Data#3 Limited

ABN 31 010 545 267

Appendix 4D and Interim financial report

Half-year ended 31 December 2011

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Results for announcement to the market

Name of entity	**Data#3 Limited**
ABN	31 010 545 267
Reporting period	**Half-year ended 31 December 2011**
Previous corresponding period	Half-year ended 31 December 2010

Results				**$'000**
Revenues from ordinary activities	up	15.4 %	to	435,844
Profit from ordinary activities after tax attributable to members	down	9.5 %	to	7,188
Net profit for the period attributable to members	down	9.5%	to	7,188

Dividends	**Amount per security**	**Franked amount per security**
Current period		
Interim dividend	3.45 cents	100%
Previous corresponding period		
Interim dividend	3.8 cents **	100%

The record date for determining entitlements to the dividend is 16 March 2012. The dividend is payable on 30 March 2012.

Brief explanation of the figures reported above

Please refer to the review of operations on page 3. The company effected a ten-for-one split of its ordinary shares on 16 November 2011; all previous disclosures in relation to ordinary shares and per share amounts have been restated accordingly.

Net tangible assets per security

	Current period	**Previous period**
Net tangible asset backing per ordinary security	$0.17	$0.16 **

** *Restated for the ten-for-one share split undertaken on 16 November 2011*

Directors' report

Your directors present their report on the group consisting of Data#3 Limited and its subsidiaries for the half-year ended 31 December 2011.

1. Directors

The following persons were directors of Data#3 Limited for the entire half-year and up to the date of this report:

Richard Anderson
John Grant
Terry Powell
Ian Johnston

Glen Boreham was a director from the date of his appointment on 9 November 2011 up to the date of this report.

2. Review of operations

Revenue and gross profit

Our plan for the 2011/12 financial year is to continue to gain market share and deliver organic growth in all areas of the business.

We achieved the total revenue growth objective in the first half with revenue up 15.4% to $435.8 million compared to the previous corresponding period (pcp), well ahead of industry growth. Aggregated product revenue increased by 15.5% to $375.2 million and services revenue increased by 14.5% to $59.1 million.

Revenue growth in our areas of specialisation was mixed, with very strong revenue growth in Licensing Solutions (up 24.5%); strong growth in People Solutions (up 15.2%); and slight growth in Infrastructure Solutions (up 0.8%). The market uncertainty caused by global financial and economic issues prompted some customers to defer capital expenditure for hardware product, and others to delay strategic transformational decisions and their associated IT services projects. This reduced hardware product and project services revenues.

Total gross profit increased by $4.5 million or 8.2% to $59.4 million (pcp: $54.9 million) with total gross margin decreasing from 14.6% to 13.7% due to the change in sales mix with a greater proportion of lower margin licensing revenue.

Expenses and profit

To support the ongoing growth of the business we continued to invest in additional people and upgraded premises early in the first half however we did not achieve the expected revenue and gross profit growth in hardware product and project services areas. As a consequence, while total gross profit increased by $4.5 million, total expenses (mainly employment costs) increased by $5.9 million. This, together with a small increase in other revenue, resulted in a $1.25 million decline in net profit before tax to $10.4 million.

The aggregated product profit (see note 3) increased by 4.8% reflecting steady growth in contribution from licensing which was partly offset by a reduced contribution from hardware products. The aggregated services profit (see note 3) decreased by 24.5% reflecting a reduction in project services contribution partly offset by increased contributions from managed services and recruitment and contracting.

Earnings before net interest, tax, depreciation and amortisation (EBITDA) decreased by 10.7% to $9.5 million (pcp $10.7 million).

Net profit before tax (NPBT) decreased by 10.7% to $10.4 million (pcp: $11.7 million).

Net profit after tax (NPAT) decreased by 9.5% to $7.2 million (pcp: $7.9 million). This represented basic earnings per share (EPS) of 4.7 cents, a decrease of 9.5% on the previous corresponding period's EPS of 5.2 cents.

Cash flow and balance sheet

The net cash flow from operating activities is typically an outflow in the first half due to the timing of receipts and payments around 30 June. The traditional May/June sales peak produces higher than normal collections pre-30 June that generate temporary cash surpluses which subsequently reverse post-30 June when the associated supplier payments occur. The net cash outflow from operating activities of $37.1 million was significantly lower than the $54.8 million outflow in the previous corresponding period.

Cash flow from investing activities was a net outflow of $1.6 million, reflecting payments for property and equipment.

Cash flow from financing activities was a net outflow of $6.3 million, comprising $6.0 million of dividend payments and $0.3 million of finance lease payments.

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 half year was $55.3 million, similar to the $56.1 million average cash balance in the previous corresponding period.

The key trade receivables indicator of average days' sales outstanding (DSOS) remained ahead of target and unchanged from the previous corresponding period. This is an excellent result which demonstrates that our focus on collections and credit management has effectively countered the tendency for customers to extend their payment cycles in the difficult current economic environment.

Directors' report (continued)

2. Review of operations (continued)

Total net assets increased by 3.9% over the half year and total net tangible assets increased by 4.0%. Our balance sheet remains conservative with minimal borrowings at 31 December 2011, comprising a finance lease for the head office fit-out.

3. Dividends

The directors have declared a fully franked dividend of 3.45 cents per share (pcp 3.8 cents) payable on 30 March 2012, representing a payout ratio of 73.9% (pcp 73.7%).

4. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

5. Rounding of amounts to nearest thousand dollars

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 in accordance with that Class Order, unless otherwise indicated.

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

R A Anderson

R A Anderson
Director

Brisbane
20 February 2012

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3221 7779
Website www.jr.com.au
Email jr@jr.com.au

Auditor's independence declaration

As lead auditor for the review of the financial report of Data#3 Limited for the financial half-year ended 31 December 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 review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

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

Brisbane, Queensland
20 February 2012

Consolidated statement of comprehensive income
for the half-year ended 31 December 2011

	Half-year	
	2011	2010
	$'000	$'000
Revenue		
Sale of goods	375,153	324,762
Services	59,109	51,644
Other	1,582	1,361
	435,844	377,767
Other income	-	41
Expenses		
Changes in inventories of finished goods	447	(1,685)
Purchase of goods	(343,815)	(292,653)
Employee and contractor costs directly on-charged (cost of sales on services)	(22,126)	(19,819)
Other cost of sales on services	(9,409)	(7,390)
Other employee and contractor costs	(43,768)	(36,823)
Telecommunications	(720)	(719)
Rent	(2,301)	(2,297)
Travel	(1,120)	(1,143)
Professional fees	(423)	(459)
Depreciation and amortisation	(364)	(345)
Finance costs	(130)	(20)
Other	(1,701)	(2,791)
	(425,430)	(366,144)
Profit before income tax expense	10,414	11,664
Income tax expense	(3,226)	(3,724)
Net profit for the half year	7,188	7,940
Other comprehensive income for the half year, net of tax	-	-
Total comprehensive income for the half year	7,188	7,940
Basic earnings per share	4.7c	5.2c **
Diluted earnings per share	4.7c	5.2c **

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

** *Restated for the ten-for-one share split undertaken on 16 November 2011*

Consolidated balance sheet
as at 31 December 2011

	31 December 2011	30 June 2011
	$'000	$'000
Current assets		
Cash and cash equivalents	11,943	56,956
Trade and other receivables	76,026	90,438
Inventories	5,749	5,265
Other	3,075	2,451
Total current assets	96,793	155,110
Non-current assets		
Property and equipment	5,450	4,415
Deferred tax assets	2,470	1,568
Intangible assets	4,698	4,533
Total non-current assets	12,618	10,516
Total assets	109,411	165,626
Current liabilities		
Trade and other payables	60,495	102,806
Borrowings	613	588
Current tax liabilities	1,475	2,300
Provisions	1,493	1,285
Other	9,837	24,025
Total current liabilities	73,913	131,004
Non-current liabilities		
Borrowings	2,179	2,492
Provisions	1,214	1,109
Other	769	868
Total non-current liabilities	4,162	4,469
Total liabilities	78,075	135,473
Net assets	31,336	30,153
Equity		
Contributed equity	8,278	8,278
Retained earnings	23,058	21,875
Total equity	31,336	30,153

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

Consolidated statement of changes in equity

for the half-year ended 31 December 2011

	Number of Ordinary Shares **	Contributed Equity	Retained Earnings	Total Shareholders' Equity
	'000	$'000	$'000	$'000
2011				
Balance at 30 June 2011	153,975	8,278	21,875	30,153
Net profit for the half year	-	-	7,188	7,188
Other comprehensive income for the half year, net of tax	-	-	-	-
Total comprehensive income for the half year	-	-	7,188	7,188
Payment of dividends	-	-	(6,005)	(6,005)
Balance at 31 December 2011	153,975	8,278	23,058	31,336
2010				
Balance at 30 June 2010	153,975	8,278	17,808	26,086
Net profit for the half year	-	-	7,940	7,940
Other comprehensive income for the half year, net of tax	-	-	-	-
Total comprehensive income for the half year	-	-	7,940	7,940
Payment of dividends	-	-	(5,081)	(5,081)
Balance at 31 December 2010	153,975	8,278	20,667	28,945

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

** *Restated for the ten-for-one share split undertaken on 16 November 2011*

Consolidated cash flow statement
for the half-year ended 31 December 2011

	Half-year	
	2011	2010
	$'000	$'000
Cash flows from operating activities		
Net profit after income tax	7,188	7,940
Depreciation and amortisation	364	345
Provision for doubtful debts	132	112
Loss on disposal of property and equipment	22	130
Impairment of intangible assets	-	500
Other	(32)	111
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	13,232	(1,248)
(Increase)/decrease in inventories	(447)	1,685
(Increase)/decrease in other operating assets	424	(3,924)
Increase in net deferred tax assets	(902)	(550)
Decrease in trade payables	(39,657)	(37,745)
Decrease in unearned income	(14,188)	(21,725)
Increase/(decrease) in other operating liabilities	(2,753)	249
Decrease in current tax liabilities	(825)	(869)
Increase in liability for employee benefits	308	219
Net cash outflow from operating activities	(37,134)	(54,770)
Cash flows from investing activities		
Payments for plant and equipment	(1,359)	(3,635)
Payments for software assets	(227)	-
Net cash outflow from investing activities	(1,586)	(3,635)
Cash flows from financing activities		
Payment of dividends	(6,005)	(5,081)
Finance lease payments	(288)	-
Net cash outflow from financing activities	(6,293)	(5,081)
Net decrease in cash and cash equivalents held	(45,013)	(63,486)
Cash and cash equivalents at the beginning of the reporting period	56,956	64,335
Cash and cash equivalents at the end of the reporting period	11,943	849

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

Notes to the consolidated financial statements
for the half-year ended 31 December 2011

Note 1. Significant accounting policies

Basis of preparation of interim financial report
This general purpose interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all of the notes of the type normally included in an annual financial report and accordingly should be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Data#3 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in this interim financial report are the same as those applied in the previous financial year and the corresponding interim reporting period. The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current reporting period. This adoption has not resulted in any changes to the group's accounting policies and has no effect on the amounts reported in the current and prior periods.

Note 2. Dividends

Details of dividends paid during the current period or the previous corresponding period are as follows:

Record date	Payment date	Type	Amount per security **	Franked amount per security	Total dividend $'000
16/9/2010	30/9/2010	Final	3.3 cents	3.3 cents	5,081
17/3/2011	31/3/2011	Interim	3.8 cents	3.8 cents	5,851
16/9/2011	30/9/2011	Final	3.9 cents	3.9 cents	6,005

** *Restated for the ten-for-one share split undertaken on 16 November 2011*

Dividends not recognised at the end of the half-year
Since the end of the half-year, the directors have recommended the payment of an interim dividend of 3.45 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 30 March 2012 out of retained earnings at the end of the half-year, but not recognised as a liability at the end of the half-year, is $5,312,000.

Note 3. 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 half-year ended 31 December 2011 (2010: 99%).

The company 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 half-years ended 31 December 2011 and 2010 is set out in the following table.

Notes to the consolidated financial statements (continued)
for the half-year ended 31 December 2011

Note 3. Segment information (continued)

	Product		Services		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revenue						
Total revenue	375,325	324,768	64,819	56,900	440,144	381,668
Inter-segment revenue	(172)	(6)	(5,710)	(5,256)	(5,882)	(5,262)
External revenue	375,153	324,762	59,109	51,644	434,262	376,406
Unallocated corporate revenue:						
Interest					1,582	1,361
Total revenue					435,844	377,767
Segment result						
Segment profit	12,100	11,551	3,687	4,885	15,787	16,436
Unallocated items						
Interest revenue					1,380	1,361
Other revenue					202	-
Other income					-	41
Other employee and contractor costs					(4,627)	(3,976)
Rent					(729)	(772)
Depreciation and amortisation					(319)	(318)
Other					(1,280)	(1,108)
					(5,373)	(4,772)
Net profit before income tax					10,414	11,664

Note 4. Subsequent events

No material and unusual events have occurred after the end of the half-year that could affect the financial position and performance of Data#3 Limited or any of its subsidiaries.

Note 5. Contingent liabilities

There have been no material changes in contingent liabilities from those disclosed in the June 2011 annual report.

Directors' declaration

In the opinion of the directors:

(a) the financial statements and notes set out on pages 6 to 11 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 31 December 2011 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Data#3 Limited will be able to pay its debts as and when they become due and payable.

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

R A Anderson
Director

Brisbane
20 February 2012

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3221 7779
Website www.jr.com.au
Email jr@jr.com.au

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

Report on the interim financial report

We have reviewed the accompanying half-year financial report of Data#3 Limited, which comprises the consolidated balance sheet as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Data#3 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Data#3 Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

JOHNSTON RORKE
Chartered Accountants

R C N Walker
Partner

Brisbane, Queensland
20 February 2012

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