

# Appendix 4E

## ASX Preliminary Final Report

<b>Name of entity</b>	<b>Data#3 Limited</b>
<b>ABN</b>	31 010 545 267
<b>Reporting period</b>	<b>Year ended 30 June 2011</b>
<b>Previous corresponding period</b>	Year ended 30 June 2010

### Results for announcement to the market

Results					\$
Revenues from ordinary activities	up	16.5 %	to		\$697,788,000
Profit from ordinary activities after tax attributable to members	up	37.4 %	to		\$14,999,000
Net profit for the period attributable to members	up	37.4 %	to		\$14,999,000

Dividends	Amount per security	Franked amount per security
<b>Current period</b>		
Interim dividend	38.0 cents	38.0 cents
Final dividend	39.0 cents	39.0 cents
<b>Previous corresponding period</b>		
Interim dividend	23.0 cents	23.0 cents
Final dividend	33.0 cents	33.0 cents

The Record Date for determining entitlements to the dividend is 16 September 2011.

### Brief explanation of the figures reported above

The current period's results are the best ever reported, and reflect consistently strong performance across all areas of the company's business.

Please refer to the attached audited Annual Financial Report for the year ended 30 June 2011 for the following information:

- Statement of comprehensive income
- Balance sheet
- Statement of changes in equity
- Cash flow statement
- Notes to the financial statements

# Appendix 4E (continued)

## For the year ended 30 June 2011

### Retained profits

	Current year \$'000	Previous year \$'000
Retained profits at the beginning of financial period	17,808	15,055
Net profit attributable to members	14,999	10,914
Net transfers to and from reserves	-	-
Dividends provided for or paid	(10,932)	(8,161)
<b>Retained profits at end of financial period</b>	<b>21,875</b>	<b>17,808</b>

### Additional dividend information

Details of dividends declared or paid during or subsequent to the year ended 30 June 2011 are as follows:

Record date	Payment date	Type	Amount per security	Franked amount per security	Total dividend \$'000
16/9/2010	30/9/2010	Final	33.0 cents	33.0 cents	5,081
17/3/2011	31/3/2011	Interim	38.0 cents	38.0 cents	5,851
16/9/2011	30/9/2011	Final	39.0 cents	39.0 cents	6,005

### Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	77.0 cents	56.0 cents

### Data#3 Limited Dividend Reinvestment Plan

The Data#3 Dividend Reinvestment Plan has been suspended from 1 September 2006.

### Net tangible assets per security

	Current year	Previous year
Net tangible asset backing per ordinary security	\$1.66	\$1.36

### Control gained over entities having a material effect

Not applicable

# Appendix 4E (continued)

## For the year ended 30 June 2011

### Loss of control of entities having a material effect

Not applicable

### Details of aggregate share of profits (losses) of associates and joint venture entities

Not applicable

### Compliance with IFRS

The attached Annual Financial Report complies with Australian Accounting Standards, which include AIFRS. Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (IFRS).

### Commentary on the results for the period

The result for 2011 was the best the company has yet reported with net profit after tax of \$15 million, basic earnings per share of 97.41 cents and fully franked dividends for the year of 77.0 cents per share.

Highlights include:

- Total revenue of the group increased by 16.5% to \$697,788,000 with growth in all geographic regions.
- Gross margin in dollar terms increased by 24.1% to \$111,745,000.
- The overall gross margin percentage increased from 15.0% to 16.1%, reflecting the significant growth in services revenues at historically higher relative margins and successful efforts to increase product gross margins.
- Earnings before interest (net) and tax increased by 34.5% to \$20,514,000.
- Net profit after tax increased by 37.4% to \$14,999,000.
- Earnings per share increased by 37.4% to 97.41 cents.
- Fully franked dividends declared of 77.0 cents per share for the financial year, a 37.5% increase from last year.
- Strong cash flow position with an average daily cash balance of \$32.5 million, up from \$19.1 million last year. As in previous years the 30 June cash balance included temporary surplus funds due to timing differences in customer collections and payments to suppliers.
- Solid financial position with no material debt.
- Internal staff costs increased by 21.3% in support of growth and increasing expertise, and operating expenses increased by 25.7%.
- The internal cost ratio (being internal staff costs and operating expenses as a percentage of gross margin in dollar terms) decreased from 83.4% to 81.9%.

### Compliance statement

This report is based on financial statements that have been audited.

Signed:



John Grant  
Managing Director

Date: 22 August 2011

Data#3 Limited

ABN 31 010 545 267

Annual Financial Report

Year Ended 30 June 2011

# directors' report

Your directors present their report on Data#3 Limited and its subsidiaries (the group) for the year ended 30 June 2011.

## 1. principal activities

The principal activity of the group is the delivery of information technology solutions, which draw on the group's broad range of products and services and its alliances with other industry providers. This includes software licensing and software asset management; the design, deployment and operation of desktop, network and data centre hardware and software infrastructure; and the provision of contract and permanent recruitment services.

There were no significant changes in the nature of the activities of the group during the year.

## 2. dividends

	Cents	\$'000
Final dividend recommended for the year ended 30 June 2011	39.0	6,005
Dividends paid in the year:		
Interim for the year ended 30 June 2011	38.0	5,851
Final for the year ended 30 June 2010	33.0	5,081
		10,932

## 3. operating and financial review

- Total revenue of the group increased by 16.5% to \$697,788,000 with growth in all geographic regions.
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- The internal cost ratio (being internal staff costs and operating expenses as a percentage of gross margin in dollar terms) decreased from 83.4% to 81.9%.

## 4. business strategy

Our vision is to be an exceptional company - one that unites to enable our customers' success through the use of technology; inspires our people to do their best every day; and rewards investors' confidence and support.

To achieve this vision, our focus is on three key areas:

- **Remarkable people** – who are inspired and supported in their passion for excellence and to do their best every day; who meet the challenge of work/life balance; who are empowered to contribute to positive change; and who are rewarded and celebrated both as members of the team and as individuals.
- **Outstanding solutions** – that embody market-leading expertise in technologies from vendors that are driving the industry globally, and that quickly adapt to changes in the environment.
- **Organisational excellence** – embedded processes that continuously review and improve the effectiveness of our business operations to ensure we remain a leader in our industry.

Achieving the objectives we have in each of these areas will see expertise and solutions in technology unite through our solutions framework to enable **customer success**.

Our customers' success will in turn deliver **exceptional performance** with the appropriate rewards to all stakeholders.

## 5. earnings per share

	2011	2010
	Cents	Cents
Basic and diluted earnings per share	97.41	70.88

# directors' report (continued)

## 6. significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the year.

## 7. significant events after the balance date

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the group's state of affairs in future financial years.

## 8. likely developments and expected results

In the 2012 financial year we expect the tighter economic environment and competitive market conditions to remain in place; however we are targeting continued organic growth in all areas of the business by increasing our market share. We expect the labour market to strengthen with continued competition for the best skills and general upward pressure on remuneration levels. To maintain Data#3's position as an employer of choice, we intend to invest further in developing the expertise of our staff and in the software and systems that support the operations of the business.

We will continue to look for appropriate partnerships and acquisitions to enhance either our geographic scale or our expertise in specific areas and ultimately further improve financial performance. For shareholders we expect to at least maintain the financial performance of 2011 and are looking to continue to deliver dividends that balance the need for working capital and the provision of returns near the top of the sector.

## 9. directors

The following persons were directors of Data#3 Limited during the whole of the financial year and up to the date of this report:

R A Anderson  
J E Grant  
I J Johnston  
W T Powell

### Names, qualifications, experience and special responsibilities

#### **R A Anderson, OAM, BCom, FCA, FCPA** (*Chairman, non-executive director*)

Independent non-executive director since 1997 and Chairman since 2000. Formerly a partner with PricewaterhouseCoopers, the firm's Managing Partner in Queensland, and a member of the firm's National Committee. Previously a member of the Capital Markets Board of Queensland Treasury Corporation and President of CPA Australia in Queensland.

During the past three years Mr Anderson has also served as a non-executive director of three other public companies: Namoi Cotton Cooperative Limited (director since 2001), Lindsay Australia Limited (director since 2002) and Villa World Group, formerly GEO Property Group (a director since 2002 and Chairman since 2008). President of the Guide Dogs for the Blind Association of Queensland.

#### *Special responsibilities:*

Chairman of the board  
Member of audit and risk committee  
Chairman of remuneration and nomination committee (from 31 January 2011, the date of the committee's formation)  
Chairman of superannuation policy committee (not a committee of the board of directors)

#### **J E Grant, BEng** (*Managing Director*)

Director of the company from its foundation in 1984; Chief Executive Officer or Managing Director from 1996; extensive experience in the IT industry; immediate past Chairman of the Australian Information Industry Association, the ICT industry's peak representative body; inaugural Chairman of the Australian Rugby League Commission; and a member of Hewlett Packard's Asia Pacific Partner Advisory Board.

#### **I J Johnston, DipCM, GradDip App Fin & Inv, ASIA, ACIS, FAICD** (*non-executive director*)

Non-executive director since November 2007. Currently Chairman Corporate Finance at RBS Morgans and a member of its advisory board. Extensive experience in the banking and stockbroking industries including roles in treasury, corporate banking and equity capital markets.

During the past three years Mr Johnston has also served as a non-executive director of two other public companies: Cardno Limited (director since 2004), and The Rock Building Society Limited (director from 2006 to 2009).

#### *Special responsibilities:*

Member of audit and risk committee  
Member of remuneration and nomination committee (from 31 January 2011, the date of the committee's formation)

#### **W T Powell, BEcon** (*non-executive director*)

Non-executive director since 2002. Executive Chairman of the company from its foundation in 1984 and then Managing Director from 1989 to 1996. Prior to 1984 had extensive experience in the IT industry and was the Managing Director of Powell Clark and Associates, formed in 1977. Re-joined the board of Data#3 Limited in 2002.

#### *Special responsibilities:*

Chairman of audit and risk committee  
Member of remuneration and nomination committee (from 31 January 2011, the date of the committee's formation)

# directors' report (continued)

## 9. directors (continued)

### Interests in shares

As at the date of this report, the interests of the directors in the shares of Data#3 Limited were:

	Number of ordinary shares
R A Anderson	60,000
J E Grant	763,520
I J Johnston	60,000
W T Powell	400,000

### Meetings of directors

The number of meetings of the company's board of directors (including meetings of the board committees) held during the year, and the numbers of meetings attended by each director were:

Name	Full meetings of directors		Meetings of audit and risk committee		Meetings of remuneration and nomination committee	
	Meetings attended	Meetings held *	Meetings attended	Meetings held *	Meetings attended	Meetings held *
R A Anderson	14	14	4	4	2	2
J E Grant	12	14	**	**	**	**
I J Johnston	13	14	4	4	2	2
W T Powell	14	14	4	4	1	2

\* Number of meetings held during the time the director held office or was a member of the committee during the year.

\*\* Not a member of the committee during the year.

## 10. company secretary

Mr B I Hill, BBus, was appointed to the position of Company Secretary in 1997. He has served as the Financial Controller or Chief Financial Officer of the company since 1992 and is a member of CPA Australia and a fellow of Chartered Secretaries Australia.

Mr T W Bonner, LLB, BComm, ACIS, was appointed to the position of Joint Company Secretary in November 2007. He has served as the Legal Counsel of the company since 2005 and is a member of the Queensland Law Society and Chartered Secretaries Australia.

## 11. remuneration report

All information in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001. The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

### A Principles used to determine the nature and amount of remuneration

The board and the remuneration committee address remuneration policies and practices generally, and determine remuneration packages and other terms of employment for senior executives. Executive remuneration and other terms of employment are reviewed annually by the board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the group's operations, achieving the group's strategic objectives, and increasing shareholder wealth.

### Executives

The executive pay and reward framework has three components:

- Base pay and benefits
- Performance-related bonuses
- Other remuneration such as superannuation.

The combination of these comprises the executive's remuneration.

#### Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. There are no guaranteed base pay increases included in any senior executives' contracts.

#### Performance-related bonuses

Performance-related cash bonus entitlements are linked to the achievement of financial and non-financial objectives which are relevant to meeting the company's business objectives. In 2011 the proportion of the planned total executive remuneration for key management personnel that was performance-related was 35% (2010: 34%).

A major part of the bonus entitlement is determined by the actual performance against planned group and divisional profit targets relevant to each individual. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. In 2011 the planned profit-related component represented 77% of the total executive bonuses (2010: 76%), and

# directors' report (continued)

## 11. remuneration report (continued)

all profit targets were exceeded in 2011. The balance of the executive bonus entitlement is determined by performance against agreed non-financial objectives relevant to each individual.

The executives' cash bonus entitlements are assessed and paid either quarterly or six-monthly, based on the actual performance against the relevant full-year profit and key performance indicator targets. The board, together with certain senior managers, is responsible for assessing whether an individual's targets have been met, and profit targets and key performance indicator targets are reviewed and reset annually.

### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The board determines remuneration of non-executive directors within the maximum amount approved by the shareholders from time to time. This maximum currently stands at \$350,000 per annum in total for salary and fees, to be divided among the non-executive directors in such a proportion and manner as they agree. Non-executive directors are paid a fixed remuneration, comprising base fees and superannuation. Non-executive directors do not receive bonus payments or share options, and are not provided with retirement benefits other than statutory superannuation. The board is comprised of three non-executive directors and one executive director. The board undertakes an annual review of its performance and the performance of the board committees against goals set at the start of the year.

### B Details of remuneration

Compensation paid, payable, or provided by the group or on behalf of the group, to key management personnel is set out below. Key management personnel include all directors of the company and certain executives who, in the opinion of the board and managing director, have authority and responsibility for planning, directing and controlling the activities of the group directly or indirectly. Comparative information is not shown for individuals who were not considered to be key management personnel in the previous year. The following also includes the five most highly remunerated executives of the group and of the company.

		Short-term			Long-term	Post-employment	Other benefits	Total	% performance related
		Cash salary and fees	Cash bonus	Non-monetary benefits	Long service leave	Superannuation	Termination		
		\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive directors</b>									
Anderson, R.	2011	96,750	-	-	-	8,708	-	105,458	-
Chairman	2010	90,000	-	-	-	8,100	-	98,100	-
Johnston, I.	2011	59,125	-	-	-	5,321	-	64,446	-
	2010	55,000	-	-	-	4,950	-	59,950	-
Powell, W.T.	2011	69,875	-	-	-	6,289	-	76,164	-
	2010	65,000	-	-	-	5,850	-	70,850	-
<b>Subtotals - non-executive directors</b>	2011	225,750	-	-	-	20,318	-	246,068	-
	2010	210,000	-	-	-	18,900	-	228,900	-
<b>Executive director</b>									
Grant, J.	2011	481,400	208,639	-	50,272	15,199	-	755,510	27.6
Managing Director	2010	397,384	138,055	-	6,623	14,461	-	556,523	24.8
<b>Other key management personnel</b>									
Baynham, L.	2011	252,757	255,200	-	10,208	15,199	-	533,364	47.8
Group General Manager	2010	230,122	198,400	-	3,835	14,461	-	446,818	44.4
Colledge, B. – General Manager	2011	209,262	263,022	-	7,646	15,199	-	495,129	53.1
Licensing Solutions	2010	192,255	206,353	-	3,204	14,461	-	416,273	49.6
Crouch, B. – General Manager	2011	199,262	216,550	-	8,710	15,199	-	439,721	49.2
Integrated Solutions	2010	177,255	182,234	-	2,954	14,461	-	376,904	48.4
Esler, M. – General Manager	2011	185,262	191,676	-	7,415	15,199	-	399,552	48.0
Product Solutions	2010	166,255	168,058	-	2,771	14,461	-	351,545	47.8
Hill, B. – Chief Financial	2011	205,000	163,787	-	3,648	15,199	-	387,634	42.3
Officer and Company Secretary	2010	204,055	67,833	-	3,401	14,461	-	289,750	23.4
MacPherson, L. – General									
Manager People Solutions and	2011	182,217	128,562	-	8,654	15,199	-	334,632	38.4
Gen. Mgr. Org. Dev. & HR	2010	148,145	105,044	-	2,469	14,461	-	270,119	38.9
Murphy, P. – General Manager	2011	220,000	188,906	-	3,881	15,199	-	427,986	44.1
Managed Services	2010	205,418	126,238	1,226	3,424	14,461	-	350,767	36.0
<b>Totals – key management personnel</b>	2011	2,160,910	1,616,342	-	100,434	141,910	-	4,019,596	40.2
	2010	1,930,889	1,192,215	1,226	28,681	134,588	-	3,287,599	36.3

No director or executive received compensation in the form of share-based payments during the year ended 30 June 2011 (2010: nil).



# directors' report (continued)

## 11. remuneration report (continued)

### C Service agreements

Terms of employment for the managing director and other key management personnel are formalised under rolling contracts. The contracts state that base salary and performance-related bonuses will be agreed annually, which occurs at the commencement of each financial year. The company may terminate the contracts without notice for gross misconduct; otherwise, either party may terminate the contract early with the agreed notice period, subject to termination payments as detailed below. For all key management personnel, except those listed below, termination notice of one month is required and no termination benefit is contractually payable. Other major provisions of the contracts relating to remuneration of the managing director and certain other key management personnel are as follows:

#### *J Grant (Managing Director)*

- Termination notice of six months is required.
- Payment of a termination benefit on early termination by the company, other than for gross misconduct, of twelve months of his packaged salary together with an additional amount representing the performance-related bonus earned up to the date of termination. If at the annual renewal date the company chooses not to continue the agreement, the company must provide six months notice and Mr Grant will be entitled to his packaged salary and performance bonus calculated up to the date of his termination.

#### *L Baynham, B Hill and L MacPherson*

- Termination notice of three months is required.
- Payment of a termination benefit on early termination by the company, other than for gross misconduct, of six months of the packaged salary including performance-related bonuses. A termination benefit is provided for these individuals as these positions are considered most likely to be subject to early termination in the event of a significant business combination.

### D Share-based compensation

Share-based compensation may be granted to directors and key management personnel under the Data#3 Limited Employee Share Ownership Plan, the Data#3 Limited Deferred Share and Incentive Plan, and the Data#3 Limited Employee Option Plan.

No shares, rights, or options were granted to directors or key management personnel during the year ended 30 June 2011 (2010: nil), no rights or options vested or lapsed during the year (2010: nil), and no rights or options were exercised during the year (2010: nil).

### E Additional information

#### *Relationship between remuneration and company performance*

The overall level of executive reward takes into account the performance of the group over a number of years, with greater emphasis given to improving performance over the prior year. Since 2006, the group's net profit has grown at an average rate of 21.3% per annum, the average executive remuneration has increased by an average rate of 11.9% per annum, and total shareholder return averaged 44.8% per annum over this period.

#### *Cash bonuses*

For each cash bonus included in the previous table in Section B, the percentage of the planned bonus that was actually earned in the financial year, and the percentage that was forfeited because the person did not meet the relevant profit or other performance-related criteria, are set out below.

Name	Earned %	Forfeited %
Baynham, L.	100%	-
Colledge, B.	100%	-
Crouch, B.	100%	-
Esler, M.	100%	-
Grant, J.	100%	-
Hill, B.	100%	-
MacPherson, L.	100%	-
Murphy, P.	100%	-

## 12. shares under option

No unissued ordinary shares of Data#3 Limited are under option at the date of this report. No share options were granted or exercised during the financial year. Furthermore, there has been no movement in shares under option since year end up to the date of this report.

## 13. indemnification and insurance of directors and officers

During the financial year, Data#3 Limited paid a premium of \$46,454 to insure the directors and members of the executive management team of the company and the group against any liability incurred by them in their capacity as officers, unless the liability arises out of conduct involving a lack of good faith. The executive officers of the group are also indemnified against any liability for costs and expenses incurred in defending civil or criminal proceedings involving them as such officers if judgement is given in their favour or if they are acquitted or granted relief.

## 14. environmental regulation and performance

The group is not subject to any particular and significant environmental regulations.

# directors' report (continued)

## 15. rounding

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that class order.

## 16. auditor independence and non-audit services

Johnston Rorke continues in office in accordance with section 327 of the Corporations Act 2001. During the year the following fees were paid or payable to the auditor for non-audit services:

	Consolidated	
	2011 \$	2010 \$
<b>Non-audit services</b>		
Acquisition due diligence services	30,000	8,000
Tax compliance services	8,500	5,600
	38,500	13,600

### Non-audit services

The company employs Johnston Rorke on assignments additional to its statutory duties where the auditor's expertise and experience with the company and/or the group are important.

The board of directors has considered the position, and in accordance with the advice received from the audit and risk committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor (refer above) did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit and risk committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

This report is made in accordance with a resolution of the directors.



**R A Anderson**  
Director

Brisbane  
22 August 2011

The Directors  
Data#3 Limited  
67 High Street  
TOOWONG QLD 4066

#### Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Data#3 Limited for the financial year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Data#3 Limited and the entities it controlled during the period.

**JOHNSTON RORKE**  
Chartered Accountants



**R C N Walker**  
Partner  
Johnston Rorke

Brisbane  
22 August 2011

# Consolidated statement of comprehensive income

for the year ended 30 June 2011

		2011	2010
	Notes	\$'000	\$'000
<b>Revenue</b>			
Sale of goods	2	586,354	513,585
Services	2	109,804	85,015
Other	5	1,630	615
		697,788	599,215
<b>Other income</b>	6	-	194
<b>Expenses</b>			
Changes in inventories of finished goods		(3,563)	2,897
Purchase of goods		(522,778)	(469,345)
Employee and contractor costs directly on-charged (cost of sales on services)		(40,984)	(30,651)
Other cost of sales on services		(17,088)	(11,457)
Other employee and contractor costs		(76,983)	(63,471)
Telecommunications		(1,451)	(1,272)
Rent	7	(4,806)	(3,908)
Travel		(2,347)	(1,716)
Professional fees		(840)	(628)
Depreciation and amortisation	7	(675)	(1,015)
Finance costs	7	(228)	(69)
Other		(4,218)	(2,981)
		(675,961)	(583,616)
<b>Profit before income tax expense</b>		21,827	15,793
Income tax expense	8	(6,828)	(4,879)
Net profit		14,999	10,914
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income</b>		14,999	10,914
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	97.41	70.88
Diluted earnings per share	9	97.41	70.88

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated balance sheet

as at 30 June 2011

		2011	2010
	Notes	\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents	11	56,956	64,335
Trade and other receivables	12	90,438	86,353
Inventories	13	5,265	9,006
Other	14	2,451	1,346
<b>Total current assets</b>		<b>155,110</b>	<b>161,040</b>
<b>Non-current assets</b>			
Property and equipment	15	4,415	773
Deferred tax assets	8	1,568	1,532
Intangible assets	16	4,533	5,138
<b>Total non-current assets</b>		<b>10,516</b>	<b>7,443</b>
<b>Total assets</b>		<b>165,626</b>	<b>168,483</b>
<b>Current liabilities</b>			
Trade and other payables	17	102,806	110,252
Borrowings	18	588	-
Current tax liabilities		2,300	3,285
Provisions	19	1,285	1,188
Other	20	24,025	26,540
<b>Total current liabilities</b>		<b>131,004</b>	<b>141,265</b>
<b>Non-current liabilities</b>			
Borrowings	18	2,492	-
Provisions	19	1,109	840
Other	20	868	292
<b>Total non-current liabilities</b>		<b>4,469</b>	<b>1,132</b>
<b>Total liabilities</b>		<b>135,473</b>	<b>142,397</b>
<b>Net assets</b>		<b>30,153</b>	<b>26,086</b>
<b>Equity</b>			
Contributed equity	22	8,278	8,278
Retained earnings		21,875	17,808
<b>Total equity</b>		<b>30,153</b>	<b>26,086</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated statement of changes in equity

for the year ended 30 June 2011

	Number of Ordinary Shares '000	Contributed Equity \$'000	Retained Earnings \$'000	Total Shareholders' Equity \$'000
<b>Consolidated</b>				
<b>Balance at 1 July 2009</b>	15,397	8,278	15,055	23,333
Net profit	-	-	10,914	10,914
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income</b>	-	-	10,914	10,914
Payment of dividends	-	-	(8,161)	(8,161)
<b>Balance at 30 June 2010</b>	15,397	8,278	17,808	26,086
Net profit	-	-	14,999	14,999
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income</b>	-	-	14,999	14,999
Payment of dividends	-	-	(10,932)	(10,932)
<b>Balance at 30 June 2011</b>	15,397	8,278	21,875	30,153

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated cash flow statement

## for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Net profit after income tax		14,999	10,914
Depreciation and amortisation		675	1,015
Impairment of intangible assets		383	178
Impairment of inventory		178	7
Bad and doubtful debts		157	166
Loss on disposal of property and equipment		132	2
Reversal of contingent consideration payable		-	(194)
Other		(3)	14
Change in operating assets and liabilities, net of effects from purchase and sale of businesses			
(Increase) / decrease in trade receivables		(3,406)	11,770
(Increase) / decrease in inventories		3,563	(2,897)
(Increase) in other operating assets		(1,824)	(2,486)
(Increase) in net deferred tax assets		(36)	(290)
Increase / (decrease) in trade payables		(9,358)	4,223
Increase / (decrease) in unearned income		(2,624)	19,935
Increase / (decrease) in other operating liabilities		2,510	(279)
Increase / (decrease) in current tax liabilities		(985)	2,631
Increase in provision for employee benefits		456	197
<b>Net cash inflow from operating activities</b>		<b>4,817</b>	<b>44,906</b>
<b>Cash flows from investing activities</b>			
Payments for property and equipment	15	(4,344)	(249)
Payments for software assets	16	-	(118)
<b>Net cash outflow from investing activities</b>		<b>(4,344)</b>	<b>(367)</b>
<b>Cash flows from financing activities</b>			
Payment of dividends	10	(10,932)	(8,161)
Proceeds from borrowings	24	3,380	-
Finance lease payments	24	(300)	-
<b>Net cash outflow from financing activities</b>		<b>(7,852)</b>	<b>(8,161)</b>
<b>Net increase in cash and cash equivalents held</b>		<b>(7,379)</b>	<b>36,378</b>
Cash and cash equivalents, beginning of financial year		64,335	27,957
<b>Cash and cash equivalents, end of financial year</b>	11	<b>56,956</b>	<b>64,335</b>

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

# notes to the consolidated financial statements

## note 1. summary 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 the periods presented and have been applied consistently by all entities in the group, unless otherwise stated.

### (a) Basis of preparation of financial report

The financial statements include the consolidated entity comprising Data#3 Limited and its subsidiaries. This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. These financial statements have also been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated, under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

#### *Compliance with IFRS*

This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### *Changes in accounting standards and regulatory requirements*

There are a number of new and amended accounting standards issued by the AASB which are applicable for reporting periods beginning on 1 July 2010. The group has adopted all the mandatory new and amended accounting standards issued that are relevant to its operations and effective for the current reporting period. There was no material impact on the financial report as a result of the mandatory new and amended accounting standards adopted.

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Data#3 Limited ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Data#3 Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date on which control is transferred out of the group. Investments in subsidiaries are accounted for at cost in the financial statements of Data#3 Limited.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

### (c) Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The group's functional and presentation currency is Australian dollars.

Foreign currency transactions are translated to Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. As at balance sheet date the group has not entered any hedge transactions, as the risk to the group from foreign-denominated transactions is not material.

### (d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

#### *(i) Sale of goods*

Revenue from the sale of goods is recognised when the goods are shipped to a customer's specified location pursuant to a sales order, the risks of obsolescence and loss have passed to the customer, and the customer has either accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

#### *(ii) Rendering of services*

Revenue from services is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where it is probable that a loss will arise from a fixed price service contract, the excess of total costs over revenue is recognised as an expense immediately.

#### *(iii) Bundled sales*

The group offers certain arrangements whereby customers can purchase computer systems together with a multi-year servicing arrangement. For these sales, the amount recognised as revenue upon sale of the computer systems is the fair value of the system in relation to the fair value of the sale taken as a whole. The remaining revenue, which relates to the service arrangement, is recognised over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately. Any discount on the arrangement is allocated between the elements of the contract based on the fair value of the elements.

#### *(iv) Interest income*

Revenue is recognised as interest accrues using the effective interest method.



# notes to the consolidated financial statements (continued)

## note 1. summary of significant accounting policies (continued)

### (d) Revenue recognition (continued)

#### (v) Dividends

Dividend income is recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence (refer to note 1(k)).

### (e) Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability, except that no deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction (other than a business combination) that did not affect either accounting or taxable profit or loss at the time of the transaction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax base of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Deferred tax assets and deferred tax liabilities are offset only if they relate to the same taxable entity and the same taxation authority, and a legally enforceable right exists to set off current tax assets against current tax liabilities.

#### Tax consolidation legislation

Data#3 Limited and its wholly-owned Australian subsidiaries are part of a tax-consolidated group under Australian taxation law. Data#3 Limited and the controlled entities in the tax-consolidated group, continue to account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax-consolidated group continues to be a stand-alone taxpayer in its own right. Data#3 Limited, as the head entity, immediately assumes current tax liabilities or assets and the deferred tax assets arising from unused tax losses and unused tax credits from controlled entities in the tax consolidated group, in addition to its own current and deferred tax amounts. The entities have also entered into tax sharing and funding agreements. Refer to note 8.

### (f) Leases

Leases of property and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Lease payments are allocated between the liability and the interest expense. The leased asset is depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments, net of any incentives received from the lessor, are charged to expense on a straight-line basis over the period of the lease. Where the group is required to return the premises to their original condition on cessation of the lease, a provision for lease remediation is recorded for the present value of the estimated liability.

### (g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For purposes of the cash flow statement, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (h) Trade receivables

Trade receivables, which are non-interest bearing and generally due for settlement within 30 days, are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, default payments or debts more than 120 days overdue where there are not extenuating circumstances are considered objective evidence of impairment. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to other revenue in the statement of comprehensive income.

### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a specific identification basis and are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

# notes to the consolidated financial statements (continued)

## note 1. summary of significant accounting policies (continued)

### (j) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Consideration for an acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. Consideration also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Costs associated with the acquisition are charged to expense as incurred. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange, unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration of the acquisition, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(o)). If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (k) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or CGU). For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

### (l) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale and stated at the lower of their carrying amounts or fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the net cash flows attributable to discontinued operations are presented separately on the cash flow statement.

### (m) Investments and other financial assets

The group's investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as follows: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reevaluates this designation at each reporting date where appropriate. As at balance sheet date the group has no financial assets at fair value through profit or loss or held-to-maturity investments or available for sale financial assets and has not entered any significant derivative contracts.

#### *Recognition and derecognition*

Purchases and sales of investments are recognised on trade date. Investments are initially recognised at fair value plus, for all financial assets not carried at fair value through profit and loss, transaction costs; transaction costs on financial assets carried at fair value through profit and loss are charged directly to expense in the statement of comprehensive income. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, and for unlisted securities, the group establishes fair value using other valuation techniques such as reference to the fair values of recent arms' length transactions involving the same or similar instruments, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

# notes to the consolidated financial statements (continued)

## note 1. summary of significant accounting policies (continued)

### (m) Investments and other financial assets (continued)

#### *Subsequent measurement*

Financial assets at fair value through profit and loss and available-for-sale financial assets are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised as other comprehensive income until the investment is sold, collected or otherwise disposed, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit or loss. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the security is impaired. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period of maturity. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

### (n) Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and amortisation. Depreciation of equipment is computed using the straight-line method to allocate cost net of residual values over the estimated useful lives of the assets, being three to 20 years. Amortisation of leasehold improvements is computed using the straight-line method over two to ten years.

Upon impairment, an asset's carrying amount is written down immediately to its recoverable amount (refer to note 1(k)).

### (o) Goodwill and purchased intangible assets

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequently goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired, and written down when impaired.

Purchased intangible assets other than goodwill are amortised over their useful lives unless these lives are determined to be indefinite.

Purchased intangibles are carried at cost less accumulated amortisation and impairment losses. Amortisation is computed using the straight-line method over the estimated useful lives of the respective assets, generally two to five years.

### (p) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are generally unsecured and are usually paid within 30 to 60 days of recognition.

### (q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs, and 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 borrowing using the effective interest method. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 period.

### (r) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less any cumulative amortisation.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### (s) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the balance sheet date, where the discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where the group expects some or all of a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

# notes to the consolidated financial statements (continued)

## note 1. summary of significant accounting policies (continued)

### (t) Employee benefits

#### *Wages, salaries, annual leave and sick leave*

Liabilities for wages, salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave, which are non-vesting, are recognised when the leave is taken and measured at the rates paid or payable.

#### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and is 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 currency that match, as closely as possible, the estimated future cash outflows.

#### *Post-employment benefits*

Contributions are made by the group to defined contribution superannuation funds. Contributions are charged to expense as they are incurred.

#### *Bonus plans*

A liability for employee benefits in the form of bonus plans is recognised in other payables when the group has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### *Share-based compensation benefits*

Share-based compensation benefits may be provided to employees via the Data#3 Limited Deferred Share and Incentive Plan, an employee option plan, and an employee share ownership plan (ESOP).

The fair value of the incentives and options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the incentives or options. Fair value is determined using an appropriate option pricing model and takes into account factors such as exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At each balance sheet date, the group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued under the ESOP is recognised in the balance sheet as share capital, with a corresponding charge to the statement of comprehensive income for employee benefits expense.

### (u) Contributed equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (v) Earnings per share

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

### (x) Comparatives

Comparative figures have been reclassified where necessary to ensure consistency with current year presentation.

### (y) Corporate information

The financial report was authorised for issue in accordance with a resolution of the directors on 22 August 2011. Data#3 Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Data#3  
67 High Street  
TOOWONG QLD 4066

# notes to the consolidated financial statements (continued)

## note 1. summary of significant accounting policies (continued)

### (z) Accounting standards not yet effective

Relevant Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2011, are as follows:

Standard/Interpretation	Application date of standard*	Application date for the group*
<p><b>AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</b></p> <p>AASB 9 addresses the classification and measurement of financial assets and liabilities. The directors anticipate this standard will have no material impact on the financial statements, but the full impact has not yet been assessed. AASB 9 is available for early adoption; the group has not yet decided when it will adopt it.</p>	1 January 2013	1 July 2013
<p><b>Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards</b></p> <p>This amendment affects government-related entities and also clarifies and simplifies the definition of a related party. The group will apply the amended standard retrospectively for the financial reporting period commencing on 1 July 2011. There will be no impact on the financial statements.</p>	1 January 2011	1 July 2011
<p><b>AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</b></p> <p>This amendment introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures. The group will apply the amendment from 1 July 2011.</p>	1 July 2011	1 July 2011
<p><b>AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</b></p> <p>This amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The group will apply the amendment from 1 July 2012. There is expected to be no impact on the financial statements, as the group holds no investment property.</p>	1 January 2012	1 July 2012
<p><b>AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</b></p> <p>This amendment removes individual key management personnel (KMP) disclosure requirements from AASB124 to eliminate replication with the <i>Corporations Act 2001</i> and achieve consistency with the international equivalent standard. The KMP disclosures will be reduced as a result of these amendments, but there will be no impact on the amounts recognised in the financial statements.</p>	1 July 2013	1 July 2013
<p><b>AASB 1054 Australian Additional Disclosures – new and consequential amendments to other accounting standards resulting from its issue</b></p> <p>All Australian-specific disclosures are relocated to this standard, and a number of disclosures are revised. Some disclosures will be affected by these revisions, but figures reported in the financial statements are not expected to change.</p>	1 January 2011	1 July 2011
<p><b>IFRS 13 Fair Value Measurement</b></p> <p>The new standard replaces the fair value measurement guidance contained in the various standards. It provides guidance on how to determine fair value by defining fair value and providing a framework for measurement, but does not change when an entity is required to determine fair value. It also expands the disclosures required when fair value is used. The group is yet to assess the impact of this new standard, if any.</p>	1 January 2013	1 July 2013
<p><b>IAS 1 Presentation of Financial Statements – revised</b></p> <p>The amendments affect the presentation of items of other comprehensive income. Accordingly, only the presentation and disclosure of related items in the financial report are expected to be impacted.</p>	1 July 2012	1 July 2012
<p><b>IAS 19 Employee Benefits – revised</b></p> <p>These amendments introduce various modifications including changes to the measurement of defined benefit plans, change in the timing for recognition of termination benefits and amend the definition of short-term and other long-term employee benefits. The group is yet to assess the impact of these amendments, if any.</p>	1 January 2013	1 July 2013

\* Application date is for annual reporting periods beginning on or after the date shown in the above table.



# notes to the consolidated financial statements (continued)

## note 2. segment information

The group's business is conducted primarily in Australia. The group's management makes financial decisions and allocates resources based on the information it receives from its internal management system. Sales are attributed to an operating segment based on the type of product or service provided to the customer. Revenue from customers domiciled in Australia comprised 99% of external sales for the year ended 30 June 2011 (2010: 99%).

Segment information is prepared in conformity with the accounting policies of the group as disclosed in note 1 and Accounting Standard AASB 8 *Operating Segments*. The group does not allocate income tax, assets or liabilities to each segment because management does not include this information in its measurement of the performance of the operating segments. Depreciation and amortisation are, however, allocated to each operating segment; the amounts allocated to each reportable segment are shown below. Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.

The group has identified two reportable segments, as follows:

- Product - providing hardware and software for our customers' desktop, network and data centre hardware and software infrastructure; and
- Services - providing professional and managed services in relation to the design, implementation and operation of ICT solutions, workforce recruitment and consulting.

Summarised financial information by segment for the financial years ended 30 June 2011 and 2010 is set out in the following table.

	Product		Services		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Revenue</b>						
Total revenue	586,409	513,612	121,034	92,023	707,443	605,635
Inter-segment revenue	(55)	(27)	(11,230)	(7,008)	(11,285)	(7,035)
External revenue	586,354	513,585	109,804	85,015	696,158	598,600
Unallocated corporate revenue:						
Interest					1,541	615
Other					89	-
<b>Consolidated revenue</b>					697,788	599,215
<b>Segment result</b>						
Segment profit/(loss)	22,144	18,115	10,465	7,059	32,609	25,174
Unallocated corporate items						
Interest and other revenue					1,630	615
Other employee and contractor costs					(8,007)	(6,138)
Rent					(1,587)	(478)
Depreciation and amortisation					(634)	(834)
Other					(2,184)	(2,546)
					(10,782)	(9,381)
<b>Net profit/(loss) before income tax</b>					21,827	15,793
<b>Items included in segment result</b>						
Interest expense	47	5	-	-	47	5
Depreciation and amortisation expense	17	35	24	146	41	181

## note 3. significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below.

#### Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 16.

# notes to the consolidated financial statements (continued)

## note 4. financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. To date the group has not used derivative financial instruments. The group uses sensitivity analysis to measure interest rate and foreign exchange risks, and aging analysis for credit risk. Risk management is carried out by the Chief Financial Officer (CFO) under policies approved by the board of directors. The CFO identifies, evaluates and mitigates financial risks in close cooperation with senior management.

The group's financial assets are all within the loans and receivables category, and its financial liabilities are all within the financial liabilities recorded at amortised cost category.

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group has operated internationally in New Caledonia, however the operations ceased in 2010; the revenue contracts and employee benefits were denominated in South Pacific francs (XPF). From time to time the group makes sales to customers who require the currency of settlement to be a foreign currency. At 30 June 2011 and 2010 the group's exposure to foreign currency risk was immaterial.

#### (ii) Price risk

The group is not exposed to equity securities or commodity price risk.

### (b) Credit risk

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents and trade and other receivables. 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. The group does not hold any credit derivatives to offset its credit exposure. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history; collateral is not normally obtained. Risk limits are set for each individual customer in accordance with parameters set by the board. These limits are regularly monitored. Specific information as to the group's credit risk exposures is as follows:

- Cash and cash equivalents are maintained at one large financial institution.
- During the 2011 year, sales to one government customer comprised 7% of revenue (2010: 7%).
- There are a number of individually significant debtors. At 30 June 2011, one government debtor comprised 6% of total debtors, (2010: 4%) and the ten largest debtors comprised approximately 31% of total debtors (2010: 32%), of which 62% were accounts receivable from a number of government customers (2010: 70%).
- Generally our customers do not have independent credit ratings. The group's risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Compliance with credit limits is regularly monitored by credit management. Management believes the credit quality of the group's customers is high based on the very low level of bad debt write-offs experienced historically. Bad debt write-offs as a percent of the trade receivables carrying amount was 0.2% for 2011 (2010: 0.2%).
- Financial guarantees have been extended to certain parties (refer to notes 23 and 27 for details).

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the group aims at maintaining flexibility in funding by keeping committed credit lines available. The group manages liquidity risk by monitoring cash flows and ensuring that adequate cash and unutilised borrowing facilities are maintained.

The group had access to the following undrawn borrowing facilities at the reporting date:

	2011 \$'000	2010 \$'000
Bank overdraft facility	-	533
Receivables financing facility	7,000	7,000
	7,000	7,533

The weighted average interest rate for the bank overdraft facilities for the year ended 30 June 2010 was 9.5%.

The receivables financing facility is subject to annual review. Under the facility amounts not exceeding 80% of the debtors balance (subject to the facility limit) may be drawn at any time. Interest is variable and is charged at prevailing market rates. The weighted average interest rate for the year ended 30 June 2011 was 6.8% (2010: 6.6%).

# notes to the consolidated financial statements (continued)

## note 4. financial risk management (continued)

### (c) Liquidity risk (continued)

#### Maturity of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groups based on their contractual maturities, calculated as their undiscounted cash flows. All of the financial liabilities are non-derivative.

	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2011						
Trade and other payables	102,806	-	-	-	102,806	102,806
Finance lease liabilities	412	412	824	2,060	3,708	3,080
	103,218	412	824	2,060	106,514	105,886

At 30 June 2010

Trade and other payables	110,252	-	-	-	110,252	110,252
	110,252	-	-	-	110,252	110,252

### (d) Cash flow and fair value interest rate risk

The group's exposure to cash flow interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates. The group's exposure to fair value interest rate risk arises from the group's borrowings, which bear a fixed interest rate. At balance date the group maintained the following variable rate accounts:

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash at bank and on hand	2.4%	17,196	1.7%	12,576
Deposits at call	4.9%	39,760	3.0%	51,759
Cash and cash equivalents	4.5%	56,956	2.8%	64,335

At balance date, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

	After-tax profit Higher/(lower)		Equity Higher/(lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
+1.5% (150 basis points) (2010: +1.5%)	598	676	598	676
-.5% (50 basis points) (2010: -.5%)	(199)	(225)	(199)	(225)

### (e) Net fair values

The net fair values of financial assets (net of any provision for impairment) and financial liabilities approximate their carrying amounts primarily because of their short maturities.

	2011 \$'000	2010 \$'000
<b>note 5. other revenue</b>		
Interest	1,541	615
Other recoveries	89	-
	1,630	615
<b>note 6. other income</b>		
Reversal of contingent consideration payable	-	194



## notes to the consolidated financial statements (continued)

	2011 \$'000	2010 \$'000
<b>note 7. expenses</b>		
Cost of goods sold	526,341	466,448
Depreciation and amortisation of property and equipment (note 15)	570	784
Amortisation of intangibles (note 16)	105	231
	675	1,015
Employee benefits expense	69,603	57,516
Defined contribution superannuation expense	5,093	4,423
Other charges against assets		
Impairment of trade receivables (note 12)	157	166
Impairment of inventory (note 13)	178	7
Impairment of intangible assets (note 16)	383	178
Rental expenses on operating leases		
Minimum lease payments	3,747	2,955
Straight lining lease rentals	575	(63)
Rental expenses – other	484	1,016
	4,806	3,908
Finance costs		
Interest and finance charges paid/payable	218	55
Unwinding of discount on provisions and other payables	10	14
	228	69
Loss on disposal of property and equipment	132	2
<b>note 8. income tax</b>		
<b>Income tax expense</b>		
The major components of income tax expense are:		
Current income tax expense	6,869	5,169
Deferred income tax relating to the origination and reversal of temporary differences	(36)	(290)
Adjustments for current tax of prior years	(5)	-
Income tax expense	6,828	4,879
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:		
Accounting profit before income tax	21,827	15,793
Income tax calculated at the Australian tax rate: 30% (2010: 30%)	6,548	4,738
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible items	134	106
Other	151	35
	6,833	4,879
Under (over) provision in prior year	(5)	-
Income tax expense	6,828	4,879

The parent entity, in its capacity as head entity of the tax-consolidated group, paid income taxes of \$7,278,000 during financial year 2011 (2010: \$2,583,000 for group and parent entity). A subsidiary of the group outside of the consolidated tax group paid no income taxes in 2011 (2010: \$172,000).

# notes to the consolidated financial statements (continued)

## note 8. income tax (continued)

	Balance sheet		Statement of comprehensive income	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Consolidated</b>				
<b>Deferred income tax</b>				
Deferred income tax for the group comprises:				
<b>Deferred tax assets</b>				
Accrued liabilities	1,371	943	428	106
Provisions	772	656	116	61
Lease incentive liability	320	194	126	154
Other	7	8	(1)	(3)
	2,470	1,801	669	318
<b>Deferred tax liabilities</b>				
Intangible assets	-	-	-	45
Lease incentive assets	(175)	(130)	(45)	(90)
Other	(727)	(139)	(588)	17
	(902)	(269)	(633)	(28)
<b>Net deferred tax assets</b>	1,568	1,532		
<b>Deferred income tax revenue</b>			36	290

### Tax consolidation legislation

Data#3 Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is disclosed in note 1(e).

The entities in the tax-consolidated group entered into tax sharing and funding agreements. Under the terms of these agreements, the wholly-owned subsidiaries reimburse Data#3 Limited for any current tax payable assumed and are compensated by Data#3 Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Data#3 Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned subsidiaries' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables.

In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by Data#3 Limited.

The group has no tax losses available for offset against future taxable profits (2010: nil).

	2011 Number	2010 Number
<b>note 9. earnings per share</b>		
<b>(a) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic and diluted earnings per share	15,397,495	15,397,495

### (b) Other information concerning earnings per share

- Earnings for the purpose of the calculation of basic earnings per share and also diluted earnings per share is the net profit.
- Rights and options granted are considered to be potential ordinary shares. Details relating to rights and options are set out in note 28. No rights or options were on issue during 2011 or 2010; therefore there was no impact on the calculation of diluted earnings per share.

# notes to the consolidated financial statements (continued)

	2011 \$'000	2010 \$'000
<b>note 10. dividends</b>		
<b>Dividends paid on ordinary shares during the year</b>		
Final fully franked dividend for 2010: 33.0c (2009: 30.0c)	5,081	4,619
Interim fully franked dividend for 2011: 38.0c (2010: 23.0c)	5,851	3,542
	10,932	8,161
<b>Dividends declared (not recognised as a liability at year end)</b>		
Final fully franked dividend for 2011: 39.0c (2010: 33.0c)	6,005	5,081
The tax rate at which dividends paid have been franked is 30% (2010: 30%). Dividends declared will be franked at the rate of 30% (2010: 30%).		
<b>Franking credit balance</b>		
Franking credits available for subsequent financial years for the consolidated and parent entity based on a tax rate of 30% (2010: 30%)	13,396	11,676
The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:		
(a) franking credits that will arise from the payment of the current tax liability;		
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and		
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.		
The dividend recommended by the directors since year end, but not recognised as a liability at year end, will result in a reduction in the franking account of \$2,574,000 (2010: \$2,178,000).		
<b>note 11. cash and cash equivalents</b>		
Cash at bank and on hand	17,196	12,576
Deposits at call	39,760	51,759
	56,956	64,335
<b>note 12. trade and other receivables</b>		
Trade receivables	85,406	82,134
Allowance for impairment (a)	(120)	(97)
	85,286	82,037
Other receivables (b)	5,152	4,316
	90,438	86,353

## (a) Allowance for impairment

An impairment loss of \$157,000 (2010: \$166,000) has been recognised by the group in the current year. These amounts have been included in other expense in the statements of comprehensive income. Movements in the provision for impairment loss were as follows:

	\$'000
<b>Carrying amount at 1 July 2009</b>	196
Provision for impairment recognised during the year	166
Receivables written off during the year	(265)
<b>Carrying amount at 30 June 2010</b>	97
Provision for impairment recognised during the year	157
Receivables written off during the year	(134)
<b>Carrying amount at 30 June 2011</b>	120

# notes to the consolidated financial statements (continued)

## note 12. trade and other receivables (continued)

### (a) Allowance for impairment (continued)

The ageing of overdue trade receivables for the group as at 30 June 2011 is as follows:

	2011		2010	
	Considered impaired \$'000	Past due but not impaired \$'000	Considered impaired \$'000	Past due but not impaired \$'000
31-60 days	-	11,250	-	7,847
61-90 days	-	3,447	-	2,533
91-120 days	-	2,081	-	1,634
+120 days	120	521	97	1,447
	120	17,299	97	13,461

There are no trade receivables that would otherwise be past due or impaired whose payment terms have been renegotiated. For trade receivables that are past due but not impaired, each customer's credit has been placed on hold where deemed necessary until full payment is made. Each of these debtors has been contacted, and management is satisfied that payment will be received in full.

### (b) Other receivables

These amounts generally arise from accrued rebates or transactions outside the usual operating activities of the group. Interest is normally not charged, collateral is not normally obtained, and the receivables are normally due within 30 days of recognition.

	2011 \$'000	2010 \$'000
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## note 13. inventories

Finished goods – at cost

5,265 9,006

Finished goods includes \$4,742,000 of inventory purchased pursuant to customer orders or letters of intent (2010: \$7,435,000).

Inventories recognised as an expense for the year ended 30 June 2011 totalled \$526,341,000 (2010: \$466,448,000) for the group and are included in the cost of goods sold line item (refer to note 7). For the year ended 30 June 2011 the amount of inventory charged as an expense in other expenses included \$178,000 (2010: 7,000) for the group relating to inventory that was considered obsolete.

## note 14. other current assets

Prepayments

2,313 1,109

Security deposits

138 237

2,451 1,346

## note 15. property and equipment

Leasehold improvements – at cost

5,881 3,630

Accumulated amortisation

(1,626) (3,030)

4,255 600

Equipment – at cost

694 990

Accumulated depreciation

(534) (817)

160 173

4,415 773

### (a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure in relation to leasehold improvements which are currently in the course of construction:

Leasehold improvements

619 -

## notes to the consolidated financial statements (continued)

	2011 \$'000	2010 \$'000
<b>note 15. property and equipment (continued)</b>		
<b>(b) Leased assets</b>		
Leasehold improvements include the following amounts where the group is a lessee under a finance lease:		
Cost	3,380	-
Accumulated depreciation	(197)	-
Carrying amount	3,183	-

	Leasehold improvements \$'000	Equipment \$'000	Total \$'000
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### Consolidated

Carrying amount at 1 July 2009	1,047	263	1,310
Additions	183	66	249
Disposals	-	(2)	(2)
Depreciation and amortisation expense	(630)	(154)	(784)
Carrying amount at 30 June 2010	600	173	773
Additions	4,245	99	4,344
Disposals	(115)	(17)	(132)
Depreciation and amortisation expense	(475)	(95)	(570)
Carrying amount at 30 June 2011	4,255	160	4,415

	2011 \$'000	2010 \$'000
<b>note 16. intangible assets</b>		
Goodwill – at cost	4,919	5,036
Accumulated impairment	(587)	(204)
	4,332	4,832
Software assets – at cost	898	898
Accumulated amortisation and impairment	(697)	(592)
	201	306
Customer relationships – at cost	300	300
Accumulated amortisation and impairment	(300)	(300)
	-	-
	4,533	5,138

# notes to the consolidated financial statements (continued)

## note 16. intangible assets (continued)

	Goodwill	Software assets	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at 1 July 2009</b>	4,960	319	150	5,429
Additions	-	118	-	118
Amortisation expense	-	(131)	(100)	(231)
Impairment charge	(128)	-	(50)	(178)
<b>Carrying amount at 30 June 2010</b>	4,832	306	-	5,138
Amortisation expense	-	(105)	-	(105)
Impairment charge	(383)	-	-	(383)
Recovery of stamp duty	(117)	-	-	(117)
<b>Carrying amount at 30 June 2011</b>	4,332	201	-	4,533

### Intangibles – software assets and customer relationships

Software assets and customer relationships, which have been externally acquired, have been capitalised at cost and are amortised on a straight-line basis over the assets' useful economic lives which are generally two to five years for software assets and three years for customer relationships. The useful lives and potential impairment of the software assets and customer relationships are reviewed at the end of each financial year.

### Goodwill impairment testing

Goodwill acquired through business acquisitions has been allocated to the smallest identifiable group of assets that generates largely independent cash inflows and which are expected to benefit from synergies of the combination. Data#3 has allocated goodwill according to operating segment, unless the segment did not exist at the time of the business acquisition which generated the goodwill. Under AIFRS, goodwill must be tested at least annually for impairment. Management has carried out impairment testing as at each reporting date and recorded an impairment charge of \$383,000 in relation to the year ended 30 June 2011 for goodwill arising from the Fingerprint Consulting Services acquisition in 2008 (2010: \$128,000), reducing the carrying value to nil.

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections on the basis of financial projections approved by senior management for financial year 2012. The before-tax discount rate applied to cash flow projections is 10% (2010: 10%). Cash flows beyond the 2011 financial year have been extrapolated using an average growth rate of 7% (2010: 7%).

### Key assumptions used in value-in-use calculations

Budgeted gross margins have been determined based on past performance and management's expectations for the future. The discount rate was estimated based on the company's weighted average cost of capital at the date of impairment test.

	2011 \$'000	2010 \$'000
<b>note 17. trade and other payables</b>		
<b>Current</b>		
Trade payables - unsecured	86,819	96,177
Other payables - unsecured	15,987	14,075
	102,806	110,252
<b>note 18. borrowings</b>		
<b>Current</b>		
Finance lease liabilities (note 24)	588	-
<b>Non-current</b>		
Finance lease liabilities (note 24)	2,492	-
<b>note 19. provisions</b>		
<b>Current</b>		
Employee benefits	1,249	1,042
Lease remediation (note 1(f))	36	146
	1,285	1,188

## notes to the consolidated financial statements (continued)

	2011 \$'000	2010 \$'000
<b>note 19. provisions (continued)</b>		
<b>Non-current</b>		
Employee benefits	951	702
Lease remediation (note 1(f))	158	138
	1,109	840

Movements in provisions other than employee benefits are as follows:

	Lease remediation \$'000
<b>Balance at 1 July 2009</b>	182
Arising during the year	102
Unused amount reversed	(14)
Increase to present value	14
<b>Balance at 30 June 2010</b>	284
Arising during the year	26
Used during the year	(67)
Unused amount reversed	(59)
Increase to present value	10
<b>Balance at 30 June 2011</b>	194

	2011 \$'000	2010 \$'000
<b>note 20. other liabilities</b>		
<b>Current</b>		
Unearned income	23,828	26,452
Lease incentives	197	88
	24,025	26,540
<b>Non-current</b>		
Lease incentives	868	292

Unearned income comprises amounts received in advance of the provision of goods or services.

### note 21. secured liabilities

#### Secured liabilities (current and non-current)

Finance lease liabilities (note 18)	3,080	-
Total secured liabilities	3,080	-

#### Assets pledged as security

All of the assets of the group are pledged as security for bank facilities (refer to note 4). Leasehold improvements (refer to note 15) effectively secure lease liabilities as noted above.

# notes to the consolidated financial statements (continued)

## note 22. contributed equity

### (a) Movements in ordinary share capital

Details	Number of shares	Issue price \$	\$'000
Balance – 1 July 2009	15,397,495		8,278
Balance – 30 June 2010	15,397,495		8,278
Balance – 30 June 2011	15,397,495		8,278

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

### (b) Ordinary shares

All ordinary shares issued as at 30 June 2011 and 2010 are fully paid. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. The issue of shares in the company, subject to legislative requirements, is under the control of the directors.

### (c) Share options

No share options remain outstanding as at 30 June 2011 (refer to note 28).

### (d) Capital management

When managing capital (equity), the board's objective is to ensure the group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The board adjusts the capital structure as necessary to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or reduce debt that may be incurred to acquire assets.

During 2011, the board paid dividends of \$10,932,000 (2010: \$8,161,000). The board's intent for dividend payments for 2012 - 2016 is to maintain the current dividend payout ratio; however, market conditions will be taken into consideration prior to the declaration of each dividend. The board has no current plans to issue further shares on the market but intends to use share buybacks as a mechanism to deliver improved shareholder return on a sustainable basis and to reduce volatility in the company's share price.

The group is not subject to any externally imposed capital requirements.

## note 23. contingent liabilities

At 30 June 2011 bank guarantees totalling \$1,506,000 (2010: \$467,000) were provided to lessors as security for premises leased by the parent entity and the subsidiaries. The guarantees will remain in place for the duration of the operating leases. Additionally, at 30 June 2011 bank guarantees totalling \$747,000 (2010: nil) were provided to a supplier as security for purchases of product. Bank guarantees are secured by charges over all of the group's assets.

Cross guarantees have been provided by the parent entity and its Australian wholly-owned subsidiaries as described in note 27.

	2011 \$'000	2010 \$'000
<b>note 24. commitments</b>		
<b>(a) Non-cancellable operating leases</b>		
Future minimum lease payments under non-cancelable operating leases are as follows:		
Within one year	3,121	3,293
Later than one year but not later than five years	8,570	8,895
Later than five years	6,160	7,485
	17,851	19,673
<b>(b) Finance leases</b>		
Commitments related to finance leases as at 30 June are payable as follows:		
Within one year	824	-
Later than one year but not later than five years	2,884	-
	3,708	-
Less: future finance charges	(628)	-
Recognised as a liability	3,080	-



# notes to the consolidated financial statements (continued)

	2011 \$'000	2010 \$'000
<b>note 24. commitments (continued)</b>		
Representing lease liabilities:		
Current	588	-
Non-current	2,492	-
	3,080	-
The present value of finance lease liabilities is as follows:		
Within one year	588	-
Later than one year but not later than five years	2,492	-
	3,080	-
(a) Operating leases include leases of premises and office equipment. Under the relevant lease agreements (mainly premises) the rentals are subject to periodic review to market and/or for CPI increases. Operating leases are under normal commercial operating lease terms and conditions.		
(b) The group leases its head office fitout under a finance lease which expires in December 2015 (refer to note 15(b)). Under the terms of the lease, the fitout becomes the property of the group on expiry of the lease. The lease liability is secured by the fitout assets.		

## note 25. key management personnel

Key management personnel compensation is set out below.

Short-term employee benefits	3,777,252	3,124,330
Long-term employee benefits	100,434	28,681
Post-employment benefits	141,910	134,588
	4,019,596	3,287,599

### Equity instrument disclosures relating to key management personnel

#### Shares under option

Rights or options may be granted to directors and executives under the Data#3 Limited Deferred Share and Incentive Plan or the Data#3 Limited Employee Option Plan, details of which are set out in note 28. No rights or options were granted and no rights or options were outstanding during the 2010 and 2011 financial years.

#### Number of shares in Data#3 Limited held by key management personnel

Ordinary shares held directly, indirectly or beneficially by each key management person, including their personally-related entities are shown below.

	Balance 1 July 2009	Other changes*	Balance 30 June 2010	Other changes*	Balance 30 June 2011
<b>Directors:</b>					
Anderson, R.	60,000	-	60,000	-	60,000
Grant, J.	763,520	-	763,520	-	763,520
Johnston, I	60,000	-	60,000	-	60,000
Powell, W.T.	440,000	(30,000)	410,000	(10,000)	400,000
<b>Other executives:</b>					
Baynham, L.	51,600	-	51,600	-	51,600
Colledge, B.	23,600	-	23,600	-	23,600
Crouch, B.	10,000	-	10,000	-	10,000
Esler, M.	750,100	(10,000)	740,100	(32,000)	708,100
Hill, B.	50,000	-	50,000	-	50,000
MacPherson, L.	3,000	-	3,000	-	3,000
	2,211,820	(40,000)	2,171,820	(42,000)	2,129,820

\* Except as noted, other changes refer to the individual's on-market trading.

No shares were granted to key management personnel during the year as compensation (2010: nil) nor were any issued on exercise of options (2010: nil). Key management personnel who are not shown in the tables above held no shares or options in Data#3 Limited. There has been no movement in key management personnel shareholdings since year end up to the date of this report.

# notes to the consolidated financial statements (continued)

## note 25. key management personnel (continued)

### Other transactions with key management personnel

Mr J E Grant, an executive director, is a director of Wood Grant & Associates Pty Ltd and has the capacity to significantly influence decision making of that entity. Data#3 Limited engages Wood Grant & Associates Pty Ltd to assist with design and production of the annual and half-yearly financial reports. These transactions are made on normal commercial terms and conditions and at market rates. There were no other transactions during the year with key management personnel or their personally-related entities.

	2011 \$	2010 \$
<b>Amounts recognised as expense</b>		
Other expense	16,125	17,940
<b>note 26. remuneration of auditor</b>		
During the year the following fees were paid or payable to the auditor for audit and non-audit services:		
<b>Audit services</b>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	120,000	105,000
<b>Non-audit services</b>		
Acquisition due diligence services	30,000	8,000
Tax compliance services	8,500	5,600
Total remuneration	158,500	118,600

There was no remuneration paid to related practices of Johnston Rorke. It is the group's policy to employ Johnston Rorke on assignments additional to its statutory audit duties where Johnston Rorke's expertise and experience with the group are important.

## note 27. related parties

### Wholly-owned group

The consolidated financial statements include the financial statements of Data#3 Limited (being the ultimate parent entity) and the subsidiaries listed in the following table.

Name of entity	Country of formation or incorporation	Equity holding (ordinary shares)	
		2011 %	2010 %
Data#3 Business Systems Pty Ltd	Australia	100	100
Gratesand Pty Ltd	Australia	100	100
Data#3 NC SARL	New Caledonia	100	100

Summarised financial information for the parent entity is as follows:

	2011 \$'000	2010 \$'000
<b>As at 30 June</b>		
Current assets	59,034	66,027
Total assets	60,081	66,503
Current liabilities	43,062	52,664
Total liabilities	45,621	52,958
Shareholders' equity		
Contributed equity	8,278	8,278
Retained earnings	6,182	5,267
Total equity	14,460	13,545
<b>For the year ended 30 June</b>		
Net profit and total comprehensive income	11,847	8,199

# notes to the consolidated financial statements (continued)

## note 27. related parties (continued)

Transactions between Data#3 Limited and other entities in the wholly-owned group during the years ended 30 June 2011 and 30 June 2010 consisted of:

- Loans advanced to/by subsidiaries and repayments;
- Recovery of corporate charges received by Data#3 Limited for accounting, administrative services, management and use of assets;
- Management charges from subsidiaries for use of assets and provision of systems and services;
- Dividends received by Data#3 Limited; and
- Transactions between Data#3 Limited and its wholly-owned subsidiaries under the tax sharing and funding agreements described in note 8. The parent entity recognised a receivable of \$6,707,000 in relation to its subsidiaries' current tax amounts for the year ended 30 June 2011 (2010: \$5,044,000).

Loans provided are at call, interest-free and unsecured and have no fixed repayment terms. Corporate charges by the parent entity are based on budgeted cost. Management charges by subsidiaries are based on discounted retail price. Unless otherwise stated, transactions are on commercial terms and conditions.

### Entities subject to class order relief

Data#3 Limited, Data#3 Business Systems Pty Ltd (Business Systems), and Gratesand Pty Ltd (Gratesand) are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, these wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities & Investments Commission. These companies represent a closed group for the purposes of the class order. The financial statements of the closed group approximate the consolidated financial statements.

## note 28. share-based payments

### Data#3 Limited Employee Share Ownership Plan

The establishment of the Data#3 Limited Employee Share Ownership Plan (ESOP) was approved by shareholders at the 2007 annual general meeting. The object of the plan is to recognise the contribution of eligible employees by providing them with an opportunity to share in the future growth of the company.

Under the ESOP, all full-time and part-time employees of the group, excluding directors, may be offered fully paid ordinary shares in the company, at no consideration, with a total value in any given financial year not exceeding the exemption requirements of the Tax Act or any limit placed by the board of directors (currently \$1,000). Shares are offered under the ESOP at the sole discretion of the board of directors. The market value of shares issued under the ESOP, measured as the weighted average market price at which the company's shares are traded during the one week period up to and including the day of issue, is recognised in the balance sheet as share capital, and compensation expense is recorded as part of employee benefits costs in the period the shares are granted.

Shares issued under the ESOP are subject to a holding lock period which concludes the earlier of three years after issuance of the shares or cessation of employment of the participant. During the holding lock period, the shares are not transferable and no security interests can be held against them. In all other respects the shares rank equally with other fully paid ordinary shares on issue (see note 22(b)).

Where shares are issued to employees of subsidiaries with the group, the subsidiaries compensate Data#3 Limited for the fair value of these shares. To 30 June 2011 no shares have been issued under the ESOP. The ESOP is currently being held in abeyance until such time as the directors determine that the plan should be implemented.

### Data#3 Limited Deferred Share and Incentive Plan

The establishment of the Data#3 Limited Deferred Share and Incentive Plan (DSIP) was approved by shareholders at the 2007 annual general meeting. The plan is designed to provide full-time and part-time employees, including directors, with medium and long-term incentives to recognise ongoing contribution to the achievement of company objectives and to encourage them to have a personal interest in the future growth and development of the company. Under the DSIP the board of directors may award selected employees DSIP securities in the form of either a DSIP share or a DSIP incentive, being a right to a future share. The market value of shares issued under the DSIP, measured as the weighted average market price at the date of grant, is recognised in the balance sheet as share capital, and compensation expense is recorded as part of employee benefits costs in the period the shares are granted. DSIP incentives are accounted for as described in note 1(t).

DSIP securities remain in the DSIP until performance conditions (in the case of DSIP incentives) or disposal conditions (in the case of DSIP shares) are met. The performance conditions are designed from time to time having regard to various hurdles approved by the board of directors, such as the individual's key performance indicators and the company's performance, by reference to commonly employed external measures such as Total Shareholder Return or Earnings Per Share Growth, as well as pertinent internal measures, such as the successful execution of a business plan over a three-year period. Several performance conditions may apply to the one invitation. To this extent, the performance conditions will be commensurate with the company's remuneration philosophy, aligning the interests of participants with shareholders. Generally, shares are not issued under the DSIP unless the related performance conditions are met.

Where shares or incentives are issued to employees of subsidiaries with the group, the subsidiaries compensate Data#3 Limited for the fair value of these shares. To 30 June 2011 no shares or incentives have been issued under the DSIP. The DSIP is currently being held in abeyance until such time as the directors determine that the plan should be implemented.

### Data#3 Limited Employee Option Plan

The Data#3 Limited Employee Option Plan (the Plan) was approved at an extraordinary general meeting of the company held on 5 November 1997. All full-time and part-time employees of the group, including directors, are eligible to participate in the plan.

No options were granted, exercised or outstanding under the plan during the year ended 30 June 2011 (2010: nil).

# directors' declaration

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 9 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



**R A Anderson**  
Director

Brisbane  
22 August 2011

# independent auditor's report to the members of Data#3 Limited

## Report on the financial report

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

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's Responsibility*

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

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

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

### *Independence*

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

# independent auditor's report to the members of Data#3 Limited (continued)

## *Auditor's opinion on the financial report*

In our opinion:

- (a) the financial report of Data#3 Limited is in accordance with the *Corporations Act 2001*, including:
1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  2. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report comprising section 11 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Data#3 Limited for the year ended 30 June 2011 complies with Section 300A of the *Corporations Act 2001*.

## **JOHNSTON RORKE**

Chartered Accountants



**R C N Walker**  
Partner

Brisbane, Queensland  
22 August 2011

# shareholder information

The shareholder information set out below was applicable as at 18 August 2011.

## 1. distribution of equity securities

(a) Analysis of numbers of equity security holders by size of holding:

	Number of shares	% of issued capital	Number of holders
1 to 1,000	739,055	4.80	1,434
1,001 to 5,000	3,771,804	24.50	1,532
5,001 to 10,000	2,230,229	14.48	299
10,001 to 100,000	3,483,437	22.62	162
100,001 and over	5,172,970	33.60	18
	15,397,495	100.00	3,445

(b) There were 60 holders of less than a marketable parcel of ordinary shares.

## 2. twenty largest quoted equity security holders

Name	Ordinary shares	
	Number held	Percentage of issued shares %
Citicorp Nominees Pty Limited	564,270	3.66
Oakport Pty Ltd	499,899	3.25
Citicorp Nominees Pty Limited	465,796	3.03
J P Morgan Nominees Australia Limited	421,901	2.74
HSBC Custody Nominees (Australia) Limited	409,071	2.66
Wood Grant & Associates Pty Ltd	334,721	2.17
Powell Clark Trading Pty Ltd	329,000	2.14
J P Morgan Nominees Australia Limited	322,855	2.10
National Nominees Limited	313,487	2.04
Elterry Pty Ltd	210,000	1.36
Thomson Associates Pty Ltd	200,000	1.30
Rubi Holdings Pty Ltd	193,915	1.26
M R Esler	179,100	1.16
J E Grant	179,100	1.16
J T Populin	169,014	1.10
JHG Super Pty Ltd	160,771	1.04
A J & L D O'Rourke	110,070	0.71
R B & S J Baxter Pty Ltd	110,000	0.71
W T & E M Powell	100,000	0.65
Bond Street Custodians Limited	90,000	0.58
	5,362,970	34.83

# shareholder information (continued)

## 3. substantial shareholders

Substantial shareholders in the company are set out below:

Name	Number held	Percentage
Commonwealth Bank of Australia	962,367	6.25
Celeste Funds Management Limited	935,863	6.08

## 4. unquoted equity securities

	Number held	Number of holders
Options issued under Data#3 Limited Employee Option Plan to take up ordinary shares	-	-

## 5. voting rights

The voting rights attaching to the ordinary shares, set out in the company's constitution, are:

- (a) every shareholder present at a general meeting has one vote on a show of hands; and
- (b) on a poll, each shareholder has one vote for each fully paid share held.

Options have no voting rights.