↓	-22%
Number of Employees	143	159	↓	-10%

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

Shaun Rosen, Chairman

Directors' Report

Directors & Company Secretary

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

Shaun Rosen - Executive Chairman

Shaun Rosen joined the Board as the Executive Chairman on 22 December 2005, as part of the acquisition of Island Pacific Australia Pty Limited. He completed a Bachelor of Computer Science degree at the University of Cape Town in 1982 and founded Divergent Technologies in South Africa in 1983, where he served as Managing Director. The focus of the business was developing software for retailers, wholesalers and manufacturers. He has had more than 30 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.

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. He now serves as CEO for both AdvanceRetail and Island Pacific in Australia and New Zealand.

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 18 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.

David Rosen – Executive Director

David joined the Board on 12 December 2013. He holds a Bachelor of Science (Hons) and a Master of Arts from the University of Cape Town. He co-founded Divergent Technologies in South Africa with his brother Shaun in 1983, and they brought the company to Australia where David served as Technical Director. David returned to South Africa in 1994 where until 2002 he was the Technical Director of the JSE-listed Softline Group responsible for R&D, and also the Managing Director of VST, Softline's retail software division that specialised in outsourcing merchandising and point of sale systems. In 2002 David joined Shaun Rosen and Clive Klugman when they bought back SVI Retail, and has since lived in the USA, serving as the CEO of Island Pacific USA and UK and Group CTO.

Principal Activities

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

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

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

Dynamics of the Business and Business Strategies

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

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

There are a number of well run retail solutions providers in the market, some specialising in software, others in services and most with a loyal client base. The Group is currently well established in the "specialty retail" sector and boasts an impressive client list that includes many brand retailers.

In addition, following completion of its acquisitions, the Group 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.

Review of Operations

Refer to Chairman's letter for detail.

Operating Results for the Year

Financial Highlights

	2021	2020	Percentage Increase/(Decrease)	
Revenue	$22,226,393	$27,543,422	↓	-19%
Gross Profit Percentage	90.73%	88.82%	↑	2%
Underlying EBITDA*	$9,533,645	$7,275,566	↑	31%
Underlying NPBT*	$7,236,938	$1,065,390	↑	579%
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Net Profit/(Loss) after tax	$5,377,960	($16,938,593)	↑	132%
Total Number of Shares	150,916,603	151,531,603	↓	0%
Earnings/(Loss) per Share (cents)	3.55	(11.16)	↑	132%
Employee Benefit Expenses	$10,604,890	$13,557,992	↓	-22%
Number of Employees	143	159	↓	-10%

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

Key outcomes for the 2021 Financial Year include:

- Underlying EBITDA, NPBT, NPAT is up on last year even though revenues are down. The reason they are up despite the drop in revenues is due to reduced overheads during the year, in particular staff costs, and government grants received.
- Net debt decreased by almost $4m from FY2020 as a result of principal repayments and repayment of overdraft from 2020.

Asset and Capital Structure

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

Consolidated	2021 $	2020 $
Interest Bearing Loans	3,240,925	7,434,824
Other Finance Loans	182,939	621,191
Cash & Short Term Deposits	(3,025,320)	(3,733,953)
Net Debt	398,546	4,322,062
Total Equity	18,353,310	13,286,566
Total Capital Employed	18,751,856	17,608,628
Gearing (%)	2.13%	24.55%

Profile of Debts

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

	2021 $	2020 $
Bank Loans and finance lease liability	3,240,925	7,434,824
Other Finance Loans	182,939	621,191
TOTAL DEBT	**3,423,864**	**8,056,015**

Share issues during the year

No shares under the Employee Share Ownership Plan were issued during the year to staff (2020: Nil). 615,000 shares under the Employee Share Ownership Plan were cancelled during the year (2020: 735,000 shares).

Options issued during the year

- No options were issued during the year.
- No options expired during the year.
- No options were issued during the prior year.
- No options expired during the prior year.

Directors' interest in shares and options

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

Director	Ordinary Shares	Options
Shaun Rosen*	61,765,900	-
Alan Treisman	5,850,000	-
Mark McGeachen	3,127,900	-
David Rosen*	59,500,000	-

*57,500,000 shares are owned by David and Shaun Rosen collectively through their interest in Elabrook Pty Limited.

Dividends

3Q Holdings Limited did not pay a dividend during the reporting period, and none were declared for payment (2020: $0).

Risk Management

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

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

Future Developments and Expected Results

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

Significant Changes in the State of Affairs

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

Significant Events After the Reporting Date

The impact of the COVID-19 outbreak continues, as with last year, to evolve at the date of this report and therefore the impact of the pandemic on the Group's future financial results remains uncertain and will depend on future developments such as the duration and severity of the outbreak and government policies. Whilst the Group acknowledges the unpredictability of the evolving COVID-19 situation, Management are taking and have taken measures to limit the future financial impact on the Group. These measures include, reduction in discretionary spend, deferment of non-essential capital and robust controls to manage working capital and accessing Government support programmes where eligible. Based on the above, management are satisfied that they are taking the appropriate measures to ensure that the Group will continue as a going concern and therefore the financial report has continued to be prepared on a going concern basis.

A dividend of $4,527,498 (3c per share) was declared on 6 October 2021 to be paid on 29 October 2021.

Other than the above, there were no other significant events after the reporting 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 Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

Proceedings on Behalf of the Group

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

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

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 26 to the financial statements.

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

The directors are of the opinion that the services as disclosed in Note 26 to the financial statements do not compromise the external auditor's independence for the following reasons:

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

Indemnity and Insurance of Auditor

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

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

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	3	3
Alan Treisman	3	3
Mark McGeachen	3	3
David Rosen	3	3

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 the following page.

Signed in accordance with a resolution of the Directors.

Shaun Rosen
Executive Chairman
Sydney, NSW
15th October 2021

BDO

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Level 11, 1 Margaret St
Sydney NSW 2000
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DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF 3Q HOLDINGS LIMITED

As lead auditor of 3Q Holdings Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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 financial year.

Martin Coyle
Director

BDO Audit Pty Ltd

Sydney, 15 October 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	Consolidated Group 2021 $	2020 $
Revenue	3(a)	22,226,393	27,543,422
Cost of sales		(2,059,430)	(3,080,152)
Gross profit		20,166,963	24,463,270
Other income	3(b)	1,775,712	935,498
Operating expenses	3(c)	(1,817,122)	(4,549,878)
Employee benefit expenses		(10,604,890)	(13,557,992)
Earnings before tax, finance costs, depreciation, amortisation, impairment, foreign exchange gains/(losses) and share based payments		**9,520,663**	**7,290,899**
Depreciation		(549,072)	(759,253)
Amortisation		(1,352,445)	(4,901,159)
Impairment	13	-	(22,503,940)
Finance costs	3(d)	(382,209)	(565,098)
Foreign exchange (losses)/gains		(422,697)	132,215
Profit/(loss) before income tax		6,814,240	**(21,306,336)**
Income tax (expense)/benefit	4	(1,436,280)	4,367,743
Profit/(loss) after income tax		**5,377,960**	**(16,938,593)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations, net of tax		(311,216)	113,727
Other comprehensive income for the year, net of tax		**(311,216)**	**113,727**
Total comprehensive income/(loss) for the year		**5,066,744**	**(16,824,866)**
Profit/(loss) attributable to:			
Owners of the parent		5,377,960	(16,938,593)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		5,066,744	(16,824,866)
Basic and diluted earnings/(loss) per share (cents per share)	5	3.55	(11.16)

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Consolidated Group 2021 $	2020 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	3,025,320	3,733,953
Trade and other receivables	8	5,384,354	4,168,105
Other assets	9	1,109,490	1,083,975
Current tax assets	20	37,157	-
Inventories	10	75,122	81,266
Total Current Assets		**9,631,443**	**9,067,299**
Non-current Assets			
Property, plant and equipment	11	123,428	194,793
Trade and other receivables	8	122,186	-
Intangible assets	12	18,327,955	18,614,545
Right-of-use Assets	14	2,428,354	3,055,927
Deferred tax assets	20	3,845,798	4,660,937
Total Non-current Assets		**24,847,721**	**26,526,202**
TOTAL ASSETS		**34,479,164**	**35,593,501**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	7,304,739	8,413,062
Financial liabilities	17	1,092,842	4,058,086
Lease liabilities	18	492,799	497,411
Employee benefits	19	1,566,071	1,594,740
Current tax liabilities	20	829,791	662,838
Total Current Liabilities		**11,286,242**	**15,226,137**
Non-current Liabilities			
Financial liabilities	17	2,330,916	3,997,573
Lease liabilities	18	2,496,547	3,078,186
Employee benefits	19	12,149	5,040
Total Non-current Liabilities		**4,839,612**	**7,080,799**
TOTAL LIABILITIES		**16,125,854**	**22,306,936**
NET ASSETS		**18,353,310**	**13,286,566**
EQUITY			
Issued capital	21	6,712,050	6,712,050
Reserves	22	3,179,544	3,490,760
Profit appropriation reserve	22	1,087,171	-
Retained earnings		7,374,545	3,083,756
TOTAL EQUITY		**18,353,310**	**13,286,566**

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Issued Capital	Reserves	Profit appropriation reserve	Retained Earnings	Total
		$	$	$	$	$
Balance at 1 July 2019		**6,712,050**	**3,377,033**	**-**	**20,022,348**	**30,111,431**
Loss for the year		-	-	-	(16,938,593)	(16,938,593)
Other comprehensive income for the year, net of tax		-	113,727	-	-	113,727
Total comprehensive loss for the year		-	113,727	-	(16,938,593)	(16,824,866)
Balance at 30 June 2020	21	**6,712,050**	**3,490,760**	**-**	**3,083,756**	**13,286,566**
Balance at 1 July 2020		**6,712,050**	**3,490,760**	**-**	**3,083,756**	**13,286,566**
Profit for the year		-	-	-	5,377,960	5,377,960
Other comprehensive loss for the year, net of tax		-	(311,216)	-	-	(311,216)
Total comprehensive income for the year		-	(311,216)	-	5,377,960	5,066,744
Transfer to profit appropriation reserve		-	-	1,087,171	(1,087,171)	-
Balance at 30 June 2021	21	**6,712,050**	**3,179,544**	**1,087,171**	**7,374,545**	**18,353,310**

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	Consolidated Group	
		2021	2020
		$	**$**
Cash flows from operating activities			
Receipts from customers		22,847,859	28,308,382
Payments to suppliers and employees		(17,331,276)	(22,529,542)
Interest paid		(209,746)	(395,664)
Interest paid for lease liabilities		(176,663)	(94,967)
Income taxes paid		(636,911)	(718,597)
Government grants received (COVID-19)		1,208,338	708,195
Other income		114,809	46,938
Net cash inflows from operating activities	7	**5,816,410**	**5,324,745**
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,721)	(83,259)
Loans repaid from other entities		62,606	45,114
Payment of development costs		(1,698,122)	(3,371,341)
Net cash outflows from investing activities		**(1,651,237)**	**(3,409,486)**
Cash flows from financing activities			
Proceeds from borrowings		-	2,041,102
Repayment of borrowings		(4,063,117)	(625,000)
Repayment of lease liabilities		(517,333)	(267,015)
Net cash (outflows)/inflows from financing activities		**(4,580,450)**	**1,149,087**
Net (decrease)/increase in cash and cash equivalents		(415,277)	3,064,346
Cash and cash equivalents at beginning of period	7	3,733,953	905,167
Reclassification of restricted cash		(120,542)	-
Exchange rate/translation adjustments		(172,814)	(235,560)
Cash and cash equivalents at end of period	7	**3,025,320**	**3,733,953**

The accompanying notes form part of these Consolidated Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2021

1 Authorisation of Financial Report

The financial report of 3Q Holdings Limited and its controlled entities (“the consolidated entity and/or the Group”) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 15 October 2021.

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 and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. This financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The financial report is presented in Australian Dollars, rounded to the nearest dollar.

The same accounting policies and methods of computation have been followed in this financial report as compared with the comparative financial report.

The financial report covers the consolidated group of 3Q Holdings Limited and its controlled entities. 3Q Holdings Limited is an unlisted 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.

Going Concern

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

A major component of the Group’s current liabilities is prepaid maintenance, deferred revenue, staff leave entitlements and derivative financial liabilities (fair value of interest rate swap at reporting date) of $5,982,920 (2020: $6,684,265) which is not expected to be paid in cash.

During the previous financial year, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus outbreak (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The COVID-19 pandemic has caused large scale disruption and adverse economic conditions, the impact of which continues to evolve as at the date of authorisation of the Group’s financial statements. Whilst the pandemic has impacted most sectors of the economy in different ways (both positive and negative), the Group’s operations were most notably affected by a reduction in turnover during the financial year. Despite this reduction in turnover, management were able to successfully implement various operating efficiencies and manage the working capital position of the Group, the impact of which resulted in the Group recognising underlying EBITDA of $9,533,645 (2020: $7,275,566) and net operating cash inflows of $5,816,410 (2020: $5,324,745) for the financial year ended 30 June 2021.

Notwithstanding the degree of uncertainty that the COVID-19 pandemic continues to pose on the international economy, the Directors believe that there are reasonable grounds to conclude that the Group will continue as a going concern, after consideration of the following factors:

- Management have prepared forecasts through to 31 October 2022 which indicate that the Group can continue to pay its debts as and when they become due and payable for at least the twelve months from the date of authorisation of the financial report;
- The Group has available overdraft facilities of $4 million, of which $3.95 million remains unused at year end which can provide immediate short-term coverage if required; and

- In the event of continuing business challenges associated with the COVID-19 pandemic, management are confident in being able to manage working capital through the pursuit of operating efficiencies.

Basis of consolidation

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 30.

The consolidated financial statements comprise the financial statements of 3Q Holdings Limited and its subsidiaries as at 30 June of each year ("the Group"). A list of the controlled entities is disclosed in Note 27 to the financial statements.

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

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

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

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

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

Impairment of assets

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

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other 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.

Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

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. Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the sections within this annual report as follows:

- The impairment of goodwill in Note 13
- The impairment of non-financial assets other than goodwill and other indefinite life intangible assets in Note 12
- The income tax provision in Note 4
- The recovery of deferred tax assets in Note 20
- The valuation of share-based payments in Note 15
- The allowance for expected credit losses of receivables in Note 8
- Incremental borrowing rate of leases in Note 18

Accounting Standards and interpretations

New, revised or amending Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have a significant impact on the financial performance or position of the consolidated entity.

3 Revenue and Expenses

	Consolidated Group 2021 $	Consolidated Group 2020 $
(a) Revenue from contracts with customers		
Sales of goods/hardware	479,323	594,059
Rendering of services	6,184,844	8,226,736
Maintenance fees	13,911,173	16,311,694
Licence fees	1,382,419	2,084,497
Other revenue	268,634	326,436
	22,226,393	**27,543,422**
(b) Other income		
Interest income using the effective interest rate method	(12,981)	15,333
Government Grants (COVID-19)	1,651,355	688,072
Other income	137,338	232,093
	1,775,712	**935,498**
(c) Operating expenses		
Accounting and audit fees	463,084	592,213
Bad and doubtful debts	(262,167)	880,584
Legal fees	249,498	192,215
Rental / variable expenses on operating lease	110,564	304,485
Other expenses	1,256,143	2,580,381
	1,817,122	**4,549,878**
(d) Finance Costs		
Interest paid on bank loans and leases	381,960	571,070
Loss/(gain) on SWAP	250	(5,974)
	382,210	**565,096**

Recognition and Measurement

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:

- Software licenses are recognized at a point in time when the software license is transferred to the customer and set-up so that the customer has the unrestricted ability to use it.
- Revenue for implementation services is recognized over time as the Group provides the services. Recognition is at hourly rates with appropriate consideration of any fixed fee or not-to-exceed amount.
- Revenue for maintenance is recognized over the contract periods on a straight-line basis, to reflect the Groups effort which is generally extended evenly throughout the maintenance period.
- Revenue from rendering of other services is recognised over time when the service is provided to the customer.

Where amounts are invoiced before the satisfaction of the relevant performance obligation, a deferred revenue liability is brought to account.

Interest

Revenue is recognised as the interest accrues.

Dividends

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

Government Grants

Government grants are recognised as income when it is reasonably certain that the Group will comply with the conditions attached to them and when the right to receive payment is established.

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

Consolidated – 2021	Software $	Hardware $	Maintenance $	Services $	Other $	Total $
Geographical regions						
Australia	263,011	160,303	2,210,493	1,036,419	104,514	**3,774,740**
New Zealand	165,332	182,781	1,123,277	1,005,737	10,839	**2,487,966**
UK	151,543	136,239	5,235,146	2,693,890	76,998	**8,293,816**
US	802,791	-	5,197,029	1,426,948	76,282	**7,503,050**
Rest of the World	(258)	-	145,228	21,850	-	**166,821**
	1,382,419	479,323	13,911,173	6,184,844	268,634	**22,226,393**

Consolidated – 2020	Software $	Hardware $	Maintenance $	Services $	Other $	Total $
Geographical regions						
Australia	187,782	234,824	2,169,348	1,075,679	178,498	**3,846,131**
New Zealand	81,072	222,557	1,228,146	834,622	14,980	**2,381,377**
UK	278,779	136,678	5,689,911	4,020,982	72,598	**10,198,947**
US	1,487,712	-	6,985,092	2,118,626	60,360	**10,651,790**
Rest of the World	49,152	-	239,198	176,827	-	**465,177**
	2,084,497	594,059	16,311,694	8,226,736	326,436	**27,543,422**

4 Income Tax

	Consolidated Group	
	2021	2020
	$	$
(a) Income Tax Expense/(Benefit) Comprises:		
Current tax	927,766	501,955
Deferred tax	223,181	(4,384,900)
Recognition/(recoupment) of prior and current year tax losses	285,333	(484,798)
	1,436,280	**(4,367,743)**
(b) Reconciliation		
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 26% as follows (2020: 27.50%)	**1,771,702**	**(5,859,242)**
Add:		
Tax effect of:		
non-deductible / (assessable) depreciation, amortisation and impairment	(45,565)	1,814,060
other non-allowable items	(486,006)	212,584
adjustment for differences in tax rates	347,437	(251,682)
foreign subsidiary income subject to additional tax in US	47,169	56,651
(over)/under provision for income tax in prior year	(4,329)	(381,634)
other tax adjustments	(145,625)	85,880
	1,484,783	**(4,323,383)**
Less:		
Tax effect of:		
recoupment of tax losses not previously recognised	(48,503)	(44,360)
Income tax attributable to entity	**1,436,280**	**(4,367,743)**
The applicable weighted average effective tax rates are as follows:	21%	20%

Recognition and Measurement

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 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 reporting date, the possibility of default is remote.

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

3Q Holdings Limited (the "head entity") and its 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.

Income tax - *key estimate and judgement*

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

5 Earnings/(Loss) per Share

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

	Consolidated Group	
	2021	2020
Net profit/(loss) attributed to ordinary equity holders of the parent	5,377,960	(16,938,593)
Weighted average number of ordinary shares for basic earnings per share	151,514,754	151,814,759
Weighted average number of ordinary shares adjusted for the effect of dilution	151,514,754	151,814,759
Earnings/(loss) per share	3.55	(11.16)

Recognition and Measurement

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 which could impact upon basic or diluted earnings per share.

Basic earnings per share is calculated as net profit/(loss) 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;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

6 Dividends Paid and Proposed

Dividends
No Dividend paid during the financial year (2020: Nil).

Recognition and Measurement

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

A dividend of $4,527,498 (3c per share) was declared on 6 October 2021 to be paid on 29 October 2021.

	Consolidated Group	
	2021 $	2020 $
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 26% (2020 – 27.5%)	2,425,180	1,916,359
- Franking credits that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year	91,068	179,602
The amount of franking credits available for future reporting periods	**2,516,248**	**2,095,961**

7 Cash and Cash Equivalents

(a) Cash Balance

	Consolidated Group	
	2021 $	2020 $
Cash at bank	3,025,320	3,733,953
	3,025,320	**3,733,953**

Recognition and Measurement

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents, excluding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position

Cash at bank earns interest at floating rates based on daily bank deposit rates, as well as at fixed rates based on term deposit rates.

Cash at the end of the financial year shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

	Consolidated Group 2021 $	Consolidated Group 2020 $
Cash and cash equivalents	3,025,320	3,733,953
Cash per Statement of Cash Flows	**3,025,320**	**3,733,953**

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

	Consolidated Group 2021 $	Consolidated Group 2020 $
Profit/(loss) after income tax	5,377,960	(16,938,593)
Non-cash flows in profit:		
Depreciation expenses	549,072	759,253
Amortisation expenses	1,352,445	4,901,159
Impairment expenses	-	22,503,940
Net profit on disposal of property, plant and equity	113	0
Net foreign exchange difference	(149,692)	(770,528)
Changes in assets and liabilities (net of settlement)		
Decrease in inventories	5,549	9,397
(increase)decrease in trade and other receivables	(817,952)	(37,342)
(Increase)/decrease in prepayments	(33,266)	91,743
Decrease/(increase) in deferred tax assets	331,602	(466,781)
(Increase)/decrease in current tax assets	(176,803)	294,716
Increase/(decrease) in current/deferred tax liabilities	581,377	(4,905,359)
(Decrease)/increase in trade and other payables	(599,160)	113,856
Increase/ (decrease) in provisions	28,783	(61,034)
(Decrease) in maintenance in advance	(633,618)	(169,682)
Net Cash from Operating Activities	**5,816,410**	**5,324,745**

(c) Changes in liabilities arising from financing activities

	Consolidated Group 2021 $	Consolidated Group 2020 $
Financial liabilities 1 July	8,055,659	6,682,492
Cash activities		
Repayment of borrowings	(4,063,117)	(625,000)
Proceeds from borrowings	-	2,041,102
Non cash changes		
Fair value change in derivative financial liability	250	(5,974)
FX unrealised (gain) / loss	(127,362)	(36,961)
Transfer of PPL loan to sundry income	(441,672)	-
Financial liabilities 30 June	**3,423,758**	**8,055,659**

8 Trade and other receivables

	Consolidated Group 2021 $	Consolidated Group 2020 $
Current		
Trade receivables	5,703,619	4,904,352
Less: Provision for expected credit losses	(397,649)	(989,615)
	5,305,970	**3,914,737**
Unbilled receivables	78,384	253,368
	5,384,354	**4,168,105**
Non-Current		
Deposits	122,186	-
	122,186	-

Recognition and Measurement
Trade receivables are non-interest bearing and are generally on 7-30 day terms. These assets are held for collection of contractual cashflows where these cashflows represent payment of principal and are measured at amortised cost. The Consolidated Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

The ageing analysis of trade receivables is as follows:

	Consolidated Group 2021 $	Consolidated Group 2020 $
0-30 days	4,310,413	1,823,611
0-30 days/CI*	-	749
31-60 days/PDNI*	209,829	1,611,470
31-60 days/CI*	454	1,086
61-90 days/PDNI*	68,721	300,395
61-90 days/CI*	456	1,594
+ 91 days/PDNI*	717,007	179,261
+ 91 days/CI*	396,740	986,185
	5,703,619	**4,904,352**

* Past due no allowance ('PDNI')
* Allowance for expected credit losses ('CI')

According to AASB 9, the weighted expected credit loss rates for FY2021 are 0-30days 0.43% (FY2020: 0.66%), 31-60days 1.59% (FY2020: 0.53%), 61-90days 12.03% (FY2020: 3.20%), 91days+ 36% (FY2020: -85%).

Receivables past due but not considered impaired are: $995,556 (2020: $2,091,127). Payment terms on these amounts have in some cases been re-negotiated, however in certain circumstances credit has been stopped until payment is made. Due to the ongoing Covid-19 pandemic, a lot of payment terms with customers have been negotiated, resulting in the large receivables past due but not considered impaired. The carrying value of these re-negotiated amounts were $15,202 at 30 June 2021 (2020: $399,320). Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables are recognised at amortised cost, less any allowance for expected credit losses. No allowance for expected credit losses have been 22ecognized for these receivables.

Movements in the allowance for expected credit losses are as follows:

	Consolidated Group	
	2021 $	2020 $
Movement in expected credit losses		
Balance of the beginning of the year	989,615	799,060
(Decrease)/increase in expected credit losses	(518,077)	182,318
Foreign currency exchange difference	(73,889)	8,237
Balance at the end of year	**397,649**	**989,615**

(a) Related party receivables

For terms and conditions of related party receivables refer to Note 24.

(b) Fair value and credit risk

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

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 23.

(d) Non-current receivables

There were no non-current receivables.

Allowance for expected credit losses of receivables – key estimate and judgement

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates. In assessing expected credit losses, the group has also considered the current and potential impact of the ongoing COVID-19 pandemic and related economic conditions.

9 Other Assets

	Consolidated Group	
	2021 $	2020 $
Prepayments and short term-loans	1,109,490	1,083,975
	1,109,490	**1,083,975**

Recognition and Measurement

Prepayments for goods and services are recognised at cost and amortised over the consumption of the good or service.

10 Inventories

	Consolidated Group	
	2021 $	2020 $
Finished goods at the lower of cost and net realisable value	75,122	81,266
	75,122	**81,266**

Recognition and Measurement

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.

11 Property, Plant & Equipment

	Consolidated Group	
	2021	2020
	$	$
(a) Property, plant, equipment, furniture and motor vehicles		
At cost	1,262,981	1,971,360
Accumulated depreciation	(1,189,538)	(1,844,517)
	73,443	**126,843**
Movement in carrying amount		
Balance at the beginning of the year	126,843	211,917
Additions	15,443	47,665
Impairment	-	(11,640)
Disposal	(980)	1,989
Reclassified to right-of-use assets	-	(38,647)
Depreciation expense	(59,299)	(82,810)
Foreign currency exchange difference	(8,564)	(1,631)
Balance at the end of year	**73,443**	**126,843**
(b) Leasehold improvement		
At cost	367,480	378,956
Accumulated depreciation	(326,835)	(316,470)
	40,645	**62,486**
Movement in carrying amount		
Balance at the beginning of the year	62,486	53,236
Additions	-	45,920
Disposal	-	(10,886)
Depreciation expense	(19,135)	(25,417)
Foreign currency exchange difference	(2,706)	(367)
Balance at the end of year	**40,645**	**62,486**
(c) Software		
At cost	475,016	514,238
Accumulated depreciation	(465,676)	(508,774)
	9,340	**5,464**
Movement in carrying amount		
Balance at the beginning of the year	5,464	14,440
Impairment / (reversal)	-	(5)
Disposal	-	(2,097)
Depreciation expense	(554)	(7,165)
Foreign currency exchange difference	4,430	291
Balance at the end of year	**9,340**	**5,464**
Total Property, plant and equipment		
At cost	2,105,476	2,864,554
Accumulated depreciation	(1,982,048)	(2,669,761)
	123,428	**194,793**

	Consolidated Group 2021 $	Consolidated Group 2020 $
Movement in carrying amount		
Balance at the beginning of the year	194,793	279,593
Additions	15,443	93,585
Impairment	-	(11,645)
Reclassified to right-of-use assets	-	(38,647)
Disposal	(980)	(10,994)
Depreciation expense	(78,988)	(115,394)
Foreign currency exchange difference	(6,840)	(1,705)
Balance at the end of year	**123,428**	**194,793**

Recognition and Measurement

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.

Depreciation

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

- Leasehold improvements – 25% straight line
- Software – 25% straight line
- Property, plant, equipment, furniture and motor vehicles – 12.5% to 40% straight line

The assets residual values and useful lives are reviewed and adjusted if appropriate at each reporting 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.

12 Intangible Assets

Consolidated Group	Intellectual Property $	Customer relationship $	Tradename $	Goodwill $	Development costs $	Website Services $	Total $
2020							
At cost	6,302,429	7,995,487	788,546	10,324,888	26,196,545	-	51,607,895
Accumulated Amortisation & impairment	(6,302,429)	(7,995,487)	(648,272)	-	(18,047,162)	-	(32,993,350)
Net carrying value	**-**	**-**	**140,274**	**10,324,888**	**8,149,383**	**-**	**18,614,545**
2021							
At cost	6,302,429	7,578,409	788,546	9,903,175	26,413,262	-	50,985,821
Accumulated Amortisation & impairment	(6,302,429)	(7,578,409)	(700,133)	-	(18,076,895)	-	(32,657,866)
Net carrying value	**-**	**-**	**88,413**	**9,903,175**	**8,336,367**	**-**	**18,327,955**

Consolidated Group	Intellectual Property $	Customer relationship $	Tradename $	Goodwill $	Development costs $	Website Services $	Total $
Balance at the beginning of the year 2020	195,097	379,128	245,375	15,718,474	24,647,336	10,763	41,196,173
Capitalised cost	-	-	-	-	3,918,242	-	3,918,242
Amortisation	(204,757)	(103,282)	(58,156)	-	(4,523,647)	(11,317)	(4,901,159)
Impairment	(333)	(282,542)	(47,602)	(5,435,193)	(16,438,361)	-	(22,204,031)
Foreign currency exchange difference	9,993	6,696	657	41,607	545,813	554	605,320
Balance at the end of year	**-**	**-**	**140,274**	**10,324,888**	**8,149,383**	**-**	**18,614,545**
Balance at the beginning of the year 2021	-	-	140,274	10,324,888	8,149,383	-	18,614,545
Capitalised cost	-	-	-	-	1,774,973	-	1,774,973
Amortisation	-	-	(51,861)	-	(1,300,583)	-	(1,352,445)
Foreign currency exchange difference	-	-	-	(421,713)	(287,406)	-	(709,118)
Balance at the end of year	**-**	**-**	**88,413**	**9,903,175**	**8,336,367**	**-**	**18,327,955**

Recognition and Measurement

Intangible assets, other than goodwill, have finite useful lives. Goodwill is not amortised but is subject to annual impairment testing (see Note 13). Nil impairment loss was recognised on all Intangible assets in the 2021 financial year (2020: A$22,204,031).

The current amortisation charge is included under the depreciation and amortisation expense in the Statement of Profit and loss and other Comprehensive Income. Refer below for the amortisation policies for the above intangible assets.

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 costs 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. Amortisation is calculated using the straight line method to allocate the cost of intellectual property over their estimated useful lives which vary between 5 and 15 years.

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 the 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 as 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. The method of amortisation is based on the expected pattern of consumption of the expected future economic benefits embodied in the capitalised asset. Where this cannot be estimated reliably, the capitalised asset is amortised on a straight-line basis over the expected useful life, which varies from 5 to 15 years

Impairment – key estimate and judgement

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

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 post-tax weighted average cost of capital at the beginning of the budget period of 11.22%.

Goodwill is allocated to cash-generating units as follows:

	Consolidated Group	
	2021 $	2020 $
3Q Holdings, AdvanceRetail & Island Pacific Australia	2,720,553	2,731,733
Business of Island Pacific (Subsidiaries in US and UK)	7,182,622	7,593,155
	9,903,175	**10,324,888**

Key assumptions used

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

- 11.22% (2020: 11.28%) post-tax discount rate;
- Between 0%-5% (2020: 0%-10%) per annum projected revenue growth rate.
- Between 0%-5% (2020: 0%-5%) per annum increase in operating costs and overheads.

The discount rate of 11% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the technology industry, the risk free rate and the cost of equity relative to market movements.

Management believes the projected 0%-5% revenue growth rate from 2023 onwards is prudent and justified, based on the anticipated market conditions in a post COVID 19 world.

There was no impairment of assets during the year (2020: $22,503,940 impairment occurred as the carrying amount of goodwill, other intangibles, tangible and right of use assets exceeded their recoverable value). A breakdown if these balances are as follows:

Island Pacific US/UK/India Segment

- Nil of development costs were impaired on 30 June 2021. (2020: A$13,271,035) (Note 12).

AdvanceRetail/Island Pacific Australia Segment

- Nil of development cost and Goodwill assets were impaired on 30 June 2021. (2020: A$2,310,500 and A$5,410,070) (Note 12).

Intelligent Retail Segment

- Nil of development cost (2020 A$856,826), Goodwill (2020: A$25,123), customer relationship (2020: A$282,542), intellectual property (2020: A$333) and tradename assets (2020: A$47,602) were impaired on 30 June 2021. (Note 12)
- Nil of tangible assets were impaired on 30 June 2021 (2020: A$11,645) (Note 11).
- Nil of Right-of- use assets were impaired on 30 June 2021. (2020: A$288,264) (Note 14).

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

- Island Pacific US/UK/India Segment
  Revenue growth would need to decrease by more than 38% before goodwill and other intangible assets at the cash-generating unit level would need to be further impaired, with all other assumptions remaining constant.

- AdvanceRetail/Island Pacific Australia Segment
  Revenue growth would need to decrease by more than 16% than currently budgeted for otherwise goodwill and other intangible assets would need to be impaired, with all other assumptions remaining constant.

- Intelligent Retail Segment
  All goodwill and other intangible assets were impaired during the 30 June 2020 financial year.

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

Key estimates – Impairment of goodwill

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

With respect to cash flow projections for the Group, growth rates of up to 5% have been factored into valuation models, based on management's expectations around the Group's continued ability to capture market share from competitors. The rates used incorporate allowance for inflation. Post tax discount rates of 11% have been used in all models. For 2022, the cash flow projection was based on the 2021 year, adjusted for all known facts, as this was a more realistic projection.

14 Right-of-use assets

	Consolidated Group	
	2021 $	2020 $
(a) Property, plant and equipment right-of-use assets		
At cost	3,271,359	3,571,032
Accumulated depreciation	(914,470)	(578,706)
	2,356,889	**2,992,326**
Movement in carrying amount		
Balance at the beginning of the year	2,992,326	3,103,922
Additions	-	835,863
Lease adjustment and modification	(139,225)	-
Depreciation expense	(446,358)	(617,279)
Impairment expense	-	(288,264)
Foreign currency exchange difference	(49,854)	(41,916)
Balance at the end of year	**2,356,889**	**2,992,326**
(b) Motor vehicle right-of use assets		
At cost	121,061	90,029

	Consolidated Group	
	2021	2020
	$	$
Accumulated depreciation	(49,596)	(26,428)
	71,465	**63,601**
Movement in carrying amount		
Balance at the beginning of the year	63,601	59,050
Additions	33,535	30,979
Depreciation expense	(23,725)	(26,582)
Foreign currency exchange difference	(1,946)	154
Balance at the end of year	**71,465**	**63,601**
Total right-of-use assets		
At cost	3,392,420	3,661,061
Accumulated depreciation	(964,066)	(605,134)
	2,428,354	**3,055,927**
Movement in carrying amount		
Balance at the beginning of the year	3,055,927	3,162,973
Additions	33,535	866,842
Lease adjustment and modification	(139,225)	-
Impairment	-	(288,264)
Depreciation expense	(470,083)	(643,861)
Foreign currency exchange difference	(51,800)	(41,761)
Balance at the end of year	**2,428,354**	**3,055,927**

Recognition and Measurement

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

15 Share-based payments

Recognition and Measurement

There were no options under the Employee Share Option Plan issued during the year (2020: Nil).

No options expired during the year (2020: Nil).

No shares under the Employee Share Ownership Plan were issued during the year to staff and Senior Managers (2020: Nil).

615,000 shares under the Employee Share Ownership Plan were cancelled during the year (2020: 735,000 shares).

(a) Employee Share Ownership Plan

The Employee Share Ownership Plan was approved by the Annual General Meeting and established on 3 December 2009. Under the terms of the Employee Share Ownership Plan, the company had granted each of the participating executives and employees a limited recourse loan equal to the purchase value of the shares which is repayable within 10 years. The financial assistance becomes immediately repayable in the event of dismissal, resignation, death or retirement of the executive or employee so long as the shares have been acquired. The financial assistance is secured over the shares and the rights attached to the shares.

All shares issued pursuant to the plan may be 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 may be applied towards repayment of the financial assistance. Voting rights attached to the shares may be exercised by the trustee holder in the best interest of the executive or employee.

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

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Number of Shares issued	7,250,000	4,000,000	750,000	950,000	3,865,000
Exercise Price	$0.13	$0.10	$0.07	$0.05	$0.17
Time to Maturity from issue date	10 years	10 years	10 years	10 years	10 years
Underlying Share Price	$0.13	$0.10	$0.07	$0.05	$0.17
Expected Share Price Volatility	36.84%	36.84%	36.84%	36.84%	36.80%
Risk-free Interest Rate	5.11%	5.11%	5.11%	5.11%	4.29%
Dividend Yield	5.00%	5.00%	5.00%	5.00%	5.00%

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 reporting 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.

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.

Share-based payment transactions – key estimate and judgement

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

16 Trade and Other Payables

	Consolidated Group 2021 $	Consolidated Group 2020 $
Current		
Trade payables	1,945,127	2,378,085
Deferred revenue	4,416,955	5,089,881
Other payables	628,319	371,240
Payable to related party	314,338	573,856
	7,304,739	**8,413,062**

Recognition and Measurement

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are non-interest bearing and are normally settled on 30-day terms. Deferred revenue includes billings or payments received in advance of revenue recognition and is recognised as the revenue recognition criteria are met.

(a) Fair value

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

(b) Related party payable

For terms and conditions of related party payables refer to Note 24.

Other payables are carried at amortised cost 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.

17 Financial Liabilities

	Consolidated Group 2021 $	Consolidated Group 2020 $
Current		
Secured:		
Bank loans (borrowings) and finance lease liabilities	1,054,914	3,616,770
Other financial liabilities	38,034	441,672
Derivative financial (asset)/ liability	(106)	(356)
	1,092,842	**4,058,086**
Non-current		
Secured:		
Bank loans (borrowings) and finance lease liabilities	2,186,011	3,818,053
Other financial liabilities	144,905	179,520
	2,330,916	3,997,573
Total financial liabilities	**3,423,758**	**8,055,659**

Recognition and Measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowing costs are recognised as an expense when incurred.

Other financial liabilities include Government grants received due to COVID-19 as well as other Government loans received also due to COVID-19. These balances are recognised as financial liabilities as the consolidated entity did not have an unconditional right as at 30 June 2021 to forgo repayment of these amounts (although some or all of these balances may be forgiven in future periods subject to the Group meeting the conditions imposed by the relevant government bodies).

Financial guarantees

The Group has guaranteed the Commonwealth Bank of Australia 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.

Bank loan

The bank loan facilities include the following key terms and balances:

- The facilities are secured by a first charge over the assets of the Group, held by the Commonwealth Bank of Australia.
- The interest on the loan is charged at a fixed and variable rate of interest.
- On 29 November 2019 the company refinanced its bank loan with Commonwealth Bank of Australia. The facility included a three year amortising facility of $5,800,000, a three year bullet non-revolving cash advance facility of $218,000, and a three year revolving working capital facility of $4,000,000. All three facilities are denominated in AUD, USD, Sterling and any other Optional Currency. The aggregate of all outstanding amounts under the facilities may at any relevant date exceed the facility limits by a maximum of 1.075 times.
- A margin of 1.75% will be payable on the daily balance outstanding and will be payable in arrears at the end of each quarterly interest period.
- A reset fee of 0.15% on the amortising facility and bullet non-revolving cash advance facility is payable on the outstanding amount of a draw where the interest period is less than 3 months.
- A line fee of 0.8% accrues on the facility limit of the revolving working capital facility, and is payable quarterly.
- A line fee of 0.25% per year on the on the amortising facility and bullet non-revolving cash advance facility is payable quarterly in arrears.
- The three-year amortising facility is made up of an AUD$ loan with a balance of A$732,383 at 30 June 2021, a US$ loan with a balance of US$672,400 (AUD$897,113) at 30 June 2021, and a GBP loan with a balance of GBP736,135 (AUD$1,356,003) at 30 June 2021. These facilities are amortising and bear interest at fixed and variable rates with a margin of 1.75%. Interest on the AUD$ loan is capped at 1.5% until 29 November 2022, plus a margin of 1.75%. As at 30 June 2021, AUD$300,000 of the AUD$ loan was capped, reducing by $50,000 a quarter until 29 November 2022.
- For US$ and GBP loans, their interest rates are both capped at 1.5% until 29 November 2022. As at 30 June 2021, US$672,400 was capped, reducing by US$32,000 a quarter until 29 November 2022. As at 30 June 2021, GBP500,000 was capped, reducing by GBP25,000 a quarter until 29 November 2022.
- At 30 June 2021, the balance outstanding on the three year revolving working capital facility, shown as an overdraft, was AUD$54,914.
- At 30 June 2021, the balance outstanding on the three year bullet non-revolving cash advance facility was GBP 108,852 (AUD$200,512).
- The three year bullet non-revolving cash advance facility was primarily for the purpose of funding the earn-out of the acquisition of Intelligent Retail, as well as the funding of any other acquisitions.

Financing facilities available

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

	Consolidated Group	
	2021 $	2020 $
Total facilities - bank loan	7,768,000	9,393,000
Facilities used at reporting date - bank loans	3,240,925	7,434,824
Facilities unused at reporting date - bank loans	4,527,075	1,958,176

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

(a) Fair values

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

(b) Assets pledged as security

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

	Note	Consolidated Group	
		2021 $	2020 $
Current			
Cash and cash equivalents	7	3,025,320	3,733,953
Trade and other receivables	8	5,384,354	4,168,105
Other assets	9	1,109,490	1,083,975
Inventories	10	75,122	81,266
Current tax assets	20	37,157	-
		9,631,443	**9,067,299**
Non-current			
Deferred tax assets	20	3,845,798	4,660,937
Trade and other receivable	8	122,186	-
Property, plant and equipment	11	123,428	194,793
Intangible assets	12	18,327,955	18,614,545
		22,419,367	**23,470,275**
Total assets pledged as security		**32,050,810**	**32,537,574**

The Commonwealth Bank of Australia has a fixed and floating charge over all the assets of the Group.

(c) Defaults and breaches

At the reporting date and during the year there were no breaches or defaults with Commonwealth Bank of Australia.

Due to COVID 19 conditions, the Group deferred its March and June 2020 instalments of $250,000 each, but paid these in September 2020, plus an additional repayment of A$500,000 on 03 March 2021.

18 Lease liability

	Consolidated Group	
	2021 $	2020 $
Current		
Lease liabilities	492,799	497,411
	492,799	**497,411**
Non-current		
Lease liabilities	2,496,547	3,078,186
	2,496,547	**3,078,186**
Total financial liabilities	**2,989,346**	**3,575,597**

Recognition and Measurement

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Group's incremental borrowing rates are as follows:

- The incremental borrowing rates for Sydney office lease is 5.75% & 5.54% for Sydney motor vehicle lease;
- The incremental borrowing rates for US office leases are 4.71% & 4.96% and for US motor vehicle lease is 5.34% & 1.08%;
- The incremental borrowing rates for NZ office lease is 6%;
- The incremental borrowing rates for India office lease was 4.71%, changed to 4.25% from November 2020.

19 Employee Benefits

	Consolidated Group	
	2021 $	2020 $
Current - Provision for annual leave and long service leave	1,566,071	1,594,740
Non-current - Provision of long service leave	12,149	5,040
	1,578,220	**1,599,780**
Movement in provision		
Balance at the beginning of the year	1,599,780	1,667,569
Amounts provided	635,828	698,548
Leave taken	(606,916)	(768,098)
Translation differences	(50,472)	1,761
Balance at the end of year	**1,578,220**	**1,599,780**

Recognition and Measurement

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 is described below.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated Group	
	2021 $	2020 $
Leave obligations expected to be settled after 12 months	979,446	1,039,339
	979,446	**1,039,339**

Wages, salaries and annual leave

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

Long service leave

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

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

Defined contribution superannuation expense

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

20 Tax

NON-CURRENT

	Opening Balance $	Charged / (Credited) to Income $	Charged Directly to Equity $	Changes in Tax Rate $	Exchange Differences $	Closing Balance $
Deferred Tax Liability						
Property Plant and Equipment tax allowance	1,395,731	26,415	-	223	25,971	1,448,340
Capitalised development costs	6,268,895	(4,856,600)	-	(90,593)	202,851	1,524,553
Balance at June 2020	**7,664,626**	**(4,830,185)**	**-**	**(90,370)**	**228,822**	**2,972,893**
Property Plant and Equipment tax allowance	1,448,340	29,801	-	-	(116,732)	1,361,409
Capitalised development costs	1,524,553	98,549	-	(17,061)	(85,718)	1,520,323
Balance at June 2021	**2,972,893**	**128,350**	**-**	**(17,061)**	**(202,450)**	**2,881,732**

Deferred Tax Assets						
Provisions	705,124	(131,854)	-	(23,294)	1,399	551,375
Transaction costs on equity issue and convertible notes	15,992	(7,122)	-	(1,333)	1	7,538
Unrealised foreign exchange loss/ (gain)	249,056	16,930	-	(1,431)	(5,130)	259,424
Property, Plant and Equipment, Intangibles tax allowance	1,386,779	(143,154)	-	(83,568)	9,945	1,170,002
Recognition/recoupment of tax losses	5,359,931	467,568	-	(52,678)	55,933	5,830,754
Other	28,950	(218,852)	-	(950)	5,590	(185,262)
Balance at 30 June 2020	**7,745,832**	**(16,484)**	**-**	**(163,254)**	**67,738**	**7,633,832**
Provisions	551,375	82,171	-	(13,791)	(28,912)	590,842
Transaction costs on equity issue and convertible notes	7,538	(2,933)	-	(411)	-	4,194
Unrealised foreign exchange loss/ (gain)	259,424	57,970	-	(922)	15,650	332,122
Property, Plant and Equipment, Intangibles tax allowance	1,170,004	(155,104)	-	(47,396)	(22,053)	945,451
Recognition/recoupment of tax losses	5,830,754	(409,726)	-	(36,612)	(375,642)	5,008,775
Other	(185,263)	16,637	-	-	14,772	(153,853)
Balance at 30 June 2021	**7,633,832**	**(410,985)**	**-**	**(99,132)**	**(396,185)**	**6,727,531**

	Consolidated Group	
	2021 $	2020 $
Net deferred tax assets	3,845,798	4,660,937
Net deferred tax	**3,845,798**	**4,660,937**

3Q Holdings Limited (the parent company) had income tax losses of $13,085,303 at 30 June 2021 ($13,110,545 as at 30 June 2020), of which $634,599 (2,440,767 non-tax effected) of these losses have been recognised as a deferred tax asset in accordance with Note 4. Deferred tax assets from tax losses which have not been brought into account, the benefits of which will only be realised if the conditions for deductibility as set out in Note 4 are met, amount to $10,644,536 (tax effected $2,767,579) (2020: $10,669,778, tax effected $2,934,189).

AdvanceRetail Technology Limited had income tax losses of $1,142,839 at 30 June 2021 ($1,552,698 as at 30 June 2020), all of these loses have been recognised as a deferred tax asset in accordance with Note 4.

Island Pacific Systems Inc had income tax losses of $10,980,595 at 30 June 2021 (losses of $12,774,170 at 30 June 2020), of which all of these losses have been recognised as a deferred tax asset in accordance with Note 4.

Intelligent Retail Limited had income tax losses at 30 June 2021 of $424,986 ($414,189 as at 30 June 2020), all of these loses have been recognised as a deferred tax asset in accordance with Note 4. In addition, it also provided $369,818 of tax losses to Island Pacific (UK) Limited during the year by taking advantage of Group Tax Relief.

	Consolidated Group	
	2021 $	2020 $
CURRENT		
Income tax asset	37,157	-
Current tax asset	**37,157**	**-**
Income tax payable	829,791	662,838
Net current tax liability	**829,791**	**662,838**

Recovery of deferred tax assets – key estimate and judgement

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

21 Issued Capital

	Consolidated Group	
	Number	$
2020		
(a) Ordinary shares		
Fully paid	151,531,603	6,712,050
	151,531,603	**6,712,050**
(i) Movements in ordinary share on issue		
Balance at the beginning of the year	152,266,603	6,712,050
Staff shares cancelled	(735,000)	-
Balance at the end of the year	**151,531,603**	**6,712,050**
2021		
(b) Ordinary shares		
Fully paid	150,916,603	6,712,050
	150,916,603	**6,712,050**
(i) Movements in ordinary share on issue		
Balance at the beginning of the year	151,531,603	6,712,050
Staff shares cancelled	(615,000)	-
Balance at the end of the year	**150,916,603**	**6,712,050**

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.

Capital Management

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

One method that Management monitors capital, is through the gearing ratio (net debt / total capital). The gearing ratio at reporting date decreased from the prior year. Net debt decreased by $3.924m from FY2020. The gross debt decreased by $4.633m from the prior year mainly due to increased profitability during the year resulting in larger amounts of cash generated and more debt being repaid. Cash decreased by $708k from the prior year. Management intend to continually reduce the gearing 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 2021 and 2020 were as follows:

	Consolidated Group	
	2021 $	2020 $
Interest bearing loans & borrowings	3,240,925	7,434,824
Other finance loans	182,939	621,191
Cash & equivalent	(3,025,320)	(3,733,953)
Net debt	**398,544**	**4,322,062**
Total equity	18,353,310	13,286,566
Total capital employed	**18,751,854**	**17,608,628**
Gearing (%)	**2.13%**	**24.55%**

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.

22 Reserves

	Consolidated Group	
	2021 $	2020 $
(a) Foreign currency translation reserve		
Balance at the beginning of the year	3,254,735	3,141,008
(loss) / Gain on translation of overseas controlled entities	(311,216)	113,727
Balance at the end of the year	**2,943,519**	**3,254,735**
(b) Employee benefits equity reserve		
Balance at the beginning of the year	236,025	236,025
Balance at the end of the year	**236,025**	**236,025**
Total reserves	**3,179,544**	**3,490,760**
Profit appropriation reserve		
Balance at the beginning of the year	-	-
Transfer during the year	1,087,171	-
Balance at the end of the year	**1,087,171**	**-**

Foreign currency translation reserve

Exchange differences arising in translation of the Group's foreign subsidiaries are taken to the foreign currency translation reserve, as described in Note 27. The reserve is recognised in profit and loss at such time as the Group disposes of its net investment.

Options reserve

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

Profit appropriation reserve

The profit appropriation reserve comprises profits appropriated by the parent entity.

23 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	
	2021 $	2020 $
Financial assets		
Cash and equivalents	3,025,320	3,733,953
Financial assets at amortised cost		
- Loans and receivables	5,506,540	4,168,105
Total financial assets	**8,531,860**	**7,902,058**
Financial liabilities		
Financial liabilities at amortised costs		
- Trade and other payables	7,304,739	8,413,062
- Borrowings and other financial liabilities	3,423,864	8,056,015
- Financial liabilities at FV through profit or loss	(106)	(356)
Total financial liabilities	**10,728,497**	**16,468,721**

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

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

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in Note 17.

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	
	2021 $	2020 $
Financial assets		
Cash and equivalents	3,025,320	3,733,953
	3,025,320	**3,733,953**
Financial liabilities		
Bank overdrafts	54,914	2,116,770
Interest rate swaps	(106)	(356)
Bank loans	1,068,383	200,613
	1,123,191	2,317,027
Net exposure	**(1,902,129)**	**(1,416,926)**

The Group's policy is to manage its finance costs using a mix of fixed/capped and variable rate debt, and at times to fix all its debt. The Group's policy is to maintain between 50% and 100% of its bank borrowings at fixed or capped 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 or capped rates, 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 and caps are designated to hedge underlying debt obligations. At 30 June 2021, after taking into account the effect of interest rate swaps and caps, 66% of the Group's bank borrowings are at a fixed or capped rate of interest (2020: 96%).

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, capped and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date (the rates used are based on average movements between 2021 and 2020):

	Consolidated Group	
Judgements of reasonably possible movements	2021 $	2020 $
Post tax profit		
+ 1% (100 basis points)	13,315	9,918
- 0.5% (50 basis points)	(6,657)	(4,959)
Equity		
+ 1% (100 basis points)	13,315	9,918
- 0.5% (50 basis points)	(6,657)	(4,959)

The movements in profit are due to higher/lower interest rates from variable rate debt and cash balances that incur/earn interest which is not fixed. The sensitivity is higher in 2021 than in 2020 because there was a higher exposure of net cash in 2021 by $485,204 compared to 2020.

Foreign currency risk

As a result of significant operations in the United States, United Kingdom and New Zealand (to a lesser extent) following the acquisitions of Island Pacific in December 2007, AdvanceRetail in March 2007, and Intelligent Retail in May 2013, the Group's Statement of Financial Position can be affected significantly by movements in the US$/A$, GBP/A$ and to a lesser extent, NZ$/A$ exchange rates. The Group has mitigated the effect of its foreign currency exposure by increasing its borrowing in US Dollars and GBP. The reason only US Dollar and GBP debt has been increased and not other currencies is because the Board believe the US Dollar and GBP are the most volatile of currencies to the AUD Dollar, in comparison to the NZ Dollar, and also the US$ and GBP earnings are larger than the other overseas earnings. These borrowings in foreign currencies then act as a hedge against the earnings and cash reserves from these currencies.

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

The Group has no forward currency contracts in place at 30 June 2021 (2020: Nil).

	Consolidated Group	
	2021 $	2020 $
Net Profit/(Loss) after tax	3,108,277	(8,759,286)
Net Profit/(Loss) after tax subject to exposure	**3,108,277**	**(8,759,286)**
Equity		
Assets	37,102,936	43,167,791
	37,102,936	**43,167,791**
Liability		
Bank loans	2,453,628	4,318,053
Others	31,825,152	36,086,407
	34,278,780	**40,404,460**
Equity to exposure	**2,824,156**	**2,763,331**

Between 2021 and 2020, exchange rates moved by almost 8.08% for the AUD$:US$, by -2.61% for the AUD$:GBP, and by 0.47% for the AUD$:NZ$. This is an average movement of 1.98%. For comparative purposes, assume a higher-end movement of 10%, and using a lower-end 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	
	2021 $	2020 $
Judgements of reasonably possible movements		
Post tax profit		
-10% (2020: -10%) movement in AUD$	147,487	(438,917)
-5% (2020: -5%) movement in AUD$	73,744	(219,458)
+5% (2020: +5%) movement in AUD$	(73,744)	219,458
+10% (2020: +10%) movement in AUD$	(147,487)	438,917
Equity		
-10% (2020: -10%) movement in AUD$	288,665	268,871
-5% (2020: -5%) movement in AUD$	144,333	134,435
+5% (2020: +5%) movement in AUD$	(144,333)	(134,435)
+10% (2020: +10%) movement in AUD$	(288,665)	(268,871)

The Group has a US$ borrowing facility of $672,400 (2020: $1,600,000) that is used as a hedge of the net investment in the US operation.

The Group has a UK£ borrowing facility of £844,987 (2020: £1,111,714) that is used as a hedge of the net investment in the UK operations.

At 30 June 2021, the Group hedged none of its foreign currency purchases that are firm commitments (2020: Nil).

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 reporting 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 securitize 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. As disclosed in note 8, due to improved collections, the calculation of expected credit losses has been revised with the provision for expected credit losses decreasing as at 30 June 2021.

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 2021. Cash flows for liabilities without fixed amount or timing are based on the conditions existing at 30 June 2021.

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

	Consolidated Group	
	2021 $	2020 $
6 months or less	8,164,434	12,278,618
6-12 months	1,462,286	1,205,238
1-5 years	4,193,476	6,228,802
Over 5 years	727,437	994,498
	14,547,633	**20,707,156**

Included in the maturities of 6 months or less is an amount of $4,416,955 (2020: $5,089,881) representing maintenance and other amounts invoiced to 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 $3,747,479 (2020: $7,188,737) instead of the stated amount of $8,164,434 (2020: $12,278,618).

The above table excludes derivatives.

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	
	2021 $	2020 $
Trade & other payable		
< 6 months	7,304,739	8,413,062
6 - 12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	7,304,739	8,413,062
Interest rate swaps		
< 6 months	(106)	(356)
6 - 12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	(106)	(356)

	Consolidated Group 2021 $	2020 $
Current tax payables		
< 6 months	108,204	129,643
6 - 12 months	628,134	385,653
1-5 years	93,453	147,542
Over 5 years	-	-
	829,791	**662,838**
Lease liabilities		
< 6 months	177,664	177,826
6 - 12 months	315,135	319,585
1-5 years	1,769,109	2,083,688
Over 5 years	727,438	994,498
	2,989,346	**3,575,597**
Interest bearing loans & borrowings		
< 6 months	573,932	3,558,442
6 - 12 months	519,017	500,000
1-5 years	2,330,915	3,997,572
Over 5 years	-	-
	3,423,864	**8,056,014**
	14,547,634	**20,707,155**

Fair value

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

Fair value measurement

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value measurement hierarchy consists of the following levels:

(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 assets and liabilities measured and recognised at fair value at 30 June 2021. Comparatives included below.

	Consolidated Group			
At 30 June 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities/(assets) at FV through profit or loss	-	(106)	-	(106)
	-	(106)	-	(106)

	Consolidated Group			
At 30 June 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities/(assets) at FV through profit or loss	-	(356)	-	(356)
	-	(356)	-	(356)

	Consolidated Group	
	2021 $	2020 $
Movement		
Balance at the beginning of the year	(356)	5,618
Additional (reversal)/provision	250	(5,974)
Balance at the end of the year	**(106)**	**(356)**

There were no transfers between levels during the financial year.

Fair value of financial instruments that are not measured at fair value on a recurring basis

The carrying value of current financial assets and liabilities approximate their fair value. The carrying value less allowance for expected credit loss of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The carrying amount of borrowings disclosed in note 17 are assumed to approximate their fair values.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Recognition and Measurement

Initial Recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification and subsequent measurement

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). As at the reporting date, the Group’s financial assets consisted of cash and cash equivalents and trade and other receivables which are measured at amortised cost in accordance with the above accounting policy.

Non-derivative financial liabilities are initially measured at fair value and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised. As at the reporting date as at 30 June 2021, the Group’s financial liabilities consisted of trade and other payables, lease labilities, bank loans and derivatives. Other than the derivative instruments which are measured at fair value with changes recognised in profit or loss, the Group’s other financial liabilities have been measured at amortised cost in accordance with the above accounting policy.

24 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 16):

Consolidated		**2021 $**	**2020 $**
Rent paid to Related Parties excluding GST	Note 2	176,845	184,080
Transactions with Distributor	Note 3	584,130	824,606
Amounts owed to Related Parties – Distributor	Note 3	314,338	573,856
Compensation of McGeachen Bell Associates Ltd (Mark McGeachen) *	Note 4	153,984	234,809
Compensation of McGeachen Bell Associates Ltd (Andrew Bell) *	Note 5	139,985	213,463
Loan to Director (Shaun Rosen)	Note 6	326,855	339,871

* These amounts are separately disclosed as related party transactions as they were paid directly to related entities of the key management personnel rather than to the personnel directly. These amounts are also included within the aggregate compensation made to directors and other members of key management personnel of the consolidated entity as disclosed in note 29.

Note 1 - Sales financed by related parties

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

Note 2 - Rent paid to related parties

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

Note 3 - Distributor

Under an agreement with Pyramid Merchandising Software Pty Limited (PMS), Island Pacific Australia Pty Limited was appointed the worldwide master distributor in all territories outside Africa of PMS's merchandising software product known as "Island Pacific SmartPlanning". 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 – 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 5 – 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 6 –Loan to director (Shaun Rosen)

Shaun, a director of 3Q Holdings Limited is a related party. Amounts have been loaned to Shaun during the year, interest has been charged on such amount's loaned at an arm's length rate of 3%. This rate was changed from 6% to fall in line with current interest rates and adjusted retrospectively.

Details of directors and key management personnel remuneration are also set out in note 29.

25 Significant events after the reporting date

The impact of the COVID-19 outbreak continues, as with last year, to evolve at the date of this report and therefore the impact of the pandemic on the Group's future financial results remains uncertain and will depend on future developments such as the duration and severity of the outbreak and government policies. Whilst the Group acknowledges the unpredictability of the evolving COVID-19 situation, Management are taking and have taken measures to limit the future financial impact on the Group. These measures include, reduction in discretionary spend, deferment of non-essential capital and robust controls to manage working capital and accessing Government support programmes where eligible. Based on the above, management are satisfied that they are taking the appropriate measures to ensure that the Group will continue as a going concern and therefore the financial report has continued to be prepared on a going concern basis.

A dividend of $4,527,498 (3c per share) was declared on 6 October 2021 to be paid on 29 October 2021.

Other than the above, there were no other significant events after the reporting date.

26 Auditors' Remuneration

The disclosures include amounts received or due and receivable by BDO Audit Pty Ltd, BDO's respective related entities and any other auditors of subsidiaries of the consolidated entity.

	Consolidated Group	
	2021 $	2020 $
Amounts received, or due and receivable by BDO for:		
- Audit or review of financial reports of the entity	135,949	155,162
- R&D preparation and other tax services	-	3,063
- Other services charges	102	5,000
Remuneration of other BDO auditors of subsidiaries for:		
- Audit or review of financial reports of the entity	96,463	104,663
- Other non-auditor services in relation the entity	-	20,478
- Tax services	13,597	1,020
- Other services charge	1,364	-
Remuneration of other auditors of subsidiaries for:		
- Audit or review of financial reports of the entity	47,571	59,531
- Tax services	2,810	-
- Other services charge	75,470	67,573
	373,326	416,490

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.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2021 %	Equity Holding 2020 %
Island Pacific Australia Pty Limited	Australia	Ordinary	100	100
ARS Australia Pty Limited	Australia	Ordinary	100	100
Island Pacific Systems Inc	United States of America	Ordinary	100	100
AdvanceRetail Technology Limited	New Zealand	Ordinary	100	100
Island Pacific (UK) Limited	United Kingdom	Ordinary	100	100
Island Pacific Retail Systems Private Limited	India	Ordinary	100	100
Intelligent Retail (UK) Limited (subsidiary of IP UK)	United Kingdom	Ordinary	100	100

Recognition and Measurement

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 Profit or Loss and other Comprehensive Income.

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

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

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

The functional currency of the foreign operation, Island Pacific Retail Systems Private Limited, is Rupee (INR).

The functional currency of the foreign operation, Intelligent Retail Limited, is Great British Pounds (GBP).

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 reporting date and their income statements are translated at the average exchange rate for the year.

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

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

28 Derivative financial instruments

(a) Instruments used by the Group

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

(i) Forward currency contracts - held for trading

The Group has no forward currency contracts in place at 30 June 2021 (2020: Nil).

(ii) Interest rate swaps - cash flow hedges

The Groups Interest bearing loans at reporting date bear an average fixed or capped interest rate (including average margin of 2.35% (2020: 2.75%) of 4.43% (2020: 5.75%) on Australian loans, 4.12% (2020: 4.96%) on US loans, and 3.83% (2020: 4.19%) on Sterling loans. In order to protect against rising interest rates the Group has entered into interest cap contracts for the AU$, US$ and Sterling loans which caps the rate of interest it pays. Caps in place over bank borrowings at 30 June 2021 cover 66% (2020: 97%) of the principal outstanding. A$300,000, US$672,400 and £500,000 have been capped at 1.5% at 30 June 2021.

(b) Interest rate risk

Information regarding interest rate risk exposure is set out in note 23.

29 Key Management Personnel Disclosures

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated Group	
	2021 $	2020 $
Short-term employee benefits	2,040,649	2,688,887
Post-employment benefits	90,125	81,131
	2,130,774	**2,770,018**

30 Parent Entity Information

Information relating to 3Q Holdings Limited.

	Parent Entity	
	2021 $	2020 $
Current assets	1,966,069	2,370,946
Non-current assets	17,288,162	19,572,530
Total assets	**19,254,231**	**21,943,476**
Current liabilities	3,314,548	5,773,918
Non-current liabilities	4,271,949	5,588,994
Total liabilities	**7,586,497**	**11,362,912**
Equity		
- Issued Capital	45,195,754	45,195,754
- Reserves	236,025	236,025
- Profit appropriation reserve	1,087,171	-
- Accumulated losses	(34,851,216)	(34,851,216)
Shareholder's equity	**11,667,734**	**10,580,564**
Profit/(loss) for the year	1,087,171	(11,000,895)
Total comprehensive income/(loss) for the year	1,087,171	(11,000,895)

Guarantees entered into by 3Q in relation to the debts of its subsidiaries

There are no guarantees entered into by 3Q in relation to the debts of its subsidiaries (2020: Nil).

Contingent liabilities

There were no contingent liabilities at Balance sheet date (2020: Nil).

Contractual commitments by 3Q for the acquisition of property, plant or equipment

There are no commitments in the current year (2020: Nil).

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 and Note 2 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors,

Dated at Sydney, 15 October 2021.

....
Shaun Rosen
Executive Chairman
Sydney, NSW
15th October 2021

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of 3Q Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 3Q Holdings Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of 3Q Holdings Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Chairman's Report and Directors' Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

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Martin Coyle
Director

Sydney, 15 October 2021