Appendix 4E

ASX Preliminary Final Report

Name of entity:	**Data#3 Limited**
ABN:	31 010 545 267
Reporting period:	**Year ended 30 June 2006**
Previous corresponding period:	Year ended 30 June 2005

Results for announcement to the market

Results				
Revenues from ordinary activities	up	21.6 %	to	$239,612,000
Profit from ordinary activities after tax attributable to members	up	36.8 %	to	$5,713,000
Net profit for the period attributable to members	up	36.8 %	to	$5,713,000

Dividends	Amount per security	Franked amount per security
Current period		
Interim dividend	11.0 cents	11.0 cents
Final dividend	17.0 cents	17.0 cents
Previous corresponding period		
Interim dividend	7.5 cents	7.5 cents
Final dividend	11.5 cents	11.5 cents

The Record Date for determining entitlements to the dividend is 15 September 2006.

Brief explanation of the figures reported above:

The current period's results are the best ever reported, and reflect consistently strong performance across all of the company's product and services offerings.

Data#3 Limited and Controlled Entities

Appendix 4E – ASX Preliminary Final Report
For the year ended 30 June 2006

Please refer to the attached audited Annual Financial Report for the year ended 30 June 2006 for the following information:

Income Statements

Balance Sheets

Statements of Cash Flows

Notes to the financial statements

Data#3 Limited and Controlled Entities

Appendix 4E – ASX Preliminary Final Report
For the year ended 30 June 2006

Retained profits

	Current year $'000	Previous year $'000
Retained profits (accumulated losses) at the beginning of financial period	5,091	3,496
Net profit attributable to members	5,713	4,177
Net transfers to and from reserves	-	-
Dividends provided for or paid	(3,470)	(2,582)
Retained profits at end of financial period	**7,334**	**5,091**

Additional dividend information

Details of dividends declared or paid during or subsequent to the year ended 30 June 2006 are as follows:

Record date	Payment date	Type	Amount per security	Franked amount per security	Total dividend $'000
16 September 2005	30 September 2005	Final	11.5 cents	11.5 cents	1,766
17 March 2006	31 March 2006	Interim	11.0 cents	11.0 cents	1,704
15 September 2006	29 September 2006	Final	17.0 cents	17.0 cents	2,658

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	28.0 cents	19.0 cents

Data#3 Limited Dividend Reinvestment Plan

The Data#3 Dividend Reinvestment Plan has been suspended from 1 September 2006 until further notice from the Board.

Data#3 Limited and Controlled Entities

Appendix 4E – ASX Preliminary Final Report
For the year ended 30 June 2006

Net tangible assets per security

	Current year	Previous year
Net tangible asset backing per ordinary security	$0.78	$0.62

Control gained over entities having a material effect

Not applicable

Loss of control of entities having a material effect

Not applicable

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

Not applicable

Adoption of Australian equivalents to IFRS

For disclosure of the impacts of the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS) please refer to
Note 30. Explanation of transition to AIFRS, on pages 46 to 51 of the attached Annual Financial Report.

Data#3 Limited and Controlled Entities

Appendix 4E – ASX Preliminary Final Report
For the year ended 30 June 2006

Commentary on the results for the period

2006 closed as the best year the company has yet reported with basic earnings per share of 36.9 cents and fully franked dividends for the full year of 28.0 cents per share. This represented distribution of profit of 76% and a yield of 8.4% (based on the $3.35 average of the 30 June 2005 and 30 June 2006 share prices), or a yield of 7.6% (based on the 30 June 2006 share price of $3.70).

Highlights include:

- Best ever reported result with total revenue of $239.6 million, EBITDA of $8.3 million, and NPAT of $5.7 million, an increase of 37%.
- Services revenues increased 42% to $54 million, driven by the market for recruitment services and several significant integration and outsourcing contracts.
- Gross margin dollars increased by 21% with most significant growth in the specialist areas of Licensing Solutions and Recruitment Solutions
- In a very competitive market where reported supplier margins have in general declined, overall gross margin percentage was maintained at 20.8%
- Internal staff costs increased by 20% in support of growth and skills investment particularly in ICT Services which accounted for over 50% of the increase.
- Total internal staff costs and operating expenses declined as a percentage of gross margin by 2.2%.
- Strong net operating cash inflows, to some degree reflecting the timing benefit of receipts from customers in advance of payments to suppliers.
- Basic earnings per share increased by 35% to 36.9 cents.
- Dividends per share increased by 47% to 28.0 cents per share fully franked.

With another ‘best ever’ performance and the repositioning afforded by the ‘expertise-oriented’ strategy, we have now demonstrated sustained profitability and aim to consistently deliver dividends to shareholders at yields near the top of the sector.

Compliance Statement

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

Signed:

John Grant
Managing Director

Date: 25 August 2006

Data#3 Limited

ABN 31 010 545 267

Annual Financial Report

Year Ended 30 June 2006

Data#3 Limited and Subsidiaries

Directors' report

Your directors present their report on Data#3 Limited and its subsidiaries (the group) for the year ended 30 June 2006.

Principal activities

The principal activities of the group during the course of the financial year related to the delivery of information technology solutions, which draw on the group's broad range of products and services and its alliances with other industry providers.

These activities included the procurement of information and communication technology (ICT) products; the design, implementation and support of ICT infrastructure solutions; the provision of ICT recruitment services; and the supply, implementation and support of application software solutions.

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

Dividends

A fully franked final dividend for the year ended 30 June 2005 of $1,766,000 (11.5 cents per share) was paid on 30 September 2005. A fully franked interim dividend of $1,704,000 (11.0 cents per share) was paid on 31 March 2006. In addition, since the end of the financial year the directors have declared a fully franked final dividend of $2,658,000 (17.0 cents per share) to be paid on 29 September 2006 out of retained profits at 30 June 2006.

Review of operations and results

- Total revenue of the group for the year was $239,612,000, a 22 % increase from last year.
- Operating profit of the group before interest (net), tax, depreciation and amortisation was $8,266,000; and the net profit after tax was $5,713,000, a 37% increase from last year.
- Total dividends of 28.0 cents per share fully franked, a 47% increase from last year.
- Services revenues increased 42% to $53,926,000, driven by the market for recruitment services and several significant integration and outsourcing contracts.
- Product revenues increased by 17% to $185,042,000, driven by particularly strong growth in software licensing revenues.
- Gross margin dollars increased by 21%, with most significant growth in the specialist areas of Licensing Solutions and Recruitment Solutions.
- In a very competitive market where reported supplier margins have in general declined, overall gross margin percentage was maintained at 20.8%.
- Strong net operating cash inflows, to some degree reflecting the timing benefit of receipts from customers in advance of payments to suppliers.
- A strong financial position, with essentially no long-term borrowings and a current ratio of 1.26 (2005: 1.24).
- Internal staff costs increased by 20% in support of growth and deepening expertise particularly in ICT Services, however total internal staff costs and operating expenses declined as a percentage of gross margin by 2.2%.
- Establishment costs of a branch office in New Caledonia, and growth in all geographic regions of Australia.

Business strategy

Our vision is to be recognised as *"Australia's leading ICT Solutions Company - the one that everyone wants to work for, buy from, or own shares in."*

To achieve this vision, our strategy is to:

- ***Position ourselves competitively*** with market leading expertise and with selected vendors that are driving the industry globally
- Strengthen ***customer commitment*** by leveraging that expertise to deliver solutions that meet their business and technology needs and exceed their expectations
- Maintain commitment to ***staff development*** processes that recruit, nurture and retain the 'right' people and further develop their expertise
- Through continuous review and improvement, accelerate ***development of the organisation*** as a leader in operational excellence.

Successful execution of this strategy underpins our goal of ***financial performance*** – increasing returns to shareholders – an imperative to achieving our vision.

Directors' report, continued

We believe we will have achieved our vision when over 90% of our staff consistently recommends Data#3 to others as their preferred employer; our key customers consistently tell us that we are their preferred ICT solution provider; our key vendors consistently recognise our expertise and performance; and we consistently deliver total returns to shareholders exceeding those provided by like companies.

Earnings per share

	2006 Cents	2005 Cents
Basic earnings per share	36.88	27.41
Diluted earnings per share	36.84	27.36

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the group during the year other than as disclosed in the financial report.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2006 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.

In June 2006 we announced our intention to conduct an on-market buy-back of up to 10% of the company's ordinary shares over a 12 month period, so as to deliver improved shareholder return on a sustainable basis and to reduce volatility of the company's share price. In conjunction with this initiative, we also announced that the Data#3 Dividend Reinvestment Plan would be suspended from 1 September 2006 until further notice from the board of directors.

In July 2006 we confirmed that the on-market buy-back would commence on 1 September 2006 and continue for a 12 month period, and that ABN AMRO Morgans Limited would act as brokers to the buy-back. All shares purchased under the on-market buy-back will be cancelled.

Likely developments and expected results of operations
In 2007 we expect buoyant but competitive market conditions to remain in place and are targeting continued organic growth in all areas of the business. We will continue to invest in developing the expertise of our staff and in associated infrastructure to maintain our competitive positioning, and are proposing to lower overhead expense relative to gross margin generated.

We will continue to look for appropriate partnerships and acquisitions to enhance either our geographic scale or our expertise in specific areas and ultimately further improve financial performance.

For shareholders we expect financial performance to improve on the record 2006 result and are looking to continue to deliver dividends that balance the need for working capital and provide returns near the top of the sector.

Additional comments on the operations of the group and the expected results of those operations are included in the review of operations of the group set out in the Annual Report.

Further information on likely developments in the operations of the group and the expected results of operations has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the group.

Directors' report, continued

Meetings of directors
The names of all directors of Data#3 Limited during the financial year together with the numbers of meetings of the company's board of directors and of the audit committee held during the year, and the numbers of meetings attended by each director are:

Name	Full meetings of directors		Meetings of audit committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held
R A Anderson	13	13	3	3
H L Stack	6	7	1	2
G R Clark	13	13	*	*
W T Powell	13	13	1	1
J E Grant	13	13	*	*

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

Each person listed above was a director for the whole of the financial year and up to the date of this report except for Mr H L Stack, who was a director from the beginning of the financial year until 23 December 2005, the date of his resignation.

Information on directors

R A Anderson, OAM, BCom, FCA – *Chairman, non-executive director*

Experience and expertise:
Independent non-executive director since 1997 and Chairman since 2000. Formerly a partner with PricewaterhouseCoopers and a member of the firm's National Committee. Previously a member of the Brisbane Grammar School Board of Trustees and the Capital Markets Board of Queensland Treasury Corporation, and President of the Brisbane Polo Club and of CPA Australia in Queensland.

Other current directorships:
Non-executive director of three other public companies: Namoi Cotton Cooperative Limited (director since 2001), Lindsay Australia Limited (director since 2002) and Villa World Limited (director since 2002). President of the Guide Dogs for the Blind Association of Queensland.

Former directorships in the last three years:
Not applicable.

Special responsibilities:
Chairman of the board.
Member of audit committee.

Interests in shares and options:
45,000 ordinary shares in Data#3 Limited.

G R Clark, BSc, Dip. Comp. Sc. – *non-executive director*

Experience and expertise:
Non-executive director since 1997. Extensive experience in the IT industry, including being director of the company and its predecessor, Powell Clark and Associates, since he and W T Powell formed the business in 1977.

Other current directorships:
Not applicable.

Former directorships in the last three years:
Not applicable.

Directors’ report, continued

Information on directors, continued

Special responsibilities:
Chairman of superannuation policy committee (not a committee of the Board of Directors).

Interests in shares and options:
583,732 ordinary shares in Data#3 Limited.

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

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

Other current directorships:
Not applicable.

Former directorships in the last three years:
Not applicable.

Special responsibilities:
Chairman of the audit committee.

Interests in shares and options:
565,000 ordinary shares in Data#3 Limited.

J E Grant, BEng - *Managing Director*

Experience and expertise:
Director of the company from its foundation in 1984; Managing Director from 1996 to 2000; and Chief Executive Officer from 2000 to 2004. Re-appointed Managing Director effective from 1 July 2004. Extensive experience in the IT industry. Member of the Federal Government’s ICT Advisory Board whose charter is to provide advice to the Minister for Communications, Information Technology and the Arts, Senator Helen Coonan, on ICT industry and research priorities; member of the Queensland Government’s Ministerial Advisory Group whose charter is to provide advice to the Minister for Small Business, Multi-cultural Affairs and IT Policy, Mr Chris Cummins on ICT industry development policy; a member of the Queensland Government’s Smart State Council which has been established by Premier Peter Beattie to provide advice and input to the State Government’s Smart State strategy; and a member of Hewlett Packard’s Asia Pacific Partner Advisory Board whose charter is to provide advice and input to HP on its relationship with its distribution and reseller partners in Asia Pacific.

Other current directorships:
A national director of the Australian Information Industry Association, the ICT industry’s peak representative body.

Former directorships in the last three years:
Not applicable.

Special responsibilities:
Managing Director.

Interests in shares and options:
861,520 ordinary shares in Data#3 Limited.

Company secretary
Mr B I Hill, BBus, was appointed to the position of company secretary in 1997. He has served as Financial Controller or Chief Financial Officer of the company since 1992 and is a member of CPA Australia and a Fellow of Chartered Secretaries Australia.

Remuneration report
All information in this remuneration report has been audited by the company's auditor with the exception of section E. The remuneration report is set out under the following main headings:

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

A Principles used to determine the nature and amount of remuneration
The board addresses remuneration policies and practices generally, and determines remuneration packages and other terms of employment for senior executives.

Executive remuneration and other terms of employment are reviewed annually by the board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the group's operations, achieving the group's strategic objectives, and increasing shareholder wealth.

Executive pay
The executive pay and reward framework has four components:
- Base pay and benefits
- Performance-related bonuses
- Long-term incentives through participation in the Data#3 Limited Employee Option Plan
- Other remuneration such as superannuation.

The combination of these comprises the executive's remuneration.

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

Performance-related bonuses
Performance-related cash bonus entitlements are linked to the achievement of individual objectives, both financial and non-financial, which are relevant to meeting the company's business objectives. In 2006 the proportion of the planned total executive remuneration that was performance-related was 37% (2005: 36%).

A major part of the bonus entitlement is determined by the actual performance against planned group and divisional profit targets relevant to each individual. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. In 2006 the planned profit-related component represented 81% of the total executive bonuses. The balance of the executive bonus entitlement is determined by performance against agreed key performance indicator targets relevant to each individual.

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

Directors' fees
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The board determines remuneration of non-executive directors within the maximum amount approved by the shareholders from time to time. This maximum currently stands at $350,000 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 are paid a fixed remuneration, comprising base fees and superannuation. Non-executive directors do not receive bonus payments or share options, and are not provided with retirement benefits other than statutory superannuation. The board was comprised of four non-executive directors and one executive director during the financial year until December 2005, when one non-executive director resigned. The board undertakes an annual review of its performance and the performance of the board committee against goals set at the start of the year.

Remuneration report, continued

B Details of remuneration

Compensation paid, payable, or provided by the group or on behalf of the group, to key management personnel is set out below. Key management personnel include all directors of the company and certain executives who, in the opinion of the board and Managing Director, have authority and responsibility for planning, directing and controlling the activities of the group directly or indirectly. Comparative information is not shown for individuals who were not considered to be key management personnel in the previous year. The following also includes the five most highly remunerated executives of the group.

		Short-term employee benefits			Long-term employee benefits	Post-employment benefits	
		Cash salary and fees $	**Cash bonus $**	**Non-monetary benefits $**	**Long service leave $**	**Super-annuation $**	**Total $**
Non-executive directors							
Anderson, R.	2006	90,000	-	-	-	8,100	98,100
Chairman	2005	90,000	-	-	-	8,100	98,100
Clark, G.	2006	55,000	-	-	-	4,950	59,950
Director	2005	55,000	-	-	-	4,950	59,950
Powell, W.	2006	55,833	-	-	-	5,025	60,858
Director	2005	55,000	-	-	-	4,950	59,950
Stack, H.	2006	32,500	-	-	-	2,925	35,425
(resigned 23 December 2005)	2005	65,000	-	-	-	5,850	70,850
Subtotal non-executive	2006	233,333	-	-	-	21,000	254,333
directors	2005	265,000	-	-	-	23,850	288,850
Executive director							
Grant, J. *	2006	229,012	100,000	70,203	2,998	12,139	414,352
Managing Director	2005	212,541	100,000	75,923	2,998	11,536	402,998
Other key management personnel							
Baynham, L.	2006	170,000	142,055	-	2,831	12,139	327,025
General Manager	2005	170,000	140,700	-	2,743	11,585	325,028
Bowser, M.	2006	128,998	110,175	-	1,948	12,139	253,260
Manager - Sales	2005	128,998	141,999	-	1,949	11,585	284,531
Colledge, B. – Manager -	2006	130,973	138,304	-	2,181	12,139	283,597
Licensing Solutions	2005	128,998	164,070	-	2,148	11,585	306,801
Crouch, B. – Manager -	2006	141,973	129,406	-	2,364	12,139	285,882
Enterprise Solutions	2005	128,998	137,682	-	2,148	11,585	280,413
Crouch, P. - Manager – NSW (from 1 November 2005)	2006	103,333	70,336	-	1,721	8,093	183,483
Esler, M. *	2006	106,525	115,302	23,185	1,199	20,826	267,037
Manager – Queensland	2005	107,448	103,588	22,710	1,199	19,842	254,787
Hill, B. * - Chief Financial	2006	136,000	33,240	5,963	2,365	12,139	189,707
Officer / Company Secretary	2005	137,550	32,045	950	2,160	11,585	184,290
Lavett, J.	2006	138,397	72,778	3,900	2,201	12,139	229,415
Manager – Victoria	2005	130,000	54,090	23,400	1,960	11,585	221,035
MacPherson, L. * - Manager	2006	108,991	29,480	-	1,815	12,139	152,425
Organisational Development & Human Resources	2005	99,083	26,704	-	2,517	11,167	139,471
Murphy, P.	2006	135,000	79,759	-	2,248	12,139	229,146
Manager – ICT Services	2005	125,000	46,442	-	1,968	11,585	184,995
Peters, W. – Manager – Recruitment Solutions (from 1 July 2005)	2006	120,000	105,828	1,998	4,874	12,139	244,839
Totals – key management	2006	1,882,535	1,126,663	105,249	28,745	171,309	3,314,501
personnel	2005	1,633,616	947,320	122,983	21,790	147,490	2,873,199

Remuneration report, continued

* Denotes those executives who were employed by the parent entity for the year ended 30 June 2006 and represent the four most highly remunerated officers of the parent entity. There were no other officers of the parent entity for the year ended 30 June 2006 (2005: nil).

No director or executive received compensation in the form of share-based payments during the year ended 30 June 2006 (2005: nil).

C Service agreements

Terms of employment for the Managing Director and other key management personnel are formalised in service agreements. Except for the Managing Director, whose base salary and bonus amounts were agreed for the two years ended 30 June 2006, the service agreements 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 agreements without notice for gross misconduct; otherwise, either party may terminate the agreement early with the agreed notice period, subject to termination payments as detailed below. For all key management personnel, except those listed below, termination notice of one month is required and no termination benefit is payable. Other major provisions of the agreements relating to remuneration of the Managing Director and certain other key management personnel are as follows:

J Grant, Managing Director

- Term of agreement – two years commencing 1 July 2004, then reviewed annually.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $300,000, thereafter to be reviewed annually by the board of directors.
- Performance-related bonus of up to $100,000 may be earned for each of the years ended 30 June 2005 and 30 June 2006, with the bonus amount and performance targets to be reviewed annually thereafter by the board of directors.
- Termination notice of six months is required.
- Payment of a termination benefit on early termination by the company, other than for gross misconduct, of twelve months of his packaged salary together with an additional amount representing the performance-related bonus earned up to the date of termination. From 1 July 2006, if at the annual renewal date the company chooses not to continue the agreement, the company must provide six months notice and Mr Grant will be entitled to his packaged salary and performance bonus calculated up to the date of his termination.

L Baynham, B Hill and L MacPherson

- Termination notice of three months is required.
- Payment of a termination benefit on early termination by the company, other than for gross misconduct, of six months of the packaged salary including performance-related bonuses. A termination benefit is provided for these individuals as these positions are considered most likely to be subject to early termination in the event of a significant business combination.

D Share-based compensation

Subject to shareholder approval, additional options may be granted to directors and key management personnel under the Data#3 Limited Employee Option Plan. All directors and key management personnel of Data#3 Limited and its subsidiaries are eligible to participate in the plan. Options are issued for $1 per parcel of options issued and are exercisable from two years prior to the expiry date; the options lapse 30 days following cessation of the option holder's employment. The exercise price of the options that were last issued was determined as the higher of 90 cents per share or the weighted average price of the shares as listed with the ASX within the five days immediately prior to the offer date. Options granted under the plan carry no dividend or voting rights. Options may only be granted with shareholder approval. The Plan must be reviewed and approved at an Annual General Meeting prior to the granting of additional options. When exercisable, each option is convertible into one ordinary share.

No options were granted to directors or key management personnel during the year ended 30 June 2006 (2005: nil), and no options vested or lapsed during the year (2005: nil).

Details of the value of options exercised by directors and key management personnel during the year were as follows:

Remuneration report, continued

Key management person	Exercise date	Number of options	Option exercise price	Fair value per share at exercise date	Value of options at exercise date	Aggregate value at exercise date
2006	11 November 2005	20,000	$0.91	$3.39	$2.48	$49,600
MacPherson, L.						
2005						
Bowser, M.	24 June 2005	20,000	$0.91	$2.90	$1.99	$39,800

E Additional information (unaudited)

Relationship between remuneration and company performance
The overall level of executive reward takes into account the performance of the group over a number of years, with greater emphasis given to improving performance over the prior year. From 2001 to 2002, the group's net profit improved from a loss of $4,262,000 to a profit of $3,170,000. From 2002 to 2006, the group's net profit has grown at an average rate of 16% per annum. From 2001 to 2006 shareholder wealth has grown at an average rate of 19% per annum, and over that same five year period the average executive remuneration has increased by approximately 9% per annum.

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

Name	Earned %	Forfeited %
Baynham, L.	100	-
Bowser, M.	100	-
Colledge, B.	100	-
Crouch, B.	100	-
Crouch, P.	100	-
Esler, M.	100	-
Grant, J.	100	-
Hill, B.	100	-
Lavett, J.	73	27
MacPherson, L.	100	-
Murphy, P.	100	-
Peters, W.	100	-

Shares under option
No unissued ordinary shares of Data#3 Limited remain under option at the date of this report. No share options were granted during the financial year. Furthermore, there has been no movement in shares under option since year end up to the date of this report.

Shares issued on the exercise of options
The following ordinary shares of Data#3 Limited were issued during the year ended 30 June 2006 on the exercise of options granted under the Data#3 Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Grant date	Issue price of shares	Number of shares issued
22 November 2002	$0.91	20,000

Directors' report, continued

Indemnity/insurance of officers
During the financial year, Data#3 Limited paid a premium of $37,166 to insure the directors and members of the executive management team of the company and the group against any liability incurred by them in their capacity as officers, unless the liability arises out of conduct involving a lack of good faith. The executive officers of the group are also indemnified against any liability for costs and expenses incurred in defending civil or criminal proceedings involving them as such officers if judgement is given in their favour or if they are acquitted or granted relief.

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

Rounding of amounts to nearest thousand dollars
The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that Class Order.

Auditor
Johnston Rorke continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services
The company may decide to employ Johnston Rorke on assignments additional to its statutory duties where the auditor's expertise and experience with the company and/or the group are important.

The board of directors has considered the position and, in accordance with the advice received from the audit 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, as set out below, 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 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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11. During the year the following fees were paid or payable to the auditor for audit and non-audit services:

	Consolidated	
	2006	**2005**
	$	**$**
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	92,500	82,000
Other assurance services		
Due diligence services on potential acquisition	1,500	5,900
Corporate services	940	1,140
IFRS accounting services	10,000	3,500
Taxation services		
Tax compliance services	5,140	7,190
	110,080	99,730

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

R A Anderson
Director
Brisbane
25 August 2006

JOHNSTON RORKE
Chartered Accountants
Floor 5 National Bank House
255 Adelaide Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3221 7779
Website www.jr.com.au
Email jr@jr.com.au

The Directors
Data#3 Limited
Level 2, Data#3 Centre
80-88 Jephson Street
TOOWONG QLD 4066

Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Data#3 Limited for the financial year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

JOHNSTON RORKE
Chartered Accountants

J. Evans

J J Evans
Partner

Brisbane, Queensland
25 August 2006

Income Statements
For the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Revenues					
Sale of goods	4	185,042	158,443	-	-
Services	4	53,926	38,052	49	218
Other	4	644	634	10,490	8,477
Total		239,612	197,129	10,539	8,695
Expenses					
Changes in inventories of finished goods		901	1,212	-	-
Purchase of goods		(163,147)	(139,476)	-	-
Employee and contractor costs directly on-charged (cost of sales on services)		(22,302)	(13,917)	-	-
Other cost of sales on services		(4,800)	(3,338)	-	-
Other employee and contractor costs		(33,514)	(27,877)	(3,926)	(3,745)
Telecommunications		(823)	(839)	(219)	(226)
Rent	4	(2,444)	(2,213)	(249)	(273)
Travel		(1,203)	(952)	(100)	(100)
Depreciation and amortisation	4	(501)	(528)	(162)	(198)
Finance costs		(3)	(15)	(3)	(15)
Management charges – subsidiaries		-	-	(924)	(781)
Other		(3,417)	(3,087)	(1,010)	(881)
Total		(231,253)	(191,030)	(6,593)	(6,219)
Profit before income tax expense		8,359	6,099	3,946	2,476
Income tax expense	5	(2,646)	(1,922)	(286)	(146)
Net profit		5,713	4,177	3,660	2,330
		Cents	**Cents**		
Basic earnings per share	29	36.88	27.41		
Diluted earnings per share	29	36.84	27.36		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets
As at 30 June 2006

	Notes	Consolidated		Parent Entity	
		2006	2005	2006	2005
		$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	7	13,997	9,173	13,811	9,171
Trade and other receivables	8	34,553	30,192	4,190	9,498
Inventories	9	3,263	2,362	-	-
Other	10	1,259	1,021	321	335
Total current assets		53,072	42,748	18,322	19,004
Non-current assets					
Available-for-sale financial assets	11	5	-	5	-
Other financial assets	12	-	7	14	7
Property and equipment	13	1,352	1,372	503	599
Deferred tax assets	5	912	766	131	131
Intangible assets	14	4,626	4,582	117	53
Total non-current assets		6,895	6,727	770	790
Total assets		59,967	49,475	19,092	19,794
Current liabilities					
Trade and other payables	15	37,275	31,356	1,752	1,478
Current tax liabilities		1,454	699	1,454	699
Provisions	16	584	507	273	259
Other	17	2,806	1,997	4,918	7,619
Total current liabilities		42,119	34,559	8,397	10,055
Non-current liabilities					
Provisions	16	424	397	48	35
Other	17	527	722	313	417
Total non-current liabilities		951	1,119	361	452
Total liabilities		43,070	35,678	8,758	10,507
Net assets		16,897	13,797	10,334	9,287
Equity					
Contributed equity	18	9,563	8,706	9,563	8,706
Retained profits		7,334	5,091	771	581
Total equity		16,897	13,797	10,334	9,287

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

Statements of Changes in Equity
For the year ended 30 June 2006

Consolidated	Number of Ordinary Shares '000	Contributed Equity $'000	Retained Profits $'000	Total Shareholders' Equity $'000
Balance at 1 July 2004	15,126	8,190	3,496	11,686
Net profit	-	-	4,177	4,177
Total recognised income and expense	-	-	4,177	4,177
Issuance of ordinary shares	224	516	-	516
Payment of dividends	-	-	(2,582)	(2,582)
Balance at 30 June 2005	15,350	8,706	5,091	13,797
Net profit	-	-	5,713	5,713
Total recognised income and expense	-	-	5,713	5,713
Issuance of ordinary shares	285	857	-	857
Payment of dividends	-	-	(3,470)	(3,470)
Balance at 30 June 2006	15,635	9,563	7,334	16,897

Parent Entity				
Balance at 1 July 2004	15,126	8,190	833	9,023
Net profit	-	-	2,330	2,330
Total recognised income and expense	-	-	2,330	2,330
Issuance of ordinary shares	224	516	-	516
Payment of dividends	-	-	(2,582)	(2,582)
Balance at 30 June 2005	15,350	8,706	581	9,287
Net profit	-	-	3,660	3,660
Total recognised income and expense	-	-	3,660	3,660
Issuance of ordinary shares	285	857	-	857
Payment of dividends	-	-	(3,470)	(3,470)
Balance at 30 June 2006	15,635	9,563	771	10,334

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

Cash Flow Statements
For the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash flows from operating activities					
Receipts from customers		258,675	213,052	7,009	6,384
Payments to suppliers and employees		(249,012)	(208,221)	(3,664)	(4,898)
Dividends received		-	-	3,000	2,000
Interest received		570	371	522	331
Finance costs		(3)	(15)	(3)	(15)
Income taxes paid		(2,071)	(1,531)	(2,067)	(1,071)
Income taxes refunded		-	193	-	-
Net cash inflow from operating activities	26	8,159	3,849	4,797	2,731
Cash flows from investing activities					
Proceeds from sale of property and equipment		-	12	-	7
Payments for property and equipment		(399)	(89)	(46)	(37)
Payments for software assets		(325)	(60)	(85)	(60)
Proceeds from sale of business assets		-	175	-	-
Proceeds received from former joint venture partner		-	619	-	-
Repayment of loans from subsidiaries		-	-	5,300	429
Payment for investment in subsidiary		-	-	(14)	-
Other		2	-	2	-
Net cash inflow (outflow) from investing activities		(722)	657	5,157	339
Cash flows from financing activities					
Repayment of lease liabilities		-	(64)	-	(64)
Proceeds from issues of shares		18	36	18	36
Payment of dividends	6	(2,631)	(2,102)	(2,631)	(2,102)
Loans from subsidiaries		-	-	-	1,436
Repayment of loans to subsidiaries		-	-	(2,701)	-
Net cash inflow (outflow) from financing activities		(2,613)	(2,130)	(5,314)	(694)
Net increase in cash and cash equivalents held		4,824	2,376	4,640	2,376
Cash and cash equivalents at the beginning of the financial year		9,173	6,797	9,171	6,795
Cash and cash equivalents at the end of the financial year	7	13,997	9,173	13,811	9,171
Non-cash financing and investing activities	27				
Financing arrangements	28				

The above of cash flow statements should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation of financial report
This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, UIG Interpretations, and the Corporations Act 2001.

Compliance with IFRS
This financial report complies with Australian Accounting Standards, which include AIFRS. Compliance with AIFRS ensures that the financial report, comprising the financial statements and related notes, complies with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with AIFRS except that the company has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

This is the first annual financial report of Data#3 Limited prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Data#3 Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Data#3 Limited financial report for the year ended 30 June 2006, management has amended certain accounting, valuation, and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the group's and parent entity's equity and net income are given in note 30.

Historical cost convention
These financial statements have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value.

(b) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Data#3 Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Data#3 Limited and its subsidiaries together are referred to in this financial report as the group.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Note 1. Summary of significant accounting policies, continued

(c) Foreign currency translation
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The group's functional and presentation currency is Australian dollars.

Foreign currency transactions are translated to Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. As at balance sheet date the group has not entered any hedge transactions, as the risk to the group from foreign-denominated transactions is insignificant.

(d) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue includes revenue earned (net of returns, discounts, allowances and duties and taxes paid) from the provision of goods or services to entities outside the group.

Revenue from the sale of goods is recognised when the goods are shipped to a customer pursuant to a sales order and the associated risks have passed to the customer. Revenue from services is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where it is probable that a loss will arise from a fixed price service contract, the excess of total costs over revenue is recognised as an expense immediately.

(e) Income tax
Income tax expense for the period is the tax payable on the current period's taxable income based on the national 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.

Deferred tax assets and liabilities are recognised 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. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability, in 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 profit or taxable loss at the time of the transaction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax basis 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Note 1. Summary of significant accounting policies, continued

(e) Income tax, continued
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 any carryforward loss amounts recognised for the period by its wholly-owned subsidiaries in this group, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. The entities have also entered into tax sharing and funding agreements. Refer to note 5.

(f) Leases
Leases of property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Lease payments are allocated between the liability and the interest expense. The leased asset is depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease. Where the group is required to return the premises to their original condition on cessation of the lease, a provision for lease remediation is recorded for the present value of the estimated liability.

(g) Cash and cash equivalents
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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

For purposes of the cash flow statement, cash includes cash and cash equivalents, net of outstanding bank overdrafts.

(h) Receivables
Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

(i) Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Note 1. Summary of significant accounting policies, continued

(j) Business combinations
The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange, unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(p)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(k) Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(l) Non-current assets held for sale
Non-current assets or disposal groups are classified as held for sale and stated at the lower of their carrying amounts or fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(m) Investments and other financial assets
The group has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. The group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP, interests in listed securities were recorded at cost.

The nature of the adjustments necessary for the comparative information to comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables, which are measured at amortised cost (refer below), fair value is the measurement basis. On transition at 1 July 2005, no significant adjustments were required.

From 1 July 2005, the group classifies its investments in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reevaluates this designation at each reporting date. Purchases and sales of investments are recognised on trade date.

Note 1. Summary of significant accounting policies, continued

(m) Investments and other financial assets, continued
Investments are initially recognised at fair value plus, for all financial assets not carried at fair value through profit and loss, transaction costs. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, and for unlisted securities, the group establishes fair value using other valuation techniques such as reference to the fair values of recent arms' length transactions involving the same or similar instruments, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The group considers various factors in determining whether to recognise an impairment charge, including the length of time and extent to which the fair value has been less than the group's cost basis, the financial condition and near-term prospects of the investee, and the group's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Financial assets at fair value through profit and loss and available-for-sale financial assets are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period of maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

As at balance sheet date the group has not entered any derivative contracts.

(n) Fair value of financial instruments
The fair value of certain of the group's financial instruments, including cash and cash equivalents, trade and other receivables (net of allowance for doubtful accounts) and trade and other payables, accrued compensation, and other accrued liabilities, approximate cost because of their short maturities. The fair value of investments is determined using quoted market prices for those securities or similar financial instruments.

(o) Property and equipment
Property and equipment is stated at cost, less accumulated depreciation and amortisation. Depreciation and amortisation are computed using the straight-line method to allocate cost net of residual values over the estimated useful lives of the assets, being three to 20 years. Depreciation and amortisation of leasehold improvements are computed using the straight-line method over two to ten years.

Upon impairment, an asset's carrying amount is written down immediately to its recoverable amount (refer to note 1(k)).

(p) Goodwill and purchased intangible assets
Goodwill on acquisition is initially measured 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. Goodwill is tested for impairment on an annual basis, and between annual tests in certain circumstances, and written down when impaired.

Purchased intangible assets other than goodwill are amortised over their useful lives unless these lives are determined to be indefinite. Purchased intangibles are carried at cost less accumulated amortisation and impairment losses. Amortisation is computed using the straight-line method over the estimated useful lives of the respective assets, generally three to five years.

Note 1. Summary of significant accounting policies, continued

(q) Trade and other payables
These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured, unless stated otherwise, and are usually paid within 30-60 days of recognition.

(r) Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(s) Employee benefits
Wages, salaries, annual leave and sick leave
Liabilities for wages, salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled 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 sick leave, which is non-accumulating, are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave
The liability for long service leave 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Post-employment benefits
Contributions are made by the group to defined contribution superannuation funds. Contributions are charged to expense as they are incurred.

Bonus plans
A liability for employee benefits in the form of bonus plans is recognised in other payables when the group has 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. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based compensation benefits
Share-based compensation benefits are provided to employees via the Data#3 Limited Employee Option Plan and an employee share scheme.

For share options granted before 7 November 2002 and/or vested before 1 January 2005, no expense is recognised. The shares are recognised when the options are exercised and the proceeds received are allocated to share capital.

For share options granted after 7 November 2002 and vested after 1 January 2005, the fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined using the Black Scholes Option Pricing Model and 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, the group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Note 1. Summary of significant accounting policies, continued

(s) Employee benefits, continued
The market value of shares issued under the employee share scheme is recognised in the balance sheet as share capital, with employee benefits expense, measured as the difference between the market value of the shares and the consideration paid by the employee, if any.

(t) Contributed equity
Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received. Any transactions costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(u) Earnings per share
Basic earnings per share is computed as profit attributable to equity holders 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.

(v) Rounding of amounts
The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(w) Accounting standards not yet effective
Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006, are as follows:

AASB amendment or new standard	Affected standards	Nature of change to Accounting policy	Application date of standard*	Application date for the group*
2004-3	AASB 1 *First-time adoption of AIFRS*, AASB 101 *Presentation of Financial Statements*, and AASB 124 *Related Party Disclosures*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-1	AASB 139 *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1 *First-time adoption of AIFRS*, AASB 139 *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3 *Business Combinations*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

Note 1. Summary of significant accounting policies, continued

(w) Accounting standards not yet effective, continued

AASB amendment or new standard	Affected standards	Nature of change to Accounting policy	Application date of standard*	Application date for the group*
2005-10	AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases* , AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time adoption of AIFRS*, AASB 4 I*nsurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
2006-1	AASB 121 *The Effects of Changes in Foreign Currency Rates*	No change to accounting policy required. Therefore no impact	31 December 2006	30 June 2006
AASB 119 *Employee Benefits*	Existing standard	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
New standard	AASB 7 *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
New UIG interpretation	UIG 4 *Determining whether an Arrangement contains a Lease*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

* Application date is for annual reporting periods beginning on or after the date shown in the above table, except for 2006-1, where the application date is for annual reporting periods ending on or after the date shown in the above table.

Note 1. Summary of significant accounting policies, continued

(w) Accounting standards not yet effective, continued
The following amendments are not applicable to the group and therefore have no impact:

AASB amendment or new standard	Affected standards
2005-4	AASB 139: *Financial Instruments: Recognition and Measurement* , AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 1: *First-time adoption of AIFRS*, AASB 1023: *General Insurance Contracts* and AASB 1028: *Life Insurance Contracts*
2005-9	AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, AASB 139: *Financial Instruments: Recognition and Measurement* and AASB 132: *Financial Instruments: Disclosure and Presentation*
New UIG interpretation	UIG 5 *Rights to Interests in Decommissioning, Restorations and Environments Rehabilitation Funds*
New UIG interpretation	UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*
New UIG interpretation	UIG 8 *Scope of AASB 2*
New UIG interpretation	UIG 9 *Reassessment of Embedded Derivatives*

(x) Corporate information
This financial report covers both Data#3 Limited as an individual entity (parent entity) and the group consisting of Data#3 Limited and its subsidiaries. Data#3 Limited is a public company limited by shares, incorporated and domiciled in Australia. The financial report was authorised for issue in accordance with a resolution of the directors on 25 August 2006.

Its registered office is:	Its principal place of business is:
5th Floor	Level 2
National Bank House	Data#3 Centre
255 Adelaide Street	80 Jephson Street
BRISBANE QLD 4000	TOOWONG QLD 4066

Note 2. Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill
The group determines 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. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 14.

Note 3. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. To date the group has not used derivative financial instruments.

Risk management is carried out by the 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.

(a) Market risk
(i) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group operates internationally in New Caledonia; as the revenue contracts are denominated in Australian dollars, the foreign exchange risk in relation to these operations is not material.

(ii) Price risk
The group is exposed to an immaterial amount of equity securities price risk, arising from investments held by the group and classified on the balance sheet as available-for-sale. The group is not exposed to commodity price risk.

(iii) Fair value interest rate risk
Refer to (d) below.

(b) Credit risk
The maximum exposure to credit risk on financial assets which have been recognised on the balance sheet is the carrying amount of those assets. The group has no significant concentrations of credit risk. The group has 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. Specific information as to the group's credit risk exposures is as follows:

- During the 2006 year there were no customers to whom sales exceeded 10% of revenue (2005: nil).
- There are a number of individually significant debtors. At 30 June 2006, the ten largest debtors comprised approximately 29% of total debtors (2005: 30%), of which 34% were accounts receivable from Queensland government customers (2005: 17%).

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the group aims at maintaining flexibility in funding by keeping committed credit lines available. The group manages liquidity risk by monitoring cash flows and ensuring that adequate cash and unutilised borrowing facilities are maintained.

(d) Cash flow and fair value interest rate risk
The group's exposure to interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates, as the group intends to hold fixed rate assets and liabilities to maturity. As the group has no other significant interest-bearing assets, the group's income and operating cash flows are not materially exposed to changes in market interest rates.

(e) Net fair values
The net fair values of financial assets and financial liabilities approximate their carrying amounts.

(f) Derivative financial instruments
The group does not use derivative financial instruments.

Notes to the financial statements
For the year ended 30 June 2006

Note 4. Revenue and expenses

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Revenue				
Sales revenue				
Sale of goods	185,042	158,443	-	-
Services	53,926	38,052	49	218
	238,968	196,495	49	218
Other revenue				
Interest	597	383	549	343
Corporate charges	-	-	6,936	6,134
Dividends	-	-	3,000	2,000
Other	47	251	5	-
	644	634	10,490	8,477
	239,612	197,129	10,539	8,695
Expenses				
Cost of sales of goods	162,246	138,264	-	-
Depreciation: property and equipment	86	132	37	32
Amortisation				
Leasehold improvements	288	274	104	104
Property & equipment under finance leases	-	55	-	55
Software	127	67	21	7
Total amortisation	415	396	125	166
Defined contribution superannuation expense	2,423	1,909	296	289
Employee benefits expense (excluding superannuation)	25,731	21,475	3,237	3,125
Other charges against assets				
Impairment of goodwill	70	69	-	-
Impairment of software assets	84	-	-	-
Bad and doubtful debts	63	57	-	-
Rental expenses on operating leases				
Minimum lease payments	2,364	2,089	250	272
Contingent rentals	15	56	(1)	1
Rental expenses – other	65	68	-	-
	2,444	2,213	249	273
Loss on disposal of property and equipment	45	92	1	1
Loss on sale of business assets	-	118	-	-
Included in other expenses is the net foreign exchange gain	(42)	-	-	-
Included in other expenses is the reversal of provision against Powerlan (Qld) receivable	(115)	-	-	-

Note 5. Income tax

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Income tax expense				
The major components of income tax expense are:				
Current income tax expense	2,776	1,770	286	140
Deferred income tax relating to the origination and reversal of temporary differences	(146)	152	-	6
Under provision in prior year	16	-	-	-
Income tax expense	2,646	1,922	286	146
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:				
Accounting profit before income tax	8,359	6,099	3,946	2,476
Income tax calculated at the Australian tax rate: 30% (2005: 30%)	2,508	1,830	1,184	743
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Non-taxable dividends	-	-	(900)	(600)
Non-deductible items	77	52	2	3
Other	45	40	-	-
	2,630	1,922	286	146
Under provision in prior year	16	-	-	-
Income tax expense	2,646	1,922	286	146

	Consolidated			
	Balance Sheet		Income Statement	
Deferred income tax	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred income tax at 30 June for the group relates to the following:				
Deferred tax assets				
Accrued liabilities	571	434	137	(9)
Provisions	355	307	48	(13)
Lease incentive liability	217	276	(59)	(58)
Other	-	39	(39)	(130)
	1,143	1,056	87	(210)
Deferred tax liabilities				
Lease incentive asset	(217)	(276)	59	58
Other	(14)	(14)	-	-
	(231)	(290)	59	58
Net deferred tax assets	912	766		
Deferred income tax revenue (expense)			146	(152)

Note 5. Income tax, continued

	Parent Entity			
	Balance Sheet		Income Statement	
	2006	2005	2006	2005
Deferred income tax	$'000	$'000	$'000	$'000
Deferred income tax at 30 June for the parent entity relates to the following:				
Deferred tax assets				
Accrued liabilities	49	42	7	3
Provisions	95	87	8	9
Lease incentive liability	125	156	(31)	(32)
Other	-	11	(11)	(11)
	269	296	(27)	(31)
Deferred tax liabilities				
Lease incentive asset	(125)	(156)	31	32
Other	(13)	(9)	(4)	(7)
	(138)	(165)	27	25
Net deferred tax assets	131	131		
Deferred income tax revenue (expense)			-	(6)

Unrecognised temporary differences
The parent entity has recorded impairment charges of $6,117,000 in respect of its investment in a subsidiary (refer notes 12, 23). No deferred tax asset has been recognised in relation to these accumulated impairment charges. The group has recognised a receivable from Powerlan Qld of $526,000 (note 8). The tax cost base of this receivable is $1,853,000. No deferred tax asset has been recognised in respect of this temporary difference.

Tax consolidation legislation
Data#3 Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is disclosed in note 1(e).

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

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

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

The group has no tax losses available for offset against future taxable profits (2005: nil).

Note 6. Dividends

	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Dividends paid on ordinary shares during the year		
Final fully franked dividend for 2005: 11.5c (2004: 9.5c)	1,766	1,439
Interim fully franked dividend for 2006: 11.0c (2005: 7.5c)	1,704	1,143
	3,470	2,582
Dividends declared (not recognised as a liability at year end)		
Final fully franked dividend for 2006: 17c (2005: 11.5c)	2,658	1,765

The tax rate at which dividends paid have been franked is 30% (2005: 30%).
Dividends declared will be franked at the rate of 30% (2005: 30%).

	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30% (2005: 30%)	6,596	5,312

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(i) franking credits that will arise from the payment of the current tax liability;
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The dividend recommended by the directors since year end, but not recognised as a liability at year end, will result in a reduction in the franking account of $1,139,000 (2005: 757,000).

Note 7. Cash and cash equivalents

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash at bank and on hand	2,497	1,673	2,311	1,671
Deposits at call	11,500	7,500	11,500	7,500
Balances per cash flow statements	13,997	9,173	13,811	9,171

Cash is bearing floating interest rates of approximately 4.4% per annum (2005: 4.2%). Deposits at call comprise deposits with financial institutions available at call and are bearing a floating interest rate of approximately 5.3% per annum (2005: 5.2%). The weighted average interest rate in relation to cash and cash equivalents for 2006 was 5.2% (2005: 5.0%).

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

Note 8. Trade and other receivables

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Trade receivables	34,079	29,824	-	14
Provision for doubtful debts	(175)	(121)	-	-
	33,904	29,703	-	14
Other receivables	123	78	52	46
Receivable from Powerlan Qld	1,853	1,853	-	-
Provision for doubtful debt	(1,327)	(1,442)	-	-
	526	411	-	-
Amounts receivable from subsidiaries	-	-	4,138	9,438
	34,553	30,192	4,190	9,498

Trade receivables
Trade receivables are non-interest bearing and are generally due for settlement no more than 30 days from the date of recognition.

Other receivables
These amounts generally arise from accrued rebates or transactions outside the usual operating activities of the group. Interest is normally not charged, collateral is not normally obtained and the receivables are normally due within 30 days of recognition.

Receivable from Powerlan Qld
Subsequent to year end $526,000 was received from Powerlan Qld in settlement of the above debt. Interest is not charged on this balance.

Receivables from subsidiaries
These amounts are at call, unsecured, interest-free and repayable in cash.

Note 9. Inventories

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Finished goods – at cost	3,263	2,362	-	-

Note 10. Other current assets

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Prepayments	777	341	320	334
Security deposits	76	82	1	1
Accrued rebates	406	598	-	-
	1,259	1,021	321	335

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

Note 11. Available-for-sale financial assets (non-current)

Shares in listed corporations – at fair value	5	-	5	-

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed
maturity date or coupon rate.

Note 12. Other financial assets (non-current)

Shares in listed corporations – at cost	-	7	-	7
Shares in subsidiaries – at cost (note 23)	-	-	6,131	6,117
Accumulated impairment	-	-	(6,117)	(6,117)
	-	-	14	-
	-	7	14	7

Note 13. Property and equipment

Leasehold improvements – at cost	2,335	2,007	1,042	1,042
Accumulated amortisation	(1,114)	(825)	(625)	(521)
	1,221	1,182	417	521
Equipment – at cost	882	963	671	639
Accumulated depreciation	(751)	(773)	(585)	(561)
	131	190	86	78
	1,352	1,372	503	599

	Leasehold improvements $'000	Equipment $'000	Leased equipment $'000	Total $'000
Consolidated				
Carrying amount at 1 July 2004	1,406	395	55	1,856
Additions	50	39	-	89
Disposal of business assets	-	(8)	-	(8)
Disposals	-	(104)	-	(104)
Depreciation/amortisation expense	(274)	(132)	(55)	(461)
Carrying amount at 30 June 2005	1,182	190	-	1,372
Additions	327	72	-	399
Disposals	-	(45)	-	(45)
Depreciation/amortisation expense	(288)	(86)	-	(374)
Carrying amount at 30 June 2006	1,221	131	-	1,352

Note 13. Property and equipment, continued

	Leasehold improvements $'000	Equipment $'000	Leased equipment $'000	Total $'000
Parent entity				
Carrying amount at 1 July 2004	625	81	55	761
Additions	-	37	-	37
Disposals	-	(8)	-	(8)
Depreciation/amortisation expense	(104)	(32)	(55)	(191)
Carrying amount at 30 June 2005	521	78	-	599
Additions	-	46	-	46
Disposals	-	(1)	-	(1)
Depreciation/amortisation expense	(104)	(37)	-	(141)
Carrying amount at 30 June 2006	417	86	-	503

Note 14. Intangible assets

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Goodwill – at cost	6,166	6,236	-	-
Accumulated amortisation	(1,827)	(1,827)	-	-
	4,339	4,409	-	-
Software assets – at cost	578	253	145	60
Accumulated amortisation	(291)	(80)	(28)	(7)
	287	173	117	53
	4,626	4,582	117	53

	Consolidated Goodwill $'000	Consolidated Software assets $'000	Consolidated Total $'000	Parent Entity Software assets $'000
Carrying amount at 1 July 2004	4,805	180	4,985	-
Additions	-	60	60	60
Disposals	(327)	-	(327)	-
Amortisation expense	-	(67)	(67)	(7)
Impairment charge	(69)	-	(69)	-
Carrying amount at 30 June 2005	4,409	173	4,582	53
Additions	-	325	325	85
Amortisation expense	-	(127)	(127)	(21)
Impairment charge	(70)	(84)	(154)	-
Carrying amount at 30 June 2006	4,339	287	4,626	117

Intangibles – software assets
Software assets, which have been externally acquired, have been capitalised at cost and are amortised on a straight-line basis over the asset's useful economic life which is generally two to three years. The useful lives and potential impairment of the software assets are reviewed at the end of each financial year.

Note 14. Intangible assets, continued

Goodwill impairment testing
Goodwill acquired through business acquisitions has been allocated to the smallest identifiable group of assets that generates largely independent cash flows and which are expected to benefit from synergies of the combination. Due to the nature of Data#3 operations and internal management reporting and monitoring of goodwill, goodwill has been allocated to the consolidated group. Under AIFRS, goodwill must be tested at least annually for impairment. Management has carried out impairment testing as at each reporting date.

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial projections approved by senior management for financial year 2007. The before-tax discount rate applied to cash flow projections is 13%. Cash flows beyond the 2007 financial year have been extrapolated using an average growth rate of 9.8%.

Key assumptions used in value-in-use calculations

Budgeted gross margins have been determined based on past performance and management's expectations for the future. The discount rate was estimated based on the company's weighted average cost of capital at the date of impairment test.

Note 15. Trade and other payables

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Trade payables – secured (note 28)	11,325	8,510	-	-
– unsecured	20,515	18,337	-	-
	31,840	26,847	-	-
Other payables – unsecured	5,435	4,509	1,752	1,478
	37,275	31,356	1,752	1,478

Note 16. Provisions

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Current				
Employee benefits	584	507	273	259
Non–current				
Employee benefits	315	311	43	31
Lease remediation (note 1(f))	109	86	5	4
	424	397	48	35
Total	1,008	904	321	294

	Consolidated	Parent Entity
	Lease remediation $'000	Lease remediation $'000
Balance at 1 July 2005	86	4
Arising during the year	23	1
Utilised during the year	-	-
Balance at 30 June 2006	109	5

Note 17. Other liabilities

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Current				
Unearned income	2,610	1,801	-	-
Lease incentives	196	196	104	104
Amounts payable to subsidiaries	-	-	4,814	7,515
	2,806	1,997	4,918	7,619
Non–current				
Lease incentives	527	722	313	417

Unearned income comprises amounts received in advance of the provision of goods or services. Payables to subsidiaries are at call, unsecured, interest-free and repayable in cash.

Note 18. Contributed equity

(a) Movements in ordinary share capital

Details	Notes	Number of Shares	Issue Price $	$'000
Opening balance – 1 July 2004		15,126,053		8,190
Exercise of options under Data#3 Limited Employee Option Plan	24	40,000	0.91	36
Dividend reinvestment plan issue	(i)	93,700	2.22	208
Dividend reinvestment plan issue	(i)	90,020	3.03	272
Balance – 30 June 2005		15,349,773		8,706
Exercise of options under Data#3 Limited Employee Option Plan	24	20,000	0.91	18
Dividend reinvestment plan issue	(i)	125,211	2.96	371
Dividend reinvestment plan issue	(i)	140,067	3.35	468
Balance – 30 June 2006		15,635,051		9,563

(i) The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares are issued under the plan at a discount to the market price of up to 10%; the shares issued under the plan during the year were offered to shareholders at a discount of 5%. The dividend reinvestment plan will be suspended indefinitely from 1 September 2006.

(ii) Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

(b) Ordinary shares

All ordinary shares issued as at 30 June 2006 and 2005 are fully paid. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Share options

For details as to the number of share options outstanding as at 30 June 2006, refer note 24.

Note 19. Contingent liabilities

At 30 June 2006 bank guarantees totalling $410,000 (2005: $410,000) were provided by the parent entity to lessors as security for premises leased by the parent entity and the subsidiaries. The guarantees will remain in place for the duration of the operating leases. Bank guarantees are secured by charges over all of the group's assets.

Cross guarantees have been provided by the parent entity and its Australian wholly-owned subsidiaries as described in note 23.

Note 20. Commitments

	Consolidated		Parent Entity	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Future minimum rentals payable under non-cancelable operating leases as at 30 June are as follows:				
Within one year	2,187	2,163	1,001	982
Later than one year but not later than 5 years	4,439	5,531	2,638	3,007
	6,626	7,694	3,639	3,989

Operating leases include leases of premises, motor vehicles and office equipment. Under the relevant lease agreements (mainly premises) the rentals are subject to periodic review to market and/or for CPI increases. Operating leases are under normal commercial operating lease terms and conditions. Certain operating lease commitments of the parent entity, mainly comprising premises, are paid for and recognised as expenses by subsidiaries.

Note 21. Key management personnel

Directors
The following persons were directors of Data#3 Limited during the 2005 and 2006 financial years, except as noted:

R Anderson	Chairman - non-executive
G Clark	Non-executive director
J Grant	Managing director
W Powell	Non-executive director
H Stack	Non-executive director (from 1 July 2005 to 23 December 2005, the date of his resignation)

Other key management personnel
The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year:

Name	*Position*	*Employer*
L Baynham	General Manager	Data#3 Business Systems Pty Ltd
M Bowser	Manager – Recruitment Solutions	Data#3 Business Systems Pty Ltd
B Colledge	Manager – Licensing Solutions	Data#3 Business Systems Pty Ltd
B Crouch	Manager – Enterprise Solutions	Data#3 Business Systems Pty Ltd
P Crouch	Manager – New South Wales	Gratesand Pty Ltd
M Esler	Manager – Queensland	Data#3 Limited
B Hill	Chief Financial Officer and Company Secretary	Data#3 Limited
J Lavett	Manager – Victoria	Gratesand Pty Ltd
L Macpherson	Manager – Organisational Development and HR	Data#3 Limited
P Murphy	Manager – ICT Services	Data#3 Business Systems Pty Ltd
W Peters	Manager – Recruitment Solutions	Data#3 Business Systems Pty Ltd

Note 21. Key management personnel, continued

All of the above persons were also key management personnel during the year ended 30 June 2005, except for W Peters and P Crouch, who were promoted to their positions on 1 July 2005 and 1 November 2005, respectively.

Key management personnel compensation

	Consolidated		Parent Entity	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Short-term employee benefits	3,114,447	2,703,919	1,191,234	1,183,542
Long-term employee benefits	28,745	21,790	8,377	8,874
Post-employment benefits	171,309	147,490	78,243	77,980
	3,314,501	2,873,199	1,277,854	1,270,396

The company has taken advantage of the relief provided by regulation 2M.6.04 of the Corporations Regulations 2001 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found at Sections A-D of the remuneration report.

Equity instrument disclosures relating to key management personnel

Shares under option
Subject to shareholder approval, additional options may be granted to directors and executives under the Data#3 Limited Employee Option Plan, details of which are set out in note 24. Information in respect of options held as at 30 June 2006, whether directly, indirectly or beneficially, by each key management person, including their personally-related entities, is set out below.

	Balance 30 June 2004	Exercised	Balance 30 June 2005	Exercised	Balance 30 June 2006	Vested and exercisable 30 June 2005	Vested and exercisable 30 June 2006
Bowser, M.	20,000	(20,000)	-	-	-	-	-
MacPherson, L.	20,000	-	20,000	(20,000)	-	20,000	-
	40,000	(20,000)	20,000	(20,000)	-	20,000	-

Shares issued on exercise of Data#3 Limited remuneration options during the years ended 30 June 2006 and 2005

Key management person	Shares issued Number	Paid per share $	Unpaid per share $
2006			
MacPherson, L.	20,000	0.91	-
2005			
Bowser, M.	20,000	0.91	-

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

Note 21. Key management personnel, continued

Number of shares in Data#3 Limited held by key management personnel

	Balance 30 June 2004	Options Exercised	Net change Other	Balance 30 June 2005	Options Exercised	Net change Other	Balance 30 June 2006
Anderson, R.	40,000	-	-	40,000	-	5,000	45,000
Clark, G.	668,880	-	(50,000)	618,880	-	(35,148)	583,732
Grant, J.	861,520	-	-	861,520	-	-	861,520
Powell, W.	680,000	-	(60,000)	620,000	-	(55,000)	565,000
Stack, H.	10,000	-	-	10,000	-	-	10,000
Baynham, L.	54,905	-	(3,305)	51,600	-	-	51,600
Bowser, M.	-	20,000	-	20,000	-	(10,000)	10,000
Colledge, B.	23,600	-	-	23,600	-	-	23,600
Crouch, B.	10,000	-	-	10,000	-	-	10,000
Esler, M.	760,100	-	-	760,100	-	-	760,100
Hill, B.	43,000	-	7,000	50,000	-	-	50,000
MacPherson, L.	-	-	-	-	20,000	-	20,000
	3,152,005	20,000	(106,305)	3,065,700	20,000	(95,148)	2,990,552

Key management personnel who are not shown in above tables held no shares or options in Data#3 Limited. There has been no movement in key management personnel' shareholdings since year end up to the date of this report.

Other transactions with key management personnel
Mr J E Grant, an executive director, is a director of Wood Grant & Associates Pty Ltd and has the capacity to significantly influence decision making of that entity. Data#3 Limited engages Wood Grant & Associates Pty Ltd to assist with design and production of the annual and half-yearly financial reports. These transactions are made on normal commercial terms and conditions and at market rates.

	2006 $	2005 $
Amounts recognised as expense		
Other expense	21,325	12,525

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

Note 22. Remuneration of auditor

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

	Consolidated 2006 $	Consolidated 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Audit services				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	92,500	82,000	92,500	82,000
Other assurance services				
Due diligence services on potential acquisition	1,500	5,900	1,500	5,900
Corporate services	940	1,140	940	1,140
IFRS accounting services	10,000	3,500	10,000	3,500
Taxation services				
Tax compliance services	5,140	7,190	5,140	7,190
Total remuneration	110,080	99,730	110,080	99,730

Note 22. Remuneration of auditor, continued

There was no remuneration paid to related practices of Johnston Rorke. It is the group's policy to employ Johnston Rorke on assignments additional to its statutory audit duties where Johnston Rorke's expertise and experience with the group are important.

Note 23. Related parties

Wholly–owned group

The consolidated financial statements include the financial statements of Data#3 Limited and the subsidiaries listed in the following table.

Name of entity	Country of formation or incorporation	Equity holding (ordinary shares) 2006 %	2005 %
Data#3 Business Systems Pty Ltd	Australia	100	100
Gratesand Pty Ltd	Australia	100	100
Data#3 NC SARL	New Caledonia	100	-

Transactions between Data#3 Limited and other entities in the wholly-owned group during the years ended 30 June 2006 and 30 June 2005 consisted of:

- Loans advanced to/by subsidiaries and repayments (refer Cash Flow Statement);
- Recovery of corporate charges received by Data#3 Limited for accounting, administrative services, management and use of assets (refer note 4);
- Management charges from subsidiaries for use of assets and provision of systems and services (refer Income Statement);
- Dividends received by Data#3 Limited (refer note 4); and
- Transactions between Data#3 Limited and its wholly-owned subsidiaries under the accounting tax sharing and funding agreements described in note 5. The parent entity recognised a receivable of $2,778,000 and a payable of $238,000 in relation to its subsidiaries' current tax payable or receivable amounts for the year ended 30 June 2006 (2005: a receivable of $1,631,000).

Loans provided are at call, interest-free and unsecured and have no fixed repayment terms (refer notes 8 and 17). Corporate charges by the parent entity are based on budgeted cost. Management charges by subsidiaries are based on discounted retail price. Unless otherwise stated, transactions are on commercial terms and conditions.

Management has carried out impairment testing as at each reporting date in relation to the parent entity's investment in its subsidiaries. As at 1 July 2004 an impairment loss of $1,745,000 was recognised against the net investment in CICtechnology (Gratesand Pty Ltd). The investment's carrying value was written down to zero on the basis of the value-in-use calculation used to determine the asset's recoverable amount.

Entities subject to class order relief

Data#3 Limited, Data#3 Business Systems Pty Ltd, and Gratesand Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, these wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities & Investments Commission. Data#3 Limited and Data#3 Business Systems Pty Ltd both have net assets as at 30 June 2006. However, Gratesand Pty Ltd has net liabilities of $8,536,000 as at 30 June 2006 (2005: 7,733,000); this deficiency includes a payable to Data#3 Limited of $4,458,000 (2005: 8,075,000).

The above companies, which comprise the parent entity and all of its Australian subsidiaries, represent a "Closed Group" for the purposes of the Class Order. The Closed Group for 2005 was the group, therefore comparative disclosures are not presented in the following tables; refer to the consolidated financial statement comparatives. The consolidated income statement for the closed group for the year ended 30 June 2006 is set out in the following table.

Note 23. Related parties, continued

	Closed Group 2006 $'000
Revenues	
Sale of goods	185,042
Services	51,971
Other	1,227
Total	238,240
Expenses	
Changes in inventories of finished goods	901
Purchase of goods	(163,147)
Employee and contractor costs directly on-charged (cost of sales on services)	(22,302)
Other cost of sales on services	(4,768)
Other employee and contractor costs	(32,158)
Telecommunications	(795)
Rent	(2,407)
Travel	(1,109)
Depreciation and amortisation	(501)
Finance costs	(3)
Other	(3,476)
Total	(229,765)
Profit before income tax expense	8,475
Income tax expense	(2,680)
Net profit	5,795

A summary of movements in consolidated retained earnings for the year ended 30 June 2006 of the closed group is set out below.

Retained earnings at 1 July 2005	5,091
Profit after income tax/net profit	5,795
Dividends provided for or paid	(3,470)
Retained profits at 30 June 2006	7,416

Note 23. Related parties, continued

The consolidated balance sheet as at 30 June 2006 for the closed group is set out below.

	Closed Group 2006 $'000
Current assets	
Cash and cash equivalents	13,814
Trade and other receivables	34,667
Inventories	3,263
Other	1,218
Total current assets	52,962
Non-current assets	
Available-for-sale financial assets	5
Other financial assets	14
Property and equipment	1,349
Deferred tax assets	912
Intangible assets	4,619
Total non-current assets	6,899
Total assets	59,861
Current liabilities	
Trade and other payables	37,087
Current tax liabilities	1,454
Provisions	584
Other	2,806
Total current liabilities	41,931
Non-current liabilities	
Provisions	424
Other	527
Total non-current liabilities	951
Total liabilities	42,882
Net assets	16,979
Equity	
Contributed equity	9,563
Retained profits	7,416
Total equity	16,979

Note 24. Share-based payments

Data#3 Limited Employee Share Scheme

The establishment of the Data#3 Limited Employee Share Scheme was approved at an extraordinary general meeting of the company held on 26 February 1999. All full-time and part-time employees, excluding directors, of Data#3 Limited and its subsidiaries are eligible to participate in the scheme. To 30 June 2006 no shares have been issued under the scheme.

Under the scheme, eligible employees may be offered a minimum of 200 shares at a price determined by the directors where the discount of the share price is not more than 25% of the weighted average price of the shares trading on the ASX over the five trading days immediately prior to the Board resolution. Offers under the scheme are at the sole direction of the Board of directors. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the balance sheet as share capital, and compensation expense, measured as the difference between the market value of the shares and the consideration paid by the employee, is recorded as part of employee benefits costs.

The board of directors may, by resolution, restrict shares issued under the scheme from being sold for a specified period of time after their issue, up to a maximum of three years. In all other respects the shares rank equally with other fully paid ordinary shares on issue (see note 18(b)).

Data#3 Limited Employee Option Plan

The establishment of the Data#3 Limited Employee Option Plan (the Plan) was approved at an extraordinary general meeting of the company held on 5 November 1997.

All full-time and part-time employees, including directors, of Data#3 Limited and its subsidiaries are eligible to participate in the plan. Options are issued for $1 per parcel of options issued and are exercisable from two years prior to the expiry date; the options lapse 30 days following cessation of the option holder's employment. The exercise price of the options on issue was determined as the higher of 90 cents per share or the weighted average price of the shares as listed with the ASX within the 5 days immediately prior to the offer date. Options granted under the plan carry no dividend or voting rights. Options may only be granted with shareholder approval. The Plan must be reviewed and approved at an Annual General Meeting prior to the granting of additional options. When exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance at end of the year
			Number	Number	Number	Number	Number
Consolidated and parent entity – 2006							
22 November 2002	21 November 2005	$0.91	20,000	-	20,000	-	-
Consolidated and parent entity – 2005							
22 November 2002	21 November 2005	$0.91	60,000	-	40,000	-	20,000

Note 24. Share-based payments, continued

Details of the options exercised during the years ended 30 June 2006 and 2005 are as follows:

		Consolidated		Parent Entity	
Exercise date	**Fair value per share at issue date**	**2006 Number**	**2005 Number**	**2006 Number**	**2005 Number**
11 November 2005	$3.39	20,000	-	20,000	-
24 June 2005	$2.90	-	20,000	-	20,000
31 August 2004	$2.45	-	20,000	-	20,000
		20,000	40,000	20,000	40,000

The fair value of shares issued on the exercise of options is the closing price at which the company's shares were traded on the Australian Stock Exchange on the date the options were exercised.

	Consolidated		Parent Entity	
	2006 $	**2005 $**	**2006 $**	**2005 $**
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	18,200	36,400	18,200	36,400
Aggregate fair value of shares issued to employees on the exercise of options as at their issue date	67,800	107,000	67,800	107,000

Refer to note 1(s) for information in relation to the company's accounting policy for options granted. The above options were granted after 7 November 2002 and vested prior to 1 January 2005. Accordingly the exemption contained in AASB 1 *First-time Adoption of Australian Equivalents to IFRS* does not require the application of AASB 2 *Share Based Payments* to the above options.

Note 25. Segment information

Business segment
The group predominantly operates in one business segment. Its activities include the procurement of information and communication technology (ICT) products; the design, implementation and support of ICT infrastructure solutions; the provision of ICT recruitment services; and the supply, implementation and support of application software solutions.

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

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

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

Note 26. Reconciliation of net profit after income tax to net cash flow from operating activities

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Net profit after income tax	5,713	4,177	3,660	2,330
Depreciation and amortisation	501	528	162	198
Impairment of goodwill	70	69	-	-
Impairment of software assets	84	-	-	-
Bad and doubtful debts	63	57	-	-
Loss on sale of property and equipment	45	92	1	1
Reduction of bad debt provision	(115)	-	-	-
Loss on sale of business assets	-	118	-	-
Write-off of investment in subsidiaries	-	-	-	6
Change in operating assets and liabilities, net of effects from purchase and sale of businesses				
(Increase) / decrease in trade receivables	(4,264)	(2,878)	14	10
(Increase) in inventories	(901)	(1,247)	-	-
(Increase) / decrease in other operating assets	(283)	155	8	(52)
(Increase) / decrease in net deferred tax assets	(146)	152	-	6
Increase / (decrease) in trade payables	4,993	2,358	-	(11)
Increase / (decrease) in unearned income	809	(309)	-	-
Increase / (decrease) in other operating liabilities	754	(14)	171	(227)
Increase in current tax liabilities	755	431	755	431
Increase in liability for employee benefits	81	160	26	39
Net cash inflow from operating activities	8,159	3,849	4,797	2,731

Note 27. Non-cash financing and investing activities

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Dividends satisfied by issue of shares (note 18)	839	480	839	480

Note 28. Financing arrangements

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Unrestricted access was available at balance date to the following lines of credit:				
Bank overdrafts	600	600	600	600
Bill facility	3,955	3,955	3,955	3,955
	4,555	4,555	4,555	4,555

All financing facilities were unused as at 30 June 2006 and 2005.

Bank overdrafts
The bank overdraft facilities are subject to annual review, may be drawn at any time and may be terminated by the bank without notice. Interest is variable and is charged at prevailing market rates. The weighted average interest rate at year end was 9.7% (2005: 9.5%).

Bill facility
The facility is subject to annual review. No bills were outstanding as at 30 June 2006 or 2005.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Secured liabilities (current and non-current)				
Lease incentives (note 17)	723	918	417	521
Trade payables (note 15)	11,325	8,510	-	-
Total secured liabilities	12,048	9,428	417	521

Assets pledged as security
All the assets of the group are pledged as security for bank facilities and certain trade creditor facilities as noted above. Leasehold improvements (refer note 13) effectively secure lease incentive liabilities as noted above.

Note 29. Earnings per share

	Consolidated 2006 Cents	Consolidated 2005 Cents
Basic earnings per share	36.88	27.41
Diluted earnings per share	36.84	27.36

	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	15,492,196	15,236,746
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	15,507,449	15,264,258

Information concerning earnings per share:

a) Earnings for the purpose of the calculation of basic earnings per share is the net profit.
b) Earnings for the purpose of the calculation of diluted earnings per share is also the net profit.
c) Options granted are considered to be potential ordinary shares. Details relating to options are set out in note 24.
d) In the circumstances of the company the options are considered dilutive and are therefore included in the calculation of diluted earnings per share.
e) Reconciliation of the weighted average number of ordinary shares is as follows:

	Number	Number
Number used in calculating basic earnings per share	15,492,196	15,236,746
Weighted average number of options outstanding	15,253	27,512
Number used in calculating diluted earnings per share	15,507,449	15,264,258

Notes to the financial statements
For the year ended 30 June 2006

Note 30. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

Reconcilations of equity and profit reported under previous AGAAP to equity and profit reported under AIFRS are set out below.

At the date of transition to AIFRS: 1 July 2004

		Consolidated			Parent Entity		
	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Current assets							
Cash and cash equivalents		6,797	-	6,797	6,795	-	6,795
Trade and other receivables		27,673	-	27,673	9,930	-	9,930
Inventories		1,115	-	1,115	-	-	-
Other		928	-	928	290	-	290
Total current assets		36,513	-	36,513	17,015	-	17,015
Non-current assets							
Other receivables		500	-	500	-	-	-
Other financial assets	(a)	7	-	7	1,758	(1,745)	13
Property and equipment	(i)	1,367	489	1,856	761	-	761
Deferred tax assets	(b), (c), (g)	831	87	918	831	(694)	137
Intangible assets		4,985	-	4,985	-	-	-
Total non-current assets		7,690	576	8,266	3,350	(2,439)	911
Total assets		44,203	576	44,779	20,365	(2,439)	17,926
Current liabilities							
Trade and other payables	(d)	28,467	268	28,735	1,612	1	1,613
Interest bearing liabilities		64	-	64	64	-	64
Current tax liabilities		268	-	268	268	-	268
Provisions		410	-	410	213	-	213
Other	(i)	2,214	92	2,306	6,183	-	6,183
Total current liabilities		31,423	360	31,783	8,340	1	8,341
Non-current liabilities							
Provisions	(e)	327	65	392	38	3	41
Other	(i), (c)	521	397	918	1,216	(695)	521
Total non-current liabilities		848	462	1,310	1,254	(692)	562
Total liabilities		32,271	822	33,093	9,594	(691)	8,903
Net assets		11,932	(246)	11,686	10,771	(1,748)	9,023
Equity							
Contributed equity		8,190	-	8,190	8,190	-	8,190
Retained profits	(g)	3,742	(246)	3,496	2,581	(1,748)	833
Total equity		11,932	(246)	11,686	10,771	(1,748)	9,023

Note 30. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS), continued

For the last reporting period: 30 June 2005

	Notes	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to AIFRS $'000	Consolidated AIFRS $'000	Parent Entity Previous AGAAP $'000	Parent Entity Effect of transition to AIFRS $'000	Parent Entity AIFRS $'000
Current assets							
Cash and cash equivalents		9,173	-	9,173	9,171	-	9,171
Trade and other receivables		30,192	-	30,192	9,498	-	9,498
Inventories		2,362	-	2,362	-	-	-
Other		1,021	-	1,021	335	-	335
Total current assets		42,748	-	42,748	19,004	-	19,004
Non-current assets							
Other financial assets	(a)	7	-	7	1,752	(1,745)	7
Property and equipment	(i)	1,028	344	1,372	652	(53)	599
Deferred tax assets	(b), (c), (g)	649	117	766	649	(518)	131
Intangible assets	(a), (i)	4,217	365	4,582	-	53	53
Total non-current assets		5,901	826	6,727	3,053	(2,263)	790
Total assets		48,649	826	49,475	22,057	(2,263)	19,794
Current liabilities							
Trade and other payables	(d)	31,032	324	31,356	1,476	2	1,478
Current tax liabilities		699	-	699	699	-	699
Provisions		507	-	507	259	-	259
Other	(i)	1,905	92	1,997	7,619	-	7,619
Total current liabilities		34,143	416	34,559	10,053	2	10,055
Non-current liabilities							
Provisions	(e)	311	86	397	31	4	35
Other	(i), (c)	417	305	722	937	(520)	417
Total non-current liabilities		728	391	1,119	968	(516)	452
Total liabilities		34,871	807	35,678	11,021	(514)	10,507
Net assets		13,778	19	13,797	11,036	(1,749)	9,287
Equity							
Contributed equity		8,706	-	8,706	8,706	-	8,706
Retained profits	(g)	5,072	19	5,091	2,330	(1,749)	581
Total equity		13,778	19	13,797	11,036	(1,749)	9,287

Notes to the financial statements
For the year ended 30 June 2006

Note 30. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS), continued

For the year ended 30 June 2005

		Consolidated			Parent Entity		
	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenues							
Sale of goods		158,443	-	158,443	-	-	-
Services		38,052	-	38,052	218	-	218
Other	(h)	646	(12)	634	8,484	(7)	8,477
Total		197,141	(12)	197,129	8,702	(7)	8,695
Expenses							
Changes in inventories of finished goods		1,212	-	1,212	-	-	-
Purchase of goods		(139,476)	-	(139,476)	-	-	-
Employee and contractor costs directly on-charged (cost of sales on services)		(13,917)	-	(13,917)	-	-	-
Other cost of sales on services		(3,338)	-	(3,338)	-	-	-
Other employee and contractor costs		(27,877)	-	(27,877)	(3,745)	-	(3,745)
Telecommunications		(839)	-	(839)	(226)	-	(226)
Rent	(d)	(2,249)	(36)	(2,213)	(272)	1	(273)
Travel		(952)	-	(952)	(100)	-	(100)
Depreciation and amortisation	(a), (i)	(748)	(220)	(528)	(198)	-	(198)
Finance costs		(15)	-	(15)	(15)	-	(15)
Management charges – subsidiaries		-	-	-	(781)	-	(781)
Other	(e), (h)	(3,078)	9	(3,087)	(887)	(6)	(881)
Total		(191,277)	(247)	(191,030)	(6,224)	(5)	(6,219)
Profit before income tax expense		5,864	235	6,099	2,478	(2)	2,476
Income tax expense	(g)	(1,952)	30	(1,922)	(147)	1	(146)
Net profit		3,912	265	4,177	2,331	(1)	2,330

Note 30. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS), continued

(a) Intangible assets and impairment of assets
Under AASB 3 *Business Combinations*, amortisation of goodwill is prohibited. Instead goodwill is subject to impairment testing. Under AASB 136 *Impairment of Assets*, impairment of assets is assessed by determining the recoverable amount as the higher of fair value less costs to sell or value in use, focusing on the cash flows of the related cash generating unit, rather than using the previous method of undiscounted cash flows. The parent entity's investment in one of its subsidiaries was shown to be impaired as at 1 July 2004 using the new methodology. This change in accounting policy had the following impact:

At 1 July 2004
Consolidated: There is no effect.
Parent entity: There is a decrease in investment in subsidiaries of $1,745,000 and retained profits of $1,745,000.

At 30 June 2005
Consolidated: There is an increase in goodwill of $312,000 and retained profits of $312,000.
Parent entity: There is a decrease in investment in subsidiaries of $1,745,000 and retained profits of $1,745,000.

For the year ended 30 June 2005
Consolidated: Amortisation expense is $312,000 lower.
Parent entity: There is no effect.

(b) Income tax
Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet approach under which temporary differences are identified for each asset and liability based on the differences between their carrying amounts and their tax bases rather than the income statement method which accounts for the effects of timing and permanent differences between taxable income and accounting profit. Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. This change in accounting policy has no effect on the parent entity; the effect on the group is:

At 1 July 2004
There is a decrease in consolidated deferred tax assets of $12,000 and consolidated retained profits of $12,000.

At 30 June 2005
There is a decrease in consolidated deferred tax assets of $5,000 and consolidated retained profits of $5,000.

For the year ended 30 June 2005
There is a decrease in consolidated income tax expense of $7,000.

(c) Tax consolidation
Data#3 Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. Under previous AGAAP, the parent entity recognised current and deferred tax amounts relating to transactions, events and balances of the tax consolidated entities as if those transactions, events and balances were its own. Under AIFRS the parent entity only recognises the current tax payable and deferred tax assets relating to tax losses, where applicable, from controlled entities in the tax consolidated group. There is no effect on the group; the effect on the parent entity is:

At 1 July 2004
There is a decrease in deferred tax assets of $695,000 and amounts payable to subsidiaries of $695,000.

At 30 June 2005
There is a decrease in deferred tax assets of $520,000 and amounts payable to subsidiaries of $520,000.

For the year ended 30 June 2005
There is no effect.

Note 30. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS), continued

(d) Operating lease rentals
Under AIFRS operating lease payments are generally required to be charged to expense on a straight-line basis over the term of the lease. Under previous AGAAP lease payments were charged to expense as incurred. The effect of this change in accounting policy is:

At 1 July 2004
Consolidated: There is an increase in accrued liabilities of $268,000 and a corresponding decrease in retained profits. Parent entity: There is an increase in accrued liabilities of $1,000 and a corresponding decrease in retained profits.

At 30 June 2005
Consolidated: There is an increase in accrued liabilities of $324,000 and a corresponding decrease in retained profits. Parent entity: There is an increase in accrued liabilities of $2,000 and a corresponding decrease in retained profits.

For the year ended 30 June 2005
There are increases in rent expense of $56,000 for the group and $1,000 for the parent entity.

(e) Provisions
Under AIFRS a provision must be taken up for the present value of provisions in relation to the remediation of premises under operating leases. Under previous AGAAP remediation costs were charged to expense as incurred. The effect of this change in accounting policy is:

At 1 July 2004
Consolidated: There is an increase in non-current provisions of $65,000 and a corresponding decrease in retained profits. Parent entity: There is an increase in non-current provisions of $3,000 and a corresponding decrease in retained profits.

At 30 June 2005
Consolidated: There is an increase in non-current provisions of $86,000 and a corresponding decrease in retained profits. Parent entity: There is an increase in non-current provisions of $4,000 and a corresponding decrease in retained profits.

For the year ended 30 June 2005
There are increases in other expense of $21,000 for the group and $1,000 for the parent entity.

(f) Employee benefits
Under AASB 2 *Share-based Payment*, the group recognises an expense in relation to those options that were issued to employees under the Data#3 Employee Option Plan after 7 November 2002 but that had not vested by 1 January 2005; under AGAAP the group's policy required no recognition of expense.

No adjustment is required under AASB 2 during the year ended 30 June 2005, as all options outstanding had vested prior to 1 January 2005.

Note 30. Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS), continued

(g) Retained profits
The effect on retained profits of the changes set out above are as follows:

		Consolidated		Parent Entity	
	Notes	1 July 2004 $'000	30 June 2005 $'000	1 July 2004 $'000	30 June 2005 $'000
Goodwill amortisation	(a)	-	(312)	-	-
Impairment of investment	(a)	-	-	1,745	1,745
Straight-line rent	(d)	268	324	1	2
Lease remediation provisions	(e)	65	86	3	4
		333	98	1,749	1,751
Tax effect of above adjustments *		(99)	(122)	(1)	(2)
Adjustment due to adoption of AASB 112	(b)	12	5	-	-
Decrease/(increase) in retained profits		246	(19)	1,748	1,749

*increase in deferred tax assets

(h) Proceeds on sale of non-current assets
Under previous AGAAP, proceeds from the sale of non-current assets were included in revenue and the book value of the assets sold was included in other expense. Under AIFRS net gains on the sale of assets are presented in other income and net losses in other expense. The effect of this is:

At 1 July 2004 and 30 June 2005
There is no effect.

For the year ended 30 June 2005
There are decreases in other revenue and other expense of $12,000 for the group and $7,000 for the parent entity.

(i) Other changes
In addition to the above, other changes made on transition to AIFRS are as follows:

- Reclassification of purchased software assets from property and equipment to intangible assets (consolidated and parent: $53,000 at 30 June 2005).

- Recognition of additional leasehold improvements and related lease incentive liability ($489,000 at 1 July 2004 and $397,000 at 30 June 2005; no effect on the parent entity). For the year ended 30 June 2005, consolidated amortisation increased by $92,000 and consolidated rent expense decreased by a corresponding amount.

These changes did not impact equity or net profit.

(j) Cash Flow Statement
The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

Data#3 Limited and Subsidiaries

Directors' declaration

In the opinion of the directors:

(a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and group's financial position as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

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
25 August 2006

Independent Audit Report to the Members of Data#3 Limited

Scope

The financial report and directors' responsibility
The financial report comprises the income statements, balance sheets, statements of changes in equity, cash flow statements, accompanying notes to the financial statements, the disclosures made as required by Australian Accounting Standard AASB 124 *Related Party Disclosures* in sections A to D of the remuneration report in the directors' report as permitted by the *Corporations Regulations 2001* (the remuneration disclosures) and the directors' declaration for both Data#3 Limited (the company) and Data#3 Limited and its controlled entities (the consolidated entity) for the financial year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that financial year.

The remuneration report also contains information not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Australian Accounting Standard AASB124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we have followed applicable independence requirements of Australian professional and ethical pronouncements and the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the company would be in the same terms if provided to the directors as at the date of this audit report.

Audit Opinion

1. In our opinion, the financial report of Data#3 Limited is in accordance with:

    (a) the *Corporations Act 2001*, including:

    - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

    (b) other mandatory financial reporting requirements in Australia.

2. The remuneration disclosures that are contained in sections A to C of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

JOHNSTON RORKE
Chartered Accountants

J. Evans

J J EVANS
Partner

Brisbane, Queensland
25 August 2006

Data#3 Limited and Subsidiaries

Shareholder information

The shareholder information set out below was applicable as at 23 August 2006.

1. Distribution of equity securities

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

	Class of security	
	Ordinary shares	Options for ordinary shares
1 - 1,000	362	-
1,001 - 5,000	889	-
5,001 - 10,000	246	-
10,001 - 100,000	155	-
100,001 and over	20	-
	1,672	-

(b) There were 73 holders of less than a marketable parcel of ordinary shares.

2. Twenty largest quoted equity security holders

Name	Ordinary shares	
	Number held	Percentage of issued shares %
National Nominees Limited	1,746,497	11.17
Westpac Custodian Nominees Limited	752,088	4.81
Wood Grant & Associates Pty Ltd	682,420	4.36
Oakport Pty Ltd	581,000	3.72
ANZ Nominees Limited	409,181	2.62
J P Morgan Nominees Australia Limited	361,162	2.31
Elterry Pty Ltd	345,000	2.21
G R Clark	324,500	2.08
Cogent Nominees Pty Limited	314,572	2.01
Powell Clark Trading Pty Ltd	259,232	1.66
Fadmoor Pty Ltd	250,000	1.60
Citicorp Nominees Pty Limited	239,103	1.53
Thomson Associates Pty Ltd	200,000	1.28
M R Esler	179,100	1.15
J E Grant	179,100	1.15
J T Populin	169,014	1.08
Citicorp Nominees Pty Limited	136,475	0.87
M G Populin	120,444	0.77
W T Powell	120,000	0.77
D R & V J Newbold	116,000	0.74
	7,484,888	47.87

Shareholder information (continued)

3. Substantial shareholders

Substantial shareholders in the company are set out below:

Name	Number held	Percentage
Souls Funds Management Limited	1,545,392	9.88
Paradice Investment Management Pty Ltd	1,326,525	8.48
J E Grant / Wood Grant & Associates Pty Ltd	861,520	5.51

4. Unquoted equity securities

	Number held	Number of holders
Options issued under Data#3 Limited Employee Option Plan to take up ordinary shares	-	-

5. Voting rights

The voting rights attaching to the ordinary shares, set out in the Company's Constitution, are:

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

Options have no voting rights.