Data#3

2018 Annual Report

Data#3 Melbourne Office

Annual General Meeting

The Annual General Meeting of Data#3 Limited will be held in Brisbane at **10:30am on Wednesday 14th November 2018** at the Corporate Head Office, 67 High Street, Toowong, Brisbane.

Contents


Data#3

Letter to Shareholders

On behalf of the board and the company, we are pleased to report on the 2018 financial year (FY18).

As previously announced, we had a particularly challenging first half due to a number of one-off events, both planned and unplanned, that resulted in a material shift in profit to the second half. We are pleased to confirm that we have achieved a strong second half performance, which largely recovered the first half shortfall, but fell short of our full year objective to improve on the FY17 earnings.

The full year result saw total revenue increase by 7.6% to $1,181.4 million, with solid growth in our core product business and 58% growth in public cloud-based revenues. However, full year earnings and dividend growth were impacted by the mixed profit results, with growth in the core Data#3 businesses offset by lower than expected contributions from the Business Aspect and Discovery Technology subsidiaries. As a result, the consolidated after-tax profit and earnings per share decreased by 8.4%. The directors declared a final fully franked dividend of 6.60 cents per share, bringing the total dividend for FY18 to 8.2 cents per share fully franked, a decrease of 7.9%. This represents a payout ratio of 89.7%.

The non-financial measures indicate the underlying health of the business has continued to strengthen. Our staff and customer satisfaction surveys produced record high results, and we have had continued success in winning cross-industry Employer of Choice awards.

We see economic conditions in FY19 remaining steady, with a positive IT industry growth outlook. We continue to see digital technologies leading business transformation in both the commercial and public sectors. We remain well positioned to enable this transformation and to capture new business. Our overall financial goal remains to deliver earnings growth and improved returns to shareholders.

The board and management acknowledge the contribution of the company's loyal staff for their exceptional effort during the year. In addition, we would like to pass on our appreciation of the support provided by our strategic vendors.

Likewise, we greatly appreciate the continued support of you, our shareholders, as we begin an exciting FY19.

Richard Anderson
Chairman

Laurence Baynham
Chief Executive Officer & Managing Director

Financial Summary

$961.2M
product revenue

$219.1M
services revenue

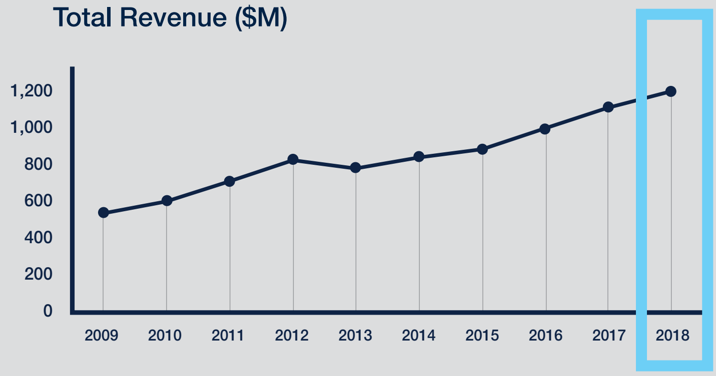
$267.8M
cloud revenue

$160.1M
total gross profit

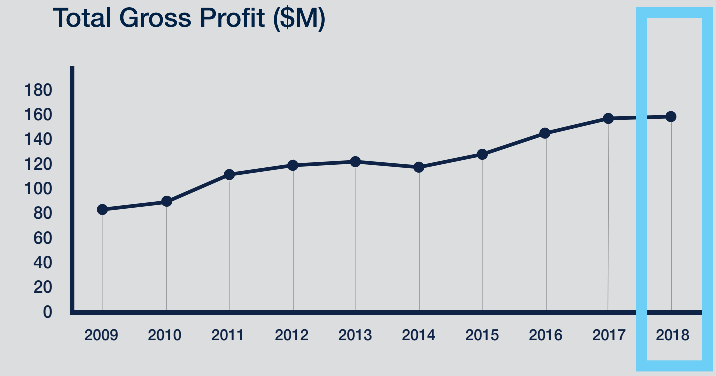
9.14c
earnings per share

8.20c
dividends per share

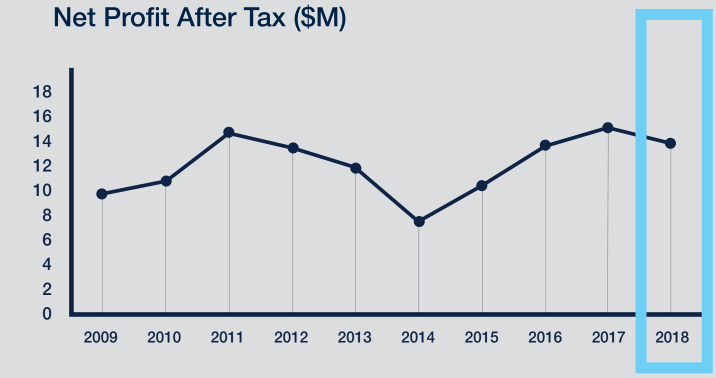
Total Revenue ($M)



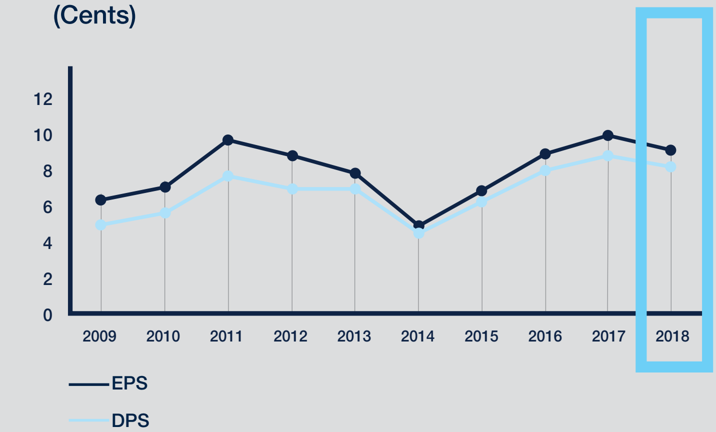
Total Gross Profit ($M)



Net Profit After Tax ($M)



Earnings Per Share and Dividends Per Share (Cents)



The following table sets out our performance in 2018 compared with previous years:

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	% change
Product revenue	639,644	697,319	709,196	791,334	889,204	**961,224**	+8.1%
Services revenue	130,182	134,776	160,247	189,981	208,088	**219,077**	+5.3%
Total revenue	771,042	833,595	870,470	983,223	1,098,221	**1,181,411**	+7.6%
Total cloud-based revenue, included above			47,000	98,953	169,480	**267,780**	+58.0%
Product gross profit	64,235	62,042	66,155	70,544	72,539	**77,395**	+6.7%
Services gross profit	58,290	56,827	63,329	76,030	86,340	**82,717**	-4.2%
Total gross profit	122,525	118,869	129,484	146,574	158,879	**160,112**	+0.8%
Product gross margin %	10.0%	8.9%	9.3%	8.9%	8.2%	**8.1%**	
Services gross margin %	44.8%	42.2%	39.5%	40.0%	41.5%	**37.8%**	
Total gross margin %	15.9%	14.3%	14.9%	14.9%	14.5%	**13.6%**	
Earnings before interest (net), tax, depreciation & amortisation	18,700	12,219	17,021	22,407	24,730	**22,437**	-9.3%
Earnings before interest (net) & tax	16,664	9,703	14,377	18,869	21,665	**19,498**	-10.0%
Net profit before tax	17,472	10,852	15,193	19,482	22,402	**20,399**	-8.9%
Net profit after tax (to shareholders)	12,138	7,524	10,604	13,830	15,375	**14,078**	-8.4%
Net profit margin %	1.57%	0.90%	1.22%	1.41%	1.40%	**1.19%**	
Return on equity %	35.8%	22.4%	29.2%	34.7%	37.0%	**31.6%**	
Basic earnings per share	7.88 cents	4.89 cents	6.89 cents	8.98 cents	9.99 cents	**9.14 cents**	-8.4%
Dividends declared per share, fully franked	7.0 cents	4.5 cents	6.3 cents	8.0 cents	8.9 cents	**8.2 cents**	-7.9%
Payout ratio	88.8%	92.1%	91.5%	89.1%	89.1%	**89.7%**	
Share price at 30 June	$1.075	$0.68	$0.79	$1.05	$1.725	**$1.60**	-7.2%
Total shareholder return, based on dividends paid during year	3.2%	-32.0%	23.7%	41.4%	72.7%	**-3.1%**	

Operating and Financial Review

Our plan for FY18 was to refine our existing three-year strategy rather than make major changes. The ICT industry is fast moving and can be complex, so our objective was to continue to improve the connection with our people, customers and business partners and to simplify our business processes where possible.

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 being fueled by digital transformation.
- Consumption will continue to shift from capital expenditure to operating expenditure.
- Vendor models are changing to reward cloud adoption.
- Private cloud is increasing demand for infrastructure and software.
- Cloud adoption increases the focus on security.
- Education and health sectors will continue to grow.
- Resource flexibility and availability is an increasing challenge.

Priority actions in our FY18 business plan included:

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

Our overall financial goal for FY18 was to improve on the previous year's 'best ever' profit result.

Whole of group performance

Market conditions in both the public and private sectors generally improved in FY18, but remained relatively patchy, and our strategy to grow our core business while building service-centric revenues achieved mixed success.

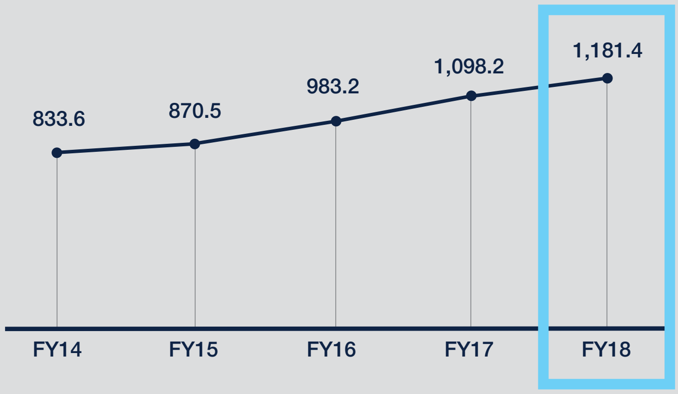
As announced in the interim report, we had a very challenging start to the year and delivered a first half profit that was approximately 50% lower than the previous corresponding period (PCP). This disappointing result was due to a number of one-off events, both planned and unplanned, which affected the product and services businesses. Consequently there was a material shift in profit dependency to the second half.

Pleasingly, the core Data#3 business delivered a strong second half profit, ending the year ahead of the PCP. However, this result did not fully offset disappointing results achieved by recent acquisitions. Although Business Aspect essentially recovered its first half loss, producing a full year result close to break even, performance was behind PCP. Discovery Technology, which is 77.4% owned by Data#3, recorded a material reduction in contribution, with a second half pre-tax result $1.3 million below PCP, and a full year pre-tax result $1.7 million below PCP. Further details are provided in the segment commentary below.

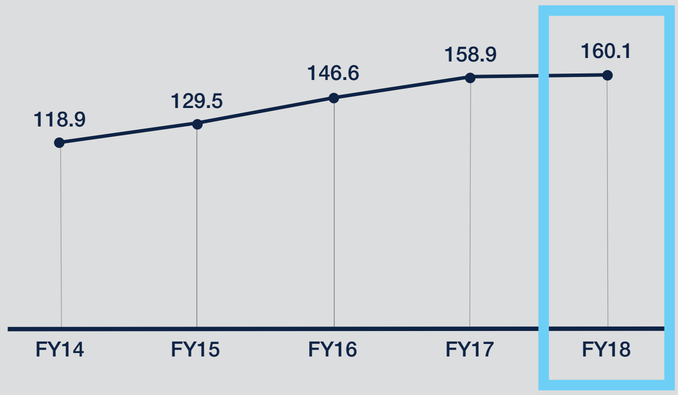
The full year result saw total revenue increase by 7.6% from $1,098.2 million to $1,181.4 million, with a solid increase in product revenue and a steady increase in services revenues. We are particularly pleased with the continued growth of core product business and significant growth in cloud-based business, which saw public cloud-based revenues increase by 58.0% from $169.5 million to $267.8 million.

Total gross profit (excluding other revenue) increased by 0.8% from $158.9 million to $160.1 million, and total gross margin decreased from 14.5% to 13.6% reflecting changes in sales mix.

Total revenue ($M):



Total gross profit ($M):

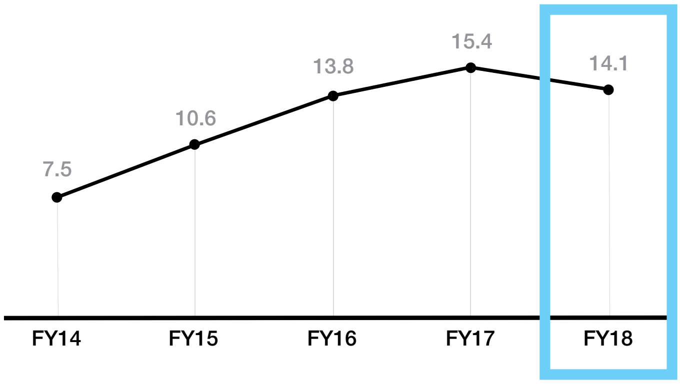


The group's total net profit before tax decreased by 8.9% from $22.4 million to $20.4 million, in part due to the significant decrease in contribution from Discovery Technology.

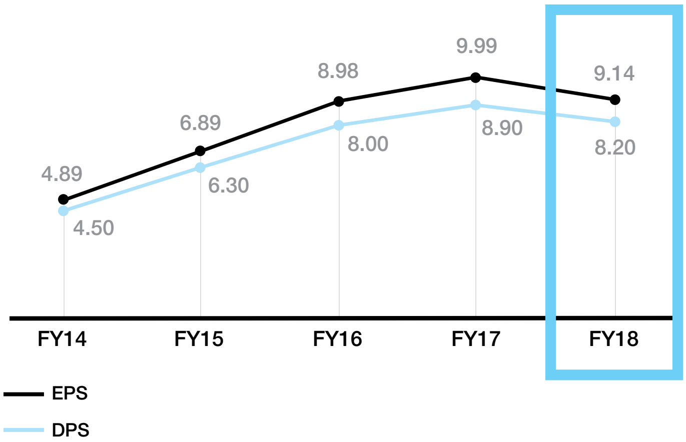
Net profit after tax (excluding minority interests in Discovery Technology) decreased by 8.4% from $15.4 million to $14.1 million. This represented basic earnings per share of 9.14 cents, a decrease of 8.4% from 9.99 cents in the previous year.

The board declared fully franked dividends of 8.20 cents per share for the full year, representing a payout ratio of 89.7%.

NPAT ($M):



EPS and DPS (cents):



Return on equity decreased from 37.0% to 31.6%.

Product segment performance

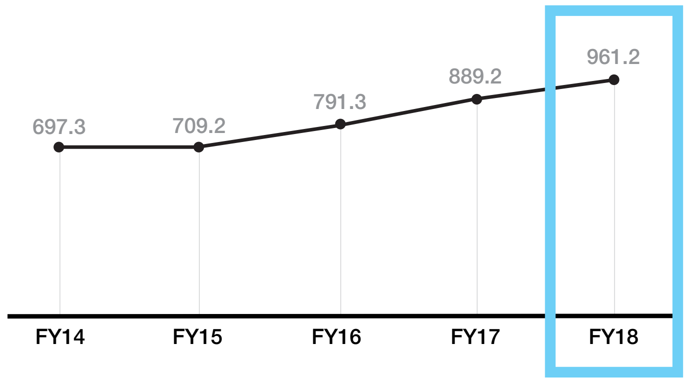
Total product revenue for the full year increased by 8.1% from $889.2 million to $961.2 million, reflecting strong growth in Infrastructure sales (up 12.4% to $303.6 million) and steady growth in Software Licensing (up 6.0% to $655.1 million), with the $2.5 million balance comprising Discovery Technology's product revenue. Infrastructure and Licensing revenues include the sale of public and private cloud solutions.

Total product gross profit increased by 6.7% from $72.5 million to $77.4 million, and product gross margin decreased slightly from 8.2% to 8.1%.

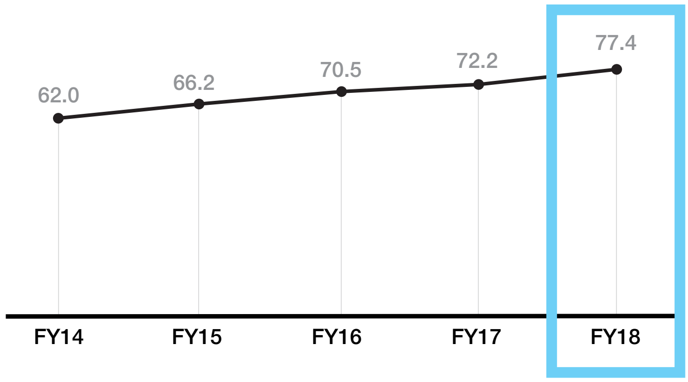
Product segment profit increased by 10.0% from $23.9 million to $26.3 million.

This is a very pleasing result, demonstrating the fundamental strength and resilience of our product businesses.

Product revenue ($M):



Product gross profit ($M):



Services segment performance

Total services revenue increased by 5.3% from $208.1 million to $219.1 million. This included solid growth in Professional Services revenues (up 9.1% to $49.1 million) and Recruitment revenues (up 9.3% to $50.4 million) and modest growth in Support Services (Managed and Maintenance Services) revenues (up 4.8% to $87.0 million) and Business Aspect Consulting revenues (up 3.7% to $25.2 million). Discovery Technology's services revenue decreased by $2.5 million to $5.1 million, and other services revenues were $2.3 million.

Total services gross margin decreased from 41.5% to 37.8%, reflecting a change in sales mix, and the overall services gross profit decreased by $3.6 million (or 4.2%), from $86.3 million to $82.7 million.

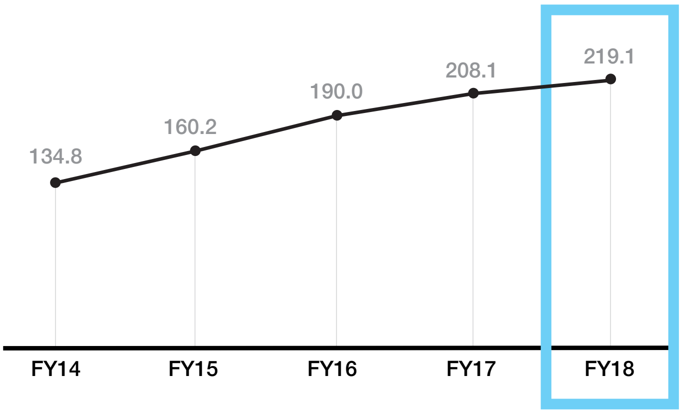
The total services segment profit decreased by $4.2 million (or 36.9%), from $11.4 million to $7.2 million.

The planned decommissioning of the Data#3 cloud platform contributed to the profit decline in Managed Services. We expect to complete this project in the first quarter of FY19, positioning Managed Services for improved profitability in FY19. We will continue with our strategy of offering customers public or private cloud solutions from our market-leading global vendor partners, which include the full range of Data#3 services.

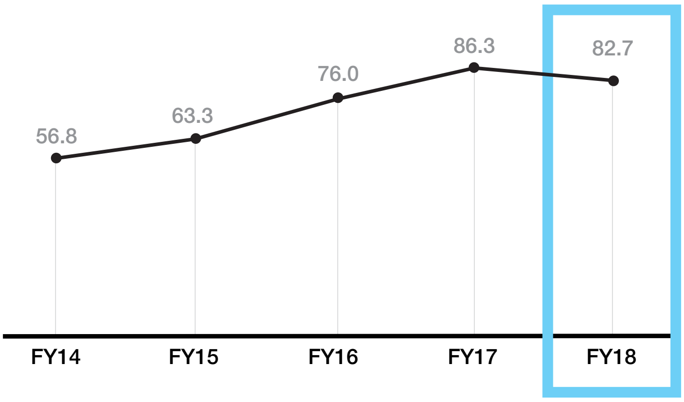
As mentioned previously, Business Aspect Consulting's negative profit performance in the first half was well below plan due to lower productivity across the expanded national operation. Utilisation levels (and profitability) improved significantly throughout the second half, ending the year close to break even and well positioned for a more substantial profit contribution in FY19.

Discovery Technology's contribution was disappointing and unexpected, largely due to a customer's early termination of a five-year supply contract. This action is currently subject to legal proceedings for debt and economic loss recovery by Discovery Technology.

Services revenue ($M):



Services gross profit ($M):



Other revenue

Other revenue increased from $0.9 million to $1.1 million and largely comprised interest income.

Operating expenses

Internal staff costs increased by 3.1% from $114.1 million to $117.6 million and other operating expenses remained steady at $23.3 million. The cost ratio (staff and operating expenses as a percentage of gross profit) increased from 86.5% to 88.0%, demonstrating a small decline in operating leverage.

Total staff numbers increased slightly from 1,177 at the commencement of the financial year to 1,210 at the close, with continual re-balancing of resources to meet business demands throughout the year. Average salaries increased in line with the broader industry trend.

Cash flow

The net cash flow from operating activities was an inflow of $8.2 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, generating temporary cash surpluses which subsequently reverse after 30 June when the associated supplier payments occur.

As a result, the year-end cash balance of $128.3 million was inflated by this temporary surplus, albeit lower than the unusually high surplus at 30 June 2017.

The key trade receivables indicator of average days' sales outstanding remained ahead of target, and at 25.3 days is industry best practice, an even better result than the previous year.

Performance against strategic priorities

Our three-year strategic plan for FY18 – FY20 included 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.

Our progress against these strategic priorities is summarised below.

1. Deliver sustained profit growth

The first half of FY18 saw a significant decrease in profit after six consecutive half years of growth. The first half shortfall was not fully recovered, however, by the strong second half profit, delivering a full year consolidated result that was 8.4% below the previous year.

The underlying contributions to full year result included the following:

- a record second half profit from the 'core' Data#3 business, delivering a full year result ahead of FY17
- a second half profit turnaround by Business Aspect, finishing the year close to break even but lower than FY17
- a material decrease in contribution from Discovery Technology compared to FY17.

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

Prior to the first half of FY18 we had delivered a steady increase in services profit. The impact of a poor first half and an improved second half performance was not sufficient, however, to support a continued upward annual trend. The Data#3 cloud divestment in Managed Services and Discovery Technology's profit decline significantly affected the combined profit result for services. Business Aspect achieved a significant turnaround in profit in the second half to end the year close to break-even but behind FY17. In summary, while we performed some excellent services engagements for our customers, we did not achieve this strategic goal in FY18.

3. Grow cloud services revenue

The major component of cloud services is the growing market segment of public cloud. In FY17 we recorded $169.5 million of public cloud-based revenues, which was a significant increase from FY16's $99.0 million. In FY18 we grew these cloud-based revenues by 58% to $267.8 million.

Data#3 is Microsoft's largest reseller in the region, and our cloud services strategy contains major elements of Microsoft's product offerings such as Azure, Office 365 and Dynamics 365. Microsoft is taking the lead in public cloud globally, and locally and we are in a prime position to capitalise on market growth. At the base level, cloud services annuity revenue with Microsoft subscription licenses is a substitute for our traditional license business. Our intent and focus is to help our customers migrate applications to the most appropriate cloud solution. This may include private or hybrid cloud where customers can use a mixture of cloud services and software they run in their own data centers and manage both with a common set of tools. Vendors such as Cisco, Microsoft, HP and Dell EMC are major players in this market segment. Data#3 is a dominant reseller for each of these global vendors. 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 for both public and private clouds.

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. During the year sustained high performance was achieved across each of these areas.

People Satisfaction

We ended FY18 with 1,210 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 FY18 was as follows:

- strong participation in the survey
- overall satisfaction score of 4.38 out of 5, up from 4.27 in FY17 and a record result
- 95% of our people recommend Data#3 as an employer.

Customer Satisfaction

Our annual customer satisfaction survey produced a solid overall satisfaction rating of 4.14 out of 5, up from 4.09 in FY17. Last year we introduced "customer pulse" surveys to 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 enhanced customer experiences.

External Awards

Each year we receive national and international recognition from our global partners. FY18 was no exception and we were pleased to have been acknowledged with the following awards:

- Adobe Partner of the Year for Asia Pacific Region
- APC by Schneider Electric Elite Partner of the Year
- Australian Reseller News (ARN) Enterprise Partner of the Year
- Australian Reseller News (ARN) Channel Choice Partner Award
- Cisco Software Partner of the Year
- Cisco HyperFlex Partner of the Year
- Cisco Services Partner of the Year
- Dell EMC Solution Provider Partner of the Year
- Dell EMC Special Achievement Award
- HP Partner of the Year for South Pacific Region
- McAfee Growth Partner of the Year for ANZ Region
- Symantec Pacific Regional Channel Partner of the Year for Endpoint and Information Security

This is the eleventh year in a row we were voted ARN's Enterprise Partner of the Year by our peers, and the sixth consecutive year we have been recognised with the ARN Channel Choice Award.

In addition to awards for our solutions or technical expertise, we are delighted to have received the following employer of choice and staff development awards:

- HRD Employer of Choice Award. This is the third year in a row we have received an HRD award for organisations with more than 500 employees.
- LearningElite Award
- The Australian Business Awards – Employer of Choice
- Women in Technology – Employer of Choice

The first three of these awards are not limited to the Information Technology sector; they cover all industries and include many multinational entries.

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 2018 were $211.0 million and trade and other current payables $295.4 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 decreased from $135.7 million to $128.3 million. The 30 June 2017 balance reflected a higher than usual temporary cash surplus, inflated by early customer receipts. The 30 June 2018 balance includes a more typical temporary surplus.

The key trade receivables indicator of average days' sales outstanding decreased and remained well ahead of target at 25.3 days. This excellent result demonstrates the effectiveness of our ongoing focus on collections and credit management.

Total inventory holdings decreased from $4.5 million to $3.3 million and comprise product held in our warehousing and configuration centres pending delivery to customers for projects that were in progress at year end.

Operating results by state

Performance across the states varied, reflecting local market conditions and the relative 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 5%.

New South Wales

The NSW business had a challenging year with revenue decreasing by 8%. External market conditions remain favourable.

Australian Capial Territory

Our Canberra-based business achieved solid growth in services and infrastructure which, combined with our strong foundation in software, delivered revenue growth of 9%.

Victoria

Our Victorian infrastructure and software businesses delivered a strong performance that more than offset a disappointing services performance. Overall revenue increased by 16%.

Tasmania
Our third year of operations in Tasmania saw exceptionally strong performance across the business, particularly in infrastructure, delivering a 75% increase in revenue.

South Australia
Despite challenging economic conditions, our SA business achieved a solid result in software and services, with total revenue increasing by 11%.

Western Australia
The WA business had a strong year, particularly in infrastructure and services, with overall revenue increasing by 12%.

Fiji and the Pacific Islands
Our first year with a local branch in Fiji exceeded expectations with results ahead of plan, delivering a positive return on investment.

Operating results by area of specialisation

The core Data#3 business is structured around three functional areas – Software Solutions, Infrastructure Solutions and Services – operating across eight regions. Business Aspect operates independently but within the Data#3 group structure. Discovery Technology operates independently and externally to the Data#3 group.

Software Solutions
Software Solutions helps 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 delivered growth in revenue and profit for Software Licensing and Services. The shift to cloud offerings with subscription services for Microsoft Azure and Office 365 continued with solid annuity-based growth. We continued to gain market share with new business, which enabled us to grow the overall business. After many years of providing solutions into Fiji from Australia, this year saw the first full year of our local office operation in Fiji, which helped to sustain and grow our business in Fiji and the Pacific Islands.

Data#3 became a member of Microsoft's new Global Azure and Infrastructure Partner Advisory Council and continued to provide input into Microsoft's global licensing and operations programs. Our Software Licensing team continued to be the most successful team in Australia, growing market share and winning major awards with our key software licensing partners.

In March 2018, following a competitive tender process, Data#3 was selected by the Digital Transformation Agency, representing the Commonwealth of Australia, as the sole provider of Microsoft licensing solutions to the Australian Government. This contract extends the existing nine-year relationship for another three-year term.

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

The Infrastructure Solutions business delivered growth in both revenue and profit in FY18. This growth came from each of Data#3's focus areas of server, storage, networks and devices. Server and storage recovered from the "softness" of the previous year as customers made decisions to invest in their own private cloud solutions. This trend included growth in hyper-converged infrastructure, which combines processing power, storage and networking in larger capacity systems. Networking demand remained strong in FY18 as customers upgraded networks to connect to the public cloud, and adopted software-defined networking that provides addition functionality and value over core networking hardware. End user computing demand also remained strong as customers upgraded devices to connect to their own networks and public cloud.

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; Support Services (comprising Managed Services and Maintenance Services) for annuity-based contracts; and People Solutions for the provision of contractors and permanent staff.

Professional Services benefited from significant project wins, particularly for software projects.

Support Services delivered a weaker financial performance with solid growth in Maintenance Services largely offset by a decline in Managed Services; however, it improved on its customer satisfaction, systems and processes. Our approach over the year has been to move away from opportunities that do not present acceptable levels of risk (or return) and to add a catalogue of services that better supports and manages the solutions we deliver in line with our vendor technologies. With the combination of divesting from the Data#3 Cloud and reshaping our market offerings, revenue and profit declined.

People Solutions enjoyed a record year. This was a great outcome in a highly competitive recruitment and contracting market. Once again, this success was helped by cross selling and cooperation from the Professional Services and Managed Services business units.

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, Business Aspect addresses all layers of the business, including people, organisational change, process change, information management, information and communications technology (ICT) applications and technology infrastructure. One of the business's key strengths is the experience and skills of its senior consultants.

Business Aspect had a year of two contrasting halves. The first half had poor financial performance with low productivity combined with an overhead cost structure that the business could not sustain. A recovery plan was developed and instigated in November 2017 resulting in significant remedial actions. The second half progressively improved each month and largely recovered the losses from the first half. Business Aspect now has a refined management structure, a narrower focus on service areas, and more efficient operations having completed 'back-end' systems and processes integration with Data#3.

Discovery Technology

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

Discovery Technology continued to operate independently of Data#3 throughout FY18. During the year the business had several challenges with staff changes and the early termination of a five-year customer contract, which is currently subject to legal recovery action by Discovery Technology. As a result financial performance was well below plan, with pre-tax profit $1.7 million below PCP.

Data#3 sees significant strategic advantage in Discovery Technology and will seek to capitalise on growth in the fast-moving data and analytics market. Going forward, Data#3 has defined a closer working relationship with Discovery Technology.

Our strategy and plan for FY19

The strategic planning process for FY19 – FY21 identified the following market assumptions and trends in the adoption and use of business technology:

- Digital transformation is a high priority in business strategy.
- The overall IT market growth is fuelled by digital transformation.
- Industry consolidation is creating opportunity.
- Cyber security is our customers' number one priority.
- Data and analytics are leading drivers of competitive differentiation.
- Cloud provides the platform for automation, artificial intelligence, blockchain and many more innovative technologies.
- Skilled resources are becoming more scarce.

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 FY19

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
Profitable Growth
Reduce Cost
Risk Management

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

Cloud
Mobility
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 customers' business objectives may have multiple solutions, and each solution may apply to multiple business objectives. Our solution categories contain over two hundred specific solution offerings.

In the interest of gaining clarity and focus in a fast changing IT market, we have identified three strategic priorities for FY19:

- Services – improving margins
- Digital Enablement – helping our customers succeed in their digital transformation
- Customer Experience – unifying every customer touchpoint across our company to improve the overall customer experience.

Outlook

We remain confident about delivery of the company's longer-term strategy. We have a robust business, no material debt, solid long-term customer relationships, committed supplier partnerships, and a highly experienced and productive team.

We continue to see growth in the Australian IT market, and believe we are well positioned to capitalise on that opportunity and to continue to deliver growth in shareholder value. Our overall financial goal remains to deliver earnings growth and improve returns to shareholders. It is not feasible to provide more specific full year guidance, particularly given the large proportion of business that is usually transacted in the fourth quarter.

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 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.

Mark Gray
Non-executive Director

Mark joined the board of Data#3 Limited in August 2017. Mark's career encompasses an array of senior executive and board appointments. He has served in executive roles in government and private sector organisations, including as Under Treasurer of the Queensland Treasury Department, Chief Executive Officer of the Queensland Competition Authority and the Queensland Independent Commission of Audit, Office Head at Macquarie Group and Executive Director with BDO. He is currently the Chairman of the Queensland Section and a Director of the Federation Board of the Royal Flying Doctor Service of Australia, and Independent Director and Chairman of Sugar Terminals Limited. Mark is also on the board of Q-Pharm.

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 Sugar Terminals Limited, QInsure Limited and Guide Dogs Queensland. She is also a non-executive director of LGE Holdings Pty Limited, LGE Operations Pty Limited and Local Buy Pty Limited, trading as Peak Services.

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 is responsible for the day-to-day operational and planning activities of 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 into 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 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 and is a graduate of the Australian Institute of Company Directors. He has 29 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 2015.

Brem Hill
Chief Financial Officer and Company Secretary

Brem holds a Bachelor of Business degree (with distinction) from the University of Southern Queensland, and is a fellow of both CPA Australia and the Governance Institute of Australia. Brem joined Data#3 in 1991 and is responsible for the finance and accounting, legal and risk advisory services, and investor relations functions.

Corporate Social Responsibility

Our commitment to the Data#3 social responsibility program continued in 2018, 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 2018 financial year was 31.2%.

For financial year 2018 we paid the following amounts of tax:

	$'000
Australian corporate income tax	7,139
Other taxes and duties**	47,361
	54,500

**comprising GST, payroll tax, fringe benefits tax and stamp duty.

During FY2018 Data#3 elected to adopt the Tax Transparency Code (TTC) because we take our tax compliance responsibilities seriously and believe disclosure of additional information in relation to tax will benefit our shareholders and the public. The TTC is a set of principles and minimum standards developed by the Australian Board of Taxation to guide disclosure of tax information by businesses. Adoption of the TTC is voluntary.

Additional disclosures of income tax information are set out in note 4 of the financial statements, and our Tax Report in connection with the TTC is available on our website.

Our commitment to the community

In 2018 Data#3 continued to engage with local and national communities through the SOUL program. 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 more than $85,000 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 included the following:

Data#3's Charity Golf Day
- Now in its 14th 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 $5,000 for the Starlight Foundation.

Christmas Giving Program
- Each location participated in local volunteering activities ranging from selling merchandise to wrapping toys.
- Data#3 employees were given the opportunity to make a donation in lieu of receiving a Christmas gift.
- Raffles, donations and other fundraising events raised over $15,000 for the Starlight Foundation.

World's Greatest Shave
- All 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 nearly $14,000 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 recognise and work to fulfil our responsibility toward environmental sustainability. We have well-established programs that demonstrate this understanding and encourage our personnel and stakeholders to make a personal commitment to minimise the impact of our operations on the environment.

Data#3's Environmental Sustainability Policy integrates a philosophy of lifecycle sustainability 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;
- promote lifecycle sustainability, minimise our environmental impact and reduce the consumption of natural resources across all activities of the business;

Our commitment to the environment (continued)

- 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 and fulfil their commitment to environmental sustainability;
- nurture an environmentally responsible culture throughout Data#3; and
- continually improve through the ongoing enhancement of our management systems in accordance with our environmental and 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.

Our key objectives 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; and
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 a comprehensive program 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 2018 we received a 95.35% favourable response. We think this is an outstanding outcome given the challenging year our people have faced. Our overall staff satisfaction reached another record high.

We are also delighted that Data#3 received an Employer of Choice Award for the third 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 bronze medal in the large category (500+ employees) and placed highly in several sub-categories including Health & Wellbeing and Access to Technology.

Health, Safety and Environment

Ensuring the health, safety and wellbeing of our employees, contractors, and others who may be impacted by our business activities, 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 working in lower and higher risk environments, from city-based offices to remote locations domestically and abroad. Health, safety and environmental management and contractor approval processes determined during tenders, prior to and during work 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.

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 2018 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. The board appointed Mr Gray as a non-executive director on 29 August 2017.

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.

Principle 1: Lay solid foundations for management and oversight (continued)

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; and
- 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 2018 financial year and an update on the company's progress towards achieving those objectives are set out in the following table.

Objective: To maintain or increase the proportion of female employees working for Data#3.

- The proportion increased again, from 26% to 27%, which is well above the IT industry average.

Objective: To maintain or increase the proportion of women in the national management team.

- The proportion remained steady at 27%.

Objective: To maintain or increase the proportion of women on the board.

- The proportion decreased from 25% to 20% with the appointment of Mr Gray as a new director.

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

	2018		2017	
	Female	Male	Female	Male
All employees	27%	73%	26%	74%
National management team	27%	73%	27%	73%
Senior leadership team	0%	100%	0%	100%
Board of directors	20%	80%	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; and
- 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 five directors. The membership of the board is set out in the directors' report on page 20. Details of each individual director's background is set out in the directors' report on page 20, 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; and
- appointing new directors and the CEO.

The remuneration and nomination committee met three times during the year. Members' attendance at these meetings is set out on page 20 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.

Principle 2: Structure the board to add value (continued)

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. Mr Gray, Ms Muller and Mr Powell are also considered independent non-executive directors. Whilst 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 and Mr Gray was appointed in August 2017.

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 2018 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 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 13.

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 four times during the year with the CEO/MD and CFO participating by invitation. Members' attendance at these meetings is set out on page 20 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 questions 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.

Principle 7: Recognise and manage risk (continued)

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 2018 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 ISO 9001:2015, holding SAI Global certificate number QMS43024).

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; and
- 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 21 to 24. 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 2018. 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:

- Mobility – solutions to enable customers to seamlessly connect to business networks and information – anywhere, any time and on any device
- Cloud – highly secure data centre solutions to improve business efficiency, reduce costs and scale customers' technology requirements in hybrid IT environments
- Security – solutions designed to help our customers navigate the complexities of cyber security and a changing threat landscape
- Data and 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 and
- 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 2018	6.60	10,162
Dividends paid in the year:		
Interim for the year ended 30 June 2018	1.60	2,463
Final for the year ended 30 June 2017	5.55	8,546
	7.15	11,009

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 Operating and Financial Review, as follows:

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 Operating and Financial Review.

5. Earnings per share

	2018 Cents	2017 $'000
Basic and diluted earnings per share	9.14	9.99

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 2018 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 Operating and Financial Review on page 9.

9. Directors

The names and details of Data#3 Limited's directors are set out below. Mr A M Gray was a director from the date of his appointment on 29 August 2017 and remains in office at the date of this report. 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. Mr Anderson was formerly a partner with PricewaterhouseCoopers, the firm's Managing Partner in Queensland, and a member of the firm's National Committee. He was 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 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)

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.

A M Gray, BEcon (Hons), FAICD, FFSIA
(non-executive director from 29 August 2017)

Independent non-executive director since August 2017. Mr Gray's career encompasses an array of senior executive and board appointments in government and private sector organisations, including as Under Treasurer of the Queensland Treasury Department, Chief Executive Officer of the Queensland Competition Authority and the Queensland Independent Commission of Audit, Office Head at Macquarie Group and Executive Director with BDO. He is currently the Chairman of the Queensland Section and a Director of the Federation Board of the Royal Flying Doctor Service of Australia, non-executive director and Chairman of Sugar Terminals Limited, and non-executive director of Q-Pharm.

During the past three years, Mr Gray has served as a non-executive director of one other public company: Sugar Terminals Limited (director since 2017).

L M Muller, BCom, CA, GradDip App Fin and Inv, GAICD
(non-executive director)

Independent non-executive director since February 2016. Ms Muller has extensive experience in finance with a 30-year career in senior corporate financial management roles and professional advisory services roles. Ms Muller has previously held Chief Financial Officer (or equivalent roles) with 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 Sugar Terminals Limited, QInsure Limited, Guide Dogs Queensland, LGE Holdings Pty Ltd, LGE Operations Pty Ltd and Local Buy Pty Ltd, trading as Peak Services.

During the past three years, Ms Muller has served as a non-executive director of one other public company: Sugar Terminals Limited (director since 2017).

Special responsibilities:
Chair of audit and risk committee

W T Powell, BEcon
(non-executive director)

Independent non-executive director since 2002. Mr Powell was Executive Chairman of the company from its foundation in 1984 and then Managing Director from 1989 to 1996. Prior to 1984 he had extensive experience in the IT industry and was Managing Director of Powell Clark and Associates, formed in 1977. Mr Powell 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:

Name	Full meetings of directors		Meetings of audit and risk committee		Meetings of remuneration and nomination committee	
	Meetings attended	Meetings Held*	Meetings attended	Meetings Held*	Meetings attended	Meetings Held*
R A Anderson	16	16	4	4	3	3
L C Baynham	16	16	**	**	**	**
A M Gray	12	12	**	**	**	**
L M Muller	16	16	4	4	**	**
W T Powell	15	16	3	4	3	3

* 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 both CPA Australia and 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; and
- 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 independent expert advice. During the year the board engaged a remuneration consultant to re-design the long-term incentive structure to ensure a larger component of remuneration is based on equity in the company and still at risk. 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, and
- long-term incentives.

The combination of these three components 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 that are relevant to meeting the company's business objectives. In 2018 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 34% (2017: 37%). In 2018 actual short-term bonuses as a proportion of planned total executive remuneration was 30% (2017: 35%).

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 2018 the planned profit-related component represented 71% of the total executive bonuses (2017: 71%). Profit targets for some areas of the business were not met in FY17 and FY18, resulting in reduced bonus payments calculated on a pro rata basis. 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 individual performance targets. The board, together with certain senior managers, is responsible for assessing whether an individual's targets have been met, and profit targets and individual performance indicator targets are reviewed and reset annually.

Long-term incentives
The chief executive officer (CEO) and three other senior executives are eligible to earn long-term incentives (LTI) in the form of cash payments that must be used to purchase shares in Data#3 Limited. The aim of the LTI remuneration element is to provide compensation based solely on earnings per share (EPS) performance by Data#3 Limited. Total LTI grants were $1,430,000 in FY2018, vesting over the three-year period ending 30 June 2020. Vesting of the grants is based on a sliding scale of cumulative EPS performance. The full amount of these grants will only be earned upon achievement of stretch target performance outcomes. The LTI is payable within 60 days following release of the 2020 financial report as a gross bonus, and the net after-tax proceeds are applied to the on-market purchase of Data#3 shares.

The board has also put in place a transitional LTI arrangement for financial years 2018 and 2019 for up to $50,000 per executive in each year, payable upon the company exceeding its EPS target each year by a designated amount. The target for this bonus was not met in 2018.

11. Remuneration report (continued)

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 in addition to the managing director/CEO. 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.A. Chairman	2018	130,000	-	-	-	12,350	142,350	-
	2017	130,000	-	-	-	12,350	142,350	-
Gray, A.M. (From 29/08/2017)	2018	64,615	-	-	-	6,138	70,753	-
Johnston, I. (Until 30/9/2016)	2017	18,846	-	-	-	1,790	20,636	-
Muller, L.M. (From 26/2/2016)	2018	85,000	-	-	-	8,075	93,075	-
	2017	83,653	-	-	-	7,947	91,600	-
Powell, W.T.	2018	75,000	-	-	-	7,125	82,125	-
	2017	75,000	-	-	-	7,125	82,125	-
Subtotals – non-executive directors	2018	354,615	-	-	-	33,688	388,303	-
	2017	307,499	-	-	-	29,212	336,711	-
Executive director								
Baynham, L.C. Chief Executive Officer/MD (1)	2018	515,431	230,094	52,523	62,003	20,049	880,100	33.2
	2017	400,278	249,026	15,787	230,000	19,616	914,707	52.4
Other key management personnel								
Bowser, M.J. Executive General Manager	2018	289,963	166,797	12,409	57,108	20,049	546,326	41.0
	2017	275,783	180,459	8,531	140,000	19,616	624,389	51.3
Colledge, B.D. Executive General Manager	2018	352,040	198,374	12,018	57,108	20,049	639,589	39.9
	2017	334,995	214,622	8,939	140,000	19,616	718,172	49.4
Hill, B.I. Chief Financial Officer	2018	306,755	108,436	7,253	57,108	20,049	499,601	33.1
	2017	294,000	118,054	7,456	140,000	19,616	579,126	44.6
Totals – key management personnel	2018	1,818,804	703,701	84,203	233,327	113,884	2,953,919	
	2017	1,612,555	762,161	40,713	650,000	107,676	3,173,105	

(1) Mr L C 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 2018 (2017: nil).

11. Remuneration report (continued)

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 chief executive officer and the other key management personnel are as follows:

L C Baynham (Chief Executive Officer/Managing Director)
- The LTI granted in FY2018 was $380,000, subject to three-year vesting.
- Termination notice of up to 12 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 is required.

All other executive KMPs
- The LTI granted in FY2018 was $350,000, subject to three-year vesting.
- Termination notice of three months is required.

Mr B I 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 2018 (2017: nil), no rights or options vested or lapsed during the year (2017: nil), and no rights or options were exercised during the year (2017: 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 2016	Other changes*	Balance 30 June 2017	Other changes*	Balance 30 June 2018
Directors:					
Anderson, R.A.	600,000	-	600,000	20,000	620,000
Baynham, L.C.	475,360	8,480	483,840	7,255	491,095
Muller, L.M.	-	-	-	20,000	20,000
Powell, W.T.	3,350,000	(60,000)	3,290,000	(100,000)	3,190,000
Johnston, I. (until 30/09/2016) (1)	600,000	(600,000)	-	-	-
Other Executives:					
Bowser, M.J.	116,650	8,480	125,130	7,255	132,385
Colledge, B.D.	202,936	8,480	211,416	7,255	218,671
Hill, B.I.	516,650	8,480	525,130	(92,745)	432,385
	5,861,596	(626,080)	5,235,516	(130,980)	5,104,536

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

(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.

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

11. Remuneration report (continued)

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 2013 the group's net profit has grown at an average compounded rate of 3.0% per year, the average executive remuneration has increased by an average compounded rate of 3.2% per year and total shareholder return averaged 15.9% 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.C.	87%	13%
Bowser, M.J.	87%	13%
Colledge, B.D.	87%	13%
Hill, B.I.	87%	13%

Long-term incentives

For the FY2018—2020 LTI plan amounts discussed in Section A, the percentage of the planned incentive (being one-third of the incentive granted, as it is subject to three-year vesting) that was actually earned in the financial year, and the percentage that was forfeited because the group did not meet the relevant EPS target, are set out below.

Name	Earned %	Forfeited %
Baynham, L.C.	49%	51%
Bowser, M.J.	49%	51%
Colledge, B.D.	49%	51%
Hill, B.I.	49%	51%

For the transitional LTI amounts discussed in Section A, the percentage of the planned incentive that was actually earned in the financial year, and the percentage that was forfeited because the group did not meet the relevant EPS target, are set out below.

Name	Earned %	Forfeited %
Baynham, L.C.	-	100%
Bowser, M.J.	-	100%
Colledge, B.D.	-	100%
Hill, B.I.	-	100%

2017 Annual General Meeting

We received a 96.8% vote for the adoption of our Remuneration Report for the 2017 financial year.

Other transactions with key management personnel

There were no transactions during the 2018 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 $45,000 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 2018. 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:

	2018 $	2017 $
Audit and other assurance services		
Audit and review of financial statements	160,000	160,000
Non-audit services		
Tax compliance services	16,360	14,453
Other business advice	6,270	-
	22,630	14,453
Total remuneration	182,630	174,453

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 page following this Directors' report.

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

R A Anderson
Director

Brisbane
22 August 2018

PITCHER PARTNERS

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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 2018, 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

PITCHER PARTNERS

J. Evans

J J Evans
Partner
Pitcher Partners

Brisbane
22 August 2018

Financial Report 2018

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Notes to the consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Revenue			
Sale of goods	2	961,224	889,204
Services	2	219,077	208,088
Other	2	1,110	929
		1,181,411	1,098,221
Expenses			
Changes in inventories of finished goods		(1,152)	(8,006)
Purchase of goods		(882,677)	(808,659)
Employee and contractor costs directly on-charged (cost of sales on services)		(70,584)	(59,793)
Other cost of sales on services		(65,776)	(61,955)
Internal employee and contractor costs		(117,564)	(114,063)
Telecommunications		(1,876)	(1,688)
Rent	3	(7,631)	(8,145)
Travel		(1,812)	(2,182)
Professional fees		(1,588)	(1,098)
Depreciation and amortisation	3	(2,939)	(3,065)
Finance costs	3	(101)	(105)
Other		(7,312)	(7,060)
		(1,161,012)	(1,075,819)
Profit before income tax expense		20,399	22,402
Income tax expense	4	(6,365)	(6,593)
Profit for the year		14,034	15,809
Other comprehensive income, net of tax		-	-
Total comprehensive income		14,034	15,809
Profit and comprehensive income is attributable to:			
Owners of Data#3 Limited		14,078	15,375
Non-controlling interests		(44)	434
		14,034	15,809
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	**Cents**
Basic earnings per share	14	9.14	9.99
Diluted earnings per share	14	9.14	9.99

The accompanying notes form part of these financial statements.

Consolidated balance sheet

as at 30 June 2018

	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	5	128,348	135,695
Trade and other receivables	6	210,962	168,495
Inventories	7	3,303	4,480
Other	8	4,835	5,104
Total current assets		347,448	313,774
Non-current assets			
Trade and other receivables	6	2,323	454
Property and equipment	9	3,993	6,187
Deferred tax assets	4	2,810	2,938
Intangible assets	10	17,189	16,718
Total non-current assets		26,315	26,297
Total assets		373,763	340,071
Current liabilities			
Trade and other payables	11	295,343	263,226
Borrowings	17	178	303
Current tax liabilities		913	2,109
Provisions	12	4,475	3,207
Other	13	24,295	23,608
Total current liabilities		325,204	292,453
Non-current liabilities			
Trade and other payables	11	543	636
Borrowings	17	32	358
Provisions	12	2,805	3,620
Other	13	139	249
Total non-current liabilities		3,519	4,863
Total liabilities		328,723	297,316
Net assets		45,040	42,755
Equity			
Contributed equity	16	8,278	8,278
Retained earnings		36,214	33,312
Equity attributable to owners of Data#3 Limited		44,492	41,590
Non-controlling interests		548	1,165
Total equity		45,040	42,755

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2018

		Attributable to owners of Data#3 Limited				
		Contributed Equity	Retained Earnings	Total	Non-controlling interests	Total Shareholders' Equity
	Notes	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 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	15	-	(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
Profit (loss) for the year		-	14,078	14,078	(44)	14,034
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	14,078	14,078	434	14,034
Transactions with owners in their capacity as owners:						
Payment of dividends	15	-	(11,009)	(11,009)	-	(11,009)
Additional acquisition of controlling interests		-	(167)	(167)	(479)	(646)
Non-controlling interest – cancellation of share options		-	-	-	(97)	(97)
Non-controlling interest – accretion of share options		-	-	-	3	3
Balance at 30 June 2018		8,278	36,214	44,492	548	45,040

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		14,034	15,809
Depreciation and amortisation	3	3,858	3,595
Fixed assets transferred to inventory		1,126	-
Unwinding of discount on provisions		34	33
Bad and doubtful debts	3	13	283
Excess and obsolete inventory		80	85
Accretion of options to minority interest in subsidiary, net of options cancellations		(94)	(53)
Other		59	(23)
Change in operating assets and liabilities			
Decrease/(increase) in trade receivables		(39,162)	83
Decrease/(increase) in other receivables		(1,307)	2,424
Decrease in inventories		1,097	8,006
Decrease/(increase) in other operating assets		(3,537)	1,496
Decrease/(increase) in net deferred tax assets		128	(385)
Increase in trade payables		31,005	21,828
Increase/(decrease) in unearned income		692	(2,808)
Increase in other operating liabilities		842	934
(Decrease) in current tax liabilities		(1,196)	(678)
Increase in provision for employee benefits		481	622
Net cash inflow from operating activities		8,153	51,251
Cash flows from investing activities			
Payments for property and equipment	9	(1,521)	(1,729)
Payments for software assets	10	(1,873)	(2,224)
Payments for acquisition of minority interests in subsidiary	21	(646)	-
Net cash (outflow) from investing activities		(4,040)	(3,953)
Cash flows from financing activities			
Payment of dividends	15	(11,009)	(13,627)
Finance lease payments	18	(451)	(255)
Net cash (outflow) from financing activities		(11,460)	(13,882)
Net increase/(decrease) in cash and cash equivalents held		(7,347)	33,416
Cash and cash equivalents, beginning of financial year		135,695	102,279
Cash and cash equivalents, end of financial year	5	128,348	135,695

The accompanying notes form part of these 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
The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The adoption of these amendments did not have any impact on the amounts recognised in prior periods, nor will they affect the current or future periods. The amendments to AASB 107 set out in AASB 2016-2 require disclosure of changes in liabilities arising from financing activities; please refer to note 18.

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 22 August 2018. Data#3 Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business follows:

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 2018 (2017: 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 managing director. We do not allocate income tax, assets or liabilities to each segment because management does not include this information in its measurement of the performance of the operating segments. Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.

We have identified two reportable segments, as follows:

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

Note 1. Segment information (continued)

The following table shows summarised financial information by segment for the financial years ended 30 June 2018 and 2017.

	Product		Services		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue						
Total revenue	961,245	889,217	233,699	221,112	1,194,944	1,110,329
Inter-segment revenue	(21)	(13)	(14,622)	(13,024)	(14,643)	(13,037)
External revenue	961,224	889,204	219,077	208,088	1,180,301	1,097,292
Costs of sale						
Cost of goods sold	(883,829)	(816,665)	-	-	(883,829)	(816,665)
Employee and contractor costs directly on-charged			(70,584)	(59,793)	(70,584)	(59,793)
Other costs of sales on services			(65,776)	(61,955)	(65,776)	(61,955)
Gross profit	77,395	72,539	82,717	86,340	160,112	158,879
Other expenses	(51,120)	(48,662)	(75,517)	(74,935)	(126,637)	(123,597)
Segment profit	26,275	23,877	7,200	11,405	33,475	35,282
Unallocated corporate items						
Interest and other revenue					1,110	929
Other employee and contractor costs					(7,491)	(7,156)
Rent					(2,013)	(2,055)
Depreciation and amortisation					(1,982)	(2,128)
Other					(2,700)	(2,470)
					(13,076)	(12,880)
Profit before income tax					20,399	22,402
Reconciliation of revenue:						
External revenue					1,180,301	1,097,292
Unallocated corporate revenue:						
Interest and other revenue					1,110	929
Revenue					1,181,411	1,098,221

Note 2. Revenue

	2018 $'000	2017 $'000
Sale of goods	961,224	889,204
Services	219,077	208,088
	1,180,301	1,097,292
Other revenue		
Interest	1,002	842
Other recoveries	108	87
	1,110	929

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.

Note 3. Expenses

	2018 $'000	2017 $'000
Depreciation and amortisation of property and equipment (Note 9)		
Depreciation and amortisation of property and equipment included in depreciation and amortisation expense	2,337	2,171
Depreciation of equipment recorded in cost of sales	252	120
	2,589	2,291
Amortisation of intangibles (Note 10)		
Amortisation of intangibles included in depreciation and amortisation expense	302	594
Amortisation of intangibles recorded in cost of sales	667	410
Amortisation of customer relationships included in depreciation and amortisation expense	300	300
	1,269	1,304
	3,858	3,595
Employee benefits expense	107,892	106,302
Termination benefits expense	935	1,389
Defined contribution superannuation expense (a)	12,166	11,541
Other charges against assets		
Impairment of trade receivables (Note 6(b))	13	283
Rental expenses on operating leases		
Minimum lease payments	6,085	5,940
Straight lining lease rentals	(341)	(61)
Rental expenses – other	1,887	2,266
	7,631	8,145
Finance costs		
Interest and finance charges paid/payable	67	72
Unwinding of discount on provisions and other payables	34	33
	101	105

(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

	2018 $'000	2017 $'000
The major components of income tax expense follow:		
Current income tax expense	6,762	7,660
Deferred income tax relating to the origination and reversal of temporary differences	(505)	(868)
Adjustments for current tax of prior years	108	(199)
Income tax expense	6,365	6,593
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	20,399	22,402
Income tax calculated at the Australian tax rate: 30% (2017: 30%)	6,120	6,721
Tax effect of amounts which are not deductible in calculating taxable income:		
R&D tax offset	(211)	(470)
Non-assessable income	-	(9)
Non-deductible items	348	550
	6,257	6,792
Under/(over) provision in prior year	108	(199)
Income tax expense	6,365	6,593
	%	%
Effective tax rate (income tax expense as a percentage of profit before tax)	31.2	29.4
We paid income taxes of $7,139,000 during financial year 2018 (2017: $7,188,000).		
Deferred income tax assets and liabilities are attributable to the following temporary differences:	$'000	$'000
Accrued liabilities	2,617	2,385
Provisions	2,209	2,170
Lease incentive liabilities	76	110
Depreciation	1,203	996
Other	474	685
Total deferred tax assets	6,579	6,346
Intangible assets	(751)	(989)
Lease incentive assets	(30)	(14)
Accrued income	(2,470)	(2,402)
Other	(518)	(3)
Total deferred tax liabilities	(3,769)	(3,408)
Net deferred tax assets	2,810	2,938

Note 4. Income tax (continued)

Movements in deferred tax assets are as follows:

	Accrued liabilities	Provisions	Lease incentive liabilities	Depreciation	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 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
Charged/(credited)						
— to profit or loss	232	39	(34)	204	(211)	230
— to current tax liability	-	-	-	3	-	3
Balance at 30 June 2018	2,617	2,209	76	1,203	474	6,579

Movements in deferred tax liabilities are as follows:

	Intangible assets	Lease incentive assets	Accrued income	Other	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	(877)	(28)	(2,638)	-	(3,543)
Charged/(credited)					
— to profit or loss	(112)	14	236	(1)	137
— to current tax liability	-	-	-	(2)	(2)
Balance at 30 June 2017	(989)	(14)	(2,402)	(3)	(3,408)
Charged/(credited)					
— to profit or loss	238	(16)	(68)	3	157
— to current tax liability	-	-	-	(518)	(518)
Balance at 30 June 2018	(751)	(30)	(2,470)	(518)	(3,769)

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.

We recognise current and deferred tax in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. We only offset deferred tax assets and deferred tax liabilities if they relate to the same taxable entity and the same taxation authority, and a legally enforceable right exists to set off current tax assets against current tax liabilities.

Note 4. Income tax (continued)

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 (2017: nil).

Note 5. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	49,334	5,686
Deposits at call	79,014	130,009
	128,348	135,695

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

	2018 $'000	2017 $'000
Current		
Trade receivables (a)	191,142	151,993
Allowance for impairment (b)	(11)	(85)
	191,131	151,908
Finance lease receivable (c)	-	562
Other receivables (d)	19,831	16,025
	210,962	168,495
Non-current		
Trade receivables on deferred payment terms (e)	2,323	-
Finance lease receivable (c)	-	454
	2,323	454

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 profit or loss.

Note 6. Trade and other receivables (continued)

(b) Allowance for impairment

We recognised an impairment loss of $13,000 in the current year (2017: $283,000). Impairment amounts are included in profit or loss within other expenses. Movements in the provision for impairment loss were as follows:

	$'000
Carrying amount at 1 July 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
Impairment loss recognised during the year	13
Receivables written off during the year	(13)
Unused provision reversed during the year	(74)
Carrying amount at 30 June 2018	11

Our ageing of overdue trade receivables as at 30 June 2018 is as follows:

	2018		2017	
	Considered impaired	Past due but not impaired	Considered impaired	Past due but not impaired
	$'000	$'000	$'000	$'000
31-60 days	-	9,784	-	8,997
61-90 days	-	1,683	-	1,559
91-120 days	6	732	-	1,242
+120 days	5	3,146	85	2,047
	11	15,345	85	13,845

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 were a lessor for one finance lease that was settled before its due date during 2018 (2017: one). The interest rate implicit in the lease was 6.75%. The lease was collateralised by the assets financed. Future minimum lease payments under the lease as at 30 June 2017 were as follows:

	2017 $'000
Within one year	613
Later than one year but not later than five years	466
	1,079
Less: future finance charges	(64)
	1,015
The present value of finance lease receivables was as follows:	
Within one year	561
Later than one year but not later than five years	454
	1,015

(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

	2018 $'000	2017 $'000
Goods held for sale – at cost	3,303	4,480

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 2018 amounted to $275,318,000 (2017: $235,267,000).

Note 8. Other assets

	2018 $'000	2017 $'000
Prepayments	4,710	4,978
Security deposits	125	126
	4,835	5,104

Note 9. Property and equipment

	2018 $'000	2017 $'000
Leasehold improvements – at cost	10,801	10,350
Accumulated amortisation	(8,676)	(7,522)
	2,125	2,828
Equipment – at cost	4,862	5,840
Accumulated depreciation	(2,994)	(2,481)
	1,868	3,359
	3,993	6,187

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.

	2018 $'000	2017 $'000
Leased assets		
Property and equipment include the following amounts where we are a lessee under a finance lease:		
Cost	533	931
Accumulated depreciation	(330)	(279)
Carrying amount	203	652

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 2016	3,816	2,504	6,320
Additions	172	1,986	2,158
Depreciation and amortisation expense	(1,160)	(1,131)	(2,291)
Carrying amount at 30 June 2017	2,828	3,359	6,187
Additions	451	1,070	1,521
Transfers to inventory	-	(1,126)	(1,126)
Depreciation and amortisation (Note 3)	(1,153)	(1,436)	(2,589)
Carrying amount at 30 June 2018	2,126	1,867	3,993

Note 10. Intangible assets

	2018 $'000	2017 $'000
Goodwill – at cost	11,843	11,843
Accumulated impairment	(587)	(587)
	11,256	11,256
Software assets – at cost	4,897	4,548
Accumulated amortisation and impairment	(2,814)	(2,646)
	2,083	1,902
Internally generated software assets – at cost	8,030	6,768
Accumulated amortisation and impairment	(4,530)	(3,858)
	3,500	2,910
Customer relationships	1,500	1,500
Accumulated amortisation and impairment	(1,150)	(850)
	350	650
	17,189	16,718

Note 10. Intangible assets (continued)

	Goodwill	Software assets	Internally generated software	Customer relationships	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 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
Additions	-	612	1,261	-	1,873
Disposals	-	(133)	-	-	(133)
Amortisation (Note 3)	-	(298)	(671)	(300)	(1,269)
Carrying amount at 30 June 2018	11,256	2,083	3,500	350	17,189

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).

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

Note 10. Intangible assets (continued)

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 2019. We applied a 12% before-tax discount rate to cash flow projections (2017: 12%). We have extrapolated cash flows beyond the 2019 financial year using an average growth rate of 3.5% (2017: 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

	2018 $'000	2017 $'000
Current		
Trade payables – unsecured	263,271	232,266
Other payables – unsecured (a)	32,072	30,960
	295,343	263,226
Non-current		
Trade payables on deferred payment terms	543	636

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

	2018			2017		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits	4,470	2,297	6,767	3,140	3,146	6,286
Lease remediation (Note 19)	5	508	513	67	474	541
	4,475	2,805	7,280	3,207	3,620	6,827

Movements in provisions other than employee benefits are as follows:

	Lease remediation $'000
Balance at 1 July 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
Increase to present value	34
Used during the year	(62)
Balance at 30 June 2018	513

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 profit or loss net of any reimbursement.

Note 12. Provisions (continued)

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

	2018 $'000	2017 $'000
Current		
Unearned income	24,185	23,493
Lease incentives	110	115
	24,295	23,608
Non-current		
Lease incentives	139	249

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

Note 14. Earnings per share

	2018 Cents	2017 Cents
Basic earnings per share	9.14	9.99
Diluted earnings per share	9.14	9.99
	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 2018 or 2017.

Note 15. Dividends

	2018 $'000	2017 $'000
Dividends paid on ordinary shares during the year		
Final fully franked dividend for 2017: 5.55c per share (2016: 5.50c)	8,546	8,469
Interim fully franked dividend for 2018: 1.60c per share (2017: 3.35c)	2,463	5,158
	11,009	13,627
Dividends declared (not recognised as a liability at year end)		
Final fully franked dividend for 2018: 6.60c (2017: 5.55c)	10,162	8,546
The tax rate at which dividends paid have been franked is 30% (2017: 30%). Dividends declared will be franked at the rate of 30% (2017: 30%).		
Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	21,367	19,421

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 $4,355,000 (2017: $3,662,000).

Note 16. Contributed equity

(a) Movements in ordinary share capital
There were no movements in ordinary share capital during the years ended 30 June 2018 and 2017.

(b) Ordinary shares
All ordinary shares issued as at 30 June 2018 and 2017 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 2018.

(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 2018 the board paid dividends of $11,009,000 (2017: $13,627,000). 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

	2018 $'000	2017 $'000
Current		
Finance lease liabilities – secured	178	303
Non-current		
Finance lease liabilities – secured	32	358
Total secured liabilities	210	661

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 20).

Note 18. Net debt reconciliation

An analysis of net debt and the movements in net debt for 2018 are set out below.

Net debt	2018 $'000
Cash and cash equivalents	128,348
Finance leases	(210)
Net debt	128,138

Movement in net debt

	Cash $'000	Finance leases $'000	Total $'000
Net debt as at 1 July 2017	135,695	(661)	135,034
Cash flows	(7,347)	451	(6,896)
Net debt as at 30 June 2018	128,348	(210)	128,138

Note 19. Commitments

	2018 $'000	2017 $'000
(a) Non-cancellable operating leases		
Future minimum lease payments under non-cancelable operating leases are as follows:		
Within one year	4,514	5,399
Later than one year but not later than five years	4,646	7,503
Later than five years	643	
	9,803	12,902

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.

	2018 $'000	2017 $'000
(b) Finance leases		
Commitments related to finance leases as at 30 June are payable as follows:		
Within one year	186	344
Later than one year but not later than five years	33	377
	219	721
Less: future finance charges	(9)	(60)
Recognised as a liability	210	661
The present value of finance lease liabilities is as follows:		
Within one year	178	303
Later than one year but not later than five years	32	358
	210	661

A controlled entity leases equipment under finance leases which are due to expire in August 2020.

	2018 $'000	2017 $'000
(c) Trade payables		
Trade payables on deferred payment terms are payable as follows:		
Within one year	610	672
Later than one year but not later than five years	610	672
	1,220	1,344
Less: future finance charges	(102)	(108)
Recognised as a liability	1,118	1,236

Note 20. 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 2018 and 2017 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 2018		30 June 2017	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Cash at bank and on hand	1.3%	49,334	1.2%	5,686
Deposits at call	1.5%	79,014	1.5%	130,009
Cash and cash equivalents	1.5%	128,348	1.5%	135,695

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)	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
+0.25% (25 basis points) (2017: -0.25%)	225	(237)	225	(237)
+0.50% (50 basis points) (2017: +0.25%)	449	237	449	237

(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 2018 year, sales to one government customer comprised 5% of revenue (2017: 6%).
- At 30 June 2018, one debtor comprised 18% of total debtors (2017: nil), and the ten largest debtors comprised approximately 39% of total debtors (2017: 30%), of which 96% were accounts receivable from government customers (2017: 100%).
- 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 2018 bad debt write-offs as a percent of the trade receivables carrying amount was 0.0%, (2017: 0.3%).

Note 20. Financial risk management (continued)

(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 $2,654,000 (2017: $2,353,000) 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:

	2018 $'000	2017 $'000
Multi-option bank facility	9,346	9,147

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 2018 was 5.6% (2017: 5.6%).

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 2018						
Trade and other payables	289,298	-	610	-	289,908	289,841
Finance lease liabilities	97	89	32	1	219	210
	289,395	89	642	1	290,127	290,051
At 30 June 2017						
Trade and other payables	257,353	-	672	-	258,025	257,989
Finance lease liabilities	172	172	342	35	721	661
	257,525	172	1,014	35	258,746	258,650

(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 21. 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.

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. In July 2017 Data#3 exercised a further option to acquire an additional 15.8% shareholding in Discovery Technology for $646,000, increasing its total shareholding to 77.4%.

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)	
		2018 %	2017 %
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	77.4	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:

	2018 $'000	2017 $'000
As at 30 June		
Current assets	339,779	305,029
Total assets	366,480	329,314
Current liabilities	318,658	284,543
Total liabilities	321,827	288,661
Shareholders' equity		
Contributed equity	8,278	8,278
Retained earnings	36,375	32,375
Total equity	44,653	40,653
For the year ended 30 June		
Net profit and total comprehensive income	15,009	14,547

Note 23. Contingent liabilities

At 30 June 2018 we had provided bank guarantees totalling $2,405,000 (2017: $1,978,000) to lessors as security for premises we lease and $153,000 (2017: $375,000) 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.

During the year Data#3 was involved in legal proceedings initiated by a competitor, which related to Data#3 and a small group of the competitor's former employees that joined Data#3. The matter was settled prior to year end. The impact on net profit was not material.

Note 24. Key management personnel

	2018 $'000	2017 $'000
Key management personnel compensation is set out below.		
Short-term employee benefits	2,522,505	2,374,716
Long-term employee benefits	317,530	690,713
Post-employment benefits	113,884	107,676
	2,953,919	3,173,105

Remuneration in 2018 and 2017 reflected under-achievement of short-term profit targets; the long-term targets were partially met in 2018 and fully met in 2017.

Transactions with key management personnel
There were no transactions during the 2018 or 2017 financial years with key management personnel or their personally related entities.

Note 25. Remuneration of auditor

	2018 $	2017 $
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	16,360	14,453
Other business advice	6,270	-
	22,630	14,453
Total remuneration	182,630	174,453

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 2018, 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 2018	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 2016-5 *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 Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*	1 January 2018	1 July 2018
AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*	1 January 2019	1 July 2019
AASB 2018-1 *Annual Improvements to IFRS Standards 2015–2017 Cycle*	1 January 2019	1 July 2019
AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018	1 July 2018
AASB 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.

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 asset 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. Upon implementation on 1 July 2019, based on the leases in effect at 1 July 2018, this standard will have a material impact on the lease assets and financial liabilities recorded on the balance sheet, which we expect to increase by approximately $8.6 million and $9.9 million, respectively. Retained earnings will reduce by approximately $1.3 million because the carrying value of the assets reduce more quickly than the carrying amount of the lease liabilities. We expect the impact on net profit in FY2020 will not be material.

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 2016-5 – 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.

Note 26. Accounting standards not yet effective (continued)

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 2017-4 – This amendment to AASB 1 *First-time Adoption of Australian Accounting Standards* adds paragraphs arising from AASB Interpretation 23 *Uncertainty over Income Tax Treatments*. We expect this amendment will not have a material impact on our financial statements, as we currently have no material uncertain tax position and do not foresee any arising in the near future.

AASB 2018-1 – This amendment makes a number of relatively minor amendments to AASB 3 *Business Combinations*, AASB 111 *Joint Arrangements*, AASB 112 *Income Taxes* and AASB 123 *Borrowing Costs*.

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.

Director's Declaration

In the opinion of the directors:

(a) the financial statements and notes set out on pages 28 to 51 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 2018 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
22 August 2018

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Independent Auditor's Report to the Members of Data#3 Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Data#3 Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated balance sheet as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for 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.

Key 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 addressed the key audit matter
Impairment of goodwill and internally generated software assets Refer to note 10	
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: • Assessing 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; • Assessing the reasonableness of key estimates, considering supporting management prepared documentation or historical performance, where available; • Comparing 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; • Testing management's calculations for accuracy; and • Performing a sensitivity analysis of management's calculations to assess the level of headroom available.
Revenue recognition Refer to note 2	
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 • Completing 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 included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 preparing the financial report, the directors are responsible for assessing the ability of the Group 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 has 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.

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 included in section 11 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Data#3, for the year ended 30 June 2018, 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

PITCHER PARTNERS

J. Evans

J J Evans
Partner

Brisbane, Queensland
22 August 2018

Shareholder information

The shareholder information set out below was applicable as at 20 August 2018.

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	518,076	0.34	854
1,001 to 5,000	5,528,685	3.59	1,905
5,001 to 10,000	8,649,981	5.62	1,093
10,001 to 50,000	35,380,634	22.98	1,528
50,001 to 100,000	17,376,199	11.29	235
100,001 and over	86,521,375	56.19	145
	153,974,950	**100.00**	**5,760**

(b) There were 160 holders of less than a marketable parcel of ordinary shares.

2. Twenty largest quoted equity security holders

Name	Ordinary Shares	
	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited - A/C 2	12,506,783	8.12
Citicorp Nominees Pty Limited	12,231,304	7.94
HSBC Custody Nominees (Australia) Limited	11,859,680	7.70
J P Morgan Nominees Australia Limited	5,738,843	3.73
Powell Clark Trading Pty Ltd	2,985,370	1.94
Oakport Pty Ltd	2,278,582	1.48
National Nominees Pty Limited	2,195,332	1.43
Thomson Associates Pty Ltd	2,000,000	1.30
J T Populin	1,690,140	1.10
Elterry Pty Ltd	1,540,000	1.00
Densley Pty Ltd	1,288,000	0.84
Neweconomy.Com.Au Nominees Pty Ltd	1,041,604	0.68
Elterry Super Pty Ltd	1,000,000	0.65
L J Fahey	975,500	0.63
BNP Paribas Nominees Pty Ltd	915,709	0.59
U Pty Ltd	782,280	0.51
W T Powell	650,000	0.42
Banksia Administration Services Pty Ltd	637,000	0.41
R A & M I Anderson	600,000	0.39
HGT Investments Pty Ltd	600,000	0.39
Albany Braithwaite Holdings Limited	549,278	0.36
	64,065,405	**41.61**

3. Substantial shareholders

Substantial shareholders in the company are set out below:

Name	Number of shares	% of issued capital
Cat Rock Capital Management	12,498,533	8.12
Commonwealth Bank of Australia	8,405,638	5.46

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:

(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

2018

22 August	Full year results announcement
14 September	Record date for final dividend
28 September	Final dividend payment
14 November	Annual General Meeting

2019

20 February	Half year results announcement
15 March	Record date for interim dividend
29 March	Interim dividend payment
30 June	Year end

Corporate Directory

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