STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Revenue			
Sale of goods	2	697,319	639,644
Services	2	134,776	130,182
Other	5	1,500	1,216
		833,595	771,042
Expenses			
Changes in inventories of finished goods		(869)	(1,076)
Purchase of goods		(634,408)	(574,333)
Employee and contractor costs directly on-charged (cost of sales on services)		(41,907)	(38,286)
Other cost of sales on services		(36,042)	(33,606)
Internal employee and contractor costs		(92,854)	(90,220)
Telecommunications		(1,396)	(1,522)
Rent	6	(5,883)	(5,964)
Travel		(1,622)	(2,199)
Professional fees		(583)	(457)
Depreciation and amortisation	6	(2,516)	(2,036)
Finance costs	6	(147)	(282)
Other		(4,516)	(3,589)
		(822,743)	(753,570)
Profit before income tax expense		10,852	17,472
Income tax expense	7	(3,328)	(5,334)
Profit for the year		7,524	12,138
Other comprehensive income, net of tax		-	-
Total comprehensive income		7,524	12,138
		Cents	**Cents**
Basic earnings per share	8	4.89	7.88
Diluted earnings per share	8	4.89	7.88

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

BALANCE SHEET

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	10	103,427	85,322
Trade and other receivables	11	146,936	108,084
Inventories	12	2,526	3,232
Other	13	3,193	2,603
Total current assets		256,082	199,241
Non-current assets			
Property and equipment	14	6,021	6,249
Deferred tax assets	7	2,342	2,186
Intangible assets	15	7,341	7,166
Total non-current assets		15,704	15,601
Total assets		271,786	214,842
Current liabilities			
Trade and other payables	16	216,944	164,919
Borrowings	17	756	695
Current tax liabilities		98	218
Provisions	18	1,984	1,734
Other	19	15,249	9,845
Total current liabilities		235,031	177,411
Non-current liabilities			
Borrowings	17	402	1,158
Provisions	18	2,231	1,783
Other	19	500	616
Total non-current liabilities		3,133	3,557
Total liabilities		238,164	180,968
Net assets		33,622	33,874
Equity			
Contributed equity	21	8,278	8,278
Retained earnings		25,344	25,596
Total equity		33,622	33,874

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Number of Ordinary Shares	Contributed Equity	Retained Earnings	Total Shareholders' Equity
	'000	$'000	$'000	$'000
Balance at 1 July 2012	153,975	8,278	24,236	32,514
Profit for the year	-	-	12,138	12,138
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	12,138	12,138
Payment of dividends	-	-	(10,778)	(10,778)
Balance at 30 June 2013	153,975	8,278	25,596	33,874
Profit for the year	-	-	7,524	7,524
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	7,524	7,524
Payment of dividends	-	-	(7,776)	(7,776)
Balance at 30 June 2014	153,975	8,278	25,344	33,622

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

CASH FLOW STATEMENT

for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Profit for the year		7,524	12,138
Depreciation and amortisation		2,895	2,036
Bad and doubtful debts		207	-
Reversal of unused doubtful debts provision		-	(96)
Loss on disposal of property and equipment		1	38
Other		15	-
Change in operating assets and liabilities			
(Increase)/decrease in trade receivables		(35,311)	32,009
Decrease in inventories		706	1,007
(Increase) in other operating assets		(4,338)	(4,495)
(Increase)/decrease in net deferred tax assets		(156)	387
Increase/(decrease) in trade payables		47,925	(1,968)
Increase/(decrease) in unearned income		5,483	(10,885)
Increase in other operating liabilities		3,999	1,260
(Decrease) in current tax liabilities		(120)	(1,681)
Increase in provision for employee benefits		589	739
Net cash inflow from operating activities		29,419	30,489
Cash flows from investing activities			
Payments for property and equipment	14	(1,453)	(1,604)
Payments for software assets	15	(1,390)	(2,966)
Net cash outflow from investing activities		(2,843)	(4,570)
Cash flows from financing activities			
Payment of dividends	9	(7,776)	(10,778)
Finance lease payments	23	(695)	(639)
Net cash outflow from financing activities		(8,471)	(11,417)
Net increase / (decrease) in cash and cash equivalents held		18,105	14,502
Cash and cash equivalents, beginning of financial year		85,322	70,820
Cash and cash equivalents, end of financial year	10	103,427	85,322

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies we have adopted in the preparation of our financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for Data#3 Limited.

(a) Basis of preparation of financial report
We have prepared these general purpose financial statements in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. These financial statements have also been prepared under the historical cost convention. Data#3 Limited is a for-profit entity for the purpose of preparing the financial statements.

Our financial statements are presented in Australian dollars and we have rounded all values to the nearest thousand dollars ($'000), unless otherwise stated.

Compliance with IFRS
Our financial statements also comply 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 2013. We have adopted all the mandatory new and amended accounting standards issued that are relevant to our 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
These financial statements are for Data#3 Limited alone, as all subsidiaries of the company had no financial activity during financial years 2013 and 2014 and were wound up. References in this financial report to "we", "us" or "our" refer to management speaking on behalf of Data#3 Limited ("the company").

Subsidiaries are all entities over which we have control; we control an entity when we are exposed to, or have the rights to, variable returns from our involvement with the entity and we have the ability to affect those returns through our power over the entity. Subsidiaries are consolidated from the date on which control is transferred to us and are deconsolidated from the date on which control is transferred from us. 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 companies we control are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the company.

(c) Foreign currency translation
We measure items included in our financial statements using the currency of the primary economic environment in which the entity operates ("the functional currency"). Our functional and presentation currency is Australian dollars.

We translate foreign currency transactions 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 we have not entered any hedge transactions, as our risk from foreign-denominated transactions is not material.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition
We recognise and measure revenue 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. We recognise revenue for major business activities as follows:

(i) Sale of goods
We recognise revenue from the sale of goods when the goods are received at 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 we have objective evidence that all criteria for acceptance have been satisfied.

(ii) Rendering of services
We recognise revenue from services 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, we immediately recognise the excess of total costs over revenue as an expense.

(iii) Bundled sales
We offer 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. We determine the fair values of each element 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.

(v) Dividends
We recognise dividend income 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.

We recognise deferred tax assets and liabilities 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.

We only recognise deferred tax assets for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to use those temporary differences and losses. We do not recognise deferred tax assets and liabilities 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.

We recognise current and deferred tax 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. We only offset deferred tax assets and deferred tax liabilities 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases

We classify leases of property and equipment where the company, as lessee, has substantially all the risks and rewards of ownership 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. We include the corresponding rental obligations, net of finance charges, in other short-term and long-term payables. Lease payments are allocated between the liability and interest expense. We depreciate each leased asset on a straight-line basis over the shorter of the asset's useful life or the lease term.

We classify leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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 we are required to return the premises to their original condition at the end of the lease, we record a provision for lease remediation equal to the present value of the estimated liability.

(g) Cash and cash equivalents

For purposes of the cash flow statement, 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, and bank overdrafts. We show any bank overdrafts 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. We review collectability of trade receivables on an ongoing basis. Debts we know to be uncollectible are written off by reducing the carrying amount directly. We establish an allowance for impairment of trade receivables when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. We consider significant financial difficulties of the debtor, default payments or debts more than 120 days overdue where there are not extenuating circumstances to be 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.

We recognise impairment losses 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, we write it 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. We assign costs to individual items of inventory on a specific identification basis 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.

(j) Business combinations

We use the acquisition method of accounting to account for all business combinations, regardless of whether we acquire equity instruments or other assets. Consideration for an acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the company. Consideration also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. We charge costs associated with the acquisition to expense as incurred. With limited exceptions, we initially measure identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination at their fair values at the acquisition date. On an acquisition-by-acquisition basis, we recognise 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.

We record as goodwill the excess of the consideration of the acquisition and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired (refer to note 1(n)). If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, we recognise the difference directly in profit or loss as a bargain purchase.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Business combinations (continued)
Where settlement of any part of cash consideration is deferred, we discount the amounts payable in the future to their present value as at the date of the exchange. The discount rate used is our 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; we test them annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. We test other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We recognise an impairment loss 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, we group together assets that cannot be tested individually 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, we aggregate CGUs to which goodwill has been allocated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. We allocate goodwill acquired in a business combination to groups of CGUs that are expected to benefit from the synergies of the combination.

(l) Investments and other financial assets
Our 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. We determine the classification of our investments at initial recognition and reevaluate this designation at each reporting date where appropriate. As at balance sheet date we have no financial assets at fair value through profit or loss or held-to-maturity investments or available for sale financial assets and have not entered any significant derivative contracts.

Recognition and derecognition
We recognise purchases and sales of investments on trade date. We initially recognise investments 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, we establish 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. We derecognise financial assets when the right to receive cash flows from the financial assets have expired or been transferred.

Subsequent measurement
Financial assets at fair value through profit and loss and available-for-sale financial assets are subsequently carried at fair value. We include 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (continued)
We carry loans and receivables and held-to-maturity investments at amortised cost using the effective interest method. We calculate amortised cost 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. Impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), we reverse the previously recognised impairment loss and recognise it in profit or loss.

(m) Property and equipment
Property and equipment is stated at cost, less accumulated depreciation and amortisation. We depreciate our equipment 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. We calculate amortisation on leasehold improvements using the straight-line method over two to ten years.

If an asset is impaired, we immediately write down its carrying amount to its recoverable amount (refer to note 1(k)).

(n) Intangible assets
Goodwill
We initially measure goodwill on acquisition 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. We test goodwill for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired, and we write its value down when impaired (refer to note 1(k)).

Software
We capitalise costs incurred in purchasing or developing software where the software will provide a future financial benefit to the company. Costs of internally generated software that we capitalise from the date we have determined the software's technical feasibility include external direct costs of materials and service and direct payroll and payroll-related costs of employees' time spent on the project. Software assets are carried at cost less accumulated amortisation and impairment losses. We calculate amortisation using the straight-line method over the estimated useful lives of the respective assets, generally two to five years.

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

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial guarantee contracts
We recognise financial guarantee contracts 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, we account for the fair values as contributions and recognise them as part of the cost of the investment.

(q) Provisions
We recognise provisions when we have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. We measure provisions 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.
If we are virtually certain that some or all of a provision will be reimbursed, such as under an insurance contract, we recognise the reimbursement as a separate asset. We present the expense relating to any provision in the statement of comprehensive income net of any reimbursement.

(r) Employee benefits
Wages, salaries, annual leave and sick leave
Liabilities for wages, salaries, including non-monetary benefits, and annual leave expected to be settled wholly 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 annual leave expected to be settled at least 12 months after reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, and discounted using market yields at the reporting date on national government bonds with terms to maturity that match the estimated future cash flows as closely as possible. 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 which is not expected to be settled within 12 months after the end of the period in which the employee renders the related service 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. We consider expected future wage and salary levels, experience of employee departures and periods of service when estimating the liability. We discount expected future payments 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.

We present the obligations as current liabilities in the balance sheet if we do not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Post-employment benefits
We make contributions to defined contribution superannuation funds. We charge these contributions to expense as they are incurred.

Bonus plans
We recognise a liability for employee benefits in the form of bonus plans in other payables when we have 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. We measure liabilities for bonus plans at the amounts expected to be paid when they are settled; settlement occurs within 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

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). As at balance sheet date we have not provided any share-based compensation benefits to our employees under these plans.

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, we revise our 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.

(s) 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.

(t) Comparatives

We have reclassified comparative figures where necessary to ensure consistency with current year presentation.

(u) Corporate information

The financial report was authorised for issue in accordance with a resolution of the directors on 21 August 2014. Data#3 Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Data#3
67 High Street
TOOWONG QLD 4066

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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 2014, are as follows:

Standard/Interpretation	Application date of Standard[i]	Application date for the group[i]
AASB 9 ***Financial Instruments - revised*** **and consequential amendments to other accounting standards** ***arising from its issue*** AASB 9 addresses the classification and measurement of financial assets and liabilities. We 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; we do not expect to adopt the new standard before its operative date.	1 January 2018	1 July 2018
AASB 2012-3 ***Amendments to Australian Accounting Standards - Offsetting Financial Assets and Liabilities*** The amendments to AASB 132 clarify when an entity has a legally enforceable right to setoff financial assets and financial liabilities permitting entities to present balances net on the balance sheet. We anticipate there will be no impact on our financial statements, as we currently do not offset any financial assets and liabilities.	1 January 2014	1 July 2014
AASB 2013-3 ***Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*** These amendments introduce additional disclosure requirements where the recoverable amount of impaired assets is based on fair value less cost of disposal. There will be no impact on our disclosures as we do not determine the recoverable amounts of impaired assets using fair value less cost of disposal.	1 January 2014	1 July 2014
AASB 2013-4 ***Amendments to AASB 139 – Financial Instruments: Recognition & Measurement*** These amendments permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. We anticipate there will be no impact on our financial statements, as we currently do not engage in hedging.	1 January 2014	1 July 2014
Interpretation 21 ***Levies*** This interpretation clarifies the accounting recognition of levies imposed by the government aside from income taxes and fines/breaches. We anticipate this interpretation will have no significant impact on our financial statements as it is not applicable to our current or foreseeable circumstances.	1 January 2014	1 July 2014
IFRS 15 ***Revenue from Contracts with Customers*** This new standard contains a single model that applies to contracts with customers and two approaches to recognising revenue. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. We anticipate this interpretation will have no significant impact on our financial statements as it is not significantly different from our method of recognising revenue.	1 January 2017	1 July 2017

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SEGMENT INFORMATION

Our business is conducted primarily in Australia. Our management team makes financial decisions and allocates resources based on the information it receives from our internal management system. We attribute sales 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 2014 (2013: 99%).

We report operating segments 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. We do 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. Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.

We have identified two reportable segments, as follows:

- Product - providing hardware and software licenses for our customers' desktop, network and data centre infrastructure; and
- Services - providing consulting, project, managed and maintenance contracts, as well as workforce recruitment and contracting services, in relation to the design, implementation, operation and support of ICT solutions.

The following table shows summarised financial information by segment for the financial years ended 30 June 2014 and 2013.

	Product		Services		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Total revenue	697,319	639,644	140,122	142,155	837,441	781,799
Inter-segment revenue	-	-	(5,346)	(11,973)	(5,346)	(11,973)
External revenue	697,319	639,644	134,776	130,182	832,095	769,826
Costs of sale						
Cost of goods sold	(635,277)	(575,409)			(635,277)	(575,409)
Employee and contractor costs			(41,907)	(38,286)	(41,907)	(38,286)
Other costs of sales on services			(36,042)	(33,606)	(36,042)	(33,606)
Gross profit	62,042	64,235	56,827	58,290	118,869	122,525
Other expenses	(44,518)	(37,718)	(55,430)	(55,222)	(99,948)	(92,940)
Segment profit	17,524	26,517	1,397	3,068	18,921	29,585
Unallocated corporate items						
Interest and other revenue					1,500	1,216
Internal employee and contractor costs					(4,497)	(7,953)
Rent					(1,264)	(2,281)
Depreciation and amortisation					(2,253)	(929)
Other					(1,555)	(2,166)
					(8,069)	(12,113)
Profit before income tax					10,852	17,472
Reconciliation of revenue:						
External revenue					832,095	769,826
Unallocated corporate revenue:						
Interest and other revenue					1,500	1,216
Revenue					833,595	771,042

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SEGMENT INFORMATION (CONTINUED)

From 1 July 2013 we changed the structure of our internal organisation and in doing so changed the composition of our operating segments. We also changed the manner by which we allocate corporate overhead costs to the operating segments to achieve an equitable allocation. As a result, we have restated the corresponding information for the previous year.

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 we believe to be reasonable under the circumstances.

Significant accounting estimates and assumptions
We are often required to determine the carrying amounts of certain assets and liabilities 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
We determine 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 15.

NOTE 4. FINANCIAL RISK MANAGEMENT

Our business activities can expose us to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk, and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. To date we have not used derivative financial instruments. We use sensitivity analysis to measure interest rate and foreign exchange risks, and aging analysis for credit risk. Risk management is carried out by our 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.

All our financial assets are within the loans and receivables category, and our financial liabilities are all within the financial liabilities recorded at amortised cost category.

(a) Market risk
(i) Foreign exchange risk
Foreign exchange risk arises for us when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Australian dollar. From time to time we make sales to customers who require the currency of settlement to be a foreign currency. At 30 June 2014 and 2013 our exposure to foreign currency risk was immaterial.

(ii) Price risk
We are not exposed to equity securities or commodity price risk.

(iii) Cash flow and fair value interest rate risk
Our exposure to cash flow interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates. Our borrowings bear a fixed interest rate and are carried at amortised cost, so we are not exposed to fair value interest rate risk. At balance date we maintained the following variable rate accounts:

	30 June 2014		30 June 2013	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash at bank and on hand	1.4%	4,427	0.3%	6,322
Deposits at call	3.1%	99,000	3.3%	79,000
Cash and cash equivalents	2.9%	103,427	3.0%	85,322

NOTE 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(iii) Cash flow and fair value interest rate risk (continued)

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)	
	2014	2013	2014	2013
	$000	$000	$000	$000
+0.25% (25 basis points) (2013: –0.25%)	181	(149)	181	(149)
+1.00% (100 basis points) (2013: –1.00%)	724	(597)	724	(597)

(b) Credit risk

Credit risk arises from the financial assets of our company, which comprise cash and cash equivalents and trade and other receivables. Our exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. We do not hold any credit derivatives to offset the credit exposure. We have 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. We set risk limits for each individual customer in accordance with parameters set by the board. These limits are regularly monitored.

Specific information as to our credit risk exposures is as follows:

- Cash and cash equivalents are maintained at one large financial institution.
- During the 2014 year, sales to one government customer comprised 7% of revenue (2013: 3%).
- At 30 June 2014, one government debtor comprised 25% of total debtors (2013: 7%), and the ten largest debtors comprised approximately 49% of total debtors (2013: 34%), of which 94% were accounts receivable from a number of government customers (2013: 74%).
- Generally our customers do not have independent credit ratings. Our risk control procedures assess the credit quality of the customer taking into account its financial position, past experience and other factors. We set individual risk limits based on internal or external ratings in accordance with limits set by the board. Our credit management department regularly monitors compliance with credit limits. Management believes the credit quality of our customers is high based on the very low level of bad debt write-offs experienced historically. In 2014 bad debt write-offs as a percent of the trade receivables carrying amount was 0.04%, (2013: nil).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. We aim to maintain flexibility in funding by keeping committed credit lines available. We manage liquidity risk by monitoring cash flows and ensuring that adequate cash and unused borrowing facilities are maintained.

At reporting date we had used $2,556,000 (2013: 2,578,000) of the multi-option financing facility for bank guarantees and our corporate credit card facility and had access to the following undrawn borrowing facilities at the reporting date:

	2014	2013
	$'000	$'000
Multi-option bank facility	8,944	8,422

The multi-option facility is a comprehensive borrowing facility which includes a bank overdraft facility and is subject to certain financial undertakings. The facility is subject to annual review. Interest is variable and is charged at prevailing market rates. The weighted average interest rate for the year ended 30 June 2014 was 6.3% (2013: 6.7%).

NOTE 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Maturity of financial liabilities

The table below categorises our financial liabilities into relevant maturity groups based on their contractual maturities, calculated as their undiscounted cash flows. All 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 2014						
Trade and other payables	216,944	-	-	-	216,944	216,944
Finance lease liabilities	412	412	412	-	1,236	1,158
	217,356	412	412	-	218,180	218,102
At 30 June 2013						
Trade and other payables	164,919	-	-	-	164,919	164,919
Finance lease liabilities	412	412	824	412	2,060	1,853
	165,331	412	824	412	166,979	166,772

(d) Net fair values

The carrying amounts of financial assets (net of any provision for impairment) and current financial liabilities approximate net fair value primarily because of their short maturities. The carrying amount of the non-current borrowing approximates fair value because the interest rate applicable to the borrowing approximates current market rates.

	2014	2013
	$'000	$'000
NOTE 5. OTHER REVENUE		
Interest	1,296	1,090
Other recoveries	204	126
	1,500	1,216
NOTE 6. EXPENSES		
Cost of goods sold	635,277	575,409
Depreciation and amortisation of property and equipment (note 14)	1,680	1,513
Amortisation of intangibles (note 15)		
Amortisation of intangibles included in depreciation and amortisation expense	836	523
Amortisation of intangibles included in other cost of sales on services	379	-
	1,215	523
	2,895	2,036
Employee benefits expense	85,031	82,426
Termination benefits expense	1,040	414
Defined contribution superannuation expense	6,619	6,219
Other charges against assets		
Impairment of trade receivables (note 11)	207	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014 $'000	2013 $'000
NOTE 6. EXPENSES (CONTINUED)		
Rental expenses on operating leases		
Minimum lease payments	4,830	4,162
Straight lining lease rentals	229	413
Rental expenses – other	824	1,389
	5,883	5,964
Finance costs		
Interest and finance charges paid/payable	132	268
Unwinding of discount on provisions and other payables	15	14
	147	282
Loss on disposal of property and equipment	1	38

NOTE 7. INCOME TAX

Income tax expense

The major components of income tax expense are:

	2014 $'000	2013 $'000
Current income tax expense	3,419	4,947
Deferred income tax relating to the origination and reversal of temporary differences	(95)	387
Adjustments for current tax of prior years	4	-
Income tax expense	3,328	5,334

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

	2014 $'000	2013 $'000
Accounting profit before income tax	10,852	17,472
Income tax calculated at the Australian tax rate: 30% (2013: 30%)	3,256	5,242
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible items	68	92
	3,324	5,334
Under provision in prior year	4	-
Income tax expense	3,328	5,334

We paid income taxes of $3,151,000 during financial year 2014 (2013: $6,500,000).

	Balance sheet 2014	Balance sheet 2013	Statement of comprehensive income 2014	Statement of comprehensive income 2013
	$'000	$'000	$'000	$'000
NOTE 7. INCOME TAX (CONTINUED)				
Deferred income tax				
Deferred income tax for the company comprises:				
Deferred tax assets				
Accrued liabilities	1,965	1,928	37	237
Provisions	1,310	1,055	255	179
Lease incentive liability	194	253	(59)	(7)
Other	463	198	204	166
	3,932	3,434	437	575
Deferred tax liabilities				
Lease incentive assets	(79)	(138)	59	7
Accrued income	(1,511)	(1,104)	(407)	(963)
Other	-	(6)	6	(6)
	(1,590)	(1,248)	(342)	(962)
Net deferred tax assets	2,342	2,186		
Deferred income tax revenue/(expense)			95	(387)

No tax losses are available for offset against future taxable profits (2013: nil).

	2014	2013
	Number	Number
NOTE 8. EARNINGS PER SHARE		
(a) Weighted average number of shares		
Weighted average number of ordinary shares for basic and diluted earnings per share	153,974,950	153,974,950

(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 profit for the year.
- Rights and options granted are considered to be potential ordinary shares. Details relating to rights and options are set out in note 26. No rights or options were on issue during 2014 or 2013; therefore there was no impact on the calculation of diluted earnings per share.

	2014 $'000	2013 $'000
NOTE 9. DIVIDENDS		
Dividends paid on ordinary shares during the year		
Final fully franked dividend for 2013: 3.55c per share (2012: 3.55c)	5,466	5,466
Interim fully franked dividend for 2014: 1.50c per share (2013: 3.45c)	2,310	5,312
	7,776	10,778
Dividends declared (not recognised as a liability at year end)		
Final fully franked dividend for 2014: 3.00c (2013: 3.55c)	4,619	5,466

The tax rate at which dividends paid have been franked is 30% (2013: 30%).
Dividends declared will be franked at the rate of 30% (2013: 30%).

	2014 $'000	2013 $'000
Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	15,289	15,594

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 $1,980,000 (2013: $2,343,000).

NOTE 10. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and on hand	4,427	6,322
Deposits at call	99,000	79,000
	103,427	85,322

NOTE 11. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Trade receivables	135,956	100,700
Allowance for impairment (a)	(152)	-
	135,804	100,700
Other receivables (b)	11,132	7,384
	146,936	108,084

(a) Allowance for impairment
We recognised an impairment loss of $207,000 in the current year (2013: nil). Impairment amounts are included in other expense in the statements of comprehensive income. Movements in the provision for impairment loss were as follows:

NOTE 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

	$'000
Carrying amount at 1 July 2012	143
Unused provision reversed during the year	(96)
Receivables written off during the year	(47)
Carrying amount at 30 June 2013	-
Impairment loss recognised during the year	207
Receivables written off during the year	(55)
Carrying amount at 30 June 2014	152

Our ageing of overdue trade receivables as at 30 June 2014 is as follows:

	2014		2013	
	Considered impaired $'000	Past due but not impaired $'000	Considered impaired $'000	Past due but not impaired $'000
31-60 days	-	10,981	-	8,037
61-90 days	-	2,386	-	2,775
91-120 days	2	1,006	-	578
+120 days	150	684	-	1,113
	152	15,057	-	12,503

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 account has been placed on hold where deemed necessary until full payment is made. Each of these debtors has been contacted, and we are satisfied that payment will be received in full.

(b) Other receivables
These amounts generally arise from accrued rebates or transactions outside our usual operating activities. Interest is normally not charged, collateral is not normally obtained, and the receivables are normally due within 30 days of recognition. None of these receivables are past due.

	2014 $'000	2013 $'000
NOTE 12. INVENTORIES		
Goods held for sale – at cost	2,526	3,232

Inventories recognised as expense in cost of goods sold during the year ended 30 June 2014 amounted to $177,302,000 (2013: $185,195,000).

NOTE 13. OTHER CURRENT ASSETS

	2014 $'000	2013 $'000
Prepayments	3,105	2,509
Security deposits	88	94
	3,193	2,603

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014 $'000	2013 $'000

NOTE 14. PROPERTY AND EQUIPMENT

	2014 $'000	2013 $'000
Leasehold improvements – at cost	9,887	8,661
Accumulated amortisation	(4,170)	(2,622)
	5,717	6,039
Equipment – at cost	806	602
Accumulated depreciation	(502)	(392)
	304	210
	6,021	6,249

(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:

	2014 $'000	2013 $'000
Leasehold improvements	-	535

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

	2014 $'000	2013 $'000
Cost	3,380	3,380
Accumulated depreciation	(1,211)	(873)
Carrying amount	2,169	2,507

	Leasehold improvements $'000	Equipment $'000	Total $'000
Carrying amount at 1 July 2012	6,042	154	6,196
Additions	1,463	141	1,604
Disposals	(38)	-	(38)
Depreciation and amortisation expense	(1,428)	(85)	(1,513)
Carrying amount at 30 June 2013	6,039	210	6,249
Additions	1,246	207	1,453
Disposals	(1)	-	(1)
Depreciation and amortisation expense	(1,567)	(113)	(1,680)
Carrying amount at 30 June 2014	5,717	304	6,021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014 $'000	2013 $'000
NOTE 15. INTANGIBLE ASSETS		
Goodwill – at cost	4,919	4,919
Accumulated impairment	(587)	(587)
	4,332	4,332
Software assets – at cost	2,413	1,996
Accumulated amortisation and impairment	(1,674)	(1,184)
	739	812
Internally generated software assets – at cost	3,232	2,259
Accumulated amortisation and impairment	(962)	(237)
	2,270	2,022
	7,341	7,166
(a) Software under development The carrying amounts of the assets disclosed above include the following expenditure in relation to internally generated software assets which are currently being developed:		
Internally generated software assets	-	762

	Goodwill $'000	Software assets $'000	Internally generated software $'000	Total $'000
Carrying amount at 1 July 2012	4,332	391	-	4,723
Additions	-	707	2,259	2,966
Amortisation expense	-	(286)	(237)	(523)
Carrying amount at 30 June 2013	4,332	812	2,022	7,166
Additions	-	417	973	1,390
Amortisation expense	-	(490)	(725)	(1,215)
Carrying amount at 30 June 2014	4,332	739	2,270	7,341

Intangibles – software assets
Software assets include those we have developed ourselves and those we have purchased. Our software accounting policy is set out in note 1(n). We review the useful lives and potential impairment of all software assets at the end of each financial year.

Goodwill impairment testing
We have allocated goodwill to our cash-generating units (CGUs) according to operating segment, unless the segment did not exist at the time of the business acquisition which generated the goodwill. Goodwill summarised by reporting segment is shown below.

	Goodwill $'000
Product	2,860
Services	1,472
	4,332

We determined the recoverable amount of each operating segment based on a value-in-use calculation using cash flow projections on the basis of financial projections approved by senior management for financial year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2015. We applied a 12% before-tax discount rate to cash flow projections. We have extrapolated cash flows beyond the 2015 financial year using an average growth rate of 3.5%.

NOTE 15. INTANGIBLE ASSETS (CONTINUED)

Key assumptions used in value-in-use calculations
We determined budgeted gross profits based on past performance and our expectations for the future. The discount rate was estimated based on our weighted average cost of capital at the date of impairment test. We believe that no reasonably possible change in any of the key assumptions would cause the carrying value of the goodwill to be materially different from its recoverable amount.

	2014 $'000	2013 $'000
NOTE 16. TRADE AND OTHER PAYABLES		
Current		
Trade payables – unsecured	188,226	140,301
Other payables – unsecured	28,718	24,618
	216,944	164,919
Trade and other payables are unsecured and are usually paid within 30 to 60 days of recognition.		
NOTE 17. BORROWINGS		
Current		
Finance lease liabilities – secured (note 23(c))	756	695
Non–current		
Finance lease liabilities – secured (note 23(c))	402	1,158

	2014			2013		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
NOTE 18. PROVISIONS						
Employee benefits	1,984	1,891	3,875	1,734	1,552	3,286
Lease remediation (note 1(f))	-	340	340	-	231	231
	1,984	2,231	4,215	1,734	1,783	3,517

Movements in provisions other than employee benefits are as follows:

	Lease remediation $'000
Balance at 1 July 2012	230
Arising during the year	7
Used during the year	(20)
Increase to present value	14
Balance at 30 June 2013	231
Arising during the year	94
Increase to present value	15
Balance at 30 June 2014	340

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014 $'000	2013 $'000

NOTE 19. OTHER LIABILITIES

	2014 $'000	2013 $'000
Current		
Unearned income	15,102	9,619
Lease incentives	147	226
	15,249	9,845
Non–current		
Lease incentives	500	616

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

NOTE 20. SECURED LIABILITIES

	2014 $'000	2013 $'000
Secured liabilities (current and non-current)		
Finance lease liabilities (note 23(c))	1,158	1,853
Total secured liabilities	1,158	1,853

Assets pledged as security

All our assets are pledged as security for bank facilities (refer to note 4). Leasehold improvements subject to finance lease (refer to note 14) effectively secure lease liabilities as noted above.

NOTE 21. CONTRIBUTED EQUITY

(a) Movements in ordinary share capital

There were no movements in ordinary share capital during the years ended 30 June 2014 and 2013.

(b) Ordinary shares

All ordinary shares issued as at 30 June 2014 and 2013 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. Ordinary shares have no par value and the company has an unlimited amount of authorised capital. Subject to legislative requirements, the directors control the issue of shares in the company.

(c) Share options

No share options are outstanding as at 30 June 2014 (refer to note 26).

(d) Capital management

When managing capital (equity), the board's objective is to ensure the company 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 2014, the board paid dividends of $7,776,000 (2013: $10,778,000). The board's intent for dividend payments is to maintain the historical dividend payout ratio; however, market conditions will be taken into consideration prior to the declaration of each dividend.

We are not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22. CONTINGENT LIABILITIES

At 30 June 2014 we had provided bank guarantees totalling $2,037,000 (2013: $1,860,000) to lessors as security for premises we lease and $269,000 (2013: $468,000) to customers for contract performance. The guarantees will remain in place for the duration of the relevant contracts. Bank guarantees are secured by charges over all our assets.

NOTE 23. COMMITMENTS

	2014 $'000	2013 $'000
(a) Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Leasehold improvements	-	1,036
(b) Non-cancellable operating leases		
Future minimum lease payments under non-cancelable operating leases are as follows:		
Within one year	4,953	4,770
Later than one year but not later than five years	13,609	13,910
Later than five years	2,529	5,058
	21,091	23,738
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.		
(c) Finance leases		
Commitments related to finance leases as at 30 June are payable as follows:		
Within one year	824	824
Later than one year but not later than five years	412	1,236
	1,236	2,060
Less: future finance charges	(78)	(207)
Recognised as a liability	1,158	1,853
The present value of finance lease liabilities is as follows:		
Within one year	756	695
Later than one year but not later than five years	402	1,158
	1,158	1,853

We lease our head office fitout under a finance lease which expires in December 2015 (refer to note 14(b)). The fitout becomes our property on expiry of the lease. The lease liability is secured by the fitout assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014 $	2013 $
NOTE 24. KEY MANAGEMENT PERSONNEL		
Key management personnel compensation is set out below.		
Short-term employee benefits	1,753,760	1,774,306
Long-term employee benefits	132,996	136,257
Post-employment benefits	81,677	76,996
	1,968,433	1,987,559

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. We engage Wood Grant & Associates Pty Ltd to assist with design and production of our annual financial reports. These transactions are made at arms' length 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.

	2014 $	2013 $
Amounts recognised as expense		
Other expense	19,400	19,400
NOTE 25. REMUNERATION OF AUDITOR		
During the year the following fees were paid or payable to the auditor for audit and non-audit services:		
Audit and other assurance services		
Audit and review of financial statements	150,000	138,000
IT controls review services	-	26,500
	150,000	164,500
Non-audit services		
Acquisition due diligence services	57,550	8,900
Tax compliance services	7,400	6,700
	64,950	15,600
Total remuneration	214,950	180,100

No remuneration was paid to related practices of Pitcher Partners. We employ Pitcher Partners on assignments additional to its statutory duties where the firm's expertise and experience with our company are important.

NOTE 26. 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 company, 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.

NOTE 26. SHARE-BASED PAYMENTS (CONTINUED)

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 21(b)).

Where shares are issued to employees of subsidiaries within the group, the subsidiaries compensate Data#3 Limited for the fair value of these shares. To 30 June 2014 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(r).

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 within the group, the subsidiaries compensate Data#3 Limited for the fair value of these shares. To 30 June 2014 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 company, 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 2014 (2013: nil).

NOTE 27. SUBSEQUENT EVENT

On 20 August 2014 Data#3 Limited acquired 42.5% of the issued capital of Discovery Technology Pty Ltd, a company specialising in Wi-Fi analytics, at a cost of $2,500,000.

DIRECTORS' DECLARATION

In the opinion of the directors:

(a) the financial statements and notes set out on pages 34 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 company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(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

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
21 August 2014

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WARWICK FACE
NIGEL BATTERS
ADELE TOWNSEND
COLE WILKINSON

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 statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the 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 company.

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 gives a true and fair view and 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 company's preparation of the financial report gives a true and fair view 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 company'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*.

Opinion

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 company's financial position as at 30 June 2014 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 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 2014. 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 2014 complies with Section 300A of the *Corporations Act 2001*.

PITCHER PARTNERS

R C N Walker
Partner

Brisbane, Queensland
21 August 2014