Data#3 Annual Report 2011

contents

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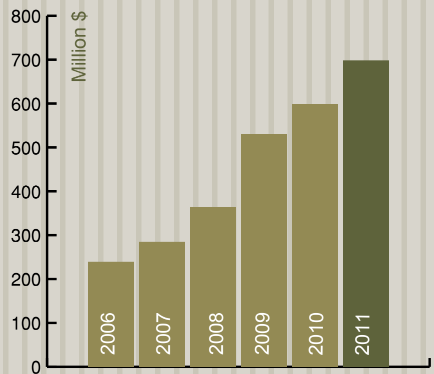
Richard Anderson - Chairman

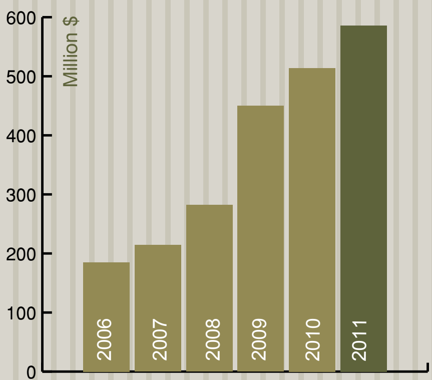
annual general meeting

The Annual General Meeting of Data#3 Limited will be held in Brisbane at 10.30am on Tuesday 8 November 2011 at the Corporate Head Office, Ground Floor, 67 High Street, Toowong.

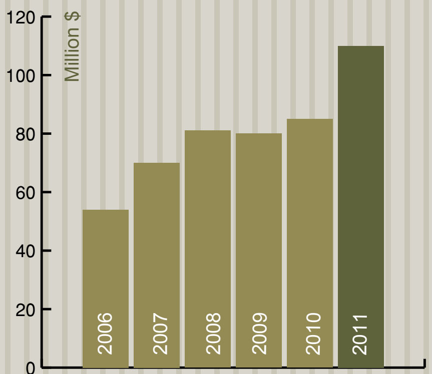
financial highlights



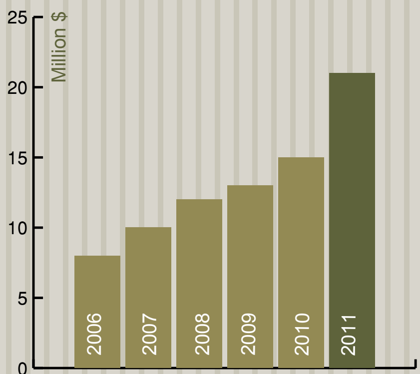
Total revenue grew by 16.5% to $697.8 million with 59.3% under contract



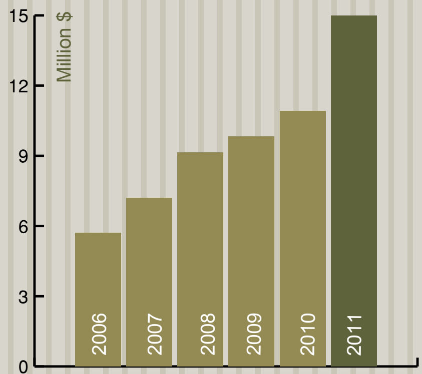
Product revenue grew by 14.2% to $586.4 million



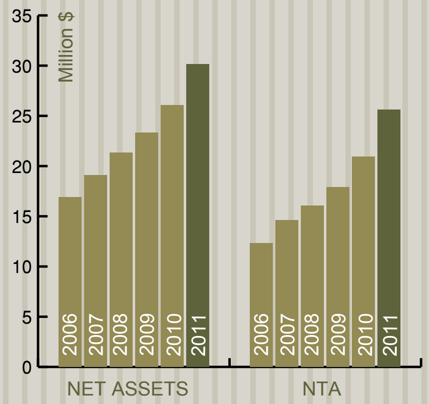
Services revenue grew by 29.2% to $109.8 million



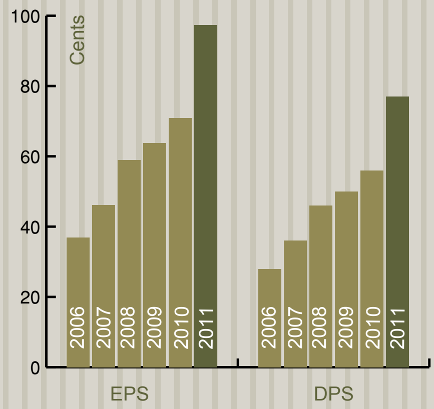
EBIT increased by 34.5% to $20.5 million



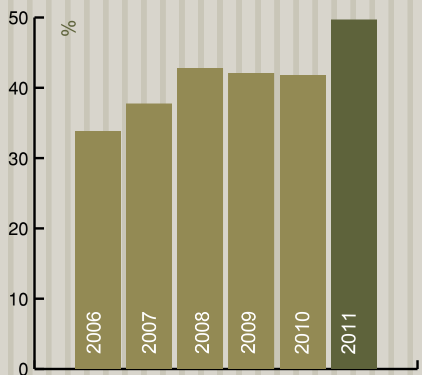
Net profit after tax increased by 37.4% to $15.0 million



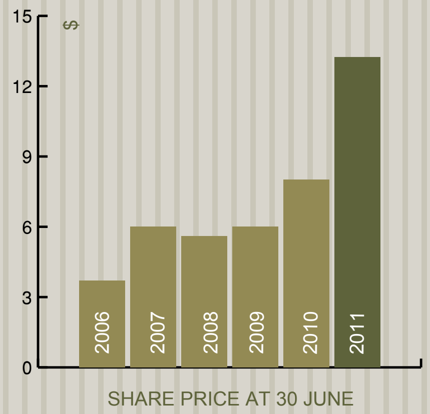
Net assets increased by 16.3% and net tangible assets increased by 22.3%



Earnings per share up 37.4% to 97.4 cents. Dividends per share up 37.5% to 77.0 cents, representing a 79% payout



Return on equity increased from 41.8% to 49.7%



Share price increased by 65.3% to $13.24 at 30 June 2011

chairman's report

On behalf of the board I am pleased to report on the 2011 financial year - a year in which the IT sector, against a background of natural disasters, continued bail-out of long established financial organisations and struggling national economies, stood out for its strong post-GFC recovery and your company's performance improved significantly upon its previous best.

The overall result was achieved with balanced contribution from our products and services businesses and from all regions in which we operate. Further examination of the 2011 performance and a review of our expectations for the 2012 financial year are contained in our Managing Director's Review and in the Review of Operations.

With stock market conditions flat at best over the year, Data#3's financial performance continued to deliver overall returns significantly ahead of the market. Dividends of 77 cents per share for the full year (first half: 38 cents, second half: 39 cents) which was an increase of 37.5% over the previous year and a 65% improvement in our share price in that period rounded out an excellent result for shareholders.

Given our expectation that market conditions would stabilise and improve, the board maintained the objectives it had for the business in the last year:

a. Market share growth to ensure the business capitalises on the improving conditions
b. An improvement in earnings per share over the 2010 year
c. Active capital and cash management with no debt from ordinary activities.

We achieved each of these objectives.

a. In terms of market share, revenues increased 16.5% to $697.8 million, four times the growth for the sector. All businesses grew strongly in all regions
b. Earnings per share increased 37.4% to 97.4 cents
c. Control of cash flow and other balance sheet items continues to be well managed and the company remains essentially debt free.

This performance placed your company as a leader in the sector.

Our organic growth strategy continued to be well executed by the management team. Our people remained firmly committed to the company, our offerings continued to position us competitively to win and continued investment in new internal systems has seen some improvements in operational efficiency through the 2011 financial year.

In a still unpredictable financial environment, prudent fiscal policy demonstrated its value. While not dismissing alternative means to grow, Data#3 has avoided the pitfalls of rushing into acquisitions and instead applied consideration and restraint. Data#3 has no material debt and a strong cash flow, putting it in a position to make the investments needed to continue its managed growth. New offerings across what we've defined as the 'technology consumption model' are being embraced by customers wanting to exert greater control and predictability over their ICT costs.

This strategy has been refined through the 2012 planning process and is discussed further in the Managing Director's Review. While global uncertainty will play out in 2012 and may impact levels of investment in our markets, shareholders can be comforted by a number of factors relating to their investment in Data#3.

a. Data#3 operates in the largest addressable segments for IT services representing $22.5 billion – hardware ($13 billion), software ($6 billion) and infrastructure managed services ($3.5 billion) – of the overall $30 billion market. We have carefully applied resources and funding in building reputation and customer relationships to take advantage of the trusted Data#3 brand. In addition, with the number of suppliers in the sector having continued to decrease in 2011, we have access to a larger slice of customer demand
b. The IT services sector has attractive underlying fundamentals given the imperative in business and government to increase efficiency and productivity
c. Data#3 has strong relationships with global leading brands that are investing in their reseller channel and that provide the demand for our services
d. Data#3 has the scale and market position to allow it to compete and grow
e. Data#3 is viewed as a preferred employer in the IT services sector, and
f. Data#3 is in a strong financial position with a track record of successful performance.

The 2012 business plans recently approved by the board are based on revenue growth beyond IT industry analyst projections and acknowledge higher staff costs as the market for skills becomes more buoyant, and increased operating costs through continued investments in operational efficiency and occupancy. The plans include fine tuning of the structure to address the changing needs of our customers and to improve our competitive position in the market.

On balance and presuming no local impact from any global market issues, we believe we are well positioned to improve performance over 2011 levels.

The company's management team and staff continue to steer through changing market conditions very successfully and we expect this to continue. The board acknowledges their excellent contribution on behalf of all shareholders.

I trust that shareholders continue to share the confidence of management and the board in the company's future success.

R Anderson

Richard Anderson
Chairman

financial review

The following table sets out our performance in 2011 compared with previous years.

	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000
Product revenue	185,042	214,414	281,845	450,049	513,585	586,354
% growth						14.2%
Services revenue	53,926	70,245	81,013	79,616	85,015	109,804
% growth						29.2%
Total revenue	239,612	285,117	363,707	530,481	599,215	697,788
% growth						16.5%
Revenue under contract %	53.5%	55.4%	57.0%	59.5%	58.6%	59.3%
Total gross margin	49,626	57,742	71,599	82,711	90,045	111,745
% growth						24.1%
Gross margin %	20.8%	20.3%	19.7%	15.6%	15.0%	16.1%
Internal staff costs	33,776	38,970	49,360	57,975	63,471	76,983
% growth						21.3%
Operating expenses	8,292	8,952	10,161	11,752	11,589	14,565
% growth						25.7%
Internal staff & operating expense as % of total gross margin	84.8%	83.0%	83.1%	84.3%	83.4%	81.9%
Earnings before interest (net), tax, depreciation & amortisation [EBITDA]	8,266	10,516	12,919	14,469	16,262	21,189
% growth						30.4%
Earnings before interest (net) & tax [EBIT]	7,765	9,902	12,208	13,419	15,247	20,514
% growth						34.5%
Net profit before tax	8,359	10,338	13,033	14,153	15,793	21,827
% growth						38.2%
Net profit after tax	5,713	7,197	9,137	9,832	10,914	14,999
% growth						37.4%
Net profit margin %	2.38%	2.52%	2.51%	1.85%	1.82%	2.15%
Return on equity %	33.8%	37.7%	42.8%	42.1%	41.8%	49.7%
Basic earnings per share	36.9 cents	46.1 cents	58.9 cents	63.8 cents	70.9 cents	97.4 cents
% growth						37.4%
Dividends per share	28.0 cents	36.0 cents	46.0 cents	50.0 cents	56.0 cents	77.0 cents
% growth						37.5%
Payout ratio	75.9%	78.1%	78.0%	78.4%	79.0%	79.0%
Share price at 30 June	$3.70	$6.00	$5.60	$6.00	$8.01	$13.24
% growth						65.3%
Net assets	16,897	19,077	21,326	23,333	26,086	30,153
% growth						15.6%
Net tangible assets	12,271	14,607	16,049	17,904	20,948	25,620
% growth						22.3%

revenue and gross margin

Our plan for the year was to continue to gain market share and deliver organic growth in all areas of the business. We achieved these objectives and grew well ahead of industry averages, increasing our total revenue by 16.5% to $697.8 million with growth in all geographic regions and in all areas of specialisation. Overall product revenues increased by 14.2% to $586.4 million and services revenues increased by 29.2% to $109.8 million.

The total company gross margin increased by 24.1% to $111.7 million and as a percentage of revenue increased from 15.0% to 16.1% due to an increase in the product gross margin % (from 9.2% to 10.2%) and the increased proportion of higher margin services revenues. The total services gross margins decreased (from 50.5% to 47.1%) reflecting the increased proportion of lower margin recruitment revenues and a small reduction in professional services' gross margin %.
We consider this an excellent overall result given the general expenditure constraints that have continued in many sectors, the very competitive market and the ongoing pressure on pricing and margins that was experienced throughout the year.

expenses and net profit

Total internal staff expenses increased by 21.3% to $77.0 million and operating expenses increased by 25.7% to $14.6 million to facilitate the growth of the business. Despite this increase in costs our "internal cost ratio" (internal staff & operating expense as a % of gross margin) improved from 83.4% to 81.9%. This is an exceptionally good outcome, particularly considering the increased level of investment in new premises, internal applications and infrastructure to support the entire business and better position us for future growth. We expect to further leverage this cost structure as the business continues to grow revenues and gross margins.

EBITDA increased by 30.4% to $21.2 million and EBIT increased by 34.5% to $20.5 million.

Net profit after tax increased by 37.4% to $15.0 million and earnings per share increased by 37.4% to 97.4 cents. We declared fully franked dividends of 77 cents per share for the full year, up 37.5% on 2010.

This represented a return on equity of 49.7%, another exceptional and sector-leading result.

cash flow

Cash flow from operating activities was a net inflow of $4.8 million for the full year. As usual the year-end cash balance was inflated by temporary surplus funds, reflecting the typical seasonality around 30 June following the May/June revenue peak and the benefit of receipts from customers in advance of payments to suppliers. This timing benefit was less significant than in the previous year where a $21 million customer advance payment was received in June 2010 (reflected as movements in unearned income), which reversed in the current year. Consequently the 30 June 2010 cash balance of $64.3 million contained an unusually large temporary surplus compared to the $57.0 million cash balance at 30 June 2011.

Cash flow from investing activities was a net outflow of $4.3 million, reflecting payments for property and equipment.

Cash flow from financing activities was a net outflow of $7.9 million, comprising $10.9 million of dividend payments and $0.3 million of finance lease payments, offset by $3.4 million in lease financing for the new office fit-out.

Due to the cash flow seasonality referred to previously and the resulting temporary surpluses at year end, it is more meaningful to compare the average daily cash balance throughout the year. The average cash balance for the current year was $32.5 million, up from $19.1 million in the previous year.

balance sheet

Trade receivables and payables are generally highest at year-end due to the traditional sales peak in the fourth quarter and in May/June in particular. Trade receivables at 30 June 2011 were $3.3 million higher than the previous year and trade payables were $9.4 million lower, with the movements caused by timing differences in the collections from customers and payments to suppliers around 30 June, and the associated temporary cash surplus at 30 June (refer to the comments in the cash flow section above). The year-end cash balance decreased from $64.3 million to $57.0 million due to the reduction in the temporary surplus funds, and is not reflective of the healthy underlying operating cash position demonstrated by the increase in the average daily cash balance from $19.1 million to $32.5 million.

Our key trade receivables indicator of average days' sales outstanding was ahead of target and ahead of the result achieved in the previous year, and the ageing of trade receivables reduced even further compared to the previous year. We are particularly satisfied with this result, which demonstrates that our additional investment in strengthening our collection resources has effectively countered the tendency for customers to extend their payment cycles in the difficult economic environment.

Total inventory holdings decreased from $9.0 million to $5.3 million, reflecting tighter control over the volume of product held in our warehousing and configuration centres pending shipment to customers. We have continued to forward order inventory on behalf of customers in some instances to buffer the unpredictability of our vendors' supply chains and to meet delivery expectations of our customers. We believe this strategy is important to maintain our position as a major national product supplier and the forward ordering practice has continued to be monitored closely to minimise the associated working capital impact.

Total net assets increased by 15.6% over the year and total net tangible assets increased by 22.3%. Our balance sheet remains conservative with no material debt at year end, the only borrowings being a finance lease for the new head office fit-out.

returns to shareholders

In a somewhat difficult investment market our share price performed much better than most in the sector finishing the year at $13.24, an increase of 65.3% from the $8.01 price at 30 June 2010.

The increase in dividends to 77 cents per share fully franked, combined with this share price gain, delivered an exceptionally strong total shareholder return of 74.9% for the year.

managing director's review

2011 was a year marked by stronger business confidence coupled with sustained diligence in purchasing by our customers. We continued the trend of the last 6 years growing both revenue and profit as we leveraged the continued commitment and capability of our people and the support of our partners. We ended the year maintaining our leadership position in almost all areas of our business.

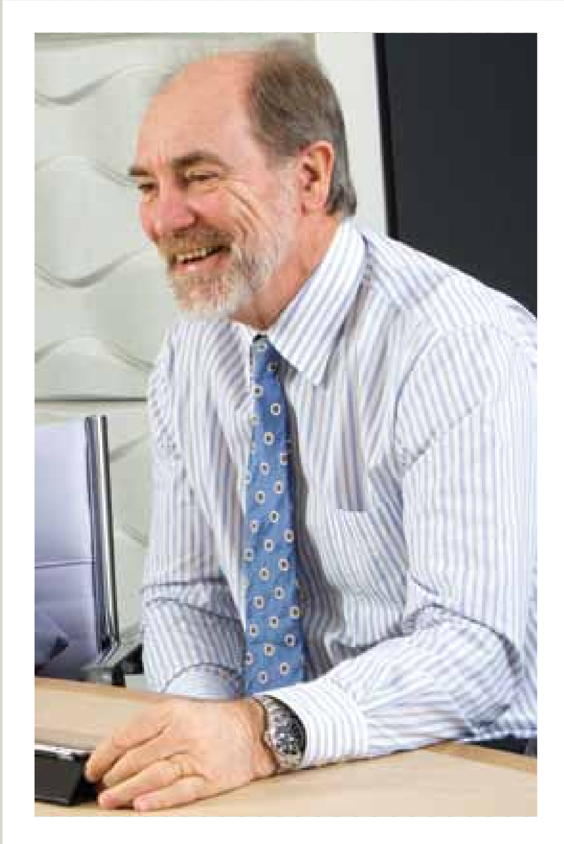
2011 in review

As anticipated in our 2010 annual report, market conditions throughout 2011 saw restraint and consolidation in public sector expenditure offset by more buoyant conditions in the private sector. Upward pressure on labour and occupancy costs in the second half particularly, was offset by our ability to win new customers through our national coverage and deeper engagement with our global partners.

Growth and returns were well balanced across our product and services portfolios with software and hardware product revenues increasing 14% to $586.4 million and professional, managed and recruitment and contracting services revenues increasing 29% to $109.8 million. 59.3% of revenue was under some form of contract.

Overall we were very comfortable with this result.

Our product businesses remain the clear leaders nationally and we will continue to invest in enhancing the offerings we have for customers and to further lower costs and improve efficiency. Growth in our services businesses remains key to enhancing the value we provide and offers competitive differentiation which can in turn drive product sales.



We maintained our focus on increasing operational efficiency with a 12% increase in investment in internal systems and business processes. The major projects rolled out in the year were:

a. A new system for time costing and project billing
b. New EDI (electronic data interchange) systems for supplier purchasing and receipting
c. Electronic customer invoicing
d. Two new office relocations in Perth and Brisbane and two new warehousing / configuration centres in Sydney and Melbourne

We expect our new customer portal to be operational by the end of 2012.

Very pleasingly, our cost ratio (internal measure of productivity = internal staff & operating expenses as % of gross margin $) improved from 83.4% to 81.9%. (See Chart 1).

The number of people in the company grew by 27% in the year, with 638 permanent staff, 42 casual staff and 352 contractors being employed through our recruitment and contracting business. They continue to be highly engaged and satisfied with their roles and the contribution they make. Overall satisfaction returned to our benchmark target of 4.0 in our annual survey and the percentage of those who would recommend Data#3 to others in the industry increased over the previous year. (See Chart 2).

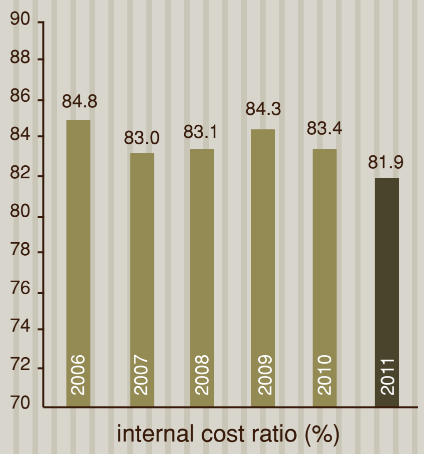


CHART 1

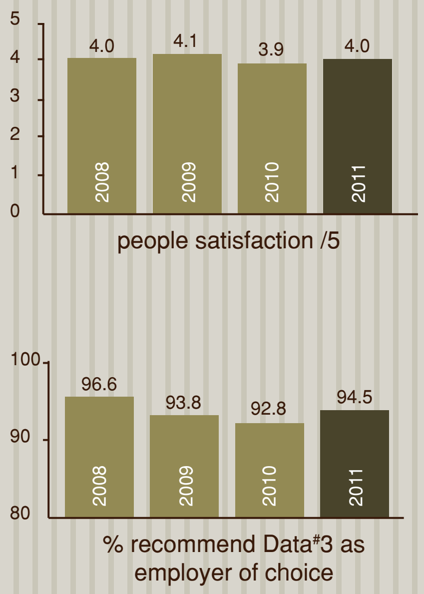


CHART 2

CHART 3

While conditions improved for many of our customers, they remained under considerable pressure to do more with less. Pleasingly, overall satisfaction levels improved, once again exceeding our benchmark score of 4.0, with 93.4% indicating their expectations were either met or exceeded and 81.2% indicating their expectations were exceeded. These results both represent improvement on the previous year. (See Chart 3).

As in previous years, the survey shows us the areas that require more work and we are taking a range of actions to address them.

Our partners continued to indicate their support with numerous awards received during the year from Microsoft, HP, IBM, VMWare, Trend Micro, Sophos and McAfee. We also increased levels of investment in Symantec and Cisco with the intent of building services capability based on their technologies.

Once again we completed an excellent year as leaders in the industry.

Shareholders continued to indicate their support with share price performance at the top of the sector. I trust they are very pleased with the outcome we have achieved and with the company's direction into 2012.

our plan for 2012

Independent analyst forecasts for 2012 are predicting growth in customer expenditure to continue and to range from 3.5% to 4%. While this is indicative of continuing recovery, we see the opportunity to continue our growth influenced by a range of factors.

In macro terms we see positive impact in our market from the increasing adoption by users of tablet style and smart phone devices, the continuing rollout of the national broadband network and the heightened need for productivity and innovation in business and government. Offsetting this we see global economic trends as negative with substantial opportunity to impact the Australian market.

In micro terms we see positive impact from a range of new technologies and delivery models that will provide options for customers who are increasingly looking for trusted suppliers, and increasing support from our partners across our national coverage model. Offsetting this, investments we are making - particularly in property and systems - will be in their early stage of generating returns in 2012 and consequently operating costs will be higher.

managing director's **review**

Our vision remains to be an exceptional company - one that unites to enable our customers' success through technology; inspires our people to do their best every day; and rewards investors' confidence and support.
We revised our core values during the year to more tightly define our desired culture - honesty & integrity, respect & trust, collaboration and teamwork, excellence, agility & innovation.
Our strategy remains to focus on three areas in which we need to be successful:

- **Remarkable people** - inspired and supported in their passion for excellence and to do their best everyday; meeting the challenge of work life balance; empowered to contribute to positive change; and rewarded and celebrated 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** - maintaining continuous review and improvement of 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 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. (See Chart 4).

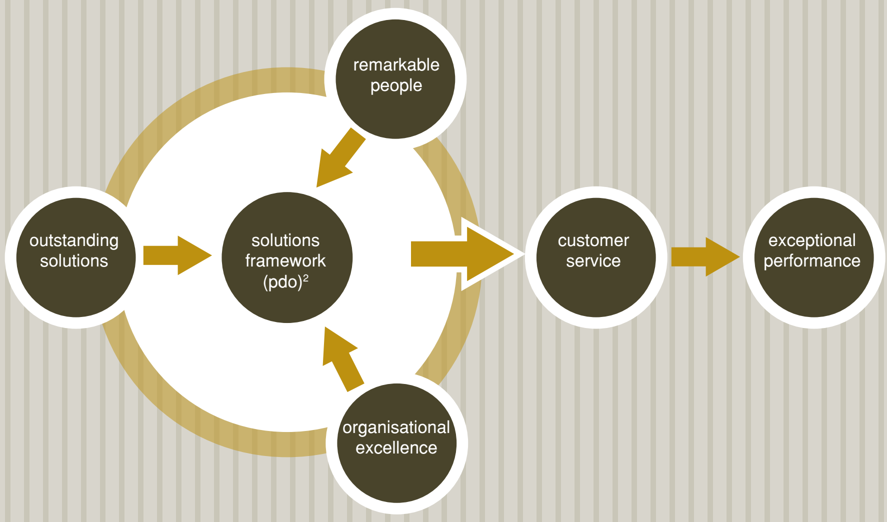


CHART 4

Our strategy is implemented through group and business unit plans and work plans for each staff member. The planning process this year continued the more expansive process we started last year by developing our plans for 2012 in the context of a set of outcomes we are targeting for 2014. These outcomes in broad terms are:

- To be the employer of choice in our industry
- To ensure our solutions are market-leading and customer relevant and delivered across a range of platforms
- To be backed by strong and innovative partners
- To create competitive differentiation
- To be easy to do business with
- To be the most innovative and productive
- To be a consistent, predictable and low risk partner
- To provide valued thought leadership to our customers and partners
- To have invested consistently in the future of the business without impact on sustained year-on-year financial performance.

A significant area of endeavour in the last year and continuing into 2012 will be further developing and expanding the solutions we offer across what we are describing as the technology consumption model – consumption from one-time purchase to pay-per-use on or off customer premises.

In simple terms we see our opportunity and responsibility as providing customers with choices in the way they consume technology. Our Technology Consumption Model defines seven ways our customers should be able to consume technology from Data#3. (See Chart 5). The first four are well established:

- Buy hardware and software **product** where price, quality, availability and delivery are key criteria and where the customer takes responsibility for the business outcome

- Buy **expertise** where price, quality and availability are key criteria and where the customer takes responsibility for the business outcome
- Buy an outcome via a **solution** where expertise, track record, and the ability to deliver on time and on budget are key criteria and where once delivered, the customer takes ongoing responsibility for delivering the business outcome
- Contract an outcome where proven capability, industry standard methodologies, flexibility, and ease of doing business are the key criteria and where, under the **outsource**, the partner takes ongoing responsibility for delivering the business outcome.

The final three are new and come as a result of the emerging reality of cloud-delivered services and are all intended to be pay-per-use based:

- **Private Cloud,** where the need for the highest level of control, security, and accountability are the key criteria. Customers consuming technology via their own private cloud are positioned to understand their service costs and compare these with other service options
- To provide flexible and tailored cloud services from a trusted Australian provider, we have invested in developing our own **Trusted Cloud** for Software and Infrastructure as a service

ON customer premises						
			OFF premises			
buy	buy	buy an outcome	contract an outcome	pay per use	pay per use	pay per use
product	expertise	solution	outsource	Private Cloud	Data#3 Trusted Cloud	Public Cloud
choices						

Diagram: Technology Consumption Model

CHART 5

- Where there is a reduced need for control and flexibility and a requirement for the lowest possible cost using out-of-the-box services, customers will consume services from the **Public Cloud**.

Sitting at the heart of our Solutions Framework, we see that this ability to provide choices for customers across the Technology Consumption Model positions us uniquely to continue to grow our business in 2012 and beyond.

For 7 years we have produced results that improve on the previous year. Our outstanding performance in 2011 continues that impressive record. We believe we continue to be as well positioned as possible to discover and manage opportunity in whatever market exists in 2012. With the broad geographic access we have to the market, we are targeting to once again increase market share to deliver organic growth in all areas of the business. In addition we will remain watchful for partnering and acquisition opportunities, mindful of the cultural and financial issues that accompany them. Our overall financial objective in 2012 is to improve on the performance of 2011.

My thanks once again go to all our stakeholders. There are many pieces to the Data#3 corporate mosaic - the Data#3 team across Australia which continues to operate to the very highest standards, achieving superior results for our customers and finding passion and purpose in a career at Data#3; our customers who continue to invest in our ability to deliver ICT solutions that allow them to realise their business goals; our partners whose commitment to us is demonstrated in our long-standing, mutually valued association with them and whose market-leading technologies offer us a first class foundation to create business solutions for our customers; and of course our shareholders, whose continued support is being well rewarded with market-leading returns.

John Grant
Managing Director

review of operations

solutions

The solutions we offer our customers can be positioned across the Technology Consumption Model. Our proposition for customers is to help them navigate this landscape and provide choices to achieve the outcomes they are targeting.

		PRODUCT	EXPERTISE	SOLUTION	OUTSOURCE	PRIVATE CLOUD	TRUSTED CLOUD	PUBLIC CLOUD
STRATEGIC	STRATEGIC CONSULTING		●					
USER	DESKTOP & MOBILE	●	●	●	●	●		
USER	MAIL & COLLABORATION	●	●	●	●	●	●	●
USER	WORKFORCE PRODUCTIVITY		●	●				
USER	USER SUPPORT		●	●	●			
DATA CENTRE & OPERATIONS	DATACENTRE INFRASTRUCTURE & VIRTUALISATION	●	●	●	●	●	●	
DATA CENTRE & OPERATIONS	SYSTEM MANAGEMENT	●	●	●	●	●	●	
DATA CENTRE & OPERATIONS	NETWORK PLATFORMS	●	●	●				
DATA CENTRE & OPERATIONS	IDENTITY, SECURITY & PROTECTION	●	●	●		●		●
DATA CENTRE & OPERATIONS	DISASTER RECOVERY	●	●	●	●	●	●	
DATA CENTRE & OPERATIONS	ENTERPRISE PRODUCTIVITY	●	●	●				
DATA CENTRE & OPERATIONS	OPERATIONS & SUPPORT		●	●	●	●	●	
FOUNDATION	SOFTWARE LICENSING	●	●	●	●	●	●	●
FOUNDATION	HARDWARE PROCUREMENT	●	●	●	●	●		
FOUNDATION	HARDWARE MAINTENANCE	●	●	●	●	●		
FOUNDATION	WORKFORCE RECRUITMENT & HR SOLUTIONS	●	●	●	●			
FOUNDATION	ASSET MANAGEMENT	●	●	●	●	●	●	

around the states

Underlying the strong performance has been the year-on-year growth in market share we've achieved across each state.

In Queensland we continue to be the leader in our sector with good continuing business from both government and private sector contracts. Of particular note was the first deployment of our Trusted Cloud solution to one of the resource sector's major players. Designing and delivering this solution brought together expertise from across our business and demonstrated the leadership we're showing within our industry. Revenue grew by 2% and people numbers by 9%. We also relocated into new premises designed to provide a more flexible and mobile working environment capable of accommodating us well into the future.

In New South Wales we had stellar growth on the previous year, growing revenues by 25%, people by 30% and acquiring a number of new, well regarded customers including the ASX, News Limited, Primary Health Care, the Reserve Bank of Australia, UGL Limited and The College of Law. Of particular note was our success at Harvey Norman where we united a number of our areas of specialisation to design, supply and implement the infrastructure platform supporting its new ERP platform (SAP). In 2011 revenues in New South Wales exceeded Queensland's for the first time.

The previous year's investment in Victoria, growth in our team by 23% and continuing failure by competitors in our sector in that state saw strong growth in our business with revenues increasing by 40%. Commitments from existing customers such as Telstra, Medibank and Newcrest Mining were very significant, particularly for the Licensing Solutions business, while business-critical projects such as a large scale desktop refresh and rollout at Bendigo and Adelaide Bank and a Windows 7 desktop implementation at Superpartners demonstrated our full capability.

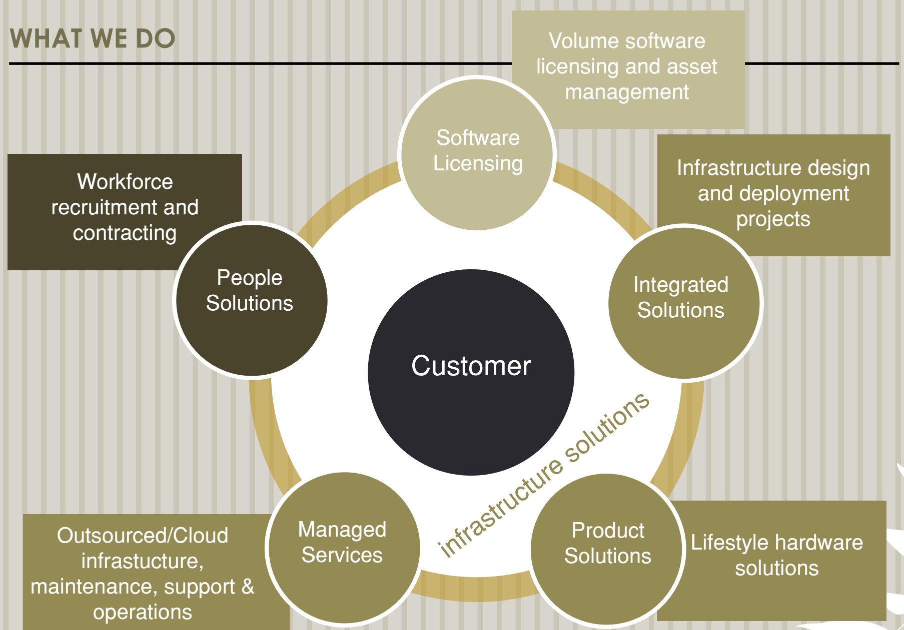
In South Australia we grew our revenues by 39% and people numbers by 10%. Following success for our Licensing business with the South Australian Government last year, revenue this year grew strongly. The full capability of our business was again brought to bear in a number of significant customer projects, none more so than with Viterra, one of the world's leading agricultural companies, where we were engaged to completely redesign and upgrade its two data centres and roll out new internal and external message routing across Australia, New Zealand and Canada.

We remained the market leader in software licensing in Western Australia, with highlights including a significant software asset management engagement at BHP Iron Ore and a number of new customer wins. We continued to make investments in the infrastructure business throughout the year with our full capability across software licensing and infrastructure solutions on display at IKEA in a significant upgrade of its data centre technology. Revenues increased by 20% and people numbers by 125%. We also moved into new premises in West Perth.

the areas of specialisation

The areas of specialisation - Licensing Solutions, Infrastructure Solutions and People Solutions - remained unchanged. They bring market-leading capability individually to the benefit of our customers and a unique integrated proposition when united.

WHAT WE DO

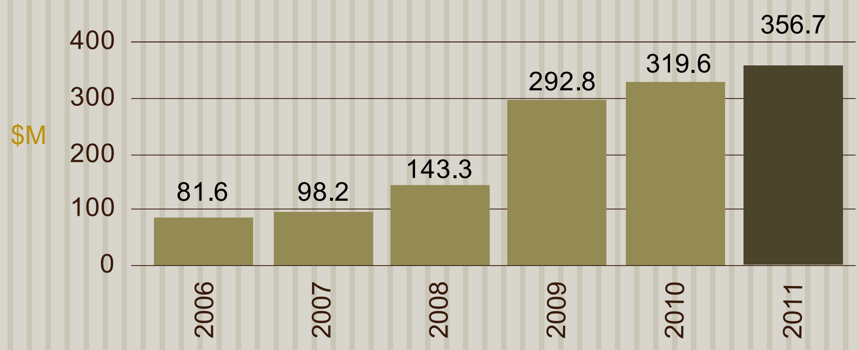


licensing solutions

This specialisation is centred on providing software licensing and asset management services to answer our customers' need to optimise and manage the acquisition of software in volume, and workforce productivity services to generate returns from their software investment. It operates in all our locations and is responsible for the following solution sets:

- Software licensing
- Software asset management
- Workforce productivity

For the sixteenth consecutive year, Licensing Solutions grew strongly with revenue increasing 12% to $356.7 million, a very significant achievement in a relatively flat market. Contribution to profit grew at a greater rate through a combination of slightly improved margins and increases in efficiency. This performance was balanced across industry sectors, market segments and states with our Victorian team leading the way. Revenue continued to increase with our largest software provider, Microsoft, however also grew substantially with our other key software vendors. With its market-leading and expert team, sophisticated online systems and significantly expanded geographic reach, this business is the unquestioned leader in its field in Australia and one of the leaders worldwide.



LICENSING SOLUTIONS TOTAL REVENUE

Other aspects of this business's performance in 2011 included:

- Revenue under contract increased to $268 million
- First sales of Microsoft's public cloud-delivered Office 365 and BPOS software as a service
- Continued strong growth in revenues from software asset management services and new agreements in asset management including both software and hardware assets
- First customers for our new workforce productivity practice
- Continuing membership of the Microsoft World Wide Partner Engagement Board
- Recognition for the sixth time in nine years by Microsoft as Partner of the Year for Australia for Licensing Solutions - Large Account Reseller

Starting in 2012 and continuing over three years, a major restructuring of Microsoft's reseller program will be rolled out. Initial indications are that while it will have relatively little impact on gross margin, it will impact negatively on cash flow as billing cycles change and it will see changes to the competitive environment with some competitors disappearing and other new entrants arriving. We anticipate this could cause disruption as resellers compete for people and customers.

Key initiatives that are intended to underpin performance in the Licensing Solutions specialisation in 2012 include:

- Enhancement of our offerings to support our partners' cloud-based solutions
- Increased investment in solutions from our security software partners to enhance both our software licensing offering and services capability
- Extending the scope of our Electronic Data Interchange (EDI) with high volume suppliers to lower operational costs
- Further investment in the online portal environment to allow customers to do business more easily with Data#3.

Overall we anticipate slowing growth for the Licensing Solutions business in an increasingly competitive and margin-sensitive market.

infrastructure solutions

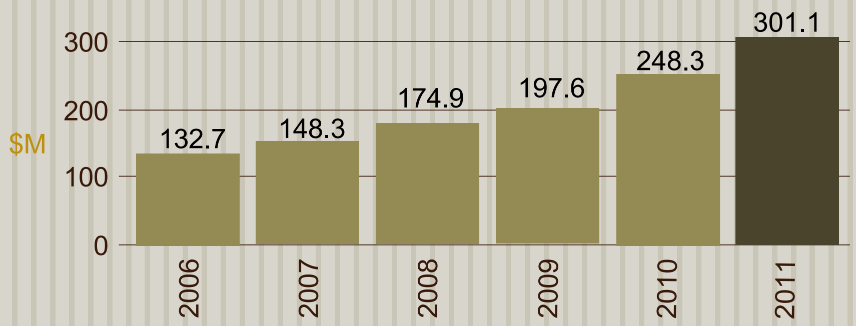
This specialisation aligns with our customers' need to cost effectively design and deploy solutions that integrate their desktop, network and data centre hardware and software infrastructure. It operates in all states and includes the following businesses:

- Integrated Solutions - design and deployment of infrastructure solutions for the data centre, network and desktop
- Product Solutions - 'life-cycle' hardware technology solutions from advice through cost-effective procurement, delivery (typically through preferred supplier agreements, contracts and forward orders), asset tagging, deployment and disposal
- Managed Services - outsourced solutions for infrastructure maintenance, support and operations.

This area of specialisation is responsible for the following solution sets:

- Hardware procurement
- Strategic ICT consulting
- Data centre virtualisation
- Network platforms
- Systems management
- Identity, security and protection
- Disaster recovery
- Enterprise productivity
- Outsourcing
- Desktop and mobile
- Mail and collaboration

Revenue grew very strongly, increasing 21% to $301.1 million and confirmed the relevance of our offerings to our customers, the increasingly strong relationships we have with the leading global technology vendors and the expertise of our team.



INFRASTRUCTURE SOLUTIONS TOTAL REVENUE

Key aspects of this area's performance included:

- Strong growth in product revenues which increased 18% to $231.3 million on the back of the market opportunity in procurement and strong project growth
- Very strong growth in project services increasing 58% to $34.6 million with particular success in Microsoft Windows 7 implementations
- Strong growth in Managed Services revenues increasing 18% to $35.1 million as customers continued to turn to outsourcing to address the constraint in their own resources and pressure to reduce operating costs
- Growth in revenue under contract from $81 million to $113 million
- Further expansion of the capacity of our warehousing and integration centres which offer a unique differentiator to most of our competitors providing the ability to warehouse, configure, recycle and dispose of equipment for our customers
- Automation of aspects of our supply chain relating to our suppliers
- Investment to provide Trusted Cloud infrastructure and software as a service
- Participation in all our partners' strategic and operational advisory councils
- Retention and enhancement of all key vendor certifications.

review of **operations**

Key initiatives that are intended to underpin performance in the Infrastructure Solutions specialisation in 2012 include:

- A dedicated focus on acquiring new customers in conjunction with our partners
- Investing in sales capability, delivery systems and processes, and trusted cloud infrastructure
- Continued improvement in supply chain capacity and processes
- Improved project cost and risk management through the new professional services automation system.

Overall we see the potential for strong growth across the portfolio in Infrastructure Solutions in 2012.

people solutions

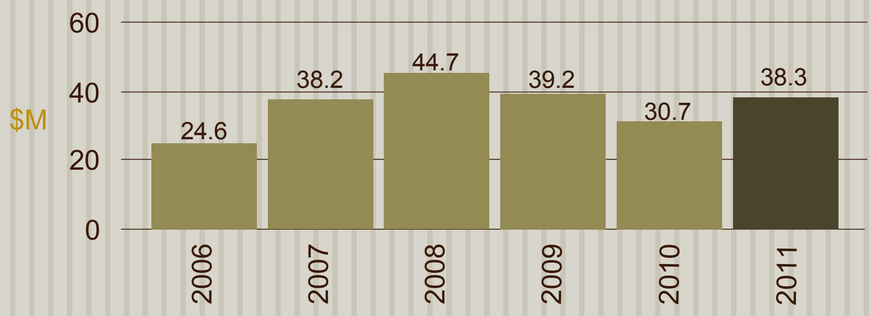
This specialisation aligns with our customers' need to recruit and/or contract people with the appropriate expertise for their internal IT function. It operates on the east coast and in the ACT and is responsible for the following solution sets:

- Workforce recruitment and consulting
- Human resources solutions

2011 saw the People Solutions business return to growth following the GFC with revenues increasing 25% to $38.3 million. Contractor numbers increased 27% to 352.

Key aspects of this area's performance included:

- Another excellent performance from the business in Queensland with a solid base of contract revenue, particularly in government, and strong relationships with both customers and contractors
- Consolidation of our business in New South Wales through a new team and new leadership
- A much improved result in our Victorian business
- Support for resourcing the needs of our Managed Services business
- Further improvement in the administrative management of the business and lower overhead costs.



PEOPLE SOLUTIONS TOTAL REVENUE

As expected, the labour market improved in 2011 and we expect overall market opportunity to continue to be strong in 2012. We expect some impact on margins in Queensland as the state government implements centralised purchasing for contractors in the second half, but see the opportunity to offset this through growth in the private sector in New South Wales and Victoria.

To ensure the best possible performance, the following initiatives are planned for 2012:

- Ongoing development of a range of human resources consulting offerings
- Investing further to deliver efficiency gains through automation.

Overall we believe 2012 offers the potential for solid growth in recruitment and contracting revenues in line with a continuing buoyant market.

board of directors

Richard Anderson OAM
Non-executive Chairman

Richard joined the board of Data#3 Limited in 1997 and was appointed Chairman in September 2000. He is a member of the board of Namoi Cotton Cooperative Limited and Lindsay Australia Limited, Chairman of Villa World Group (formerly GEO Property Group) and President of the Guide Dogs for the Blind Association of Queensland. Formerly a partner of PricewaterhouseCoopers, he was the firm's Managing Partner in Queensland and a member of the firm's National Committee. He previously has been a member of the Capital Markets Board of Queensland Treasury Corporation and President of CPA Australia in Queensland.

Ian Johnston
Non-executive Director

Ian joined the board of Data#3 Limited in November 2007 bringing with him extensive experience in treasury, corporate banking and equity capital markets. Following a career of nearly 25 years in the banking industry, Ian joined RBS Morgans Limited in 1988 as Head of Corporate Finance and is now Chairman Corporate Finance and a member of its advisory board. He is a member of the Board of Cardno Limited and a former member of The Rock Building Society Limited.

JOHN GRANT, RICHARD ANDERSON, TERRY POWELL, IAN JOHNSTON

Terry Powell
Non-executive Director

Terry was executive Chairman of Data#3 from its foundation in 1984 and then Managing Director from 1989 to June 1996. Prior to 1984, Terry was Managing Director of Powell Clark & Associates, formed in 1977 with Graham Clark. As part of Data#3 Limited's listing on the Australian Stock Exchange, he resigned as Chairman in October 1997 to allow for the appointment of a non-executive chairman. Terry re-joined the Data#3 Limited board in February 2002. Prior to retirement from Data#3 in 2001, Terry was General Manager of Group Operations with responsibility for Data#3's Year 2000 and eBusiness strategy development. In that position Terry had responsibility for the group's systems and processes, operations and logistics, business improvement and human resources. Terry's career in IT began at IBM's Data Processing Division in 1966. He continued with IBM until 1976, enjoying considerable success in systems engineering and sales roles.

John Grant
Managing Director

John joined the company that subsequently became Data#3 in 1982. He was a Director of Data#3 from 1984 and then Chief Executive Officer or Managing Director from 1996. From 1980 to 1982, John worked with IBM in sales. John has a degree in Engineering with Honours from the University of Queensland and worked as a civil engineer with the Brisbane City Council from 1970 until 1980. John is the 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 whose charter is to provide advice and input to HP on its relationship with its distribution and reseller partners in Asia Pacific.

senior leadership team

BACK: CATHY FORD, BREM HILL, BRUCE CROUCH MIDDLE: MARK ESLER, BRAD COLLEDGE, PATRICK MURPHY, MICHAEL BOWSER, LAURENCE BAYNHAM FRONT: CHRISTINE SCAMMELL, PAUL CROUCH, LINDY MACPHERSON SITTING: JOHN GRANT

Laurence Baynham

Laurence is the Group General Manager. He is an ICT professional with 27 years' industry experience spanning multi-national hardware and software vendors. Laurence joined Data#3 in 1994, has a Bachelor of Business (with honours) from East London University, is a graduate of the INSEAD Business School (Singapore) Strategic Management Academy, member of the Faculty of IT Advisory board for Queensland University of Technology, member of the IBM Business Partner Advisory Council for Asia Pacific, member of the Cisco Advisory board for Asia Pacific and member of the Australian Computer Society since 1992. Laurence is a fellow of the Australian Institute of Company Directors.

Michael Bowser

Michael is General Manager - Queensland and General Manager - Business Services. He joined Data#3 in 1987 and has worked in a number of key roles within the company including technical services, services management, sales, pre-sales management and business management in Queensland and NSW. Michael has been responsible for the creation and development of Data#3's outsourcing solutions, introduced and developed Data#3's networking services and has worked in and managed Data#3's consulting services group. His responsibilities as the Queensland Manager include the operational sales management of the Queensland team and the direct management of the Managed Accounts Group. As General Manager - Business Services, Michael has responsibility for marketing, solutions development, national tenders and the national sales process & administration groups within the company.

Brad Colledge

Brad is General Manager - Licensing Solutions and holds a degree in Business Management from Queensland University of Technology. He has 22 years' experience in the ICT industry and joined Data#3 in 1995. Brad started the Licensing Solutions business and is a Microsoft Certified Professional in Licensing Delivery and Software Asset Management. Brad is a member of the Microsoft World Wide Partner Engagement Board.

Bruce Crouch

Bruce is General Manager - Integrated Solutions and holds a Bachelor of Applied Science degree from Queensland University of Technology. He has 24 years' experience in the ICT industry holding roles in systems engineering with IBM and in ERP software sales prior to joining Data#3 in 1995. He started the Enterprise Infrastructure Solutions business and retained responsibility for its leadership for 9 years prior to taking up his current role.

Paul Crouch

Paul is General Manager - NSW / ACT. He has 28 years' experience in the ICT industry including 8 in the UK and 8 in Asia Pacific in roles spanning field and technical support to sales and service management for both technology vendors including Dell and Memorex Telex, as well as channel sales organisations. Paul is also a graduate of the Australian Institute of Company Directors. He joined Data#3 in 2003 progressing through sales leadership roles to his current position which he has held for the past 5 years.

Mark Esler

Mark is General Manager - Product Solutions and was a founding director of Data#3 in 1984. He has been involved in the ICT industry for 35 years, having formerly worked at IBM in Australia and has played a key role in many areas within Data#3. Mark is a member of the Australian Computer Society and Fellow of the Australian Institute of Company Directors. He is actively involved in many ICT-related forums.

Cathy Ford

Cathy joined Data#3 in 2009 as General Manager - Organisational Excellence. Cathy has a Graduate Diploma in Computing Science from Queensland University of Technology and was awarded a Bachelor of Science degree with first class honours from the University of Queensland. Her previous positions include Chief Operating Officer of McCormick Rankin Cagney (a specialist engineering firm) and Regional Director, Queensland for SMS Management & Technology. Cathy is currently a member of the Australian Institute of Company Directors and is Chair of Transmax and Chair of the Smart Transport Research Centre at Queensland University of Technology.

Brem Hill

Brem is the Chief Financial Officer and Company Secretary and is responsible for the finance & accounting and commercial advisory services functions. He joined Data#3 in 1991 following positions at Defiance Milling, Royal Bank Leasing (London) and IBM Australia. Brem holds a Bachelor of Business (with distinction) from the University of Southern Queensland, is a member of CPA Australia and a fellow of Chartered Secretaries Australia (CSA). He is a member of the CSA Queensland State Council and chairs the CSA Queensland public companies discussion group.

Lindy MacPherson

Lindy is General Manager - People Solutions and Organisational Development & Human Resources. Lindy has held sales and operational management roles for over twenty years with experience working in small business through to large multinational corporations in the leisure, philanthropic, transport, recruitment and ICT sectors. She joined Data#3 in 2000 running the recruitment business in Queensland, expanding this business into NSW and Victoria, before taking over the Organisational Development & Human Resources role in 2003. Lindy is a member of Australian Human Resources Institute and WIT (Women in IT), holds qualifications in Leisure Management and is currently studying in the field of Social Science, majoring in Management and Leadership.

Patrick Murphy

Patrick is General Manager - Managed Services and holds a Bachelor of Business (Commercial Computing and Accounting) degree from Bond University. He has 21 years' experience in the ICT industry holding roles spanning from field support to sales and IT management and infrastructure management. He joined Data#3 in 1999 in the Outsourcing business.

Christine Scammell

Christine is General Manager - Victoria. Christine joined Data#3 in April 2010 and is responsible for driving continued growth across the company's portfolio of IT product and service solutions in Victoria. Christine holds a Bachelor of Business Studies degree and is also a graduate of the Australian Institute of Company Directors. Before joining Data#3 Christine held positions with Oakton, Hewlett-Packard Australia and Hewlett-Packard New Zealand, responsible for providing a broad range of IT consulting, outsourcing and support services to customers across Australian and New Zealand. Christine brings with her over 25 years of experience in the IT industry, as well as New Zealand finance and retail sectors, and has a special interest in leadership development and change management.

corporate social responsibility

Our commitment to the Data#3 Social Responsibility (DSR) Program grew in 2011 as did our pride in the fact that we remain dedicated to having a positive influence on the communities in which we work and reducing our impact on the environment. Our DSR program enables our people to personally make a difference, and to feel satisfied that they work for a company that cares.

We support local communities with environmentally responsible practices, sporting sponsorships, volunteering and we make corporate donations to Australian and overseas charities. We also work with our customers to support their corporate citizenship goals by helping them to reduce their energy use with green technology solutions and assisting them to dispose of their IT equipment responsibly.

our commitment to the community

We continue to be actively involved in supporting community events and charities. Just some of the community activities we have organised or supported over the past year are highlighted below:

- Our annual '12 Days of Christmas' campaign supported 12 charities through December including The Smith Family, Animal Welfare League, Royal Brisbane & Women's Hospital Foundation, Foodbank SA, Guide Dogs, RSL Care, World Vision, Camp Quality, Starlight Children's Foundation, Rainforest Rescue, Ronald MacDonald House and Surf Lifesavers
- To help those who lost so much in the devastating Queensland floods, our people rallied to support our own who were flood-affected. We donated household goods in our 'Baskets of Hope' program to families in need in flood-affected suburbs through their local schools.
- Data#3 added a corporate donation of $50,000 to the Queensland Premier's Flood Appeal to assist the community to recover and rebuild
- Data#3 also created a Customer Emergency Response Centre to assist Queensland businesses affected by the floods to identify what IT support was available and to develop a plan to assist them to restore IT systems and get back to business
- Data#3 was able to reach a hand across the Tasman in New Zealand's time of need after the Christchurch earthquakes. Through both rugby jersey sponsorship and encouraging over 100 Data#3 staff members, family and friends to attend the charity rugby match between retired Wallabies and All Blacks, we raised over $16,000 to assist with rebuilding efforts
- Our sponsorship of the Data#3 Cisco Capilano Racing Team saw the hard-training cyclists move from strength to strength, with the team growing in numbers and earning recognition in the cycling world while raising money for a range of charities
- We have supported the Child Sponsorship program through World Vision for over ten years through staff donations and we currently sponsor 12 children
- We also support our staff's commitment to the community by allowing them to take one day paid leave per year to participate in voluntary programs.

We will continue to support the communities in which we work and live, and the charities close to our employees' hearts and minds.

our commitment to the environment

We regard environmental sustainability as an important aspect of sound business operation and consequently are very conscious of the need to be more efficient in the use of energy, water and the procurement of materials to reduce the direct environmental impact of our operations.

Together with our leading vendor partners we are continually working towards reducing the impact of technology on the environment by reducing energy consumption, decreasing carbon emissions, increasing recycling and eliminating hazardous materials. To further support this initiative we encourage our customers to re-use, recycle and dispose of their IT equipment responsibly by offering an IT equipment disposal service. We also participate in the Government accredited 'GreenPower' initiative.

As a part of our efforts to meet the requirements of ISO 14001 – the International Standards Organisation's standard for environmental management systems – we have developed an Environmental Management System which will be used as the tool for continually reducing the impact of our operations on the environment. A core component of this system is our Environmental Policy Statement which has been ratified by the management team and the board of directors.

We have also implemented a range of recycling programs across all office locations. These include the recycling of white office paper, coloured and newspaper, cardboard, comingled products, and other packaging products in our warehouses.

our commitment to our people

Our commitment to our people is to inspire and support their passion for excellence and desire to do their best every day; help them meet the challenge of work-life balance; empower them to contribute to positive change; and reward and celebrate their success as members of the team and as individuals.

Our employee numbers now include 638 permanent staff, 42 casual and 352 contractors – totalling more than a thousand for the first time in Data#3's history. 32% of our workforce is female, 5% higher than the national ICT industry average.

Along with our core values this strategy underpins our approach to recruitment and employee benefits and is highlighted in our Learning and Development and Work-Health-Life Balance programs.

learning and development

In 2011 we continued to increase our investment and commitment to enhanced professional development programs resulting in delivering a 26% increase in instructor-led training sessions. Our comprehensive online learning program gives our people access to thousands of business and IT courses and books enabling them to undertake self-paced learning 24 hours a day, 7 days a week.

Our Leadership Program offered to both current and emerging leaders gives participants the opportunity to gain either a Certificate IV in Frontline Management or a Diploma of Management. Our structured Mentoring Program supports professional and career development. The aim of this program is to encourage a one-on-one relationship between two people, where the mentor - through personal knowledge, experience, passion, innovation or motivation - uses a structured process to assist another to grow, learn and achieve outcomes.

work-health-life balance

We are committed to helping our people achieve a healthy balance between their work and home life. Over the past year we ran 'Fresh' seminars with follow up reading and planning tools to assist team members to keep themselves fresh in their busy lives. We encourage corporate gym and healthcare membership with programs aimed at increasing employee wellbeing. Data#3 employees are empowered to take control of their career development and work-life balance, with strong support from managers, colleagues and the Organisational Development and Human Resources team.

people satisfaction

One of the key benchmarks that we measure each year is the response to the statement that "Data#3 is an excellent company to work for and I would recommend working at Data#3 to others in the industry". In 2011 we received a 94.5% favourable response, an increase from 92.8% in 2010.

corporate governance statement

The board of Data#3 is committed to meeting shareholders' expectations of sound corporate governance. Corporate governance practices are reviewed regularly to ensure they support Data#3's ongoing focus on delivering sustainable performance and shareholder value.

In developing Data#3's corporate governance framework the board has considered the ASX Corporate Governance Principles and Recommendations (the "Recommendations"). This statement outlines how Data#3's main corporate governance practices and policies align with these Recommendations and discloses the extent to which Data#3 has followed the Recommendations during the 2011 financial year.

In summary, Data#3 considers that its corporate governance practices complied with all of the Recommendations throughout the entire 2011 financial year except for the following two minor instances:

- Recommendation 2.4 - The board should establish a nomination committee.
- Recommendation 8.1 - The board should establish a remuneration committee.

The board established a remuneration and nomination committee on 31 January 2011, bringing the corporate governance practices into full compliance with the Recommendations from that date onwards.

Further information regarding Data#3's corporate governance policies and practices can be found on our website, www.data3.com.au

principle 1: lay solid foundations for management and oversight

The board is accountable to shareholders for the oversight of management of the business and is responsible for Data#3's overall strategy, governance and performance. The board's responsibilities are set out in the board's charter and include:

- Participating in the development of, and subsequently approving, corporate strategy to position the company so that its sustainable value, and shareholders' ability to realise that value, is maximised
- Reviewing and approving business plans, budgets and financial policies
- Reporting to shareholders and the market
- Ensuring policies and processes are in place to assure compliance with applicable regulations and standards and assure that all material business risks are taken into account, and approving systems and controls to manage those risks
- Reviewing key internal controls and internal and external audit reports to maintain the integrity of accounting and financial records and reporting
- Monitoring and influencing the culture and reputation of the company
- Managing board composition, director selection and board processes and performance
- Ratifying key executive appointments, transfers and terminations and ensuring executive succession planning
- Reviewing the performance of the Managing Director and the senior management team and their respective delegated levels of authority
- Reviewing and approving remuneration policies and practices generally and determining remuneration packages and other terms of employment for directors (within the maximum amount approved by the shareholders) and senior executives
- Ensuring that the board as a whole has a sufficient understanding of each substantial segment of the business
- Determining the amount, timing and nature of dividends to be paid to shareholders
- Reviewing business results, monitoring budgetary control and corrective actions
- Adopting and overseeing the implementation of corporate governance practices that represent good practice in the company's particular circumstances
- Authorising and monitoring major strategic investments and capital expenditure.

The board's charter also contains a statement of the responsibilities delegated to the Managing Director and other senior executives. The board has delegated authority and powers to the Managing Director as necessary to recommend and implement the strategies approved by the board and to manage the day-to-day operation and administration of the business affairs of Data#3. The Managing Director is the board's principal link to the senior management team. The Managing Director may further delegate within specific policies and delegation limits to members of the senior management team, but remains accountable for all authority delegated to its members. The board ensures that the senior management team is appropriately qualified, experienced and resourced to discharge its responsibilities. The board has in place procedures to assess the performance of the Managing Director and other members of the senior management team.

No new directors or senior executives were appointed during the year. New directors and senior executives are required to participate in a comprehensive induction program to gain an understanding of Data#3's financial performance, strategies, operations and risk management processes and the respective rights, duties, responsibilities and roles of the board and other senior executives.

The performance of Data#3's senior managers has been assessed this year in accordance with the process adopted by the board against pre-set financial and non-financial goals. The Managing Director's performance is formally assessed annually by the Chairman and that assessment is reviewed by the other non-executive directors. The Managing Director is responsible for evaluating the performance of the Group General Manager, the Chief Financial Officer, the General Manager - Organisational Development & Human Resources the General Manager - Organisational Excellence. The Group General Manager reviews the performance of each other member of the senior management team in conjunction with the Managing Director.

principle 2: structure the board to add value

The board has determined that its optimum composition will:

- Conform with the constitution of Data#3 (being not less than three nor more than twelve in number)
- Have a majority of independent, non-executive directors
- Reflect Data#3's strategic objectives.

The board is composed of four directors, who have an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the board collectively, to discharge their responsibilities effectively and efficiently; to understand the business of Data#3 and the environment within which it operates; and to assess the performance of management in meeting predefined objectives and goals. The membership of the board is set out in the directors' report on page 31. Details of each individual director's background is set out in the directors' report on page 31, and the director's profiles on page 18.

independence

The board recognises that all directors – whether independent or not – should bring independent judgment to bear on the board's decisions. The board has adopted specific principles in relation to an assessment of directors' independence, which it has applied in making this judgment for each director during the year. The Chairman of the board, Mr Anderson, is an independent, non-executive director. Mr Johnston and Mr Powell (and therefore the majority of the board) are also independent non-executive directors.

To facilitate independence, directors have the right, in connection with their duties and responsibilities, to obtain independent professional advice at Data#3's expense. Prior written approval of the Chairman is required, but this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all other directors. This right was neither exercised nor sought to be exercised during the year. Directors' arrangements with Data#3 in the past have not been material and have therefore not adversely impacted the directors' independent status. Disclosure of related party transactions is set out in note 27 to the financial statements.

When a potential or actual conflict of interest or a material personal interest arises in relation to any matter that concerns the affairs of Data#3, it is the board's policy that the director concerned must give the other directors immediate notice of such interest and that the director concerned takes no part in discussions or exercises any influence over other members of the board if a potential conflict of interest exists.

commitment

The board meets as often as the directors determine necessary to fulfil its responsibilities and duties – generally on a monthly basis. The number of meetings of the board and its committees held during the year ended 30 June 2011, and the number of meetings attended by each director, is disclosed in the directors' report.

The board convenes at various Data#3 office locations throughout the year and meets formally on a regular basis with members of the senior management team. The meetings are chaired by the Chairman or, in his absence, his nominee. The Chairman is responsible for ensuring that the governance objectives of the board are pursued and that the conduct of the meetings is efficient and appropriate. The Company Secretary and other executives attend the meetings by invitation, when appropriate. Board and committee agendas are structured to reflect their defined responsibilities, to give the board a detailed overview of the performance and significant issues confronting each business unit and Data#3, and to identify major risk elements for review to ensure that assets are properly valued and that protective strategies are in place.

Non-executive directors are expected to make the commitment necessary to prepare for and attend board and committee meetings and associated activities. Other commitments of non-executive directors are considered by the board prior to the director's appointment to the board and are reviewed each year as part of the annual board performance assessment.

board committees

The board has established an audit and risk committee and a remuneration and nomination committee to advise and support the board in carrying out its duties. Both committees are composed solely of independent directors. Each committee operates under a charter which includes a description of its duties and responsibilities. Further information on the audit and risk committee is set out below under the headings "Principle 4: Safeguard integrity in financial reporting" and "Principle 7: Recognise and manage risk".

The board established a remuneration and nomination committee on 31 January 2011. Prior to this date the board as a whole was responsible for remuneration and nomination matters. The committee is composed of three independent non-executive directors, being Mr Anderson (Chairman), Mr Powell and Mr Johnston; their profiles are set out on page 18. Details of the directors' meeting attendance are set out on page 32 of the directors' report. The responsibilities of the remuneration and nomination committee are set out in its formal charter, and the committee's responsibilities in relation to remuneration are set out below under the heading "Principal 8: Remunerate fairly and responsibly". The main responsibilities of the committee in relation to nomination are:

- Assessing the necessary and desirable competencies of board members
- Reviewing board and senior executive succession plans
- Evaluating the board's performance
- Appointing new directors and senior executives.

Directors are initially appointed by the board, subject to election by the shareholders at the next Annual General Meeting (AGM).

The board and committees have established a structured self-assessment process to regularly review and evaluate the performance of the board as a whole, its committees, and the board's interaction with management. This performance assessment was completed during the year. Data#3's constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third AGM following their last election. Where eligible, a director may stand for re-election.

The efficient operation of the board is assisted by Mr Hill, Company Secretary and Mr Bonner, Joint Company Secretary. Each company secretary is accountable to the board, through the Chairman, for all governance matters.

principle 3: promote ethical and responsible decision-making

Data#3's board is committed to setting the highest ethical culture and standards for the company. Data#3 has a code of conduct and other relevant policies that set out acceptable practices to guide Data#3's people to act with integrity and objectivity, to observe the highest standards of behaviour and business ethics and to strive at all times to enhance the good reputation and performance of Data#3.

Data#3 has developed an extensive code of conduct which reinforces Data#3's vision and values statements, this corporate governance statement and Data#3's terms and conditions of employment that apply to all employees. In relation to conduct, the guideline requires company personnel to behave in a way that enhances the company's reputation, at all times exhibiting honesty and integrity. The guideline also requires company personnel who are aware of unethical conduct within Data#3 to report to report that conduct, which can be done anonymously.

During the year Data#3 continued to develop its formal corporate social responsibility program, called the Data#3 Social Responsibility program. For further information see pages 22 and 23.

Data#3 has a share trading policy which restricts the time period in which directors and employees may purchase and sell company securities. The policy prohibits insider trading and also reinforces the directors' and company's statutory obligations to notify the ASX regarding any dealing in Data#3's securities which results in a change in the relevant interests of the director in Data#3's securities. The policy is available on Data#3's website.

principle 4: safeguard integrity in financial reporting

The board is responsible for the integrity of Data#3's financial reporting and for ensuring that the financial statements are completed in accordance with applicable accounting standards and provide a truthful and factual view of Data#3's financial position. The board has established an audit and risk committee which is composed of three independent non-executive directors, being Mr Powell (Chairman), Mr Anderson and Mr Johnston; their profiles are set out on page 18. Each member of the audit and risk committee is financially literate and has the technical and business expertise necessary to serve on the committee. The responsibilities of the audit and risk committee are set out in its formal charter, which is available on Data#3's website.

The audit and risk committee met four times during the year, with the Managing Director and the Chief Financial Officer participating by invitation. Members' attendance at these meetings is set out on page 32 in the directors' report. The audit and risk committee has, within the scope of its responsibilities, unlimited access to members of the senior management team and access to the external auditor. Directors receive detailed financial and operational reports from senior management monthly, and management personnel are available to discuss the reports with the board.

principle 5: make timely and balanced disclosure

The board has established a continuous disclosure policy which contains written policies and procedures that promote timely and balanced disclosure of all material matters concerning Data#3. The continuous disclosure policy is available on Data#3's website. The company secretary has been nominated as the person responsible for communications to the ASX. This role includes responsibility for ensuring compliance with continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosures to the ASX, analysts, brokers, shareholders and the public.

Under the policy any price-sensitive material for public announcement, such as annual and interim profit announcements, release of financial reports, presentations to investors and analysts and other investor briefings are required to be lodged with the ASX as soon as practical and before external disclosure elsewhere and then posted on Data#3's website. Data#3 ensures that such announcements are timely, factual, do not omit material information and are expressed in a clear and objective manner. Shareholders are encouraged to subscribe to email alerts for all company announcements on Data#3's website.

The board has also developed procedures for safeguarding confidential corporate information to avoid premature disclosure and for responding to market rumours, leaks and inadvertent disclosures.

principle 6: respect the rights of shareholders

Data#3 is committed to providing shareholders with extensive, transparent, accessible and timely communications on company activities, strategy and performance. Data#3 has a communications policy that promotes effective communication with shareholders and encourages their participation at general meetings. A copy of that policy is available on the website. All shareholders receive electronic copies of the company's annual and half-yearly reports, unless they have elected to receive hard copies. The key platform through which Data#3 seeks to communicate with its shareholders is the company's website, which includes a section for investors. A key feature of this website is the ability to subscribe for email alerts of all company announcements. The website is also a repository of all information of interest to shareholders, stored in a user-friendly manner, including all recent company announcements, media briefings, details of company meetings, webcasts, press releases and full and half-yearly financial reports. The website includes a mechanism for shareholders to provide feedback and comments. Shareholders can also raise questions by contacting Data#3 by telephone, facsimile, email or post. Contact details are provided on Data#3's website and in the corporate directory section of this annual report on the inside back cover.

Data#3 usually convenes its AGM in Brisbane during November. Data#3 requests its external auditor to attend each AGM and be available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report. Notices of meetings are accompanied by explanatory notes on the items of business, and together they seek to clearly explain the nature of the business of the meeting. Full copies of notices of meetings are placed on Data#3's website. Shareholders are encouraged to attend the meeting or, if unable to attend, to vote on motions proposed by appointing a proxy. The proxy form included with a notice of meeting seeks to clearly explain how the proxy form is to be completed and submitted. Data#3 webcasts the formal addresses made at its AGM and any other general meetings which are held for the benefit of those shareholders unable to attend.

principle 7: recognise and manage risk

The board has established a risk management policy and procedures that promote the identification, assessment, monitoring and managing of risk, and the identification of any material changes to Data#3's risk profile. A copy of that policy is available on Data#3's website. There are many risks that Data#3 faces in its business operations and the industry within which it operates. A range of factors, some of which are beyond the reasonable control of Data#3, can influence performance. During the year the board reviewed the risk management policy and processes and decided to assign the primary responsibility for operational risk management to the audit committee, which was renamed the audit and risk committee. Refer above to "Principle 4: Safeguard integrity in financial reporting" for information on the members and meetings of the audit and risk committee. The board and committee are satisfied that management has ensured that sound risk management practices are embedded into the operations of the business; that management has continued to review and improve those practices; and that management has reported to the board as to the effectiveness of Data#3's management of its material business risks.

The board receives regular assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 (see Principle 4 above) is founded on a sound system of risk management and internal control which implements policies adopted by the board and that the system is operating effectively in all material respects in relation to financial reporting risks.

Risks faced by Data#3 include operational, environmental, compliance, strategic, reputational, product and service quality, human resources and market-related risks. Specifically, the risk management system takes account of the following material business risks:

- ICT government procurement models and trends
- Attraction and retention of key personnel
- The quality of skill of the senior management team
- Market demand for ICT products and services
- Key vendor channel strategy and customer engagement models
- Identification of ICT industry opportunities and new technology trends
- Effective positioning of Data#3's solutions in the market
- Internal information technology systems and processes
- Delivery of customer solutions within agreed expectations
- Nature of competitor activity.

Data#3 Limited is also a Quality Certified Company to AS/NZS ISO9001:2008, holding NCSI Certification Number 6845.

principle 8: remunerate fairly and responsibly

The board has established a remuneration policy which is designed to motivate senior executives to pursue the long-term growth and success of Data#3 and to demonstrate a clear relationship between senior executives' performance and remuneration. The policy allows investors to understand the link between remuneration paid to senior executives and corporate performance. The board established a separate remuneration and nomination committee on 31 January 2011, in accordance with Recommendation 8.1. Information in relation to members and meetings of the committee are set out under "Principle 2: Structure the board to add value" above. The responsibilities of the remuneration and nomination committee are set out in its formal charter. Prior to formation of the committee, the board as a whole was responsible for remuneration and nomination matters. In relation to remuneration, the committee is responsible for:

- Data#3's remuneration, recruitment, retention and termination policies and procedures for senior executives
- Senior executives' remuneration and incentives
- Superannuation arrangements
- The remuneration for directors.

Remuneration matters were considered periodically on the board's meeting agenda during the year prior to formation of the committee. Data#3's remuneration policies and practices in relation to senior executives, including the amount of remuneration, are as disclosed in Data#3's remuneration report on pages 32 to 34. Data#3 has clearly differentiated the structure of non-executive directors' remuneration from that of the Managing Director and senior managers.

Data#3's remuneration policy for non-executive directors and the amount of remuneration paid to non-executive directors is discussed in detail in the remuneration report. Non-executive directors are not granted options nor do they receive bonus payments. There are no termination payments to non-executive directors on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration.

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.
- 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%.

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%).

11. remuneration report (continued)

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 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		
		Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Long service leave $	Super-annuation $	Termina-tion $	Total $	% perfor-mance related
Non-executive directors									
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	-
Subtotals - non-executive directors	2011	225,750	-	-	-	20,318	-	246,068	-
	2010	210,000	-	-	-	18,900	-	228,900	-
Executive director									
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
Other key management personnel									
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
Totals – key management personnel	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 $
Non-audit services		
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 36.

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

R A Anderson
Director

Brisbane
22 August 2011

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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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

Liability limited by a scheme approved under Professional Standards Legislation.

consolidated statement of comprehensive income

for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Revenue			
Sale of goods	2	586,354	513,585
Services	2	109,804	85,015
Other	5	1,630	615
		697,788	599,215
Other income	6	-	194
Expenses			
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)
Profit before income tax expense		21,827	15,793
Income tax expense	8	(6,828)	(4,879)
Net profit		14,999	10,914
Other comprehensive income, net of tax		-	-
Total comprehensive income		14,999	10,914
		Cents	**Cents**
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

	Notes	2011 $'000	2010 $'000
Current assets			
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
Total current assets		155,110	161,040
Non-current assets			
Property and equipment	15	4,415	773
Deferred tax assets	8	1,568	1,532
Intangible assets	16	4,533	5,138
Total non-current assets		10,516	7,443
Total assets		165,626	168,483
Current liabilities			
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
Total current liabilities		131,004	141,265
Non-current liabilities			
Borrowings	18	2,492	-
Provisions	19	1,109	840
Other	20	868	292
Total non-current liabilities		4,469	1,132
Total liabilities		135,473	142,397
Net assets		30,153	26,086
Equity			
Contributed equity	22	8,278	8,278
Retained earnings		21,875	17,808
Total equity		30,153	26,086

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
Consolidated				
Balance at 1 July 2009	15,397	8,278	15,055	23,333
Net profit	-	-	10,914	10,914
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	10,914	10,914
Payment of dividends	-	-	(8,161)	(8,161)
Balance at 30 June 2010	15,397	8,278	17,808	26,086
Net profit	-	-	14,999	14,999
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	14,999	14,999
Payment of dividends	-	-	(10,932)	(10,932)
Balance at 30 June 2011	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
Cash flows from operating activities			
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
Net cash inflow from operating activities		4,817	44,906
Cash flows from investing activities			
Payments for property and equipment	15	(4,344)	(249)
Payments for software assets	16	-	(118)
Net cash outflow from investing activities		(4,344)	(367)
Cash flows from financing activities			
Payment of dividends	10	(10,932)	(8,161)
Proceeds from borrowings	24	3,380	
Finance lease payments	24	(300)	-
Net cash outflow from financing activities		(7,852)	(8,161)
Net increase in cash and cash equivalents held		(7,379)	36,378
Cash and cash equivalents, beginning of financial year		64,335	27,957
Cash and cash equivalents, end of financial year	11	56,956	64,335

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.

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.

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.

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 is 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.

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

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*
AASB 9 *Financial Instruments and* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* 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.	1 January 2013	1 July 2013
Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* 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.	1 January 2011	1 July 2011
AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* 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.	1 July 2011	1 July 2011
AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* 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.	1 January 2012	1 July 2012
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* This amendment removes individual key management personnel (KMP) disclosure requirements from AASB124 to eliminate replication with the *Corporations Act 2001* 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.	1 July 2013	1 July 2013
AASB 1054 *Australian Additional Disclosures – new and consequential amendments to other accounting standards resulting from its issue* 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.	1 January 2011	1 July 2011
IFRS 13 *Fair Value Measurement* 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.	1 January 2013	1 July 2013
IAS 1 *Presentation of Financial Statements – revised* 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.	1 July 2012	1 July 2012
IAS 19 *Employee Benefits – revised* 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.	1 January 2013	1 July 2013

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

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
Revenue						
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	-
Consolidated revenue					697,788	599,215
Segment result						
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)
Net profit/(loss) before income tax					21,827	15,793
Items included in segment result						
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.

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%).

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

note 5. other revenue

	2011 $'000	2010 $'000
Interest	1,541	615
Other recoveries	89	-
	1,630	615

note 6. other income

	2011 $'000	2010 $'000
Reversal of contingent consideration payable	-	194

	2011 $'000	2010 $'000
note 7. expenses		
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
note 8. income tax		
Income tax expense		
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).

note 8. income tax (continued)

	Balance sheet		Statement of comprehensive income	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Consolidated				
Deferred income tax				
Deferred income tax for the group comprises:				
Deferred tax assets				
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
Deferred tax liabilities				
Intangible assets	-	-	-	45
Lease incentive assets	(175)	(130)	(45)	(90)
Other	(727)	(139)	(588)	17
	(902)	(269)	(633)	(28)
Net deferred tax assets	1,568	1,532		
Deferred income tax revenue			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).

note 9. earnings per share

	2011 Number	2010 Number
(a) Weighted average number of shares		
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.

	2011 $'000	2010 $'000

note 10. dividends

	2011 $'000	2010 $'000
Dividends paid on ordinary shares during the year		
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
Dividends declared (not recognised as a liability at year end)		
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%).

Franking credit balance

	2011 $'000	2010 $'000
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).

note 11. cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and on hand	17,196	12,576
Deposits at call	39,760	51,759
	56,956	64,335

note 12. trade and other receivables

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

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
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

	2011 $'000	2010 $'000
Prepayments	2,313	1,109
Security deposits	138	237
	2,451	1,346

note 15. property and equipment

	2011 $'000	2010 $'000
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:

	2011 $'000	2010 $'000
Leasehold improvements	619	-

	2011 $'000	2010 $'000

note 15. property and equipment (continued)

(b) Leased assets
Leasehold improvements include the following amounts where the group is a lessee under a finance lease:

	2011 $'000	2010 $'000
Cost	3,380	-
Accumulated depreciation	(197)	-
Carrying amount	3,183	-

	Leasehold improvements $'000	Equipment $'000	Total $'000
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

note 16. intangible assets

	2011 $'000	2010 $'000
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

note 16. intangible assets (continued)

	Goodwill	Software assets	Customer relationships	Total
	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2009	4,960	319	150	5,429
Additions	-	118	-	118
Amortisation expense	-	(131)	(100)	(231)
Impairment charge	(128)	-	(50)	(178)
Carrying amount at 30 June 2010	4,832	306	-	5,138
Amortisation expense	-	(105)	-	(105)
Impairment charge	(383)	-	-	(383)
Recovery of stamp duty	(117)	-	-	(117)
Carrying amount at 30 June 2011	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 2012 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
note 17. trade and other payables		
Current		
Trade payables - unsecured	86,819	96,177
Other payables - unsecured	15,987	14,075
	102,806	110,252
note 18. borrowings		
Current		
Finance lease liabilities (note 24)	588	-
Non–current		
Finance lease liabilities (note 24)	2,492	-
note 19. provisions		
Current		
Employee benefits	1,249	1,042
Lease remediation (note 1(f))	36	146
	1,285	1,188

	2011 $'000	2010 $'000

note 19. provisions (continued)

	2011 $'000	2010 $'000
Non–current		
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
Balance at 1 July 2009	182
Arising during the year	102
Unused amount reversed	(14)
Increase to present value	14
Balance at 30 June 2010	284
Arising during the year	26
Used during the year	(67)
Unused amount reversed	(59)
Increase to present value	10
Balance at 30 June 2011	194

note 20. other liabilities

	2011 $'000	2010 $'000
Current		
Unearned income	23,828	26,452
Lease incentives	197	88
	24,025	26,540
Non–current		
Lease incentives	868	292

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

note 21. secured liabilities

	2011 $'000	2010 $'000
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.

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.

note 24. commitments

	2011 $'000	2010 $'000
(a) Non-cancellable operating leases		
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) Finance leases		
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	-

	2011 $'000	2010 $'000

note 24. commitments (continued)

	2011 $'000	2010 $'000
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.

	2011	2010
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
Directors:					
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
Other executives:					
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 $
Amounts recognised as expense		
Other expense	16,125	17,940

note 26. remuneration of auditor

During the year the following fees were paid or payable to the auditor for audit and non-audit services:

	2011 $	2010 $
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	120,000	105,000
Non-audit services		
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
As at 30 June		
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
For the year ended 30 June		
Net profit and total comprehensive income	11,847	8,199

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 37 to 60 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

R A Anderson
Director

Brisbane
22 August 2011

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CHARTERED ACCOUNTANTS

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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*.

Liability limited by a scheme approved under Professional Standards Legislation.

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.

financial calendar

2011		2012	
22 August	Full year results announcement	By 20 February	Half year results announcement
16 September	Record date for final dividend	16 March	Record date for interim dividend
30 September	Final dividend payment	30 March	Interim dividend payment
8 November	Annual General Meeting	30 June	Year end

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ACN NUMBER

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ASX CODE

DTL

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