Appendix 4D

ASX Half-Year Report

Name of entity:	**Data#3 Limited**
ABN:	31 010 545 267
Reporting period:	**Half-year ended 31 December 2005**
Previous corresponding period:	Half-year ended 31 December 2004

Results for announcement to the market

Results				
Revenue from ordinary activities	up	19.2 %	to	$112,832,000
Profit from ordinary activities after tax attributable to members	up	34.3 %	to	$2,598,000
Net profit for the period attributable to members	up	34.3 %	to	$2,598,000

Dividends	Amount per security	Franked amount per security
Current period		
Ordinary dividend	11.0 cents	11.0 cents
Previous corresponding period		
Ordinary dividend	7.5 cents	7.5 cents

The record date for determining entitlements to the dividend is 17 March 2006.

Brief explanation of the figures reported above:

Refer to the attached Half-Year Report (Directors' Report – Review of operations section) for commentary on the half-year results.

The revenue and profit comparisons disclosed above are based on the AIFRS-restated results for the previous corresponding period, and the net tangible asset backing per ordinary security for the previous period (disclosed on the following page) has been restated to reflect any AIFRS adjustments.

Data#3 Limited and Controlled Entities

Notes to Appendix 4D
For the half-year ended 31 December 2005

Net tangible assets per security

	Current period	Previous period
Net tangible asset backing per ordinary security	$0.67	$0.51

Control gained over entities having a material effect

Name of entity (or group of entities)	N/A

Loss of control of entities having a material effect

Name of entity (or group of entities)	N/A

Additional Dividend Information

Details of dividends declared or paid during or subsequent to 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
17 March 2005	31 March 2005	Ordinary	7.5 cents	7.5 cents	$1,143,000
16 September 2005	30 September 2005	Ordinary	11.5 cents	11.5 cents	$1,766,000
17 March 2006	31 March 2006	Ordinary	11.0 cents	11.0 cents	$1,704,000

Dividend Reinvestment Plan

Data#3 Limited Dividend Reinvestment Plan
Shares under the plan are issued at a discount of 5% to the weighted average market price of all shares sold on the ASX on the first day on which those shares are quoted ex-dividend in relation to the dividend and on the following 4 trading days.

The last date for the receipt of an election notice for participation in the plan is the record date.

Data#3 Limited and Controlled Entities

Notes to Appendix 4D
For the half-year ended 31 December 2005

Details of associates and joint venture entities

Name of entities	N/A	
	Current period	**Previous period**
Consolidated entity's percentage holding in each of these entities	-	-
Aggregate share of profits after tax of these entities.	-	-
QDS contribution to net profit after tax	-	-
QSS contribution to net profit after tax	-	-

Compliance Statement

This report is based on financial statements reviewed by the auditor, copies of which are attached.

Signed:

John Grant
Managing Director

Date: 27 February 2006

Data#3 Limited

ABN 31 010 545 267

Half-Year Report

31 December 2005

Directors' Report

Your directors present their report on the consolidated entity consisting of Data#3 Limited and its controlled entities for the half-year ended 31 December 2005.

Directors

The following persons were directors of Data#3 Limited during the whole of the half-year and up to the date of this report:
Mr R A Anderson
Mr G R Clark
Mr J E Grant
Mr W T Powell.

Mr H L Stack resigned as a director of Data#3 Limited on 23 December 2005.

Review of operations

Total revenue of the consolidated entity for the half-year was $112,832,000 (2004: $94,677,000), an increase of 19%. Product revenue increased 15% from $76,331,000 to $88,069,000, and services revenue increased 34.5% from $18,116,000 to $24,361,000.

The first half product revenue consisted of the following elements:

- ICT Products $32.6 million (2004: $33.5 million)
- Software Licensing $39.9 million (2004: $27.7 million)
- Enterprise Infrastructure $15.6 million (2004: $15.1 million)

The increase in total product revenue reflected minimal change in ICT product and enterprise infrastructure revenues, and very strong growth in software licensing revenue compared to the corresponding previous half, buoyed by timing changes in a material customer licensing contract.

The first half services revenue consisted of the following elements:

- ICT Services $12.7 million (2004: $10.7 million)
- Recruitment $10.9 million (2004: $6.1 million)
- Microsoft Application Services $0.8 million (2004: $1.3 million)

The increase in services revenue was due to increases in project-oriented ICT integration services, and strong growth in recruitment services.

As reported previously, contribution at the gross margin level and the relativity of expenses to this are our measures of growth and performance. The overall gross margin percentage decreased by approximately 0.2% compared to the previous corresponding period, primarily due to a strong increase in the relatively low margin software licensing business, and produced an increase over the previous corresponding period of approximately 18% in total gross margin generated. Staff expenses as a percentage of gross margin contribution increased marginally over the previous corresponding period, but remained ahead of target for the half-year.

The net profit before tax, net profit after tax and earnings per share as previously reported for the half-year ended 31 December 2004 have been restated to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) – refer below for more detail.

Net profit before tax (NPBT) was $3,825,000, which is consistent with the profit guidance provided at the Annual General Meeting in November 2005. This represents an increase of 42% based on the previously reported 2004 half-year NPBT of $2,685,000, or an increase of 36.5% compared to the AIFRS-restated 2004 half-year NPBT of $2,801,000.

Net profit after tax (NPAT) was $2,598,000, an increase of 44% based on the previously reported 2004 half-year NPAT of $1,802,000, or an increase of 34% compared to the AIFRS-restated 2004 half-year NPAT of $1,934,000.

This represented basic earnings per share (EPS) of 16.85 cents, an increase of 42% based on the previously reported 2004 half-year EPS of 11.87 cents, or an increase of 32% compared to the AIFRS-restated 2004 half-year EPS of 12.73 cents.

Directors' Report (continued)

The net cash outflow from operating activities in the current period includes payments made to suppliers in respect of sales and cash received during the preceding (pre-30 June) period. Aged receivables' balances and days' sales outstanding remained on target, and interest bearing debt remained minimal.

The consolidated entity continued its focus on internal systems efficiency and cost control, and the logistics and warehousing function continued to reduce transaction costs through more cost-effective operations.

First time adoption of Australian equivalents to International Financial Reporting Standards

This is the consolidated entity's first published financial report prepared under Australian equivalents to International Financial Reporting Standards (AIFRS). The Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing this half-year financial report. Until 30 June 2005, the financial statements of the consolidated entity had been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Accounting Standards and the Urgent Issues Group (UIG) Interpretations.

The comparative financial statements have been restated to reflect the changes through complying with AIFRS. Accordingly the opening balance sheet at 1 July 2004 has been restated, although the impact was not material. The profit after tax for the half-year ended 31 December 2004 has been adjusted under AIFRS from $1,802,000 to $1,934,000, and the profit after tax for the year ended 30 June 2005 has been adjusted under AIFRS from $3,912,000 to $4,177,000. The majority of AIFRS adjustments affecting profit relate to the reversal of amortisation expense on goodwill of $156,000 for the half-year ended 31 December 2004 and $312,000 for the year ended 30 June 2005, which is no longer amortised under AIFRS. Reconciliations explaining the transition to AIFRS as at 1 July 2004, 31 December 2004 and 30 June 2005 are provided in note 9 of the financial statements.

Dividends

The directors have declared a fully franked dividend of 11 cents per share payable on 31 March 2006.

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 4.

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 Anderson

R A Anderson
Director

Brisbane
Dated this 27th day of February 2006

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Auditor's Independence Declaration

As lead engagement partner for the review of the half-year financial report of Data#3 Limited for the half-year ended 31 December 2005, 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.

JOHNSTON RORKE
Chartered Accountants

J. Evans

J Evans
Partner

Brisbane, Queensland
27 February 2006

Data#3 Limited and Controlled Entities

Consolidated Income Statement
For the half-year ended 31 December 2005

	Half-year	
	2005	**2004**
	$'000	**$'000**
Revenues		
Sale of goods	88,069	76,331
Services	24,361	18,116
Other (note 2)	402	230
Total revenue	112,832	94,677
Expenses		
Changes in inventories of finished goods	1,116	(163)
Purchase of goods	(78,018)	(66,345)
Employee and contractor costs directly on-charged (cost of sales on services)	(9,989)	(6,971)
Other cost of sales on services	(2,311)	(1,252)
Other employee and contractor costs	(15,774)	(13,217)
Telecommunications	(386)	(418)
Rent	(1,173)	(1,022)
Travel	(603)	(529)
Depreciation and amortisation	(229)	(297)
Borrowing costs	(2)	(11)
Other	(1,638)	(1,651)
Total expense	(109,007)	(91,876)
Profit from ordinary activities before income tax expense	3,825	2,801
Income tax expense	(1,227)	(867)
Net profit	2,598	1,934
Basic earnings per share	16.85c	12.73c
Diluted earnings per share	16.85c	12.72c

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Data#3 Limited and Controlled Entities

Consolidated Balance Sheet
As at 31 December 2005

	31 December 2005 $'000	30 June 2005 $'000
Current assets		
Cash and cash equivalents	5,615	9,173
Receivables	25,147	30,192
Inventories	3,478	2,362
Other	1,768	1,021
Total current assets	36,008	42,748
Non-current assets		
Available-for-sale financial assets	5	-
Other financial assets	-	7
Property and equipment	1,230	1,372
Deferred tax assets	910	766
Intangible assets	4,662	4,582
Total non-current assets	6,807	6,727
Total assets	42,815	49,475
Current liabilities		
Payables	23,384	31,356
Current tax liabilities	929	699
Provisions	565	507
Other	1,933	1,997
Total current liabilities	26,811	34,559
Non-current liabilities		
Provisions	361	396
Other	625	723
Total non-current liabilities	986	1,119
Total liabilities	27,797	35,678
Net assets	15,018	13,797
Equity		
Contributed equity	9,095	8,706
Retained profits	5,923	5,091
Total equity	15,018	13,797

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 2005

2005	Number of Ordinary Shares '000	Ordinary Shares $'000	Retained Earnings $'000	Total Shareholders' Equity $'000
Balance at 30 June 2005	15,350	8,706	5,091	13,797
Net income	-	-	2,598	2,598
Issuance of ordinary shares	145	389	-	389
Payment of dividends	-	-	(1,766)	(1,766)
Balance at 31 December 2005	15,495	9,095	5,923	15,018
2004				
Balance at 30 June 2004	15,126	8,190	3,742	11,932
Adjustment on initial adoption of AIFRS	-	-	(246)	(246)
Net income	-	-	1,934	1,934
Issuance of ordinary shares	114	226	-	226
Payment of dividends	-	-	(1,439)	(1,439)
Balance at 31 December 2004	15,240	8,416	3,991	12,407

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Data#3 Limited and Controlled Entities

Consolidated Cash Flow Statement
For the half-year ended 31 December 2005

	Half-year	
	2005	**2004**
	$'000	**$'000**
Cash flows from operating activities		
Receipts in course of operations (inclusive of goods and services tax)	128,401	99,904
Payments to suppliers and employees (inclusive of goods and services tax)	(129,560)	(101,677)
Interest received	371	221
Borrowing costs	(2)	(11)
Income taxes paid	(1,140)	(809)
Income taxes refunded	-	193
Net cash (outflow) from operating activities	(1,930)	(2,179)
Cash flows from investing activities		
Payments for property, plant and equipment	(39)	(42)
Payments for software assets	(214)	-
Return of capital on investment	2	-
Proceeds from sale of property, plant and equipment	-	12
Proceeds received from former joint venture partner	-	619
Net cash inflow (outflow) from investing activities	(251)	589
Cash flows from financing activities		
Proceeds from issues of shares	18	18
Repayment of lease liabilities	-	(34)
Dividends paid	(1,395)	(1,231)
Net cash (outflow) from financing activities	(1,377)	(1,247)
Net (decrease) in cash held	(3,558)	(2,837)
Cash and cash equivalents at the beginning of the reporting period	9,173	6,797
Cash and cash equivalents at the end of the reporting period	5,615	3,960

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 2005

Note 1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 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. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 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.

(a) Basis of preparation of half-year financial report
The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)
This interim financial report is the first Data#3 Limited interim financial report to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Data#3 Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Data#3 Limited interim financial report for the half-year ended 31 December 2005, management has amended certain accounting, valuation, and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the group's equity and net income are given in note 7.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial asset and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment, and investment property.

(b) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Data#3 Limited ("company" or "parent entity") as at 31 December 2005 and the results of all controlled entities for the half-year then ended. Data#3 Limited and its controlled entities together are referred to in this financial report as the group or consolidated entity.

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

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Note 1. Summary of significant accounting policies (continued)

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

Foreign currency transactions are translated to Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. As at balance sheet date the consolidated entity has not entered any hedge transactions, as the risk to the consolidated entity from foreign-denominated transactions is insignificant.

The results and financial position of overseas operations where the functional currency is different from the presentation currency are translated into Australian dollars as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

(d) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue includes revenue earned (net of returns, discounts, allowances and duties and taxes paid) from the provision of goods or services to entities outside the consolidated entity.

Revenue from the sale of goods is recognised when the goods are shipped to a customer pursuant to a sales order and the associated risks have passed to the customer. Revenue from services is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where it is probable that a loss will arise from a fixed price service contract, the excess of total costs over revenue is recognised as an expense immediately.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability, in 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 profit or taxable loss at the time of the transaction.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2005

Note 1. Summary of significant accounting policies (continued)

(e) Income tax (continued)
Data#3 Limited and its wholly-owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. The entities have also entered into tax sharing and funding agreements. Under the terms of these agreements, the wholly-owned entities reimburse Data#3 Limited for any tax liabilities arising in respect of their activities. Data#3 Limited also reimburses its wholly-owned entities for the benefit of any tax losses arising in respect of their activities. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Data#3 Limited.

(f) Leases
Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Lease payments are allocated between the liability and the interest expense. The leased asset is depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term. Leased assets held at the reporting date are being depreciated over a period of 4 to 5 years.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

(g) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

For purposes of the cash flow statement, cash includes cash and cash equivalents, net of outstanding bank overdrafts.

(h) Receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are non-interest bearing and are generally due for settlement no more than 30 days from the date of recognition. Collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables.

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

Note 1. Summary of significant accounting policies (continued)

(j) Acquisitions of assets
The purchase method of accounting is used to account for all acquisitions of assets, including business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange, unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(p)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(k) Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(l) Non-current assets held for sale
Non-current assets or disposal groups are classified as held for sale and stated at the lower of their carrying amounts or fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(m) Investments and other financial assets
The group has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. The group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP, refer to the annual report for the year ended 30 June 2005.

The nature of the main adjustments necessary for the comparative information to comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables, which are measured at amortised cost (refer below), fair value is the measurement basis.

From 1 July 2005, the group classifies its investments in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reevaluates this designation at each reporting date. Purchases and sales of investments are recognised on trade date.

Note 1. Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)
Investments are initially recognised at fair value plus, for all financial assets not carried at fair value through profit and loss, transaction costs. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, and for unlisted securities, the group establishes fair value using other valuation techniques such as reference to the fair values of recent arms' length transactions involving the same or similar instruments, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The group considers various factors in determining whether to recognise an impairment charge, including the length of time and extent to which the fair value has been less than the group's cost basis, the financial condition and near-term prospects of the investee, and the group's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Financial assets at fair value through profit and loss and available-for-sale financial assets are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement 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 a separate component of equity 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 equity is included in the income statement. 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 in determining whether the security is impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

As at balance sheet date the group has not entered any derivative contracts.

(n) Fair value of financial instruments
The fair value of certain of the group's financial instruments, including cash and cash equivalents, trade receivables (net of allowance for doubtful accounts) and payables, accrued compensation, and other accrued liabilities, approximate cost because of their short maturities. The fair value of investments is determined using quoted market prices for those securities or similar financial instruments.

(o) Property and equipment
Property and equipment is stated at cost, less accumulated depreciation and amortisation. Depreciation and amortisation are computed using the straight-line method to allocate cost net of residual values over the estimated useful lives of the assets, being three to 20 years. Depreciation and amortisation of leasehold improvements are computed using the shorter of the remaining lease terms or ten years.

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

(p) Goodwill and purchased intangible assets
Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequently goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment on an annual basis, and between annual tests in certain circumstances, and written down when impaired. Based on the impairment tests performed, there was no impairment of goodwill in financial years 2004, 2005 or the half-year ended 31 December 2005.

Purchased intangible assets other than goodwill are amortised over their useful lives unless these lives are determined to be indefinite. Purchased intangibles are carried at cost less accumulated amortisation and impairment losses. Amortisation is computed using the straight-line method over the estimated useful lives of the respective assets, generally three to five years.

Note 1. Summary of significant accounting policies (continued)

(q) Trade and other payables
These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are usually paid within 30-60 days of recognition.

(r) Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

Share-based compensation benefits
Share-based compensation benefits are provided to employees via the Data#3 Limited Employee Option Plan and an employee share scheme.

For share options granted before 7 November 2002 and/or vested before 1 January 2005. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

For share options granted after 7 November 2002 and vested after 1 January 2005, the fair value of the 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 options. Fair value is determined using the Black Scholes 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.

Note 1. Summary of significant accounting policies (continued)

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

The market value of shares issued under the employee share scheme is recognised in the balance sheet as share capital, with employee benefits expense, measured as the difference between the market value of the shares and the consideration paid by the employee, if any.

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

(u) Earnings per share
Basic earnings per share is computed as profit attributable to equity holders 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.

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

Note 2. Other revenue

	Half-year 2005 $'000	Half-year 2004 $'000
Other revenue from continuing operations:		
Interest	399	214
Other	3	16
	402	230

Note 3. Segment information

Business Segment
The consolidated entity predominantly operates in one segment. Its activities include the procurement of information and communication technology (ICT) products; the design, implementation and support of ICT infrastructure solutions; the provision of ICT recruitment services; and the supply, implementation and support of application software solutions.

Geographical Segment
The consolidated entity's operations are based predominantly in Australia.

Notes to the Consolidated Financial Statements (continued)
For the half-year ended 31 December 2005

Note 4: Dividends

	Half-year 2005 $'000	Half-year 2004 $'000
Ordinary shares		
Dividends provided for or paid during the half-year	1,766	1,439
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 11 cents (2004: 7.5 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 31 March 2006 out of retained profits at the end of the half-year, but not recognised as a liability, is	1,704	1,143

Note 5. Equity securities issued

	Half-year		Half-year	
	2005 Shares	2004 Shares	2005 $'000	2004 $'000
Issues of ordinary shares during the half-year				
Exercise of options under the Data#3 Employee Option Plan	20,000	20,000	18	18
Issuance of shares for no cash consideration:				
Dividend reinvestment plan	125,211	93,700	371	208
	145,211	113,700	389	226

Note 6. Contingent liabilities

There have been no material changes in contingent liabilities from those disclosed in the June 2005 Annual Report.

Note 7. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

Reconcilations of equity and profit reported under previous AGAAP to equity and profit reported under AIFRS are set out below.

At the date of transition to AIFRS: 1 July 2004

	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Total assets (notes b, f, g)	44,203	576	44,779
Total liabilities (notes c, d, g)	32,271	822	33,093
Total equity (note f)	11,932	(246)	11,686

Note 7. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS) (continued)

For the last half-year reporting period: 31 December 2004

As at 31 December 2004	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Total assets (notes a, b, f, g)	43,982	702	44,684
Total liabilities (notes c, d, g)	31,461	816	32,277
Total equity (note f)	12,521	(114)	12,407
For the half-year reporting period:			
Profit before income tax (notes a, c, d)	2,685	116	2,801
Income tax expense (note b)	(883)	16	(867)
Net profit	1,802	132	1,934

For the last reporting period: 30 June 2005

As at 30 June 2005	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Total assets (notes a, b, f, g)	48,649	826	49,475
Total liabilities (notes c, d, g)	34,871	807	35,678
Total equity (note f)	13,778	19	13,797
For the reporting period:			
Profit before income tax (notes a, c, d)	5,864	235	6,099
Income tax expense (note b)	(1,952)	30	(1,922)
Net profit	3,912	265	4,177

(a) Intangible assets

Under AASB 3 *Business Combinations*, amortisation of goodwill is prohibited. Instead goodwill is subject to impairment testing. Impairment of assets is assessed by determining the recoverable amount as the higher of fair value less costs to sell or value in use, focusing on the cash flows of the related cash generating unit, rather than using the previous method of undiscounted cash flows. The effect this change in accounting policy is:

At 1 July 2004
There is no effect.

At 31 December 2004
There is an increase in consolidated goodwill of $156,000 and consolidated retained earnings of $156,000.

At 30 June 2005
There is an increase in consolidated goodwill of $312,000 and consolidated retained earnings of $312,000.

For the half-year ended 31 December 2004
Consolidated amortisation expense is $156,000 lower.

For the year ended 30 June 2005
Consolidated amortisation expense is $312,000 lower.

Note 7. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS) (continued)

(b) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet approach under which temporary differences are identified for each asset and liability based on the differences between their carrying amounts and their tax bases rather than the current income statement method which accounts for the effects of timing and permanent differences between taxable income and accounting profit. Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The effect of this change in accounting policy is:

At 1 July 2004

There is a decrease in consolidated deferred tax assets of $12,000 and consolidated retained earnings of $12,000.

At 31 December 2004
There is a decrease in consolidated deferred tax assets of $8,000 and consolidated retained earnings of $8,000.

At 30 June 2005
There is a decrease in consolidated deferred tax assets of $5,000 and consolidated retained earnings of $5,000.

For the half-year ended 31 December 2004
There is a decrease in income tax expense of $4,000.

For the year ended 30 June 2005
There is a decrease in income tax expense of $7,000.

(c) Operating lease rentals

Under AIFRS operating lease payments are generally required to be charged to expense on a straight-line basis over the term of the lease. Under previous AGAAP lease payments were charged to expense as incurred. The effect of this change in accounting policy is:

At 1 July 2004
There is an increase in accrued liabilities of $268,000 and a corresponding decrease in consolidated retained earnings.

At 31 December 2004
There is an increase in accrued liabilities of $303,000 and a corresponding decrease in consolidated retained earnings.

At 30 June 2005
There is an increase in accrued liabilities of $324,000 and a corresponding decrease in consolidated retained earnings.

For the half-year ended 31 December 2004
There is an increase in rent expense of $35,000.

For the year ended 30 June 2005
There is an increase in rent expense of $56,000.

Note 7. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS) (continued)

(d) Provisions
Under AIFRS a provision must be taken up for the present value of "make-good" provisions in relation to operating leases. Under previous AGAAP "make-good" costs were charged to expense as incurred. The effect of this change in accounting policy is:

At 1 July 2004
There is an increase in non-current provisions of $65,000 and a corresponding decrease in consolidated retained earnings.

At 31 December 2004
There is an increase in non-current provisions of $70,000 and a corresponding decrease in consolidated retained earnings.

At 30 June 2005
There is an increase in non-current provisions of $86,000 and a corresponding decrease in consolidated retained earnings.

For the half-year ended 31 December 2004
There is an increase in other expense of $5,000.

For the year ended 30 June 2005
There is an increase in other expense of $21,000.

(e) Employee benefits
Under AASB 2 *Share-based Payment*, the consolidated entity recognises an expense in relation to those options that were issued to employees under the Data[#]3 Employee Option Plan after 7 November 2002 but that had not vested by 1 January 2005; under AGAAP the consolidated entity's policy required no recognition of expense.

No adjustment is required under AASB 2 during the half-year ended 31 December 2004 or the year ended 30 June 2005, as all options outstanding had vested prior to 1 January 2005.

(f) Retained earnings
The effect on retained earnings of the changes set out above are as follows:

	Notes	1 July 2004 $000s	31 December 2004 $000s	30 June 2005 $000s
Goodwill amortisation	(a)	-	(156)	(312)
Straight-line rent	(c)	268	303	324
Make-good provisions	(d)	65	70	86
		333	217	98
Tax effect of above adjustments *		(99)	(111)	(122)
Adjustment due to adoption of AASB 112	(b)	12	8	5
Decrease/(increase) in retained earnings		246	114	(19)

*increase in deferred tax assets

Note 7. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS) (continued)

(g) Other changes

In addition to the above, other changes made on transition to AIFRS are as follows:

- Reclassification of purchased software assets from property and equipment to intangible assets ($53,000 at 30 June 2005).
- Recognition of additional leasehold improvements and related lease incentive liability ($489,000 at 1 July 2004, $443,000 at 31 December 2004, and $397,000 at 30 June 2005).

These changes did not impact equity or profit.

Directors' Declaration

In the directors' opinion the attached financial statements and notes:

(a) comply with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; 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 Anderson

R A Anderson
Director

Brisbane
Dated this 27th day of February 2006

JOHNSTON RORKE JR

Chartered Accountants

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Independent Review Report to the Members of Data#3 Limited

Scope

We have reviewed the financial report being the Directors' Declaration, Consolidated Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flows and Notes to the Consolidated Financial Statements of Data#3 Limited (the company) for the half-year ended 31 December 2005. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, 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. We confirm that the independence declaration required by the Corporations Act 2001, provided to directors of the company, would be in the same terms if provided to the directors as at the date of this review report.

Statement

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:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

JOHNSTON RORKE
Chartered Accountants

J. Evans

J Evans
Partner

Brisbane, Queensland

27 February 2006