

# Appendix 4D

<b>Name of entity</b>	<b>Data#3 Limited</b>
<b>ABN</b>	31 010 545 267
<b>Reporting period</b>	<b>Half year ended 31 December 2024</b>
<b>Previous corresponding period</b>	Half year ended 31 December 2023

## Results for announcement to the market

<b>Results</b>				<b>\$</b>
Revenue from ordinary activities	down	1.9%	to	397,854,000
Profit from ordinary activities after tax attributable to members	up	4.3%	to	22,350,000
Net profit for the period attributable to members	up	4.3%	to	22,350,000

<b>Non-IFRS financial information</b>				
Gross sales and other revenue <sup>1</sup>	up	7.4%	to	1,419,435,000

	<b>Note</b>	<b>Half year to December</b>	
		<b>2024</b>	<b>2023<sup>2</sup></b>
		<b>\$'000</b>	<b>\$'000</b>
Gross Sales and other revenue <sup>1</sup>		1,419,435	1,321,858
Adjustment for sales recognised as agent		(1,021,581)	(916,398)
Revenue and other income	3	397,854	405,460

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

2. The comparative figure has been adjusted as disclosed in Note 3 of the Interim Financial Report for the half year ended 31 December 2024.

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Current period</b>		
Interim dividend	13.10 cents	100%
<b>Previous corresponding period</b>		
Interim dividend	12.60 cents	100%

The record date for determining entitlements to the dividend is 17 March 2025. The dividend is payable on 31 March 2025.

## Appendix 4D (continued)

### Brief explanation of the figures reported above

Please refer to the Review of Operations in the Directors' Report which begins on page 1 of the attached Interim Financial Report for the half year ended 31 December 2024.

<b>Net tangible assets per security</b>	<b>Current period</b>	<b>Previous period</b>
Net tangible asset backing per ordinary security	\$0.42	\$0.37

For personal use only

# Data#3 Limited

ABN 31 010 545 267

## Interim Financial Report

Half year ended 31 December 2024

### Page Contents

1	Directors' report
7	Auditor's independence declaration
8	Condensed consolidated statement of comprehensive income
9	Condensed consolidated balance sheet
10	Condensed consolidated statement of changes in equity
11	Condensed consolidated cash flow statement
12	Notes to the condensed consolidated financial statements
19	Directors' declaration
20	Independent auditor's review report

For personal use only

# Directors' report

Your directors present their report on Data#3 Limited and its subsidiaries (together referred to as "Data#3", "the Group", or "we, our, or us") for the half year ended 31 December 2024.

## 1. Directors

The following persons were directors of Data#3 Limited during the half year and up to the date of this report except as noted:

Brad Colledge  
Mark Esler  
Susan Forrester AM  
Mark Gray  
Leanne Muller (retired 30 October 2024)  
Bronwyn Morris AM (appointed 1 December 2024)

## 2. Review of operations

### The Australian IT market

The IT industry is a significant contributor to Australia's economy, with digital transformation touching almost every sector, from healthcare to education and resources. Gartner forecasts Australian IT spending to grow 7.8% in calendar year 2024 and a further 8.7% in 2025, led by investments in cybersecurity, generative Artificial Intelligence (GenAI) and cloud.

The economic environment continues to be challenging, with persistent high inflation and rising input costs still causing some customers to deliberate longer on IT spending, in turn intensifying an already competitive market. Despite this, we saw solid sales activity across most business units and delivered gross sales growth in line with calendar year 2024 Australian IT forecasts this half.

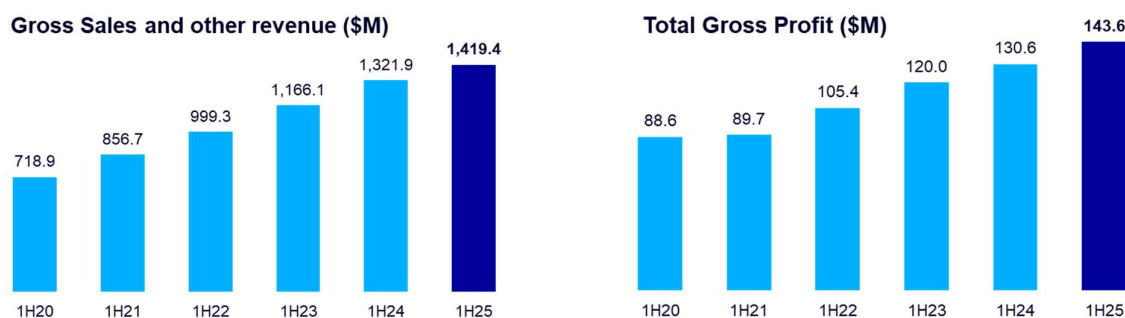
Cybersecurity remains the number one concern for our customers, while their curiosity around GenAI is increasing. In turn, both these areas are driving demand for network and data centre investments.

### First half financial performance

Gross sales increased by 7.4% on the prior comparative period (PCP) to \$1,412.8 million, driven by growth across all business units, except for Consulting and Infrastructure Solutions.

Statutory revenue (including interest and other income) of \$397.9 million was down 1.9% on the PCP, with Software Solutions and Maintenance Services sales revenues presented on a net revenue basis following the Company's change in revenue accounting policy during FY24. The decline in statutory revenue is driven by Infrastructure Solutions.

Total gross profit of \$143.6 million is up 10.0% on the prior corresponding period and average gross margin improved from 9.9% in 1H FY24, to 10.2% this half, positively impacted by growth in the higher margin Services business.

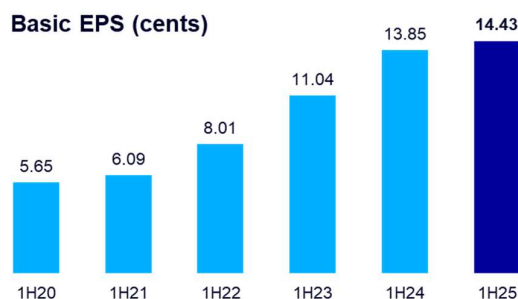


# Directors' report (continued)

## 2. Review of operations (continued)

Profit before tax (PBT) of \$32.0 million was up 4.1% on 1H FY24, in line with guidance for the first half of \$31 million to \$33 million provided at the AGM. Before \$0.9 million in one-off redundancy costs relating to internal restructuring initiatives, underlying PBT was up 7.0% on the prior period and materially in line with gross sales growth.

Profit after tax (NPAT) of \$22.4 million was up 4.3% on the PCP, representing basic earnings per share of 14.43 cents.



The first half earnings include \$6.5 million of interest revenue, in line with forecast and prior year, reflecting the Company's consistently sound working capital management and high cash rate.

### Results by functional area

Combined Service gross sales were up 19.3% on 1H FY24 to \$205.4 million, with solid growth across most of our portfolio as follows:

- **Maintenance Services** gross sales up 38.2% on PCP, benefitted from the shift with vendors such as Cisco to multi-year Enterprise Agreements
- **Managed Services** achieved growth of 27.7%, boosted by a number of large contract wins and renewals, both this half and in the second half of FY24, particularly in the resources sector
- **Project Services** gross sales increased by 9.9% with steady demand for digital transformation and CoPilot engagements, despite challenging market conditions and customer driven project delays
- **People Solutions** recruitment gross sales were up slightly on the PCP, reflecting a relatively stagnant labour market with low unemployment and a slowdown in demand for contingent labour in the Public Sector, and
- **Consulting** gross sales declined on 1H FY24 by 8.6%, negatively impacted by the Queensland State election and some customers experiencing budgetary constraints.

Services gross profit of \$74.2 million was up 13.0% on 1H FY24 and represents a gross margin of 36.1% compared to 38.2% in the prior period. The Services gross margin was impacted by margin pressure on some competitive Maintenance Services deals this half; however, overall net profitability of the Services business continues to improve.

The first half saw demand for Managed Services and transformation projects, as customers increasingly seek to improve, transform and stabilise their IT environments and manage costs through outsourcing.

We continued to see some delayed purchasing decisions and project start dates in 1H FY25, and the market remained highly competitive and price driven. With this backdrop, we are particularly pleased with the solid growth achieved in Services again this half, as we maintain our focus on a "whole of customer" sales strategy.

# Directors' report (continued)

## 2. Review of operations (continued)

Product gross sales of \$1,207.3 million were up 5.6% on PCP, with consistent strong growth in the Software Solutions business, offset by a reduction in Infrastructure Solutions gross sales this half compared to the prior period.

- **Software Solutions** gross sales were up 11.4%, driven by ongoing demand for security products, cloud subscriptions and Adobe, particularly in the education and public sectors. In addition, we were successful in earning higher adoption and services rebates this half as we align services with vendor incentive programs
- **Infrastructure Solutions** gross sales were down 12.9% on the prior period, reflecting continued delayed decision making by customers, the impact of the Queensland election and a slower than anticipated first half in end user compute sales as customers delayed upgrades.

Product gross profit of \$69.2 million was up 6.7% on the PCP, reflecting an average gross margin of 5.7%, consistent with FY24.

As with the Services business, our Product business was impacted by general economic uncertainty in the first half. Fewer and more competitive larger deals have put sales and margins under pressure in recent times; however, we have successfully delivered sustainable growth in gross sales and stabilised gross margins in this challenging market.

Approximately 70% of our gross sales are recurring, up from 67% in FY24, and are classified as contracts with terms longer than one year. Recurring gross sales comprise most of our Software Solutions, Maintenance and Managed Services business unit sales, and the gradual increase reflects the ongoing shift by our customers to multi-year subscription and As-a-Service purchasing models.

Vendor rebates earned relative to Gross Sales were relatively consistent with the prior year and reflect our continued alignment with major vendors and the high standards of service we provide.

Internal staff costs increased by 11.0% in the first half compared to the PCP, however this includes \$0.9 million in redundancy costs following some restructuring initiatives, predominately in the Infrastructure Solutions business. Before these redundancy costs, the increase in internal staff costs was 9%, driven by a net increase in headcount of about 1% (predominately billable Managed Services and Professional Services staff, in addition to a small number of specialist product roles) and general salary increases, particularly across technical roles and billable Services hires.

Other operating expenses were up 11.5% on the prior period, driven by:

- A higher number of software licenses, such as Service Now, recoverable under Managed Services contracts
- Increased internal software licensing costs, including Microsoft Azure, Premier Support and new payroll and learning management systems
- An increase in internal technology project costs of \$0.4 million compared to 1H FY24, as we commenced the year with a number of key projects already in train and successfully completed more projects this half. Includes the implementation of a new payroll system, migration of customer and eCommerce platforms to streamline digital engagement, ongoing security capability uplift and work completed to date on a new Cloud Solution Provider (CSP) management platform
- Increases in other expenses, such as audit fees and insurance, with increased general business activity and compliance costs.

The Company's internal cost ratio (staff and operating expenses as a percentage of gross profit) for the first half of FY25 increased from 81.5% in 1H FY24 to 82.2%; however, before the \$0.9 million in one-off redundancy costs, the internal cost ratio was relatively consistent with the prior year at 81.6%.

# Directors' report (continued)

## 2. Review of operations (continued)

### Balance sheet and cash flow

The cash balance at 31 December 2024 was \$131.0 million, compared to \$117.1 million at 31 December 2023. A net cash outflow from operating activities in 1H FY25 of \$123.8 million (1H FY24: outflow of \$266.9 million) reflects the normalisation of the Company's seasonal cash flows post-pandemic.

The net cash flow from operating activities is typically an outflow in the first half as supplier payments occur in the first quarter of each financial year relating to pre-30 June customer sales and receipts.

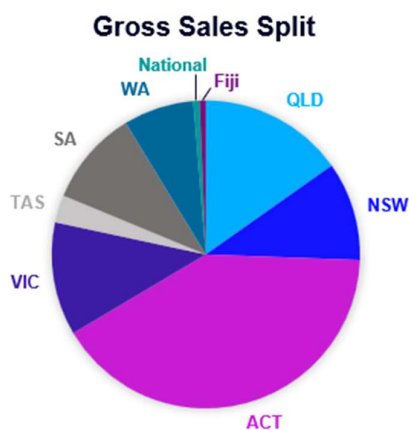
Trade and other receivables decreased from \$513.1 million at 30 June 2024 to \$194.9 million at 31 December 2024, reflecting the seasonal May/June peak in customer invoicing, followed by large collections in June and July.

Closing inventory was \$33.4 million at 31 December 2024, up \$14.3 million on the closing 30 June 2024 balance. This reflects goods in transit or held temporarily in stock at half year end, with all inventory committed to customer orders.

Trade and other payables decreased from \$704.4 million at 30 June 2024 to \$269.4 million at 31 December 2024, again reflecting the timing of the payment of vendor invoices relating to the May/June sales peak each year in the first quarter of the next financial year.

Overall net assets of \$78.4 million at 31 December 2024 were up \$3.5 million in the first half, predominately driven by 1H FY25 net profit of \$22.4 million, offset by the FY24 final dividend of \$20.0 million paid in September 2024.

### Performance by region



# Directors' report (continued)

## 2. Review of operations (continued)

- **Queensland** – experienced ongoing delays in Public Sector decision making and softness in the Consulting and Project Services markets. Also temporarily impacted by the State election and subsequent Machinery of Government changes
- **New South Wales** – growth on PCP in the Software Solutions and Project Services business units
- **ACT** – result underpinned by Public Sector Maintenance Services Enterprise Agreements and renewals, and Infrastructure product sales growth
- **Victoria** – solid performance by its Managed Services and People Solutions business units, offset by declining sales in Software and Infrastructure Solutions due to fewer larger deals compared to 1H FY24. The Victorian market continues to be highly competitive, and price driven.
- **South Australia** – strong sales performance in the South Australian Infrastructure and Software Solutions business units this half
- **Western Australia** – result included solid performances by the Managed Services and Software Solutions business units, particularly in the resources sector, and an overall improvement in profitability of the WA business
- **Tasmania** – outperformed PCP, underpinned by a strong sales performance by its software licensing business
- **Fiji and the Pacific Islands** – saw expansion in the Government and Finance sectors with both existing and new customers.

### Strategy and outlook

As outlined in our FY24 Annual Report, our Strategic Priorities for FY25 remain as Solutions, People and Community, Customer Experience and Operational Excellence.

There is ongoing sales opportunity relating to AI and other industry high growth areas, such as security and data centre, as customers bolster their defence against cyber threats and optimise their network infrastructure to securely manage workloads and enable AI.

The second half of FY25 should also see increased demand for end-user devices driven by the need to support Windows 11, AI enabled devices and general refresh cycles.

As announced on 16 December 2024, Microsoft has reduced the incentives available to be earned by partners on their Microsoft Enterprise Agreements, effective 1 January 2025. This follows an increased focus by Microsoft on Small, Medium and Corporate (SMC) initiatives and is offset by greater incentives across its Copilot, Security, Azure Migrations and Cloud Solution Provider (CSP) programs.

In response, we are actively implementing a range of strategic initiatives to mitigate the financial impact of this change on our Software Solutions business, such as:

- Increasing our focus on the SMC segment
- Bolstering our CSP business, which is already well advanced with CoPilot solutions, Microsoft security offerings and Azure migrations. This includes the implementation of a CSP management platform before the end of FY25, which will enable us to better service a higher number of smaller CSP contracts in the SMC market
- Examining resources servicing the Microsoft Enterprise business.

## 3. Dividends

The Board have declared a fully franked interim dividend of 13.10 cents per share. This represents an increase of 4.0% (FY24 interim dividend: 12.60 cents per share) and representing a payout ratio of 90.8%.



## Directors' report (continued)

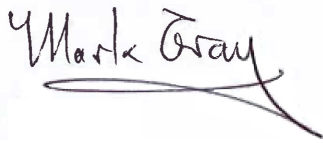
### 4. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

### 5. Rounding of amounts

Data#3 Limited is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. We have rounded off amounts in the directors' report and financial report to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that instrument unless otherwise noted.

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



**A M Gray**  
Chair

Brisbane  
19 February 2025



## ***Auditor's Independence Declaration***

As lead auditor for the review of Data#3 Limited for the half-year ended 31 December 2024, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Ben Woodbridge', written in a cursive style.

Ben Woodbridge  
Partner  
PricewaterhouseCoopers

Brisbane  
19 February 2025

## Condensed consolidated statement of comprehensive income

for the half year ended 31 December 2024

	Note	Half year ended December	
		2024 \$'000	2023 <sup>1</sup> \$'000
<b>Revenue</b>			
Revenue from contracts with customers	3	391,183	398,876
Other	3	6,671	6,584
		397,854	405,460
<b>Expenses</b>			
Purchase of goods		(177,756)	(206,834)
Employee and contractor costs directly on-charged		(46,015)	(45,800)
Other cost of sales on services		(23,962)	(15,687)
Other employee and contractor costs		(103,685)	(93,403)
Telecommunications		(1,144)	(1,076)
Rent		(870)	(926)
Travel		(801)	(811)
Professional fees		(710)	(443)
Depreciation and amortisation		(3,216)	(3,136)
Finance costs		(526)	(577)
Other		(7,144)	(6,006)
		(365,829)	(374,699)
<b>Profit before income tax</b>		32,025	30,761
Income tax expense		(9,675)	(9,340)
<b>Profit for the half year attributable to owners of Data#3 Limited</b>		22,350	21,421
Other comprehensive income for the half year, net of tax <i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		726	(335)
<b>Total comprehensive income for the half year attributable to owners of Data#3 Limited</b>		23,076	21,086
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		14.43	13.85
Diluted earnings per share		14.40	13.80

The accompanying notes form part of these financial statements.

1. Adjusted for the change in accounting policy. Refer to note 3.

## Condensed consolidated balance sheet

as at 31 December 2024

	Note	31 December 2024 \$'000	30 June 2024 \$'000
<b>Current assets</b>			
Cash and cash equivalents		131,008	276,381
Trade and other receivables	6	194,946	513,107
Contract assets		11,087	9,392
Inventories		33,434	19,101
Current tax asset		267	-
Other		11,038	6,133
<b>Total current assets</b>		<b>381,780</b>	<b>824,114</b>
<b>Non-current assets</b>			
Trade and other receivables		-	744
Property and equipment		2,406	2,605
Right-of-use assets		15,368	17,399
Deferred tax assets		6,047	8,033
Intangible assets		12,653	13,252
<b>Total non-current assets</b>		<b>36,474</b>	<b>42,033</b>
<b>Total assets</b>		<b>418,254</b>	<b>866,147</b>
<b>Current liabilities</b>			
Trade and other payables	6	269,428	704,365
Contract liabilities		38,942	46,786
Lease liabilities		4,116	3,990
Current tax liabilities		-	7,219
Provisions		8,462	8,008
<b>Total current liabilities</b>		<b>320,948</b>	<b>770,368</b>
<b>Non-current liabilities</b>			
Lease liabilities		14,572	16,605
Provisions		4,356	4,258
<b>Total non-current liabilities</b>		<b>18,928</b>	<b>20,863</b>
<b>Total liabilities</b>		<b>339,876</b>	<b>791,231</b>
<b>Net assets</b>		<b>78,378</b>	<b>74,916</b>
<b>Equity</b>			
Contributed equity		14,229	12,577
Share-based payments reserve		(323)	960
Foreign currency translation reserve		323	(403)
Retained earnings		64,149	61,782
<b>Total equity</b>		<b>78,378</b>	<b>74,916</b>

The accompanying notes form part of these financial statements.

## Condensed consolidated statement of changes in equity

for the half year ended 31 December 2024

Attributable to owners of Data#3 Limited

	Contributed equity	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total shareholders' equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2024</b>					
<b>Balance at 30 June 2024</b>	12,577	960	(403)	61,782	74,916
Profit for the half year	-	-	-	22,350	22,350
Other comprehensive loss for the half year, net of tax	-	-	726	-	726
<b>Total comprehensive income/(loss) for the half year</b>	-	-	726	22,350	23,076
<i>Transactions with owners in their capacity as owners:</i>					
Payment of dividends	-	-	-	(19,983)	(19,983)
Issue of shares under employee share schemes (note 7)	1,652	(1,652)	-	-	-
Employee share schemes – value of employee services	-	518	-	-	518
Employee share schemes – movement in deferred tax	-	(149)	-	-	(149)
	1,652	(1,283)	-	(19,983)	(19,614)
<b>Balance at 31 December 2024</b>	14,229	(323)	323	64,149	78,378
<b>2023</b>					
<b>Balance at 30 June 2023</b>	11,861	323	(212)	56,373	68,345
Profit for the half year	-	-	-	21,421	21,421
Other comprehensive income for the half year, net of tax	-	-	(335)	-	(335)
<b>Total comprehensive income for the half year</b>	-	-	(335)	21,421	21,086
<i>Transactions with owners in their capacity as owners:</i>					
Payment of dividends	-	-	-	(18,410)	(18,410)
Issue of shares under employee share schemes	716	(716)	-	-	-
Employee share schemes – value of employee services	-	528	-	-	528
Employee share schemes – movement in deferred tax	-	131	-	-	131
	716	(57)	-	(18,410)	(17,751)
<b>Balance at 31 December 2023</b>	12,577	266	(547)	59,384	71,680

The accompanying notes form part of these financial statements.

## Condensed consolidated cash flow statement

for the half year ended 31 December 2024

	Note	Half year ended December	
		2024 \$'000	2023 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers including agency arrangements (inclusive of GST)		1,860,609	1,653,576
Payments to suppliers including agency arrangements and employees (inclusive of GST)		(1,958,983)	(1,901,793)
GST paid		(16,078)	(13,741)
Interest received		6,467	6,805
Interest and other borrowing costs paid		(509)	(564)
Income tax paid (net of refunds)		(15,324)	(11,219)
Net cash outflow from operating activities	4	(123,818)	(266,936)
<b>Cash flows from investing activities</b>			
Payments for property and equipment		(429)	(252)
Net cash outflow from investing activities		(429)	(252)
<b>Cash flows from financing activities</b>			
Payment of dividends	5	(19,983)	(18,410)
Repayment of principal on lease liabilities		(1,869)	(1,706)
Net cash outflow from financing activities		(21,852)	(20,116)
<b>Net decrease in cash and cash equivalents held</b>			
Cash and cash equivalents at the beginning of the reporting period		276,381	404,766
Effect of exchange rate changes on cash and cash equivalents		726	(335)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>131,008</b>	<b>117,127</b>

The accompanying notes form part of these financial statements.

For personal use only

# Notes to the condensed consolidated financial statements

## Note 1. Material accounting policies

### Basis of preparation of interim financial report

We have prepared this general purpose interim financial report for the half-year reporting period ended 31 December 2024 in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report and accordingly should be read in conjunction with our annual report for the year ended 30 June 2024 and any public announcements we have made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

We adopted the following revised accounting standards on 1 July 2024:

**AASB 2020-1 and 2020-6** – the standard amends AASB 101 Presentation of Financial Statements to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. The adoption of this revised accounting standard had no material effect on the consolidated financial statements for the half-year reporting period ended 31 December 2024 or our accounting policies.

**AASB 2023-1** – the standard amends AASB 107 and AASB 7 to require an entity to provide additional disclosures about its supplier finance arrangements to enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk. The adoption of this revised accounting standard had no material effect on the consolidated financial statements for the half-year reporting period ended 31 December 2024 or our accounting policies.

### *Standards and interpretations issued but not yet effective*

**AASB 18** – issued in June 2024 by the AASB to help achieve comparability of the financial performance of similar entities. This standard, applicable for reporting periods beginning on or after 1 January 2027, defines the structure of the profit or loss, introduces required disclosures for certain profit or loss measures that are reported outside an entity's financial statements and enhances principles on aggregation and disaggregation. We expect the adoption of this accounting standard will impact the presentation of some information within the financial statements.

The accounting policies adopted in this interim financial report are the same as those applied in the previous financial year and the corresponding interim reporting period.

### Fair values

The carrying amounts of financial assets (net of any provision for impairment) and current financial liabilities approximate fair value primarily because of their short maturities. The carrying amount of the non-current receivables approximates fair value because the interest rate applicable to the receivables approximates current market rates.

### Rounding of amounts

Data#3 is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. We have rounded off amounts in the directors' report and financial report to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that instrument unless otherwise noted.

# Notes to the condensed consolidated financial statements

## Note 2. Segment information

The sales of products and services are highly integrated into the IT solutions that our business units deliver to our customers. Each business unit services a similar customer base, applies similar methods to distribute those products and services to customers, and operates within a similar economic and regulatory environment. IT solutions typically comprise a combination of infrastructure, software and service elements. As a result of this integration, revenue and particularly costs incurred generally span more than one business unit. Revenue can be attributed to a business unit based on the type of solution it provides to the customer, but this attribution is not necessarily appropriate for costs.

Our management team assesses the performance of business units based on the information available from our internal management system. However, due to the integration of the business units, decisions about allocation of resources are not able to be made on the same basis.

On the basis of the factors above, we have determined that the Group has one operating segment, which is that of value-added IT reseller and IT solutions provider.

Our business is conducted primarily in Australia. Revenue from customers domiciled in Australia comprised 99% of external sales for the half year ended 31 December 2024 (2023: 99%).

## Note 3. Revenue

### Change in accounting policy in FY24

#### *Vendor-delivered maintenance*

As previously disclosed in the 30 June 2024 financial report, the Group undertook a detailed review of its software licensing and vendor-delivered maintenance agreements in the prior year to reassess whether it is acting as a principal or agent under these agreements. The review resulted in a change to the Group's revenue accounting policy to present software licensing and vendor-delivered maintenance revenues on a net basis.

In the original half-year financial report at 31 December 2023, we had adjusted for all vendor-delivered software licensing contracts. Our analysis of vendor-delivered maintenance contracts was completed in the second half of FY24, and we determined that vendor-delivered maintenance contracts also meet the criteria for reporting on an agent basis. Reclassifications have been made to the prior half-year financial statements disclosed in our report to conform with classifications used in current half year. These reclassifications had no impact on net profit, shareholders' equity or cash flows.

The effect on the 1H24 condensed consolidated statement of comprehensive income of the change in accounting policy in relation to vendor-delivered maintenance contracts is shown below:

	As previously reported \$000s	Adjustments \$000s	Adjusted \$000s
<b>Half year to 31 December 2023</b>			
Revenue from contracts with customers	443,549	(44,673)	398,876
<b>Total revenue and other income</b>	<b>450,133</b>	<b>(44,673)</b>	<b>405,460</b>
Purchase of goods	(200,930)	(345)	(201,275)
Other cost of sales on services	(60,705)	45,018	(15,687)
<b>Total expenses</b>	<b>(419,372)</b>	<b>44,673</b>	<b>(374,699)</b>
<b>Profit before income tax</b>	<b>30,761</b>	<b>-</b>	<b>30,761</b>



# Notes to the condensed consolidated financial statements

## Note 3. Revenue (continued)

### Revenue recognition critical judgements

Management exercises judgment in determining the recognition of revenue. Each sale is evaluated to determine whether we are operating as principal or agent and recording revenue on a gross or net basis, respectively. Principal versus agent assessments depend on the specific facts and circumstances in the agreements with suppliers and customers and can be complex, requiring a high degree of judgement. The main criteria demonstrating if we act as principal are as follows:

- we are primarily responsible for fulfilling the promise to provide the specified goods or service
- we have control over the item sold before the specified good or service has been transferred to a customer
- with physical goods, we have inventory risk until control transfers to the customer
- we have discretion in establishing the price for the specified good or service.

Our disaggregated revenues and accounting policies for each material revenue stream are set out below.

### Revenue from contracts with customers

We sell hardware, software licenses, maintenance contracts, consulting, recruitment, and contracting services. Revenue is recognised based on the completion of performance obligations at the transaction price allocated to the performance obligation. The transaction price is determined by the price specified in the underlying contract or order. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on standalone selling prices; when one or more performance obligations relate to services to be delivered in the future, the associated revenue is deferred and recognised in accordance with the specific accounting policy applicable to the service (refer below for our services revenue accounting policies). No discounts, loyalty points or returns are offered to customers. A performance obligation is satisfied when control of the promised good or service is transferred to the customer.

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

Revenue stream	Policy note	Revenue recognition timing	Half year ended December	
			2024 \$'000	2023 <sup>1</sup> \$'000
<b>Infrastructure Solutions (INS)</b>				
Hardware – as principal	A (1)	Point in time	202,962	232,744
Software licensing and vendor-branded maintenance services – as agent	A (2)	Point in time	6,043	4,251
Services – as principal	B (2)	Over time	841	909
<b>Software Solutions (SWS)</b>				
Software licensing, vendor-branded maintenance services and consumption sales – as agent	A (2)	Point in time	37,977	34,691
Consulting – as principal	B (2)	Over time	1,397	924
<b>Services</b>				
Consulting services – as principal	B (2)	Over time	14,669	16,054
Project services – as principal	B (2)	Over time	42,245	38,427
Maintenance services – as principal	B (1)	Over time	12,328	6,323
Managed services – as principal	B (1)	Over time	26,719	20,929
Software licensing and vendor-branded maintenance services – as agent	A (2)	Point in time	13,755	11,842
Contracting services – as principal	B (2)	Over time	32,247	31,782
Total revenue from contracts with customers			391,183	398,876
Other revenue			6,671	6,584
			397,854	405,460

1. This reflects the effect on the 1H24 results by revenue stream of the change in accounting policy for vendor-delivered maintenance contracts. The details of this are shown in the following table.

# Notes to the condensed consolidated financial statements

## Note 3. Revenue (continued)

Half year to 31 December 2023	As previously reported \$000s	Adjustments \$000s	Adjusted \$000s
<b>Revenue stream</b>			
<b>Infrastructure Solutions (INS)</b>			
Hardware – as principal	248,843	(16,099)	232,744
Software licensing and vendor-branded maintenance services – as agent	4,138	113	4,251
Services – as principal	909	-	909
<b>Software Solutions (SWS)</b>			
Software licensing, vendor-branded maintenance services and consumption sales – as agent	34,691	-	34,691
Consulting – as principal	924	-	924
<b>Services</b>			
Consulting services – as principal	16,054	-	16,054
Project services – as principal	38,427	-	38,427
Maintenance services – as principal	44,601	(38,278)	6,323
Managed services – as principal	20,929	-	20,929
Software licensing and vendor-branded maintenance services – as agent	2,251	9,591	11,842
Contracting services – as principal	31,309	473	31,782
Recruitment services – as principal	473	(473)	-
<b>Total revenue from contracts with customers</b>	<b>443,549</b>	<b>(44,673)</b>	<b>398,876</b>

### A Product revenue

#### (1) Hardware

We sell hardware products that are sourced from and delivered by multiple suppliers. We recognise revenue from the sale of these products at the point in time when control of the promised goods has passed to the customer and as principal. Payments from customers are generally due within 30 days of invoice date. The following indicators are used by the Group in determining when control has passed to the customer:

- we have a right to payment for the product or service
- we have transferred physical possession of the product to the customer
- the customer has the significant risks and rewards of ownership of the product
- the customer has accepted the product.

For some hardware sales, the Group bills the customer and holds the products in a Data#3 warehouse until it is delivered to the customer. The Group recognises revenue at the time of raising an invoice on the customer as the point in time the customer obtains control of the product. The criteria for recognising revenue is met given:

- the arrangement is primarily because the customer is not ready to take delivery of the product and is held in Data#3 warehouse per customer's instruction
- the product is identified separately as belonging to the customer and is ready for physical transfer to the customer
- the Group does not have the ability to use the product or to direct it to another customer.

For personal use only

# Notes to the condensed consolidated financial statements

## Note 3. Revenue (continued)

### *(2) Software licensing and vendor-branded maintenance services*

We sell software licenses (including Software as a Service or “SaaS” cloud computing solutions) and vendor-branded maintenance contracts on behalf of our suppliers. As our performance obligation is the fulfillment of the end user's order with product or services provided by the supplier, we recognise revenue for these sales on an agent basis at the time the order is fulfilled (at the time the software license/maintenance contract is activated by the vendor), whereby the revenue is equal to the amount of consideration receivable from the end user less the cost of sale due to the supplier. In relation to software license sales, we also receive vendor rebates and incentives which are accounted for as revenue at the time that receipt of the rebate/incentive is considered highly probable.

#### *(a) Multi-year software licensing contracts*

Under multi-year software sales contracts, customers commit to an agreed number of software licenses over a three-year term with an annual review of the volume of licences, except in certain minimum volumes and with the right to change to another reseller at the end of each year. Historically changes of partner have been rare and immaterial. We recognise revenue annually on an agent basis at the time each annual order is fulfilled, whereby the revenue is equal to the amount of consideration receivable from the end user less the cost of sale due to the supplier. At the end of each year of the contract, we review the actual usage by the customer; at that time we recognise additional fees and invoice the customer for usage above the minimum levels included in the contract. Customers are invoiced annually, and payment is generally due 30 days from invoice date. We satisfy performance obligations under the contract by arranging the transfer of the licensing to the customer; therefore, we recognise revenue on a net basis, as we are acting as an agent in the transaction.

#### *(b) Consumption sales*

In these contracts, consumption is charged based on actual usage of services, which is measured in units like compute hours, data storage, and data transfer. Charges are billed to customers monthly, with payment generally due 30 days from invoice date, and we recognise revenue for the services consumed under the contract on an agent basis at the point in time the usage is known each month, whereby the revenue is equal to the amount of consideration receivable from the end user less the cost of sale due to the supplier.

## **B Services revenue**

### *(1) Maintenance and managed services*

We provide maintenance and managed services to customers as principal where we are primarily responsible for the service provided to the customers. We recognise revenue from these services over time as the services are provided in accordance with the sales contract. Customers are normally invoiced monthly, with payment generally due 30 days from invoice date.

### *(2) Consulting, contracting and project services*

We provide consulting and contracting services on both fixed fee and time-and-material bases. The services are provided by our own employees or by third party contractors. For fixed fee contracts we recognise revenue from these services as principal over time based on labour hours worked as a percentage of total estimated hours, for each contract where we have an enforceable right to payment for performance completed. Where it is probable that a loss will arise from a fixed price service contract, we immediately recognise the excess of total costs over revenue as an expense. For time-and-material contracts we recognise revenue over time at agreed-upon billing rates when services are provided. Customers are normally invoiced monthly, with payment generally due 30 days from invoice date. We act as principal in providing these services.

# Notes to the condensed consolidated financial statements

## Note 3. Revenue (continued)

### C Incentives and rebates

We account for incentives and rebates from suppliers in the period in which they are earned. Rebates earned were traditionally related to sales volumes and short term in nature, with rebates earned but not yet received typically relating to the preceding quarter's sales. In recent times, our key vendors have transitioned from volume-based to more services incentive programs to incentivise increased customer engagement and adoption of their products. Incentives and rebates are earned in relation to sales made as principal or agent; they are recognised in cost of goods sold or revenue, respectively, in the Consolidated Statement of Comprehensive Income; incentives and rebates earned but not yet received are included within accrued income in the Consolidated Balance Sheet.

### D Other revenue

Other revenue comprises primarily interest revenue, which is recognised as it accrues using the effective interest method.

## Note 4. Cash flow statement information

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

	Half year ended December	
	2024	2023
	\$'000	\$'000
Profit for the half year	22,350	21,421
Depreciation and amortisation	3,216	3,574
Unwinding of discount on provisions	17	13
Bad and doubtful debts	594	59
Non-cash employee benefits expense – share-based payments	518	528
Gain/loss on disposal of property and equipment	3	-
Other	1	1
Change in operating assets and liabilities		
Decrease in receivables	318,311	253,974
(Increase)/decrease in contract assets	(1,695)	2,063
(Increase)/decrease in inventories	(14,333)	5,559
(Increase) in other operating assets	(4,905)	(8,221)
(Increase)/decrease in net deferred tax assets	2,595	(1,245)
(Decrease) in payables	(434,937)	(540,532)
(Decrease) in contract liabilities/unearned income	(7,844)	(4,104)
(Decrease) in current tax liabilities	(8,244)	(634)
Increase in provision for employee benefits	535	608
Net cash outflow from operating activities	(123,818)	(266,936)

# Notes to the condensed consolidated financial statements

## Note 5. Dividends

Details of dividends paid are as follows:

Record date	Payment date	Type	Amount per security	Franked amount per security	Total dividend \$'000
16/09/2024	30/09/2024	Final	12.90 cents	12.90 cents	19,983
14/03/2023	28/03/2024	Interim	12.60 cents	12.60 cents	19,492
15/09/2023	29/09/2023	Final	11.90 cents	11.90 cents	18,410

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

Since the end of the half year, the directors have declared an interim dividend of 13.10 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the interim dividend to be paid on 31 March 2025 out of retained earnings at the end of the half year, but not recognised as a liability at the end of the half year, is \$20,293,000.

## Note 6. Material balance sheet movements

Trade and other receivables decreased by 62% to \$194,946,000 during 1H25. The Group's sales, and therefore trade receivables, traditionally peak in May/June, followed by large collections in June and July.

Trade and other payables decreased by 62% to \$269,428,000 during 1H25, due to payments to suppliers in July/August associated with the traditional sales peak in May/June.

As a result of the accounting policy change (refer note 3), certain reclassifications have been made to the prior year financial statement to conform with classifications used in the current year in relation to contract assets and trade and other receivables. These reclassifications had no impact on total assets or net assets.

## Note 7. Share-based payments

On 2 September 2024 ordinary shares were issued to the Data#3 Employee Share Trust ("the Share Trust"), which in turn provided the shares to executives whose rights vested under the Data#3 Long Term Incentive Plan. Data#3 Limited provided the funds to the Share Trust to enable the acquisition of shares. The rights were granted on 30 November 2021 and fully vested on 21 August 2024, the issue date of the FY24 financial report. Other details of the share issuance are set out below.

Number of rights converted to shares	204,269
Share price of shares issued	\$8.0884

The share-based payment equity reserve decreased by \$1,652,000 in relation to this issuance of shares.

## Note 8. Subsequent events

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

## Note 9. Contingent liabilities

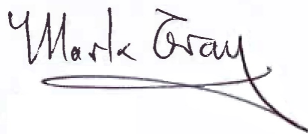
There have been no material changes in contingent liabilities from those disclosed in the June 2024 annual report.

## Directors' declaration

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 8 to 18 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



**A M Gray**  
Chair

Brisbane  
19 February 2025



## ***Independent auditor's review report to the members of Data#3 Limited***

### **Report on the half-year financial report**

#### ***Conclusion***

We have reviewed the half-year financial report of Data#3 Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated balance sheet as at 31 December 2024, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Data#3 Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### ***Basis for conclusion***

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

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### ***Responsibilities of the directors for the half-year financial report***

The directors of the Company are responsible for the preparation of the half-year financial report, in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.



### ***Auditor's responsibilities for the review of the half-year financial report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Ben Woodbridge'.

Ben Woodbridge  
Partner

Brisbane  
19 February 2025

For personal use only