ISLAND PACIFIC INC
Form S-3/A
January 25, 2005

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 25, 2005
REGISTRATION NO. 333-118531

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2 TO

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ISLAND PACIFIC, INC.
(formerly known as SVI Solutions, Inc.)
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	33-0896617
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

7372
(Primary Standard Industrial Classification Code Number)

19800 MACARTHUR BOULEVARD
IRVINE, CALIFORNIA 92612
(949) 476-2212

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

MICHAEL TOMCZAK
PRESIDENT AND CHIEF OPERATING OFFICER
ISLAND PACIFIC, INC.
19800 MACARTHUR BOULEVARD
IRVINE, CALIFORNIA 92612
(949) 476-2212
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	REGI
Common Stock, $0.0001 par value	42,075,977	N/A	N/A	

(1) Pursuant to Rule 416 of the Securities Act of 1933, as amended (the "Securities Act"), such shares shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) promulgated under the Securities Act based upon the average of the high and low prices of our common stock on November 23, 2004 as reported on the American Stock Exchange, which was $0.43 per share.

(3) The Registrant registered 6,846,332 shares of common stock on a Form S-3 filed on August 25, 2004 (File No. 333-118531) and paid a filing fee of $390.94 in connection with such registration. The Registrant registered 35,646,404 shares of common stock on a Form S-3 filed on September 13, 2004 (File No. 333-118927) and paid a filing fee of $2,258.20 in connection with such registration. The Registrant is combining the above described Forms S-3 in this registration statement.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE

A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

EXPLANATORY NOTE

We restated our financial statements for the fiscal year ended March 31, 2004 and our quarterly financial statements for the second and third quarters of the fiscal year ending March 31, 2003, the first, second and third quarters of the fiscal year ending March 31, 2004 and the first quarter of the fiscal year ending March 31, 2005.

The restatements were made for the following:

1. Reversal of revenue recognized on an one-time sale of software technology rights,
2. Presentation of total revenues and cost of revenues as product and services revenues and corresponding costs of revenues,
3. Reclassification of amortization expense of software products from depreciation and amortization expense to cost of product revenue,
4. Reversal of a purchase of software technology ("Software Technology") and related amortization,
5. Accrual of a royalty liability and related recognition of royalty fees pursuant to the purchase agreement of Software Technology,
6. Recognition of amortization of debt discount on the March '03, April '03, May '03 and Toys "R" Us convertible debt as interest expense,
7. Capitalization and amortization of beneficial conversion interest charges related to the March '03, April '03, May '03 and March '04 convertible debentures,
8. Capitalization of legal fees related to the acquisitions of Page Digital Incorporated and Retail Technologies International, Inc.,
9. Reclassification of impairment of prepaid development expense from other expense to selling, general and administrative expense,
10. Reclassification of a gain on debt forgiveness from extraordinary item to other income, and
11. Record fair value of RTI's stock options assumed at acquisition.

We did not file an amended Form 10-K/A for the year ended March 31, 2003 due to the immateriality of adjustments.

THE INFORMATION CONTAINED IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PURSUANT TO THIS PROSPECTUS UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING AN OFFER TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS

ISLAND PACIFIC, INC.

42,075,977 SHARES

COMMON STOCK

We are registering 42,075,977 shares of our common stock for resale by the selling stockholders identified in this prospectus on pages 14 through and 18. The selling stockholders may sell the shares of common stock described in this prospectus in public or private transactions, on or off the American Stock Exchange, at prevailing market prices, or at privately negotiated prices. The selling stockholders may sell shares directly to purchasers or through brokers or dealers. Brokers or dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholders. We will not receive any of the proceeds from the sale of the shares by the selling stockholders. The selling stockholders will receive all of the proceeds from the sale of the shares and will pay all underwriting discounts and selling commissions, if any, applicable to the sale of the shares. We will pay the expenses of this registration statement.

Our common stock is listed on the American Stock Exchange under the symbol "IPI." The closing sale price of our common stock as reported on the American Stock Exchange on January 14, 2005 was $0.51 per share.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS," BEGINNING ON PAGE 3.

NEITHER THE SECURITIES EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is January 25, 2005, subject to completion.

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YOU SHOULD RELY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. THE SELLING STOCKHOLDERS ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE ON THE COVER PAGE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR ANY SALE OF THE COMMON STOCK. IN THIS PROSPECTUS, "IPI," "WE," "US," AND "OUR" REFER TO ISLAND PACIFIC, INC., UNLESS THE CONTEXT OTHERWISE REQUIRES.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY DOES NOT CONTAIN ALL OF THE INFORMATION YOU SHOULD CONSIDER BEFORE BUYING SHARES IN THIS OFFERING. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING "RISK FACTORS" AND OUR FINANCIAL STATEMENTS BEFORE MAKING AN INVESTMENT DECISION.

OUR COMPANY

We provide software solutions and services that support virtually all of the operational activities of a typical retailer. We help traditional and e-commerce retailers understand, manage and fulfill consumer demand by providing fully-integrated, retail management and point-of-sale systems. We have installed our software in over 200 retailers worldwide, which operate approximately 31,000 retail stores and have approximately $250 billion in combined annual sales. Our current customers include Nike, Disney, the Limited Brands, IBM, Hershey's and Lands End. We distribute our products through a direct sales force as well as third party distributors that include IBM and IBM resellers.

Our solutions enable retailers to customize their merchandising and build customer loyalty through the tracking, reporting and forecasting of consumer trends. Specifically, our products facilitate data mining, including identification of consumer preferences and trends, product purchasing replenishment, pricing, loss prevention, financial management, and e-commerce.

We believe that our products are generally less expensive and faster to implement than competing products. They are also scaleable, enabling retailers to leverage their initial investments in our systems as they expand and grow.

OUR INDUSTRY

To operate effectively, retailers need business intelligence systems that provide reliable data regarding the various factors that shape consumer response, such as product selection, pricing, and shelf placement. Procurement and analysis of this information has become more complicated as retailers expand through the Internet, catalog, kiosk and other distribution channels.

Legacy systems relied upon by retailers to address these information needs are often self-developed, custom-built systems that are not Internet-enabled and do not provide the enterprise-wide supply and demand chain market intelligence, communications, forecasting and planning, and merchandising functions that are critical to a retailers' ability to operate at maximum efficiency.

Current offerings of packaged software solutions designed specifically for the retail industry are primarily positioned for the largest of companies, which can better afford the expensive licenses and time necessary for managerial and technical staff to implement these solutions.

Smaller-to -medium sized retailers, generally with $200 to $700 million in annual sales, have a compelling need for a fully-integrated software infrastructure that can mine and manage supplier and consumer data; give the retailer control of its business processes to meet competitive challenges; and scale up as the retailer grows. In addition, these retailers want systems that are easy to install, cost-effective and user-friendly.

OUR SOLUTIONS

Our information management solutions are specifically designed to serve smaller-to-medium sized retailers. Our solutions are easy-to-use, rapidly deployable, and sufficiently flexible to meet the needs of a broad range of retail sectors, such as fashion, mass merchandise, and food and drug.

Key areas that differentiate our software solutions include:

- RAPID IMPLEMENTATION - We believe that our software systems can be implemented more quickly than competing systems, enabling retailers to more rapidly leverage the information gathering and reporting benefits they desire. Moreover, our modular architecture allows retailers to implement the applications they view as most critical first, and to add upgrades and enhancements as needed.

- STRONG VALUE PROPOSITION - Our systems are less expensive than competitive, packaged systems and generally much less expensive than custom-designed retailing solutions. We believe that the total cost of ownership of our systems, including installation and maintenance, is among the lowest in the industry.

- SCALABLE AND FLEXIBLE - Our solutions are scalable; enabling our customers to leverage their initial investment in our products as our solutions help them grow. In addition, as their needs become more complex, we are able to offer them a variety of options and product extensions through partnerships with other software vendors. Our solutions work in environments that span from 1 to 5,000 stores.

- PROVEN LEADERSHIP AND INNOVATION - We are a leading provider of infrastructure software and services for the retail industry, our target market, with a reputation for innovation and service. We provide software products and services infrastructure for over 200 retailers. Our constant interaction with this sizeable customer base provides a key source of ideas for continuous improvement to our products.

RECENT DEVELOPMENTS

OPERATIONAL IMPROVEMENTS

In recent periods, we have taken a number of steps designed to improve our balance sheet and operations, including:

- Acquired two complementary companies with substantial revenues and earnings potential;

- Revamped our management team by adding a new President and COO, new CTO, and new CFO;
- Improved our IBM-based core products through continuing internal research and development;
- Obtained the rights to distribute complementary products, including a new easy-to-install and easy-to-use, open-architecture software system for very small retailers, which we will introduce in 2004;
- Established partnerships with several value added resellers to provide a variety of options and product extensions;
- Improved our distribution capabilities by adding new third party channels, such as IBM and IBM's resellers, and professional service firms, such as CGI and LakeWest.

We believe that these actions have positioned us for a return to sustained revenue growth and profitability.

Our executive offices are located at 19800 MacArthur Boulevard, Irvine, California, 92612, telephone number (949) 476-2212.

THE OFFERING

Common stock to be offered by the selling stockholders	42,075,977 shares
Common stock outstanding as of January 14, 2005	63,486,885
Use of proceeds	We will not receive any proceeds from the sale of shares of common stock covered by this prospectus.
American Stock Exchange symbol	IPI

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RISK FACTORS

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW BEFORE MAKING A DECISION TO BUY OUR COMMON STOCK. IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCURS, OUR BUSINESS COULD BE HARMED. IN THAT CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE, AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT. YOU SHOULD ALSO REFER TO THE OTHER INFORMATION IN THIS PROSPECTUS.

EXCEPT FOR HISTORICAL INFORMATION, THE INFORMATION IN THIS PROSPECTUS CONTAINS "FORWARD-LOOKING" STATEMENTS ABOUT OUR EXPECTED FUTURE BUSINESS AND PERFORMANCE. OUR ACTUAL OPERATING RESULTS AND FINANCIAL PERFORMANCE MAY PROVE TO BE VERY DIFFERENT FROM WHAT WE MIGHT HAVE PREDICTED AS OF THE DATE OF THIS PROSPECTUS. THE RISKS DESCRIBED BELOW ADDRESS SOME OF THE FACTORS THAT MAY AFFECT OUR FUTURE OPERATING RESULTS AND FINANCIAL PERFORMANCE.

BUSINESS RISKS

WE INCURRED LOSSES FOR FISCAL YEARS 2004, 2003 AND 2002.

We incurred losses of $8.9 million, $2.7 million, and $14.7 million in the fiscal years ended March 31, 2004, 2003, and 2002 respectively. The losses in the past three years have generally been due to difficulties completing sales for new application software licenses, the resulting change in sales mix toward lower margin services, and debt service expenses. We will need to generate additional revenue to achieve profitability in future periods. If we are unable to achieve profitability, or maintain profitability if achieved, our business and stock price may be adversely effected and we may be unable to continue operations at current levels, if at all.

WE HAD NEGATIVE WORKING CAPITAL IN THE FISCAL YEAR ENDED MARCH 31, 2003, AND WE HAVE EXTENDED PAYMENT TERMS WITH A NUMBER OF OUR SUPPLIERS.

At March 31, 2003, we had negative working capital of $4.1 million. We have had difficulty meeting operating expenses, including interest payments on debt, lease payments, and supplier obligations. We have at times deferred payroll for our executive officers, and borrowed from related parties to meet payroll obligations. We have extended payment terms with our trade creditors wherever possible.

As a result of extended payment arrangements with suppliers, we may be unable to secure products and services necessary to continue operations at current levels from these suppliers. In that event, we will have to obtain these products and services from other parties, which could result in adverse consequences to our business, operations, and financial condition. We may be unable to obtain these products from other parties on terms acceptable to us, if at all.

OUR NET SALES HAVE DECLINED IN RECENT FISCAL YEARS. WE EXPERIENCED A SUBSTANTIAL DECREASE IN APPLICATION SOFTWARE LICENSE SALES. OUR GROWTH AND PROFITABILITY IS DEPENDENT ON THE SALE OF HIGHER MARGIN LICENSES.

Our net sales decreased by 20% in the fiscal year ended March 31, 2004, compared to the fiscal year ended March 31, 2003. Our net sales decreased by 17% in the fiscal year ended March 31, 2003 compared to the fiscal year ended March 31, 2002. We experienced a substantial decrease in application license software sales in fiscal year 2003 and 2002, which typically carry a much higher margin than other revenue sources. We must improve new application license sales to become profitable. We have taken steps to refocus our sales strategy on core historic competencies, but our typically long sales cycles make it difficult to evaluate whether and when sales will improve. We cannot be sure that the decline in sales has not been due to factors which might continue to negatively affect sales.

OUR FINANCIAL CONDITION MAY INTERFERE WITH OUR ABILITY TO SELL NEW APPLICATION SOFTWARE LICENSES.

Future sales growth may depend on our ability to improve our financial condition. Our past financial condition has made it difficult for us to complete sales of new application software licenses. Because our applications typically require lengthy implementation and extended servicing arrangements, potential customers require assurance that these services will be available for the expected life of the application. These potential customers may defer buying decisions until our financial condition improves, or may choose products of our competitors whose financial conditions are, or are perceived to be, stronger. Customer deferrals or lost sales will adversely affect our business, financial condition, and results of operations.

OUR SALES CYCLES ARE LONG AND OUR SALES PROSPECTS ARE UNCERTAIN. THIS MAKES IT

DIFFICULT FOR US TO PREDICT REVENUES AND BUDGET EXPENSES.

The length of sales cycles in our business, make it difficult to evaluate the effectiveness of our sales strategies. Our sales cycles historically have ranged from three to twelve months, which has caused significant fluctuations in revenues from period to period. Due to our difficulties in completing new application software sales in recent periods and our refocused sales strategy, it is difficult to predict revenues and properly budget expenses.

Our software applications are complex and perform, or directly affect, mission-critical functions across many different functional and geographic areas of a retail enterprise. In many cases, our customers must change established business practices when they install our software. Our sales staff must dedicate significant time consulting with a potential customer concerning the substantial technical and business concerns associated with implementing our products. The purchase of our products is often discretionary, so lengthy sales efforts may not result in a sale. Moreover, it is difficult to predict when a license sale will occur. All of these factors can adversely affect our business, financial condition, and results of operations.

OUR OPERATING RESULTS AND REVENUES HAVE FLUCTUATED SIGNIFICANTLY IN THE PAST AND MAY CONTINUE TO DO SO IN THE FUTURE, WHICH COULD ADVERSELY AFFECT OUR STOCK PRICE.

Our quarterly operating results have fluctuated significantly in the past and may fluctuate in the future as a result of several factors outside of our control, including: the size and timing of orders, the general health of the retail industry, the length of our sales cycles, and technological changes. If revenue declines in a quarter, our operating results will be adversely affected because many of our expenses are relatively fixed. In particular, sales and marketing, application development, and general and administrative expenses do not change significantly with variations in revenue in a quarter. It is likely that in some future quarter our net sales or operating results will be below the expectations of public market analysts or investors, which may cause our stock price to decline.

Further, due to these fluctuations, we do not believe period to period comparisons of our financial performance are necessarily meaningful nor should they be relied on as an indication of our future performance.

WE MAY EXPERIENCE SEASONAL DECLINES IN SALES, WHICH COULD CAUSE OUR OPERATING RESULTS TO FALL SHORT OF EXPECTATIONS IN SOME QUARTERS.

We may experience slower sales of our applications and services from October through December of each year as a result of retailers' focus on the holiday retail-shopping season. This can negatively affect revenues in our third fiscal quarter and in other quarters, depending on our sales cycles.

OUR DEBT COULD ADVERSELY AFFECT US.

As of October 31, 2004, our debt, including any accrued interest, is as follows:

- $1. 2 million in convertible debenture issued in March 2004 to Midsummer Investments, Ltd. ("Midsummer") due in full in May 2006, with monthly redemptions commencing in September 2004.

- $0.5 million in promissory note issued in June 2004 to Intuit Inc. ("Intuit") due in full on June 1, 2006, payable in monthly installments.

- $1.4 million in promissory notes issued in June 2004 to noteholders of Retail Technologies International, Inc. ("RTI") due on May 1, 2005, payable in monthly installments.

- $2.5 million in promissory notes issued in June 2004 to Michael Tomczak and Jeffrey Boone due on June 1, 2006, payable in monthly installments.

- $7.0 million in a secured convertible term note issued to Laurus Master Fund, Ltd. ("Laurus") in July 2004, matures on July 12, 2007 with monthly principal installments of $212,000 together with any accrued and unpaid interest commencing on March 1, 2005.

The substantial amount of our indebtedness impacts us in a number of ways:

- We have to dedicate a portion of cash flow from operations to principal and interest payments on the debt, which reduces funds available for other purposes.

- We may not have sufficient funds to pay principal and/or interest when they become due resulting in a default, which could lead to our debt holders exercising rights under their respective debt instruments, including, without limitation, declaring debt immediately due and payable or taking possession or control of the assets that secure the respective debt instruments.

These are just some factors pertaining to our debt that generally place us at a disadvantage to our less leveraged competitors. Any or all of these factors could cause our stock price to decline.

WE HAVE RELIED ON CAPITAL CONTRIBUTED BY RELATED PARTIES, AND SUCH CAPITAL MAY NOT BE AVAILABLE IN THE FUTURE.

Our cash from operations has not been sufficient to meet our operational needs and we have relied on capital from related parties. A company affiliated with Donald S. Radcliffe, our director, made short-term loans to us in fiscal 2002 and in fiscal 2003 to meet payroll. Softline Limited ("Softline") loaned us $10 million to make a required principal payment on our Union Bank term loan in July 2000. A subsidiary of Softline loaned us an additional $600,000 in November 2000 to meet working capital needs. This loan was repaid in February 2001, in part with $400,000 we borrowed from Barry M. Schechter, our former Chairman. We borrowed an additional $164,000 from Mr. Schechter in March 2001, which was repaid in July 2001, for operational needs related to our Australian subsidiary.

We may not be able to obtain capital from related parties in the future. No officer, director, stockholder, or related party is under any obligation to provide cash to meet our future liquidity needs.

WE MAY NEED TO RAISE CAPITAL TO GROW OUR BUSINESS. OBTAINING THIS CAPITAL COULD IMPAIR THE VALUE OF YOUR INVESTMENT.

We may need to raise capital to:

- Support unanticipated capital requirements;

- Take advantage of acquisition or expansion opportunities;

- Continue our current development efforts;
- Develop new applications or services; or
- Address working capital needs.

Our future capital requirements depend on many factors, including our application development, sales, and marketing activities. We do not know whether additional financing will be available when needed, or on terms acceptable to us. If we cannot raise needed funds for the above purposes on acceptable terms, we may be forced to curtail some or all of the above activities and we may not be able to grow our business or respond to competitive pressures or unanticipated developments.

We may raise capital through public or private equity offerings or debt financings. To the extent we raise additional capital by issuing equity securities or convertible debt securities, our stockholders may experience substantial dilution and the new securities may have greater rights, preferences, or privileges than our existing common stock.

INTANGIBLE ASSETS MAY BE IMPAIRED MAKING IT MORE DIFFICULT TO OBTAIN FINANCING.

Goodwill, capitalized software, non-compete agreements, and other intangible assets represent approximately 87% of our total assets as of September 30, 2004. We may have to impair or write-off these assets, which will cause a charge to earnings and could cause our stock price to decline.

Any such impairment will also reduce our assets, as well as the ratio of our assets to our liabilities. These balance sheet effects could make it more difficult for us to obtain capital, and could make the terms of capital we do obtain more unfavorable to our existing stockholders.

FOREIGN CURRENCY FLUCTUATIONS MAY IMPAIR OUR COMPETITIVE POSITION AND AFFECT OUR OPERATING RESULTS.

Fluctuations in currency exchange rates affect the prices of our applications and services and our expenses. Foreign currency losses may negatively affect profitability or increase losses. Approximately 81%, 17% and 2% of our revenues were in the Americas, Europe and Asia, respectively, in the six months ended September 30, 2004. Approximately 87%, 13% and 0% of our revenues were in the Americas, Europe and Asia, respectively, in the six months ended September 30, 2003. Many of our expenses related to foreign sales, such as corporate level administrative overhead and development, are denominated in U.S. dollars. When accounts receivable and accounts payable arising from international sales and services are converted to U.S. dollars, the resulting gain or loss contributes to fluctuations in our operating results. We do not hedge against foreign currency exchange rate risks.

HISTORICALLY WE HAVE BEEN DEPENDENT ON A SMALL NUMBER OF CUSTOMERS FOR A SIGNIFICANT AMOUNT OF OUR BUSINESS.

Gabriel Brothers, Inc. and Charming Shoppes of Delaware, Inc. each accounted for 6% of our total revenues in the six months ended September 30, 2004. Toys "R" Us ("Toys") accounted for 9%, 34% and 47% of our total revenues from continuing operations for the fiscal years ended March 31, 2004, 2003, and 2002, respectively. In November 2003, Toys terminated their software development and services agreement with us. We cannot provide any assurances that Toys or any of our current customers will continue at current or historical levels or that we will be able to obtain orders from new customers.

IF WE LOSE THE SERVICES OF ANY MEMBER OF OUR SENIOR MANAGEMENT OR KEY TECHNICAL AND SALES PERSONNEL, OR IF WE ARE UNABLE TO RETAIN OR ATTRACT ADDITIONAL TECHNICAL PERSONNEL, OUR ABILITY TO CONDUCT AND EXPAND OUR BUSINESS WILL BE IMPAIRED.

We are heavily dependent on our President and Chief Operating Officer, Michael Tomczak and our Chief Technology Officer, Jeffrey Boone. We are also heavily dependent on our former Chairman, Barry Schechter, who remains a consultant to us. We also believe our future success will depend largely upon our ability to attract and retain highly-skilled software programmers, managers, and sales and marketing personnel. Competition for personnel is intense, particularly in international markets. The software industry is characterized by a high level of employee mobility and aggressive recruiting of skilled personnel. We compete against numerous companies, including larger, more established companies, for our personnel. We may not be successful in attracting or retaining skilled sales, technical, and managerial personnel, which could negatively affect our financial performance and cause our stock price to decline.

WE ARE DEPENDENT ON THE RETAIL INDUSTRY. IF ECONOMIC CONDITIONS IN THE RETAIL INDUSTRY FURTHER DECLINE, OUR REVENUES MAY ALSO DECLINE. RETAIL SALES HAVE BEEN AND MAY CONTINUE TO BE SLOW.

Our future growth is critically dependent on increased sales to the retail industry. We derive the substantial majority of our revenues from the licensing of software applications and the performance of related professional and consulting services to the retail industry. The retail industry as a whole is currently experiencing increased competition and weakening economic conditions that could negatively impact the industry and our customers' ability to pay for our products and services. In addition, the retail industry may be consolidating, and it is uncertain how consolidation will affect the industry. Such consolidation and weakening economic conditions have in the past, and may in the future, negatively impact our revenues and reduce the demand for our products and may negatively impact our business, operating results and financial condition. Specifically, uncertain economic conditions and the specter of terrorist activities have adversely impacted sales of our software applications, and we believe mid-tier specialty retailers may be reluctant during the current economic climate to make the substantial infrastructure investment that generally accompanies the implementation of our software applications, which may adversely impact our business.

THERE MAY BE AN INCREASE IN CUSTOMER BANKRUPTCIES DUE TO WEAK ECONOMIC CONDITIONS.

We have in the past and may in the future be impacted by customer bankruptcies. During weak economic conditions, such as those currently being experienced in many geographic regions around the world, there is an increased risk that certain of our customers will file bankruptcy. When our customers file bankruptcy, we may be required to forego collection of pre-petition amounts owed and to repay amounts remitted to us during the 90-day preference period preceding the filing. Accounts receivable balances related to pre-petition amounts may in certain of these instances be large due to extended payment terms for software license fees and significant billings for consulting and implementation services on large projects. We also face risk from international customers who may file for bankruptcy protection in foreign jurisdictions - the application of foreign bankruptcy laws may be less certain or harder to predict. Although we believe that we have sufficient reserves to cover anticipated customer bankruptcies, there can be no assurance that such reserves will be adequate, and if they are not adequate, our business, operating results and financial condition would be adversely affected.

WE MAY NOT BE ABLE TO MAINTAIN OR IMPROVE OUR COMPETITIVE POSITION BECAUSE OF THE INTENSE COMPETITION IN THE RETAIL SOFTWARE INDUSTRY.

We conduct business in an industry characterized by intense competition. Most of our competitors are very large companies with an international presence. We must also compete with smaller companies that have established strong local or regional customer bases. Many of our competitors and potential competitors are more established, benefit from greater name recognition, and have significantly greater resources than us. Our competitors may also have lower cost structures and better access to the capital markets than us. As a result, our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Our competitors may:

- Introduce new technologies that render our existing or future products obsolete, unmarketable, or less competitive;

- Make strategic acquisitions or establish cooperative relationships among themselves or with other solution providers, which would increase the ability of their products to address the needs of our customers; and

- Establish or strengthen cooperative relationships with our current or future strategic partners, which would limit our ability to compete through these channels.

We could be forced to reduce prices and suffer reduced margins and market share due to increased competition from providers of offerings similar to, or competitive with, our applications, or from service providers that provide services similar to our services. Competition could also render our technology obsolete. For a further discussion of competitive factors in our industry, see "Description of Business - Competition" below.

OUR MARKETS ARE SUBJECT TO RAPID TECHNOLOGICAL CHANGE, SO OUR SUCCESS DEPENDS HEAVILY ON OUR ABILITY TO DEVELOP AND INTRODUCE NEW APPLICATIONS AND RELATED SERVICES.

The retail software industry is characterized by rapid technological change, evolving standards, and wide fluctuations in supply and demand. We must cost-effectively develop and introduce new applications and related services that keep pace with technological developments to compete. If we do not gain market acceptance for our existing or new offerings or if we fail to introduce progressive new offerings in a timely or cost-effective manner, our financial performance will suffer.

The success of application enhancements and new applications depends on a variety of factors, including technology selection and specification, timely and efficient completion of design, and effective sales and marketing efforts. In developing new applications and services, we may:

- Fail to respond to technological changes in a timely or cost-effective manner;

- Encounter applications, capabilities, or technologies developed by others that render our applications and services obsolete or non-competitive or that shorten the life cycles of our existing applications and services;

- o Experience difficulties that could delay or prevent the successful development, introduction, and marketing of these new applications and services; or

- o Fail to achieve market acceptance of our applications and services.

The life cycles of our applications are difficult to estimate, particularly in the emerging electronic commerce market. As a result, new applications and enhancements, even if successful, may become obsolete before we recoup our investment.

OUR PROPRIETARY RIGHTS OFFER ONLY LIMITED PROTECTION. OUR COMPETITORS MAY DEVELOP APPLICATIONS SUBSTANTIALLY SIMILAR TO OUR APPLICATIONS AND USE SIMILAR TECHNOLOGIES, WHICH MAY RESULT IN US LOSING CUSTOMERS. WE MAY HAVE TO INITIATE COSTLY LITIGATION TO PROTECT OUR PROPRIETARY RIGHTS.

Our success and competitive position is dependent in part upon our ability to develop and maintain the proprietary aspects of our intellectual property. Our intellectual property includes our trademarks, trade secrets, copyrights, and other proprietary information. Our efforts to protect our intellectual property may not be successful. Effective copyright and trade secret protection may be unavailable or limited in some foreign countries. We hold only one patent. Consequently, others may develop, market, and sell applications substantially equivalent to ours or utilize technologies similar to those used by us, so long as they do not directly copy our applications or otherwise infringe our intellectual property rights.

We may find it necessary to bring claims or initiate litigation against third parties for infringement of our proprietary rights or to protect our trade secrets. These actions would likely be costly and divert management resources. These actions could also result in counterclaims challenging the validity of our proprietary rights or alleging infringement on our part. The ultimate outcome of any litigation will be difficult to predict.

OUR APPLICATIONS MAY BE SUBJECT TO CLAIMS THEY INFRINGE ON THE PROPRIETARY RIGHTS OF THIRD PARTIES, WHICH MAY EXPOSE US TO LITIGATION.

We may become subject to litigation involving patents or proprietary rights. Patent and proprietary rights litigation entail substantial legal and other costs. We do not know if we will have the necessary financial resources to defend or prosecute our rights in connection with any such litigation. Responding to and defending claims related to our intellectual property rights, even ones without merit, can be time consuming and expensive and can divert management's attention from other business matters. In addition, these actions could cause application delivery delays or require us to enter into royalty or license agreements. Royalty or license agreements, if required, may not be available on terms acceptable to us, if they are available at all. Any or all of these outcomes could have a material adverse effect on our business, operating results, and financial condition.

DEVELOPMENT AND MARKETING OF OUR OFFERINGS DEPENDS ON STRATEGIC RELATIONSHIPS WITH OTHER COMPANIES. OUR EXISTING STRATEGIC RELATIONSHIPS MAY NOT ENDURE AND MAY NOT DELIVER THE INTENDED BENEFITS, AND WE MAY NOT BE ABLE TO ENTER INTO

FUTURE STRATEGIC RELATIONSHIPS.

Since we do not possess all of the technical and marketing resources necessary to develop and market our offerings to their target markets, our business strategy substantially depends on our strategic relationships, including licensing software and technology that is integrated into our applications. While some of these relationships are governed by contracts, most are non-exclusive and all may be terminated on short notice by either party. If these relationships terminate or fail to deliver the intended benefits, our development and marketing efforts will be impaired and our revenues may decline. We may not be able to enter into new strategic relationships, which could put us at a disadvantage to those of our competitors who do successfully exploit strategic relationships.

OUR PRIMARY COMPUTER AND TELECOMMUNICATIONS SYSTEMS ARE IN A LIMITED NUMBER OF GEOGRAPHIC LOCATIONS, WHICH MAKES THEM MORE VULNERABLE TO DAMAGE OR INTERRUPTION. THIS DAMAGE OR INTERRUPTION COULD HARM OUR BUSINESS.

Substantially all of our primary computer and telecommunications systems are located in two geographic areas. These systems are vulnerable to damage or interruption from fire, earthquake, water damage, sabotage, flood, power loss, technical, or telecommunications failure or break-ins. Our insurance may not adequately compensate us for our lost business and will not compensate us for any liability we incur due to our inability to provide services to our customers. Although we have implemented network security measures, our systems are vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions. These disruptions could lead to interruptions, delays, loss of data, or the inability to service our customers. Any of these occurrences could impair our ability to serve our customers and harm our business.

IF PRODUCT LIABILITY LAWSUITS ARE SUCCESSFULLY BROUGHT AGAINST US, WE MAY INCUR SUBSTANTIAL LIABILITIES AND MAY BE REQUIRED TO LIMIT COMMERCIALIZATION OF OUR APPLICATIONS.

Our business exposes us to product liability risks. Our applications are highly complex and sophisticated and they may occasionally contain design defects or software errors that could be difficult to detect and correct. In addition, implementation of our applications may involve customer-specific customization by us or third parties or involve integration with systems developed by third parties. These aspects of our business create additional opportunities for errors and defects in our applications and services. Problems in the initial release may be discovered only after the application has been implemented and used over time with different computer systems and in a variety of other applications and environments. Our applications have in the past contained errors that were discovered after they were sold. Our customers have also occasionally experienced difficulties integrating our applications with other hardware or software in their enterprise.

We are not currently aware of any material defects in our applications that might give rise to future lawsuits. However, errors or integration problems may be discovered in the future. Such defects, errors, or difficulties could result in loss of sales, delays in or elimination of market acceptance, damage to our brand or to our reputation, returns, increased costs and diversion of development resources, redesigns, and increased warranty and servicing costs. In addition, third-party products, upon which our applications are dependent, may contain defects which could reduce or undermine entirely the performance of our applications.

Our customers typically use our applications to perform mission-critical functions. As a result, the defects and problems discussed above could result in significant financial or other damage to our customers. Although our sales agreements with our customers typically contain provisions designed to limit our exposure to potential product liability claims, we do not know if these limitations of liability are enforceable or would otherwise protect us from liability for damages to a customer resulting from a defect in one of our applications or the performance of our services. Our product liability insurance may not cover all claims brought against us.

THE SAGE GROUP, PLC (THE "SAGE GROUP") HAS THE RIGHT TO ACQUIRE A SIGNIFICANT PERCENTAGE OF OUR COMMON STOCK. IF SUCH STOCK IS ACQUIRED BY THE SAGE GROUP, IT MAY BE ABLE TO EXERCISE EFFECTIVE CONTROL OF US.

On November 14, 2003, the Sage Group acquired substantially all of the assets of Softline, including Softline's 141,000 shares of our Series A Convertible Preferred Stock, which are convertible into 19,312,442 shares of our common stock within 60 days of January 14, 2005, 8,923,915 shares of our common stock, and options to purchase 71,812 shares of our common stock. The Sage Group beneficially owns approximately 34.2% of our outstanding common stock, including shares the Sage Group has the right to acquire upon conversion of its Series A Convertible Preferred Stock and exercise of its outstanding options. Although the Series A Convertible Preferred Stock is non-voting as to most matters and is redeemable by us, if the Sage Group converts its Series A Convertible Preferred Stock to common stock, it may have effective control over all matters affecting us, including:

- The election of all of our directors;
- The allocation of business opportunities that may be suitable for the Sage Group and us;
- Any determinations with respect to mergers or other business combinations involving us;
- The acquisition or disposition of assets or businesses by us;
- Debt and equity financing, including future issuance of our common stock or other securities;
- Amendments to our charter documents;
- The payment of dividends on our common stock; and
- Determinations with respect to our tax returns.

THE SAGE GROUP'S POTENTIAL INFLUENCE ON US COULD MAKE IT DIFFICULT FOR ANOTHER COMPANY TO ACQUIRE US, WHICH COULD DEPRESS OUR STOCK PRICE.

The Sage Group beneficially owns a significant percentage of our common stock. The Sage Group's potential effective voting control could discourage others from initiating any potential merger, takeover or other change of control transaction that may otherwise be beneficial to our business or our stockholders. As a result, the Sage Group's potential effective control could reduce the price that investors may be willing to pay for shares of our stock in the future or could prevent any party from attempting to acquire us at any price.

OUR STOCK PRICE HAS BEEN HIGHLY VOLATILE.

The market price of our common stock has been, and is likely to continue to be, volatile. When we or our competitors announce new customer orders or services, change pricing policies, experience quarterly fluctuations in operating results, announce strategic relationships or acquisitions, change earnings estimates, experience government regulatory actions, or suffer from generally adverse economic conditions, our stock price could be affected. Some of the volatility in our stock price may be unrelated to our performance. Recently, companies similar to ours have experienced extreme price fluctuations, often for reasons unrelated to their performance.

ALL OF OUR ASSETS ARE PLEDGED TO SECURE THE SECURED CONVERTIBLE TERM NOTE ISSUED TO LAURUS.

We issued a security interest in all of our assets to Laurus as security for the Laurus Note in the principal amount of $7 million. The Laurus Note is due and payable in full on July 12, 2007.

WE HAVE NEVER PAID A DIVIDEND ON OUR COMMON STOCK AND WE DO NOT INTEND TO PAY DIVIDENDS ON OUR COMMON STOCK IN THE FORESEEABLE FUTURE.

We have not previously paid any cash or other dividend on our common stock. We anticipate that we will use our earnings and cash flow for repayment of indebtedness, to support our operations, and for future growth, and we do not have any plans to pay dividends on our common stock in the foreseeable future. Holders of our Series A Convertible Preferred Stock are entitled to dividends in preference and priority to common stockholders. Future equity financing(s) may further restrict our ability to pay dividends.

THE TERMS OF OUR PREFERRED STOCK MAY REDUCE THE VALUE OF YOUR COMMON STOCK.

We are authorized to issue up to 5,000,000 shares of preferred stock in one or more series. We issued 141,000 shares of Series A Convertible Preferred Stock in May 2002. We also issued 2,517,232 shares of Series B Convertible Preferred Stock ("Series B Preferred") in June 2004; however, all of Series B Preferred shares were converted into 7,551,696 shares of common stock in August 2004. Our board of directors may determine the terms of subsequent series of preferred stock without further action by our stockholders. If we issue additional preferred stock, it could affect your rights or reduce the value of your common stock. In particular, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with or sell our assets to a third party. These terms may include voting rights, preferences as to dividends and liquidation, conversion and redemption rights, and sinking fund provisions. We are actively seeking capital and some of the arrangements we may consider may involve the issuance of preferred stock.

FAILURE TO COMPLY WITH THE AMERICAN STOCK EXCHANGE'S LISTING STANDARDS COULD RESULT IN OUR DELISTING FROM THAT EXCHANGE AND LIMIT YOUR ABILITY TO SELL OUR COMMON STOCK.

Our stock is currently traded on the American Stock Exchange (the "Exchange"). The Exchange has published certain guidelines it uses in determining whether a security warrants continued listing. Pursuant to these guidelines the Exchange will consider suspending trading in a listed security or delisting a security when, in the opinion of the Exchange: (i) the financial condition and/or operating results of the issuer appear to be unsatisfactory; (ii) the aggregate market value of the security has become so reduced as to make further dealings on the Exchange inadvisable; (iii) the issuer has sold or otherwise disposed of its principal operating assets, or has ceased to be an operating company; (iv) the issuer has failed to comply with its listing agreements with the Exchange; or (v) any other event shall occur or any condition shall exist which makes further dealings on the Exchange unwarranted. As a result of our financial condition or other factors, the Exchange could in the future determine that our stock does not merit continued listing. If our stock were delisted from the Exchange, the ability of our stockholders to sell our common stock could become limited and we would lose the advantage of some state and federal securities regulations imposing lower regulatory burdens on exchange-traded issuers.

OUR RESTATED FINANCIAL STATEMENTS COULD ADVERSELY EFFECT OUR STOCK PRICE OR SUBJECT US TO LAWSUITS BY OUR STOCKHOLDERS.

On October 29, 2004, we filed an 8-K reporting that certain of our financial statements required restatement and should no longer be relied upon. On November 16, 2004, we filed an amended Form 10-K and amended Forms 10-Q restating our financial statements for the fiscal year ended March 31, 2004, second and third quarters of the fiscal year ending March 31, 2003, the first, second and third quarters of the fiscal year ending March 31, 2004 and the first quarter of the fiscal year ending March 31, 2005. The restatement of these financial statements could cause investors to lose confidence in our financial reporting, which could adversely effect our stock price. Additionally, we may be subject to lawsuits by stockholders, who relied on the financial statements that were subsequently restated.

SHARES ISSUABLE UPON THE EXERCISE OF OPTIONS OR WARRANTS, CONVERSION OF DEBENTURES, AS DIVIDENDS ON CONVERTIBLE PREFERRED STOCK, AS INTEREST ON DEBENTURES, OR UNDER ANTI-DILUTION PROVISIONS IN CERTAIN AGREEMENTS COULD DILUTE YOUR STOCK HOLDINGS AND ADVERSELY AFFECT OUR STOCK PRICE.

We have issued options and warrants to acquire common stock to our employees and certain other persons at various exercise prices, some of which are or may in the future be below the market price of our stock. We currently have outstanding options and warrants for 34,920,110 shares as of January 14, 2005. Of these options and warrants: 22,983,678 have exercise prices above the recent market price of $0.51 per share (as of January 14, 2005), and 11,936,432 have exercise prices at or below that recent market price.

There are 10,000,000 shares reserved for issuance under our new 2004 Equity Incentive Plan ("2004 Plan"), which was approved by our stockholders at our annual meeting on August 11, 2004. The 2004 Plan currently has 6,325,500 shares available for issuance as of January 14, 2005. Future options issued under the plan may have further dilutive effects.

We have outstanding a 9% Convertible Debenture, convertible into 2,960,786 shares, and a Secured Convertible Term Note, convertible into 14,333,977 shares of common stock. We are required to adjust the conversion prices under both the 9% Convertible Debenture and the Secured Convertible Term Note, if we issue additional shares of common stock at price below the then effective respective conversion prices.

We have outstanding 141,000 shares of Series A Preferred Stock, convertible into 19,140,181 shares of common stock as of January 14, 2005.

The issuance of additional shares pursuant to these options, warrants, convertible debentures, or anti-dilution provisions will cause immediate and possibly substantial dilution to our stockholders. Further, subsequent sales of such shares in the public market could depress the market price of our stock by creating an excess in supply of shares for sale. Issuance of these shares and sale of these shares in the public market could also impair our ability to raise capital by selling equity securities.

WE MAY BE UNABLE TO SUCCESSFULLY INTEGRATE OUR OPERATIONS WITH PAGE DIGITAL INCORPORATED ("PAGE DIGITAL") OR RTI OR REALIZE ALL OF THE ANTICIPATED BENEFITS OF THESE ACQUISITIONS.

On January 30, 2004, we acquired Page Digital and pursuant to an agreement dated June 1, 2004, we acquired RTI These acquisitions involve integrating two companies that previously operated independently into Island Pacific. These integrations may be complex, costly, and time-consuming processes. The difficulties of combining these companies' operations include, among other things:

- Coordinating geographically disparate organizations, systems, and facilities;
- Strain on management resources due to integration demands;
- Integrating personnel with diverse business backgrounds;
- Consolidating corporate and administrative functions;
- Coordinating product development;
- Coordinating sales and marketing functions;
- Retaining key employees; and
- Preserving relationships with key customers.

BUSINESS RISKS FACED BY PAGE DIGITAL COULD DISADVANTAGE OUR BUSINESS.

Page Digital is a developer of multi-channel commerce software and faces several business risks that could disadvantage our business. These risks include many of the risks that we face, described above, as well as:

- LONG AND VARIABLE SALES CYCLES MAKE IT DIFFICULT TO PREDICT OPERATING RESULTS - Historically, the period between initial contact with a prospective customer and the licensing of Page Digital's products has ranged from one to twelve months. Page Digital's average sales cycle is currently three months. The licensing of Page Digital's products is often an enterprise wide decision by customers, which involves a significant commitment of

resources by Page Digital and its prospective customer. Customers generally consider a wide range of issues before committing to purchase Page Digital's products, including product benefits, cost and time of implementation, ability to operate with existing and future computer systems, ability to accommodate increased transaction volume, and product reliability. As a part of the sales process, Page Digital spends a significant amount of resources informing prospective customers about the use and benefits of Page Digital products, which may not result in a sale, therefore increasing operating expenses. As a result of this sales cycle, Page Digital's revenues are unpredictable and could vary significantly from quarter to quarter causing our operating results to vary significantly from quarter to quarter.

- DEFECTS IN PRODUCTS COULD DIMINISH DEMAND FOR PRODUCTS AND RESULT IN LOSS OF REVENUES - From time to time errors or defects may be found in Page Digital's existing, new, or enhanced products, resulting in delays in shipping, loss of revenues, or injury to Page Digital's reputation. Page Digital's customers use its products for business critical applications. Any defects, errors, or other performance problems could result in damage to Page Digital's customers' businesses. These customers could seek significant compensation from Page Digital for any losses. Further, errors or defects in Page Digital's products may be caused by defects in third-party software incorporated into Page Digital products. If so, Page Digital may not be able to fix these defects without the assistance of the software providers.

- FAILURE TO FORMALIZE AND MAINTAIN RELATIONSHIPS WITH SYSTEMS INTEGRATORS COULD REDUCE REVENUES AND HARM PAGE DIGITAL'S ABILITY TO IMPLEMENT PRODUCTS - A significant portion of Page Digital's sales are influenced by the recommendations of systems integrators, consulting firms, and other third parties, who assist with the implementation and maintenance of Page Digital's products. These third parties are under no obligation to recommend or support Page Digital's products. Failing to maintain strong relationships with these third parties could result in a shift by these third parties toward favoring competing products, which could negatively affect Page Digital's software license and service revenues.

- PAGE DIGITAL'S PRODUCT MARKETS ARE SUBJECT TO RAPID TECHNOLOGICAL CHANGE, SO PAGE DIGITAL'S SUCCESS DEPENDS HEAVILY ON ITS ABILITY TO DEVELOP AND INTRODUCE NEW APPLICATIONS AND RELATED SERVICES - The retail software industry is characterized by rapid technological change, evolving standards, and wide fluctuations in supply and demand. Page Digital must cost-effectively develop and introduce new applications and related services that keep pace with technological developments to compete. If Page Digital fails to gain market acceptance for its existing or new offerings or if Page Digital fails to introduce progressive new offerings in a timely or cost-effective manner, our financial performance may suffer.

- PAGE DIGITAL'S FAILURE TO PROTECT INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS AND/OR INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS AGAINST PAGE DIGITAL, COULD RESULT IN PAGE DIGITAL LOSING VALUABLE ASSETS OR BECOMING SUBJECT TO COSTLY AND TIME-CONSUMING LITIGATION - Page Digital's success and ability to compete depend on its proprietary rights and intellectual property. Page Digital relies on trademark, trade secret, and copyright laws to protect its proprietary rights and intellectual property. Page Digital also has one issued patent. Despite Page Digital's efforts to protect intellectual property, a third party could obtain access to Page Digital's software source code or other proprietary information without authorization, or could independently duplicate Page Digital's software. Page Digital may need to litigate to enforce intellectual property rights. If Page Digital is unable to protect its intellectual property it may lose a valuable asset. Further, third parties could claim Page Digital has infringed their intellectual property rights. Any claims, regardless of merit, could be costly and time-consuming to defend.

- COMPETITION IN THE SOFTWARE MARKET IS INTENSE AND COULD REDUCE PAGE DIGITAL'S SALES OR PREVENT THEM FROM ACHIEVING PROFITABILITY - The market for Page Digital's products is intensely competitive and subject to rapid technological change. Competition is likely to result in price reductions, reduced gross margins, and loss of Page Digital's market share, any one of which could reduce future revenues or earnings. Further, most of Page Digital's competitors are large companies with greater resources, broader customer relationships, greater name recognition, and an international presence. As a result, Page Digital's competitors may be able to better respond to new and emerging technologies and customer demands.

BUSINESS RISKS FACED BY RTI COULD DISADVANTAGE OUR BUSINESS.

RTI is a provider of retail management store solutions to small through mid-tier retailers via an international network of retailers and faces several business risks that could disadvantage our business. These risks include many of the risks that we face, described above, as well as:

- RTI FACES INTENSE COMPETITION IN THE RETAIL POINT OF SALE INDUSTRY - RTI operates in an extremely competitive industry, which is subject to rapid technological and market changes. We anticipate that the competition will increase as more companies focus on providing technology solutions to small and mid-tier retailers. Many of our current and potential competitors, such as Microsoft, have more resources to devote to product development, marketing, and distribution. While we believe RTI has competitive strengths in its market, there can be no assurance that RTI will continue to compete successfully against larger more established competitors.

- RTI IS DEPENDENT ON ITS VALUE-ADDED RESELLLERS (VARS) - RTI does not have a direct sales force and relies on VARs to distribute and sell its products. RTI currently has approximately 67 VARs - 27 in North America, 7 in South America, 11 in Asia, 19 in Europe and the Middle East, 1 in Africa, and 1 each in Australia and New Zealand. Combined, RTI's four largest VARs account for approximately 35% of its revenues, although no one is over 15%. RTI's VARs are independently owned businesses and there can be no assurance that one or more will not go out of business or cease to sell RTI products. Until a replacement VAR could be recruited, and trained, or until an existing VAR could expand into the vacated territory, such a loss could result in a disruption in RTI's revenue and profitability. Furthermore, there can be no assurance that an adequate replacement could be located.

- A PROLONGED SLOWDOWN IN THE GLOBAL ECONOMY COULD ADVERSELY IMPACT RTI'S REVENUES - A slowdown in the global economy might lead to decreased capital spending, fewer new retail business start ups, and slower new store expansion at existing retail businesses. Such conditions, even on a regional basis could severely impact one or more of RTI's VARs and result to a disruption in RTI's revenues and profitability.

- RTI'S PRODUCT MARKETS ARE SUBJECT TO RAPID TECHNOLOGICAL CHANGE, SO RTI'S SUCCESS DEPENDS HEAVILY ON ITS ABILITY TO DEVELOP AND

INTRODUCE NEW APPLICATIONS AND RELATED SERVICES - We believe RTI's ability to succeed in its market is partially dependent on its ability to identify new product opportunities and rapidly, cost-effectively bring them to market. However, there is no guarantee that they will be able to gain market acceptance for any new products. In addition, there is no guarantee that one of RTI's competitors will not be able to bring competing applications to market faster or market them more effectively. Failure to successfully develop new products, bring them to market and gain market acceptance could result in decreased market share and ultimately have a material adverse affect on RTI.

- RTI DOES NOT HOLD ANY PATENTS OR COPYRIGHTS, ANY TERMINATION OF OR ADVERSE CHANGE TO RTI'S LICENSE RIGHTS COULD HAVE A MATERIAL ADVERSE EFFECT ON ITS BUSINESS - RTI has a license to develop, modify, market, sell, and support its core technology from a third party. Any termination of, or disruption in, this license could have a material adverse affect on RTI's business. Further, we believe that most of the technology used in the design and development of RTI's core products is widely available to others. Consequently, there can be no assurance that others will not develop and market applications that are similar to RTI's or utilize technologies that are equivalent to RTI's. Likewise, while RTI believes that its products do not infringe on any third party's intellectual property, there can be no assurance that they will not become involved in litigation involving intellectual property rights. If such litigation did occur, it could have a material adverse affect on RTI's business.

FORWARD LOOKING STATEMENTS

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27a OF THE SECURITIES ACT AND SECTION 21e OF THE EXCHANGE ACT. THESE STATEMENTS RELATE TO FUTURE EVENTS OR OUR FUTURE FINANCIAL PERFORMANCE. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS THE WORDS MAY, WILL, SHOULD, EXPECT, PLAN, ANTICIPATE, BELIEVE, ESTIMATE, PREDICT, POTENTIAL, OR CONTINUE, OR THE NEGATIVES OF SUCH WORDS OR OTHER COMPARABLE TERMINOLOGY. THESE STATEMENTS ARE ONLY PREDICTIONS. ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY. IMPORTANT FACTORS THAT MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO THE ITEMS DISCUSSED UNDER "RISK FACTORS" AND OTHER SECTIONS OF THIS PROSPECTUS.

ALTHOUGH WE BELIEVE THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, WE CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. WE ARE UNDER NO OBLIGATION TO UPDATE ANY OF THE FORWARD-LOOKING STATEMENTS AFTER THE FILING OF THIS REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS OR TO CHANGES IN OUR EXPECTATIONS.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale by the selling stockholders of any of the shares of common stock covered by this prospectus. All proceeds from the resale of the shares of our common stock described in this prospectus will be for the accounts of the selling stockholders.

SELLING STOCKHOLDERS

We are registering 42,075,977 shares of our common stock for resale by the selling stockholders named below. The term "selling stockholders" includes each stockholder named below and such stockholder's transferees, pledgees, donees, or other successors. The selling stockholders, including their transferees, pledgees, donees, or their successors, may from time to time offer and sell pursuant to this prospectus any or all of the shares registered hereunder.

BACKGROUND

On March 15, 2004, we sold Omicron Master Trust ("Omicron") and Midsummer (collectively, the "Purchasers") convertible debentures (the "March 2004 Debentures") for an aggregate price of $3.0 million pursuant to a securities purchase agreement (the "Purchase Agreement"). The March 2004 Debentures bear interest at a rate of 9% per annum, and provided for interest only payments on a quarterly basis, payable, at our option, in cash or shares of our common stock. The March 2004 Debentures mature on May 15, 2006. The March 2004 Debentures were convertible into shares of our common stock at a conversion price of $1.32 per share, subject to adjustment, if we offer or sell any securities for an effective per share price that is less than 87% of the then current conversion price, negatively restate any of our financial statements or make any public disclosure that negatively revises or supplements any prior disclosure regarding a material transaction consummated prior to March 15, 2004 or trigger other customary anti-dilution protections. We also issued the Purchasers two warrants each as follows: (i) Series A Warrants to purchase up to an aggregate of 1,043,479 shares of our common stock at an exercise price of $1.15 per share with a five-year term, exercisable at anytime after September 16, 2004, subject to adjustment if we offer or sell any securities for an effective per share price that is less than the then current exercise price, negatively restate any of our financial statements or make any public disclosure that negatively revises or supplements any prior disclosure regarding a material transaction consummated prior to March 15, 2004 or trigger other customary anti-dilution protections and (ii) Series B Warrants to purchase up to an aggregate of 8,500,000 shares of our common stock with an exercise price of $5 per share, subject to adjustment upon the issuance or sale of securities in a public offering for an effective per share price that is less than the then-current exercise price and upon the trigger of other customary anti-dilution protections. The Series B Warrants are immediately exercisable and expire on the earlier of the six-month anniversary of the effective date of the registration statement covering the shares underlying the warrant or 18 months from March 15, 2004.

In July 2004, we paid Omicron the $1.75 million due under its March 2004 Debenture in full plus $0.2 million in accrued interest, liquidated damages and prepayment penalties. We issued 600,000 shares of our common stock, which we valued at $240,000, to Midsummer as payments for liquidated damages and as partial consideration for Midsummer consenting to our issuance of the Note to Laurus. We also amended Midsummer's March 2004 Debenture in exchange for its consent to the transaction with Laurus. Pursuant to Amendment No. 1 to the 9% Debenture Due May 15, 2006 Issued to Midsummer Investments, Ltd. And Waiver ("Amendment No. 1 to the March 2004 Debenture"), the terms of Midsummer's March 2004 Debenture were amended as follows: (i) the prepayment penalty was eliminated, (ii) the conversion price was reduced to $0.56 per share, (iii) interest payments are due on a monthly, rather than quarterly, basis, and (iv) the commencement of monthly redemption payments was accelerated to September 1, 2004 and the payments due were revised such that payments of $50,000 are due monthly from September 1, 2004 and the monthly payments increase to $62,500 starting February 1, 2005. In addition, the exercise price of the Series A Warrants held by both Purchasers was reduced to $0.56 per share. We have also issued Midsummer 301,773 shares of our common stock for the monthly redemption payment and interest payments for October and November 2004.

On November 30, 2004, we entered into Amendment No. 2 to Midsummer's March 2004 Debenture ("Amendment No. 2"). Pursuant to Amendment No. 2, the terms of Midsummer's March 2004 Debenture were amended as follows: (i) the conversion price for the March 2004 Debenture and the exercise price for the Series A Warrant were reduced to $0.37 per share, (ii) all outstanding accrued and unpaid liquidated damages and all liquidated damages that may accrue through January 31, 2005 were waived, (iii) until the shares are registered, we may make monthly redemption and interest payments in shares of restricted stock valued at 80% of the value weighted average price for the 20 days prior to either the interest payment date or the date the shares are issued, whichever is lower. In addition, we issued Midsummer an additional warrant ("Additional Warrant") to purchase 200,000 shares of our common stock with an exercise price of $0.41.

We previously issued an aggregate of $3.5 million in convertible debentures and warrants to purchase an aggregate of 1,572,858 shares of common stock to Omicron, Midsummer and a third institutional investor in March 2003. These debentures were converted into an aggregate of 2,930,832 shares in September 2003. The warrants remain outstanding.

In this registration statement we are registering (i) 600,000 shares of common stock issued to Midsummer in July 2004 in connection with it consenting to the transaction with Laurus, (ii) 2,543,104 shares of common stock, which constitute 130% of the shares issuable to Midsummer upon conversion of its March 2004 Debenture, based on a conversion price of $0.56 per share pursuant to Amendment No. 1 to the March 2004 Debenture, (iii) 434,783 shares of common stock issuable to Midsummer upon exercise of its Series A Warrant, (iv) 3,541,667 shares of common stock issuable to Midsummer upon exercise of its Series B Warrant, (v) 608,696 shares of common stock issuable to Omicron upon exercise of its Series A Warrant, and (vi) 4,958,333 shares of common stock issuable to Omicron upon exercise of its Series B Warrant. Midsummer and Omicron are both accredited investors, as that term is defined in Rule 501(a) of the Securities Act ("Accredited Investors"), and all of the foregoing securities were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act and Regulation D thereunder.

Pursuant to the Amended and Restated Agreement of Merger and Plan or Reorganization dated June 1, 2004 between Island Pacific, IPI Merger Sub, Inc., IP Retail Technologies International, Inc. (formerly known as IPI Merger Sub II, Inc., "Merger Sub II") on the one hand and RTI, Michael Tomczak and Jeffrey Boone of the other hand (Michael Tomczak and Jeffery Boone are referred to herein as the "Shareholders") we acquired RTI from the Shareholders and Intuit Inc. ("Intuit") in a merger transaction. The terms of the merger were as follows: (i) we assumed RTI's obligations under certain promissory notes issued by RTI on December 20, 2002 with an aggregate principal balance of $2.3 million; (ii) the total consideration paid at the closing of the Merger was $11.6 million paid in shares of our common stock with fair value of $1.2 million, newly designated Series B convertible preferred stock ("Series B Preferred") with fair value of $5.7 million, promissory notes totaling $3.6 million, assumption of RTI's stock option plan valued at $1.0 million and acquisition costs of $110,000; (iii) the Shareholders and Intuit are entitled to price protection of up to a maximum of $0.23 per share payable by promissory note, if and to the extent that the average trading price of our common stock is less than $0.76 at the time the registration statement covering the shares of our common stock issued in the merger and issuable upon conversion of the Series B Preferred is declared effective by the SEC; and (iv) the merger consisted of two steps (the "Merger"), first, Merger Sub merged with and into RTI, Merger Sub's separate corporate existence ceased and RTI continued as the surviving corporation (the "Reverse Merger"), immediately thereafter, RTI merged with and into Merger Sub II, RTI's separate corporate existence ceased and Merger Sub II continued as the surviving corporation (the "Second-Step Merger").

In the Merger, each Shareholder received 1,258,616 shares of Series B Preferred, convertible into 3,775,848 shares of common stock, and a promissory note payable monthly over two years in the principal amount of $1,295,000, bearing interest at 6.5% per annum. In the Merger, Intuit, the holder of all of the outstanding shares of RTI's Series A Preferred Stock, received 1,546,733 shares of our common stock and a promissory note payable monthly over two years in the principal amount of $530,700, bearing interest at 6.5% per annum. The Series B Preferred automatically converted to common stock without further payment, pursuant to its terms, when we increased our authorized shares of common stock to 250,000,000 on August 27, 2004. Upon the consummation of the Merger, Michael Tomczak, RTI's former President and Chief Executive Officer, was appointed our President, Chief Operating Officer and director and Jeffrey Boone, RTI's former Chief Technology Officer, was appointed our Chief Technology Officer. We entered into two-year employment agreements and non-competition agreements with Mr. Tomczak and Mr. Boone. We also granted Mr. Tomczak and Mr. Boone options to purchase 1,772,354 and 1,572,354 shares of our common stock, respectively. We are registering all of the shares of common stock issued in the Merger, including the shares of common stock issued on conversion of the Series B Preferred and shares of common stock issuable upon exercise of the options held by the Shareholders in this registration statement. The Shareholders and Intuit are Accredited Investors and the foregoing securities were issued pursuant to the exemption from registration provided by Section 4(2) under the Securities Act and Regulation D thereunder.

Pursuant to a Securities Purchase Agreement dated July 12, 2004, we sold and issued Laurus a secured convertible term note ("Note") for gross proceeds of $7.0 million. In addition, we issued Laurus a warrant to purchase up to 3,750,000 shares of our common stock at a price of $0.71 per share ("Laurus Warrant"). The Note matures on July 12, 2007 ("Maturity Date"). The Note accrues interest at a rate per annum (the "Interest Rate") equal to the "prime rate" published in The Wall Street Journal from time to time, plus two percent. Interest under the Note is payable monthly in arrears and interest payments commenced on August 1, 2004. The Interest Rate is calculated on the last day of

each month and is subject to adjustment based on the then-current price of our common stock. The initial conversion price under the Note was $0.56 per share, subject to adjustment upon our issuance of securities at a price below the fixed conversion price, a stock split or combination, declaration of a dividend on our common stock or reclassification of our common stock. We have the option to redeem the Note by paying the investor 125% of the principal amount due under the Note together with all accrued and unpaid interest. Our obligations under the Note are secured by all of our assets. All our wholly owned subsidiaries guarantied our obligations under the Note. We also pledged all of our interests in the outstanding stock of our subsidiaries as security for our obligations under the Note.

The Laurus Warrant is immediately exercisable and has a seven year term. We have the right to require exercise of the Laurus Warrant in whole or in part if: (1) all of our obligations under the Note have been irrevocably paid in full, (2) the common stock underlying the Laurus Warrant has been registered on a registration statement declared effective by the SEC, and such registration statement remains effective, and (3) the average closing price of our common stock for the ten (10) trading days immediately prior to the proposed date of the mandatory exercise of the Laurus Warrant is greater than three hundred percent (300%) of the then applicable exercise price.

In October 2004, Laurus agreed to amend the Note and defer the payments due from September 2004 through February 2005 until the Maturity Date. Pursuant to the amendment, we are required to make monthly payments in the amount of $212,121 commencing on March 1, 2005 with a balloon payment of $1.1 million due in July 2007. In connection with this amendment, (i) the conversion price on $2 million of the $7 million Note was reduced to $0.37 and (ii) we issued Laurus an additional warrant ("October '04 Warrant") to purchase 250,000 shares of our common stock at a price of $0.41 per share.

In this registration statement, we are registering (i) 12,500,000 shares of common stock issuable to Laurus upon conversion of the Note, and (ii) 3,750,000 shares of common stock issuable upon exercise of the Laurus Warrant. Laurus is an Accredited Investor and all of the foregoing shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act and Regulation D thereunder.

We are registering (i) 84,000 shares of common stock issuable on exercise of options issued to Liolios Group, Inc. ("Liolios") as compensation for investor relations services rendered. Liolios is an Accredited Investors and the foregoing securities were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act and Regulation D thereunder.

We are registering 612,257 shares of common stock issuable to the Sage Group as accrued interest on its Series A Convertible Preferred Stock. The Sage Group beneficially owns 34.2% of our stock, including shares the Sage Group has the right to acquire upon conversion of its Series A Convertible Preferred Stock and exercise of options. Although, the Series A Convertible Preferred Stock is non-voting as to most matters and redeemable by us, if the Sage Group converts its Series A Convertible Preferred Stock, it may have effective control of us. Our former directors, Ivan Epstein and Robert Wilkie, both of whom resigned effective as of July 1, 2004, are employees of a subsidiary of the Sage Group. The Sage Group acquired it shares from Softline on November 14, 2003. Both Softline and the Sage Group are Accredited Investors and the foregoing shares were initially issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act and Regulation D thereunder.

The following table, which reflects stockholdings as of January 14, 2005, is based in part upon information provided by the selling stockholders and sets forth (i) the names of the selling stockholders; (ii) the number of shares of our common stock that the selling stockholders owned prior to the resale of any of the shares of our common stock being registered hereby; (iii) the maximum number of shares of our common stock that may be offered for resale for the accounts of the selling stockholders pursuant to this prospectus; (iv) the number of shares of our common stock owned by the selling stockholders after the offering (assuming all of the shares registered for each selling stockholder are sold in the offering); and (v) the percentage of our common stock that will be held by the selling stockholders after the offering (assuming all of the shares registered for each selling stockholder are sold in the offering).

SELLING STOCKHOLDER	NUMBER OF SHARES OF IPI COMMON STOCK BENEFICIALLY OWNED (1)	NUMBER OF SHARES OF IPI COMMON STOCK TO BE RESOLD IN THE OFFERING	NUMBER OF SH IPI COMMON BENEFICIALLY OW THE OFFE
Laurus Master Fund, Ltd. (3)	18,333,977	16,250,000	2,083,9
Michael Tomczak (4)	5,548,202	5,548,202	0

Jeffrey Boone (5)	5,348,202	5,348,202	0
Midsummer Investments, Ltd. (6)	8,806,310	7,119,554	1,686,7
Omicron Master Trust (7)	6,389,137	5,567,029	822,10
Intuit Inc.	1,546,733	1,546,733	0
Liolios Group, Inc. (8)	86,500	84,000	2,500