Data#3

2017 Annual Report

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Annual General Meeting

The Annual General Meeting of Data#3 Limited will be held in Brisbane at 10:30am on Thursday 9 November 2017 at the Corporate Head Office, 67 High Street, Toowong, Brisbane.

Letter to Shareholders

We are delighted to report yet another very solid performance in a year of significant milestones. During the 2017 financial year (FY17) Data#3 celebrated its 40th birthday. This is a great achievement for any Australian business, and we are grateful to everyone who helped us reach this 40-year milestone. From humble beginnings, Data#3 has risen to become Australia's leading technology services and solutions company.

Later this year marks another great occasion for Data#3, as twenty years ago in December 1997, the company floated on the ASX with a market capitalisation of $15 million. Today, it is approximately $275 million and the team has grown to over 1,100 staff across 14 locations.

Strong revenue growth in FY17 saw turnover exceed $1 billion, another major milestone. More importantly, the company delivered continued earnings and dividend growth to reach record highs. We consider this an excellent result in an environment where technology is continuing to change our everyday lives.

It was particularly pleasing that at the same time as delivering short-term improved financial performance, we also made significant progress with our long-term strategic plan. The plan contained three objectives – to deliver sustained profit growth; to grow services revenue with an increase in annuity business and an increase in margin; and to grow cloud services revenues. We have now had six consecutive half year reporting periods of profit growth, and in FY17 services revenues grew by 9.5% and cloud-based revenues by 71% to reach $169.5 million – all clearly indicating that our strategic plan remains on track.

After-tax profit and earnings per share increased by 11.2%, and the directors declared a final fully franked dividend of 5.55 cents per share, bringing the total dividend for FY17 to 8.90 cents per share fully franked, an increase of 11.3%. The share price increased significantly over the year, which, together with dividends paid, delivered a substantial total return to shareholders.

Other non-financial measures also indicate the underlying health of the business had continued to strengthen. Our staff and customer satisfaction surveys produced strong or record high results, and the winning of our second cross-industry Employer of Choice award was another highlight for our team.

We see economic conditions in FY18 largely consistent with FY17, with traditional technology investments remaining relatively flat. However, we are seeing digital technologies leading business transformation in both the commercial and public sector with the speed of digital innovation in mobility, analytics and cloud increasing significantly in the last few years. Digital technologies are already making profound and long-lasting changes to the technology industry and to how technology enables businesses and their users to operate. Data#3, together with the consulting team at Business Aspect, are well positioned to enable this transformation and to capture new business.

The board and management acknowledge the contribution of the company's staff who performed exceptionally well across multiple areas of specialisation and across our national market.

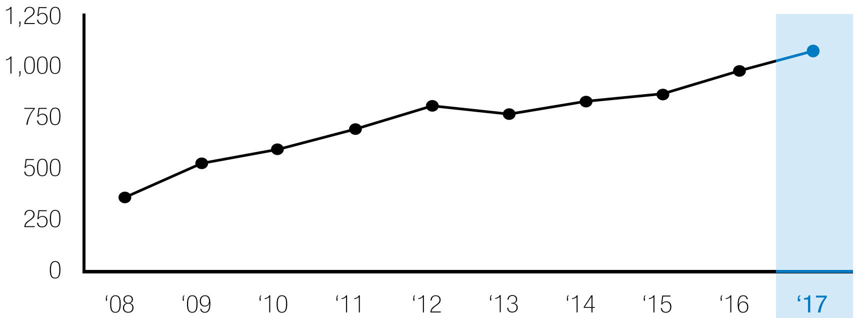
Likewise, we greatly appreciate the continued support of you, our shareholders. You can be assured that we are working diligently to both increase the return we provide to you and to achieve our long-term strategic goals.

Richard Anderson
Chairman

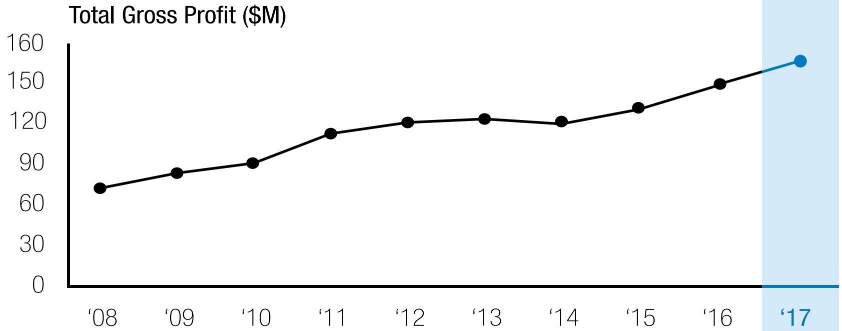
Laurence Baynham
Chief Executive Officer & Managing Director

Financial Summary

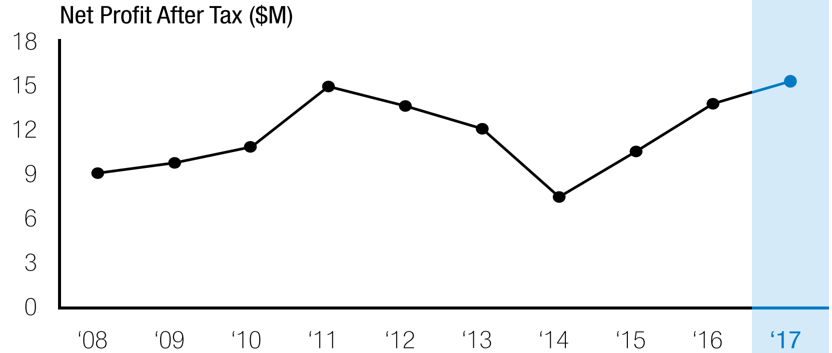
Total Revenue ($M)



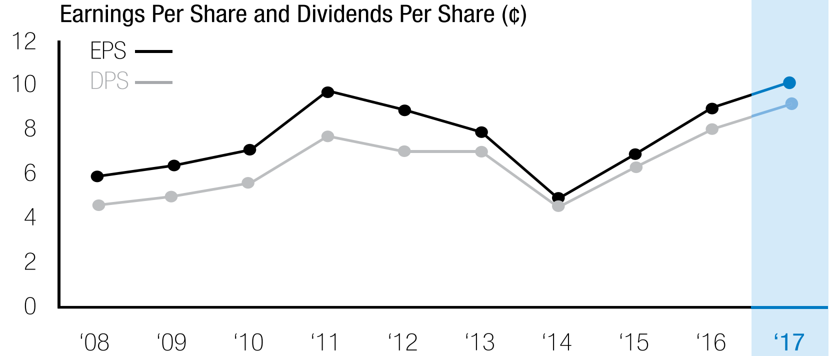
Total Gross Profit ($M)



Net Profit After Tax ($M)



Earnings Per Share and Dividends Per Share (¢)



Product Revenue

$889.2M +12.4%

Services Revenue

$208.1M +9.5%

Cloud Revenue

$169.5M +71.3%

Total Gross Profit

$158.9M +8.4%

Earnings Per Share

9.99¢ +11.2%

The following table sets out our performance in 2017 compared with previous years:

	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	% change
Product revenue	689,060	639,644	697,319	709,196	791,334	889,204	*+12.4%*
Services revenue	120,427	130,182	134,776	160,247	189,981	208,088	*+9.5%*
Total revenue	811,390	771,042	833,595	870,470	983,223	1,098,221	*+11.7%*
Cloud-based revenue, included above				47,000	98,953	169,480	*+71.3%*
Product gross profit	63,885	64,235	62,042	66,155	70,544	72,539	*+2.8%*
Services gross profit	56,072	58,290	56,827	63,329	76,030	86,340	*+13.6%*
Total gross profit	119,957	122,525	118,869	129,484	146,574	158,879	*+8.4%*
Product gross margin %	9.3%	10.0%	8.9%	9.3%	8.9%	8.2%	
Services gross margin %	46.6%	44.8%	42.2%	39.5%	40.0%	41.5%	
Total gross margin %	14.8%	15.9%	14.3%	14.9%	14.9%	14.5%	
Earnings before interest (net), tax, depreciation & amortisation	19,430	18,700	12,219	17,021	22,407	24,730	*+10.4%*
Earnings before interest (net) & tax	18,302	16,664	9,703	14,377	18,869	21,665	*+14.8%*
Net profit before tax	19,738	17,472	10,852	15,193	19,482	22,402	*+15.0%*
Net profit after tax	13,679	12,138	7,524	10,064	13,830	15,375	*+11.2%*
Net profit margin %	1.69%	1.57%	0.90%	1.22%	1.41%	1.40%	
Return on equity %	42.1%	35.8%	22.4%	29.2%	34.7%	37.0%	
Basic earnings per share	8.88 cents	7.88 cents	4.89 cents	6.89 cents	8.98 cents	9.99 cents	*+11.2%*
Dividends declared per share, fully franked	7.0 cents	7.0 cents	4.5 cents	6.3 cents	8.0 cents	8.9 cents	*+11.3%*
Payout ratio	78.8%	88.8%	92.1%	91.5%	89.1%	89.1%	
Share price at 30 June	$1.11	$1.075	$0.68	$0.79	$1.05	$1.725	*+64.3%*
Total shareholder return, based on dividends paid during year	-10.6%	-3.2%	-32.0%	-23.7%	41.4%	72.7%	

Operating and Financial Review

Following the success of FY15 and FY16, our plan for FY17 sought to refine the existing strategy rather than make major changes. The ICT industry is fast moving and can be complex, so our aim for the FY17 plan was to improve the connection with our people, customers and business partners and to simplify our business processes where possible.

The strategic planning process for FY17 – FY19 identified the following trends in adoption and use of business technology:

- Digital solutions would increasingly transform business models.
- A rapid shift to consumption-based and service-centric solutions was occurring.
- Security was the number one priority.
- Public cloud usage would become mainstream.

The three key components of the FY17 plan were

1. *to enable our customers' digital transformation*
We believed we could help our customers position, plan, design, deploy and ultimately manage their technology solutions that underpin their digital transformation.

2. *to accelerate our transition to services*
In addition to our traditional services, we saw the market opportunity to increasingly provide our technology solutions 'as a service' or consumption based.

3. *to grow and leverage our core capability*
We planned to continue our focus on growing and leveraging our core capability in software and infrastructure.

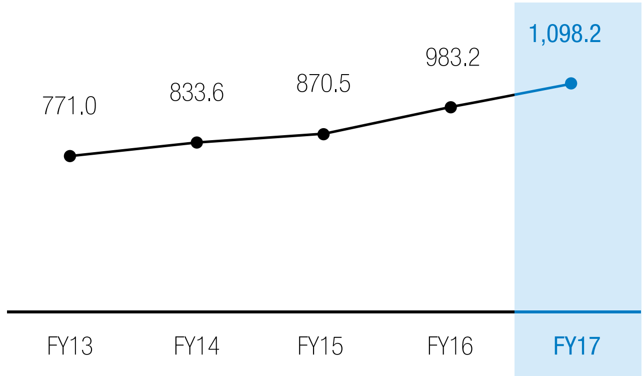
Market conditions in FY17 in both the public and private sectors remained challenging and relatively patchy; however, our strategy to continue to grow our core business while building our service-centric revenues has seen steady progress, resulting in continued market share and earnings growth.

Whole of group performance

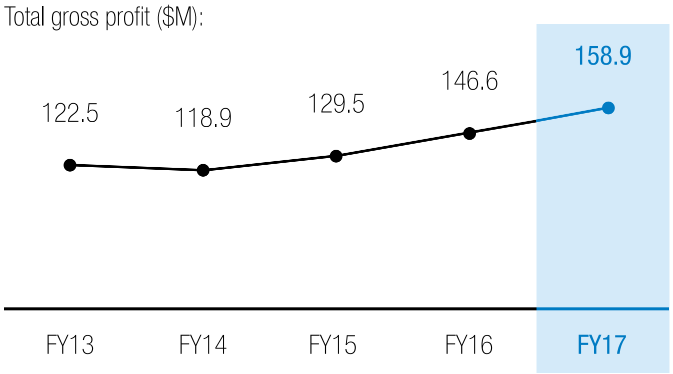
Total revenue was $1,098.2 million, 11.7% higher than last year's $983.2 million, with increases in both product and services revenues. We are pleased with the continued growth of our core business and the significant growth in the emerging cloud-based business, which saw total cloud-based revenues increase by 71.2% from $99.0 million to $169.5 million. This means we gained market share in a relatively flat IT sector.

Total gross profit (excluding other revenue) increased by 8.4% from $146.6 million to $158.9 million, representing a fractionally lower total gross margin of 14.5%.

Total revenue ($M):



Total gross profit ($M):



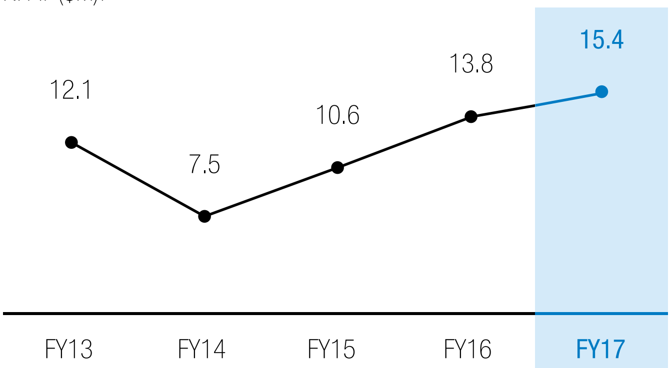
In July 2015 Data#3 exercised its option to acquire a controlling interest in Discovery Technology Pty Ltd ("Discovery Technology"), and as a result Discovery Technology has been included in Data#3's consolidated financial statements in FY16 and FY17. Following a disappointing operating loss from Discovery Technology in FY16, the business achieved a significant profit turnaround and delivered a total before-tax profit contribution of $1.4 million in FY17.

The group's total net profit before tax increased by 15.0% from $19.5 million to $22.4 million, demonstrating ongoing improvement in operating leverage.

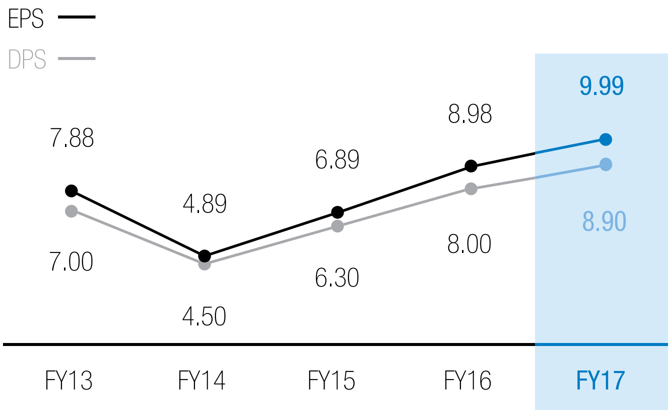
Net profit after tax (excluding minority interests in Discovery Technology) increased by 11.2% from $13.8 million to $15.4 million. This represented basic earnings per share of 9.99 cents, an increase of 11.2% from 8.98 cents in the previous year.

The board declared fully franked dividends of 5.55 cents per share for the full year, representing a payout ratio of 89.1%.

NPAT ($M):



EPS & DPS (cents):



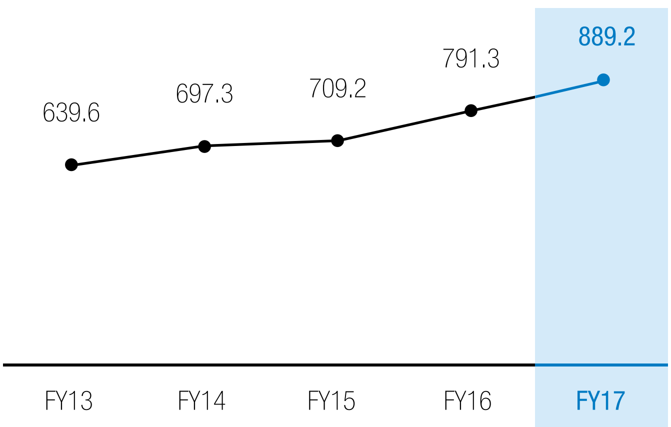
Return on equity increased from 34.0% to 36.0%.

Product revenue and gross profit

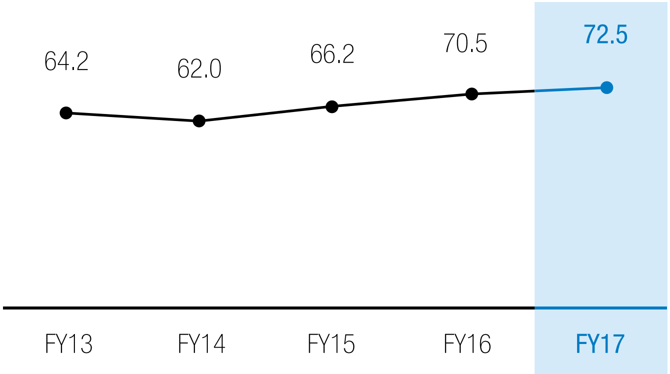
Total product (hardware and software) revenue increased by 12.4% from $791.3 million to $889.2 million, reflecting very strong growth in public cloud solutions.

Total product gross margin decreased from 8.9% to 8.2% due to the change in sales mix, and total product gross profit increased by 2.8% from $70.5 million to $72.5 million.

Product revenue ($M):



Product gross profit ($M):

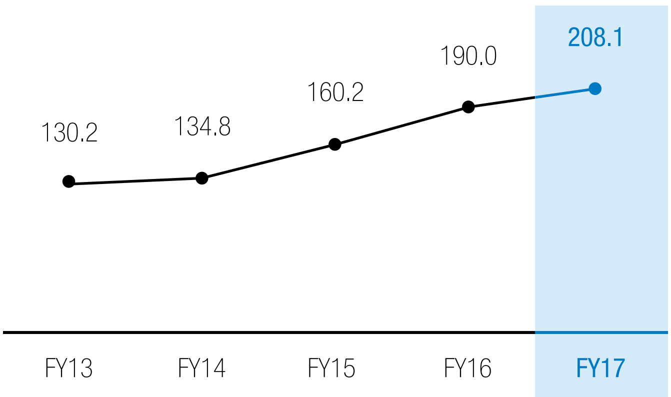


Services revenue and gross profit

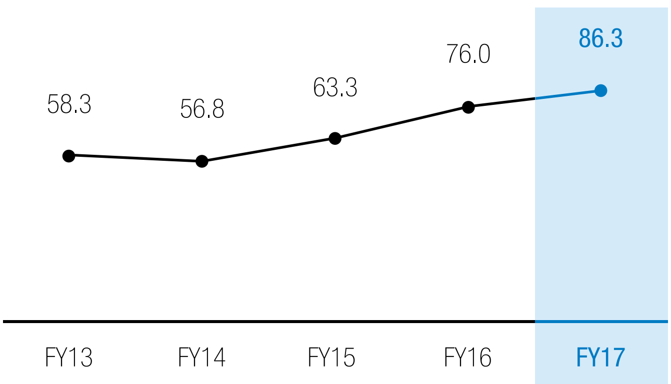
Total services revenue increased by 9.5% from $190.0 million to $208.1 million. All services areas increased revenue, however the strongest growth came from consulting and professional services.

Total services gross margin increased from 40.0% to 41.5%, and the overall services gross profit increased by 13.6% from $76.0 million to $86.3 million.

Services revenue ($M):



Services gross profit ($M):



Other revenue

Other revenue decreased from $1.9 million to $0.9 million. Other revenue in FY16 included a once-off benefit of $1.1 million from the reversal of deferred consideration recorded in FY15 in connection with the purchase of Business Aspect. Interest revenue increased from $0.7 million to $0.8 million primarily due to a greater amount of cash on deposit in FY17 compared to FY16.

Operating expenses

Internal staff costs increased by 8.6% from $105.0 million to $114.1 million and other operating expenses decreased by 2.6% from $24.0 million to $23.3 million. The cost ratio (operating expenses as percentage of gross profit) decreased from 88.0% to 86.5%, demonstrating improved operating leverage.

Total staff numbers increased marginally from 1,175 at the commencement of the financial year to 1,177 at the close, with continual re-balancing of resources to meet business demands throughout the year and an overall increase in consulting headcount.

Cash flow

The net cash flow from operating activities was a very strong inflow of $51.3 million. As usual the operating cash flow and year-end cash balance were temporarily inflated due to the timing of receipts and payments around 30 June. The traditional May/June sales peak produces higher than normal collections pre-30 June that generate temporary cash surpluses which subsequently reverse after 30 June when the associated supplier payments occur. As a result, the year-end cash balance of $135.7 million was again inflated by this temporary surplus.

The key trade receivables indicator of average days' sales outstanding remained ahead of target and at 26.7 days is industry best practice and even better than the previous year.

Performance against strategic priorities

FY17 was the second year into a three-year strategic plan. The plan contained three long-term objectives:

- Deliver sustained profit growth.
- Grow services revenue with an increase in annuity and an increase in margin.
- Grow cloud services revenues.

The progress we made against these strategic priorities is summarised below.

1. Deliver sustained profit growth

As at June 2017 we have achieved six consecutive half years of profit growth. We have achieved this result by

- increasing revenues
- maintaining prudent cost control
- improving operating leverage, or the ratio of staff and operating costs to gross profit
- dedicating management focus to improving Discovery Technology's profit contribution in FY17.

2. Grow services profit with an increase in annuity and an increase in margin

Increased investment in and focus on our services business has resulted in growth in services revenues across our solution categories. Services revenues have increased every year since FY09, with FY17 delivering 9.5% growth and a higher proportion of annuity revenue. A change in mix produced an increase in gross margin percentage and total services gross profit, and the total services segment profit increased by 64.8%. At the same time as increasing services revenue, we maintained our national leadership position in the provision of infrastructure and software solutions to our customers, albeit with a 2.8% decrease in the total product segment profit.

3. Grow cloud services revenue

The major component of cloud services is the emerging market of public cloud. In FY16 we recorded $99.0 million of cloud services revenues, which was a significant increase from FY15's $47.0 million. During FY17 we capitalised further on this new growth market with total cloud services revenue of $169.5 million for the year, an increase of 71.3% on FY16. Public cloud solutions such as Microsoft Office 365 and Azure remained major elements of our cloud service offerings.

Microsoft's global strategy is to take a lead in the cloud market, and our leadership position in Australia with Microsoft has made the transition to cloud solutions a logical extension of our existing business. At the base level, the cloud services annuity revenue with Microsoft subscription licenses is a substitute for our traditional license business. Our focus and intent is to help our customers migrate applications to cloud (public or private) and extend our own services. An ideal engagement would see us provide services at every stage of our solution life cycle: consulting, design and implementation, and managed or support services.

Aside from the above strategic priorities, there are other indicators we utilise to determine the health of the business. Our people satisfaction survey, customer surveys and independent external awards are three such indicators.

People satisfaction

We ended FY17 with 1,177 people in the group which includes a combination of permanent, contracted and casual staff. Each year we survey our people's satisfaction and the summary for FY17 was as follows:

- strong participation in the survey
- record overall satisfaction score of 4.27 out of 5
- 96.3% of our people recommend Data#3 as an employer, another record result.

Customer satisfaction

Our annual customer satisfaction survey produced a solid overall satisfaction rating of 4.1 out of 5, up from 4.0 in FY16, with higher ratings in most elements. During FY17 we introduced "customer pulse" surveys which provide instant customer feedback on projects, service desk calls and services in general. These surveys have proved to be very useful sources of information for insight into areas of improvements and investment to ensure we are delivering a great customer experience.

External awards

Each year we win many national and international awards from our global partners. FY17 was no exception and we were pleased to be recognised with the following:

- VMware NSX Partner Innovation Award for Asia Pacific Japan
- APC by Schneider Electric Services Partner of the Year for 2016
- Aruba Best Partner Initiative
- HP PC Partner of the Year
- HP Partner of the Year
- Australian Reseller News (ARN) Enterprise Partner of the Year
- Australian Reseller News (ARN) Channel Choice Partner Award
- VMware NSX Partner of the Year Award for 2016 for Australia and New Zealand
- Veritas Growth Partner of the Year
- Adobe Partner of the Year Award for 2016 for Asia Pacific

For the tenth year in a row we were voted ARN's Enterprise Reseller of the Year by our peers and were also recognised as the ARN Channel Choice Award for Reseller of the Year for the fifth consecutive year.

A significant external award, however, was not for our solutions or technical expertise, it was the Employer of Choice Award from the HRD publication. This was our second year in a row receiving an employer of choice nomination and we were very pleased to receive the silver medal for organisations with more than 500 employees. This award is significant because the category was not limited to the information technology sector; it covered all industries and included many multinational entries.

Data#3 also received the ASX-sponsored award for Best Investor Relations by a company in the S&P/ASX Emerging Companies Index. The award was presented by the Australasian Investor Relations Association, and we were delighted to receive this recognition.

Overall we not only had a solid FY17 financial performance, we made significant headway against our strategic goals, producing solid results in people satisfaction, customer satisfaction and external awards.

Review of financial position

Our balance sheet remains conservative with no material debt.

Trade receivables and payables are generally highest at year end due to the traditional sales peak in May/June. Trade and other current receivables at 30 June 2017 were $168.5 million and trade and other current payables $263.2 million, reflecting the timing differences in the collections from customers and payments to suppliers around 30 June (referred to in the 'Cash flow' section).

The year-end cash balance increased from $102.3 million to $135.7 million, boosted by very strong cash collections at year end which increased the temporary surplus compared to the previous year.

The key trade receivables indicator of average days' sales outstanding decreased and remained well ahead of target at 26.7 days. This is an excellent result which demonstrates our ongoing focus on collections and credit management.

Total inventory holdings decreased from $12.6 million to $4.5 million. The previous year's holding reflected a higher than usual volume of product held in our warehousing and configuration centres pending delivery to customers for a number of significant infrastructure projects that were in progress at year end.

Operating results by state

Performance across the states varied, reflecting the strength of local market conditions and the scale of our business in each location.

Queensland

The Queensland business achieved modest growth from both public and commercial sectors, supported by ongoing success in health and education, with total revenue increasing by around 3%. Services profitability declined slightly, and overall profit decreased by 4%.

New South Wales

The NSW business also achieved modest revenue growth of around 3% but improved leverage to deliver a 12% increase in profit.

ACT

While our Federal Government business is characterised by large revenues and relatively small margin, we achieved solid growth in infrastructure and software, and returns from the recently established Business Aspect consulting business in Canberra increased throughout the year. Overall, the ACT business delivered a 33% increase in revenue and a 50% increase in profit.

Victoria

Our Victorian infrastructure and software businesses delivered a solid performance that more than offset a disappointing services performance. Overall revenue increased by 61% and profit increased by 14%.

Tasmania
Our second year of operations in Tasmania saw solid performance across the business, delivering a 22% increase in revenue and a 17% increase in profit.

South Australia
Despite challenging economic conditions our SA business achieved a solid result, with revenue increasing by 19% and profit increasing 10%.

Western Australia
The challenging economic environment contributed to a mixed performance in our WA business, with overall revenue and profit decreasing by 7%.

Operating results by area of specialisation

The core Data#3 business is structured around three functional areas, operating across seven regions. Business Aspect operates independently but within the Data#3 group structure. Discovery Technology operates independently and external to the Data#3 group.

Software Solutions
Software Solutions helps our customers maximise business value from their software investments through effective procurement, deployment, management and use. Working with customers that span federal, state and local governments, education, health and the general commercial sector, the business offers a complete software solution. This includes the supply and management of licensing programs, the deployment and management of the software, and the user adoption and productivity benefits of the software.

Software Solutions achieved modest growth in FY17. The increasing shift to cloud offerings with subscription services for Microsoft Azure and Office 365 included substantial annuity-based growth. At the same time, we continued to gain market share with new business which enabled us to grow the overall business. We also established an office in Fiji late in FY17 to help support the growing business opportunities in Fiji and the Pacific Islands.

Data#3 remained a member of Microsoft's Global Infrastructure & Cloud Partner Advisory Council and continued to contribute strongly to Microsoft's planning for changes to its channel programs. Our Software Licensing team continued to be the most successful team in Australia, winning major awards with all our key software licensing partners.

Infrastructure Solutions
Infrastructure Solutions helps our customers maximise returns from their infrastructure investments across server, storage, networks and devices.

The Infrastructure team had a changing year in FY17, with mixed performance across the different states. The pressure on the server and storage business continued, due to the anticipated gradual shift to public cloud solutions, resulting in a slow decline in those segments. This was largely offset by an increase in networking, again driven by the increase in public cloud business. In addition, the device or end-user computing segment remained solid, and Data#3 gained further market share in most locations. We have also seen a steady increase in the demand for 'as a service' or consumption-based solutions. With our highly efficient integration centres in Sydney, Melbourne and Brisbane, we remain very well positioned to fulfil high volume product orders from government and corporate customers, under strict service level and contractual agreements.

Data#3 retained its position on the HP Global Partner Advisory Board and remained a member of the Cisco Advisory Board for Asia Pacific.

Services
The Services business unit has a wide portfolio of services and capabilities including Professional Services for project-based solutions, Managed Services for annuity-based contract support services, and People Solutions for the provision of contractors and permanent staff.

We experienced revenue growth in each area, but more importantly profitability improved across each of our service lines except for Managed Services. Professional Services benefited from significant project wins, particularly for software projects, and produced a record result. People Solutions also enjoyed a record year, with profit growth in NSW, Victoria, WA and Queensland. This was a great outcome in a highly competitive recruitment and contracting market. Once again this success was helped by the cross-selling and co-operation of the Professional and Managed Services business units.

The Managed Services business unit had a mixed year with improved customer satisfaction and improved systems and processes. New large contracts at acceptable levels of risk have been scarce. Consequently, revenues were flat, and profitability declined. Our sights are set on lower risk contracts that are complementary to our growing cloud business, and actions are underway to reshape the Managed Services business in FY18.

Business Aspect Consulting
The majority of our consulting capability is vested in Business Aspect, a management consulting business that was acquired in FY15. Business Aspect has extensive skills, experience and expertise in digital transformation, cloud strategy, architecture, security, risk, control, planning, design and governance. In delivering services, we address all layers of the business, including people, organisational change, process change, information management, information and communications technology (ICT) applications and technology infrastructure. One of our key strengths is the experience and skills of our senior consultants.

FY17 was the second full year of operation within the Data#3 group and it was a year of continued investment to build a national business. The geographic expansion boosted revenue significantly; however, profit performance did not meet our growth expectations and actually decreased. While this was a disappointing financial result, the Business Aspect business is strategically significant to the group, and we are very confident that Business Aspect's profit contribution will improve throughout FY18.

Discovery Technology

Discovery Technology is predominantly a Wi-Fi analytics business which has developed an application called Connected Customer eXperience (CCeX) that provides a unique range of location and analytical services utilising Wi-Fi infrastructure. As at 30 June 2017 Data#3 had a 61.6% shareholding in Discovery Technology, and in July 2017 that shareholding was increased to 77.4%.

Discovery Technology continues to operate independently of Data#3; however, considerable management effort and other resources were directed throughout the year to effect the turnaround of Discovery Technology's performance. This focus, combined with increasing sales success, delivered a solid operating profit in FY17 after a loss in FY16. While the sales cycles remain long, the market demand for CCeX as a leading software application continues to be well recognised, and the business has maintained a significant pipeline of opportunities.

Our strategy and plan for FY18

We are currently on track with our three-year plan, and the success of FY17 has determined that we should continue to refine the existing strategy rather than make material changes.

The strategic planning process for FY18 – FY20 identified the following market assumptions and trends in the adoption and use of business technology:

- Digital Transformation is more prevalent in business strategy.
- The overall IT market growth is fuelled by digital transformation.
- Consumption will continue to shift from capital expenditure to operating expenditure.
- Industry consolidation is creating opportunity.
- Vendor models are changing to reward cloud adoption.
- Customers continue to expect IT modernisation for efficiency and effectiveness.
- Demand for devices and networks will continue to increase to support cloud adoption.
- Cloud adoption increases the focus on security.
- Education and health sectors will continue to grow.
- Resource flexibility and availability is an increasing challenge.

Our plan

The foundations for our plan are our core purpose, our vision, our core values and our high level strategy.

Our **core purpose** is to enable our customers' success.

Acknowledging the transition that is continuing within our customers and in technology, our **vision** is to harness the power of people and technology for a better future.

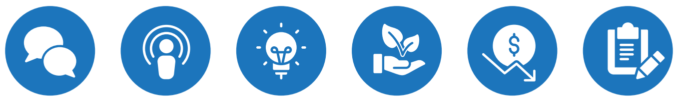
Our **core values** guide how we behave, and we continually reinforce these values:

HONESTY
EXCELLENCE
AGILITY
RESPECT
TEAMWORK

Our **strategy** is to enable our customers' digital transformation by creatively evolving our solutions capability.

Executing our plan in FY18

At the highest level, our plan is to deliver technology to support our customers' business objectives, which we have grouped as follows:



ENHANCE EMPLOYEE ENGAGEMENT | IMPROVE CUSTOMER EXPERIENCE | INCREASE BUSINESS AGILITY | GROW PROFITS | REDUCE COST | MANAGE RISK

We work with our customers to enable their business objectives utilising our **technology solution** categories:

MOBILITY | CLOUD | SECURITY | DATA & ANALYTICS | IT LIFECYCLE MANAGEMENT

These solutions are delivered using our Customer Solutions Lifecycle (PDO)^2 methodology, comprising Position, Plan, Design, Deploy, Operate and Optimise phases.

Each customer business objective may have multiple solutions, and each solution may apply to multiple business objectives. Our solution categories contain over two hundred specific solution offerings.

Priority actions in our FY18 business plan include:

- accelerate services
- accelerate cloud adoption
- engage our people
- engage our customers to enable their success
- adapt/enhance solutions
- improve internal systems for productivity
- sustain financial performance.

Board of Directors

Richard Anderson OAM

Non-executive Chairman

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

Leanne Muller

Non-executive Director

Leanne joined the board of Data#3 Limited in February 2016. During her thirty-year business career Leanne held various senior corporate financial management roles, including as Chief Financial Officer (or equivalent) for RACQ, Uniting Care Queensland and Energex. Prior to those appointments Leanne worked in professional advisory services for antecedent firms of PwC and KPMG. Leanne is a non-executive director of QInsure Limited and Guide Dogs Queensland, chairing their Audit & Risk Committees. She is also a non-executive director of LGE Holdings Pty Limited, LGE Operations Pty Limited and Local Buy Pty Limited, and serves as an external specialist member of QSuper's Audit, Risk & Compliance Committee.

Terry Powell

Non-executive Director

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

Laurence Baynham

Managing Director and Chief Executive Officer

Appointed Chief Executive Officer in November 2014 and Managing Director in November 2016, Laurence Baynham is responsible for the day-to-day operational and planning activities for Data#3. Prior to these roles, Laurence held the position of Group General Manager for ten years and was responsible for profit and customer satisfaction across the company's lines of business and geographies. Laurence joined Data#3 in 1994, bringing with him a broad range of international IT industry experience. Laurence holds a Bachelor of Business (with Honours) from East London University, is a graduate of the INSEAD Business School (Singapore) Strategic Management Academy and a Fellow of the Australian Institute of Company Directors. Laurence sits on a number of global advisory boards for key strategic partners representing Data#3 and the wider Australian IT channel community and in 2016 was inducted to the Australian IT Industry Hall of Fame.

Senior Leadership Team

Michael Bowser

Executive General Manager: Services

Michael joined Data#3 in 1987 and has worked in many key positions within the company including technical services, services management, sales, pre-sales management and state management roles for Queensland and NSW. He has been responsible for the creation and development of Data#3's original outsourcing, networking and consulting services including numerous sales and process programs within the business. His previous responsibilities as General Manager – Data#3 Shared Services included logistics, marketing, IT, HR and sales process management. Michael was appointed to his current Executive General Manager role in July 2015, and is responsible for Data#3's Professional Services, Managed Services and People Solutions businesses.

Brad Colledge

Executive General Manager: Software Solutions and Infrastructure Solutions

Brad holds a degree in Business Management from Queensland University of Technology. He has 28 years' experience in the business technology industry and joined Data#3 in 1995. Initially working with Laurence Baynham to establish the Licensing Solutions business in Data#3, Brad is now responsible for the broader Software Solutions business and the Infrastructure Solutions business. He was appointed to his current Executive General Manager role in July 2015.

Brem Hill

Chief Financial Officer and Company Secretary

Brem joined Data#3 in 1991 following positions at Defiance Milling, Royal Bank Leasing (London) and IBM Australia. He is responsible for the finance and accounting and the legal and risk advisory services functions at Data#3. Brem holds a Bachelor of Business (with distinction) from the University of Southern Queensland. He is a fellow of CPA Australia and a fellow of the Governance Institute of Australia.

Corporate Social Responsibility

Our commitment to the Data#3 social responsibility program continued in 2017, as did our pride in the fact that we remain dedicated to contributing to the national economy, having a positive influence on the communities in which we work and reducing our impact on the environment. This program enables our people to personally make a difference and to feel satisfied that they work for a company that cares.

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

Our commitment to Australia

We strive to be good corporate citizens of Australia, where we transact 99% of our business. We meet all our tax obligations in accordance with the laws of each state and the commonwealth. We do not engage in aggressive tax planning strategies and we do not use any "tax havens". At all times we seek to have transparent and cooperative relationships with relevant tax authorities in Australia and other countries in which we may operate. Our effective income tax rate for the 2017 financial year was 29.4%.

For financial year 2017 we paid the following amounts of tax:

	$'000
Australian corporate income tax	7,269
Other taxes (payroll tax and fringe benefits tax)	8,242
	15,511

Additional disclosures of income tax information are set out in note 4 of the financial statements.

Our commitment to the community

In 2017 Data#3 continued to engage with local and national communities through the SOUL program, created in response to the 2016 strategic priorities. The Starlight Foundation continued as our main charity partner, and the four other major charities we supported were The Smith Family, The Leukaemia Foundation, Save the Children and World Vision. We are delighted to have raised a record total of more than $100,000 for charities during the year. We have also continued to encourage our staff's commitment to the broader community by allowing all employees to take one day of paid leave each year to participate in voluntary programs.

The more significant achievements during the year include the following:

Data#3's Charity Golf Day

- Now in its 13th consecutive year, this is one of Data#3's largest annual fundraising activities.
- Hosted by the Queensland team, the event included more than 140 customers, vendor partners and Data#3 employees.
- Generous support from sponsors, on-course donations and the post-event auction allowed Data#3 to raise a record $30,000 donation for the Starlight Foundation.

Great Adventure Challenge

- A multisport team-based corporate adventure race, this event covers a range of activities from mountain biking, trail running, kayaking and coasteering.
- Data#3 teams competed in the QLD and NSW events and worked to raise over $10,000 for the Starlight Foundation.

Christmas giving program

- Each location participated in local volunteering activities ranging from selling merchandise to wrapping toys.
- Raffles and other fundraising events raised nearly $8,000 for the Starlight Foundation.

World's Greatest Shave

- All of our state offices participated in a simultaneous hair shaving and hair colouring event to support the Leukaemia Foundation's World's Greatest Shave, and representatives from the Leukaemia Foundation attended the Queensland and NSW functions.
- Overall the business raised $23,000 for the Leukaemia Foundation.

Our commitment to the environment

While delivering exceptional value to our customers, people, technology partners, and shareholders is paramount, we also understand and recognise our responsibility toward environmental sustainability. We have well-established programs that demonstrate this understanding and encourage our stakeholders to make a personal commitment to minimise the impact of our operations on the environment.

The Data#3 Environment Policy integrates a philosophy of sustainable development into all our business activities and establishes and promotes responsible environmental practices throughout our operations.

As a result of this, Data#3 continues its commitment to

- comply with applicable Australian Government, state and local body environmental legislation, regulations, policies, initiatives and other requirements that relate to Data#3
- minimise our environmental impact and reduce the consumption of natural resources across all activities of the business
- develop and provide products and services that encourage and facilitate sound environmental life cycle strategies and practices
- establish and maintain partnerships with vendors and suppliers who have clearly demonstrated a commitment to environmental sustainability
- nurture an environmentally responsible culture throughout Data#3
- continually improve through the ongoing enhancement of our management systems in accordance with our Quality Management processes.

Our commitment to our people

Our commitment to our people is to inspire and support their passion for excellence and desire to do their best every day, help them meet the challenge of work-life balance, empower them to contribute to positive change, and reward and celebrate their success as members of the team and as individuals. Along with our core values, this strategy underpins our approach to recruitment and employee benefits and is highlighted in our Learning and Development and Work-Health-Life Balance programs.

Learning and development

Our commitment to learning and development is driven by our aim to foster a learning culture which supports the professional growth and development of our remarkable people.

The key objectives of this are to

1. provide a learning curriculum aligned with organisational objectives, core values, role specifics, and career development pathways

2. create a variety of learning avenues to enable effective transfer of learning

3. foster a culture which creates opportunities for timely and effective continual learning and opportunities to apply learning outcomes and share expertise and capability.

To achieve this, our learning framework has multiple tiers to address the following:

- leadership and management
- sales capability
- technical capability
- professional competencies
- individual career and personal development
- mandatory and compliance requirements.

We offer a range of different learning opportunities and resources to address our needs in these areas:

- eLearning and video content delivered through an integrated Learning Management System and Performance Management System
- subscriptions to third party content providers
- development of internal learning content and collateral
- instructor-led training programs
- individual career and performance coaching
- an internal mentoring program
- a leadership and management program
- tertiary and further study support.

Work-health-life balance

We are committed to helping our people achieve a healthy balance between their work and home lives. We encourage corporate gym and healthcare membership with programs aimed at increasing employee wellbeing. We believe a good work-life balance requires harmony between all aspects of our lives, so that benefits gained from one area can support and strengthen others. We encourage this in a number of different ways, including flexible working options for our people and access to an employer-funded confidential assistance program. Data#3 employees are empowered to take control of their career development and work environment, with strong support from managers, colleagues and the Organisational Development and Human Resources team.

People satisfaction

One of the key benchmarks we measure each year is the response to the statement "Data#3 is an excellent company to work for, and I would recommend working at Data#3 to others in the industry". In 2017 we received a 96.3% favourable response, up from 94.1% in the previous year. We think this is an outstanding outcome given the challenging year our people have faced. Our overall staff satisfaction was a record high.

We are also delighted that Data#3 received an Employer of Choice Award for the second year in a row by the Human Resources Director (HRD) Magazine. The award recognises companies that were rated by their employees across several different aspects of satisfaction. Data#3 won the silver medal in the large category (500+ employees) and placed highly in several sub-categories including Health & Wellbeing and Reward & Recognition.

Health, Safety and Environment

Ensuring the health, safety and wellbeing of our employees and contractors and protecting the environment are critical aspects of our business operations. This sustained commitment to our people, our customers and the environment is best reflected in our safety and environmental performance, with our incident, injury and illness statistics lower than industry and national averages.

Our business operations see Data#3 workers and contractors in lower and higher-risk environments, from city-based offices to remote locations domestically and abroad. Our contractor accreditation and health, safety and environmental information in tenders secures health, safety and environmental management from the outset with active follow through in the delivery of solutions and services. Our contractor and procurement arrangements ensure outsourcing for goods and services meets Data#3's high standards for health, safety and environmental management.

In addition to the deployment of our people to higher-risk work environments, we acknowledge that our office-based workers are not without exposure to risks to their health and wellbeing. While perceived in Australian industry to be relatively low risk, working within office environments may expose people to a variety of ergonomic risks, specifically long-term musculoskeletal disorders, and reduced activity. Focus in these areas has seen the introduction of stand-up workstations and ergonomic equipment for taller workers, along with other health and wellbeing initiatives.

While we continue to perform at an exceptional level, we remain cognizant that there is no finish line in health, safety and environmental management. We continually improve our systems and processes to ensure we meet our legislative obligations and our commitment to our workers and customers, striving to provide work environments where health, safety and wellbeing are promoted and risks are eliminated or managed.


40 YEARS

Corporate Governance Statement

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

In developing Data#3's corporate governance framework, the board has considered the ASX Corporate Governance Principles and Recommendations (the "Recommendations"). Data#3 considers that its corporate governance practices complied with all the Recommendations throughout the 2017 financial year, and this statement outlines how Data#3's main corporate governance practices and policies align with the Recommendations.

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

Principle 1: Lay solid foundations for management and oversight

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

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

The board's charter also sets out the powers and responsibilities delegated to the managing director (MD) and the chief executive officer (CEO) as necessary to recommend and implement the strategies approved by the board and to manage the day-to-day operation and administration of the business affairs of Data#3.

Mr Baynham was appointed as CEO in November 2014, and in November 2016 he was also appointed as MD. Prior to these appointments Mr Baynham was Group General Manager for ten years and contributed as a key member of Data#3's management team for over 20 years. Consequently, as CEO/MD Mr Baynham is the board's principal link to the senior leadership team. The CEO/MD may further delegate within specific policies and delegation limits to members of the senior leadership team, but remains accountable for all authority delegated to its members. The board ensures that the senior leadership team is appropriately qualified, experienced and resourced to discharge its responsibilities.

In the 2017 financial year the board reassessed the board's skills, and continued the search for new directors to progress the board succession plan. Mr Johnston retired as a non-executive director on 30 September 2016, and the board intends to confirm at least one new appointment during the 2018 financial year.

Directors, other than the MD, are subject to re-election in accordance with Data#3's constitution. Details of the re-election or election of each director are set out in the explanatory notes to the notice of AGM.

The company undertakes appropriate external checks before any new director or senior executive is appointed, and a written agreement is in place between Data#3 and each director and senior executive setting out the terms of his or her appointment.

The performance of Data#3's senior executives is assessed in accordance with the process adopted by the board against pre-set financial and non-financial goals. The performance of the CEO/MD is formally assessed half-yearly by the chairman, and that assessment is reviewed by the other non-executive directors. The CEO/MD is responsible for evaluating the performance of the other members of the senior leadership team. Formal evaluations of the CEO/MD and other senior executives was undertaken during the year in accordance with this process.

The board and its committees have also established a structured self-assessment process to regularly review and evaluate the performance of the board as a whole, its committees, and the board's interaction with management. This is an internal performance evaluation that uses a detailed assessment questionnaire. The results are reviewed by the chairman and presented to the board. A performance evaluation was completed during the 2017 financial year.

The efficient operation of the board is assisted by Mr Bonner and Mr Hill as company secretaries. Each company secretary is accountable to the board, through the chairman, for all matters to do with the proper functioning of the board.

Diversity

Data#3 understands that business performance and productivity are enhanced by a diverse workforce and is committed to promoting a culture where diversity is embraced. The company has a formal diversity policy to facilitate a more diverse and representative workforce and management structure, and which sets measurable objectives to be reported against each year.

The diversity policy seeks to provide a workplace where

- everyone is valued and respected for their distinctive skills, experiences and perspectives
- structures, policies and procedures are in place to assist employees to balance their work, family and other responsibilities effectively
- recruitment processes embrace diversity
- employees have access to opportunities based on merit
- the culture is free from discrimination, harassment and bullying
- employment decisions are transparent, equitable and procedurally fair.

A copy of the diversity policy is available on Data#3's website.

The measurable objectives adopted for the 2017 financial year and an update on the company's progress towards achieving those objectives are set out in the following table:

Objective	Outcome
To maintain or increase the proportion of female employees working for Data#3.	The proportion increased slightly from 25% to 26%, which is well above the IT industry average. .
To maintain or increase the proportion of women in the national management team.	The proportion remained steady at 27%.
To maintain or increase the proportion of women on the board.	The proportion remained steady at 25%.

The gender representation as at 30 June is set out in the following table:

	2017		2016	
	Female	Male	Female	Male
All employees	26%	74%	25%	75%
National management team	27%	73%	27%	73%
Senior leadership team	0%	100%	0%	100%
Board of directors	25%	75%	25%	75%

Principle 2: Structure the board to add value

The board has determined that its optimum composition will

- conform with the constitution of Data#3
- have a majority of independent, non-executive directors
- have an appropriate mix of skills, diversity and geographical representation
- reflect Data#3's strategic objectives.

Directors are initially appointed by the board, subject to election by the shareholders at the next AGM. Data#3's constitution specifies that all directors (with the exception of the MD) must retire from office no later than the third AGM following their last election. Where eligible, a director may stand for re-election.

The board is currently composed of four directors. The membership of the board is set out in the directors' report on page 24. Details of each individual director's background is set out in the directors' report on page 24, and the directors' profiles on page 10.

Remuneration and nomination committee

The remuneration and nomination committee is composed of two independent non-executive directors, being Mr Anderson (Chairman), and Mr Powell. The responsibilities of the remuneration and nomination committee are set out in its formal charter, which is available on Data#3's website, and the committee's responsibilities in relation to remuneration are set out below under the heading "Principal 8: Remunerate fairly and responsibly". The main responsibilities of the committee in relation to nomination are:

- assessing the necessary and desirable competencies of board members
- reviewing board and senior executive succession plans
- evaluating the board's performance
- appointing new directors and the CEO.

The remuneration and nomination committee met five times during the year. Members' attendance at these meetings is set out on page 25 in the directors' report.

Board skills and experience

The board seeks to ensure its membership includes an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the board collectively, to discharge their responsibilities effectively and efficiently, to understand the business of Data#3 and the environment within which it operates, and to assess the performance of management in meeting predefined objectives and goals.

It is not expected that all directors will have skills and experience in all areas; however, it is understood that the board as a whole must have the skills and experience identified as being necessary, and the board considers that this is the case. A board skills matrix has been developed to identify and assess the collective board skills in relevant competency areas. The matrix provides important input to assist the board in identifying potential future directors to complement the board's current skill set and to address areas of future focus and development for existing directors.

Independence

The board has adopted specific principles in relation to the assessment of directors' independence, which it has applied in making this judgment for each director during the year. The chairman of the board, Mr Anderson, is considered an independent, non-executive director. Ms Muller and Mr Powell are also considered independent non-executive directors. While Mr Anderson has been on the board since 1997 and Mr Powell has been on the board since 2002, the board has determined that their appointment remains in the best interests of Data#3 because of the substantial knowledge and expertise they bring to the board. Ms Muller was appointed to the board in February 2016.

The roles of MD and CEO are performed by Mr Baynham, who reports to the board via the chairman.

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

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

The board meets as often as the directors determine necessary to fulfil its responsibilities and duties, generally on a monthly basis. The number of meetings of the board and its committees held during the 2017 financial year and the number of meetings attended by each director is disclosed in the directors' report.

The board convenes at various Data#3 office locations throughout the year and meets formally on a regular basis with members of the senior leadership team and other executives. The meetings are chaired by the chairman or, in his absence, his nominee. The chairman is responsible for ensuring the governance objectives of the board are pursued and the conduct of the meetings is efficient and appropriate. The CEO/MD, chief financial officer (CFO) and company secretary are usually invited to attend all meetings, and other executives attend the meetings periodically by invitation. Board and committee agendas are structured to reflect their defined responsibilities, to give the board a detailed overview of the performance and significant issues confronting each business unit and Data#3, and to identify major risk elements for review to ensure assets are properly valued and protective strategies are in place.

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

All new directors participate in a comprehensive induction program to gain an understanding of Data#3's financial performance, strategies, operations and risk management processes and the respective rights, duties, responsibilities and roles of the board and other senior executives. Appropriate professional development opportunities for directors are also provided to allow directors to develop and maintain the skills and knowledge required for them to perform their roles effectively. Ongoing director education is also facilitated through regular management presentations on key business activities and by relevant site visits.

The board has established an audit and risk committee and a remuneration and nomination committee to advise and support the board in carrying out its duties. Both committees are composed solely of independent directors.

Each committee operates under a charter which includes a description of its duties and responsibilities. The charters are available on the company's website. Further information on the audit and risk committee is set out below under the headings "Principle 4: Safeguard integrity in corporate reporting" and "Principle 7: Recognise and manage risk".

Principle 3: Act ethically and responsibly

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

Code of conduct

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

Corporate social responsibility

During the year Data#3 continued to develop its formal corporate social responsibility program. For further information see pages 12 to 14.

Share trading policy

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

Principle 4: Safeguard integrity in corporate reporting

The board is responsible for the integrity of Data#3's corporate reporting and for ensuring that the financial statements are completed in accordance with applicable accounting standards and provide a truthful and factual view of Data#3's performance and financial position.

Audit and risk committee

The board has established an audit and risk committee which is composed of three independent non-executive directors, being Ms Muller (Chair), Mr Anderson and Mr Powell. Each member is financially literate and has the technical and business expertise necessary to serve on the committee – their profiles are set out on page 10. The responsibilities of the audit and risk committee are set out in its formal charter, which is available on Data#3's website.

The audit and risk committee met five times during the year with the CEO/MD and CFO participating by invitation. Members' attendance at these meetings is set out on page 25 in the directors' report. The audit and risk committee has, within the scope of its responsibilities, unlimited access to members of the senior leadership team and access to the external auditor. Directors receive detailed financial and operational reports from senior management regularly and managers are available to discuss the reports with the board if necessary.

The CEO/MD and CFO provide a formal declaration to the board at the end of each reporting period confirming that, in their opinion, the financial records of the company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects.

The company's external auditor attends each AGM and is always available to answer from shareholders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Continuous disclosure policy

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

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

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

Principle 6: Respect the rights of security holders

Data#3 is committed to providing shareholders with extensive, transparent, accessible and timely communications on company activities, strategy and performance. Data#3 has a continuous disclosure policy that promotes effective communication with shareholders, a copy of which is available on the website. All shareholders receive electronic copies of the company's annual and half-yearly reports, unless they have elected to receive hard copies. The key platform for shareholder communication is the investor section of the company's website, which offers shareholders the ability to subscribe for email alerts on all company announcements. The website is also a repository of all information of interest to shareholders, including all recent company announcements, media briefings, details of company meetings, webcasts, press releases and annual and half-yearly financial reports. The website includes a mechanism for shareholders to provide feedback and comments, or alternatively shareholders can raise questions by contacting Data#3 by telephone, facsimile, email or post. Contact details are provided on Data#3's website and in the 'Corporate Directory' section at the end of the annual report.

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

Data#3's share registry, Link Market Services, also offers electronic communication with the company's shareholders, and Data#3's website has a dedicated Shareholder Services page to facilitate the electronic communication between the share registry and shareholders. Shareholders can elect to receive Data#3's documents including notices of meetings, annual reports, distribution advices and other correspondence by electronic means. Shareholders can also lodge their proxies electronically.

Principle 7: Recognise and manage risk

Risk management policy

The board has established a risk management policy and procedures (in accordance with AS/NZ ISO 31000) that promote the identification, assessment, monitoring and managing of risk, and the identification of any material changes to Data#3's risk profile. A copy of that policy is available on Data#3's website. There are many risks that Data#3 faces in its business operations and the industry within which it operates. A range of factors, some of which are beyond the reasonable control of Data#3, can influence performance.

Audit and risk committee

The board has assigned the primary responsibility for operational risk management to the audit and risk committee. Refer to "Principle 4: Safeguard integrity in corporate reporting" for information on the members and meetings of the audit and risk committee.

The audit and risk committee reviewed the company's risk management framework in the 2017 financial year and is satisfied that management has ensured sound risk management practices are embedded into the operations of the business, and that management has continued to review and improve those practices. The audit and risk committee and the board receive regular reports from management regarding the effectiveness of Data#3's management framework and any material business risks that have been identified.

The board receives regular assurance from the CEO/MD and the CFO that the declaration provided in accordance with section 295A of the Corporations Act 2001 (see Principle 4 above) is founded on a sound system of risk management and internal control which implements policies adopted by the board and that the system is operating effectively.

The company does not have any material exposure to economic, environmental or social sustainability risks. The risks faced by Data#3 include operational, compliance, strategic, reputational, product and service quality, human resources and market-related risks. Specifically, the risk management system takes account of the following material business risks:

- changes in customers' ICT procurement models
- attraction and retention of key personnel
- quality and skill of the senior leadership team
- market demand for ICT products and services
- key vendor channel strategy and customer engagement models
- identification of ICT industry opportunities and new technology trends
- effective positioning of Data#3's solutions in the market
- internal information technology systems and processes
- delivery of customer solutions within agreed expectations
- competitor activity.

The company does not have a separate internal audit function. The board, the audit and risk committee, the senior executives and the wider management team monitor and evaluate internal risks through a variety of existing systems, programs and policies:

- identification and assessment of strategic risks through an annual review
- regular review and reporting of operational risks relating to individual business units
- budgeting and reporting systems to monitor monthly performance against budgets and targets
- written reports from senior executives provided at monthly board meetings
- delegations of authority, including approval limits for operational and capital expenditure
- a comprehensive annual insurance review program

- health, safety and environment reviews
- half yearly financial reviews conducted by the company's auditors
- internal and external quality assurance audits (Data#3 Limited is a Quality Certified Company to AS/NZS ISO9001:2008, holding NCSI Certification Number 6845).

Principle 8: Remunerate fairly and responsibly

Remuneration and nomination committee

The board has established a separate remuneration and nomination committee to assist in implementing remuneration policies and practices that are designed to motivate senior executives to pursue the long-term growth and success of Data#3 and to demonstrate a clear relationship between senior executives' performance and remuneration and corporate performance. Information in relation to members and meetings of the remuneration and nomination committee are set out under "Principle 2: Structure the board to add value" above, and the responsibilities of the remuneration and nomination committee are set out in its formal charter which is available on the website. In relation to remuneration, the committee is responsible for

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

Data#3's remuneration policies and practices in relation to senior executives, including the amount of remuneration, are as disclosed in Data#3's remuneration report on pages 26 to 31. Data#3 has clearly differentiated the structure of non-executive directors' remuneration from that of the CEO/MD and senior executives.

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

Directors' Report

Your directors present their report on the consolidated entity consisting of Data#3 Limited (the company) and the entities it controlled at the end of, or during, the year ended 30 June 2017. Throughout the report, the consolidated entity is referred to as the group. "We", "our", or "us" refer in this report to the directors speaking on behalf of the group.

1. Principal activities

We provide information technology solutions which draw on our broad range of products and services, and where relevant with our alliances with other leading industry providers. Our technology solutions are broadly categorised into the following areas:

- Cloud – highly secure data centre solutions to improve business efficiency, reduce costs and scale customers' technology requirements in hybrid IT environments
- Mobility – solutions to enable customers to seamlessly connect to business networks and information – anywhere, any time and on any device
- Security – solutions designed to help our customers navigate the complexities of cyber security and a changing threat landscape
- Data & Analytics – solutions designed to enhance visibility and control over customers' data to enable them to make faster, more accurate business decisions
- IT Lifecycle Management – solutions to optimise our customers' IT landscape and assist them to realise the full value of their technology assets.

Our service capabilities include
- Consulting
- Procurement
- Project services
- Managed services
- Resourcing.

There were no significant changes in the nature of our group's activities during the year.

2. Dividends

	Cents	$'000
Final dividend recommended for the year ended 30 June 2017	5.55	8,546
Dividends paid in the year:		
Interim for the year ended 30 June 2017	3.35	5,158
Final for the year ended 30 June 2016	5.50	8,469
	8.85	13,627

3. Operating and financial review

Information on the operations and financial position of the group and its business strategies and prospects is set out in the attached Operating and Financial Review, as follows:

	Page
Whole of group performance	4
Review of financial position	7
Operating results by state	7
Operating results by area of specialisation	8
Our strategy and plan for FY18	9

4. Business strategy

Our vision is to harness the power of people and technology for a better future.

For more information on our business strategy please refer to page 9 of the attached Operating and Financial Review.

5. Earnings per share

	2017 Cents	2016 Cents
Basic and diluted earnings per share	9.99	8.98

6. Significant changes in the state of affairs

There was no significant change in the state of the group's affairs during the year.

7. Significant events after the balance date

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

(a) the group's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the group's state of affairs in future financial years.

8. Likely developments and expected results

Information on likely developments and expected results is included in the attached Operating and Financial Review on page 9.

9. Directors

The names and details of Data#3 Limited's directors are set out below. Mr L Baynham was a director from the date of his appointment on 16 November 2016 and remains in office at the date of this report, and Mr I Johnston was a director from the beginning of the year until his resignation on 30 September 2016. All other directors were in office for the entire financial year and remain in office at the date of this report.

Names, qualifications, experience and special responsibilities

R A Anderson, OAM, BCom, FCA, FCPA *(Chairman, non-executive director)*
Independent non-executive director since 1997 and Chairman since 2000. Formerly a partner with PricewaterhouseCoopers, the firm's Managing Partner in Queensland, and a member of the firm's National Committee. Previously a member of the Capital Markets Board of Queensland Treasury Corporation and President of CPA Australia in Queensland.

During the past three years Mr Anderson has also served as a non-executive director of two other public companies: Namoi Cotton Cooperative Limited (director since 2001) and Lindsay Australia Limited (director since 2002). Mr Anderson is also president of Guide Dogs Queensland.

Special responsibilities:
- Chairman of the board
- Member of audit and risk committee
- Chairman of remuneration and nomination committee

L C Baynham, BBus (Honours), FAICD *(Managing Director from 16 November 2016)*
Appointed Managing Director in November 2016. Serving as Chief Executive Officer since 2014, Mr Baynham has served Data#3 in various roles since 1994, including as Group General Manager for ten years. Prior to joining Data#3, Mr Baynham gained a broad range of international IT industry experience. Mr Baynham is a graduate of the INSEAD Business School (Singapore) Strategic Management Academy, and sits on a number of global advisory boards for key strategic partners representing Data#3 and the wider Australian IT channel community.

I J Johnston, DipCM, GradDip App Fin and Inv, ASIA, AGIA, FAICD *(non-executive director until 30 September 2016)*
Independent non-executive director since November 2007. Formerly Chairman Corporate Finance at Morgans Financial Limited and currently a member of its advisory board. Extensive experience in the banking and stockbroking industries including roles in treasury, corporate banking and equity capital markets.

During the past three years Mr Johnston has also served as a non-executive director of Cardno Limited (director from 2004 to 2015).

Special responsibilities:
- Chairman of audit and risk committee (until 28 August 2016)
- Member of remuneration and nomination committee

L M Muller, BCom, CA, GradDip App Fin and Inv, GAICD *(non-executive director)*
Independent non-executive director since February 2016. Extensive experience in finance with a 30-year career in senior corporate financial management roles and professional advisory services roles. Formerly Chief Financial Officer (or equivalent) for RACQ, Uniting Care Queensland and Energex. Prior to those appointments Ms Muller worked for PricewaterhouseCoopers and with the Australian Securities Commission. Ms Muller is currently on the boards of QInsure Limited, Guide Dogs Queensland, LGE Holdings Pty Ltd, LGE Operations Pty Ltd and Local Buy Pty Ltd, and serves as an external specialist member of the Audit, Risk & Compliance Committee of QSuper.

Special responsibilities:
- Chair of audit and risk committee (from 28 August 2016)

W T Powell, BEcon *(non-executive director)*

Independent non-executive director since 2002. Executive Chairman of the company from its foundation in 1984 and then Managing Director from 1989 to 1996. Prior to 1984 had extensive experience in the IT industry and was Managing Director of Powell Clark and Associates, formed in 1977. Re-joined the board of Data#3 Limited in 2002.

Special responsibilities:

- Member of audit and risk committee
- Member of remuneration and nomination committee

Meetings of directors

The number of meetings of our board of directors (including meetings of the board committees) held during the year, and the numbers of meetings attended by each director are shown below:

	Full meetings of directors		*Meetings of audit and risk committee*		*Meetings of remuneration and nomination committee*	
Name	Meetings attended	Meetings held*	Meetings attended	Meetings held*	Meetings attended	Meetings held*
R A Anderson	14	14	5	5	5	5
L C Baynham	9	9	**	**	**	**
I J Johnston	3	4	1	1	1	1
L M Muller	13	14	5	5	**	**
W T Powell	14	14	5	5	5	5

* Number of meetings held during the time the director held office or was a member of the committee during the year.

** Not a member of the committee during the year.

10. Company secretary

Mr B I Hill, BBus, FCPA, FGIA, was appointed to the position of Company Secretary in 1997. He has served as our Financial Controller or Chief Financial Officer since 1992 and is a fellow of CPA Australia and a fellow of the Governance Institute of Australia.

Mr T W Bonner, LLB, BComm, AGIA, was appointed to the position of Joint Company Secretary in 2007. He has served as our General Counsel since 2005 and is a member of the Queensland Law Society and the Governance Institute of Australia.

11. Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

A Principles used to determine the nature and amount of remuneration

Role of the remuneration committee
The remuneration and nomination committee is a separate committee of the board and is responsible for

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

The committee's objective in relation to remuneration policy is to motivate senior executives to pursue the long-term growth and success of Data#3 and to demonstrate a clear relationship between senior executives' performance and remuneration. The Corporate Governance Statement provides further information on the role of this committee.

Executives

The board and the remuneration committee address remuneration policies and practices generally, and determine remuneration packages and other terms of employment for our senior executives. Each year the board reviews executive remuneration and other terms of employment having regard to performance against goals set at the start of the year, relevant comparative information and may include independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing our operations, achieving our strategic objectives, and increasing shareholder wealth. The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance-related bonuses
- long-term incentives.

The combination of these comprises the executive's remuneration.

Base pay
Base pay is structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-cash benefits at the executive's discretion, plus statutory superannuation. There are no guaranteed base pay increases included in any senior executives' contracts.

Short-term performance-related bonuses
Performance-related cash bonuses are linked to the achievement of financial and non-financial objectives which are relevant to meeting the company's business objectives. In 2017 the proportion of the planned total executive remuneration for key management personnel that was performance related (excluding the long-term incentives discussed in Section C below) was 37% (2016: 35%). In 2017 actual short-term bonuses as a proportion of planned total executive remuneration was 35% (2016: 38%).

A major part of the short-term bonus is determined by the actual performance against planned company and divisional profit targets relevant to each individual. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. In 2017 the planned profit-related component represented 71% of the total executive bonuses (2016: 70%). Profit targets for some areas of the business were not met in FY17, resulting in reduced bonus payments calculated on a pro rata basis; however, in FY16 the profit targets were exceeded for all executives. The balance of the short-term bonus is determined by performance against agreed non-financial objectives relevant to each individual.

The executives' cash bonuses are assessed and paid either quarterly or six-monthly, based on the actual performance against the relevant full-year profit and key performance indicator targets. The board, together with certain senior managers, is responsible for assessing whether an individual's targets have been met, and profit targets and key performance indicator targets are reviewed and reset annually.

Long-term incentives

The chief executive officer and three other senior executives are eligible to earn long-term incentives in the form of cash payments. Details of the incentives are set out in Section C "Service agreements" below.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The board determines remuneration of non-executive directors, using independent expert advice if required, within the maximum amount approved by the shareholders from time to time. This maximum currently stands at $500,000 per annum in total for salary and fees, to be divided among the non-executive directors in such a proportion and manner as they agree. Members of the board (non-executive directors) are paid a fixed remuneration comprising base fees, superannuation, and additional fees for those in the role of chair for the full board and chair of the audit and risk committee. Non-executive directors do not receive bonus payments or share options and are not provided with retirement benefits other than statutory superannuation. The board is composed of four non-executive directors. The board undertakes a periodic review of its performance and the performance of the board committees.

B Details of remuneration

Compensation paid, payable, or provided by the company or on behalf of the company to key management personnel is set out below. Key management personnel include all directors of the company and certain executives who, in the opinion of the board and managing director/CEO, have authority and responsibility for planning, directing and controlling the company's activities directly or indirectly. Comparative information is not shown for individuals who were not considered to be key management personnel in the previous year.

		Short-term		*Long-term*		*Post-employment*		
		Cash salary and fees	Cash bonus	Long service leave	LTI	Super-annuation	Total	Performance related
		$	$	$	$	$	$	%
Non-executive directors								
Anderson, R. Chairman	2017	130,000	-	-	-	12,350	142,350	-
	2016	121,342	-	-	-	11,527	132,869	-
Boreham, G. *(Until 30/9/2015)*	2017	-	-	-	-	-	-	-
	2016	17,500	-	-	-	1,663	19,163	-
Johnston, I. *(Until 30/9/2016)*	2017	18,846	-	-	-	1,790	20,636	-
	2016	82,986	-	-	-	7,884	90,870	-
Muller, L. *(From 26/2/2016)*	2017	83,653	-	-	-	7,947	91,600	-
	2016	27,692	-	-	-	2,631	30,323	-
Powell, W.T.	2017	75,000	-	-	-	7,125	82,125	-
	2016	71,828	-	-	-	6,824	78,652	-
Subtotals – non-executive directors	2017	307,499	-	-	-	29,212	336,711	-
	2016	321,348	-	-	-	30,529	351,877	-
Executive director								
Grant, J. *(Until 31/12/2015)* Managing Director (MD)	2017	-	-	-	-	-	-	-
	2016	265,400	64,380	4,480	211,447	14,778	560,485	49.2
Baynham, L. Chief Executive Officer/MD [(1)]	2017	400,278	249,026	15,787	230,000	19,616	914,707	52.4
	2016	375,278	311,848	6,265	91,000	19,308	803,699	50.1
Other key management personnel								
Bowser, M. Executive General Manager	2017	275,783	180,459	8,531	140,000	19,616	624,389	51.3
	2016	267,750	226,812	10,508	85,000	19,308	609,378	51.2
Colledge, B. Executive General Manager	2017	334,995	214,622	8,939	140,000	19,616	718,172	49.4
	2016	325,238	265,017	10,508	85,000	19,308	705,071	49.6
Hill, B. Chief Financial Officer	2017	294,000	118,054	7,456	140,000	19,616	579,126	44.6
	2016	280,000	155,090	17,782	85,000	19,308	557,180	43.1
Totals – key management personnel	2017	1,612,555	762,161	40,713	650,000	107,676	3,173,105	
	2016	1,835,014	1,023,147	49,543	577,477	122,539	3,587,690	

(1) Mr L Baynham was appointed Managing Director on 16 November 2016.

No director or executive received compensation in the form of share-based payments during the year ended 30 June 2017 (2016: nil).

C Service agreements

Terms of employment for the managing director and other key management personnel are formalised under rolling contracts. The contracts state that base salary and performance-related bonuses will be agreed annually, which occurs at the commencement of each financial year. The company may terminate the contracts without notice for gross misconduct; otherwise, either party may terminate the contract early with the agreed notice period, subject to termination payments as detailed below. Other major provisions of the contracts relating to remuneration of the managing director and the other key management personnel are as follows:

L Baynham (Chief Executive Officer and Managing Director)

- The current agreement includes a long-term incentive (LTI) based on financial performance over calendar years 2015, 2016 and 2017. The aim of the LTI remuneration element is to provide a LTI that would progressively accrue up to a maximum value of $329,000, based on performance against the net profit after tax (NPAT) targets for each year, and payable at an appropriate time following the end of financial year 2017. The LTI is calculated as follows:
  - 10% of total LTI (or $33,000) based on achievement of the 2015 NPAT target (not achieved)
  - 20% of total LTI (or $66,000) based on achievement of the 2016 NPAT target (achieved)
  - 70% of total LTI (or $230,000) based on achievement of the 2017 NPAT target (achieved).

  The LTI was assessed for each financial year to 2017 separately, on an 'all or nothing' basis, and the board had the ability to adjust the targets in the event of significant over-achievement, business combination, or other significant special circumstances. As assessment of this initial LTI arrangement has been finalised, based on independent external advice, the LTI arrangement for 2018 and following years will be reset against cumulative EPS performance and agreed relevant non-financial criteria. The incentive will be aligned with the group's financial year end and will vest over three years.
- An additional "equity bonus" of up to $50,000 is payable upon the company exceeding its NPBT target each year by a designated amount. Any bonus is paid in two parts, with 50% payable at the end of the financial year and 50% at the end of the following financial year provided there has been continuous employment during the intervening period. The bonus is paid as a gross bonus, and the net after-tax proceeds are applied to the on-market purchase of Data#3 shares. The target for this bonus was not met for 2017.
- Termination notice of six months is required.
- Payment of a termination benefit on termination due to redundancy by the company of six months of the packaged salary including performance-related bonuses.

All other executive KMPs

- Each agreement includes a long-term incentive (LTI) based on financial performance over the 2016 and 2017 financial years. The aim of the LTI remuneration element is to provide a LTI that would progressively accrue up to a maximum value of $200,000, based solely on performance against the net profit after tax (NPAT) targets for each year, and payable at an appropriate time following the end of financial year 2017. The LTI is calculated as follows:
  - 30% of total LTI (or $60,000) based on achievement of the 2016 NPAT target (achieved)
  - 70% of total LTI (or $140,000) based on achievement of the 2017 NPAT target (achieved).

  The LTI was assessed for each financial year to 2017 separately, on an 'all or nothing' basis. As assessment of this initial LTI arrangement has been finalised, based on independent external advice, the LTI arrangement for 2018 and following years will be reset against cumulative EPS performance and agreed relevant non-financial criteria. The incentive will vest over three years.
- An additional "equity bonus" of up to $50,000 is payable upon the company exceeding its NPBT target each year by a designated amount. Any bonus is paid in two parts, with 50% payable at the end of the financial year and 50% at the end of the following financial year provided there has been continuous employment during the intervening period. The bonus is paid as a gross bonus, and the net after-tax proceeds are applied to the on-market purchase of Data#3 shares. The target for this bonus was not met for 2017.
- Termination notice of three months is required.

Mr B Hill is also entitled to payment of a termination benefit on termination due to redundancy by the company of six months of the packaged salary including performance-related bonuses. This termination benefit is provided for the CEO and CFO roles as these positions are considered more likely to be subject to early termination in the event of a significant business combination.

D Share-based compensation

Share-based compensation may be granted to directors and key management personnel under the Data#3 Limited Employee Share Ownership Plan, the Data#3 Limited Deferred Share and Incentive Plan, and the Data#3 Limited Employee Option Plan.

No shares, rights, or options were granted to directors or key management personnel during the year ended 30 June 2017 (2016: nil), no rights or options vested or lapsed during the year (2016: nil), and no rights or options were exercised during the year (2016: nil).

Interests in shares

Ordinary shares held directly, indirectly or beneficially by each key management person, including their personally related entities, are shown below.

	Balance 1 July 2015	Other changes*	Balance 30 June 2016	Other changes*	Balance 30 June 2017
Directors:					
Anderson, R.	600,000	-	600,000	-	600,000
Baynham, L.	475,360	-	475,360	8,480	483,840
Powell, W.T	3,540,000	(190,000)	3,350,000	(60,000)	3,290,000
Boreham, G. (until 30/09/2015) [(1)]	138,361	(138,361)	-	-	-
Grant, J. (until 31/12/2015) [(1)]	4,666,450	(4,666,450)	-	-	-
Johnston, I. (until 30/09/2016) [(1)]	600,000	-	600,000	(600,000)	-
Other executives:					
Bowser, M. [(2)]	-	116,650	116,650	8,480	125,130
Colledge, B. [(2)]	-	202,936	202,936	8,480	211,416
Hill, B.	516,650	-	516,650	8,480	525,130
	10,536,821	(4,675,225)	5,861,596	(626,080)	5,235,516

* Except as noted, other changes refer to the individual's on-market trading.

None of the shares above are held nominally by the directors or any of the other key management personnel.

(1) The amount in other changes is the individual's shareholding at the date he ceased to be a key management person, in addition to the individual's on-market trading during the year.

(2) The amount in other changes for FY16 is the individual's shareholding at 1 July 2015, the date he became a key management person, in addition to the individual's on-market trading during the year.

E Additional information

Relationship between remuneration and company performance

The overall level of executive reward takes into account the group's performance over a number of years, with greater emphasis given to improving performance over the prior year. Since 2012 the group's net profit has grown at an average compounded rate of 2.4% per year, the average executive remuneration has increased by an average compounded rate of 7.3% per year and total shareholder return averaged 17.0% per year.

Cash bonuses

For each cash bonus included in the table in Section B, the percentage of the planned bonus that was actually earned in the financial year, and the percentage that was forfeited because the person did not meet the relevant profit or other performance-related criteria, are set out below.

Name	Earned $	Forfeited $
Baynham, L.	94%	6%
Bowser, M.	94%	6%
Colledge, B.	94%	6%
Hill, B.	94%	6%

2016 Annual General Meeting

We received 98% "yes" and open proxy votes on our Remuneration Report for the 2016 financial year, and the vote at the AGM was a unanimous "yes".

Other transactions with key management personnel

There were no transactions during the 2017 financial year with key management personnel or their personally related entities.

12. Shares under option

We have no unissued ordinary shares under option at the date of this report. No share options were granted or exercised during the financial year and up to the date of this report.

13. Indemnification and insurance of directors and officers

During the financial year, we paid a premium of $28,875 to insure the directors and members of the executive management team against any liability incurred by them in their capacity as officers, unless the liability arises out of conduct involving a lack of good faith. Our executive officers are also indemnified against any liability for costs and expenses incurred in defending civil or criminal proceedings involving them as such officers if judgement is given in their favour or if they are acquitted or granted relief.

14. Environmental regulation and performance

Our group is not subject to any particular and significant environmental regulations.

15. Rounding

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. We have rounded off amounts in the directors' report and financial report to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that instrument.

16. Auditor independence and non-audit services

Pitcher Partners continued as our auditor in 2017. We employ Pitcher Partners on assignments additional to its statutory duties where the firm's expertise and experience with our company are important. Fees we paid or owed to the auditor for these non-audit services during the year are included in the following table of total fees paid or payable to the auditor:

	2017 $	2016 $
Audit and other assurance services		
Audit and review of financial statements	160,000	160,000
Non-audit services		
Tax compliance services	14,453	21,830
Other business advice	-	4,450
	14,453	26,280
Total remuneration	174,453	186,280

The board of directors has considered the position, and in accordance with the advice received from the audit and risk committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit and risk committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

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

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

R A Anderson

Director

Brisbane
23 August 2017

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NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

The Directors
Data#3 Limited
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Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Data#3 Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants* in relation to the audit.

This declaration is in respect of Data#3 Limited and the entities it controlled during the year.

PITCHER PARTNERS

J J Evans
Partner
Pitcher Partners

Brisbane
23 August 2017


Data#3
OPEN TO THE WORLD
WEST END DRAUGHT

Financial Report 2017

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Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue			
Sale of goods	2	889,204	791,334
Services	2	208,088	189,981
Other	2	929	1,908
		1,098,221	983,223
Expenses			
Changes in inventories of finished goods		(8,006)	8,623
Purchase of goods		(808,659)	(729,413)
Employee and contractor costs directly on-charged (cost of sales on services)		(59,793)	(57,270)
Other cost of sales on services		(61,955)	(56,681)
Internal employee and contractor costs		(114,063)	(105,031)
Telecommunications		(1,688)	(1,814)
Rent	3	(8,145)	(8,198)
Travel		(2,182)	(1,847)
Professional fees		(1,098)	(1,024)
Depreciation and amortisation	3	(3,065)	(3,538)
Finance costs	3	(105)	(100)
Other		(7,060)	(7,448)
		(1,075,819)	(963,741)
Profit before income tax expense		22,402	19,482
Income tax expense	4	(6,593)	(5,881)
Profit for the year		15,809	13,601
Other comprehensive income, net of tax		-	-
Total comprehensive income		15,809	13,601
Profit and comprehensive income is attributable to:			
Owners of Data#3 Limited		15,375	13,830
Non-controlling interests		434	(229)
		15,809	13,601
Earnings per share for profit attributable to the ordinary equity holders of the company:		Cents	Cents
Basic earnings per share	14	9.99	8.98
Diluted earnings per share	14	9.99	8.98

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

Consolidated balance sheet

as at 30 June 2017

	Notes	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	5	135,695	102,279
Trade and other receivables	6	168,495	170,684
Inventories	7	4,480	12,571
Other	8	5,104	4,740
Total current assets		313,774	290,274
Non-current assets			
Trade and other receivables	6	454	2,895
Property and equipment	9	6,187	6,320
Deferred tax assets	4	2,938	2,553
Intangible assets	10	16,718	15,798
Total non-current assets		26,297	27,566
Total assets		340,071	317,840
Current liabilities			
Trade and other payables	11	263,226	239,759
Borrowings	17	303	157
Current tax liabilities		2,109	2,787
Provisions	12	3,207	2,826
Other	13	23,608	26,416
Total current liabilities		292,453	271,945
Non-current liabilities			
Trade and other payables	11	636	1,236
Borrowings	17	358	330
Provisions	12	3,620	3,340
Other	13	249	363
Total non-current liabilities		4,863	5,269
Total liabilities		297,316	277,214
Net assets		42,755	40,626
Equity			
Contributed equity	16	8,278	8,278
Retained earnings		33,312	31,564
Equity attributable to owners of Data#3 Limited		41,590	39,842
Non-controlling interests		1,165	784
Total equity		42,755	40,626

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

Consolidated statement of changes in equity

for the year ended 30 June 2017

	Attributable to owners of Data#3 Limited				
	Contributed Equity $'000	Retained Earnings $'000	Total $'000	Non-controlling Interests $'000	Total Shareholders' Equity $'000
Balance at 1 July 2015	8,278	28,095	36,373	-	36,373
Profit for the year	-	13,830	13,830	(229)	13,601
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	13,830	13,830	(229)	13,601
Transactions with owners in their capacity as owners:					
Finalisation of provisional accounting for the Business Aspect acquisition	-	(45)	(45)	-	(45)
Payment of dividends	-	(10,316)	(10,316)	-	(10,316)
Non-controlling interest on acquisition of subsidiary	-	-	-	917	917
Non-controlling interest – accretion of share options	-	-	-	96	96
Balance at 30 June 2016	8,278	31,564	39,842	784	40,626
Profit for the year	-	15,375	15,375	434	15,809
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	15,375	15.375	434	15,809
Transactions with owners in their capacity as owners:					
Payment of dividends	-	(13,627)	(13,627)	-	(13,627)
Non-controlling interest – accretion of share options	-	-	-	39	39
Non-controlling interest – cancellation of share options	-	-	-	(92)	(92)
Balance at 30 June 2017	8,278	33,312	41,590	1,165	42,755

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

Consolidated statement of cash flows

for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit for the year		15,809	13,601
Depreciation and amortisation		3,595	3,817
Unwinding of discount on provisions		33	45
Bad and doubtful debts		283	232
Excess and obsolete inventory		85	-
Accretion of options to minority interest in subsidiary, net of options cancellations		(53)	96
Other		(23)	29
Change in operating assets and liabilities			
Decrease/(increase) in trade receivables		83	(10,284)
Decrease/(increase) in other receivables		2,424	(3,440)
Decrease/(increase) in inventories		8,006	(8,613)
Decrease/(increase) in other operating assets		1,496	(7,117)
(Increase) in net deferred tax assets		(385)	(398)
Increase in trade payables		21,828	5,936
Increase/(decrease) in unearned income		(2,808)	10,719
Increase in other operating liabilities		934	255
Increase/(decrease) in current tax liabilities		(678)	1,601
Increase in provision for employee benefits		622	339
Net cash inflow from operating activities		51,251	6,818
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired		-	554
Payments for property and equipment		(1,729)	(1,094)
Payments for software assets	10	(2,224)	(2,240)
Proceeds from sale of property and equipment		-	13
Net cash (outflow) from investing activities		(3,953)	(2,767)
Cash flows from financing activities			
Payment of dividends	15	(13,627)	(10,316)
Finance lease payments		(255)	(422)
Net cash (outflow) from financing activities		(13,882)	(10,738)
Net increase/(decrease) in cash and cash equivalents held		33,416	(6,687)
Cash and cash equivalents, beginning of financial year		102,279	108,966
Cash and cash equivalents, end of financial year	5	135,695	102,279

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

Notes to the consolidated financial statements

About this report

The principal accounting policies we have adopted in the preparation of our financial report are set out in the following notes to the financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the group consisting of Data#3 Limited ("the company") and its subsidiaries. References in this financial report to "we", "us" or "our" refer to management speaking on behalf of the consolidated group ("the group").

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

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 2016. 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.

Rounding of amounts
The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. We have rounded off amounts in the directors' report and financial report to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that instrument.

Corporate information

The financial report was authorised for issue in accordance with a resolution of the directors on 23 August 2017. Data#3 Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Data#3
67 High Street
TOOWONG QLD 4066

Note 1. 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 2017 (2016: 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.

Note 1. Segment information (continued)

We have identified two reportable segments, as follows:

- Product – providing hardware and software licenses for our customers' desktop, network and data centre infrastructure
- 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 2017 and 2016. Comparative information has been restated to conform with the current method of national management cost allocation.

	Product		Services		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue						
Total revenue	889,217	791,512	221,112	201,122	1,110,329	992,634
Inter-segment revenue	(13)	(178)	(13,024)	(11,141)	(13,037)	(11,319)
External revenue	889,204	791,334	208,088	189,981	1,097,292	981,315
Costs of sale						
Cost of goods sold	(816,665)	(720,790)	-	-	(816,665)	(720,790)
Employee and contractor costs directly on-charged		-	(59,793)	(57,270)	(59,793)	(57,270)
Other costs of sales on services		-	(61,955)	(56,681)	(61,955)	(56,681)
Gross profit	72,539	70,544	86,340	76,030	158,879	146,574
Other expenses	(48,662)	(45,987)*	(74,935)	(69,110)*	(123,597)	(115,097)*
Segment profit	23,877	24,557*	11,405	6,920*	35,282	31,477*
Unallocated corporate items						
Interest and other revenue					929	1,908
Other employee and contractor costs					(7,156)	(7,275)*
Rent					(2,055)	(2,011)*
Depreciation and amortisation					(2,128)	(2,066)*
Other					(2,470)	(2,551)*
					(12,880)	(11,995)*
Profit before income tax					22,402	19,482
Reconciliation of revenue:						
External revenue					1,097,292	981,315
Unallocated corporate revenue:						
Interest and other revenue					929	1,908
Revenue					1,098,221	983,223

* Amount has been restated to conform with the current method of national management cost allocation.

Note 2. Revenue

	2017 $'000	2016 $'000
Sale of goods	889,204	791,334
Services	208,088	189,981
	1,097,292	981,315
Other revenue		
Interest	842	713
Reversal of payable for deferred consideration (a)	-	1,173
Other recoveries	87	22
	929	1,908

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:

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.

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.

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.

Other revenue
Interest revenue is recognised as it accrues using the effective interest method.

(a) Reversal of payable for deferred consideration
During financial year 2016 Data#3 reversed an accrual for $1.1 million in contingent consideration in connection with an acquisition of Business Aspect Group Pty Ltd in financial year 2015. The agreed financial hurdles for the contingent consideration were not met as at 30 June 2016, and as a result the $1.1 million previously recorded as a contingent liability was recorded as other income in the profit and loss in financial year 2016.

Note 3. Expenses

	2017 $'000	2016 $'000
Depreciation and amortisation of property and equipment (Note 9)		
Depreciation and amortisation of property and equipment included in depreciation and amortisation expense	2,171	1,760
Depreciation of equipment recorded in cost of sales	120	59
Depreciation of equipment capitalised to internally generated software assets	-	18
	2,291	1,837
Amortisation of intangibles (Note 10)		
Amortisation of intangibles included in depreciation and amortisation expense	594	1,478
Amortisation of intangibles recorded in cost of sales	410	220
Amortisation of customer relationships included in depreciation and amortisation expense	300	300
	1,304	1,998
	3,595	3,835
Employee benefits expense	106,302	96,587
Termination benefits expense	1,389	1,492
Defined contribution superannuation expense (a)	11,541	10,217
Other charges against assets		
Impairment of trade receivables (Note 6(b))	283	232
Rental expenses on operating leases		
Minimum lease payments	5,940	5,296
Straight lining lease rentals	(61)	79
Rental expenses – other	2,266	2,823
	8,145	8,198
Finance costs		
Interest and finance charges paid/payable	72	55
Unwinding of discount on provisions and other payables	33	45
	105	100

(a) Post-employment benefits

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

Note 4. Income tax

	2017 $'000	2016 $'000
The major components of income tax expense are as follows:		
Current income tax expense	7,660	6,308
Deferred income tax relating to the origination and reversal of temporary differences	(868)	(419)
Adjustments for current tax of prior years	(199)	(8)
Income tax expense	6,593	5,881
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:		
Accounting profit before income tax	22,402	19,482
Income tax calculated at the Australian tax rate: 30% (2016: 30%)	6,721	5,844
Tax effect of amounts which are not deductible in calculating taxable income:		
R&D tax offset	(470)	(112)
Non-assessable income	(9)	-
Non-deductible items	550	157
	6,792	5,889
Under/(over) provision in prior year	(199)	(8)
Income tax expense	6,593	5,881
	%	%
Effective tax rate (income tax expense as a percentage of profit before tax)	29.4	30.2

We paid income taxes of $7,269,000 during financial year 2017 (2016: $4,325,000).

	$'000	$'000
Deferred income tax assets and liabilities are attributable to the following temporary differences:		
Accrued liabilities	2,385	2,305
Provisions	2,170	2,012
Lease incentive liabilities	110	144
Depreciation	996	895
Other	685	740
Total deferred tax assets	6,346	6,096
Intangible assets	(989)	(877)
Lease incentive assets	(14)	(28)
Accrued income	(2,402)	(2,638)
Other	(3)	-
Total deferred tax liabilities	(3,408)	(3,543)
Net deferred tax assets	2,938	2,553

Note 4. Income tax (continued)

Movements in deferred tax assets are as follows:

	Accrued liabilities $'000	Provisions $'000	Lease incentive liabilities $'000	Depreciation $'000	Other $'000	Total $'000
Balance at 1 July 2015	2,180	1,721	150	718	13	4,782
(Charged)/credited						
- to profit or loss	125	198	(6)	203	655	1,175
- to current tax liability	-	-	-	(28)	-	(28)
Acquisition of subsidiary	-	93	-	2	72	167
Balance at 30 June 2016	2,305	2,012	144	895	740	6,096
(Charged)/credited						
- to profit or loss	80	158	(34)	101	(55)	250
- to current tax liability	-	-	-	-	-	-
Balance at 30 June 2017	2,385	2,170	110	996	685	6,346

Movements in deferred tax liabilities are as follows:

	Intangible assets $'000	Lease incentive assets $'000	Accrued income $'000	Other $'000	Total $'000
Balance at 1 July 2015	(375)	(42)	(2,030)	(3)	(2,450)
Charged/(credited) to profit or loss	(180)	14	(585)	3	(748)
Acquisition of subsidiary	(322)	-	(23)	-	(345)
Balance at 30 June 2016	(877)	(28)	(2,638)	-	(3,543)
Charged/(credited) to profit or loss					
- to profit or loss	(122)	14	236	(1)	137
- to current tax liability	-	-	-	(2)	(2)
Balance at 30 June 2017	(989)	(14)	(2,402)	(3)	(3,408)

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 or R&D tax offsets.

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.

Note 4. Income tax (continued)

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.

Tax consolidation legislation

Data#3 Limited and its wholly-owned Australian subsidiaries are part of a tax-consolidated group under Australian taxation law. Data#3 Limited and the controlled entities in the tax-consolidated group continue to account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax-consolidated group continues to be a stand-alone taxpayer in its own right. Data#3 Limited, as the head entity, immediately assumes current tax liabilities or assets and the deferred tax assets arising from unused tax losses and unused tax credits from controlled entities in the tax consolidated group, in addition to its own current and deferred tax amounts.

The entities in the tax-consolidated group have also entered into tax sharing and funding agreements. Under the terms of these agreements, the wholly-owned subsidiaries reimburse Data#3 Limited for any current tax payable assumed and are compensated by Data#3 Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Data#3 Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned subsidiaries' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables.

In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by Data#3 Limited.

No tax losses are available for offset against future taxable profits (2016: nil).

Note 5. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	5,686	14,865
Deposits at call	130,009	87,414
	135,695	102,279

For purposes of the consolidated statement of cash flow, 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.

Note 6. Trade and other receivables

	2017 $'000	2016 $'000
Current		
Trade receivables (a)	151,993	152,467
Allowance for impairment (b)	(85)	(213)
	151,908	152,254
Finance lease receivable (c)	562	545
Other receivables (d)	16,025	17,885
	168,495	170,684
Non-current		
Trade receivables on deferred payment terms (e)	-	1,923
Finance lease receivable (c)	454	972
	454	2,895

We carry loans and receivables 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. 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.

(a) 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.

Note 6. Trade and other receivables (continued)

(b) Allowance for impairment

We recognised an impairment loss of $283,000 in the current year (2016: $232,000). Impairment amounts are included in other expense in the statements of comprehensive income. Movements in the provision for impairment loss were as follows:

	$'000
Carrying amount at 1 July 2015	6
Impairment loss recognised during the year	232
Receivables written off during the year	(25)
Carrying amount at 30 June 2016	213
Impairment loss recognised during the year	283
Receivables written off during the year	(391)
Unused provision reversed during the year	(20)
Carrying amount at 30 June 2017	85

Our ageing of overdue trade receivables as at 30 June 2017 is as follows:

	2017		2016	
	Considered impaired $'000	Past due but not impaired $'000	Considered impaired $'000	Past due but not impaired $'000
31-60 days	-	8,997	-	6,615
61-90 days	-	1,559	-	2,908
91-120 days	-	1,242	20	1,225
+120 days	85	2,047	214	1,763
	85	13,845	234	12,511

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.

(c) Finance lease receivable

Leases in which the group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

We are a lessor for one finance lease as at 30 June 2017 (2016: one). The interest rate implicit in the lease is 6.75%. The lease is collateralised by the assets financed. Future minimum lease payments under the lease are as follows:

	2017 $'000	2016 $'000
Within one year	613	613
Later than one year but not later than five years	466	1,079
	1,079	1,692
Less: future finance charges	(64)	(175)
	1,015	1,517

Note 6. Trade and other receivables (continued)

	2017 $'000	2016 $'000
The present value of finance lease receivables is as follows:		
Within one year	561	545
Later than one year but not later than five years	454	972
	1,015	1,517

(d) 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.

(e) Trade receivables on deferred payment terms

Non-current trade receivables are unsecured, non-interest bearing and payable within two years. None of these receivables are past due.

Note 7. Inventories

	2017 $'000	2016 $'000
Goods held for sale – at cost	4,480	12,571

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.

Inventories recognised as expense in cost of goods sold during the year ended 30 June 2017 amounted to $235,267,000 (2016: $254,378,000).

Note 8. Other assets

	2017 $'000	2016 $'000
Prepayments	4,978	4,613
Security deposits	126	127
	5,104	4,740

Note 9. Property and equipment

	2017 $'000	2016 $'000
Leasehold improvements – at cost	10,350	10,178
Accumulated amortisation	(7,522)	(6,362)
	2,828	3,816
Equipment – at cost	5,840	3,865
Accumulated depreciation	(2,481)	(1,361)
	3,359	2,504
	6,187	6,320

Property and equipment is stated at cost, less accumulated depreciation and amortisation. We depreciate our equipment using the straight-line method or diminishing value 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.

	2017 $'000	2016 $'000
Leased assets		
Property and equipment include the following amounts where we are a lessee under a finance lease:		
Cost	931	502
Accumulated depreciation	(279)	(14)
Carrying amount	652	488

We classify leases of property and equipment where the group, 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.

Assets subject to finance lease effectively secure the related lease liabilities (Note 17).

	Leasehold improvements $'000	Equipment $'000	Total $'000
Carrying amount at 1 July 2015	4,919	1,539	6,458
Additions	53	1,543	1,596
Acquisition of subsidiaries	-	118	118
Disposals	-	(15)	(15)
Depreciation and amortisation expense	(1,156)	(681)	(1,837)
Carrying amount at 30 June 2016	3,816	2,504	6,320
Additions	172	1,986	2,158
Depreciation and amortisation (Note 3)	(1,160)	(1,131)	(2,291)
Carrying amount at 30 June 2017	2,828	3,359	6,187

Note 10. Intangible assets

	2017 $'000	2016 $'000
Goodwill – at cost	11,843	11,843
Accumulated impairment	(587)	(587)
	11,256	11,256
Software assets – at cost	4,548	3,487
Accumulated amortisation and impairment	(2,646)	(2,392)
	1,902	1,095
Internally generated software assets – at cost	6,768	5,605
Accumulated amortisation and impairment	(3,858)	(3,108)
	2,910	2,497
Customer relationships	1,500	1,500
Accumulated amortisation and impairment	(850)	(550)
	650	950
	16,718	15,798

	Goodwill $'000	Software assets $'000	Internally generated software $'000	Customer relationships $'000	Total $'000
Carrying amount at 1 July 2015	9,224	485	1,305	1,250	12,264
Additions	-	1,127	1,113	-	2,240
Acquisition of subsidiaries	2,077	-	1,260	-	3,337
Finalisation of provisional accounting for the Business Aspect acquisition	(45)	-	-	-	(45)
Amortisation (Note 3)	-	(517)	(1,181)	(300)	(1,998)
Carrying amount at 30 June 2016	11,256	1,095	2,497	950	15,798
Additions	-	1,061	1,163	-	2,224
Amortisation (Note 3)	-	(254)	(750)	(300)	(1,304)
Carrying amount at 30 June 2017	11,256	1,902	2,910	650	16,718

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 below).

Note 10. Intangible assets (continued)

Software

Software assets include those we have developed ourselves and those we have purchased. We capitalise costs incurred in purchasing or developing software where the software will provide a future financial benefit to the group. 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.

Customer relationships

Customer relationships have been externally acquired. We capitalise acquired customer relationship assets at fair value based on an assessment of future cash flows. Customer relationship 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 three to five years. We test customer relationship assets 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 below).

Impairment testing

Goodwill is not subject to amortisation; we test it annually for impairment, or more frequently if events or changes in circumstances indicate it 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.

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	3,421
Services	7,835
	11,256

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. 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 2018. We applied a 12% before-tax discount rate to cash flow projections (2016: 12%). We have extrapolated cash flows beyond the 2018 financial year using an average growth rate of 3.5% (2016: 3.5%).

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.

Note 11. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables – unsecured	232,266	210,438
Other payables – unsecured (a)	30,960	29,321
	263,226	239,759
Non-current		
Trade payables on deferred payment terms	636	1,236

Current trade and other payables are unsecured and are usually paid within 30 to 60 days of recognition. Non-current trade payables are unsecured, non-interest bearing, subject to a default rate of 18%, and payable within two years.

(a) Other payables

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 corporate 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.

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.

Note 12. Provisions

	2017			2016		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits	3,140	3,146	6,286	2,748	2,916	5,664
Lease remediation (Note 18)	67	474	541	78	424	502
	3,207	3,620	6,827	2,826	3,340	6,166

Note 12. Provisions (continued)

Movements in provisions other than employee benefits are as follows:

	Lease remediation $'000
Balance at 1 July 2015	469
Increase to present value	33
Balance at 30 June 2016	502
Increase to present value	33
Arising during the year	11
Used during the year	(2)
Unused provision reversed during the year	(3)
Balance at 30 June 2017	541

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.

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 corporate 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.

Note 13. Other liabilities

	2017 $'000	2016 $'000
Current		
Unearned income	23,493	26,301
Lease incentives	115	115
	23,608	26,416
Non–current		
Lease incentives	249	363

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

Note 14. Earnings per share

	2017 cents	2016 cents
Basic earnings per share	9.99	8.98
Duiluted earnings per share	9.99	8.98
	Number	**Number**
Weighted average number of shares		
Weighted average number of ordinary shares for basic and diluted earnings per share	153,974,950	153,974,950

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. There were no dilutive elements in 2017 or 2016.

Note 15. Dividends

	2017 $'000	2016 $'000
Dividends paid on ordinary shares during the year		
Final fully franked dividend for 2016: 5.5c per share (2015: 4.2c)	8,469	6,467
Interim fully franked dividend for 2017: 3.35c per share (2016: 2.5c)	5,158	3,849
	13,627	10,316
Dividends declared (not recognised as a liability at year end)		
Final fully franked dividend for 2017: 5.55c (2016: 5.50c)	8,546	8,469
The tax rate at which dividends paid have been franked is 30% (2016: 30%). Dividends declared will be franked at the rate of 30% (2016: 30%).		
Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	19,421	18,776

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 $3,662,000 (2016: $3,629,000).

Note 16. Contributed equity

(a) Movements in ordinary share capital

There were no movements in ordinary share capital during the years ended 30 June 2017 and 2016.

(b) Ordinary shares

All ordinary shares issued as at 30 June 2017 and 2016 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 2017.

(d) Capital management

When managing capital (equity), the board's objective is to ensure the group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The board adjusts the capital structure as necessary to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or reduce debt that may be incurred to acquire assets.

During 2017 the board paid dividends of $13,627,000 (2016: $10,316,000). The board's intent for dividend payments is to maintain the historical dividend payout ratio; however, market conditions are taken into consideration prior to the declaration of each dividend.

We are not subject to any externally imposed capital requirements.

Note 17. Borrowings

	2017 $'000	2016 $'000
Current		
Finance lease liabilities – secured	303	157
Non–current		
Finance lease liabilities – secured	358	330
Total secured liabilities	661	487

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.

Assets pledged as security

All our assets are pledged as security for bank facilities (above and refer to Note 19).

Note 18. Commitments

	2017 $'000	2016 $'000
(a) Non-cancellable operating leases		
Future minimum lease payments under non-cancelable operating leases are as follows:		
Within one year	5,399	5,461
Later than one year but not later than five years	7,503	11,411
	12,902	16,872

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 (refer to Note 12).

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.

	2017 $'000	2016 $'000
(b) Finance leases		
Commitments related to finance leases as at 30 June are payable as follows:		
Within one year	344	183
Later than one year but not later than five years	377	351
	721	534
Less: future finance charges	(60)	(47)
Recognised as a liability	661	487
The present value of finance lease liabilities is as follows:		
Within one year	303	157
Later than one year but not later than five years	358	330
	661	487

A controlled entity leases equipment under finance leases which are due to expire in November 2019.

Note 18. Commitments (continued)

	2017 $'000	2016 $'000
(c) Trade payables Trade payables on deferred payment terms are payable as follows:		
Within one year	672	672
Later than one year but not later than five years	672	1,344
	1,344	2,016
Less: future finance charges	(108)	(108)
Recognised as a liability	1,236	1,908

Note 19. 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 2017 and 2016 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 2017		30 June 2016	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash at bank and on hand	1.2%	5,686	1.5%	14,865
Deposits at call	1.5%	130,009	1.5%	87,414
Cash and cash equivalents	1.5%	135,695	1.5%	102,279

Note 19. Financial risk management (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)	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
-0.25% (25 basis points) (2016: -0.25%)	(237)	(179)	(237)	(179)
+0.25% (25 basis points) (2016: -0.50%)	237	(358)	237	(358)

(b) Credit risk

Credit risk arises from the financial assets of our group, which comprise cash and cash equivalents and trade, finance lease 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 2017 year, sales to one government customer comprised 6% of revenue (2016: 7%).
- At 30 June 2017, no single debtor comprised a material portion of total debtors (2016: nil), and the ten largest debtors comprised approximately 30% of total debtors (2016: 41%), of which 100% were accounts receivable from government customers (2016: 87%).
- Our customers generally 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 2017 bad debt write-offs as a percent of the trade receivables carrying amount was 0.3%, (2016: 0.02%).

(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 $2,353,000 (2016: $8,181,000) 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:

	2017 $'000	2016 $'000
Multi-option bank facility	9,147	6,309

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 2017 was 5.6% (2016: 5.8%).

Note 19. Financial risk management (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 $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 And 3 years $'000	Total contractual cash flows $'000	Carrying amount $'000
At 30 June 2017						
Trade and other payables	263,226	-	672	-	263,898	263,862
Finance lease liabilities	172	172	342	35	721	661
	263,398	172	1,104	35	264,619	264,523
At 30 June 2016						
Trade and other payables	239,759	-	672	672	241,103	240,995
Finance lease liabilities	91	91	183	168	533	487
	239,850	91	855	840	241,636	241,482

(d) Fair values

The carrying amounts of financial assets (net of any provision for impairment) and current financial liabilities approximate 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.

Note 20. Business combinations

Accounting policy

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 10). 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.

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.

Note 20. Business combinations (continued)

Discovery Technology

On 20 August 2014 Data#3 Limited (Data#3) acquired 46.2% of the issued capital of Discovery Technology Pty Ltd ("Discovery Technology"), a company specialising in Wi-Fi analytics. On 3 July 2015 Data#3 exercised its option to acquire a further 15.4% shareholding in Discovery Technology, bringing Data#3's total shareholding to 61.6%. As a result of obtaining control, Discovery Technology has been consolidated in Data#3's consolidated financial statements from 3 July 2015.

Subsequent to year end Data#3 exercised an option to increase its total shareholding in Discovery Technology to 77.6%. Refer to Note 21.

Note 21. Subsequent event

Data#3 exercised an option to acquire a further 15.8% shareholding in Discovery Technology in July 2017 for $646,000, increasing its total shareholding to 77.6%.

Note 22. Related parties

Wholly-owned group

The consolidated financial statements include the financial statements of Data#3 Limited (being the ultimate parent entity) and the subsidiaries listed in the following table.

Name of entity	Country of formation or incorporation	Equity holding (ordinary shares) 2017 %	Equity holding (ordinary shares) 2016 %
Business Aspect Group Pty Ltd	Australia	100.0	100.0
Business Aspect (Australia) Pty Ltd	Australia	100.0	100.0
Business Aspect Pty Ltd	Australia	100.0	100.0
Business Aspect (ACT) Pty Ltd	Australia	100.0	100.0
CTG Consulting Pty Ltd	Australia	100.0	100.0
Discovery Technology Pty Ltd	Australia	61.6	61.6
People Aspect Pty Ltd	Australia	100.0	100.0

Principles of consolidation

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.

Note 22. Related parties (continued)

Parent entity

Summarised financial information for the parent entity is as follows:

	2017 $'000	2016 $'000
As at 30 June		
Current assets	305,029	284,369
Total assets	329,314	311,181
Current liabilities	284,543	266,760
Total liabilities	288,661	271,448
Shareholders' equity		
Contributed equity	8,278	8,278
Retained earnings	32,375	31,455
Total equity	40,653	39,733
For the year ended 30 June		
Net profit and total comprehensive income	14,547	13,820

Note 23. Contingent liabilities

At 30 June 2017 we had provided bank guarantees totalling $1,978,000 (2016: $2,198,000) to lessors as security for premises we lease and $375,000 (2016: $5,733,000) 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 24. Key management personnel

	2017 $	2016 $
Key management personnel compensation is set out below.		
Short-term employee benefits	2,374,716	2,858,161
Long-term employee benefits	690,713	606,990
Post-employment benefits	107,676	122,539
	3,173,105	3,587,690

Remuneration in 2016 reflected over-achievement of short-term profit targets; short-term profit targets were slightly underachieved in 2017. The long-term targets were met in both years.

Transactions with key management personnel

There were no transactions during the 2017 or 2016 financial years with key management personnel or their personally related entities.

Note 25. Remuneration of auditor

	2017 $	2016 $
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	160,000	160,000
Non-audit services		
Tax compliance services	14,453	21,830
Other business advice	-	4,450
	14,453	26,280
Total remuneration	174,453	186,280

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 group are important.

Note 26. 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 2017, are as follows:

Standard/Interpretation	Application date of Standard[1]	Application date for the group[1]
AASB 9 *Financial Instruments - revised and consequential amendments to other accounting standards arising from its issue*	1 January 2018	1 July 2018
AASB 15 *Revenue from Contracts with Customers*	1 January 2018	1 July 2018
AASB 16 *Leases*	1 January 2019	1 July 2019
AASB 2014-10 *Sale or contribution of assets between an investor and its associate or joint venture* (with the application date as amended by AASB 2015-10)	1 January 2018	1 July 2018
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017	1 July 2017
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	1 January 2017	1 July 2017
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	1 January 2018	1 July 2018
AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments*	1 January 2018	1 July 2018
AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*	1 January 2017	1 July 2017
AASB Interpretation *22 Foreign Currency Transactions and Advance Consideration*	1 January 2018	1 July 2018
Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019	1 July 2019

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

Note 26. Accounting standards not yet effective (continued)

The directors anticipate that the adoption of these standards and interpretations in future years may have the following impacts:

AASB 9

AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement.* The key change that will affect the group on initial application of AASB 9 and associated amending Standards relates to the new requirement to recognise impairment of financial assets carried at amortised cost based on an expected loss approach. The new impairment model uses a forward looking (expected loss) model whereby credit losses will be recognised when expected rather than when losses are incurred. The group has historically experienced very low levels of bad debts; therefore, we expect the adoption of AASB 9 will not have a material impact on the group's financial statements.

AASB 15

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. Management has carried out an analysis of the impact this standard will have on the group, and we anticipate this standard will not have a material impact on our financial statements as it is not significantly different from our current method of recognising revenue for the largest components of our revenue. For service contracts where we measure revenue on a percentage-of-completion basis under our existing accounting policy, we will not recognise revenue using this method when AASB 15 is effective unless we have an enforceable right to payment for performance completed to date; management estimates that this change will not have a material impact due to the small number and value of contracts accounted for using the percentage-of-completion method.

AASB 16

This new standard replaces AASB 117 and some lease-related Interpretations. It requires all leases to be accounted for "on balance sheet" by lessees, other than for short-term and low value assets leases. The standard also provides new guidance on the definition of a lease and on sale and leaseback accounting and requires new and different disclosures about leases. The accounting requirements for lessors remains largely unchanged from AASB 117. We expect the adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, specifically:

- lease assets and financial liabilities on the balance sheet will increase.
- reported equity will be reduced because the carrying value of the assets will reduce more quickly than the carrying amount of the lease liabilities.

AASB 2014-10

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. We anticipate there will be no impact on our financial statements, as we do not intend to sell or contribute assets to an associate or joint venture in the foreseeable future.

AASB 2016-1

This Standard makes amendments to AASB 112 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. We anticipate there will be no material impact on our financial statements, as we have an immaterial value of debt instruments on issue and do not expect significant increases in the foreseeable future.

AASB 2016-2

The amendments to AASB 107 *Statement of Cash Flows* require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). We plan to include a reconciliation of the change in liabilities arising from financing activities in the notes to our financial statements as a result of these amendments.

Note 26. Accounting standards not yet effective (continued)

AASB 2016-5

This Standard amends AASB 2 *Share-based Payment,* clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. We expect this amendment will not have a material impact on our financial statements, as any share-based payments have historically been immaterial, and we do not intend to make any material share-based payments in the foreseeable future.ct on our financial statements, as we do not intend to sale or contribute assets to an associate or joint venture in the foreseeable future.

AASB 2017-1

The amendments clarify certain requirements in:

- AASB 1 *First-time Adoption of Australian Accounting Standards* – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- AASB 12 *Disclosure of Interests in Other Entities* – clarification of scope
- AASB 128 *Investments in Associates and Joint Ventures* – measuring an associate or joint venture at fair value
- AASB 140 *Investment Property* – change in use

We anticipate there will be no impact on our financial statements, as the amendments address issues that are not currently applicable to the group nor do we anticipate they will apply in the foreseeable future.

AASB 2017-2

This Standard clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.* We anticipate there will be no impact on our financial statements, as we do not currently hold non-current assets for sale or have discontinued operations, nor do we expect to have either in the foreseeable future.

AASB Interpretation 22

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. We anticipate there will be no impact on our financial statements, as we do not currently hold non-monetary assets or non-monetary liabilities denominated in foreign currencies, nor do we intend to in the foreseeable future.

Interpretation 23

The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- how an entity considers changes in facts and circumstances.

We expect there will be no impact on our financial statements, as we historically have not had circumstances where there are uncertainties surrounding material income tax treatments and do not foresee such issues in the near future.

Directors' declaration

In the opinion of the directors:

(a) the financial statements and notes set out on pages 36 to 65 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

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

The notes to the consolidated financial statements confirm 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
Director

Brisbane
23 August 2017

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WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

Independent auditor's report

To the members of Data#3 Limited and controlled entities

Report on the financial report

Data#3 Limited and controlled entities ("Data#3" or "Group") comprises Data#3 Limited and the entities it controlled at the end of the year or from time to time during the year.

We have audited the accompanying financial report of Data#3, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Opinion

In our opinion:

(a) the financial report of Data#3 is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in the notes to consolidated financial statements.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addresses the matter
Impairment of goodwill and internally generated software assets *Refer to Note 10: Intangible Assets*	
On consolidation of subsidiaries acquired in previous years, goodwill on acquisition is recognised in the balance sheet. The carrying amount of goodwill is supported by value-in-use calculations prepared by management which are based on budgeted future cash flows and key estimates such as growth and discount rates. Additionally, the group recognises directly attributable costs of internally generated software as an asset in the balance sheet. The carrying amount of this asset is supported by value-in-use calculations prepared by management which are based on budgeted future cash flows and key estimates such as growth and discount rates. It is due to the use of key estimates and judgement that this is a key area of audit focus.	Our procedures included, amongst others: • We assessed management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and internal reporting in order to assess how results were monitored and reported; • We assessed the reasonableness of key estimates, considering supporting management-prepared documentation or historical performance, where available; • We compared the prior year forecasts to assess the accuracy of the forecasting process, finding that historical actual results have been materially consistent with the forecast performance; • We checked management's calculations for accuracy; and • We performed a sensitivity analysis of management's calculations to assess the level of headroom available.

Key audit matter	How our audit addresses the matter
Revenue recognition *Refer to Note 2: Revenue*	
Due to the nature of Data#3's operations, the performance of the Group at the end of the financial year has a significant impact on the Group's overall year end result. It is due to the quantum of transactions occurring near year end that this is a key area of audit focus.	Our procedures included, amongst others: • Selecting a sample of transactions prior and subsequent to year end and agreeing to supporting documentation to gain assurance that the risks and rewards of ownership had been transferred to the customer (product sales), or the service had been rendered to the designated stage of completion (services) in the same cut-off period the revenue had been recognised; and • We completed substantive audit procedures on receivables and deferred income recognised at year end to gain assurance on the existence / completeness of the receivable / liability at year end and the corresponding revenue being recognised in the correct period.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 the notes to the financial statements, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report comprising section 11 of the directors' report for the year ended 30 June 2017. In our opinion the Remuneration Report of Data#3 Limited for the year ended 30 June 2017 complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PITCHER PARTNERS

J Evans

J J Evans
Partner

Brisbane, Queensland
23 August 2017

Shareholder Information

The shareholder information set out below was applicable as at 21 August 2017.

1. Distribution of equity securities

(a) Analysis of numbers of equity security holders by size of holding:

	Number of shares	% of issued capital	Number of holders
1 to 1,000	448,027	0.29	718
1,001 to 5,000	4,420,060	2.87	1,462
5,001 to 10,000	8,181,265	5.31	1,009
10,001 to 50,000	35,188,817	22.85	1,520
50,001 to 100,000	17,695,977	11.49	238
100,001 and over	88,040,804	57.18	149
	153,974,950	100.00	5,096

(b) There were 115 holders of less than a marketable parcel of ordinary shares.

2. Twenty largest quoted equity security holders

	Ordinary shares	
	Number held	% of issued shares
Citicorp Nominees Pty Limited	11,714,309	7.61
HSBC Custody Nominees (Australia) Limited	10,293,219	6.68
J P Morgan Nominees Australia Limited	8,549,053	5.55
National Nominees Pty Limited	4,509,326	2.93
RBC Investor Services Australia Pty Ltd	4,466,510	2.90
Powell Clark Trading Pty Ltd	2,985,370	1.94
Oakport Pty Ltd	2,526,193	1.64
Citicorp Nominees Pty Limited	2,199,137	1.43
Thomson Associates Pty Ltd	2,000,000	1.30
J T Populin	1,690,140	1.10
Elterry Pty Ltd	1,640,000	1.07
J E Grant	1,491,413	0.97
Portfolio Services Pty Ltd	1,451,785	0.94
Densley Pty Ltd	1,444,000	0.94
AMP Life Limited	1,293,780	0.84
BNP Paribas Nominees Pty Ltd	1,178,974	0.77
W T & E M Powell	1,000,000	0.65
Albany Braithwaite Holdings Limited	849,287	0.55
U Pty Ltd	782,280	0.51
W T Powell	650,000	0.42
	62,714,767	40.73

Shareholder Information (continued)

3. Substantial shareholders

Substantial shareholders in the company are set out below:

Name	Number held	% of issued shares
Commonwealth Bank of Australia	10,074,716	6.54
Celeste Funds Management Limited	7,769,739	5.05

4. Unquoted equity securities

Not applicable.

5. Voting rights

The voting rights attaching to the ordinary shares, set out in the company's constitution, are as follows:

(a) every shareholder present at a general meeting has one vote on a show of hands; and
(b) on a poll, each shareholder has one vote for each fully paid share held.

Options have no voting rights.

Financial Calendar

2017		2018	
23 August	Full year results announcement	21 February	Half year results announcement
15 September	Record date for final dividend	15 March	Record date for interim dividend
29 September	Final dividend payment	29 March	Interim dividend payment
09 November	Annual General Meeting	30 June	Year end

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