

# Appendix 4D

<b>Name of entity</b>	<b>Data#3 Limited</b>
<b>ABN</b>	31 010 545 267
<b>Reporting period</b>	<b>Half year ended 31 December 2023</b>
<b>Previous corresponding period</b>	Half year ended 31 December 2022

## Results for announcement to the market

<b>Results</b>				<b>\$</b>
Revenues from ordinary activities	up	11.1%	to	450,133,000
Profit from ordinary activities after tax attributable to members	up	25.5%	to	21,421,000
Net profit for the period attributable to members	up	25.5%	to	21,421,000

### Non-IFRS financial information

Gross sales and other revenue <sup>1</sup>	up	13.4%	to	1,321,858,000
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### Reconciliation of non-IFRS information to IFRS figures

		<b>Half year to December</b>	
		<b>2023</b>	<b>2022</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
Gross Sales and other revenue <sup>1</sup>		1,321,858	1,166,090
Adjustment for sales recognised as agent		(871,725)	(760,852)
Revenue	3	450,133	405,238

1. Gross Sales is non-IFRS financial information and does not represent revenue in accordance with Australian Accounting Standards. Gross Sales represent gross proceeds from the sale of goods and services whether as agent or principal. The directors believe this non-IFRS information provides investors with additional information for the analysis of Data#3's results of operations, particularly in evaluating performance from one period to another. Data#3's management uses non-IFRS financial measures to make operating decisions, as they facilitate additional internal comparisons of Data#3's performance to historical results and to competitors' results.

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Current period</b>		
Interim dividend	12.60 cents	100%
<b>Previous corresponding period</b>		
Interim dividend	10.00 cents	100%

The record date for determining entitlements to the dividend is 14 March 2024. The dividend is payable on 28 March 2024.

## Appendix 4D (continued)

### Brief explanation of the figures reported above

Please refer to the Review of Operations in the Directors' Report which begins on page 1 of the attached Interim Financial Report for the half year ended 31 December 2023.

<b>Net tangible assets per security</b>	<b>Current period</b>	<b>Previous period</b>
Net tangible asset backing per ordinary security	\$0.37	\$0.30

# Data#3 Limited

ABN 31 010 545 267

## Interim Financial Report

Half year ended 31 December 2023

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# Directors' report

Your directors present their report on Data#3 Limited and its subsidiaries (together referred to as "Data#3", "the Group", or "we, our, or us") for the half year ended 31 December 2023.

## 1. Directors

The following persons were directors of Data#3 Limited for the entire half year and up to the date of this report:

Laurence Baynham  
Mark Esler  
Susan Forrester AM  
Mark Gray  
Leanne Muller

Richard Anderson OAM was a director of Data#3 Limited for the half year up to 31 October 2023, the date of his retirement.

## 2. Review of operations

### The Information Technology market

The Australian Information Technology (IT) market has continued to experience solid growth, and we have continued to grow market share in a highly competitive market and inflationary economic environment.

Customers are focused on optimising infrastructure and achieving operational cost efficiencies, as seen through their continued investment in cloud and digital enablement. Cyber security also continues to be a priority for most organisations. Technology research and consulting firm, Gartner forecasts spending on technology products and services in Australia to exceed \$133 billion in calendar year 2024, up 7.8% from 2023. Global spending on software is expected to experience the largest growth with an increase of 12.8% in 2024<sup>1</sup>, while spending on services is expected to increase 8.2%<sup>1</sup>.

The prior period saw a significant resurgence in large infrastructure and networking projects, and a general increase in demand for IT product and solutions following the pandemic and the subsequent easing of supply chains. The current macroeconomic environment has resulted in some delays in customer decision making around similar larger projects in the first half of FY24. However, we are seeing increased tender activity which should support growing our pipeline.

Our performance continues to be underpinned by our leading market position, unrivalled supplier relationships and large, long-term customer base and highly experienced and committed team.

### Change in accounting policy – revenue recognition for contracts with customers

During the first half, the Group undertook a detailed review of its software licensing agreements to reassess whether it is acting as a principal or agent under these agreements. This was in response to updated guidance released for software resellers in 2022 on the application of the revenue accounting standard (AASB 15). The review resulted in a change to the company's revenue accounting policy to present software licensing revenues on a net basis, including a restatement of comparatives. This is a statutory presentation change only, and the Group will continue to measure its operational performance in terms of Gross Sales, with both Gross Sales and statutory revenue to be reported to ensure comparability with historical reporting and to align with how the company internally measures performance. A detailed explanation of the changes to revenue recognition is provided in Note 3 of the financial statements.

### First half performance

We are pleased with the first half performance. Net profit after tax (NPAT) was up 25%, against 1H FY23 which was unusually high, being 38% ahead of 1H FY22. We saw earnings growth across most of our business units and regions, and company Gross Sales growth over double industry growth rates. The lines of business that performed ahead of expectations included the higher margin Services, as well as Software Solutions. Although it was up on the prior period, our Infrastructure Solutions business was impacted by customers ordering in advance of requirements, in response to pandemic related supply chain issues. This slowed down ordering and decision making in the current period. Improved supply chain reduced our stock levels, and our diligent management of working capital enabled us to gain increased interest income.

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<sup>1</sup> Gartner: Top 5 tech markets in 2024 by global spending

# Directors' report (continued)

## 2. Review of operations (continued)

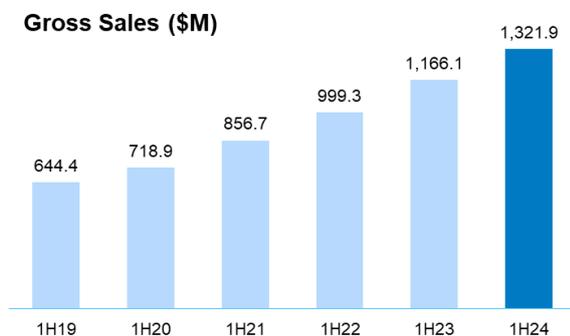
In 1H FY24 we delivered sales growth across all business units, except for the recruitment business, which benefited from the post pandemic increase in labour market activity in the prior comparative period (PCP). In line with our strategy, total Services Gross Sales grew 11.1% with continued growth in the higher margin professional services and enterprise managed services business units.

Total statutory revenue increased by 11.1% to \$450.1 million and Gross Sales increased by 13.4% to \$1.32 billion, more than double the expected 2023 market growth rate of 5.8%<sup>2</sup>, with substantial multi-cloud (public and private cloud) growth. Multi-cloud solutions are reflected across each of our business units and provide greater opportunities for our service offerings.

The first half earnings includes \$6.5 million (1H FY23: \$1.6 million) of interest income, as a result of higher cash deposits, lower inventory and improved collections, which benefited from the increased cash rate. This additional interest income has supplemented lower margin deals in a competitive and inflationary economic environment.

Interest income is expected to be approximately \$2.5 million in the second half, based on current cash flow forecasts and assuming no change to the current cash rate. This reflects the historical seasonality of our cash position, with a higher Q1 cash position compared to the remainder of the financial year.

With our improved market leading position, we continue to see opportunities to win large low margin contracts with new customers. Our long-term strategy with customers allows us to cross-sell higher margin services and solutions. This strategy has resulted in higher customer profitability over a 3-to-5-year period.



Approximately 67% of our Gross Sales is recurring, up from 65% in the prior year. This reflects the increase in sales of As-a-Service and longer-term contracts with our government and large corporate customers.

Our product-related businesses achieved sales growth of 13.2%, more than double the broader market growth rate:

- Infrastructure Gross Sales increased by 10.7% to \$268.5 million, and
- Software licensing Gross Sales increased by 14.2% to \$875.7 million.

Our combined Services sales increased by 11.1% to \$172.2 million, reflecting a mixture of growth rates across the portfolio of businesses:

- Consulting Gross Sales increased by 0.9% to \$16.1 million.
- Project Services Gross Sales increased by 5.9% to \$38.4 million.
- Support Services Gross Sales increased by 29.4% to \$84.1 million, with increases in Maintenance Services and Managed Services Gross Sales of 36.1% and 12.6%, respectively.
- People Solutions recruitment Gross Sales decreased by 12.8% to \$31.8 million.
- Other services increased slightly from \$1.4 million to \$1.8 million.

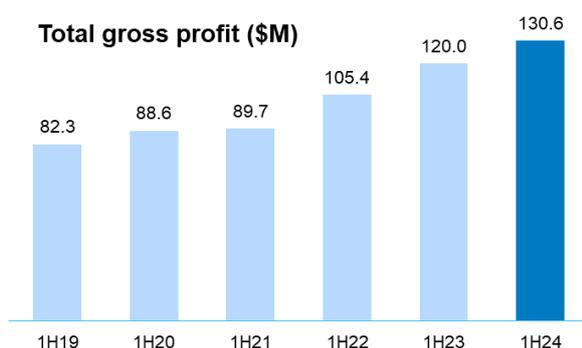
Other income increased from \$1.7 million to \$6.6 million and is predominately composed of interest income.

<sup>2</sup>Gartner IT spend forecast Australia 2023

# Directors' report (continued)

## 2. Review of operations (continued)

Total gross profit (excluding other revenue) increased by 8.8% from \$120.0 million to \$130.6 million. Total margin on gross sales decreased slightly from 10.3% to 9.9% compared to 1H FY23. However, was pleasingly up on the FY23 margin on gross sales of 9.8%.



The product-based gross profit increased by 4.3% to \$64.9 million, with margin on gross sales decreasing from 6.2% to 5.7% compared to 1H FY23, but remaining consistent with FY23. We saw continued margin pressure in a competitive infrastructure market, with rebates shifting to post sale customer success-related activities.

Infrastructure Solutions has also been impacted by abnormal customer order cycles in prior years, caused by the pandemic and related supply chain issues. This led to some customers ordering goods in advance of requirements, which they are now consuming, thereby causing some delays in new orders.

Pleasingly, the services-based gross profit increased by 13.6% to \$65.7 million. Services margin on gross sales increased from 37.3% to 38.2% half on half and is up from 36.4% for FY23. This increase reflects the growth in the higher margin Consulting and Managed Services businesses, and a shift from contractors to permanent employees to service future growth.

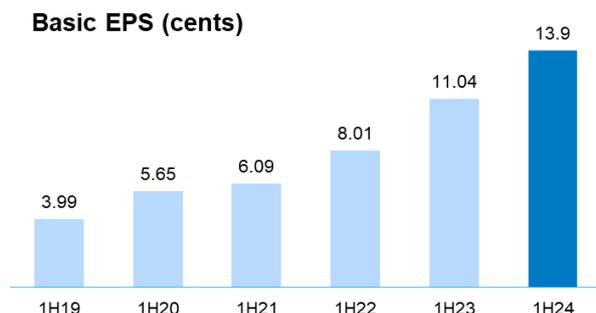
Total headcount remained above 1,400 and has decreased slightly since 30 June 2023, reflecting a reduction in contractors as services projects complete and customers' preferences shift from temporary to permanent resources. The Information Technology labour market remains competitive and employee centric. However, we are confident in our ability to continue to attract and retain good people, through our focus on strategic talent sourcing, including graduate recruitment placements, people development and strong sense of social responsibility.

We continue to focus on improving our operating leverage, as measured by our Internal Cost Ratio (Internal Staff Costs and Other Operating Expenses as a percentage of Gross Profit). However, it has remained relatively consistent with the prior period at around 81%. Our internal staff costs increased by 10.1% on 1H FY23 from \$84.8 million to \$93.4 million, reflecting growth in the number of permanent employees and general remuneration increases. Over half of the growth in headcount and internal staff costs compared to 1H FY23 relates to investments made in growing the Services business. Other operating expenses increased by 5.1% from \$12.3 million to \$13.0 million with increases in travel, insurance and software expenses (predominately related to both internal and external Managed Services systems). As the Managed Services contracts which were onboarded during FY23 complete their transition phase and become more profitable, we should see an improvement in the Internal Cost Ratio.

The growth in the underlying business against a particularly strong first half FY23 financial performance, combined with increased interest income, resulted in net profit before tax increasing by 25.3% from \$24.6 million to \$30.8 million and net profit after tax increasing by 25.5% from \$17.1 million to \$21.4 million. This represents basic earnings per share of 13.85 cents, an increase of 25.5% from 11.04 cents in the previous corresponding period.

# Directors' report (continued)

## 2. Review of operations (continued)



Trade and other receivables decreased by 56.0% to \$200 million during 1H24. The Group's sales, and therefore trade receivables, traditionally peak in May/June, followed by large collections in June and July. The key trade receivables indicator of average days' sales outstanding (DSOS) was 27 days at 31 December 2023, down from 33 days in the previous corresponding period (which was impacted by supply chain delays). Our DSOS remains at industry best practice levels, and the underlying risk of collection of overdue debtors remains low.

Trade and other payables decreased by 69.7% to \$235 million during 1H24, due to payments to suppliers in July/August associated with the traditional sales peak in May/June.

1H FY24 net cash outflow from operating activities of \$266.9 million (1H FY23 \$88.8 million outflow) reflects the temporary cash surplus at 30 June 2023, which was significantly higher than the PCP. This was a result of the growth achieved during FY23, the realisation of carried forward debtors and inventory caused by supply chain issues in recent years, and an increased number of prepaid customer receipts at 30 June 2023. The net cash flow from operating activities is typically an outflow in the first half due to the timing of receipts and payments around 30 June. The traditional May/June sales peak discussed above 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.

### Outlook

We are well positioned to capitalise on a growing market, in particular the opportunities for Software and Services.

We have a robust business, no borrowings, solid long-term customer relationships, committed supplier partnerships, and a highly effective and productive team focussed on helping customers achieve their business outcomes.

We are confident in our ability to continue to deliver on the company's long-term strategy, ensuring that Data#3 is well placed to contribute to and benefit from digital transformation and artificial intelligence trends over the next few years. We will continue to focus on driving growth across our services portfolio, increasing recurring Gross Sales and improving our margins.

Consistent with previous practice, we are unable to provide specific FY24 guidance at this stage. In line with previous years, we continue to expect a sales peak in the months of May and June and our goal remains to continue to deliver sustainable earnings growth.

## 3. Dividends

The directors have declared a fully franked interim dividend of 12.60 cents per share payable on 28 March 2024. This represents an increase of 26% on the PCP, representing a payout ratio of 91%.

## 4. Auditor's independence declaration

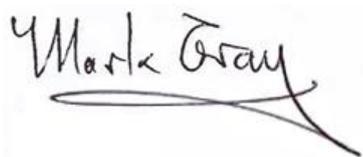
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

# Directors' report (continued)

## 5. Rounding of amounts

Data#3 Limited is a company 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 unless otherwise noted.

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

A handwritten signature in black ink that reads "Mark Gray". The signature is written in a cursive style with a long horizontal flourish underneath.

**A M Gray**  
Director

Brisbane  
15 February 2024

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

### Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2023, 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 period.

*Pitcher Partners*  
**PITCHER PARTNERS**



**JASON EVANS**  
Partner

Brisbane, Queensland  
15 February 2024

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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FELICITY CRIMSTON  
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MURRAY GRAHAM  
ANDREW ROBIN  
KAREN LEVINE

EDWARD FLETCHER  
ROBERT HUGHES

## Condensed consolidated statement of comprehensive income

for the half year ended 31 December 2023

	Note	Half year ended December	
		2023 \$'000	2022 <sup>1</sup> \$'000
<b>Revenue</b>			
Revenue from contracts with customers	3	443,549	403,549 <sup>1</sup>
Other		6,584	1,689
		450,133	405,238
<b>Expenses</b>			
Changes in inventories of finished goods		(5,559)	14,089
Purchase of goods		(200,930)	(200,391) <sup>1</sup>
Employee and contractor costs directly on-charged		(45,800)	(52,008)
Other cost of sales on services		(60,705)	(45,202)
Other employee and contractor costs		(93,403)	(84,828)
Telecommunications		(1,076)	(1,022)
Rent		(926)	(850)
Travel		(811)	(644)
Professional fees		(443)	(864)
Depreciation and amortisation		(3,136)	(3,129)
Finance costs		(577)	(593)
Other		(6,006)	(5,238)
		(419,372)	(380,680)
<b>Profit before income tax</b>		30,761	24,558
Income tax expense		(9,340)	(7,496)
<b>Profit for the half year attributable to owners of Data#3 Limited</b>		21,421	17,062
Other comprehensive income for the half year, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(335)	244
<b>Total comprehensive income for the half year attributable to owners of Data#3 Limited</b>		21,086	17,306
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		13.85c	11.04c
Diluted earnings per share		13.80c	11.01c

The accompanying notes form part of these financial statements.

<sup>1</sup> Restated for the change in accounting policy. Refer to note 3.

## Condensed consolidated balance sheet

as at 31 December 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
<b>Current assets</b>			
Cash and cash equivalents		117,127	404,766
Trade and other receivables	6	200,201	454,788
Contract assets		3,792	5,855
Inventories		13,854	19,413
Other		13,435	5,214
<b>Total current assets</b>		<b>348,409</b>	<b>890,036</b>
<b>Non-current assets</b>			
Trade and other receivables		771	217
Property and equipment		2,867	3,202
Right-of-use assets		19,113	21,064
Deferred tax assets		7,255	5,879
Intangible assets		14,170	15,207
<b>Total non-current assets</b>		<b>44,176</b>	<b>45,569</b>
<b>Total assets</b>		<b>392,585</b>	<b>935,605</b>
<b>Current liabilities</b>			
Trade and other payables	6	235,050	775,582
Contract liabilities		48,016	52,120
Lease liabilities		3,761	3,587
Current tax liabilities		3,525	4,159
Provisions		8,087	7,806
<b>Total current liabilities</b>		<b>298,439</b>	<b>843,254</b>
<b>Non-current liabilities</b>			
Lease liabilities		18,416	20,296
Provisions		4,050	3,710
<b>Total non-current liabilities</b>		<b>22,466</b>	<b>24,006</b>
<b>Total liabilities</b>		<b>320,905</b>	<b>867,260</b>
<b>Net assets</b>		<b>71,680</b>	<b>68,345</b>
<b>Equity</b>			
Contributed equity		12,577	11,861
Share-based payments reserve		266	323
Foreign currency translation reserve		(547)	(212)
Retained earnings		59,384	56,373
<b>Total equity</b>		<b>71,680</b>	<b>68,345</b>

The accompanying notes form part of these financial statements.

## Condensed consolidated statement of changes in equity

for the half year ended 31 December 2023

Attributable to owners of Data#3 Limited

	Contributed equity	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total shareholders' equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2023</b>					
<b>Balance at 30 June 2023</b>	11,861	323	(212)	56,373	68,345
Profit for the half year	-	-	-	21,421	21,421
Other comprehensive loss for the half year, net of tax	-	-	(335)	-	(335)
<b>Total comprehensive income/(loss) for the half year</b>	-	-	(335)	21,421	21,086
<i>Transactions with owners in their capacity as owners:</i>					
Payment of dividends	-	-	-	(18,410)	(18,410)
Issue of shares under employee share schemes (note 7)	716	(716)	-	-	-
Employee share schemes – value of employee services	-	528	-	-	528
Employee share schemes – movement in deferred tax	-	131	-	-	131
	716	(57)	-	(18,410)	(17,751)
<b>Balance at 31 December 2023</b>	12,577	266	(547)	59,384	71,680
<b>2022</b>					
<b>Balance at 30 June 2022</b>	10,313	559	(443)	51,268	61,697
Profit for the half year	-	-	-	17,062	17,062
Other comprehensive income for the half year, net of tax	-	-	244	-	244
<b>Total comprehensive income for the half year</b>	-	-	244	17,062	17,306
<i>Transactions with owners in their capacity as owners:</i>					
Payment of dividends	-	-	-	(16,465)	(16,465)
Issue of shares under employee share schemes	1,548	(1,548)	-	-	-
Employee share schemes – value of employee services	-	471	-	-	471
Employee share schemes – movement in deferred tax	-	243	-	-	243
	1,548	(834)	-	(16,465)	(15,751)
<b>Balance at 31 December 2022</b>	11,861	(275)	(199)	51,865	63,252

The accompanying notes form part of these financial statements.

## Condensed consolidated cash flow statement

for the half year ended 31 December 2023

	Note	Half year ended December	
		2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers and agency arrangements (inclusive of GST)		1,653,576	1,542,140
Payments to suppliers and employees (inclusive of GST)		(1,901,793)	(1,608,611)
GST paid		(13,741)	(15,800)
Interest received		6,805	1,457
Interest and other borrowing costs paid		(564)	(579)
Income tax paid (net of refunds)		(11,219)	(7,402)
Net cash outflow from operating activities	4	(266,936)	(88,795)
<b>Cash flows from investing activities</b>			
Payments for property and equipment		(252)	(465)
Net cash outflow from investing activities		(252)	(465)
<b>Cash flows from financing activities</b>			
Payment of dividends	5	(18,410)	(16,465)
Repayment of principal on lease liabilities		(1,706)	(1,523)
Net cash outflow from financing activities		(20,116)	(17,988)
<b>Net decrease in cash and cash equivalents held</b>			
		(287,304)	(107,248)
Cash and cash equivalents at the beginning of the reporting period		404,766	149,459
Effect of exchange rate changes on cash and cash equivalents		(335)	244
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>117,127</b>	<b>42,455</b>

The accompanying notes form part of these financial statements.

# Notes to the condensed consolidated financial statements

## Note 1. Material accounting policies

### Basis of preparation of interim financial report

We have prepared this general purpose interim financial report for the half-year reporting period ended 31 December 2023 in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report and accordingly should be read in conjunction with our annual report for the year ended 30 June 2023 and any public announcements we have made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

We adopted the following revised accounting standards on 1 July 2023:

**AASB 2021-2 and 2021-6** – 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. The adoption of this revised accounting standard had no material effect on the consolidated financial statements for the half-year reporting period ended 31 December 2023 or our accounting policies.

**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. The adoption of this revised accounting standard had no material effect on the consolidated financial statements for the half-year reporting period ended 31 December 2023 or our accounting policies.

The accounting policies adopted in this interim financial report are the same as those applied in the previous financial year and the corresponding interim reporting period with the exception of our revenue recognition accounting policy. Refer to note 3 for details of our change in accounting policy.

### 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.

### Rounding of amounts

Data#3 is a company 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 unless otherwise noted.

## 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 solution provided to the customer. Revenue from customers domiciled in Australia comprised 99% of external sales for the half year ended 31 December 2023 (2022: 99%).

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 Group 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.

# Notes to the condensed consolidated financial statements

## Note 2. Segment information (continued)

The Group's revenue, results and assets for this reportable segment can be determined by reference to Note 3, the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated Balance Sheet.

## Note 3. Revenue

### Change in accounting policy

In May 2022, the IFRS Interpretations Committee (IFRIC) issued a final agenda decision on 'Principal versus Agent: Software Reseller (IFRS 15)' about whether a reseller of software licenses is acting as principal or agent for the purposes of recognising revenue under IFRS 15 *Revenue from Contracts with Customers*.

Following the release of IFRIC's decision, management undertook a detailed review of new and updated software licensing agreements and obtained independent advice from a third party. We analysed revenue recognition in respect of various contracts with our customers to reassess if we are acting as principal or agent.

Management concluded that while Data#3 does meet some criteria of control, on balance it does not demonstrate sufficient control of the licenses for indirect licensing sales before they are transferred to the customer and therefore has determined that we act as an agent in respect of these sales. The Group has revised its accounting policy for the recognition of sales of indirect software licensing contracts to account for this revenue as agent. On this basis, revenue recognised as agent is the net of revenue due under the contract and costs of sale. The effect on the past Consolidated Statements of Comprehensive Income of the change in accounting policy is shown below:

	As previously reported \$000s	Adjustments \$000s	Restated \$000s
<b>Year ended 30 June 2023</b>			
Revenue from contracts with customers	2,560,700	(1,677,011)	883,689
<b>Total revenue</b>	<b>2,564,570</b>	<b>(1,677,011)</b>	<b>887,559</b>
Purchase of goods	(2,078,047)	1,677,011	(401,036)
<b>Total expenses</b>	<b>(2,511,336)</b>	<b>1,677,011</b>	<b>(834,325)</b>
<b>Profit before income tax</b>	<b>53,234</b>	<b>-</b>	<b>53,234</b>
<b>Half year to 31 December 2022</b>			
Revenue from contracts with customers	1,164,401	(760,852)	403,549
<b>Total revenue</b>	<b>1,166,090</b>	<b>(760,852)</b>	<b>405,238</b>
Purchase of goods	(961,243)	760,852	(200,391)
<b>Total expenses</b>	<b>(1,141,532)</b>	<b>760,852</b>	<b>(380,680)</b>
<b>Profit before income tax</b>	<b>24,558</b>	<b>-</b>	<b>24,558</b>
<b>Year ended 30 June 2022</b>			
Revenue from contracts with customers	2,192,421	(1,390,868)	801,553
<b>Total revenue</b>	<b>2,192,997</b>	<b>(1,390,868)</b>	<b>802,129</b>
Purchase of goods	(1,774,938)	1,390,868	(384,070)
<b>Total expenses</b>	<b>(2,148,904)</b>	<b>1,390,868</b>	<b>(758,036)</b>
<b>Profit before income tax</b>	<b>44,093</b>	<b>-</b>	<b>44,093</b>

# Notes to the condensed consolidated financial statements

## Note 3. Revenue (continued)

Our revenue recognition accounting policies are as follows:

### Revenue from contracts with customers

We sell hardware, software licenses, maintenance contracts, consulting, recruitment, and contracting services. For contracts with customers, we identify the contract with the customer, the performance obligation in the contract and recognise revenue when or as each performance obligation is satisfied when there is a transfer to the customer of the goods or services promised. Our accounting policies for each material revenue stream are set out below:

#### *Sale of hardware*

We sell hardware products that are sourced from and delivered by multiple suppliers. We recognise revenue from the sale of these products 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. We recognise infrastructure revenue as principal, with the gross value of the consideration from the customer recorded as revenue. We are acting as principal in these sales as we have primary responsibility for the acceptability of goods sold, are exposed to inventory risk during the delivery period, and establish the selling price. Suppliers typically provide standard warranties on most of the infrastructure products we sell. These manufacturer warranties are assurance-type warranties and are not considered separate performance obligations. The warranties are not sold separately and only provide assurance that products will conform with the manufacturer's specifications.

#### *Sale of software licenses*

We sell software licenses on behalf of our suppliers. As our performance obligation is the fulfillment of the end user's order with product or services provided by the supplier, we recognise revenue for these sales on an agent basis, whereby the revenue is equal to the amount of consideration receivable from the end user less the cost of sale due to the supplier. This represents a change in revenue recognition from principal to agent and means the software supplier is our customer rather than the end user. Previously the sales recognised as principal basis equaled the gross amount of consideration due from the end user.

#### *Provision of maintenance services*

We provide maintenance services to customers as principal, as we are primarily responsible for the service provided to the customers. We recognise revenue from these services at the point in time at which the services are provided in accordance with the sales contract.

#### *Provision of managed services, consulting and contracting services*

We provide consulting and contracting services on both fixed fee and time-and-material bases. We recognise revenue from these services as principal 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. We act as principal in providing these services, as we are primarily responsible for fulfilling the services (whether we engage a third-party contractor or not) and we have discretion in setting the price for the services to the customer.

#### *Provision of recruitment services*

We provide recruitment services whereby we provide permanent and limited-term employees for our customers. We recognise revenue for recruitment services as principal at the point in time the candidate begins employment. The point of controls transfers to the customer on the candidate start date, as the customer accepts the candidate and can direct the use of the candidate as well as obtains the significant risk and rewards of the candidate at that time. We act as principal in these arrangements as we demonstrate control over the service by being primarily responsible to our customers and by having a level of discretion in establishing pricing, therefore the gross amount is recorded as revenue.

### Other revenue

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

# Notes to the condensed consolidated financial statements

## Note 3. Revenue (continued)

### Disaggregation

A summary of our revenue by business unit and accounting basis is as follows:

Business unit	Revenue recognition timing	Agent or principal basis	Half year ended December	
			2023 \$'000	2022 <sup>2</sup> \$'000
Infrastructure Solutions (a)				
Hardware	Point in time	Principal	248,843	222,569
Software licensing	Point in time	Agent	4,138	5,995
Consulting services	Over time	Principal	909	273
Software Solutions (b)				
Software licensing	Point in time	Agent	34,691	31,194
Consulting services	Over time	Principal	924	488
Business Aspect – consulting services (c)	Over time	Principal	16,054	15,917
Project Services – consulting services (d)	Over time	Principal	38,427	36,297
Support Services (e)				
Maintenance Services	Point in time	Principal	44,601	33,308
Maintenance Services – software licensing	Point in time	Agent	2,251	1,293
Managed Services	Over time	Principal	20,929	18,588
People Solutions (f)				
Contracting services	Over time	Principal	31,309	36,166
Recruitment services	Point in time	Principal	473	289
Discovery Technology <sup>1</sup> (g)	Point in time	Principal	-	1,172
Total revenue from contracts with customers			443,549	403,549
Other revenue			6,584	1,689
			450,133	405,238

1. Discovery Technology was integrated into Infrastructure Solutions during FY23.

2. Restated for change in accounting policy described above. Please refer to the table below:

Business unit	As previously reported \$000s	Adjustments \$000s	Restated \$000s
<b>Year ended 30 June 2023</b>			
Infrastructure Solutions (a)	566,187	(42,855)	523,332
Software Solutions (b)	1,652,453	(1,589,238)	63,215
Business Aspect (c)	33,204	-	33,204
Project Services (d)	74,549	-	74,549
Support Services (e)	164,330	(44,918)	119,412
People Solutions (f)	68,091	-	68,091
Discovery Technology (g)	1,886	-	1,886
Total revenue from contracts with customers	2,560,700	(1,677,011)	883,689

# Notes to the condensed consolidated financial statements

## Note 3. Revenue (continued)

Business unit	As previously reported \$000s	Adjustments \$000s	Restated \$000s
<b>Half year to 31 December 2022</b>			
Infrastructure Solutions (a)	242,559	(13,722)	228,837
Software Solutions (b)	767,004	(735,322)	31,682
Business Aspect (c)	15,917	-	15,917
Project Services (d)	36,297	-	36,297
Support Services (e)	64,997	(11,808)	53,189
People Solutions (f)	36,455	-	36,455
Discovery Technology (g)	1,172	-	1,172
Total revenue from contracts with customers	1,164,401	(760,852)	403,549
<b>Year ended 30 June 2022</b>			
Infrastructure Solutions (a)	440,324	(12,375)	427,949
Software Solutions (b)	1,433,710	(1,376,238)	57,472
Business Aspect (c)	26,563	-	26,563
Project Services (d)	66,610	-	66,610
Support Services (e)	160,121	(2,255)	157,866
People Solutions (f)	62,283	-	62,283
Discovery Technology (g)	2,810	-	2,810
Total revenue from contracts with customers	2,192,421	(1,390,868)	801,553

- (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. From 1 July 2023 the operations of Discovery technology are fully integrated within Infrastructure Solutions.

### Revenue recognition critical judgements

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 services, and support offerings can include software licenses. Principal versus agent assessments depend on the specific facts and circumstances in the agreements with suppliers and customers and can be complex, requiring a high degree of judgement.

# Notes to the condensed consolidated financial statements

## Note 4. Cash flow statement information

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

	Half year ended December	
	2023	2022
	\$'000	\$'000
Profit for the half year	21,421	17,062
Depreciation and amortisation	3,574	3,567
Unwinding of discount on provisions	13	14
Bad and doubtful debts	59	333
Excess and obsolete inventory	-	338
Non-cash employee benefits expense – share-based payments	528	471
Other	1	1
Change in operating assets and liabilities		
Decrease in receivables	253,974	293,467
Decrease in contract assets	2,063	825
(Increase)/decrease in inventories	5,559	(14,427)
(Increase) in other operating assets	(8,221)	(4,768)
(Increase) in net deferred tax assets	(1,245)	(614)
Decrease in payables	(540,532)	(383,219)
Decrease in contract liabilities/unearned income	(4,104)	(3,351)
Increase/(decrease) in current tax liabilities	(634)	706
Increase in provision for employee benefits	608	800
Net cash outflow from operating activities	(266,936)	(88,795)

## Note 5. Dividends

Details of dividends paid are as follows:

Record date	Payment date	Type	Amount per security	Franked amount per security	Total dividend \$'000
16/09/2022	30/09/2022	Final	10.65 cents	10.65 cents	16,465
17/03/2023	31/03/2023	Interim	10.00 cents	10.00 cents	15,460
15/09/2023	29/09/2023	Final	11.90 cents	11.90 cents	18,410

### Dividends not recognised at the end of the half year

Since the end of the half year, the directors have declared an interim dividend of 12.60 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the interim dividend to be paid on 28 March 2024 out of retained earnings at the end of the half year, but not recognised as a liability at the end of the half year, is \$19,493,000.

## Note 6. Material balance sheet movements

Trade and other receivables decreased by 56.0% to \$200 million during 1H24. The Group's sales, and therefore trade receivables, traditionally peak in May/June, followed by large collections in June and July. The key trade receivables indicator of average days' sales outstanding (DSOS) ended 31 December 2023 at 27 days, down from 33 days in the previous corresponding period (which was impacted by supply chain delays).

Trade and other payables decreased by 69.7% to \$235 million during 1H24, due to payments to suppliers in July/August associated with the traditional sales peak in May/June.

# Notes to the condensed consolidated financial statements

## Note 7. Share-based payments

On 1 September 2023 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 12 November 2020 and fully vested on 30 June 2023. Other details of the share issuance are set out below.

Number of rights converted to shares	104,880
Share price of shares issued	\$6.829

The share-based payment equity reserve decreased by \$716,000 in relation to this issuance of shares.

## Note 8. Subsequent events

No material and unusual events have occurred after the end of the half year that could affect the financial position and performance of Data#3 Limited or any of its subsidiaries other than as disclosed in note 5.

## Note 9. Contingent liabilities

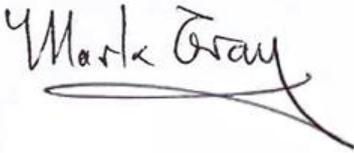
There have been no material changes in contingent liabilities from those disclosed in the June 2023 annual report.

## Directors' declaration

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 7 to 17 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 31 December 2023 and of its performance for the half 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.

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

A handwritten signature in black ink that reads "Mark Gray". The signature is written in a cursive style with a long, sweeping underline.

**A M Gray**  
Director

Brisbane  
15 February 2024

**INDEPENDENT AUDITOR'S REVIEW REPORT****To the Members of Data#3 Limited****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the half-year financial report of Data#3 Limited ("the Company") and its controlled entities ("the Group"), which comprises the condensed consolidated balance sheet as at 31 December 2023, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a summary of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Basis for Conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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TOM SPLATTJAMES FIELD  
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ROBYN COOPERFELICITY CRIMSTON  
CHERYL MASON  
KIERAN WALLISMURRAY GRAHAM  
ANDREW ROBIN  
KAREN LEVINEEDWARD FLETCHER  
ROBERT HUGHES

## INDEPENDENT AUDITOR'S REVIEW REPORT, CONTINUED

### Responsibility of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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**JASON EVANS**  
Partner

Brisbane, Queensland  
15 February 2024