# Appendix 4D

**ASX Half-Year Report**

| | |
|---|---|
| **Name of entity:** | **Data#3 Limited** |
| ABN: | 31 010 545 267 |
| **Reporting period:** | **Half-year ended 31 December 2008** |
| Previous corresponding period: | Half-year ended 31 December 2007 |

## Results for announcement to the market

| **Results** | | | | |
|---|---|---|---|---|
| Revenue from ordinary activities | up | 46 % | to | $230,012,000 |
| Profit from ordinary activities after tax attributable to members | up | 9 % | to | $4,040,000 |
| Net profit for the period attributable to members | up | 9 % | to | $4,040,000 |

| **Dividends** | Amount per security | Franked amount per security |
|---|---|---|
| **Current period** | | |
| Ordinary dividend | 20.0 cents | 20.0 cents |
| **Previous corresponding period** | | |
| Ordinary dividend | 18.0 cents | 18.0 cents |

The record date for determining entitlements to the dividend is 17 March 2009.

**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.

Data#3 Limited and Subsidiaries

**Notes to Appendix 4D**
**For the half-year ended 31 December 2008**

## Net tangible assets per security

| | Current period | Previous period |
|---|---|---|
| Net tangible asset backing per ordinary security | $0.99 | $0.93 |

## 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 |
|---|---|---|---|---|---|
| 14 September 2007 | 28 September 2007 | Ordinary | 22.0 cents | 22.0 cents | $3,409,000 |
| 14 March 2008 | 28 March 2008 | Ordinary | 18.0 cents | 18.0 cents | $2,786,000 |
| 16 September 2008 | 30 September 2008 | Ordinary | 28.0 cents | 28.0 cents | $4,329,000 |
| 17 March 2009 | 31 March 2009 | Ordinary | 20.0 cents | 20.0 cents | $3,080,000 |

**Data#3 Limited and Subsidiaries**

**Notes to Appendix 4D**
**For the half-year ended 31 December 2008**

Dividend Reinvestment Plan

| |
|---|
| **Data#3 Limited Dividend Reinvestment Plan**<br><br>The Data#3 Dividend Reinvestment Plan has been suspended from 1 September 2006 until further notice from the Board. |

**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. | - | - |

## Compliance Statement

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

Signed:

John Grant
Managing Director

Date: 23 February 2009

# Data#3 Limited

**ABN 31 010 545 267**

## Half-Year Report

31 December 2008

## Directors' report

Your directors present their report on the group consisting of Data#3 Limited and its subsidiaries for the half-year ended 31 December 2008.

**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 J E Grant
Mr W T Powell
Mr I Johnston

**Review of operations**

Total revenue of the group for the half-year was $230,012,000 (2007: $157,308,000), an increase of 46%.

Viewing revenue in very simple Product and Services categories:
- Product revenue increased by 60% from $119.2 million to $190.5 million
- Services revenue increased by 4% from $37.6 million to $38.9 million.

Viewing revenue by areas of specialisation or "solution areas":
- Software Licensing Solutions revenue increased by 87% from $62.4 million to $116.5 million
- Infrastructure Solutions revenue increased by 25% from $73.6 million to $91.9 million
- People Solutions revenue increased by 1% from $20.8 million to $21.1 million.

The substantial revenue growth reflects contributions from the geographic expansion into South Australian and Western Australia early last year as well as strong growth in the core eastern states' businesses, and demonstrates that our strategy to expand market share has been successful. The very substantial growth in the Software Licensing Solutions business is particularly pleasing considering the external economic environment, as is the strong growth in Infrastructure Solutions. As expected, People Solutions has been directly affected by the deteriorating external recruitment market and this business has been restructured to reduce staff and operating costs until the recruitment market improves.

We expected and experienced some restraint in customer investment and demand in some areas, as well as higher levels of market competition, which materialized as pressure on pricing and gross margins generally. The overall gross margin percentage decreased from 20.4% to 17.4% due to the increased proportion of lower margin revenue from Software Licensing Solutions, and consequently the 46% revenue increase translated to a 25% increase in gross margin (in dollar terms).

The relativity of internal staff and operating expenses to gross margin is a key measure of growth and performance. This "internal cost ratio" increased from 85.2% in the previous corresponding period to 87.5%, largely due to an increase in expense in People Solutions of almost $1 million.

Earnings before net interest, tax, depreciation and amortization (EBITDA) increased by 16% from $5,054,000 to 5,880,000.

Net profit before tax (NPBT) increased by 10% from $5,314,000 to $5,856,000.

Net profit after tax (NPAT) increased by 9% from $3,713,000 to $4,040,000. This represented basic earnings per share (EPS) of 26.16 cents, an increase of 9% on the previous corresponding half-year EPS of 23.92 cents.

The cash balance at 31 December 2008 was $8.8 million and the company has no debt.

**Directors' report (continued)**

The focus on internal systems efficiency and cost control has continued and the implementations of new logistics, financial and sales management systems are progressing to plan with completion expected before the end of the financial year. These investments will further improve the cost-effectiveness of operations across all business units.

**Dividends**

The directors have declared a fully franked dividend of 20.0 cents per share payable on 31 March 2009.

**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 A Anderson

**R A Anderson**
Director

Brisbane
Dated this 23rd day of February 2009

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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The Directors
Data#3 Limited
Level 2, Data#3 Centre
80 Jephson Street
TOOWONG QLD 4066

Dear Sirs

**Auditor's independence declaration**

As lead engagement partner for the review of the financial report of Data#3 Limited for the half-year ended 31 December 2008, 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 J Evans**
Partner

Brisbane, Queensland
23 February 2009

## Consolidated Income Statement
## For the half-year ended 31 December 2008

| | Half-year 2008 $'000 | Half-year 2007 $'000 |
|---|---|---|
| **Revenue** | | |
| Sale of goods | 190,549 | 119,150 |
| Services | 38,926 | 37,575 |
| Other | 537 | 583 |
| | 230,012 | 157,308 |
| **Other income** | 310 | - |
| **Expenses** | | |
| Changes in inventories of finished goods | (838) | (1,365) |
| Purchase of goods | (166,939) | (101,620) |
| Employee and contractor costs directly on-charged (cost of sales on services) | (18,749) | (18,586) |
| Other cost of sales on services | (2,932) | (3,143) |
| Other employee and contractor costs | (28,861) | (22,622) |
| Telecommunications | (629) | (503) |
| Rent | (1,986) | (1,439) |
| Travel | (777) | (683) |
| Professional fees | (376) | (364) |
| Depreciation and amortisation | (529) | (310) |
| Finance costs | (32) | (13) |
| Other | (1,818) | (1,346) |
| | (224,466) | (151,994) |
| **Profit before income tax expense** | 5,856 | 5,314 |
| Income tax expense | (1,816) | (1,601) |
| **Net profit** | 4,040 | 3,713 |
| Basic earnings per share | 26.16c | 23.92c |
| Diluted earnings per share | 26.16c | 23.92c |

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

## Consolidated Balance Sheet
## As at 31 December 2008

| | 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 8,822 | 17,014 |
| Trade and other receivables | 65,925 | 68,238 |
| Inventories | 5,805 | 6,601 |
| Other | 2,152 | 1,379 |
| Total current assets | 82,704 | 93,232 |
| **Non-current assets** | | |
| Property and equipment | 1,715 | 1,730 |
| Deferred tax assets | 1,499 | 1,225 |
| Intangible assets | 5,341 | 5,277 |
| Total non-current assets | 8,555 | 8,232 |
| **Total assets** | 91,259 | 101,464 |
| **Current liabilities** | | |
| Trade and other payables | 63,168 | 71,212 |
| Current tax liabilities | 952 | 1,423 |
| Provisions | 952 | 849 |
| Other | 4,659 | 5,773 |
| Total current liabilities | 69,731 | 79,257 |
| **Non-current liabilities** | | |
| Other payables | 182 | 160 |
| Provisions | 655 | 586 |
| Other | 52 | 135 |
| Total non-current liabilities | 889 | 881 |
| **Total liabilities** | 70,620 | 80,138 |
| **Net assets** | 20,639 | 21,326 |
| **Equity** | | |
| Contributed equity | 8,296 | 8,694 |
| Retained profits | 12,343 | 12,632 |
| **Total equity** | 20,639 | 21,326 |

*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 2008**

| | Number of Ordinary Shares '000 | Contributed Equity $'000 | Retained Profits $'000 | Total Shareholders' Equity $'000 |
|---|---|---|---|---|
| **2008** | | | | |
| **Balance at 30 June 2008, as reported** | 15,478 | 8,694 | 12,565 | 21,259 |
| Retrospective accounting adjustment (note 7) | - | - | 67 | 67 |
| **Balance at 30 June 2008, restated** | 15,478 | 8,694 | 12,632 | 21,326 |
| Net profit | - | - | 4,040 | 4,040 |
| Buyback of ordinary shares | (77) | (398) | - | (398) |
| Payment of dividends | - | - | (4,329) | (4,329) |
| **Balance at 31 December 2008** | 15,401 | 8,296 | 12,343 | 20,639 |
| **2007** | | | | |
| **Balance at 30 June 2007** | 15,591 | 9,387 | 9,690 | 19,077 |
| Net profit | - | - | 3,713 | 3,713 |
| Buyback of ordinary shares | (96) | (574) | - | (574) |
| Payment of dividends | - | - | (3,409) | (3,409) |
| **Balance at 31 December 2007** | 15,495 | 8,813 | 9,994 | 18,807 |

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

## Consolidated Cash Flow Statement
## For the half-year ended 31 December 2008

| | Half-year 2008 $'000 | Half-year 2007 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit after income tax | 4,040 | 3,713 |
| Depreciation and amortisation | 529 | 310 |
| Loss on sale of property, equipment and software assets | - | 20 |
| Provision for doubtful debts | 139 | - |
| Other | (20) | - |
| Changes in operating assets and liabilities: | | |
| Decrease in trade receivables | 2,080 | 9,641 |
| Decrease in inventories | 838 | 1,365 |
| (Increase) / decrease in other operating assets | (679) | 410 |
| Increase in net deferred tax assets | (274) | (107) |
| Decrease in trade payables | (8,111) | (18,451) |
| Decrease in unearned income | (1,099) | (3,124) |
| Increase / (decrease) in other operating liabilities | (24) | 435 |
| Decrease in current tax liabilities | (471) | (471) |
| Increase in liability for employee benefits | 165 | 170 |
| Net cash outflow from operating activities | (2,887) | (6,089) |
| **Cash flows from investing activities** | | |
| Payments for plant and equipment | (424) | (310) |
| Payments for software assets | (154) | (17) |
| Other | - | 5 |
| Net cash outflow from investing activities | (578) | (322) |
| **Cash flows from financing activities** | | |
| Payments for buyback of shares | (398) | (574) |
| Dividends paid | (4,329) | (3,409) |
| Net cash outflow from financing activities | (4,727) | (3,983) |
| **Net decrease in cash and cash equivalents held** | (8,192) | (10,394) |
| Cash and cash equivalents at the beginning of the reporting period | 17,014 | 17,367 |
| Cash and cash equivalents at the end of the reporting period | 8,822 | 6,973 |

*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 2008**

## Note 1. Significant accounting policies

**Statement of compliance**
This general purpose financial report for the half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

**Basis of preparation**
This report should be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Data#3 Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted in this interim financial report are the same as those applied in the 2008 annual report.

The consolidated entity is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that class order amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## Note 2. Segment information

**Business segment**
The group predominantly operates in one business segment. Its activities include software licensing and software asset management; the design, deployment and operation of desktop, network and data centre hardware and software infrastructure; and the provision of contract and permanent recruitment services.

The products and services offered by the group are similar with respect to nature, distribution methods, risks and returns, and customer bases. Revenue is generated by providing customer solutions that draw on all or several areas of specialisation, resulting in strong interdependency among our product and service offerings.

**Geographical segment**
The group's operations are based predominantly in Australia.

| | Half-year | |
|---|---|---|
| | **2008** | **2007** |
| | **$'000** | **$'000** |
| **Note 3. Dividends** | | |
| **Dividends paid on ordinary shares during the half-year** | | |
| Final fully franked dividend for 2008: 28.0c (2007: 22.0c) | 4,329 | 3,409 |
| **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 20.0 cents (2007: 18.0 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 2009 out of retained profits at the end of the half-year, but not recognised as a liability at the end of the half-year, is | 3,080 | 2,786 |

| | Half-year | | Half-year | |
|---|---|---|---|---|
| | 2008 Shares | 2007 Shares | 2008 $'000 | 2007 $'000 |
| **Note 4. Equity securities repurchased** | | | | |
| **Repurchase of ordinary shares during the half-year** | | | | |
| On-market buyback of shares | 76,835 | 95,606 | 398 | 574 |

Equity securities repurchased have been cancelled by the company.

## Note 5. Subsequent events

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

## Note 6. Contingent liabilities

There have been no material changes in contingent liabilities from those disclosed in the June 2008 annual report.

## Note 7. Adjustment to provisional accounting for the business combination

As disclosed in the June 2008 annual report, the group accounted for the acquisition of Fingerprint Consulting Services (FCS) on a provisional basis. Management has determined that the initial accounting for the acquisition requires the following adjustments, effective as at 1 January 2008, the date of the acquisition:

| | Original amount $'000 | Revised amount $'000 | Increase/(decrease) $'000 |
|---|---|---|---|
| Intangible assets – customer relationships | 874 | 300 | (574) |
| Goodwill | 1,791 | 627 | (1,164) |
| Deferred tax liability | 262 | 90 | (172) |
| Liabilities for acquisition cost and earn-out: | | | |
| Trade and other payables – current | 457 | 156 | (301) |
| Other payables – non-current | 1,424 | 160 | (1,264) |

The adjustments to the initial accounting for the acquisition resulted in a decrease of $1,498,000 to consolidated total assets, a decrease of $1,565,000 to consolidated total liabilities, and an increase of $67,000 to consolidated retained earnings as at 30 June 2008. The balance sheet as at 30 June 2008 shown on page six of this report has been restated to reflect the adjustments.

## Directors' declaration

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

(a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
(b) give a true and fair view of the group's financial position as at 31 December 2008 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 A Anderson**
Director

Brisbane
Dated this 23rd day of February 2009

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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## Independent auditor's review report

**To the members of Data#3 Limited**

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Data#3 Limited, which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration 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.

*Directors' Responsibility for the Half-Year Financial Report*
The directors of Data#3 Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Data#3 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**JOHNSTON RORKE**
Chartered Accountants

J. Evans

**J J Evans**
Partner

Brisbane, Queensland
23 February 2009

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