

# Appendix 4E

## ASX Preliminary Final Report

<b>Name of entity</b>	<b>Data#3 Limited</b>
<b>ABN</b>	<b>31 010 545 267</b>
<b>Reporting period</b>	<b>Year ended 30 June 2022 (FY22)</b>
<b>Previous corresponding period</b>	<b>Year ended 30 June 2021 (FY21)</b>

### Results for announcement to the market

<b>Results</b>					<b>\$</b>
Revenues from ordinary activities	up	12.1%	to		\$2,192,997,000
Profit from ordinary activities after tax attributable to members	up	19.1%	to		\$30,262,000
Net profit for the period attributable to members	up	19.1%	to		\$30,262,000

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Current period</b>		
Interim dividend	7.25 cents	7.25 cents
Final dividend	10.65 cents	10.65 cents
<b>Previous corresponding period</b>		
Interim dividend	5.5 cents	5.5 cents
Final dividend	9.5 cents	9.5 cents

The Record Date for determining entitlements to the dividend is 16 September 2022.

### Brief explanation of the figures reported above

In a competitive and transforming technology market, Data#3 has achieved strong revenue and profit growth, delivering record FY22 results. The company has also continued to enhance its financial position through strong cash flow and diligent management of its balance sheet.

Please refer to the attached audited Annual Financial Report for FY22 for the following information:

- consolidated statement of profit or loss
- consolidated statement of other comprehensive income
- consolidated balance sheet
- consolidated statement of changes in equity
- consolidated statement of cash flows
- notes to the consolidated financial statements

## Appendix 4E (continued)

for the year ended 30 June 2022

### Retained profits

	Current year \$'000	Previous year \$'000
Retained profits at the beginning of financial period	46,859	43,151
Net profit attributable to members	30,262	25,414
Net transfers to and from reserves	-	-
Dividends provided for or paid	(25,853)	(22,018)
Other	-	312
Retained profits at end of financial period	51,268	46,859

### Additional dividend information

Details of dividends declared or paid during or subsequent to the year ended 30 June 2022 are as follows:

Record date	Payment date	Type	Amount per security	Franked amount per security	Total dividend \$'000
16/09/2021	30/09/2021	Final	9.50 cents	9.50 cents	14,663
17/03/2022	31/03/2022	Interim	7.25 cents	7.25 cents	11,190
16/09/2022	30/09/2022	Final	10.65 cents	10.65 cents	16,438

### Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	17.9 cents	15.0 cents

### Dividend reinvestment plan

Not applicable.

### Net tangible assets per security

	Current year	Previous year
Net tangible asset backing per ordinary security	\$0.29	\$0.26

Right-of-use assets accounted for in accordance with AASB 16 have been included in the calculation of net tangible assets.

### Control gained over entities having a material effect

Not applicable.

### Loss of control of entities having a material effect

Not applicable.

## Appendix 4E (continued)

for the year ended 30 June 2022

### Details of aggregate share of profits (losses) of associates and joint venture entities

Not applicable.

### Compliance with IFRS

The attached Annual Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS).

### Commentary on the results for the period

The results for FY22 reflect another record performance, with basic earnings per share increasing by 18.8% to 19.61 cents, and total fully franked dividends increasing by 19.3% to 17.9 cents per share.

Please refer to the attached Operating and Financial Review for further information in relation to the results for the period.

### Compliance statement

This report is based on financial statements that have been audited.

Signed:



**Richard Anderson**  
Director

Date: 18 August 2022

## Operating and Financial Review

The fast moving and increasingly complex information technology (IT) industry continues to influence our customers' solutions in different ways. As the leading Australian IT solution provider, we have successfully deployed our skills and experience to transform the way our public sector and large corporate customers adapt to new ways of working. Our core business includes connectivity, collaboration, modern workplace, end-user computing, cloud and enterprise security offerings. These solutions have been, and continue to be, a high priority for our customers, and their investment in IT infrastructure, software and services forms an essential part of the Australian economic recovery.

Following the phased and partial 'return-to-office' plans in each location that were introduced in FY21, we have operated very effectively in FY22 with a flexible, hybrid working model in place across most of our business. Staff productivity remained high throughout the year, and our staff satisfaction held at record levels with staff valuing the flexibility of a hybrid office-based and remote working model.

In a constrained labour market, we have been cognisant of the challenge in hiring the right talent, especially in technical services areas. Our average staff tenure of 5.95 years, recognition through employer of choice awards and support from our dedicated People Solutions business give us confidence that we will continue to attract and retain the right people.

While digital transformation has remained high on our customers' business and technology agenda, their priorities have shifted in recent years, although cyber security has remained a constant priority. The pandemic resulted in larger transformation projects being put on hold in the second half of FY20, in favour of remote working or collaboration projects (software, network infrastructure and end-user devices). The work-from-home revolution continued in FY21 as organisations looked to achieve cost savings and improve productivity. FY22 saw a return to a more normal mix of activity and projects, with customers once again investing in larger scale integration-type projects aimed at transforming or reinventing their businesses.

These projects extend across our solutions portfolio and include infrastructure, software and services. Our aim is to provide a full lifecycle of services from advisory to implementation and recurring support services. Typically, these projects span multiple financial years. The modern networking solution for the Sydney Football Stadium and the innovative digital network for the Queen's Wharf development in Brisbane are two such projects wins we have announced, and there are other similar projects currently underway or in the pipeline.

The global computer chip shortage and supply chain constraints have continued to impact our hardware vendor partners, with shortages and delivery delays experienced across the industry. This has been compounded by a general increase in global IT project demand and the spike in demand for devices traditionally experienced during the fourth quarter in line with customer procurement cycles. In particular, major infrastructure projects tend to require networking systems from the leading global vendors, where backlogs have been more acute.

We have excellent working relationships with our global vendor partners that ensure we are best placed to manage the supply chain constraints and backlog of orders, and we have continuously worked with our vendor contacts to secure critical customer deliveries while managing customer expectations. In the last quarter of FY22, we started to see improved supply for end-user computing, however data centre computing and network infrastructure continue to experience constraints flowing into FY23.

As a result, we ended FY22 with a significant backlog of orders that could not be delivered or invoiced and higher than the backlog at the end of FY21. We estimate that at least \$6 million of additional pre-tax profit would have been invoiced under normal circumstances, compared to the \$3 million at the end of FY21. The profit associated with this backlog is expected to be realised in the first half of FY23, although supply constraints for data centre and networking products are expected to continue throughout most of FY23.

Our team has done an outstanding job managing these supply constraints and progressing our customers' projects. We have also continued our strategic focus on growing the software and services businesses, the two areas of the IT market where industry research organisation Gartner is predicting the highest level of growth in 2022, and which will further help offset global supply chain constraints on physical products.

# Operating and Financial Review (continued)

## Operational overview

### Performance against strategic priorities

We have made steady progress against all our strategic objectives and priorities in FY22, as summarised below:

- **Accelerating Services** – we highlighted services growth as one of our highest priorities in our FY22 strategic plan. We have continued to expand our offerings across the service lifecycle (including consulting, implementation and support), with particular emphasis on growing the high value consulting and managed services businesses to improve our overall services margins. We are especially pleased with the progress that has been achieved in FY22, with particularly strong growth across consulting, project services and support services. The growth in services also aligns with the new global vendor incentive programs.
- **Security** – cyber security has been our customers' number one priority for the past three years, and our security practice has been one of our fastest growing areas. Building on the success of the security practice and our Business Aspect security consulting expertise, in FY22 we have consolidated our security focus under a unified executive leadership. Combining our security offerings across the group has allowed us to maintain strong growth, and our security committee continued its work on keeping our business safe from the growing cyber threat. We were also successful in achieving an ISO 27001:2013 certification for the provision of our corporate and operational business information technology services.
- **Solutions** – we have continued to enhance our solutions to adapt to changing market demands. Every customer has a business strategy that includes digital technologies, and all digital technologies require a foundation of cloud, networks, end-user computing and security. We have continued to help our customers build their digital foundation and therefore enable scalable, robust, digital transformation. We have partnered with specialists for leading edge digital transformation projects and with specialist service providers to industry sectors. We have also continued to expand our solutions across the customer lifecycle, encompassing consulting, design, deployment and then support services.
- **People and community** – our employee value proposition continues to be enhanced so that we can attract, develop and retain the best talent. In conjunction with our People Solutions business, we have strengthened our talent sourcing strategy with a focus on our graduate recruitment program, traineeships and industry placements. We have also selectively adopted greater offshoring for non-customer facing services where it makes strategic and economic sense. We have done more work to benchmark ourselves against other ASX listed companies regarding environmental, social and governance initiatives as we strive to improve our performance in this important area. We are committed to a sustainable social responsibility framework that supports our business, customers, partners and other stakeholders.
- **Customer experience** – building on the customer success framework that was introduced in FY20, we have continued to gain competitive advantage utilising data and telemetry within our solutions for customers. This strategic priority is focused on consistently achieving successful customer outcomes and incremental revenue streams. Our objective is to understand and measure every customer touchpoint and to continue to invest in technology to help us improve the overall customer experience. We have continued to work jointly with our major vendors on embedding our data analysis into customer contracts and service level agreements. In addition, the lifecycle of services for our solutions continues to provide opportunities to expand our relationship with existing customers, as well as attract new customers. In FY22 we appointed a Chief Technology Officer, specifically to build and strengthen our relationships with world-leading technology partners and to ensure we are ahead of the technology curve to help customers. We also appointed a Chief Customer Officer in July 2022 to further leverage our customer success teams, and to optimise services opportunities across all functional areas.
- **Operational excellence** – we have continued to enhance our operational efficiency and gain greater leverage from our cost base, with a range of projects underway within the group. The most significant project has been the implementation of our new ERP system, which is based on the Microsoft Dynamics 365 cloud platform. This project was completed successfully in the third quarter and has involved considerable upfront investment. We expect it to generate a solid return on investment over time with longer-term productivity improvements. There was a short-term increase in expense to complete the project, and the \$6 million of capitalised development costs will be amortised over a five-year period, and that expense will be offset by savings from the closure of the old ERP system. We do not intend to capitalise further costs on this project in FY23, but there will be ongoing costs as we continue to enhance the new platform. There are also many other internal digital transformation projects underway that will further enhance our scalability, security and productivity.

## Operating and Financial Review (continued)

Aside from the above strategic priorities, there are other indicators we utilise to determine the health of the business. These include our people satisfaction survey, customer surveys and independent external awards and certifications. We are especially pleased with our performance in each of these areas.

### People satisfaction

We ended FY22 with 1,378 people in the group, which includes a combination of permanent, contracted and casual staff. For the past 15 years we have surveyed our people's satisfaction, and the summary for FY22 was as follows:

- strong participation in the survey
- another outstanding result, matching the previous year's record overall satisfaction score
- 98% of our people recommend Data#3 as an excellent company to work for.

### Customer satisfaction

Our annual customer satisfaction survey also produced a very high overall rating that matched the previous year's record result. The regular "customer pulse" surveys continued 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 improvement and investment to ensure we are delivering enhanced customer experiences. The regular pulse surveys help us to remain agile as customer needs change.

### Vendor relationships and external awards

We continue to strengthen our partnerships with key vendors, the most significant relationships being with Microsoft, Cisco, HP and Dell. These are leading global vendors that account for a large proportion of the addressable market in large corporate and public sector organisations.

In FY22 we achieved significant market share growth with each of our vendors, consolidating our position as their leading partner in the region. This growth is largely the result of our considerable investment in the vendors' technologies with specialist certifications for our services businesses. One example is the Microsoft Azure Expert Managed Services Provider (MSP) certification which Data#3 is one of few organisations in Australia to attain. Many vendor certifications require considerable investment which limits the number of partners that are endorsed by the global vendors, further strengthening our competitive position.

The major vendors prefer working with fewer, larger partners that can deliver critical mass in their target markets. Customers, meanwhile, prefer to concentrate their IT spend with a single provider as they transition from legacy systems. This significantly enhances the value of established solution providers such as Data#3 that are able to deliver a full breadth of services.

In addition to Microsoft, Cisco, HP and Dell, we work with several hundred other vendors such as Adobe, Citrix, Lenovo, Palo Alto and VMware. Our vendor management and solutions team constantly scan the market for new and emerging vendors that complement our existing solutions and offerings.

Increasingly the vendor channel programs are focusing on the adoption and usage of their technologies. Many vendor programs have a customer experience emphasis which focuses on the full lifecycle of their products combined with our specialist services. The programs are, therefore, promoting longer-term, ongoing customer engagement rather than short-term initial transactions. This translates into greater opportunities for organisations with services teams that are skilled in the associated technologies.

Our vendor relationships continue to be a major competitive advantage, and each year we receive national and international recognition from our global partners. We are delighted to have been recognised with the following prestigious global awards for 2022:

- Cisco Global Software Partner of the Year
- Microsoft Worldwide Device Distributor/Reseller Partner of the Year
- Microsoft Worldwide Surface+ Partner of the Year

Cisco has over 60,000 partners globally and the 2022 award is the fourth consecutive year we have succeeded in winning a global award.

There are over 500,000 Microsoft partners globally, and for an Australian company to win global awards is a significant achievement. The Device Distributor/Reseller award submission focussed on our Cloud Edge

## Operating and Financial Review (continued)

solutions on Azure Stack Hyper Converged Infrastructure. In addition, we highlighted Microsoft Teams Rooms (high-end collaboration technology) and our unique Device as a Service solution.

The Microsoft Surface+ award recognises the Surface partner that has brought the best of Microsoft together by pairing Surface PC and/or Hub with Microsoft modern solutions including Microsoft 365, Autopilot and Device as a Service.

In addition, we are pleased to have been acknowledged with the following regional awards over the past year:

- Aruba As a Service Partner of the Year
- Aruba National Partner of the Year
- Cisco Asia Pacific Japan China Security Partner of the Year
- Cisco ANZ Partner of the Year
- Dell Technologies Channel Services Delivery Excellence Partner 2022
- Dell Technologies Solution Provider of the Year Australia 2021
- Dell Technologies Channel Excellence in Cloud Sales Asia Pacific Japan 2021
- Dell Technologies Excellence in Digital Marketing
- Hewlett Packard Enterprise Greenlake Partner of the Year
- Imprivata Asia-Pacific iPartner of the Year
- Jabra Asia-Pacific Top Public Sector Sales of the Year
- Poly Hybrid Solutions Partner ANZ 2021
- Schneider Electric APC Most Sustainable Partner of the Year
- Trend Micro Security Partner of the Year
- Veeam Pro Partner of the Year ANZ

### Financial overview

We are pleased with the performance of the consolidated Data#3 business, which delivered another record result despite the significant supply chain constraints and backlogs at year end outlined previously. The result clearly demonstrates the inherent strength and relevance of our solutions in an evolving market.

Market conditions in both the public and private sectors remained strong throughout FY22 as our customers pursued their digital transformation projects, which helped drive growth in our core infrastructure, software and services businesses. Our major vendors Cisco, Dell, HP and Microsoft experienced record levels of demand.

Total revenue increased by 12.1% from \$1,956.2 million to \$2,193.0 million, fuelled by the continued strong growth in public cloud revenues, which increased by 31.3% from \$791.6 million to \$1,039.7 million.

We are delighted with the broad-based performance across our business areas and regions, as detailed in the 'Operating results by functional area' section, and especially with the success of our services businesses.

Approximately 66% of our total revenue is recurring, derived from contracts with government and large corporate customers to fulfil their essential IT requirements. Recurring revenue mostly relates to software and services and represents locked-in spend, typically on three to five-year contracts. It does not include any other revenue where customer spend is not committed.

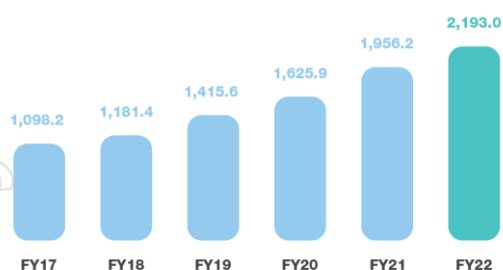
The longer the customer relationships, the more revenue and gross profit they generate, which is why we continue to focus on driving our recurring revenue base. This also helps improve visibility of earnings.

Total gross profit (excluding other revenue) increased by 12.1% from \$194.7 million to \$218.2 million, and total gross margin remained unchanged at 10.0%. As expected, increases in infrastructure and services gross margins offset a slight reduction in software margins.

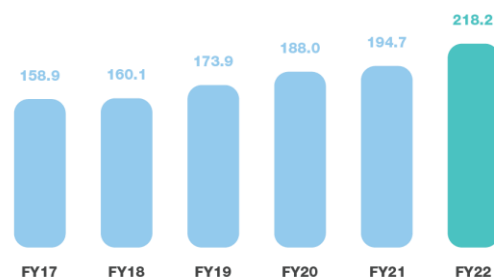


## Operating and Financial Review (continued)

Total revenue (\$M):



Total gross profit (\$M):



Internal staff costs increased by 10.6% from \$138.3 million to \$153.0 million. We have continued to recruit new staff to increase our capacity, particularly in our services business units, and our total headcount increased by 6.6% during FY22. In addition, we have experienced general wage inflation in FY22, however there has been no material impact on profit as the increased costs have been built into our cost base and reflected in pricing, which varies across different contracts.

Other operating expenses increased by 6.4% from \$20.4 million to \$21.7 million, reflecting the costs incurred on our Dynamics 365-based ERP replacement project and a small increase in travel costs with the easing of pandemic restrictions, partly offset by a reduction in rent expense.

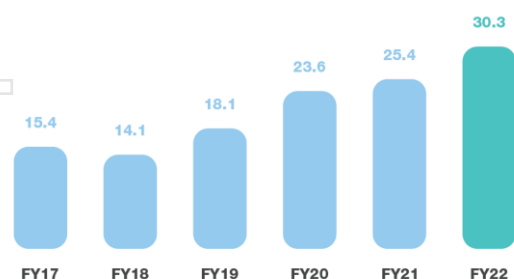
Pleasingly our internal cost ratio (staff and operating expenses as a percentage of gross profit) decreased from 81.5% to 80.1%, demonstrating further improvement in operating leverage. We are confident in our ability to deliver operating leverage while continuing to invest in the business, while the benefits of our new ERP system will begin to be realised during FY23.

The group's total profit before tax increased by 19.4% from \$36.9 million to \$44.1 million, with pre-tax profit margin increasing from 1.89% to 2.01%, and profit after tax attributable to shareholders increased by 19.1% from \$25.4 million to \$30.3 million. This represented basic earnings per share of 19.61 cents, an increase of 18.8% from 16.51 cents in the previous year.

The board declared fully franked dividends of 17.9 cents per share for the full year, an increase of 19.3%, representing a payout ratio of 91.3%.

Return on equity was 49.0% (FY21 45.1%).

Profit after income tax (\$M):



Basic earnings per share & dividends per share (cents):



### Balance sheet and cash flow

Our balance sheet remains very strong, with no borrowings, however the increased supply chain delays have impacted the working capital composition in FY22.

The 30 June cash balance decreased from \$204.3 million to \$149.5 million, reflected a reduction in the temporary cash surplus with less sizeable, early customer receipts prior to 30 June 2022, and with a \$19.2 million increase in inventory.

Trade receivables and payables are relatively high at year end due to the typical May/June sales peak. Trade and other current receivables at 30 June 2022 were \$527.9 million and trade and other current payables \$622.7



## Operating and Financial Review (continued)

million, reflecting the timing differences in the collections from customers and payments to suppliers around 30 June.

The key trade receivables indicator of average days' sales outstanding (DSOS) increased from 27.7 days to 28.1 days, mostly due to collection delays caused by supply chain constraints and partial deliveries, however DSOS remains ahead of target and industry best practice. We believe this is an excellent result that clearly demonstrates the effectiveness of our ongoing focus on collections and credit management.

Total inventory holdings increased from \$13.9 million to \$33.1 million and comprise product held in our warehousing and configuration centres pending delivery to customers for projects that were in progress at year end. The supply chain constraints have caused an increase in partial receipts, resulting in unusually high inventory levels at year end. While this has temporarily impacted our working capital position, all inventory is assigned to committed customer projects and we do not carry inventory risk.

The net cash flow from operating activities was an outflow of \$22.6 million. As usual the operating cash flow and year-end cash balance were impacted by the timing of receipts and payments around 30 June. The traditional May/June sales peak produces higher than normal collections before the end of June. These collections generate temporary cash surpluses which subsequently reverse after 30 June when the associated supplier payments occur.

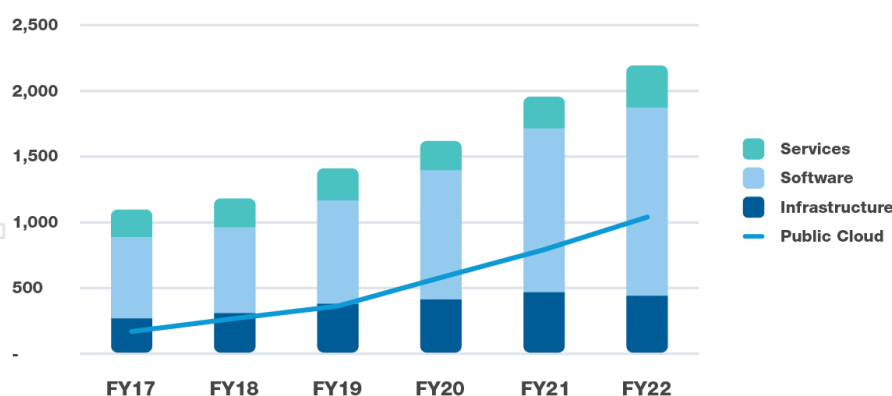
Irrespective of this fluctuation in the year-end cash position, cash conversion remains strong. The efficient management of working capital with a short or negative working capital cycle underpins our self-funding business model.

### Operating results by functional area

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

While we have seen a slight decline in infrastructure revenue due to the backlog in large infrastructure project delivery, our software business continued to perform strongly. Our services businesses, however, had a standout year in line with our strategy of accelerating the growth of services, particularly Consulting and Support Services.

Revenue trend by functional area (\$M):



### Software Solutions

Software Solutions achieved strong revenue growth, increasing by 14.8% to \$1,433.7 million.

The Software team helps customers maximise business value from their software investments through effective procurement, deployment, management and use. We won many new customers and contracts during the year which increased our leadership position in the Australian market. While the revenue gains were very pleasing, the margins are typically relatively low in large subscription-based agreements for big corporations and government.

The opportunity in these new accounts is to sell across the Data#3 portfolio and extend the services within the solution lifecycle. This strategy is consistent with the increased emphasis by major global vendors to reward partners on customer success and the overall long-term customer experience.

## Operating and Financial Review (continued)

The shift to public cloud offerings with subscription services for Microsoft Azure and Office 365 continued with solid annuity-based growth, and we continued to gain market share with new business wins.

Software Asset Management services and Licensing Consulting services remain very popular with customers and provide an important link between the customers' software licensing agreements and Data#3's Project and Support Services, which help with the deployment, adoption and management of the software.

### Infrastructure Solutions

The Infrastructure Solutions business bore the brunt of the supply chain delays, with revenue decreasing 5.7% to \$440.3 million; however, margins are improving as we returned to the delivery of larger integration-type projects following predominantly pandemic-related projects in FY21.

The Infrastructure team helps customers maximise returns from their infrastructure investments, and our team had the added challenge of managing global supply shortages and delays. The restricted supply continued to impact all vendors but was most prominent with Cisco, resulting in a significant backlog of orders that could not be delivered and therefore not invoiced before the year end. If supply had been within normal parameters, Infrastructure Solutions would have delivered mid-to-high single digit revenue growth.

Despite these supply chain issues, the team grew the pipeline of opportunities with a focus on server, storage, networks and devices, boosted by our customers' increasing investment 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 as customers upgraded networks to connect to the public cloud and adopted software-defined networking that provides additional 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.

We have a strong pipeline of large integration projects, including the Sydney Football Stadium, currently underway, and the Queens Wharf in Brisbane, set to be one of Queensland's largest IT infrastructure projects.

Data#3 retained its position on the HP Global Partner Advisory Board and remained a member of the Cisco and Dell Advisory Boards for Asia Pacific. The company's relationships with its major global vendor partners at this level continues to be a significant differentiator.

### Services

Growing our Services business is central to Data#3's growth strategy as it is integral to our software and infrastructure businesses and will continue to support higher margins and recurring revenues.

The Services function has a wide portfolio of services and capabilities:

- Consulting (through Business Aspect) for management and information technology consulting services
- Project Services for the design and implementation of technology solutions
- Support Services (comprising Managed Services and Maintenance Services) for annuity-based contracts
- People Solutions for the provision of contractors and permanent staff.

#### *Consulting*

Business Aspect has extensive consulting skills, experience and expertise in digital transformation, cloud strategy, architecture, security, risk, control, planning, design and governance. In delivering its services, Business Aspect addresses all layers of the business, including people, organisational change, process change and information management.

We were very pleased to see revenue increase by 50.0% to \$26.6 million in FY22, with more predictable performance and a substantial increase in profit contribution.

Business Aspect remains strategically important, and we continue to see increased interaction and joint engagements between Business Aspect and Data#3 teams.

#### *Project Services*

Project Services benefited from the steady increase in larger infrastructure-related projects, growing revenues by 5.0% to \$66.6 million in FY22. The services associated with these larger infrastructure-related projects typically span multiple years, and the business enters FY23 with a solid pipeline of work and high utilisation levels.

## Operating and Financial Review (continued)

### Support Services

Support Services revenues increased by an exceptional 66.6% to \$160.1 million, reflecting very strong growth in Maintenance Services and Managed Services. We are particularly pleased with the success of our Managed Services offerings, fuelled by our Microsoft Expert Azure Managed Services Provider accreditation. This certification places Data#3 among the elite ranks of Microsoft Azure Managed Services Providers globally.

We will continue to align our Support Services to the flow of work from our Project Services team, and to work closely with our key vendors to provide complementary support services.

### People Solutions

People Solutions saw a return to more normal activity levels for recruitment and contracting, delivering a record result with revenues increased by 8.7% to \$62.3 million.

### Discovery Technology

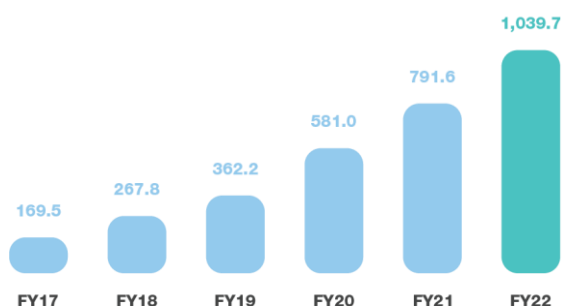
Discovery Technology is predominantly a Wi-Fi network and Wi-Fi analytics business.

In FY22 we continued to progress the integration of Discovery Technology into Data#3, maintaining its profit performance despite a reduction in revenue from \$5.4 million to \$2.8 million. This is the result of more sales now recorded in Data#3 with Discovery Technology receiving a commission on these sales.

### Cloud-based business

The major component of cloud services is the growing market segment of public cloud. In FY22 we grew public cloud-based revenues by 31.3% from \$791.6 million to \$1,039.7 million, which is consistent with the overall market growth in this segment.

Public cloud revenue (\$M):



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. Major vendors want IT services providers to take the customer on a journey, to help them generate efficiencies and adopt greater cloud usage. Microsoft is taking the lead in public cloud globally and locally, and we are in a prime position to capitalise on this growth.

At the base level, cloud services annuity revenue with Microsoft subscription licenses is a substitute for our traditional license business. Our role 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 and manage both with a common set of tools. Vendors such as Cisco, Microsoft, HP and Dell Technologies are major players in this market segment and Data#3 is a dominant reseller for each of these global vendors.

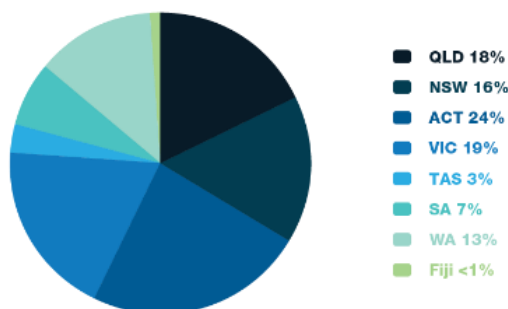
An ideal engagement would see us provide services at every stage of our solution lifecycle: consulting, design and implementation, and managed or support services for both public and private clouds, and this continues to be an area of significant focus. The more we grow our cloud business the more access we have to customer data and insights, which in turn allows us to enhance our overall lifecycle services. It also helps determine where we focus our ongoing investment.

## Operating and Financial Review (continued)

### Performance by region

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

*FY22 Revenue split by region (Total \$2,192M):*



- Queensland – performed well but was most impacted by delays in the supply of networking equipment, and end-user devices to public sector customers at year end, resulting in a 2% decrease in revenue. If supply had been within normal parameters, Queensland would have seen mid-to-high single digit growth on FY22.
- New South Wales – benefited from continued focus and investment, delivering strong market gains and 22% revenue growth in FY22.
- ACT – for three consecutive years the ACT has seen strong revenue growth across the business, achieving 14% growth in FY22.
- Victoria – despite a second year of significant impact from pandemic lockdowns, our Victorian team continued to respond well and achieved 11% revenue growth.
- Tasmania – delivered an outstanding result, increasing revenue by 41%.
- South Australia – continued to make excellent progress in SA with a significant increase in our managed services business, delivering a 12% increase in revenue.
- Western Australia – continued its strong performance, achieving 22% revenue growth.
- Fiji and the Pacific Islands – FY22 proved to be another difficult year for Fiji and the Pacific Islands as the region's economy recovered from pandemic lockdowns and reduced tourism. We finished the year with revenue 21% down on FY21.

### ESG

The foundation of our sustainability program consists of four pillars: people, community, ethics, and environment, as is outlined further in our 2022 Sustainability Report. Our decades of success in a highly competitive industry are largely thanks to the skill, dedication, and innovation of our people, so we aim to support them in every way we can.

In addition to awards for our solutions and technical expertise, we are delighted to have been named as a winner of the 5-Star Employer of Choice Award for 2022 by Human Resources Director Magazine (HRD). This is the seventh year in a row we have received a HRD employer of choice award for organisations with more than 500 employees. This award is not limited to the IT sector; it covers all industries and includes many multinational entries.

Data#3 has also been officially certified as a 'Family Inclusive Workplace' by UNICEF Australia and Parents at Work, being one of 70 certified companies in Australia.

One of our key objectives is to lead our industry in ethical business practices. This year we were proud to announce the formation of a Reconciliation Action Plan (RAP) working group consisting of committed staff who are passionate about reconciliation and who understand the cultural importance of reconciliation. The working

## Operating and Financial Review (continued)

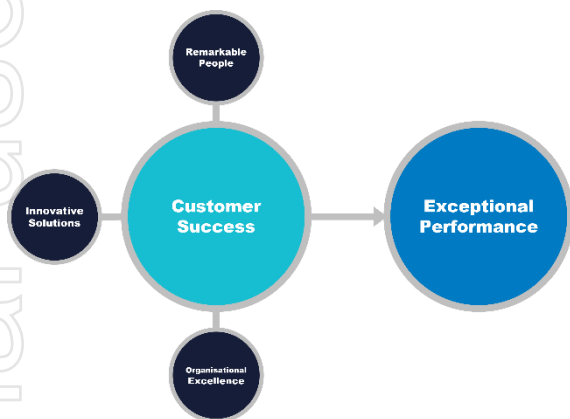
group will be responsible for developing, implementing and reporting on Data#3's RAP, helping us take meaningful action to advance reconciliation moving forward.

Addressing our environmental impact is among the most pressing priorities facing today's world, and we take this duty seriously. We have been actively pursuing environmentally sound practices to incorporate into our daily business activities, such as choosing to support suppliers with a strong environmental track record and repurposing ageing equipment, with which we also support our customers.

During FY22 we continued to support several key local, national, and international charities, both financially and by promoting volunteering activities for our employees.

### Strategy and outlook

Our strategy is the pathway to enabling our customers' success. It unites innovative solutions, remarkable people and organisational excellence through our solutions framework. We believe making our customers more successful consistently over time will deliver exceptional and sustainable performance.



Our plan is to deliver technology to support our customers' business objectives, utilising our core technology solutions across the following categories:



These solutions are delivered using our Customer Solutions Lifecycle (PDO<sup>2</sup>) 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.

Our strategic priorities for FY23 include the following:

- Solutions – developing Solutions and Services that deliver customer success
- People and Community – connecting Data#3 with its people and the communities in which it operates.
- Customer experience – differentiating Data#3 through the experiences we deliver to our customers.
- Operational excellence – connecting and simplifying Data#3 to deliver an agile and efficient business.

We expect technology, and specifically digital transformation, to continue to play a leading role in Australia's economic future. According to Gartner, the trend to digital transformation is not a one- or two-year trend, rather it is systemic and long term. The Australian IT market is predicted to continue to grow at a moderated level, and this will allow us to continue to accelerate growth of our services businesses and further cement our leadership position.

Customers are accelerating IT investments as they recognise the importance of flexibility and agility in responding to disruption. Software and IT services remain the areas of highest expected growth.

## Operating and Financial Review (continued)

We have a healthy pipeline of large integration project opportunities across our corporate and public sector customers. We have deliberately moved away from larger managed services contracts, with a focus on smaller contracts that reduce execution risk and enhance overall profitability.

Our services growth strategy will continue to improve our margins and complement our growing software and infrastructure business units. Growing Software and Services is central to our long-term strategy, and this is where our investment will be concentrated.

The ongoing supply constraints caused by the global shortage of chips are predicted to continue for at least another 12 months; however, we are well placed to deal with these challenges and opportunities by continuing to leverage our strong relationships with our customers and suppliers. We are exceptionally well placed to benefit from easing supply constraints when the order backlog unwinds.

The backlog from FY22 has again provided a fast start to the current year. Consistent with previous practice, at the date of this report we are unable to provide specific guidance for FY23, but we will provide guidance during the year. We remain committed to delivering sustainable earnings growth over the longer term, underpinned by our leading market position, unrivalled vendor relationships, long-term customer base and highly experienced and committed team.

# 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 2022. Throughout the report the consolidated entity is referred to as the group. "We", "our", or "us" refer in this report to the directors speaking on behalf of the group.

## 1. Principal activities

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

- Cloud – highly secure data centre solutions to improve business efficiency, reduce costs and scale customers' technology requirements in hybrid IT environments
- Modern Workplace – solutions to optimise our customers' IT environment and assist them to realise the full value of their technology assets
- 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
- Connectivity – solutions to enable customers to seamlessly connect to business networks and information – anywhere, any time and on any device

Our service capabilities include

- consulting,
- project services,
- support services and
- recruitment.

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

## 2. Dividends

	Cents	\$'000
Final dividend declared for FY22 subsequent to year end	10.65	16,438
Dividends paid in the year:		
Interim for FY22	7.25	11,190
Final for FY21	9.50	14,663
	16.75	25,853

## 3. Operating and financial review

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

	Page
Operational review	5
Financial review	7
Operating results by functional area	9
Performance by region	12
Our strategy and plan for FY23	13



## Directors' report (continued)

### 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 13 of the attached Operating and Financial Review.

### 5. Earnings per share

	2022 Cents	2021 Cents
Basic earnings per share	19.61	16.51
Diluted earnings per share	19.55	16.43

### 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

The directors declared a dividend in relation to FY22 subsequent to year end (see item 2 above). No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect

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

### 8. Likely developments and expected results

Information on likely developments and expected results is included in the attached Operating and Financial Review on page 13.

### 9. Directors

The names and details of Data#3 Limited's directors are set out below. All 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 one other public company: Lindsay Australia Limited (since 2002). Mr Anderson is also president of Guide Dogs Queensland.

##### *Special responsibilities:*

Chairman of the board

Member of the audit and risk committee (until 30 June 2022)

Member of the remuneration and nomination committee

## Directors' report (continued)

### 9. Directors (continued)

#### **L C Baynham, BBus (Honours), FAICD** (*Managing Director*)

Managing Director since 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.

#### **M R Esler, FAICD** (*Non-executive Director*)

Independent non-executive director since August 2019. Mr Esler has extensive experience in IT, first in a number of roles with IBM before joining the Data#3 group in 1984 as an executive director. Mr Esler served as an executive director of Data#3 Limited from 1997 to 2002, and performed senior management roles in Sales and Marketing, Operations and Supply Chain before retiring from his role as Queensland General Manager in 2014. Mr Esler has been actively involved in many IT-related forums and was a member of both the Asia Pacific and Worldwide Hewlett-Packard Global Partner Advisory Boards from 2011 until 2014. He has also been recognised as a 25-year Fellow of the Australian Institute of Company Directors.

#### *Special responsibilities:*

Member of the audit and risk committee (from 1 July 2022)

#### **S M Forrester AM, BA, LLB (Hons), EMBA, FAICD** (*Non-executive Director*)

Independent non-executive director since her appointment on 30 March 2022. Ms Forrester is a highly respected company director with an executive career spanning over 25 years in large professional services firms, covering law, finance, human resources and corporate governance. Bringing a wealth of experience having served as chair and non-executive director on multiple ASX listed companies for over a decade, Susan has a particular focus on strategy and governance within industries that are undergoing rapid change, often as a result of technology. In 2019 she became a Member (AM) in the General Division of the Order of Australia for significant service to business through governance and strategic roles as an advocate for women. In addition, Ms Forrester serves on the Diligent Institute Advisory Board in New York as a corporate governance specialist representing Asia Pacific and is a Queensland Councillor with the AICD.

Ms Forrester is currently serving as non-executive chair of Jumbo Interactive Limited (since 2020), and non-executive director of Plenti Group Limited (since 2020).

During the past three years Ms Forrester has also served as chair of National Veterinary Care Ltd (2015 – 2020), and non-executive director of Over the Wire Holdings Limited (2015 - 2022), G8 Education Limited (2011- 2021) and Viva Leisure Limited (2018 - 2021).

#### *Special responsibilities:*

Member of the remuneration and nomination committee (from 1 July 2022)

#### **A M Gray, DUniv, B.Econ (Hons), FAICD, SF (FINSIA)** (*Non-executive Director*)

Independent non-executive director since August 2017. Mr Gray is Chairman of Sugar Terminals Limited and Tailored Superannuation Solutions and a non-executive director of the Royal Flying Doctor Service of Australia (Queensland Section and Foundation), Queensland Urban Utilities, genomiQa and Queensland Cricket. Previous senior executive appointments include 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.

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).

#### *Special responsibilities:*

Chairman of the remuneration and nomination committee

Member of the audit and risk committee

## Directors' report (continued)

### 9. Directors (continued)

#### **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, Guide Dogs Queensland, Peak Services Holdings Pty Ltd, Peak Services Pty Ltd, Local Buy Pty Ltd (trading as Peak Services), Mayflower Enterprises Pty Ltd, and Hyne Timber Group companies, and she also served on the board of QInsure Limited until 31 December 2019.

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 the audit and risk committee

Member of the remuneration and nomination committee (until 30 June 2022)

#### **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:

<b>Name</b>	<b>Full meetings of directors</b>		<b>Meetings of audit and risk committee</b>		<b>Meetings of remuneration and nomination committee</b>	
	<b>Meetings attended</b>	<b>Meetings held *</b>	<b>Meetings attended</b>	<b>Meetings held *</b>	<b>Meetings attended</b>	<b>Meetings held *</b>
R A Anderson	15	15	3	4	2	2
L C Baynham	15	15	**	**	**	**
M R Esler	15	15	**	**	**	**
S M Forrester	4	4	**	**	**	**
A M Gray	15	15	4	4	2	2
L M Muller	14	15	4	4	2	2

\* 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.

## Directors' report (continued)

### 11. Remuneration report – audited

The remuneration report sets out the following, in accordance with section 300A of the *Corporations Act 2001* (Corporations Act):

- the company's governance relating to remuneration;
- the policy for determining the nature and amount or value of remuneration of key management personnel (KMP);
- the various components or framework of that remuneration;
- the prescribed details relating to the amount or value paid to KMP, as well as a description of any performance conditions; and
- the relationship between the policy and the performance of the company.

#### Persons covered by this report

KMP are the non-executive directors, executive directors, and employees who have the authority and responsibility for planning, directing and controlling the activities of the consolidated entity. On that basis, the individuals classified as KMP are set out below:

Name	Title
<b>Directors:</b>	
Richard Anderson	Chairman, Non-executive Director
Laurence Baynham	Managing Director/Chief Executive Officer
Mark Esler	Non-executive Director
Susan Forrester	Non-executive Director
Mark Gray	Non-executive Director
Leanne Muller	Non-executive Director
<b>Other executives:</b>	
Michael Bowser	Executive General Manager – Software, Infrastructure & Services
Brad Colledge	Executive General Manager – Operations
Brem Hill	Chief Financial Officer

#### Overview of Data#3's remuneration governance framework and strategy

The Data#3 board has delegated certain remuneration and nomination responsibilities to a committee to review and report back to the Data#3 board. The ultimate responsibility for remuneration and nomination policy matters rests with the Data#3 board.

##### *Remuneration and nomination committee*

The remuneration and nomination committee is a separate committee of the board and in relation to remuneration 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

- set remuneration at levels that are intended to attract and retain executives capable of managing our operations, achieving our strategic objectives, and increasing shareholder wealth;
- motivate senior executives to pursue the long-term growth and success of Data#3;
- demonstrate a clear relationship between senior executives' performance and remuneration;
- consider prevailing market conditions;
- be reflective of the company's short-term and long-term performance objectives; and
- be transparent and acceptable to shareholders.

The committee is authorised to investigate any matter brought to its attention with full access to all records and personnel of the company and has the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties. The committee seeks input regarding the governance of KMP remuneration from the following sources:

- shareholders
- remuneration and nomination committee members
- external remuneration consultants
- tax advisors and lawyers
- managers within the company

## Directors' report (continued)

### 11. Remuneration report – audited (continued)

As at the end of the reporting period the committee comprised only independent non-executive members of the board.

#### Executive remuneration

The executive remuneration structure is set by taking the following factors into account:

- the group's remuneration policies
- the level and structure of remuneration paid to executives of other publicly listed Australian companies of similar size
- the position and responsibilities of each executive
- appropriate targets and key performance indicators (KPIs) to reward executives for group and individual performance
- remuneration is reviewed annually and the total remuneration package comprises the following:
  - base package, including superannuation, allowances, benefits and any applicable fringe benefits tax (FBT), and any salary sacrifice arrangements
  - short-term incentives (STI) which provide rewards for performance against annual targets
  - long-term incentives (LTI) which provide equity-based rewards for performance against targets indicative of shareholder benefit over a three-year period
- market practices and the circumstances of the company
- both internal relativities and external market factors
- exceptions are managed separately for occasions where particular expertise must be retained or acquired
- termination benefits are generally limited to the amount allowed for under the Corporations Act and will be specified in employment contracts.

#### Non-executive remuneration

Remuneration to non-executive directors is set by taking the following factors into account:

- the responsibilities and workload of each director
- the level of fees paid to non-executive directors of other publicly listed Australian companies of similar size and industry
- operational and regulatory complexity
- non-executive remuneration is reviewed annually and comprises
  - board and committee fees
  - statutory superannuation.

Board fees reflect the demands which are made on, and the responsibilities of, the directors. Board committee fees are structured to recognise the differing responsibilities and workload associated with chairing the board and each of the committees. 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 \$600,000 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. 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 five 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.

#### Short-term incentive (STI) policy

Incentives under the group's current STI plan are at-risk components of remuneration for executives provided in the form of cash. Under the plan executives can earn an annual cash bonus payment if predefined targets are met. The STI is linked to the achievement of financial and non-financial objectives that are relevant to meeting the company's business objectives. A major part of the STI is determined by the actual performance against planned company and divisional profit targets relevant to each individual. A smaller portion of the STI is set with reference to the executive's non-financial performance objectives which are agreed annually.

#### Long-term incentive (LTI) policy

Incentives under the group's current LTI plan are at-risk components of remuneration for executives provided in the form of equity in the company to ensure executives

- hold a stake in the company,
- align their interests with those of shareholders, and
- share risk with shareholders.

The LTI is based on performance rights that vest based on assessment against company objectives. The measurement period is three years, and the measure used is as deemed best by the board to drive value creation for shareholders.

## Directors' report (continued)

### 11. Remuneration report – audited (continued)

#### Fixed executive remuneration

Fixed executive remuneration comprises a combination of cash and prescribed non-cash benefits at the executive's discretion, plus statutory superannuation. There are no guaranteed fixed remuneration increases included in any executives' contracts.

#### Variable executive remuneration – the short-term incentive (STI) plan

Feature	Description															
Purpose	<p>The STI plan aims to provide an incentive for executives to deliver and outperform annual business objectives that will lead to sustainable, superior returns for shareholders. The STI is composed of financial and non-financial elements as follows:</p> <ul style="list-style-type: none"> <li>▪ Managing Director/CEO – 70% financial and 30% non-financial</li> <li>▪ Executive General Manager – Software, Infrastructure &amp; Services – 70% financial and 30% non-financial</li> <li>▪ Executive General Manager – Operations – 75% financial and 25% non-financial</li> <li>▪ Chief Financial Officer – 75% financial and 25% non-financial.</li> </ul> <p>Using a profit target for the financial component ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.</p>															
Award opportunities	<table border="1"> <thead> <tr> <th>Role</th> <th>Base offer</th> <th>Maximum offer</th> </tr> </thead> <tbody> <tr> <td>Managing Director/CEO</td> <td>48% of total fixed remuneration</td> <td>66% of total fixed remuneration</td> </tr> <tr> <td>Executive General Manager – Software, Infrastructure &amp; Services</td> <td>61% of total fixed remuneration</td> <td>79% of total fixed remuneration</td> </tr> <tr> <td>Executive General Manager – Operations</td> <td>51% of total fixed remuneration</td> <td>68% of total fixed remuneration</td> </tr> <tr> <td>Chief Financial Officer</td> <td>37% of total fixed remuneration</td> <td>51% of total fixed remuneration</td> </tr> </tbody> </table>	Role	Base offer	Maximum offer	Managing Director/CEO	48% of total fixed remuneration	66% of total fixed remuneration	Executive General Manager – Software, Infrastructure & Services	61% of total fixed remuneration	79% of total fixed remuneration	Executive General Manager – Operations	51% of total fixed remuneration	68% of total fixed remuneration	Chief Financial Officer	37% of total fixed remuneration	51% of total fixed remuneration
Role	Base offer	Maximum offer														
Managing Director/CEO	48% of total fixed remuneration	66% of total fixed remuneration														
Executive General Manager – Software, Infrastructure & Services	61% of total fixed remuneration	79% of total fixed remuneration														
Executive General Manager – Operations	51% of total fixed remuneration	68% of total fixed remuneration														
Chief Financial Officer	37% of total fixed remuneration	51% of total fixed remuneration														
Performance metrics	<p>For the financial component of the STI, the STI is earned based on the following:</p> <ul style="list-style-type: none"> <li>▪ targets set equate to budgeted net profit before tax plus bonus value</li> <li>▪ bonuses are earned in linear proportion to the profit target achieved – for example, achievement of 90% of the financial target will equate to earning 90% of the financial STI bonus and so on up to a maximum of 150% achievement of the financial target.</li> </ul> <p>For the non-financial component of the STI, the STI is earned based on the individual's achievement against personal performance objectives.</p>															
Award determination and payment	<p>Financial component – calculated and paid subsequent to the end of each quarter. Non-financial component – calculated and paid subsequent to the end of each half year. Payments are made in cash net of PAYG withholding.</p>															
Cessation of employment	<p>If the executive's employment is terminated for cause, all entitlements in relation to the measurement period are forfeited.</p> <p>If an executive's employment is terminated for some other reason and the minimum term of three months of employment has not been satisfied, all entitlements in relation to the measurement period are forfeited unless determined otherwise by the board.</p>															
Board discretion	<p>The board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI awards.</p>															



## Directors' report (continued)

### 11. Remuneration report – audited (continued)

#### Variable executive remuneration – the long-term incentive (LTI) plan

Feature	Description
Purpose	The aim of the LTI remuneration element is to provide compensation based solely on earnings per share (EPS) performance by Data#3 Limited over a long-term period, as the board believes EPS is the best measure to drive long-term value creation for shareholders given the specific circumstances of the company.
Form of equity and exercise price	<p>The LTI plan is in the form of a performance rights plan. The rights are subject to vesting, and each right entitles the holder to one ordinary share in Data#3 Limited for no consideration.</p> <p>There is no entitlement to dividends during the measurement period.</p>
Award allocation	<p><u>FY22 offers</u></p> <p>MD/CEO: \$256,000; Executive General Managers and CFO: \$150,000 each. The award value was divided by the relevant volume weighted average share price for the five trading days following the release of the FY21 audited financial statements to determine the number of performance rights granted.</p> <p><u>FY21 offers</u></p> <p>MD/CEO: \$160,000; Executive General Managers and CFO: \$150,000 each. The award value was divided by the relevant volume weighted average share price for the five trading days following the release of the FY20 audited financial statements to determine the number of performance rights granted.</p> <p><u>FY20 offers</u></p> <p>MD/CEO: \$160,000; Executive General Managers and CFO: \$150,000 each. The award value was divided by the relevant volume weighted average share price for the five trading days following the release of the FY19 audited financial statements to determine the number of performance rights granted.</p>
Measurement period	<p>Three years unless otherwise determined by the board.</p> <p>FY22 offers – Three years from 1 July 2021 to 30 June 2024</p> <p>FY21 offers – Three years from 1 July 2020 to 30 June 2023</p> <p>FY20 offers – Three years from 1 July 2019 to 30 June 2022</p>
Vesting conditions	<p>Vesting of the grants in both plans 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 target for the LTI is not disclosed as this is considered sensitive information.</p> <p>Performance rights that do not vest will lapse.</p>
Conversion of vested performance rights	<p><u>FY22 offers</u></p> <p>Vested rights are settled via the issue of ordinary shares within 60 days following release of the FY24 financial report, except where the board exercises its discretion to settle in the form of cash.</p> <p><u>FY21 offers</u></p> <p>Vested rights are settled via the issue of ordinary shares within 60 days following release of the FY23 financial report, except where the board exercises its discretion to settle in the form of cash.</p> <p><u>FY20 offers</u></p> <p>Vested rights are settled via the issue of ordinary shares within 60 days following release of the FY22 financial report, except where the board exercises its discretion to settle in the form of cash.</p>



## Directors' report (continued)

### 11. Remuneration report – audited (continued)

#### Variable executive remuneration – the long-term incentive (LTI) plan (continued)

Feature	Description
Cessation of employment	Under the plan performance rights do not vest until the end of the relevant three-year period. Cessation of employment during this period will cause the performance rights to lapse unless the board determines otherwise, such as in the case of retirement due to injury, disability, death or redundancy.
Board discretion	The board retains discretion to adjust the EPS performance condition to ensure participants are not penalised nor provided a windfall benefit arising from matters outside of management's control. The board also has discretion over the vesting and settlement of performance rights in the event of a change in control of the company.

#### Planned executive remuneration

##### *Short-term incentives*

In FY22 the proportion of the planned short-term executive remuneration (i.e. excluding changes in leave accruals, non-cash fringe benefits and long-term incentives) for executive key management personnel that was performance related was 33% (FY21: 34%). In FY22 actual short-term bonuses as a proportion of planned short-term executive remuneration was 34% due to slight overachievement of profit-related performance metrics (FY21: 36%).

In FY22 the planned profit-related component represented 72% of the short-term bonuses (FY21: 71%). The balance of the short-term bonus is determined by performance against agreed non-financial objectives relevant to each individual.

##### *Long-term incentives*

LTI remuneration is based solely on the basic earnings per share (EPS) performance of Data#3 Limited.

#### Remuneration expenses for KMP

Compensation paid, payable, or provided by the company or on behalf of the company to key management personnel as calculated in accordance with applicable accounting standards is set out in the following table.

## Directors' report (continued)

### 11. Remuneration report – audited (continued)

		Fixed remuneration			Variable remuneration			Total \$	Performance related %
		Cash salary and fees (e) \$	Annual and long service leave (a) (e) \$	Post-employment benefits (b) \$	Short-term bonus (c) (e) \$	Non- monetary (e) \$	LTI (d) (f) \$		
<b>Non-executive directors</b>									
Anderson, R.A.	2022	140,000	-	14,000	-	-	-	154,000	-
Chairman	2021	140,000	-	13,300	-	-	-	153,300	-
Esler, M. R.	2022	80,000	-	8,000	-	-	-	88,000	-
	2021	80,000	-	7,600	-	-	-	87,600	-
Forrester, S. M. (from 30/03/2022)	2022	20,923	-	2,092	-	-	-	23,015	-
	2021	-	-	-	-	-	-	-	-
Gray, A.M.	2022	90,000	-	9,000	-	-	-	99,000	-
	2021	90,000	-	8,550	-	-	-	98,550	-
Muller, L.M.	2022	90,000	-	9,000	-	-	-	99,000	-
	2021	92,237	-	6,248	-	-	-	98,485	-
<b>Subtotals – non-executive directors</b>	2022	420,923	-	42,092	-	-	-	463,015	-
	2021	402,237	-	35,698	-	-	-	437,935	-
<b>Executive director</b>									
Baynham, L.C.	2022	546,833	44,971	23,568	290,042	2,000	198,384	1,105,798	44.2
Chief Executive Officer/MD	2021	531,000	31,300	21,694	289,886	2,000	158,421	1,034,301	43.3
<b>Other key management personnel</b>									
Bowser, M.J.	2022	350,000	27,472	23,568	193,642	2,000	161,056	757,738	46.8
Executive General Manager	2021	319,300	20,010	21,694	214,722	2,000	152,822	730,548	50.3
Colledge, B.D.	2022	392,000	12,515	23,568	266,732	2,000	161,056	857,871	49.9
Executive General Manager	2021	380,732	4,849	21,694	260,970	2,000	152,822	823,067	50.3
Hill, B.I.	2022	339,000	20,224	23,568	141,482	2,000	161,056	687,330	44.0
Chief Financial Officer	2021	325,437	15,401	21,694	142,536	2,000	152,822	659,890	44.8
<b>Subtotals – other key management personnel</b>	2022	1,081,000	60,211	70,704	601,856	6,000	483,168	2,302,939	47.1
	2021	1,025,469	40,260	65,082	618,228	6,000	458,466	2,213,505	48.6
<b>Totals – key management personnel</b>	2022	2,048,756	105,182	136,364	891,898	8,000	681,552	3,871,752	40.6
	2021	1,958,706	71,560	122,474	908,114	8,000	616,887	3,685,741	41.4

## Directors' report (continued)

### 11. Remuneration report – audited (continued)

- (a) This is the change in accrued annual and long service leave and is measured in accordance with AASB 119 *Employee Benefits*.
- (b) Post-employment benefits comprise statutory superannuation.
- (c) Short-term bonus is composed of STI.
- (d) LTI comprises share-based incentives.
- (e) This is a short-term benefit.
- (f) This is a long-term benefit.

#### **Contractual arrangements with executive KMP**

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

##### *L.C. Baynham (Managing Director/CEO)*

- The LTI granted in FY22 was 47,067 performance rights, subject to vesting at the end of three years.
- The LTI granted in FY21 was 27,510 performance rights, subject to vesting at the end of three years.
- The LTI granted in FY20 was 65,574 performance rights, subject to vesting at the end of three years.
- The LTI granted in FY19 was 98,160 performance rights, subject to vesting at the end of three years.
- 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 FY22 was 27,580 performance rights, subject to vesting at the end of three years.
- The LTI granted in FY21 was 25,790 performance rights, subject to vesting at the end of three years.
- The LTI granted in FY20 was 61,475 performance rights, subject to vesting at the end of three years.
- The LTI granted in FY19 was 92,025 performance rights, subject to vesting at the end of three years.
- 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.

## Directors' report (continued)

### 11. Remuneration report – audited (continued)

#### Share-based LTI compensation

##### FY22 grants

Performance rights were granted to key management personnel as compensation during FY22 for no consideration as follows:

Key management person	Performance rights granted	Date of grant	Fair value per right	Fair value of rights	FY22 employee benefits expense of FY22 rights	FY22 rights expense as a percentage of KMP's total remuneration
	Number	Date	\$	\$	\$	%
Baynham, L.C.	47,067	30/11/2021	5.30	249,455	83,152	7.5
Bowser, M.J.	27,580	30/11/2021	5.30	146,174	48,725	6.4
Colledge, B.D.	27,580	30/11/2021	5.30	146,174	48,725	5.8
Hill, B.I.	27,580	30/11/2021	5.30	146,174	48,725	7.1
	129,807			687,977	229,327	6.8

##### FY21 grants

Performance rights were granted to key management personnel as compensation during FY21 for no consideration as follows:

Key management person	Performance rights granted	Date of grant	Fair value per right	Fair value of rights	FY22 employee benefits expense of FY21 rights	FY22 rights expense as a percentage of KMP's total remuneration
	Number	Date	\$	\$	\$	%
Baynham, L.C.	27,510	12/11/2020	5.01	137,825	45,942	4.2
Bowser, M.J.	25,790	12/11/2020	5.01	129,208	43,069	5.7
Colledge, B.D.	25,790	12/11/2020	5.01	129,208	43,069	5.1
Hill, B.I.	25,790	12/11/2020	5.01	129,208	43,069	6.3
	104,880			525,449	175,149	5.2

##### FY20 grants

Performance rights were granted to key management personnel as compensation during FY20 for no consideration as follows:

Key management person	Performance rights granted	Date of grant	Fair value per right	Fair value of rights	FY22 employee benefits expense of FY20 rights	FY22 rights expense as a percentage of KMP's total remuneration
	Number	Date	\$	\$	\$	%
Baynham, L.C.	65,574	13/11/2019	3.17	207,865	69,289	6.3
Bowser, M.J.	61,475	21/10/2019	3.38	207,786	69,262	9.1
Colledge, B.D.	61,475	21/10/2019	3.38	207,786	69,262	8.2
Hill, B.I.	61,475	21/10/2019	3.38	207,786	69,262	10.1
	249,999			831,223	277,075	8.2

At 30 June 2022 and the date of this report all the performance rights granted in FY22, FY21, and FY20 were outstanding, and the FY20 grants have vested and will be settled via the issue of ordinary shares following the release of the FY22 financial report.

No rights or options lapsed during the year (FY21: nil); 374,235 rights (nil options) were exercised during the year (FY21: nil).

## Directors' report (continued)

### 11. Remuneration report – audited (continued)

#### Interests in shares

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

	Balance 30 June 2020	Other changes*	Balance 30 June 2021	Received upon exercise of rights	Other changes*	Balance 30 June 2022
<b>Directors:</b>						
Anderson, R.A.	650,000	10,000	660,000	-	10,000	670,000
Baynham, L.C.	102,195	34,396	136,591	98,160	-	234,751
Esler, M.R.	2,814,330	-	2,814,330	-	-	2,814,330
Forrester, S.M. (from 30/03/2022) <sup>(1)</sup>	-	-	-	-	5,000	5,000
Gray, A.M.	-	6,000	6,000	-	12,500	18,500
Muller, L.M.	50,000	-	50,000	-	-	50,000
<b>Other executives:</b>						
Bowser, M.J.	143,485	31,668	175,153	92,025	-	267,178
Colledge, B.D.	229,771	31,668	261,439	92,025	-	353,464
Hill, B.I.	443,485	31,668	475,153	92,025	-	567,178
	4,433,266	145,400	4,578,666	374,235	27,500	4,980,401

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

<sup>(1)</sup> The amount in other changes is the individual's shareholding at the date the person commenced or ceased to be a key management person, as applicable, in addition to the individual's on-market trading.

There was no movement in shares held directly, indirectly or beneficially from 30 June 2022 up to the date of this report.

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

#### Performance outcomes

##### Company performance

Measures of the group's performance during FY22 and the previous four years, as required by the Corporations Act, is set out below.

	Revenue	Profit after tax to members of Data#3 Limited	Basic earnings per share	Share price at 30 June	Dividends paid per share	Change in shareholder value each year*
	\$'000	\$'000	Cents	\$	Cents	Cents
FY22	2,192,997	30,262	19.61	4.660	16.75	(78.25)
FY21	1,956,188	25,414	16.51	5.610	14.30	121.30
FY20	1,625,941	23,636	15.35	4.540	12.20	254.20
FY19	1,415,569	18,112	11.76	2.120	10.20	62.20
FY18	1,181,411	14,078	9.14	1.600	7.15	(5.35)

\* calculated as the share price increase or decrease plus dividends paid per share during the financial year

## Directors' report (continued)

### 11. Remuneration report – audited (continued)

#### *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 2017 the group's net profit has grown at an average compounded rate of 14.5% per year, the average executive remuneration has increased by an average compounded rate of 3.6% per year and total shareholder return increased by an average compounded rate of 35.6%. The board is satisfied with the level of executive remuneration that is at risk and based on group performance and believes the group's executives are remunerated fairly and in line with the long-term performance of the group. The equity-based LTI plan ensures significant focus is maintained on the group's long-term performance, as each year's LTI offering is subject to three-year vesting.

#### *Cash bonuses*

For each short-term cash bonus included in the table of remuneration expenses, 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.	106%	0%
Bowser, M.J.	102%	0%
Colledge, B.D.	105%	0%
Hill, B.I.	106%	0%

Remuneration in FY22 reflected overachievement of short-term profit targets in relation to the short-term incentive plan (STI) (FY21: overachievement).

#### *Long-term incentives*

For long-term incentives the percentage of the planned incentive (being one-third of the incentives granted, as they vest at the end of three years) 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	FY22 incentives		FY21 incentives		FY20 incentives	
	Earned %	Forfeited %	Earned %	Forfeited %	Earned %	Forfeited %
Baynham, L.C.	100%	0%	100%	0%	100%	0%
Bowser, M.J.	100%	0%	100%	0%	100%	0%
Colledge, B.D.	100%	0%	100%	0%	100%	0%
Hill, B.I.	100%	0%	100%	0%	100%	0%

The long-term targets for all LTI offers were fully met in FY22 (FY21: fully met).

For the LTI share rights granted in FY20, the cumulative three-year basic EPS target was a minimum 30.89 cents and a maximum 43.56 cents. The actual cumulative three-year basic EPS achieved was 51.47 cents.

#### *2021 Annual General Meeting*

We received a 95.9% vote in support of the adoption of our Remuneration Report for the 2021 financial year.

#### **Other transactions with key management personnel**

There were no transactions during FY22 with key management personnel or their personally related entities other than compensation and transactions in relation to shares and performance rights as discussed in this report.

This is the end of the audited remuneration report.

## Directors' report (continued)

### 12. Shares under option and share rights

#### *Unissued shares*

As at the date of this report 568,341 share rights over ordinary shares were outstanding (568,341 at reporting date). Holders of share rights do not have any right to participate in any share issue of the company by virtue of the share rights. Refer to Note 26 for further information on the share rights outstanding.

#### *Shares issued on settlement of share rights*

During the year 374,235 fully paid ordinary shares in Data#3 Limited were issued at a weighted average share price of \$5.439 in settlement of vested share rights. Refer to Note 26 for further information on the share rights settled during the year.

#### *Share options*

No options were granted, lapsed, forfeited, settled or exercised during the year or up to the date of this report.

### 13. Indemnification and insurance of directors and officers

During the financial year, we paid a premium to insure the directors and members of the executive management team (officers) against any claims raised or liability incurred by them in their Data#3 role capacity. Subject to typical terms of D&O insurance policies, our directors and officers are also indemnified against any liability for costs and expenses incurred in defending civil or criminal proceedings. The amount of the premium is not disclosed in accordance with the terms of the policy.

### 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. Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.



## Directors' report (continued)

### 17. Auditor independence and non-audit services

Pitcher Partners continued as our auditor in FY22. 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:

	2022 \$	2021 \$
<b>Audit and other assurance services</b>		
Audit and review of financial statements	175,000	167,000
<b>Non-audit services</b>		
Tax compliance services	23,750	26,640
Other business advice	1,000	900
	24,750	27,540
<b>Total remuneration</b>	<b>199,750</b>	<b>194,540</b>

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 (including Independence Standards)*.

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  
18 August 2022

The Directors  
Data#3 Limited  
555 Coronation Drive  
TOOWONG QLD 4066

### Auditor's Independence Declaration


In relation to the independent audit for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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



PITCHER PARTNERS



DANIEL COLWELL  
Partner

Brisbane, Queensland  
18 August 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth

**Pitcher Partners is an association of independent firms.**

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.  
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



**bakertilly**  
NETWORK MEMBER

[pitcher.com.au](https://pitcher.com.au)

NIGEL FISCHER  
MARK NICHOLSON  
PETER CAMENZULI

JASON EVANS  
KYLIE LAMPRECHT  
NORMAN THURECHT

BRETT HEADRICK  
WARWICK FACE  
COLE WILKINSON

SIMON CHUN  
JEREMY JONES  
TOM SPLATT

JAMES FIELD  
DANIEL COLWELL  
ROBYN COOPER

FELICITY CRIMSTON  
CHERYL MASON  
KIERAN WALLIS

MURRAY GRAHAM  
ANDREW ROBIN  
KAREN LEVINE

	Page
<b>Consolidated financial statements</b>	
Consolidated statement of profit or loss	33
Consolidated statement of other comprehensive income	34
Consolidated balance sheet	35
Consolidated statement of changes in equity	36
Consolidated statement of cash flows	37
<b>Notes to the consolidated financial statements</b>	
About this report	38
<b>Group performance</b>	
1 Changes in accounting standards	38
2 Segment information	39
3 Revenue	39
4 Expenses	40
5 Income tax	41
<b>Assets and liabilities</b>	
6 Cash and cash equivalents	44
7 Trade and other receivables	45
8 Contract assets	46
9 Inventories	47
10 Other assets	47
11 Property and equipment	47
12 Intangible assets	48
13 Trade and other payables	50
14 Contract liabilities	51
15 Provisions	51
<b>Capital structure, financing and risk management</b>	
16 Earnings per share	53
17 Dividends	53
18 Contributed equity	54
19 Leases	54
20 Net debt reconciliation	56
21 Financial risk management	57
<b>Other</b>	
22 Business combinations	59
23 Related parties	60
24 Contingent liabilities	61
25 Key management personnel	62
26 Share-based payments	63
27 Remuneration of auditor	65
28 Accounting standards not yet effective	65
Directors' declaration	67
Independent audit report to the members of Data#3 Limited	68
Shareholder information	73

## Consolidated statement of profit or loss

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	3	2,192,421	1,955,247
Other revenue	3	576	941
		2,192,997	1,956,188
<b>Expenses</b>			
Change in inventory		19,206	(7,286)
Purchase of goods		(1,774,938)	(1,593,258)
Employee and contractor costs directly on-charged (cost of sales on services)		(88,789)	(74,629)
Other cost of sales on services		(129,682)	(85,328)
Internal employee and contractor costs		(152,996)	(138,346)
Telecommunications		(2,216)	(2,287)
Rent		(1,717)	(2,033)
Travel		(258)	(180)
Professional fees		(1,023)	(1,028)
Depreciation and amortisation	4	(5,288)	(5,172)
Finance costs	4	(1,376)	(1,444)
Other		(9,827)	(8,254)
		(2,148,904)	(1,919,245)
<b>Profit before income tax expense</b>		44,093	36,943
Income tax expense	5	(13,831)	(11,540)
<b>Profit for the year</b>		30,262	25,403
Profit for the year is attributable to			
Owners of Data#3 Limited		30,262	25,414
Non-controlling interests		-	(11)
		30,262	25,403
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	16	19.61	16.51
Diluted earnings per share	16	19.55	16.43

The accompanying notes form part of these financial statements.

## Consolidated statement of other comprehensive income

for the year ended 30 June 2022

	2022 \$'000	2021 \$'000
Profit for the year	30,262	25,403
Other comprehensive income, net of tax:		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	214	(859)
<b>Total comprehensive income</b>	<b>30,476</b>	<b>24,544</b>
Total comprehensive income is attributable as follows:		
Owners of Data#3 Limited	30,476	24,555
Non-controlling interests	-	(11)
	<b>30,476</b>	<b>24,544</b>

The accompanying notes form part of these financial statements.

## Consolidated balance sheet

as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	149,459	204,323
Trade and other receivables	7	527,888	415,991
Contract assets	8	5,776	3,355
Inventories	9	33,078	13,872
Other	10	3,955	4,018
<b>Total current assets</b>		<b>720,156</b>	<b>641,559</b>
<b>Non-current assets</b>			
Trade and other receivables	7	1,072	2,336
Property and equipment	11	3,388	3,375
Right-of-use assets	19	23,585	25,698
Deferred tax assets	5	5,292	5,898
Intangible assets	12	17,394	15,959
<b>Total non-current assets</b>		<b>50,731</b>	<b>53,266</b>
<b>Total assets</b>		<b>770,887</b>	<b>694,825</b>
<b>Current liabilities</b>			
Trade and other payables	13	622,698	560,865
Contract liabilities	14	49,710	39,312
Lease liabilities	19	3,002	2,761
Current tax liabilities		705	1,327
Provisions	15	7,236	6,095
<b>Total current liabilities</b>		<b>683,351</b>	<b>610,360</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	-	614
Lease liabilities	19	22,643	24,105
Provisions	15	3,196	3,441
<b>Total non-current liabilities</b>		<b>25,839</b>	<b>28,160</b>
<b>Total liabilities</b>		<b>709,190</b>	<b>638,520</b>
<b>Net assets</b>		<b>61,697</b>	<b>56,305</b>
<b>Equity</b>			
Contributed equity	18	10,313	8,278
Share-based payments reserve	26	559	1,825
Foreign currency translation reserve		(443)	(657)
Retained earnings		51,268	46,859
<b>Total equity</b>		<b>61,697</b>	<b>56,305</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

for the year ended 30 June 2022

### Attributable to owners of Data#3 Limited

	Notes	Contributed equity \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total shareholders' equity \$'000
<b>Balance at 1 July 2020</b>		8,278	606	202	43,151	52,237	473	52,710
Profit (loss) for the year		-	-	-	25,414	25,414	(11)	25,403
Other comprehensive income, net of tax		-	-	(859)	-	(859)	-	(859)
<b>Total comprehensive income</b>		-	-	(859)	25,414	24,555	(11)	24,544
<b>Transactions with owners in their capacity as owners:</b>								
Payment of dividends	17	-	-	-	(22,018)	(22,018)	-	(22,018)
Acquisition of non-controlling interest	23	-	-	-	312	312	(462)	(150)
Employee share schemes – value of employee services	26	-	617	-	-	617	-	617
Employee share schemes – movement in deferred tax	5	-	602	-	-	602	-	602
		-	1,219	-	(21,706)	(20,487)	(462)	(20,949)
<b>Balance at 30 June 2021</b>		8,278	1,825	(657)	46,859	56,305	-	56,305
Profit (loss) for the year		-	-	-	30,262	30,262	-	30,262
Other comprehensive income, net of tax		-	-	214	-	214	-	214
<b>Total comprehensive income</b>		-	-	214	30,262	30,476	-	30,476
<b>Transactions with owners in their capacity as owners:</b>								
Payment of dividends	17	-	-	-	(25,853)	(25,853)	-	(25,853)
Issue of shares under employee share scheme	26	2,035	(2,035)	-	-	-	-	-
Employee share schemes – value of employee services	26	-	830	-	-	830	-	830
Employee share schemes – movement in deferred tax	5	-	(61)	-	-	(61)	-	(61)
		2,035	(1,266)	-	(25,853)	(25,084)	-	(25,084)
<b>Balance at 30 June 2022</b>		10,313	559	(443)	51,268	61,697	-	61,697

The accompanying notes form part of these financial statements.



## Consolidated statement of cash flows

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,313,048	2,013,332
Payments to suppliers and employees (inclusive of GST)		(2,291,312)	(2,002,883)
GST paid		(29,364)	(16,972)
Interest received		245	762
Interest and other borrowing costs paid		(1,334)	(1,400)
Income tax paid (net of refunds)		(13,906)	(15,530)
Net cash inflow (outflow) from operating activities	6	(22,623)	(22,691)
<b>Cash flows from investing activities</b>			
Payments for property and equipment	11	(997)	(18)
Payments for software assets	12	(2,878)	(1,904)
Payment for purchase of minority interest	23	-	(150)
Net cash (outflow) from investing activities		(3,875)	(2,072)
<b>Cash flows from financing activities</b>			
Payment of dividends	17	(25,853)	(22,018)
Proceeds from issue of shares	26	2,035	-
Payments for shares acquired by the Data#3 Employee Share Trust	26	(2,035)	-
Lease liability payments	19	(2,727)	(3,190)
Net cash (outflow) from financing activities		(28,580)	(25,208)
<b>Net increase/(decrease) in cash and cash equivalents held</b>		(55,078)	(49,971)
Cash and cash equivalents, beginning of financial year		204,323	255,147
Effect of exchange rate changes on cash and cash equivalents		214	(853)
<b>Cash and cash equivalents, end of financial year</b>	6	149,459	204,323

The accompanying notes form part of these financial statements.

# Notes to consolidated financial statements

## About this report

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

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

### *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*

We adopted all the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board that are relevant to our operations and effective for an accounting period that begins on or after 1 July 2021. Please refer to Note 1 for further information.

### *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.

### *Goods and Services Tax*

We recognise revenues, gains, expenses and assets net of the amount of GST except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST receivable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

We present cash flows on a gross basis. The GST components arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cashflows.

## Corporate information

The financial report was authorised for issue in accordance with a resolution of the directors on 19 August 2022. Data#3 Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business follows:

Level 1  
555 Coronation Drive  
TOOWONG QLD 4066

## Note 1. Changes in accounting standards

We adopted the new accounting standard AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* on 1 July 2021. The adoption of this accounting standard had no material effect on the consolidated financial statements for FY22.

## Notes to consolidated financial statements (continued)

### Note 2. Segment information

Our business is conducted primarily in Australia. Our management team makes financial decisions and allocates resources based on the information it receives from our internal management system. We attribute sales to an operating segment based on the type of product or service provided to the customer. Revenue from customers domiciled in Australia comprised 99.6% of external sales for FY22 (FY21: 99.3%).

The sale of product and services is highly integrated into the IT solutions that each of our business units deliver to its customers. Each business unit services a similar customer base, applies similar methods to distribute those products and services to customers, and operates within a similar economic and regulatory environment. On this basis, we have determined that separate reporting of our business units does not add significantly to the understanding of them because there is significant overlap of product and services within each business unit, and there are frequent changes between the business units, resulting in the business units having characteristics that are so similar that they are expected to have the same future outcome. As a result, we have concluded that the company has only one reportable segment, which is that of value-added IT reseller and IT solutions provider. These solutions typically comprise a combination of infrastructure, software and service elements.

The company's revenue, results and assets for this reportable segment can be determined by reference to the Consolidated Statement of Profit or Loss and the Consolidated Balance Sheet.

### Note 3. Revenue

We derive revenue from contracts with customers and other revenue as follows:

Business unit	2022 \$'000	2021 \$'000
Infrastructure Solutions (a)	440,324	466,776
Software Solutions (b)	1,433,710	1,248,546
Business Aspect (c)	26,563	17,704
Project Services (d)	66,610	63,417
Support Services (e)	160,121	96,115
People Solutions (f)	62,283	57,285
Discovery Technology (g)	2,810	5,404
Total revenue from contracts with customers	2,192,421	1,955,247
<b>Other revenue</b>		
Interest	273	723
Other recoveries	303	218
	576	941
<b>Total revenue</b>	<b>2,192,997</b>	<b>1,956,188</b>

- (a) Infrastructure Solutions includes sales of hardware, device as a service and managed print services.
- (b) Software Solutions includes volume licensing and public cloud subscription services.
- (c) Business Aspect provides management and information technology consulting services.
- (d) Project Services include the design and implementation of technology solutions.
- (e) Support Services include managed services and maintenance services.
- (f) People Solutions includes the provision of contractors and permanent staff.
- (g) Discovery Technology provides wi-fi analytic services and wi-fi infrastructure. (FY21: 100% owned by Data#3 from 12 November 2020).

Management exercises judgment in determining the categorisation of revenues as there is an increasing tendency for manufacturers to bundle various elements in the products and services that we resell – for example, some infrastructure offerings include software and/or bundled vendor services, and vendor maintenance offerings can include software licenses.

## Notes to consolidated financial statements (continued)

### Note 3. Revenue (continued)

We recognise revenue for major business activities as follows:

#### Revenue from contracts with customers

##### *Sale of goods*

We recognise revenue from the sale of goods at a point in time 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 over time based on our achievement of milestones, if specified in the contract, or labour hours worked as a percentage of total estimated hours, for each contract where we have an enforceable right to payment for performance completed. 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. Services revenue recognised over time comprises less than 10% of our total revenue.

#### Other revenue

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

### Note 4. Expenses

	2022 \$'000	2021 \$'000
Depreciation and amortisation of property and equipment (Note 11)	977	1,116
Depreciation of right-of-use assets (Note 19)	3,743	3,764
Amortisation of intangibles (Note 12)		
Amortisation of software	568	292
Amortisation of software - recorded in cost of sales	875	875
	1,443	1,167
	6,163	6,047
Finance costs		
Interest on lease liabilities (Note 19)	1,254	1,236
Other interest and finance charges paid/payable	80	164
Unwinding of discount on provisions and other payables	42	44
	1,376	1,444
Employee benefits expense	140,359	127,580
Termination benefits expense	147	570
Defined contribution superannuation expense (a)	15,467	13,568
Other charges against assets		
Impairment of trade receivables (Note 7(b))	66	141

#### (a) Post-employment benefits

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

## Notes to consolidated financial statements (continued)

### Note 5. Income tax

	2022 \$'000	2021 \$'000
The major components of income tax expense are		
Current income tax expense	12,687	11,683
Deferred income tax relating to the origination and reversal of temporary differences	579	(495)
Adjustments for current tax of prior years	565	352
<b>Income tax expense</b>	<b>13,831</b>	<b>11,540</b>
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	44,093	36,943
Income tax calculated at the Australian tax rate: 30% (FY21: 30%)	13,228	11,083
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible items	131	122
	13,359	11,205
Difference in overseas tax rates	(93)	(17)
Under/(over) provision in prior year	565	352
<b>Income tax expense</b>	<b>13,831</b>	<b>11,540</b>
	%	%
Effective tax rate (income tax expense as a percentage of profit before tax)	31.4	31.2
We paid income taxes (net of refunds in relation to the prior year, if any) of \$13,906,000 during FY22 (FY21: \$15,530,000).		
Deferred income tax assets and liabilities are attributable to the following temporary differences:		
	\$'000	\$'000
Lease liabilities	7,693	8,060
Accrued liabilities	2,936	2,761
Provisions	3,164	2,970
Depreciation	180	249
Share-based payments	547	969
Other	41	194
<b>Total deferred tax assets</b>	<b>14,561</b>	<b>15,203</b>

## Notes to consolidated financial statements (continued)

### Note 5. Income tax (continued)

	2022 \$'000	2021 \$'000
Right-of-use assets	(7,076)	(7,709)
Intangible assets	(282)	(199)
Contract assets	(1,747)	(1,098)
Other	(164)	(299)
<b>Total deferred tax liabilities</b>	<b>(9,269)</b>	<b>(9,305)</b>
<b>Net deferred tax assets</b>	<b>5,292</b>	<b>5,898</b>

Movements in deferred tax assets are as follows:

	Lease liabilities \$'000	Accrued liabilities \$'000	Provisions \$'000	Depreciation \$'000	Share- based payments \$'000	Other \$'000	Total \$'000
<b>Balance at 30 June 2020</b>	5,475	2,275	2,951	964	-	331	11,996
(Charged)/credited							
- to profit or loss	2,585	486	19	(698)	185	(136)	2,441
- to current tax liability	-	-	-	(17)	182	(1)	164
- to equity	-	-	-	-	602	-	602
<b>Balance at 30 June 2021</b>	8,060	2,761	2,970	249	969	194	15,203
(Charged)/credited							
- to profit or loss	(367)	175	194	(127)	(361)	(28)	(514)
- to current tax liability	-	-	-	58	-	(125)	(67)
- to equity	-	-	-	-	(61)	-	(61)
<b>Balance at 30 June 2022</b>	7,693	2,936	3,164	180	547	41	14,561

Movements in deferred tax liabilities are as follows:

	Right-of-use assets \$'000	Intangible assets \$'000	Contract assets \$'000	Other \$'000	Total \$'000
<b>Balance at 30 June 2020</b>	(5,260)	(253)	(1,475)	(376)	(7,364)
(Charged)/credited					
- to profit or loss	(2,450)	54	377	73	(1,946)
- to current tax liability	1	-	-	4	5
<b>Balance at 30 June 2021</b>	(7,709)	(199)	(1,098)	(299)	(9,305)
(Charged)/credited					
- to profit or loss	633	(83)	(738)	123	(65)
- to current tax liability	-	-	89	12	101
<b>Balance at 30 June 2022</b>	(7,076)	(282)	(1,747)	(164)	(9,269)

## Notes to consolidated financial statements (continued)

### Note 5. Income tax (continued)

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.

#### *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 instalments. 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 (FY21: nil).



## Notes to consolidated financial statements (continued)

### Note 6. Cash and cash equivalents

	2022 \$'000	2021 \$'000
Cash at bank and on hand	49,445	30,309
Deposits at call	100,014	174,014
	149,459	204,323

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.

### Reconciliation of net profit to net cash flow from operations

	Notes	2022 \$'000	2021 \$'000
Profit for the year		30,262	25,403
Loss on disposal of property, equipment and software		7	22
Depreciation and amortisation	4	6,163	6,047
Unwinding of discount on provisions	4	42	44
Bad and doubtful debts	4	66	141
Excess and obsolete inventory		355	110
Non-cash employee benefits expense – share-based payments	26	830	617
Other		(125)	(96)
Change in operating assets and liabilities			
Decrease/(increase) in receivables and contract assets		(113,101)	(157,035)
Decrease/(increase) in inventories		(19,561)	7,176
Decrease in other operating assets		63	444
Decrease/(increase) in net deferred tax assets <sup>(1)</sup>		545	(664)
Increase in payables		61,219	95,156
Increase in contract liabilities		10,398	2,857
(Decrease) in other operating liabilities		-	(500)
(Decrease) in current tax liabilities		(622)	(3,325)
Increase in provision for employee benefits		836	912
Net cash inflow (outflow) from operating activities		(22,623)	(22,691)

<sup>(1)</sup> The movement in deferred tax assets is net of the tax effect of \$61,000 related to the share-based payments equity reserve (FY21: \$602,000).

#### Non-cash transactions

During FY23 we entered into new premises leases resulting in the recognition of additional lease assets of \$1,630,000 and corresponding lease liabilities and lease remediation provision of \$1,612,000 and \$18,000, respectively. These transactions are excluded from the statement of cash flows.

## Notes to consolidated financial statements (continued)

### Note 7. Trade and other receivables

	2022 \$'000	2021 \$'000
<b>Current</b>		
Trade receivables (a)	511,420	397,848
Allowance for impairment (b)	(111)	(288)
	511,309	397,560
Other receivables (c)	16,580	18,431
	527,889	415,991
<b>Non-current</b>		
Trade receivables on deferred payment terms (d)	1,072	2,336

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. We establish an allowance for impairment of loans and receivables using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, we group trade receivables based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit losses experienced over the previous ten years. We adjust historical loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### (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.

#### (b) Allowance for impairment

We recognised an impairment loss of \$66,000 in the current year (FY21: \$141,000). Impairment amounts are included in profit or loss within other expenses. Movements in the provision for impairment loss were as follows:

	\$'000
<b>Carrying amount at 1 July 2020</b>	712
Impairment loss recognised during the year	141
Receivables written off during the year	(557)
Unused provision reversed during the year	(8)
<b>Carrying amount at 30 June 2021</b>	288
Impairment loss recognised during the year	66
Receivables written off during the year	(224)
Unused provision reversed during the year	(19)
<b>Carrying amount at 30 June 2022</b>	111

## Notes to consolidated financial statements (continued)

### Note 7. Trade and other receivables (continued)

Our ageing of trade receivables, receivables past due not impaired, and the expected loss percentage applied to each ageing category at 30 June 2022, is as follows:

	2022				2021			
	Expected loss	Trade receivables	Credit loss allowance	Past due but not impaired	Expected loss	Trade receivables	Credit loss allowance	Past due but not impaired
	%	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000
Current	-	492,317	-	-	-	371,139	-	-
31-60 days	-	9,482	-	9,482	-	15,464	-	15,464
61-90 days	0.5%	1,926	11	1,915	1.5%	5,719	86	5,633
91-120 days	1.0%	3,833	40	3,793	2.5%	3,204	80	3,124
+120 days	1.5%	3,862	60	3,802	5.3%	2,322	122	2,200
		511,420	111	18,992		397,848	288	26,421

For trade receivables that are past due, each customer's account has been placed on hold where deemed necessary until full payment is made.

#### (c) 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.

#### (d) 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 8. Contract assets

	2022 \$'000	2021 \$'000
Contract assets	5,776	3,355

Contract assets arise from revenue contracts when billing under the contract occurs subsequent to the delivery of the goods or services, and an enforceable right to collect the amount from the customer exists. We establish an allowance for impairment of contract assets using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates that apply to each ageing category are set out in Note 7(b). None of the contract assets were past due at 30 June 2022.

## Notes to consolidated financial statements (continued)

### Note 9. Inventories

	2022 \$'000	2021 \$'000
Goods held for sale – at cost	33,078	13,872

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 FY22 amounted to \$413,558,000 (FY21: \$402,693,000).

### Note 10. Other assets

	2022 \$'000	2021 \$'000
Prepayments	3,866	3,929
Security deposits	89	89
	3,955	4,018

### Note 11. Property and equipment

	2022 \$'000	2021 \$'000
Leasehold improvements – at cost	4,047	4,036
Accumulated amortisation	(2,807)	(2,608)
	1,240	1,428
Equipment – at cost	6,719	5,788
Accumulated depreciation	(4,571)	(3,841)
	2,148	1,947
	3,388	3,375

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 15 years. We calculate amortisation on leasehold improvements using the straight-line method over their estimated useful lives of two to 15 years or the lease term, whichever is shorter. If an asset is impaired, we immediately write down its carrying amount to its recoverable amount.

## Notes to consolidated financial statements (continued)

### Note 11. Property and equipment (continued)

	Leasehold improvements \$'000	Equipment \$'000	Total \$'000
<b>Carrying amount at 30 June 2020</b>	3,080	1,415	4,495
Additions	420	1,278	1,698
Transfer of reimbursed capital works costs to other receivables	(1,680)	-	(1,680)
Depreciation and amortisation (Note 4)	(381)	(735)	(1,116)
Disposals	(11)	(11)	(22)
<b>Carrying amount at 30 June 2021</b>	1,428	1,947	3,375
Additions	11	986	997
Depreciation and amortisation (Note 4)	(199)	(778)	(977)
Disposals	-	(7)	(7)
<b>Carrying amount at 30 June 2022</b>	1,240	2,148	3,388

### Note 12. Intangible assets

	2022 \$'000	2021 \$'000
Goodwill – at cost	11,843	11,843
Accumulated impairment	(1,787)	(1,787)
	10,056	10,056
Software assets – at cost	7,740	4,862
Accumulated amortisation and impairment	(2,034)	(1,466)
	5,706	3,396
Internally generated software assets – at cost	8,471	8,471
Accumulated amortisation and impairment	(6,839)	(5,964)
	1,632	2,507
Customer relationships	1,500	1,500
Accumulated amortisation and impairment	(1,500)	(1,500)
	-	-
	17,394	15,959

## Notes to consolidated financial statements (continued)

### Note 12. Intangible assets (continued)

	Goodwill	Software assets	Internally generated software	Total
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at 1 July 2020</b>	10,056	2,162	3,004	15,222
Additions	-	1,526	378	1,904
Amortisation (Note 4)	-	(292)	(875)	(1,167)
<b>Carrying amount at 30 June 2021</b>	10,056	3,396	2,507	15,959
Additions	-	2,878	-	2,878
Amortisation (Note 4)	-	(568)	(875)	(1,443)
<b>Carrying amount at 30 June 2022</b>	10,056	5,706	1,632	17,394

#### 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 and we have control over the use of the software. 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 business unit, unless that unit did not exist at the time of the business acquisition which generated the goodwill. Goodwill summarised by business unit is shown below:

## Notes to consolidated financial statements (continued)

### Note 12. Intangible assets (continued)

Cash generating unit (CGU)	Carrying amount at 1 July 2020 \$'000	Impairment recognised during FY21 \$'000	Carrying amount at 30 June 2021 \$'000	Impairment recognised during FY22 \$'000	Carrying amount at 30 June 2022 \$'000
Infrastructure Solutions	847	-	847	-	847
Software Solutions	2,013	-	2,013	-	2,013
Business Aspect	1,532	-	1,532	-	1,532
Project Services	1,211	-	1,211	-	1,211
Support Services	2,396	-	2,396	-	2,396
People Solutions	1,180	-	1,180	-	1,180
Discovery Technology	877	-	877	-	877
	10,056	-	10,056	-	10,056

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 cash generating unit based on a value-in-use calculation using cash flow projections on the basis of financial projections approved by senior management for FY23. For all cash generating units except Discovery Technology, we applied a 12% before-tax discount rate to cash flow projections (FY21: 11%) and extrapolated cash flows for the four years beyond the FY23 financial year using an average growth rate of 3.5% (FY21: 3.5%) and a terminal value growth rate thereafter of 3.0% (FY21: 3.0%). No impairment was identified on these cash generating units at 30 June 2022 (FY21: nil).

For the separate Discovery Technology cash generating unit, we determined the recoverable amount based on a value-in-use calculation using cash flow projections on the basis of financial projections approved by senior management for FY23. We applied a 14% before-tax discount rate to cash flow projections (FY21: 13%) and extrapolated cash flows for the four years beyond the FY23 financial year using an average growth rate of 7.5% (FY21: 7.5%) and a terminal value growth rate thereafter of 3.0% (FY21: 3.0%). No impairment was identified at 30 June 2022 (FY21: nil).

#### 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, adjusted for greater risk for the Discovery Technology cash generating unit, at the date of impairment test. We have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of goodwill to exceed its recoverable amount.

### Note 13. Trade and other payables

	2022 \$'000	2021 \$'000
<b>Current</b>		
Trade payables – unsecured	591,727	526,162
Other payables – unsecured (a)	30,971	34,703
	622,698	560,865
<b>Non-current</b>		
Trade payables on deferred payment terms	-	614

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



## Notes to consolidated financial statements (continued)

### Note 13. Trade and other payables (continued)

#### (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 cash 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 14. Contract liabilities

	2022 \$'000	2021 \$'000
Contract liabilities	49,710	39,312

Contract liabilities arise from revenue contracts when customers pay us amounts due under the contracts before the goods or services identified in the contracts are delivered. The significant increase in the account during FY22 arose from unexpectedly large advance payments received from customers in June 2022. The contract liabilities relate almost solely to contracts where the revenue is recognised at a point in time. Revenue in relation to contract liabilities is normally recognised within one to two years. We recognised revenue of \$31,983,000 that was included in the contract liability balance at 1 July 2021 in relation to customer contracts for the provision of IT products and services (FY21: \$36,059,000).

### Note 15. Provisions

	Current \$'000	2022 Non- current \$'000	Total \$'000	Current \$'000	2021 Non- current \$'000	Total \$'000
Employee benefits (long service leave)	7,010	2,424	9,434	6,095	2,503	8,598
Lease remediation	226	772	998	-	938	938
	7,236	3,196	10,432	6,095	3,441	9,536



## Notes to consolidated financial statements (continued)

### Note 15. Provisions (continued)

Movements in provisions other than employee benefits are as follows:

	Lease remediation \$'000
<b>Balance at 1 July 2020</b>	1,356
Arising during the year	126
Increase to present value	44
Used during the year	(500)
Unused and reversed during the year	(88)
<b>Balance at 30 June 2021</b>	938
Provision on new lease	18
Increase to present value	42
<b>Balance at 30 June 2022</b>	998

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.

#### *Lease remediation*

We are required to restore the premises we lease to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remediate the premises in accordance with the lease agreements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

#### *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.

## Notes to consolidated financial statements (continued)

### Note 16. Earnings per share

	2022	2021
Basic earnings per share (cents)	19.61	16.51
Diluted earnings per share (cents)	19.55	16.43
Earnings used in the calculation of basic and diluted earnings per share (\$000)	30,262	25,414
Weighted average number of ordinary shares for basic earnings per share (number)	154,284,591	153,974,950
Adjustment for dilutive elements (share rights)	547,193	690,322
Weighted average number of ordinary shares for diluted earnings per share (number)	154,831,784	154,665,272

During FY22 374,235 shares were issued under the Data#3 Long Term Incentive Plan. Please refer to Note 26 for further detail.

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.

### Note 17. Dividends

	2022 \$'000	2021 \$'000
<b>Dividends paid on ordinary shares during the year</b>		
Final fully franked dividend for FY21: 9.5c per share (FY20: 8.8c)	14,663	13,550
Interim fully franked dividend for FY22: 7.25c per share (FY21: 5.5c)	11,190	8,468
	25,853	22,018
<b>Dividends declared (not recognised as a liability at year end)</b>		
Final fully franked dividend for FY22: 10.65c (FY21: 9.5c)	16,438	14,628
The tax rate at which dividends paid have been franked is 30% (FY21: 30%). Dividends declared will be franked at the rate of 30% (FY21: 30%).		
<b>Franking credit balance</b>		
Franking credits available for subsequent financial years based on a tax rate of 30% (FY21: 30%)	31,165	28,860

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 declared 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 \$7,045,000 (FY21: \$6,269,000).

## Notes to consolidated financial statements (continued)

### Note 18. Contributed equity

(a) Movements in ordinary share capital	Number of shares
Ordinary shares on issue at 1 July 2020	153,974,950
Ordinary shares on issue at 30 June 2021	153,974,950
Ordinary shares issued during the year (Note 26)	374,235
Ordinary shares on issue at 30 June 2022	154,349,185

#### (b) Ordinary shares

All ordinary shares issued as at 30 June 2022 and 2021 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. Every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote per share. 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 2022 (2021: nil).

#### (d) Share rights

Please refer to Note 26.

#### (e) Capital management

When managing capital (equity), the board's objectives are 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 FY22 the board paid dividends of \$25,853,000 (FY21: \$22,018,000). The board's intent is to maintain the historical dividend payout ratio; however, market conditions and funding requirements are taken into consideration prior to the declaration of each dividend.

We are not subject to any externally imposed capital requirements.

### Note 19. Leases

#### Right-of-use assets

	2022 \$'000	2021 \$'000
Right-of-use assets – premises leases	31,971	30,605
Accumulated amortisation	(8,386)	(4,907)
	23,585	25,698
Right-of-use assets – equipment leases	-	18
Accumulated depreciation	-	(18)
	-	-
	23,585	25,698

## Notes to consolidated financial statements (continued)

### Note 19. Leases (continued)

The movement in right-of-use assets follows:

	Right-of-use assets (premises) \$'000	Right-of-use assets (equipment) \$'000	Total right- of-use assets \$'000
<b>Carrying amount at 1 July 2020</b>	17,530	3	17,533
Additions	11,929	-	11,929
Depreciation (Note 4)	(3,761)	(3)	(3,764)
<b>Carrying amount at 30 June 2021</b>	25,698	-	25,698
Additions	1,630	-	1,630
Depreciation (Note 4)	(3,743)	-	(3,743)
<b>Carrying amount at 30 June 2022</b>	23,585	-	23,585

#### Lease liabilities

	2022 \$'000	2021 \$'000
Current lease liabilities	3,002	2,761
Non-current lease liabilities	22,643	24,105
<b>Total lease liabilities</b>	<b>25,645</b>	<b>26,866</b>
Total payments for leases during the year comprise the following:		
Principal payments	2,727	3,190
Interest expense	1,194	1,236
Payments made in relation to lease liabilities	3,921	4,426
Payments made for low-value leases	418	460

The future payments of lease liabilities, including interest, are set out in Note 21(c).

We lease various offices, warehouses and office equipment under rental contracts that normally range from three to eight years, with many contracts containing extension options, normally for two to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Under the relevant lease agreements (mainly premises) the rentals are subject to periodic review to market and/or for CPI increases. Generally the premises lease agreements require us to maintain a bank guarantee (please refer to Note 21(c)) as security for the lease agreement. All our significant premises leases allow assignment of the lease or sublease of the premises with the approval of the landlord. All leases are under normal commercial lease terms and conditions.

## Notes to consolidated financial statements (continued)

### Note 19. Leases (continued)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis unless the lease transfers ownership of the underlying asset to us by the end of the lease term or the cost of the right-of-use asset reflects that we will exercise a purchase option; in these instances we depreciate the right-of-use asset over the useful life of the asset.

We initially measure assets and liabilities arising from a lease on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, unless those lease incentives relate to fitout payments that are immediately the property of the lessor
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Where we expect to exercise options to extend the terms of leases, lease payments in the extended term are included in the calculation of the lease liability. Term extensions are normally done at market value; at the commencement of each lease we estimate the lease payments for the extension period based on the annual increases set out in the initial period of the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

We did not receive any rent concessions in connection with COVID-19 during FY22 (FY21: nil).

### Note 20. Net debt reconciliation

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

<b>Net debt</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	149,459	204,323
Leases	(25,645)	(26,866)
<b>Net debt</b>	<b>123,814</b>	<b>177,457</b>

<b>Movement in net debt</b>	<b>Cash</b>	<b>Leases</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Net debt at 1 July 2020</b>	255,147	(18,253)	236,894
Cash flows	(50,824)	3,190	(47,634)
Acquisition – leases	-	(11,803)	(11,803)
<b>Net debt at 30 June 2021</b>	<b>204,323</b>	<b>(26,866)</b>	<b>177,457</b>
Cash flows	(54,864)	2,727	(52,137)
Acquisition – leases	-	(1,612)	(1,612)
Other	-	106	106
<b>Net debt at 30 June 2022</b>	<b>149,459</b>	<b>(25,645)</b>	<b>123,814</b>

## Notes to consolidated financial statements (continued)

### Note 21. 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 except cash and cash equivalents 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. We make sales via our Fiji branch to customers who require the currency of settlement to be in Fiji dollars.

At 30 June 2022 if the foreign exchange rates had changed, as illustrated in the table below, with all other variables remaining constant, other comprehensive income and equity would have been affected as follows:

	Other comprehensive income		Equity	
	Higher/(lower)		Higher/(lower)	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
-4.0% (FY21: -3.5%)	(555)	(533)	(555)	(533)
+3.0% (FY21: +3.5%)	446	262	446	262

The rate changes above are based on economic forecasts of major banks for FY23 together with the variation in rates experienced during the current year. Profit or loss would not be affected by a movement in the exchange rates as calculated in the table above because the foreign exchange gain or loss is unrealised and is recorded in other comprehensive income until such time as the gain or loss is realised.

##### (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 surplus cash position fluctuates regularly, and ongoing liquidity needs mean most of our funds are maintained in at-call accounts. Our borrowings are not material and our lease liabilities are fixed rate instruments which do not expose us to fair value interest rate risk. At balance date we maintained the following variable rate accounts:

	30 June 2022		30 June 2021	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$'000	%	\$'000
Cash at bank and on hand	0.0%	49,445	0.0%	30,309
Deposits at call	0.1%	100,014	0.5%	174,014
Cash and cash equivalents	0.1%	149,459	0.4%	204,323

## Notes to consolidated financial statements (continued)

### Note 21. Financial risk management (continued)

At balance date, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

	After-tax profit		Equity	
	Higher/(lower)		Higher/(lower)	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
+0.75% (75 basis points) (FY21: -0.10%)	712	(135)	712	(135)
+1.50% (150 basis points) (FY21: +0.25%)	1,424	338	1,424	338

The rate changes above are based on economic forecasts of major Australian banks for FY23.

#### (b) Credit risk

Credit risk arises from the financial assets of our group, which comprise cash and cash equivalents, contract assets, 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 two large financial institutions with high credit ratings.
- During the FY22 year, sales to one government customer comprised 6.7% of revenue (FY21: 9.4%).
- At 30 June 2022, one debtor comprised 13% of total debtors (FY21: 13%), and the ten largest debtors comprised approximately 51% of total debtors (FY21: 51%), of which 100% were accounts receivable from government customers (FY21: 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 FY22 bad debt write-offs as a percent of the trade receivables carrying amount was 0.04% (FY21: 0.1%).

#### (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 \$9,647,000 (FY21: \$3,378,000) 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:

	2022	2021
	\$'000	\$'000
Multi-option bank facility	15,353	8,622

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 FY22 was 4.0% (FY21: 3.9%).



## Notes to consolidated financial statements (continued)

### Note 21. Financial risk management (continued)

#### *Maturity of financial liabilities*

The table below categorises our financial liabilities into relevant maturity groups based on their contractual maturities, calculated as their undiscounted cash flows. All the financial liabilities are non-derivative and measured at amortised cost.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2022</b>						
Trade and other payables	613,310	-	-	-	613,310	613,279
Lease liabilities	4,152	4,144	11,776	10,723	30,795	25,645
	617,462	4,144	11,776	10,723	644,105	638,924
<b>At 30 June 2021</b>						
Trade and other payables	552,427	680	-	-	553,107	552,968
Lease liabilities	3,998	3,816	11,465	13,849	33,128	26,866
	556,425	4,496	11,465	13,849	586,235	579,834

#### **(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 receivables approximates fair value because the interest rate applicable to the receivables approximates current market rates.

### Note 22. 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 12). 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.



## Notes to consolidated financial statements (continued)

### Note 23. 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)	
		2022 %	2021 %
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	n/a <sup>(1)</sup>	100.0
CTG Consulting Pty Ltd	Australia	n/a <sup>(1)</sup>	100.0
People Aspect Pty Ltd	Australia	n/a <sup>(1)</sup>	100.0
Discovery Technology Pty Ltd	Australia	100.0	100.0

<sup>(1)</sup> During FY22 the company was wound up. The company, formerly part of the Business Aspect group, had not traded for at least two years, as all Business Aspect trading occurs in Business Aspect Group Pty Ltd.

#### 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.

#### Additional investment in FY21

On 12 November 2020 Data#3 Limited (Data#3) paid \$150,000 to acquire the remaining 22.6% of the issued capital of Discovery Technology Pty Ltd ("Discovery Technology"), a company specialising in wi-fi analytics, bringing Data#3's total shareholding to 100%.

A reconciliation of the non-controlling interest follows:

	\$'000
Non-controlling interest at 30 June 2020	473
Non-controlling interest's share of net loss for the period 1 July 2020 to 11 November 2020	(11)
Consideration paid to non-controlling interest for acquisition of 22.6% interest	(150)
Remaining non-controlling interest transferred to owners of Data#3 Limited	(312)
Non-controlling interest at 30 June 2021	-

## Notes to consolidated financial statements (continued)

### Note 23. Related parties (continued)

#### Parent entity

Summarised financial information for the parent entity is as follows:

	2022 \$'000	2021 \$'000
<b>As at 30 June</b>		
Current assets	713,822	635,481
Total assets	767,407	690,648
Current liabilities	682,057	606,737
Total liabilities	707,699	634,612
Shareholders' equity		
Contributed equity	10,313	8,278
Share-based payments reserve	559	1,825
Foreign currency translation reserve	(443)	(657)
Retained earnings	49,279	46,590
Total equity	59,708	56,036
<b>For the year ended 30 June</b>		
Net profit for the year	28,542	24,173
Other comprehensive income, net of tax:		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	214	(859)
Total comprehensive income	28,756	23,314

### Note 24. Contingent liabilities

At 30 June 2022 we had provided bank guarantees totalling \$2,880,000 (FY21: \$2,869,000) to lessors as security for premises we lease and \$6,712,000 (FY21: \$469,000) 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.

## Notes to consolidated financial statements (continued)

### Note 25. Key management personnel

Key management personnel compensation is set out below.

	2022 \$	2021 \$
Short-term employee benefits	3,053,836	2,946,380
Long-term employee benefits (share-based compensation)	681,552	616,887
Post-employment benefits	136,364	122,474
	3,871,752	3,685,741

For additional information refer to the remuneration table on page 24.

#### Short-term employee benefits

Remuneration in FY22 reflected overachievement of short-term profit targets in relation to the short-term incentive plan (STI) (FY21: overachievement).

#### Long-term employee benefits

The long-term targets for the FY20, FY21 and FY22 LTI offers were fully met in FY22 (FY21: fully met).

#### **Transactions with key management personnel**

There were no transactions during FY22 or FY21 with key management personnel or their personally related entities other than compensation and transactions in relation to shares and performance rights as discussed in this report (refer to Note 26).

The following table shows the rights granted and outstanding at the beginning and end of the reporting period in relation to key management personnel:

	Fair value per right granted \$	Share rights Number
<b>Balance 1 July 2020</b>		624,234
Share rights granted	5.01	104,880
<b>Balance 30 June 2021</b>		729,114
Share rights granted	5.30	129,807
Share rights settled	1.32	(374,235)
<b>Balance 30 June 2022</b>		484,686

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

	Ordinary shares Number
<b>Balance 1 July 2020</b>	4,433,266
Other changes*	145,400
<b>Balance 30 June 2021</b>	4,578,666
Received upon exercise of rights	374,235
Other changes*	27,500
<b>Balance 30 June 2022</b>	4,980,401

\* Other changes refer to the individual's on-market trading plus the individual's shareholding at the date the person commenced or ceased to be a key management person, as applicable.

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

## Notes to consolidated financial statements (continued)

### Note 26. Share-based payments

The Data#3 Long Term Incentive Plan (LTIP) was approved by shareholders at the 2018 annual general meeting. The LTIP has been designed to align the interests of eligible employees with the interests of shareholders of the company by enabling directors and employees to have involvement with, and share in the future and growth of, the company and to assist the company to attract, reward and retain high quality staff. Under the LTIP participants are granted rights or options which only vest if certain performance conditions are met. The exercise price, vesting conditions and vesting period are set by the board in its discretion. Participation in the LTIP is at the board's discretion, and no individual has a contractual right to participate in the LTIP or to receive any guaranteed benefits. Rights or options are granted under the LTIP for no consideration and carry no dividend or voting rights. Vested rights are exercisable for 60 days.

The number of rights to be granted is determined based on the currency value of the board-approved LTI divided by the volume weighted average share price for the five trading days following the release of the preceding year's audited financial statements.

The following table shows the rights granted and outstanding at the beginning and end of the reporting period:

	Fair value per right granted	Share rights
	\$	Number
<b>Balance at 30 June 2019</b>		374,235
Granted on 21 October 2019	3.38	184,425
Granted on 13 November 2019	3.17	65,574
<b>Balance at 30 June 2020</b>		624,234
Granted on 12 November 2020	5.01	104,880
<b>Balance at 30 June 2021</b>		729,114
Settled on 1 September 2021		(374,235)
Granted on 30 November 2021	5.30	219,897
Cancelled on 4 May 2022	5.30	(6,435)
<b>Balance at 30 June 2022</b>		568,341

At 30 June 2022 249,999 of the performance rights vested (FY21: 374,235). During FY22 6,435 rights were forfeited (FY21: nil lapsed or forfeited). The 374,235 rights granted in FY19 were settled during the year (FY21: nil). No options were granted, lapsed, forfeited, settled or exercised during the year (FY21: nil).

#### Settlement of FY19 rights

On 1 September 2021 ordinary shares were issued to the Data#3 Employee Share Trust ("the share trust"), which in turn provided the shares to executives whose rights vested under the Data#3 Long Term Incentive Plan. Data#3 Limited provided the funds to the share trust to enable the acquisition of shares. The rights were granted on 31 December 2018 and fully vested on 30 June 2021. Other details of the share issuance are set out below.

Number of rights converted to shares	374,325
Share price of shares issued	\$5.439

The share-based payment equity reserve decreased by \$2.1 million (including deferred tax component) in relation to this issuance of shares.

## Notes to consolidated financial statements (continued)

### Note 26. Share-based payments (continued)

#### *Fair value of performance rights granted*

The assessed fair value at grant date of performance rights granted was calculated using the Black Scholes Model that takes into account the following inputs:

	Date of rights grant			
	FY20		FY21	FY22
	21 October 2019	13 November 2019	12 November 2020	30 November 2021
Exercise price per share	Nil	Nil	Nil	Nil
Expiry date	30 June 2022	30 June 2022	30 June 2023	30 June 2024
Share price at grant date	\$3.65	\$3.43	\$5.33	\$5.68
Expected volatility of the company's shares	30.6%	30.6%	44.2%	47.9%
Expected dividend yield	3.01%	3.01%	2.32%	2.65%
Risk-free interest rate	0.8%	0.8%	0.25%	0.10%

The expected price volatility is based on the historic volatility (based on the three financial years ended just prior to the relevant grant), adjusted for any expected changes to future volatility due to publicly available information.

Employee benefits expense of \$830,000 in relation to the performance rights was recognised in the FY22 profit and loss and a deferred tax asset of \$61,000 was recognised on the balance sheet, with a corresponding increase in the share-based payments reserve in equity of \$769,000 (FY21: employee benefits expense \$617,000, deferred tax asset of \$602,000 and corresponding increase in reserve of \$1,219,000).

#### *Accounting policy*

We provide equity-settled share-based payments to employees through the Long-term Incentive Plan (LTIP).

The fair value of the incentives and options granted is determined at grant date and is recognised as an employee benefit expense with a corresponding increase in equity on a straight-line basis over the period during which the employees become unconditionally entitled to the incentives or options. We determine the fair value using an appropriate option pricing model which takes into account factors such as exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At each balance sheet date, we revise the estimated number of rights/options that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate. Where the share-based payments give rise to the issue of new share capital, the proceeds we receive are credited to share capital (nominal value) and share premium when the share entitlements are exercised. Where the share-based payments give rise to the re-issue of shares from treasury shares, the proceeds of issue are credited to share premium.

The group does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives.

## Notes to consolidated financial statements (continued)

### Note 27. Remuneration of auditor

The following fees were paid or payable to the auditor for audit and non-audit services:

	2022 \$	2021 \$
<b>Audit and other assurance services</b>		
Audit and review of financial statements	175,000	167,000
<b>Non-audit services</b>		
Tax compliance services	23,750	26,640
Other business advice	1,000	900
	24,750	27,540
<b>Total remuneration</b>	<b>199,750</b>	<b>194,540</b>

We employ Pitcher Partners on assignments additional to its statutory duties where the firm's expertise and experience with our group are important.

### Note 28. 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 2022, are as follows:

Standard/Interpretation	Application date of Standard <sup>(1)</sup>	Application date for the group <sup>(1)</sup>
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2023	1 July 2023
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022	1 July 2022
IASB Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2022	1 July 2022
IASB Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2022	1 July 2022
IASB Annual Improvements to IFRS 9 <i>Financial Instruments</i> and the Illustrative Examples accompanying IFRS 16 <i>Leases</i>	1 January 2022	1 July 2022
AASB 2021-2 <i>Amendments to Australia Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023	1 July 2023
AASB 2021-5 <i>Amendments to Australia Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023	1 July 2023

<sup>(1)</sup> 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 2020-1** – the standard amends AASB 101 *Presentation of Financial Statements* to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. When this Standard is first adopted for the year ending 30 June 2023, we do not expect there will be any changes to the classification of liabilities within our financial report, as we do not have any material borrowings.

## Notes to consolidated financial statements (continued)

### Note 28. Accounting standards not yet effective (continued)

**AASB 2020-3** – the standard amends existing accounting standards, in particular these accounting standard amendments which are relevant to our group:

- AASB 3 – to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- AASB 9 – to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- AASB 137 – to specify the costs that an entity includes when assessing whether a contract will be loss-making.

When this Standard is first adopted for the year ending 30 June 2023, there will be no material impact on the financial statements.

**IASB Amendments to IFRS 3 *Business Combinations*** – the amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. When this Standard is first adopted for the year ending 30 June 2023, there will be no material impact on the financial statements.

**IASB Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** – the amendments specify which costs a company includes when assessing whether a contract will be loss making. IAS 37 defines an onerous contract as one in which the unavoidable costs of meeting the entity's obligations exceed the economic benefits to be received under that contract. Unavoidable costs are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. When this Standard is first adopted for the year ending 30 June 2023, there will be no material impact on the financial statements.

**IASB Annual Improvements to IFRS 9 *Financial Instruments* and the Illustrative Examples accompanying IFRS 16 *Leases*** – the amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. The amendment to Illustrative Example 13 that accompanies IFRS 16 removes the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives. When these Amendments are first adopted for the year ending 30 June 2023, there will be no material impact on the financial statements.

**AASB 2021-2** – the amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. When this Standard is first adopted for the year ending 30 June 2023, we expect there will be no material impact on the financial statements, although accounting policies for immaterial transactions may be removed.

**AASB 2021-5** – the amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. When this Standard is first adopted for the year ending 30 June 2023, we expect there will be no material impact on the financial statements as the primary impact will be to leases, but reclassifications will be made in the disclosure of deferred tax assets and liabilities in the notes to the financial statements.

## Directors' declaration

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 33 to 66 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 2022 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  
18 August 2022



**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 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

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 2022 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 (including Independence Standards) "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 Group, 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.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.  
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

For personal use only

Key Audit Matter	How our audit addressed the key audit matter
<b>Impairment of goodwill and internally generated software assets</b> <i>(Refer to Note 12: Intangible Assets)</i>	
<p>The consolidated balance sheet as at 30 June 2022 includes goodwill of \$10.1m and internally generated software of \$1.6m. The goodwill relates to the consolidation of subsidiaries in previous years and the internally generated software assets relate to directly attributable costs associated with the development of software.</p> <p>The carrying amount of goodwill and internally generated software is supported by the value-in-use calculations prepared by management which are based on budgeted future cash flows and key estimates and judgements such as growth and discount rates and the terminal value.</p> <p>Goodwill and internally generated software are deemed to be key audit matters due to the use of key estimates and judgements in the value-in-use calculation.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the design and implementation of controls over the impairment assessment process;</li> <li>• Assessing management’s determination of the Group’s CGUs, including the allocation of goodwill, 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;</li> <li>• Assessing the reasonableness of management’s cashflow forecasts and growth rates by reference to historical financial performance and current economic conditions;</li> <li>• Comparing the prior year forecast to actual results to assess the accuracy of the management’s forecasting processes;</li> <li>• Reviewing management’s value-in-use calculations for accuracy and valuation;</li> <li>• Assessing the reasonableness of key estimates and judgements by agreeing to supporting documentation prepared by management and by performing sensitivity analysis for reasonably possible changes in key input such as forecast cash flows, discount rates and growth rates; and</li> <li>• Assessing the adequacy of the disclosures in the financial report.</li> </ul>

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.  
 Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

Key Audit Matter	How our audit addressed the key audit matter
<b>Revenue recognition</b> <i>(Refer to Note 3: Revenue)</i>	
<p>Given the nature of the Group's operations, the performance at the end of the financial year has a significant impact on the Group's overall year-end result.</p> <p>Due to the quantum of transactions occurring near year-end, we have focused on this area as a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the design and implementation of controls over the revenue recognition and invoicing process;</li> <li>• Testing the operating effectiveness of key controls that are relevant to the recognition of revenue;</li> <li>• Selecting a sample of transactions prior to year-end and agreeing to supporting documentation to obtain evidence that the goods have been delivered and accepted at a customer's specified location (sales recognised at a point in time), a specified project milestone had been achieved (sales recognised over time) or labour hours had been worked (sales recognised over time), in the same period to which the revenue is recognised;</li> <li>• Performing substantive tests of detail on receivables, contract assets and contract liabilities recognised at year end to obtain evidence on the existence / completeness of the assets / liabilities at year-end and the corresponding revenue being recognised in the correct period; and</li> <li>• Assessing the adequacy of the disclosures in the financial report.</li> </ul>

#### *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 2022, 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 Group 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.

**Pitcher Partners is an association of independent firms.**

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.  
 Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

3

For personal use only

### *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 skepticism 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 pages 19 to 28 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Data#3 Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Group 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



DANIEL COLWELL  
Partner

Brisbane, Queensland  
18 August 2022

## Shareholder information

The shareholder information set out below was applicable as at 16 August 2022.

### 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	919,592	0.60	2,032
1,001 to 5,000	5,251,528	3.40	1,902
5,001 to 10,000	7,024,886	4.55	899
10,001 to 50,000	25,385,235	16.45	1,102
50,001 to 100,000	12,046,557	7.80	162
100,001 and over	103,721,387	67.20	110
	154,349,185	100.00	6,207

(b) There were 173 holders of less than a marketable parcel of ordinary shares.

### 2. Twenty largest quoted equity security holders

Name	Ordinary shares	
	Number held	% of issued shares
HSBC Custody Nominees (Australia) Limited	20,249,537	13.12
J P Morgan Nominees Australia Pty Limited	17,655,709	11.44
Citicorp Nominees Pty Limited	16,333,943	10.58
National Nominees Pty Limited	11,070,594	7.17
Anacacia Pty Limited (Wattle Fund A/C)	5,514,428	3.57
BNP Paribas Nominees Pty Ltd (DRP)	2,482,141	1.61
Oakport Pty Ltd	2,130,508	1.38
Powell Clark Trading Pty Ltd (Data3 Prof Serv S/F A/C)	2,100,000	1.36
J T Populin	1,661,379	1.08
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,308,703	0.85
BNP Paribas Nominees Pty Ltd ACF Clearstream	1,077,023	0.70
Thomson Associates Pty Ltd	1,000,000	0.65
Elterry Pty Ltd	820,000	0.53
U Pty Ltd (Andelise Super Fund A/C)	753,880	0.49
Banksia Administration Services Pty Ltd (Ron Gilbert Homes S/F A/C)	637,000	0.41
R A & M I Anderson (RAAMIA Retirement Fund A/C)	600,000	0.39
Elterry Super Pty Ltd (Elterry Superannuation A/C)	580,000	0.38
L M Minz	500,000	0.32
USB Nominees Pty Ltd	494,178	0.32
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	479,420	0.31
	87,448,443	56.66

## Shareholder information (continued)

### 3. Substantial shareholders

Not applicable.

### 4. Unquoted equity securities

Not applicable.

### 5. Voting rights

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

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

Options have no voting rights.

For personal use only