DataDot
TECHNOLOGY LTD

2018

ANNUAL REPORT

www.datadotdna.com

Annual Report 2018

Contents

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Chairman's Review

I am disappointed that in FY2018, my first year as Chair, we were not able to grow our revenue.

However, there are still a number of positives to be taken from FY2018, which will assist DDT in 2019 and beyond.

With a lower cost base, DDT is now an efficient and sustainable operation that is well placed to translate revenue growth into earnings. Expenses in FY2018 were $0.66m (15%) lower than in FY2017 and we expect further savings this year as the effect of these changes are annualised.

As a result, EBITDA for FY2018 was a loss of $0.42m, an improvement of $0.41m (49%) from FY2017. With the lower cost base, we expect EBITDA to be improved in FY2019 and for our cash position to be steady at about $1m; with the potential for this to grow as new business and revenue is realised.

Growing revenue is now our primary imperative.

In FY2018 our revenue fell to $4.87m down $0.48m from FY2017. Efforts to turn this around in FY2019 and beyond include:

- building on our relationship with Toyota in Germany and South Africa to expand into other regions in Europe (DataDotDNA)
- strengthening ties with our South African distributor who has many OEM relationships due to the legislative regime in South Africa and the location of OEM production facilities in that region (DataDotDNA)
- growing our pipeline of leads and opportunities through digital and social media marketing such as Webinars, our annual Counterfeit Counsel survey and targeted campaigns (DataDotDNA and DataTraceID)
- the launch of our complementary DataTraceID cloud based reporting and data aggregation service that enables brands to monitor (and respond to) counterfeit in real time (DataTraceID)
- in partnership with our China distributor we are now offering brands a sampling service that enables them to understand if (and the extent to which) they have a counterfeit problem in China (DataTraceID), and
- in collaboration with our technology partners we are now able to offer brands digital solutions that assure a consumer of authenticity and build trust in a brand's provenance.

Following these efforts, our pipeline includes some significant DataDotDNA OEM opportunities; and a number of opportunities with multi-national brands for DataTraceID. As such our outlook remains positive.

We are particularly pleased that we now have significant new revenue opportunities and a cost base that will maximise earnings from that new revenue.

It would also be remiss of me not to address the Extraordinary General Meeting convened by a group of shareholders on 17 April 2018 and the status of the potential merger with Beston Technology:

- **Extraordinary General Meeting on 17 April 2018**: I was pleased that a majority of shareholders chose to support your existing Board of Directors with all resolutions proposed being defeated by strong margins. However, I can assure you that I and my fellow Directors are not taking your support for granted or resting on our laurels. As set out above we are extremely focussed on the future of DDT and generating the results that should benefit shareholders.

- **Merger with Beston Technology**: as stated in our announcement of 8 August 2018 DataDot and BFC have determined that more work is needed to advance the business case to support the intended capital raising (which is necessary to set up MergeCo for ultimate success). To that end, DDT and BFC have terminated the previous heads of agreement, and agreed a new framework to complete the additional work, and in particular concluding supply agreements with key customers to demonstrate the revenue base for MergeCo's software as a service (SaaS) solution.

Finally, you will see from the Notice of Meeting that a contingent spill resolution may be put to the AGM if more than 25% of votes cast on the Remuneration Report are against its adoption. I would urge you to consider the Notice of Meeting carefully and follow the Board's recommendations on these issues.

Gary Flowers
Chair
22 October 2018

DataDot TECHNOLOGY LTD

Financial Report 2018

Financial Year Ended 30 June 2018

ABN 54 091 908 726

Directors

The Directors present their report, together with the financial statements of the consolidated entity comprising DataDot Technology Limited and the entities it controlled (the "consolidated entity") for the financial year ended 30 June 2018.

The following persons were directors of DataDot during the financial year and up to the date of this report, unless otherwise stated:

- Gary Flowers
- Stephe Wilks
- Temogen Hield – appointed 24 November 2017
- Bruce Rathie – retired 24 November 2017

Principal activities

The principal activities of DataDot during the year were:

(a) to manufacture and distribute asset identification solutions that include :

DataDotDNA® - polymer and metallic microdots containing data that is unique to the assets to which the microdots are attached;

Asset Registers - databases that record asset identification data and are accessible by law enforcement agencies and insurance investigators,

(b) to manufacture and distribute high security DataTraceID® authentication solutions; and

(c) To develop and distribute customised solutions combining DataDotDNA, DataTraceID, asset registration and/or other technologies.

There has been no significant change in the nature of these activities during the year.

Dividends

The Directors recommend that no dividend be paid. No dividends have been declared or paid during the period.

Review of operations

Revenue

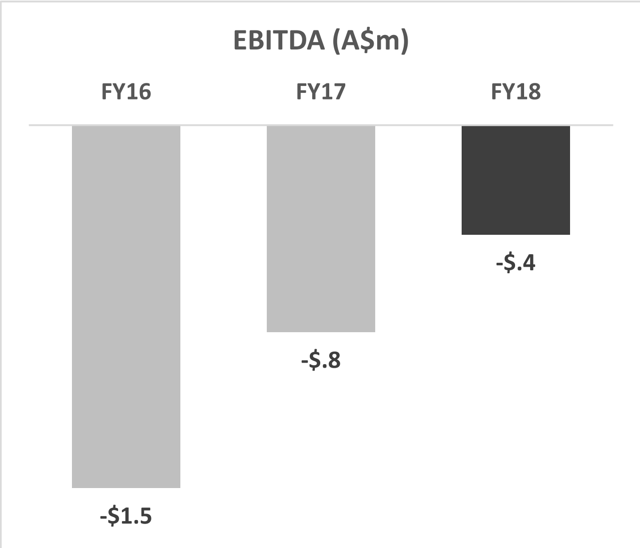
Revenue for FY2018 was $4.87m, down $0.48m against the prior comparable period. This fall was largely due to lower DataTraceID sales from existing customers. Sales revenue from DataDotDNA was slightly higher than FY2017 reflecting the underlying strength of the business.

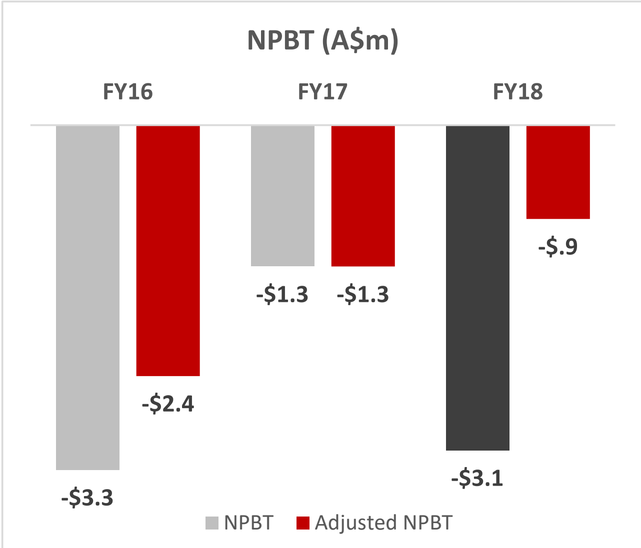
Earnings

EBITDA for FY2018 was a loss of $0.42m (pcp: $0.84m loss); an improvement of $0.41m (49%). The improvement in EBITDA was driven by the restructuring of the Company's cost base, giving expense savings of $0.66m (15%) against the prior period. Additional savings from this program will be realised in FY2019 as the effect of changes made during the year are annualised (approximately $0.6m).

NPAT for FY2018 was a $3.12m loss (pcp: $1.38m loss); an increase of $1.74m or 126%. The NPAT result was largely driven by the write down of DataTraceID intangible assets totaling $2.19m (which is a conservative response to the reduced revenues in FY2018, and does not reflect the Board's view of the importance of DataTraceID for the Company's future); and the transaction costs incurred in relation to the Beston merger deal totaling $0.23m.

Adjusting for intangible asset write downs, the Net Profit Before Tax results show a continued improvement over consecutive years, reflecting the ongoing efficiency gains achieved. With the cost efficiencies achieved and expected, the Company is well placed to translate revenue growth into positive earnings.

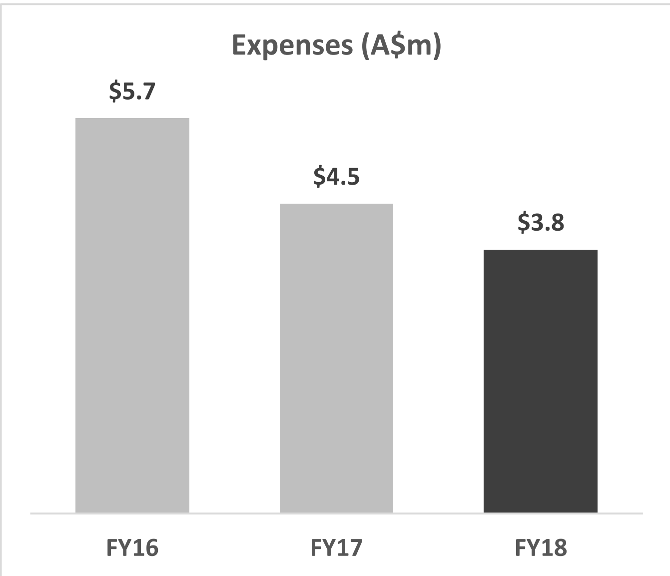


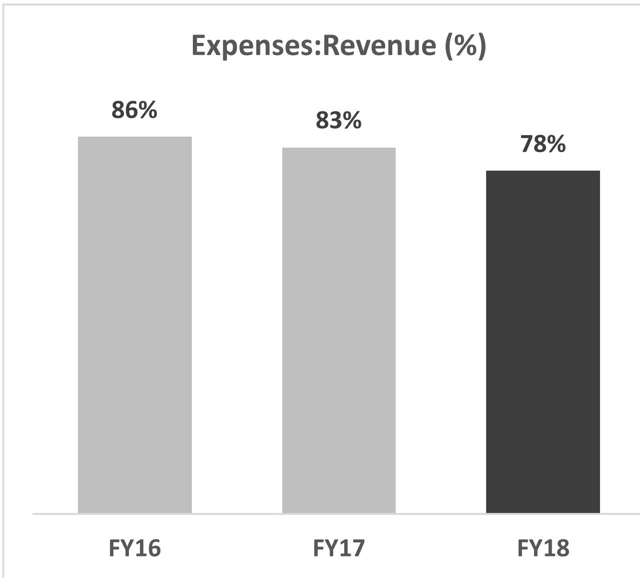


*Adjusted NPBT for FY 2018 excludes $2.19m in intangible DataTrace assets being written down this year following slower than anticipated sales volume.

Expenses

Operating expenses for FY2018 decreased by $0.66m (15%) to $3.80m. Total expense savings achieved from our cost efficiency program have now netted a cumulative savings of $2.0m over two years. For FY2019 it is expected that a further $0.6m in cost savings will be achieved.





Cash

As at 30 June 2018 the cash balance was $1.13m. During FY2019 the Company expects to be cash flow neutral or better depending on the realisation of new revenue from its pipeline. Additionally, the Company's cash flow is much improved and, as a result, we do not foresee the need to raise further capital in the year ahead to fund existing operations.

DataDotDNA - Microdot Business Overview

In the 2018 Financial Year (FY 2018) our microdot (DataDotDNA) business continued to perform strongly with unit volumes and sales revenue stable against FY 2017 volumes, principally driven by our business with:

(1) Subaru Australia, this foundational relationship has seen volumes grow by 7% in FY2018,

(2) Fiat Italy our volumes in the year were 135,000 kits, and

(3) DataDot Dealer Services, our US aftermarket distributor sold 136,000 kits in FY2018.

Sales revenue for DataDotDNA was up slightly on FY2017.

Toyota Germany commenced dealership distribution of DataDotDNA in FY2018 and there are further opportunities to grow the relationship with Toyota globally.

The opportunity in non-auto sectors (and overall) continues to be attractive at a macro level. In addition to direct sales and distributor lead initiatives, the Company is seeking other partnerships with other parties to unlock additional growth for the DataDotDNA business. Non-auto segments that we are focusing our efforts in include: local councils, utility companies and schools.

The Company has also taken further steps to reduce its Cost of Goods Sold as a means of improving margin. The results from this effort should start to materialise in FY2019.

DataTraceID - Authentication Business Overview

Our authentication (DataTraceID) business revenue was down 51% on FY2017 due to a number of DataTrace sales not being realised in FY18. Despite the fall in DataTraceID revenue for FY2018 (which led to our decision to write down the intangible assets relating to this product), your directors remain confident in the prospects of the DataTraceID Authentication business.

In particular:

(1) although revenue from some existing customers was down, we continue to maintain strong relationships with these brands and expect that those relationships will continue to be productive for us in the future,

(2) we have a strong pipeline of prospects and are continuing to see strong interest in DataTraceID and our complementary smart packing solutions, which are provided through collaboration partners, and

(3) business development activity is building exposure and awareness of the DataTraceID offerings.

Strategically DataTraceID is positioned as a business that solves counterfeit and other authenticity issues (like grey market imports) for brands. In a world where counterfeit has become one of the major threats to consumer trust in a brand this will differentiate DataTraceID from those companies that offer simple marking solutions. For example:

(1) we have now launched our complementary DataTraceID cloud based reporting and data aggregation service that enables brands to monitor (and respond to) counterfeit in real time,

(2) in partnership with our China distributor we are offering brands a sampling service that enables them to understand if (and to the extent to which) they have a counterfeit problem in China , and

(3) in collaboration with our technology partners we are now able to offer brands digital solutions that assure a consumer of authenticity and build trust in a brands provenance.

During the FY2019 year we will continue to build awareness of these offerings in our target markets (Pharmaceutical, Nutraceutical, Food & Beverage, Precision Instruments, Mechanical Parts and Industrial Products).

Outlook

The outlook for the FY2019 financial year is positive:

- continuing earnings improvements as revenues flow on an improved cost base
- strong volumes in our auto markets for DataDotDNA, and
- many avenues for upside and growth for DataTraceID and DataDotDNA

Net Assets at 30 June 2018 were $2,250,455 (2017: $5,178,682).

Net Assets per share at 30 June 2018 were $0.0028 (2017: $0.0068).

Net Tangible Assets at 30 June 2018 were $1,880,019 (2017 $2,448,171).

Net Tangible Assets per share at 30 June 2018 were $0.0023 (2017 $0.0032).

Significant changes in the state of affairs

Other than as set out in the Review of Operations there have been no significant changes in the state of affairs of the group.

Matters subsequent to the end of the financial year

On 8 August 2018 we announced that DataDot (DDT) and the Beston Global Food Company Limited (BFC) have determined that more work is needed to advance the business case for the proposed merger with Beston Technologies to support the intended capital raising (which is necessary to set up 'MergeCo' for ultimate success). To that end, DDT and BFC have terminated the previous heads of agreement, and agreed a new framework to complete the additional work (more detail is set out in the relevant ASX announcements in relation to this proposed transaction).

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulations under Australian Commonwealth or State Law.

Investor Communications and Corporate activity

During the year a number of shareholders expressed their disappointment in the performance of their investment, culminating in their calling of a Corporations Act S249D EGM that was held on 17 April 2018. The voting on the resolutions put to the meeting confirmed majority shareholder support for the current directors and management.

Your Directors and Management are mindful of shareholders' very real concerns, and continue to invest significant efforts to pursue improved trading performance by growing sales and revenue while managing the underlying costs of the business until that trading performance can be realized.

In parallel, your Directors are also seeking to assess a range of other potential transactions that will assist to restore shareholder value. An example of such a transaction is the recent joint venture arrangement with Beston Food Group (discussed above). Your Directors will seek to bring that transaction to a successful conclusion. In parallel, the Company will pursue a range of other complementary transactions, although – of course – there can be no certainty that any such transaction will be sufficiently progressed to be in a position to be formally considered by shareholders.

The DataDot Board remains mindful of its continuous disclosure obligations, balanced with the need to keep confidential and incomplete discussions private until such time that they can be disclosed with sufficient detail and certainty to constitute useful information for shareholders.

Information on Directors and Company Secretary

Mr Gary Flowers B.Com., LLB., FAICD

Chairman

Mr Flowers was appointed Chairman on 24 November 2017. He joined the Board as a non-executive Director on 27 November 2007. Until 2007 Mr Flowers was Managing Director and CEO of Australian Rugby Union, CEO of SANZAR and a Council Member of the International Rugby Board. He was previously National Managing Partner of Sparke Helmore Lawyers. He is currently Chairman of Mainbrace Constructions Pty Limited, a former Director of Sparke Helmore Lawyers, Chairman of NSW Institute of Sport and Chairman of Northern Star Investments Pty Limited. He is a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.
In the last four years Mr Flowers also served as a director of SkyFii Limited.

Mr Stephe Wilks BSc., LLB.,LLM

Independent Non-Executive Director

Mr Wilks joined the Board as a non-executive Director on 26 February 2017. He has over 25 years' experience in the telecommunications industry both within Australia and overseas. He has been Regional Director (Asia & Japan) – Regulatory Affairs for BT Asia Pacific, Managing Director of XYZed Pty Ltd (an Optus company) as well as Chief Operating Officer of Nextgen Networks and Personal Broadband Australia. Mr Wilks is also involved with a number of private equity backed businesses in the media and technology industries. Mr Wilks has experience across a range of commercial and operations disciplines, governance and corporate finance and M&A. He is Chairman of the Remuneration and Nomination Committee and the Audit and Risk Management Committee.
In the last four years Mr Wilks has also served as a director of Dubber Corporation Limited and is currently a Director of BluGlass Limited.

Mr Temogen Hield BSc., LLB.,LLM

Managing Director and CEO

Mr Hield joined the Board as Managing Director on 24 November 2017. He was appointed CEO on 26 August 2015. Temogen Hield is an accomplished senior executive with strong experience in strategy, innovation, business development and customer engagement. He has held a number of senior leadership roles, his most recent being Chief Operating Officer and Chief Innovation Officer of eftpos Payments Australia Limited. He has a track record of successful product development and delivery, particularly in the digital space.
Prior to his executive career in the payments industry Mr Hield was a partner of an international law firm in Hong Kong. He holds Masters and Bachelor of Law degrees and a Bachelor of Science degree with a major in computer science.

Mr Bruce Rathie B.Com., LL.B., MBA, Grad Dip CSP, SA Fin., FAICD, FAIM

Past Chairman – retired as a Director on 24 November 2017

Mr Rathie joined the Board as a non-executive Director and Chairman on 16 October 2009 and was appointed Executive Chairman in January 2012. Following the appointment of Temogen Hield as CEO in August 2015, Mr Rathie resumed the role of Non-Executive Chairman. Mr Rathie has held several senior positions in investment banking and commercial law including: Managing Director, Jardine Fleming Australia Capital Ltd; Director Corporate Finance, Ord Minnett Inc; and Director, Investment Banking, Salomon Brothers/Salomon Smith Barney Australia. In addition to listed Directorships below, Mr Rathie is Chairman of Capricorn Mutual Limited and Vice Chairman of Capricorn Society Limited. He was Chairman of the Remuneration and Nomination Committee until that role was assumed by Mr Stephe Wilks on 24 June 2016. He was a member of the Audit and Risk Management Committee. In the last four years Mr Rathie has also served as a director of the following listed companies:

PolyNovo Limited - Appointed February 2010
Mungana Goldmines Limited - Appointed September 2010; Resigned August 2013

Mr Patrick Raper FCPA, FAICD

Company Secretary

Mr Raper joined DataDot in March 2014 as Group CFO and was appointed as Company Secretary on 22 December 2014.
Since June 2016 he has been the Company Secretary working two days per week. He was previously CFO and Company Secretary for Ecosave Holdings Limited (ASX: ECV) and CFO and Company Secretary of CMA Corporation Limited (ASX: CMV) and has held a number of roles within the Investment portfolio companies of Hawkesbridge Private Equity including Company Secretary, CFO, Joint Managing Director and Chairman of Trippas White Catering and Director of Corporate Services with Integrated Premises Services Pty Limited. Mr Raper was formerly CFO and Company Secretary for a number of Touraust Corporation managed entities including Reef Casino Trust (ASX: RCT) and Australian Tourism Group (ASX: ATU).

Directors' interests

The relevant interest of each director in the shares and options over shares issued by DataDot, as notified by the directors to the Australian Stock Exchange in accordance with the *Corporations Act 2001*, at the date of this report is as follows:

Director	Interest in Ordinary Shares	Interest in Ordinary Shares subject to Share Loan Scheme	Interest in Share Options
Gary Flowers	5,487,265	-	-
Stephe Wilks	-	-	1,000,000
Temogen Hield	400,000	16,126,413	-

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018 and the number of meetings attended by each of the directors were:

Director	Note	Board Meetings		Remuneration and Nomination Committee Meetings		Audit and Risk Management Committee Meetings	
		No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Gary Flowers		13	13	0	0	3	3
Stephe Wilks		13	13	0	0	3	3
Temogen Hield		8	8	0	0	2	2
Bruce Rathie	1	6	6	0	0	1	1

There were no formal meetings of the Remuneration and Nomination Committee during the year as the changes to the company LTI scheme were settled in June 2017 for implementation in August 2017 subject to and after the release of the audited results for 2017. All other matters were attended to by the full Board (with the independent directors only, where required).

Note 1: Bruce Rathie retired as a Director on 24 November 2017.

Share rights and options

Share Rights

Unissued ordinary shares of DataDot Technology Limited under the share rights plan at the date of this report are as follows:

Grant date	Date of expiry	Number unvested
26 March 2014	26 March 2021	2,000,000

Share Options

Unissued ordinary shares of DataDot Technology Limited under the share options plan at the date of this report are as follows:

Issue Date	Date of Expiry	Number of Share Options	Exercise Price
20 December 2016	20 December 2019	1,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 5 cents per Share.
11 October 2016	1 July 2019	12,000,000	Each Option will entitle the holder to subscribe for one Share at an exercise price of 2.7 cents per Share.

For details of share options and share rights issued to directors and executives as remuneration, refer to the remuneration report.

Indemnity and insurance of officers and auditors

No indemnities have been given to any person who is or has been an officer or auditor of the consolidated entity.

During the year DataDot paid insurance premiums in respect of directors' and officers' liability insurance contracts. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001*, for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company, for all or part of those proceedings.

Non audit services

Details of the amounts paid or payable to the auditor for non-assurance services provided by the auditor during the financial year by the auditors are outlined in note 6 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the auditor, (or by another person or firm on the auditors' behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services disclosed in note 6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons :

(a) all non-audit services have been reviewed and approved to ensure that they do not impact on the integrity and objectivity of the auditor; and

(b) none of the services undermine the general principles relating to auditor independence set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company, or jointly sharing economic risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2018 is set out on page 22 of the financial report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

The following Remuneration Report forms part of the Directors' Report

Remuneration Report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel

The following key management personnel (hereafter referred to as "KMP") of the consolidated entity throughout the year consisted of the following directors and persons of DataDot Technology Limited:

Directors		
Gary Flowers	Chairman	Appointed 24 November 2017
	Non-Executive Director	Appointed 27 November 2007
Stephe Wilks	Non-Executive Director	Appointed 26 February 2016
Temogen Hield	CEO and Managing Director	Appointed 24 November 2017
	Chief Executive Officer	Appointed 26 August 2015
Bruce Rathie	Chairman	Appointed 16 October 2009 Retired 24 November 2017
Executives		
Andrew Winfield	Managing Director DataDot UK	Appointed 1 July 2012
David Williams	Chief Financial Officer	Appointed 14 June 2016
Steve Delepine	Vice President Business Development DataTraceID	Appointed 15 February 2016

Shares and Options Held

The number of shares and share options held by each KMP (or their related party) during the financial year, or at the date that they ceased their role as KMP is as follows:

Shares	Note	**Balance as at 30/6/2017**	**Vesting of Share Rights or Share Issues as part of remuneration**	**Other Additions**	**Disposals**	**Balance as at 30/6/2018**
Directors						
Gary Flowers		5,487,265	-	-	-	5,487,265
Stephe Wilks		-	-	-	-	-
Temogen Hield		400,000	-	16,126,414	-	16,526,414
Bruce Rathie	1	35,900,000	-	-	5,900,000	30,000,000
Executives						
David Williams		-	-	12,094,809	-	12,094,809
Andrew Winfield		-	-	-	-	-
Steve Delepine		-	-	12,094,809	-	12,094,809
Total Shares		**41,787,265**	-	**40,316,032**	**5,900,000**	**76,203,297**

Note 1. Mr Rathie held 35,900,000 Ordinary Shares on 24 November 2017 which is the day that he retired as a Director.
In March 2018, he sold 5,900,000 shares held by entities that he controlled.

Share Options *Directors*	Note	Balance as at 30/6/2017	Issue of Options as part of remuneration	Other Additions	Disposals or Cancellations	Balance as at 30/6/2018
Bruce Rathie	2	2,000,000	-	-	2,000,000	-
Gary Flowers	2	1,000,000	-	-	1,000,000	-
Stephe Wilks	3	1,000,000	-	-	-	1,000,000
Temogen Hield	4	20,000,000	-	-	20,000,000	-
Executives						
David Williams	5	9,000,000	-	-	9,000,000	-
Andrew Winfield	6	6,000,000	-	-	-	6,000,000
Other Executives	6	15,000,000	-	-	9,000,000	6,000,000
Total Share Options		**54,000,000**	**-**	**-**	**41,000,000**	**13,000,000**

Note 2. 3,000,000 Director's Options expired on 27 November 2017.
Note 3. 1,000,000 Director's Options were approved at the 2016 AGM and will expire on 19 December 2019.
Note 4. The CEO options were granted on 26 August 2015. These options were cancelled in August 2017 and replaced with shares issued under the Employee Share Issue and Loan Scheme.
Note 5. The CFO options were granted on 13 June 2017. These options were cancelled in August 2017 and replaced with shares issued under the Employee Share Issue and Loan Scheme.
Note 6. The Executive options were granted on 11 October 2017 with an expiry date of 1 July 2019. The exercise price is 2.7 cents with the fair value per option being 1 cent. 9,000,000 Options that had been issued to staff who have subsequently left the employ of DataDot were cancelled.

Remuneration policy

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of DataDot. KMP include the directors of the parent entity, the group CEO, Chief Financial Officer, the Chief Executive of the UK subsidiary company DataDot Technology (UK) Limited and the Vice President Business Development of DataDot Technology USA Inc.

Remuneration levels of KMP are determined by the Remuneration and Nomination Committee. The Committee's charter is to review and make recommendations to the Board in relation to :

- Executive remuneration and incentive policy,
- The remuneration of the CEO, executive directors and all direct reports of the CEO,
- Executive incentive plans,
- The remuneration of non-executive directors,
- Retention, performance assessment and termination policies and procedures for non-executive directors, the CEO, executive directors and all direct reports of the CEO,
- Establishment and oversight of employee and executive share plans and share option plans and share loan plans,
- Superannuation arrangements,
- The disclosure of remuneration in DDT's publications, including ASX filings and the Annual Report,
- Board composition, having regard to necessary and desirable competencies,
- Board succession plans, and
- Evaluation of Board performance.

The Committee did not obtain a remuneration recommendation or other advice from a remuneration consultant in 2018.

Remuneration policy (consolidated)

Board policy for determining the composition and value of remuneration for KMP comprises the following elements:

- Remuneration to contribute to the broader outcome of creating shareholder value,
- Remuneration to be commensurate with individual duties and responsibilities,
- Remuneration to be market competitive in order to attract, retain and motivate people of the highest quality,
- Remuneration to be aligned with DataDot's business strategies and financial targets,
- Executives' remuneration to comprise fixed and variable components,
- Variable components to be tied to the attainment of both short-term and long-term performance targets of individuals and DataDot,
- Variable components of executive remuneration to be between 30% and 50% of the value of total remuneration,
- Variable component payment to be subject to DataDot's financial capacity, and
- This policy to apply uniformly across DataDot.

In relation to **non-executive directors**, the Constitution of DataDot and ASX Listing Rules specify that aggregate remuneration shall be determined from time to time by a general meeting. The latest determination was at the 2004 AGM when shareholders approved a ceiling on aggregate remuneration of $300,000 per annum. The actual amount paid is currently $49,275 per annum for Mr Wilks, and $55,252 for the Chairman of the Board. Non-Executive Directors do not receive performance related remuneration and directors' fees cover both main board and committee activities. Directors of Group subsidiary companies do not receive directors' fees.
The Managing Director /CEO is currently paid $270,000 per annum (including superannuation) plus an STI, and an LTI in the form of shares issued under the Share Issue and Loan Scheme.

Relationship between remuneration and consolidated entity performance

The effect of remuneration policy on DataDot's financial performance and on shareholder value is central to the Board's and Remuneration and Nomination Committee's decisions. For this reason a primary objective of remuneration policy is to tie the remuneration of KMP to financial performance, so ensuring that a significant proportion of the total remuneration of KMP is at risk, short term incentive payments (STI) being tied to net profit targets, and long-term incentive payments (LTI) being tied to growth in shareholder value. In this respect, the key factors for consideration are continuing product development and improvement, business and revenue growth, developing and maintaining the appropriate corporate culture, strategic adjustments in consultation with the Board and maintenance of an efficient cost base.

The Company's performance and shareholder wealth for each of the last five years were

	2014	**2015**	**2016**	**2017**	**2018**
Revenue	7,210,707	7,026,595	6,631,371	5,343,983	4,867,167
EBITDA	(845,825)	(279,228)	(1,464,259)	(835,729)	(422,339)
Net loss after tax	(1,285,755)	(867,354)	(3,264,627)	(1,379,453)	(3,119,910)
Basic earnings per share (in cents)	(0.22)	(0.12)	(0.43)	(0.18)	(0.39)
Share price at year end (in cents)	2.10	1.90	2.00	0.50	0.30

Performance based remuneration

The remuneration of KMP who are non-executive directors included a fixed remuneration component and an LTI component.
The LTI component for directors includes share options. Options were last granted in FY 2017 to Mr Wilks to assist in the reward and retention of the Directors of the Company. The grant of Director Options is consistent with the Company's long-term incentive remuneration policy, providing Directors with the opportunity to participate in the future growth of the Company through share ownership. The Board considers the grant of Director Options in FY 2015 to each of Mr Rathie and Mr Flowers and in FY 2017 to Mr Wilks is reasonable in the circumstances given the necessity to attract and retain Directors of the highest calibre while preserving the Company's cash reserves and the terms on which they were issued in particular the 5c strike price. The Options issued in FY 2015 to Mr Rathie and to Mr Flowers expired on 27 November 2017. No other Options have been issued.

In 2018 the remuneration of the KMP who are not directors comprised a fixed element and a performance based STI component and a company performance based LTI component. The fixed element is payable in cash. The STI component is payable in cash or shares at the discretion of the directors.

The LTI component has in past years consisted of share rights and share options granted under the terms of the DataDot Technology Executives Share Rights Plan, for which shareholder approval was renewed at the 2013 AGM. In FY2018 and going forward, an Employee Share and Loan Scheme has been adopted to supplement the existing options scheme however those KMPs participating in the Employee Share and Loan Scheme will not continue to participate in the existing options scheme. The characteristics of securities issued under this plan are:

Share and Loan Scheme

- Certain KMPs are offered the opportunity to subscribe for shares in the Company, with the payment for that subscription being lent to the KMP on a limited recourse basis. KMPs become fully entitled to the shares in three equal tranches.
- No amounts are paid or payable by the recipient on issue of the shares.
- Shares issued under this plan may be voted in any meeting of the Company, and will be entitled to all dividends paid.
- Shares issued under this plan may only be dealt with by the recipient when the recipient becomes unconditionally entitled to the shares, and when the loans relating to those shares are fully repaid.
- Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of $1.
- At any time if there is a change of control of the company, recipients will become unconditionally entitled to any offer shares to which they are not yet unconditionally entitled at the time of change of control of the Company.

Number of **ordinary shares issued under the Share Issue and Loan Scheme and** provided as remuneration:

For the year ended 30 June 2018	Balance as at 30/06/2017	Granted as Remuneration Note 1	Expiring or Lapsing Shares	Balance as at 30/06/2018
CEO / Managing Director	-	16,126,414	-	16,126,414
Executive Key Management Personnel	-	24,189,618	-	24,189,618
Other Executives	-	-	-	-

Note 1 - 40,316,032 Shares were issued to KMP in August 2017. These shares were valued at $0.001 for shares issued to The CEO / Managing Director and $0.002 for shares issued to other KMP. This is a total amount of $64,506 based on a Black Scholes valuation methodology, using a Rfr of 2.565%, the DDT share price of $0.005 and the share issue and loan price of $0.027. At the point of issue of these shares, the share options previously issued to the CEO / Managing Director and to other KMP's were cancelled. The original value of these options was determined at the time of issue as $175,517.The Directors believe that the amendment of the LTI scheme will more closely align the interests of these KMP to increases in shareholder value.

For the year ended 30 June 2017	Balance as at 30/06/2016	Granted as Remuneration Note 1	Expiring or Lapsing Shares	Balance as at 30/06/2017
CEO / Managing Director	-	-	-	-
Executive Key Management Personnel	-	-	-	-
Other Executives	-	-	-	-

Note – The Share Issue and Loan Scheme was not in place during FY 2017.

Share Rights

- Each share right converts into one fully paid ordinary share in the Company on completion of the vesting conditions, or at discretion of the Board;
- No amounts are paid or payable by the recipient on receipt or exercise of a share right;
- Subject to the recipient's continuous employment, share rights vest in three equal tranches at varying intervals after the date of issue;
- A trading restriction applies for a further 12 months after vesting; and
- Share rights expire 7 years after issue.

Number of **share rights** provided as remuneration :-

For the year ended 30 June 2018	Balance as at 30/06/2017	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2018
Directors	-	-	-	-	-
Executives					
Patrick Raper - Note 1	2,000,000	-	-	-	2,000,000
	2,000,000	-	-	-	2,000,000

Note 1 – 2,000,000 Share Rights due to vest on 1 January 2017 did not vest and were rolled to 1 January 2018. New employment arrangements for Mr Raper as Company Secretary saw 2,000,000 Share Rights cancelled, with 2,000,000 Share Rights retained.
Shares and share rights issued and cancelled subsequent to end of the year: Nil

For the year ended 30 June 2017	Balance as at 30/06/2016	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2017
Directors	-	-	-	-	-
Executives					
Graham Loughlin - Note 1	2,000,000	-	(1,000,000)	(1,000,000)	-
James McCallum - Note 2	3,333,334	-	-	(3,333,334)	-
Patrick Raper - Note 3	2,000,000	-	-	-	2,000,000
Andrew Winfield - Note 4	333,334	-	-	(333,334)	-
	7,666,668	-	(1,000,000)	(4,666,668)	2,000,000

Shares and share rights issued and cancelled subsequent to end of the year:

Note 1 - 1,000,000 Share Rights vested on 1 July 2017. Graham Loughlin ceased employment on 2 July 2017 and consequently 1,000,000 Share Rights were cancelled.

Note 2 - 3,333,334 Share Rights held at 30 June 2016 were cancelled.

Note 3 - 2,000,000 Share Rights due to vest on 1 January 2017 did not vest and were rolled to 1 January 2018. New employment arrangements for Mr Raper as Company Secretary saw 2,000,000 Share Rights cancelled, with 2,000,000 Share Rights retained.

Note 4 - 333,334 Share Rights due to vest on 1 July 2017 did not vest and were cancelled.

Share Options

- Each share option converts into one fully paid ordinary share in the Company on exercising of the option.
- Directors' options have a strike price of $0.05 payable by the Director on exercise of the option.
- Non Director KMPs options have a strike price of $0.027 payable by the KMP on exercise of the option.
- All options have an expiry date which is approximately 3 years after the issue date.
- A trading restriction applies for 12 months after exercise.

For the year ended 30 June 2018	Balance as at 30/06/2017	Granted as Remuneration	Exercise of Share Options	Expiring or Lapsing Share Options	Balance as at 30/06/2018
Directors					
Bruce Rathie	2,000,000	-	-	(2,000,000)	-
Gary Flowers	1,000,000	-	-	(1,000,000)	-
Stephe Wilks	1,000,000	-	-	-	1,000,000
Key Management Personnel					
Temogen Hield - Note 1	20,000,000	-	-	(20,000,000)	-
David Williams – Note 1	9,000,000	-	-	(9,000,000)	-
Andrew Winfield	6,000,000	-	-	-	6,000,000
Other Executives – Note 2	15,000,000	-	-	(9,000,000)	6,000,000
	54,000,000	-	-	(41,000,000)	13,000,000

Note 1 – These options were cancelled and replaced with shares issued under the Share Issue and Loan Scheme.

Note 2 – 9,000,000 of these options were cancelled and not replaced.

Number of **share options** provided as remuneration:

For the year ended 30 June 2017	Balance as at 30/06/2017	Granted as Remuneration	Exercise of Share Options	Expiring or Lapsing Share Options	Balance as at 30/06/2018
Directors					
Bruce Rathie	2,000,000	-	-	-	2,000,000
Gary Flowers	1,000,000	-	-	-	1,000,000
Stephe Wilks	-	1,000,000	-	-	1,000,000
Key Management Personnel					
Temogen Hield - Note 1	20,000,000	-	-	-	20,000,000
David Williams – Note 1	9,000,000	-	-	-	9,000,000
Andrew Winfield	-	6,000,000	-	-	6,000,000
Other Executives	-	15,000,000	-	-	15,000,000
	32,000,000	22,000,000	-	-	54,000,000

Note 1 – These options will be cancelled on the day after the date of this report, and will be replaced with Shares issued under the Share and Loan Scheme detailed above.

Summary of Director, KMP and Other Executives Equity Remuneration instruments on issue at 30 June 2018 and at the date of this report:

	Ordinary Shares / Loan Scheme	Options	Share Rights
Directors	-	1,000,000	-
KMPs	40,316,032	6,000,000	-
Other Executives	-	6,000,000	2,000,000

Remuneration details for the year

The following table of benefits and payments, details, in respect to the financial year, the components of remuneration of each KMP.

2018	Short-term benefits		Post-employment benefits		Long-term benefits		Share-based payments	
	Cash, Salary, allowances & fees $	STI $	Non cash $	Super-annuation $	Termination $	Long service leave $	Share rights and Share Options $	Total $
Directors								
B Rathie	31,946	-	-	4,794	-	-	-	36,740
G Flowers	43,318	-	-	11,934	-	-	-	55,252
S Wilks	49,275	-	-	-	-	-	-	49,275
T Hield	251,029	9,000	-	20,049	-	-	56,161	336,239
Executives								
A Winfield	147,416	-	-	2,359	-	-	12,105	161,880
D Williams	182,854	3,000	-	17,352	-	-	28,939	232,145
S Delepine	193,384	6,000	-	-	-	-	14,783	214,167
	899,222	18,000	-	56,488	-	-	111,988	1,085,698

2017	Short-term benefits		Post-employment benefits		Long-term benefits		Share-based payments	
	Cash, Salary, allowances & fees $	STI $	Non cash $	Super-annuation $	Termination $	Long service leave $	Share rights and Share Options $	Total $
Directors								
B Rathie	77,625	-	-	7,374	-	-	-	84,999
G Flowers	26,459	-	-	28,794	-	-	-	55,253
S Wilks	49,274	-	-	-	-	-	3,000	52,274
Executives								
T Hield	249,483	81,000	-	19,617	-	-	40,349	390,449
A Winfield	118,673	-	-	1,859	-	-	12,105	132,637
D Williams	180,541	60,000	-	17,151	-	-	18,157	275,849
S Delepine	199,419	60,419	-	-	-	-	-	259,838
	901,474	201,419	-	74,795	-	-	73,611	1,251,299

	2017 Performance based remuneration		2018 Performance based remuneration	
	STI %	Share rights / Options LTI %	Bonus STI %	Share rights / Options LTI %
Directors				
Bruce Rathie	0.0%	0.0%	0.0%	0.0%
Gary Flowers	0.0%	0.0%	0.0%	0.0%
Stephe Wilks	0.0%	5.74%	0.0%	0.0%
Temogen Hield	20.75%	10.33%	2.64%	17.86%
Executives				
Andrew Winfield	0.0%	9.13%	0.0%	7.48%
David Williams	21.75%	6.58%	1.32%	10.65%
Steve Delepine	23.25%	0.0%	2.80%	6.90%

Details of the performance based and equity-based remuneration for KMP are set out below.

Employment details of key management personnel

(a) Temogen Hield

Mr Hield joined the company in August 2015 as CEO and was appointed as a Director following the retirement of Bruce Rathie at the 2017 AGM.

Mr Hield's remuneration package includes a base salary of approximately $250,000 plus superannuation; a fixed sum STI for FY2018 relating to the deferred payment of the 2017 STI which at the date of this report has not been paid, and for FY2019 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

In FY2018, the LTI component was changed to be an Employee Share Issue and Loan Scheme, whereby the company invited Mr Hield to subscribe for 16,126,414 shares in the Company at 2.7c per share, with the payment for that subscription being lent to him by the Company on a limited recourse basis. The offer shares have the same rights as all other ordinary shares on issue in the Company other than the following restrictions. Shares issued under this offer may not be traded, transferred or encumbered prior to the shares Entitlement Date. The Entitlement Date is determined for each of the three equal tranches of 5,375,471 shares as 18 August 2017, 1 July 2018 and 1 July 2019, or immediately at any change of control of the company. The shares may not be traded, transferred or encumbered until any outstanding loan amount in respect of the shares has been repaid. Shares may be forfeited prior to achieving the Entitlement Date if the employee ceases to be employed with the Company. Any outstanding loan amount must be repaid within one year of the last unconditional Entitlement date of the offer shares, unless otherwise agreed with the Company. Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of $1. In recovering any loan amount, the Company has recourse only to the offer shares, and the return of those shares will be in full satisfaction of any outstanding loan obligation.

Under this revised LTI, Share Options previously issued were cancelled.

In FY 2017 Mr Hield was awarded $81,000 as an STI which can be paid in shares at the discretion of the Board. The Board determined to pay this STI so as to recognise the prudential financial management of the Company, cultural changes made during the year and the need to pay a competitive package in order to retain high performing executives. At the date of this report, the 2017 STI remains unpaid.

(b) David Williams

Mr Williams joined the company in June 2016 as CFO.

Mr Williams remuneration package includes a base salary of approximately $182,650 plus superannuation; a fixed sum STI for FY2018 relating to the deferred payment of the 2017 STI which at the date of this report has been paid only to 50%, and for FY2019 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

In FY 2018, the LTI component was changed to be an Employee Share Issue and Loan Scheme, whereby the company invited Mr Williams to subscribe for 12,094,809 shares in the Company, with the payment for that subscription being lent to him by the Company on a limited recourse basis. The offer shares have the same rights as all other ordinary shares on issue in the Company other than the following restrictions. Shares issued under this offer may not be traded, transferred or encumbered prior to the shares Entitlement Date. The Entitlement Date is determined for each of the three equal tranches of 4,031,603 shares as 1 July 2018 and 1 July 2019 and 1 July 2020, or immediately at any change of control of the company. The shares may not be traded, transferred or encumbered until any outstanding loan amount in respect of the shares has been repaid. Shares may be forfeited prior to achieving the Entitlement Date if the employee ceases to be employed with the Company. Any outstanding loan amount must be repaid within one year of the last unconditional Entitlement date of the offer shares, unless otherwise agreed with the Company. Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of $1. In recovering any loan amount, the Company has recourse only to the offer shares, and the return of those shares will be in full satisfaction of any outstanding loan obligation.

Under this revised LTI, Share Options previously issued were cancelled.

In FY 2017 Mr Williams was awarded $60,000 as an STI which can be paid in shares at the discretion of the Board. The Board determined to pay this STI so as to recognise the prudential financial management of the Company, cultural changes made during the year and the need to pay a competitive package in order to retain high performing executives. At the date of this report, 50% of the 2017 STI remain unpaid.

(c) Stephen Delepine

Mr Delepine joined the company in February 2016 as Vice President Business Development.
Mr Delepine's remuneration package includes a base salary of USD150,000 a fixed sum STI for FY2018 relating to the deferred payment of the 2017 STI which at the date of this report has not been paid, and for FY2019 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

In FY 2018, an LTI component has been added in the form of an Employee Share Issue and Loan Scheme, whereby the company invited Mr Delepine to subscribe for 12,094,809 shares in the Company, with the payment for that subscription being lent to him by the Company on a limited recourse basis. The offer shares have the same rights as all other ordinary shares on issue in the Company other than the following restrictions. Shares issued under this offer may not be traded, transferred or encumbered prior to the shares Entitlement Date. The Entitlement Date is determined for each of the three equal tranches of 4,031,603 shares as 1 July 2018 and 1 July 2019 and 1 July 2020, or immediately at any change of control of the company. The shares may not be traded, transferred or encumbered until any outstanding loan amount in respect of the shares has been repaid. Shares may be forfeited prior to achieving the Entitlement Date if the employee ceases to be employed with the Company. Any outstanding loan amount must be repaid within one year of the last unconditional Entitlement date of the offer shares, unless otherwise agreed with the Company. Where any loan amount remains unpaid one year after the date of the last unconditional Entitlement date of the offer shares, the proportionate number of shares in respect of that loan amount will be forfeited for the total nominal consideration of $1. In recovering any loan amount, the Company has recourse only to the offer shares, and the return of those shares will be in full satisfaction of any outstanding loan obligation.

In FY 2017, Mr Delepine was awarded $60,419 as an STI which can be paid in shares at the discretion of the Board. The Board determined to pay this STI so as to recognise the prudential financial management of the Company, cultural changes made during the year and the need to pay a competitive package in order to retain high performing executives. At the date of this report the 2017 STI remains unpaid.

(d) Andrew Winfield

Mr Winfield joined the company in November 2011 as Managing Director of the UK subsidiary.
Mr Winfield's remuneration package includes a base salary of GBP90,000 plus a pension entitlement at 1.6%, a fixed sum STI for FY2018 payable on achieving budget targets and, for FY2019 and beyond, up to 50% of base salary subject to KPIs to be agreed at the commencement of each year, and an LTI.

The Remuneration and Nomination Committee measured performance by comparing at year end the actual financial performance with budget for both DataDot Technology (UK) Limited and the Group.

These performance targets were chosen because they focus on developing regional business growth as an integral part of the DataDot Group. Mr Winfield was paid 0% of the STI.

In October 2016 Mr Winfield was included in the company LTI programme. The LTI comprised 6 million share options in the Company which are due to vest in 3 tranches, subject to continued employment, and a trading restriction after share issue as follows: Tranche 1 – 2.0 million share options with an exercise price of 2.7c vesting when the volume weighted average share price (VWAP) exceeds 5c for more than 3 months and expiring 3 months after vesting; Tranche 2 – 2.0 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 10c for more than 3 months and expiring 3 months after vesting; Tranche 3 – 2 million share options with an exercise price of 2.7c vesting when the VWAP exceeds 15c for more than 3 months and expiring 3 months after vesting. The above LTI package is due to expire on 1 July 2019 and shares issued are to be escrowed for 12 months save in the event of takeover, merger or scheme where a 3rd party becomes entitled to greater than 50% of the equity in DDT in which event any escrow will cease.

Mr Winfield was paid 0% of the 2018 STI.

Executive service contracts

It is the Board's policy to establish executive service contracts with all KMP. No KMP is employed on a fixed term contract. The termination notice periods for executive service contracts is between one month and three months. Commitments of these amounts are disclosed in Note 21 of the financial accounts.

KMPs have no entitlement to termination payments in the event of removal for misconduct.

Shareholder Adoption of the Remuneration Report

At the 2017 AGM held on 24 November 2017, the Company's remuneration report was voted on by shareholders. The resolution was approved on a show of hands, however in advance of the meeting, the company had received votes from 196 shareholders and proxy holders who collectively held 232,720,755 shares. Of these, 68 shareholders holding 100,994,833 shares (43%) voted against adoption of the Remuneration Report.

The Board has considered remuneration levels having regard to the number of shareholders voting against adoption of the Remuneration Report. In conclusion the Board believes that the current remuneration levels are an appropriate balance between the principles of retention, incentivisation and alignment with shareholder interests. Key factors which the Board takes into consideration include continuing product development and improvement, business and revenue growth, developing and maintaining the appropriate corporate culture, strategic adjustments in consultation with the Board and maintenance of an efficient cost base.

This report of the Board of Directors, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors, pursuant to section 298 (2) (a) of the Corporations Act.

Gary Flowers - Chairman

Dated this 23rd day of August, 2018 in Sydney

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Australia

DECLARATION OF INDEPENDENCE BY GILLIAN SHEA TO THE DIRECTORS OF DATADOT TECHNOLOGY LIMITED

As lead auditor of Datadot Technology Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of DataDot Technology Limited and the entities it controlled during the period.

Gillian Shea
Partner

BDO East Coast Partnership

Sydney, 23 August 2018

Consolidated Financial Statements
for the year ended 30 June 2018

Contents **Page**

Consolidated Statement of Profit or Loss

for the year ended 30 June 2018

	Notes	2018	2017
		$	$
Revenue			
Sale of goods		**4,248,147**	4,791,265
Service and licence fees		**161,862**	160,061
Royalties		**457,158**	392,657
		4,867,167	5,343,983
Cost of sales		**2,096,507**	2,330,394
Gross Profit		**2,770,660**	3,013,589
Other income	3	**602,471**	605,407
Expenses			
Administrative expenses	4	**3,029,933**	3,841,120
Marketing expenses		**103,099**	142,312
Occupancy expenses		**356,646**	358,955
Restructuring expenses	4	**234,475**	-
Travel expenses		**71,317**	112,338
		3,795,470	4,454,725
EBITDA		**(422,339)**	(835,729)
Depreciation and Amortisation		**444,204**	503,493
Finance costs		**23,710**	2,690
Impairment of intangibles		**2,194,411**	-
Share of profit from an associated entity		-	-
Loss before income tax expense		**(3,084,664)**	(1,341,912)
Income tax expense	5	**35,246**	**37,541**
Loss after income tax expense for the year		**(3,119,910)**	(1,379,453)
Loss for the year attributable to :			
Owners of DataDot Technology Limited		**(3,119,910)**	(1,379,453)
		(3,119,910)	(1,379,453)
Basic loss per share (cents per share)	8	**(0.39)**	(0.18)
Diluted loss per share (cents per share)	8	**(0.39)**	(0.18)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	2018 $	2017 $
Loss after income tax expense for the year	**(3,119,910)**	(1,379,453)
Other comprehensive income		
Items that may be classified subsequently to profit or loss		
Exchange difference on translation of foreign operations	**39,429**	(14,794)
Total comprehensive loss for the year, net of tax	**(3,080,481)**	(1,394,247)
Total comprehensive loss attributable to		
Owners of DataDot Technology Limited	**(3,080,481)**	(1,394,247)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2018

	Notes	2018 $	2017 $
Current Assets			
Cash and cash equivalents	9	**1,125,253**	1,768,175
Trade and other receivables	10	**775,306**	939,585
Inventories	11	**614,469**	737,022
R&D grant receivable		**177,047**	320,000
Total Current Assets		**2,692,075**	3,764,782
Non-Current Assets			
Plant and equipment	12	**359,735**	466,552
Intangibles	13	**370,437**	2,730,511
Investments		**120**	120
Deferred Tax Asset	5	**14,683**	33,131
Total Non-Current Assets		**744,975**	3,230,314
Total Assets		**3,437,050**	6,995,096
Current Liabilities			
Trade and other payables	14	**794,572**	985,582
Employee benefits	16	**102,599**	127,248
Provisions	17	**60,000**	60,000
Other current liabilities	18	**114,603**	216,820
Total Current Liabilities		**1,071,774**	1,389,650
Non-Current Liabilities			
Employee benefits	16	**20,385**	23,649
Other non-current liabilities	18	**94,436**	403,115
Total Non-Current Liabilities		**114,821**	426,764
Total Liabilities		**1,186,595**	1,816,414
Net Assets		**2,250,455**	5,178,682
Equity			
Issued capital	19	**39,692,526**	39,664,364
Accumulated losses		**(35,368,779)**	(32,248,869)
Reserves	20	**(2,073,292)**	(2,236,813)
Equity attributed to the owners of DataDot Technology Limited		**2,250,455**	5,178,682
Total Equity		**2,250,455**	5,178,682

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Attributable to equity holders of the parent					
	Issued capital $	Accumulated losses $	Foreign currency translation reserve $	Employee equity benefit reserve $	Other reserve $	Total equity $
Balance at 1 July 2016	39,584,463	(30,869,416)	(1,774,501)	163,390	(678,623)	6,425,313
Loss after income tax expense for the year	-	(1,379,453)	-	-	-	(1,379,453)
Other comprehensive income for the year, net of tax	-	-	(14,794)	-	-	(14,794)
Total comprehensive income for the year	-	(1,379,453)	(14,794)	-	-	(1,394,247)
Transactions with owners in their capacity as owners :						
Share based payments	-	-	-	85,715	-	85,715
Share rights exercised	18,000	-	-	(18,000)	-	-
Share rights expired	-	-	-		-	-
Share issues	65,400	-	-	-	-	65,400
Share issue costs	(3,499)	-	-	-	-	(3,499)
Balance at 30 June 2017	39,664,364	(32,248,869)	(1,789,295)	231,105	(678,623)	5,178,682
Loss after income tax expense for the year	**-**	**(3,119,910)**	**-**	**-**	**-**	**(3,119,910)**
Other comprehensive income for the year, net of tax	**-**	**-**	**39,429**	**-**	**-**	**39,429**
Total comprehensive income for the year	**-**	**(3,119,910)**	**39,429**	**-**	**-**	**(3,080,481)**
Transactions with owners in their capacity as owners :						
Share based payments	**-**	**-**	**-**	**124,092**	**-**	**124,092**
Share issues	**30,000**	**-**	**-**	**-**	**-**	**30,000**
Share issue costs	**(1,838)**	**-**	**-**	**-**	**-**	**(1,838)**
Balance at 30 June 2018	**39,692,526**	**(35,368,779)**	**(1,749,866)**	**355,197**	**(678,623)**	**2,250,455**

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Notes	**2018**	2017
		$	$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**5,490,024**	6,224,078
Payments to suppliers and employees (inclusive of GST)		**(6,327,234)**	(6,867,800)
Interest paid		**(23,710)**	(2,690)
Income tax paid		**(16,798)**	(10,013)
Receipt of government grants		**344,106**	467,184
Net cash used in operating activities	9	**(533,612)**	(189,241)
Cash flows from investing activities			
Interest received		**18,558**	22,233
Payments for plant and equipment		**(14,419)**	(58,896)
Payments for development costs and other intangibles		**(143,553)**	(232,655)
Net cash flows used in investing activities		**(139,414)**	(269,318)
Cash flows from financing activities			
Payment for share issue costs		**(1,838)**	(3,499)
Net cash used in financing activities		**(1,838)**	(3,499)
Net decrease in cash and cash equivalents		**(674,864)**	(462,058)
Cash and cash equivalents at the beginning of the financial year		**1,768,175**	2,355,153
Effects of exchange rate changes on cash and cash equivalents		**31,942**	(124,920)
Cash and cash equivalents at the end of the financial year	9	**1,125,253**	1,768,175

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General Information

DataDot Technology Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 9, 19 Rodborough Road

Frenchs Forest NSW 2086

Australia

A description of the nature of DataDot's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue in accordance with a resolution of Directors' on 23 August 2018. The directors' have the power to amend and reissue the financial statements.

Basis of preparation

These general purpose financial statements comprise the consolidated financial statements of DataDot Technology Limited and its controlled entities (hereafter referred to as 'DataDot', 'the consolidated entity' and 'the Group') as at and for the period ended 30 June each year. They have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 as appropriate for for-profit oriented entities.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Significant accounting policies applied are provided within these financial statements, where appropriate.

2 Segment Information

Operating Segments

Segment descriptions

DataDot has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Management has reviewed the segments and determined the group is organised into business units based on their product and services and accordingly has two reportable segments. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

Products and services by segment

Two reportable segments have been identified as follows:

DataDotDNA® - polymer and metallic microdots containing etched data that is unique to the assets to which the microdots are attached;

DataTraceID® – a high speed, high security, machine readable system for authenticating materials, products, and assets and IntelliSeed™ by AgTechnix is a frontier patent pending technology, supporting global agriculture and protecting investments in intellectual property across a diverse spectrum of agricultural activities, including seed and plant genetics.

Accounting policies and intersegment transactions

The accounting policies used by DataDot in reporting segments internally are the same as those contained in the prior period. Intersegment pricing is determined on an arm's length basis. Intersegment transactions are eliminated on consolidation.

2 Segment Information (continued)

The following tables present the revenue, loss after tax, assets and liabilities information regarding operating segments for years ended 30 June 2018 and 30 June 2017.

Segment performance Year ended 30 June 2018	**DataDotDNA $**	**DataTraceID $**	**Intersegment eliminations $**	**Total $**
Revenue from external customers	**4,393,233**	**473,934**	**-**	**4,867,167**
Intersegment sales	**492,360**	**27,151**	**(519,511)**	**-**
Total revenue	**4,885,593**	**501,085**	**(519,511)**	**4,867,167**
Gross profit	**2,978,656**	**284,364**	**(492,360)**	**2,770,660**
Restructuring expenses	**(234,475)**	**-**	**-**	**(234,475)**
EBITDA	**(554,019)**	**131,680**	**-**	**(422,339)**
Depreciation and amortisation	**(214,644)**	**(229,560)**	**-**	**(444,204)**
Goodwill Impairment	**-**	**(2,194,411)**	**-**	**(2,194,411)**
Finance costs	**(12,443)**	**(11,267)**	**-**	**(23,710)**
Loss before income tax	**(781,106)**	**(2,303,558)**	**-**	**(3,084,664)**
Income tax expense	**(35,246)**	**-**	**-**	**(35,246)**
Loss after income tax	**(816,352)**	**(2,303,558)**	**-**	**(3,119,910)**
Segment assets	**6,819,398**	**524,389**	**(3,906,737)**	**3,437,050**
Segment liabilities	**1,094,208**	**2,777,388**	**(2,685,001)**	**1,186,595**

Segment performance Year ended 30 June 2017	**DataDotDNA $**	**DataTraceID $**	**Intersegment eliminations $**	**Total $**
Revenue from external customers	4,366,915	977,068	-	5,343,983
Intersegment sales	421,404	11,631	(433,035)	-
Total revenue	4,788,319	988,699	(433,035)	5,343,983
Gross profit	2,806,370	628,623	(421,404)	3,013,589
EBITDA	(1,108,393)	272,664	-	(835,729)
Depreciation and amortisation	(230,827)	(272,666)	-	(503,493)
Finance costs	10,287	(12,977)	-	(2,690)
Loss before income tax	(1,328,933)	(12,979)	-	(1,341,912)
Income tax expense	(37,541)	-	-	(37,541)
Loss after income tax	(1,366,474)	(12,979)	-	(1,379,453)
Segment assets	7,266,954	864,494	(1,136,352)	6,995,096
Segment liabilities	1,795,319	2,445,030	(2,423,935)	1,816,414

2 Segment Information (continued)

Geographic segments

DataDot operates in three geographical regions of Australasia, Americas and Europe and each manufacture and distribute the DataDot asset identification system. Excluding intersegment transactions, Australiasia accounts for 35% of total revenue, Americas 21% and Europe 44%. 96% of the Non current assets are in Australia.

Major customers

DataDot has a number of customers to which it provides both products and services. In Australasia, one customer accounts for 9% of total revenue (2017 : 8%), in Europe one customer accounts for 20% of total revenue (2017 : 24%), in the Americas one customer accounts for 17% of total revenue (2017 : 18%) and in DataTraceID one customer accounts for 3% total revenue (2017 : 4%).

3 Other Income

	2018 $	2017 $
Interest revenue	**18,558**	22,233
Government grants:		
Research and development grants *	**556,056**	506,999
Sundry income	**27,857**	76,175
	602,471	605,407

* There are no unfulfilled conditions or contingencies attached to the grants.

Research and development grant

The research and development grants received from the Australian government are classified as deferred income and released to other income in line with the amortisation of the capitalised or expensed costs to which the grant relates.

The research and development grants receivable from the Australian government are recognised in the statement of financial position as an asset when the grant is reasonably certain.

4 Expenses

The consolidated statement of profit and loss includes the following specific expenses:

	$	$
Cost of sales		
Inventory	**874,889**	881,134
Stock obsolescence	**7,913**	45,651
Administration expenses		
Net (gain) / loss on foreign currency	(6,265)	116,451
Minimum lease payments	**4,020**	4,020
Employee benefits expenses	**1,645,311**	2,169,672
Employee share based payment expenses	**124,092**	85,715
Superannuation expenses	**133,906**	174,097
Research & development expenses	**15,456**	97,644
Bad debt expense	**127,018**	5,569
Administrative expenses	**986,395**	1,187,952
	3,029,933	3,841,120
Occupancy expenses		
Minimum lease payments	**234,993**	243,903
Restructuring expenses	**234,475**	-

Restructuring expenses include legal, professional services and consulting fees relating to the proposed Beston merger deal in restructuring the business.

5 Income Tax

	2018	2017
	$	$
(a) Major components of tax expenses		
Current income tax expense	**20,661**	24,138
Withholding tax	**14,585**	13,403
Income tax expense	**35,246**	37,541
(b) The prima facie tax on loss before income tax is reconciled to the income tax expense as follows :		
Loss before income tax expense	**(3,084,664)**	(1,341,912)
Net loss before income tax expense at the statutory income tax rate of 27.5%	**(848,283)**	(369,026)
Foreign tax rate adjustment	**(29,764)**	(65,962)
Income not subject to tax	**(152,916)**	(142,175)
Research and development expenditure added back	**48,676**	68,750
Expenditure not allowable	**346,187**	210,673
Other timing differences	**156,553**	9,368
Tax losses and tax offsets not recognised as deferred tax assets	**500,208**	309,760
Withholding tax	**14,585**	13,403
Aggregate income tax expense/(benefit)	**35,246**	34,791
(c) Recognised deferred tax assets and liabilities		
Opening balance	**33,131**	60,658
Deferred tax movement credited/charged to income	**(18,448)**	(27,527)
Closing balance	**14,683**	33,131
Deferred tax assets and liabilities		
Deferred income tax at 30 June relates to the following :		
Deferred tax liabilities		
Development costs	**61,129**	250,379
Plant and equipment	**-**	-
Patents & Trademarks	**36,482**	147,483
Gross deferred tax liabilities	**97,611**	397,862
Set-off of deferred tax assets	**(97,611)**	(397,862)
Net deferred tax liabilities	**-**	-
Deferred tax assets		
Tax losses	**-**	144,769
Provisions	**30,855**	41,497
Accruals	**110,450**	109,997
Equity raising costs	**31,611**	31,804
Doubtful debts and obsolescence	**47,263**	46,948
Other timing differences	**33,985**	22,847
Gross deferred tax assets	**254,164**	397,862
Set-off of deferred tax liabilities	**(97,611)**	(397,862)
Net deferred tax assets not brought to account	**156,553**	-

5 Income Tax (continued)

The potential deferred tax assets arising from unused tax losses and temporary differences have only been recognised where it is probable that the future taxable profit will be available against which tax losses can be utilised. Deferred tax assets currently recognised relates to DataDot Technology (UK) Limited where future taxable profit is expected.

	2018	2017
	$	$
The amount of the potential deferred tax assets attributable to revenue losses not brought to account	**10,160,379**	9,660,171

The potential deferred tax asset will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the relevant company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the relevant company in realising the benefit.

There is no deferred tax liabilities in other tax jurisdictions

Tax losses in the USA of $5,383,191 (2017: $4,827,506) will expire in 2021.

Tax consolidation

DataDot Technology Limited and its wholly owned Australian controlled entities implemented the tax consolidated legislation as of 1 July 2003.

The head entity, DataDot Technology Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. As DataDot is in a cumulative tax loss position, DataDot has not applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, DataDot Technology Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group when it is probable that future taxable profit will allow the deferred tax asset to be recovered.

DataDot Technology Limited has not entered into any tax funding agreements with the tax consolidated entities.

6 Auditors' Remuneration

The auditor of DataDot Technology Limited is BDO East Coast Partnership

	2018	2017
	$	$
Amounts paid or payable for audit services by BDO East Coast Partnership :		
An audit or review of the financial statements	**143,000**	104,000
Other services :		
Tax compliance	**21,500**	25,000
Other services - R&D advice	**20,000**	20,000
	184,500	149,000
Amounts paid or payable to BDO network firms :		
Audit or review of the financial statements	**21,349**	52,944
Tax compliance	-	2,661
	21,349	55,605

7 Dividends

No dividends declared or paid during the year. No franking credits are available.

8 Earnings Per Share

	2018	2017
	$	$
Basic loss per share (cents per share)	(0.39)	(0.18)
Diluted loss per share (cents per share)	(0.39)	(0.18)
Net loss after income tax expense used in calculating loss per share	(3,119,910)	(1,379,453)
Weighted average number of shares :	No	No
Weighted average number of shares used in calculating basic and diluted earnings per share	804,924,003	763,403,491
Adjustments for calculation of diluted earnings per share	-	-
Adjusted weighted average number of shares	804,924,003	763,403,491

Shares and share rights issued subsequent to end of the year :
Nil.

Diluted earnings per share

Share rights and options issued to shareholders and related parties are considered to be potential ordinary shares and have been considered in determination of diluted earnings per share. The calculation of diluted earnings per share assumes conversion, exercise or other issue of potential ordinary shares that would have a dilutive effect on earnings per share.

9 Cash and Cash Equivalents

	2018	2017
Reconciliation of cash	$	$
Cash at the end of the financial year shown in the consolidated statement of cash flows is reconciled as follows :		
Cash at bank and on hand	1,125,253	1,768,175
	1,125,253	1,768,175

Cash Flow Information

	2018	2017
Reconciliation of loss after tax to net cash from operations :		
Loss after income tax expense for the year	(3,119,910)	(1,379,453)
Add/(less) items classified as investing/financing activities:		
Interest received	(18,558)	(22,233)
Add/(less) non-cash items:		
Depreciation, amortisation and impairment	2,638,615	503,493
Share based payments	154,092	151,115
Foreign exchange variance	(6,265)	116,450
Changes in assets and liabilities :		
Decrease in trade and other receivables	164,277	197,575
Decrease in non-current tax assets	2	40,642
Decrease in inventories	122,557	108,191
Decrease in grant receivable	142,953	63,000
Increase/(decrease) in trade and other payables	(191,010)	162,869
Decrease/(increase) in current tax liabilities	18,446	(13,114)
Increase in other liabilities	(410,896)	(20,128)
Increase in employee benefits	(27,915)	(97,648)
Net cash used in operating activities	(533,612)	(189,241)

9 Cash and Cash Equivalents (continued)

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

10 Trade and Other Receivables

	2018	2017
	$	$
Trade receivables	**854,420**	816,282
Provision for impairment	**(244,958)**	(117,940)
	609,462	698,342
Prepayments	**157,534**	177,315
Other receivables	**8,310**	63,928
	775,306	939,585

(a) Provision for impairment

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A charge amount of $127,018 (2017 : $5,569) has been recognised by DataDot. These amounts have been included in the bad and doubtful debt expense item.

Movement in provision for impairment of receivables is as follows:

At 1 July	**117,940**	112,371
Charge for the year	**127,018**	5,569
Amount written off (included in bad and doubtful debt expense)	**-**	-
At 30 June	**244,958**	117,940

Customers with balances past due but without provision for impairment amounts to $146,685 (2017 : $92,945)

The ageing of the past due but not impaired receivables are as follows :

30 days	**102,021**	64,674
60 days	**15,575**	10,061
90 days and over	**29,089**	18,210
	146,685	92,945

The consolidated entity did not consider there to be a credit risk on the outstanding balances taking into consideration the customers credit terms and payment practices.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that DataDot will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment.

Details over the impact of new accounting standards over provision for impairment of trade receivables are disclosed in Note 30.

11 Inventories

	2018	2017
	$	$
Raw materials	**542,962**	721,482
Finished goods	**71,507**	15,540
	614,469	737,022

Inventories including raw materials and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows :

Raw materials – purchase cost on either the weighted average cost or on first-in, first-out basis; and

Finished goods – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

12 Plant and Equipment

	2018	2017
	$	$
Plant and equipment - at cost	**2,711,544**	2,819,161
Accumulated depreciation	**(2,414,567)**	(2,429,070)
Total owned plant and equipment	**296,977**	390,091
Plant and equipment under lease	**152,923**	152,923
Accumulated depreciation	**(91,754)**	(76,462)
Total plant and equipment under lease	**61,169**	76,461
Leasehold improvements - at cost	**207,329**	205,740
Accumulated depreciation	**(205,740)**	(205,740)
Total leasehold improvements	**1,589**	-
	359,735	466,552

Movements in carrying amounts

	Plant and equipment	Plant and equipment under lease	Leasehold Improvements	Totals
	$	$	$	$
Balance as at 1 July 2016	464,928	91,754	-	556,682
Additions	65,943	-	-	65,943
Disposals	(7,043)	-	-	(7,043)
Depreciation expense for the year	(128,749)	(15,293)	-	(144,042)
Exchange adjustments	(4,988)	-	-	(4,988)
Balance at 30 June 2017	390,091	76,461	-	466,552
Additions	**17,789**	**-**	**1,589**	**19,378**
Disposals	**(4,379)**	**-**	**-**	**(4,379)**
Depreciation expense for the year	**(101,648)**	**(15,292)**	**-**	**(116,940)**
Exchange adjustments	**(4,876)**	**-**	**-**	**(4,876)**
Balance at 30 June 2018	**296,977**	**61,169**	**1,589**	**359,735**

12 Plant and Equipment (continued)

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated over the useful life of the asset using a combination of straight-line basis and diminishing value method. The estimated useful lives of office equipment is over 4 years, plant and equipment over 10 years and leasehold improvements over 10 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

13 Intangible Assets

	2018	2017
	$	$
Development - at cost	1,219,009	2,667,981
Less: Accumulated amortisation	(996,723)	(1,757,512)
	222,286	910,469
Patent and trademarks - at cost	583,517	1,485,042
Less: Accumulated amortisation	(450,855)	(948,739)
	132,662	536,303
Goodwill	-	1,258,863
Software - at cost	42,567	65,815
Less: Accumulated amortisation	(27,078)	(40,939)
	15,489	24,876
	370,437	2,730,511

Movements in carrying amounts

	Development	Patents and trademarks	Goodwill	Software	Totals
	$	$	$	$	$
Balance as at 1 July 2016	984,806	573,966	1,258,863	41,012	2,858,647
Additions	110,569	122,086	-	-	232,655
Impairment of intangibles	-	-	-	-	-
Amortisation expense	(184,906)	(159,749)	-	(16,136)	(360,791)
Balance at 30 June 2017	910,469	536,303	1,258,863	24,876	2,730,511
Additions	53,554	89,999	-	-	143,553
Impairment of intangibles	(549,007)	(386,541)	(1,258,863)	-	(2,194,411)
Amortisation expense	(192,730)	(107,099)	-	(9,387)	(309,216)
Balance at 30 June 2018	222,286	132,662	-	15,489	370,437

13 Intangible Assets (continued)

Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible assets have been assessed as having finite lives and are amortised using the straight line method over a period of 5 to 10 years. The amortisation has been recognised in the statement of profit or loss in the line item “depreciation, amortisation and impairment”. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Patents and trademarks

Patent costs are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over the period of the patent or a maximum period of 10 years. The amortisation has been recognised in the statement of profit or loss in the line item 'administration expenses'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

In 2018, $89,999 (2017: $122,086) of costs associated with the lodging, renewal, and maintenance of patents & trademarks were incurred with $107,098 (2017: $159,749) of associated amortisation being expensed during the period.

Goodwill

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment testing

DataDot conducts an annual asset impairment test to assess for any indicators of impairment. The group has identified two cash generating units (CGUs); DataDot (with a carrying value of non-current assets of $674,615) and DataTrace (with a carrying value of non-current assets of $55,557). The recoverable value of the CGUs is determined based on value in use calculations. Value in use is calculated based on the present values of cash flow projections over a five year period with the terminal value calculated on the year 5 projected cash flow with growth of 3% per annum, divided by the discount rate less the long-term growth rate. Impairment testing indicated that the recoverable amount of the DataTrace CGU was below the carrying amount and an impairment of DataTrace assets totalling $2,194,411 was recorded.

Management has based the value-in-use calculations on the budgets approved by the DataDot Board. The FY19 budget uses a probability weighted sales pipeline to predict the revenue. Whilst the revenue growth budgeted for FY19 is 9% higher compared to actual revenue in FY2018, the Board has expressed its confidence in the achievement of this growth based on recent market developments and discussions and analysis with relevant parties in the market. The FY19 revenue budget growth relating to the DataTraceID business is supported by several large pipeline prospects. Costs are calculated taking into account historical margins as well as estimated inflation rates over the period.

The cash flows are discounted using a post-tax discount rate of 16.00% (2017: 13.00%). The discount rate of 16.00% reflects management’s assessment of the time value of money and DataDot’s weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements, and inherent uncertainty of the business. Cash flows beyond the five year period are extrapolated using an estimated long-term growth rate of 3% and are included in the terminal value calculation. These key assumptions were included within the calculation of both the DataDot and the DataTrace recoverable values.

Management identified that there was a significant range within the assumptions used as part of the value-in-use impairment calculation model. The recoverable value of the CGU is very sensitive to some of these assumptions, especially revenue growth targets. Taking into account historical revenue growth trends, management determined that the lower end of the range of assumptions would be most suitable, given the uncertainty in meeting revenue growth assumptions in future years. In order to ensure that the recoverable value of the CGU was greater than the carrying value, an impairment loss of $2,194,411 was recognised in relation to the DataTrace CGU.

14 Trade and Other Payables

	2018	2017
	$	$
Trade payables	**193,883**	360,660
Sundry creditors and accruals	**600,689**	624,922
	794,572	985,582

Fair value and credit risk

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 26.

Trade and other payables are carried at amortised cost and due to their short term nature are not discounted. They represent liabilities for goods and services provided to DataDot prior to the end of the financial year that are unpaid and arise when DataDot becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

15 Borrowings

Financing arrangements

Unrestricted access was available at the reporting date to total credit facilities of $115,178 (2017 : $114,466). There are currently no Lines of Credit provided for immediate use. $49,500 (2017 : $49,500) was utilised in the provision of bank guarantees against commercial leases on real property. $2,603 (2017 : $2,507) was utilised against a corporate credit card facility with $65,678 (2017 : $64,966) available for immediate use.

16 Employee Benefits

	2018	2017
Current		
Employee benefits	**102,599**	127,248
Non Current		
Employee benefits	**20,385**	23,649

The current provision for all employee benefits includes all unconditional entitlements where employees have completed the required period of service. The amount is presented as current since the consolidated entity does not have unconditional right to defer settlement. However based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued annual and long service leave within the next twelve months.

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 high quality Australian corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

17 Provisions

	2018	2017
	$	$
Current		
Lease make good	**50,000**	50,000
Other provisions	**10,000**	10,000
	60,000	60,000

Other provisions
A provision of $10,000 (2017 : $10,000) estimating potential amounts payable under an agreement with an Australian motor vehicle distributor where DataDot has agreed to remit the theft excess (to a maximum of $800) payable by automobile owners in the event that vehicles are stolen and remain unrecovered (subject to conditions) is included in other provisions.

Lease make good
In accordance with the lease agreement with the owner of DataDot's facilities in Frenchs Forest, Australia, DataDot must restore the leased premises to its original condition at the end of the lease term, a provision of $50,000 (2017 : $50,000) is included in other provisions.

Movements in provisions
There have been no movements in any of the classes of provisions in the current year.

Provisions are recognised when DataDot has a present obligation (legal or constructive) when, 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

18 Other Liabilities

	2018	2017
Current		
Deferred income	**23,579**	69,802
Revenue received in advance	**91,024**	147,018
	114,603	216,820
Non-Current		
Other liabilities	**120**	120
Deferred income	**94,316**	402,995
	94,436	403,115

19 Issued capital

	2018 No	2018 $	2017 No	2017 $
Issued capital at beginning of financial period	**766,004,605**	**39,664,364**	760,674,461	39,584,463
Shares issued or under issue during the year :				
Share placement	**4,285,714**	**30,000**	5,330,144	83,400
Share issue costs	**-**	**(1,838)**	-	(3,499)
Issued capital at the end of the financial period	**770,290,319**	**39,692,526**	766,004,605	39,664,364

There is no current on-market share buy-back.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The capital risk management policy remains unchanged from 30 June 2017 Annual Report. As disclosed in Note 26, DataDot had no interest bearing liabilities as at 30 June 2018. DataDot is not subject to any externally imposed capital requirements.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

20 Reserves

	2018 $	2017 $
Foreign currency translation reserve	**(1,749,866)**	(1,789,295)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Balance at beginning of financial year	**231,105**	163,390
Movement in share-based payments	**124,092**	67,715
Employee equity benefits reserve	**355,197**	231,105

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to Note 24.

Other reserves	**(678,623)**	(678,623)

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Total Reserves	**(2,073,292)**	(2,236,813)

21 Commitments

	2018	2017
	$	$
Operating lease commitments		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	**233,183**	235,047
One to five years	**523,863**	606,370
	757,046	841,417

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities.

	2018	2017
Minimum remuneration payments payable:		
Within one year	**129,161**	128,620

22 Contingent Liabilities

Guarantees

DataDot has issued bank guarantees of $49,500 (2017: $49,500). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Theft deterrent system rebate contingencies

Under an agreement with an Australian motor vehicle distributor, DataDot has agreed to remit the theft excess (to a maximum of $800) payable by automobile owners in the event that vehicles are stolen and remain unrecovered (subject to certain conditions). A provision has been made (refer Note 17 Provisions). The estimate is based on the probability of vehicles being stolen and unrecovered and claims being made. Should these estimates prove incorrect then an adjustment may have to be made to either increase or decrease the amount due and payable.

Tax related contingencies - transfer pricing

DataDot has offshore operations in the United States and the United Kingdom. There are intra Group transactions, which include DataDot and its subsidiaries. These transactions are on an arm's length basis and are conducted at normal market prices and on normal commercial terms.

23 Subsidiaries and Associated Entities

	Principal place of business/ Country of Incorporation	Ownership interest % 2018	2017
Ultimate parent entity			
DataDot Technology Limited	Australia		
Wholly-owned subsidiaries			
DataDot Technology (Australia) Pty Limited	Australia	**100**	100
DataDot Technology USA Inc.	USA	**100**	100
DataDot Security Solutions Inc	USA	**100**	100
DataDot Technology (UK) Limited	UK	**100**	100
DataDot Technology (Europe) Limited	UK	**100**	100
AgTechnix Pty Limited	Australia	**100**	100
DataTraceID Pty Limited	Australia	**100**	100
DataDot Solutions (India) Pte Limited	India	**100**	100
Live Data Pty Limited	Australia	**100**	100
Associated entities			
Brandlok Brand Protection Solutions Pty Limited	Australia	**20**	20

24 Key Management Personnel Disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2018	2017
Remuneration of key management personnel :	**$**	$
Short term employee benefits	**917,222**	1,102,893
Post employment benefits	**56,488**	74,795
Share based payments (Note 27)	**111,988**	73,611
	1,085,698	1,251,299

25 Related Party Transactions

Parent entity

DataDot Technology Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 23.

Associated entities

During the year, DataTrace invoiced Brandlok Brand Protection Pty Limited in advance for $55,000 (2017: $51,000). The amount was outstanding at reporting date.

Key management personnel

Disclosures relating to key management personnel are set out in Note 24 and the remuneration report in the directors' report.

26 Financial Risk Management

DataDot's principal financial instruments comprise finance leases and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for DataDot's operations. DataDot has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, DataDot's policy that no trading in financial instruments shall be undertaken. The main risks arising from DataDot's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Risk Exposures and Responses

The main risks DataDot is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk.

Interest Rate Risk

There are currently no interest bearing loans.

Foreign exchange risk

As a result of significant investment in wholly-owned controlled entities in the United States and the United Kingdom, DataDot's statement of financial position can be affected significantly by movements in the exchange rates. DataDot does not seek to hedge this exposure.

DataDot also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. As each of the individual entities within the Group primarily transact in their own respective currency, foreign currency risk is deemed to be minimal.

DataDot does require its operating units to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $100,000 for which payment is anticipated more than one month after DataDot has entered into a firm commitment for a sale or purchase. There has been no such transaction during the year. It is DataDot's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness.

26 Financial Risk Management (continued)

Price risk
DataDot's exposure to commodity price risk is minimal.

Credit risk
DataDot trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it DataDot's policy to securitise its trade and other receivables.

It is DataDot's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that DataDot's exposure to bad debts is not significant.

Liquidity risk
Liquidity risk arises from the financial liabilities of DataDot and DataDot's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

DataDot's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, convertible notes, finance leases and hire purchase contracts. DataDot manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

Maturity analysis of financial assets and liabilities based on management's expectations

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as plant and equipment and investments in working capital (e.g. inventories and trade receivables). These assets are considered in DataDot's overall liquidity risk.

Consolidated entity 30 June 2018	Within 1 Year **$**
Financial Assets	
Cash and cash equivalents	**1,125,253**
Trade and other receivables	**617,772**
Grant receivable	**177,047**
	1,920,072
Financial Liabilities	
Trade and other payables	**794,572**
Net maturity	**1,125,500**

Consolidated entity 30 June 2017	Within 1 Year $
Financial Assets	
Cash and cash equivalents	1,768,175
Trade and other receivables	762,270
Grant receivable	320,000
	2,850,445
Financial Liabilities	
Trade and other payables	985,582
Net maturity	1,864,863

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair values.

27 Option and Share Based Payments

	2018	2017
Expenses arising from share based payments to Key Management Personnel :	**$**	$
Shares and rights issued under Employee Share Rights Plan :		
Share Rights issued at 1.8c to Graham Loughlin 01/07/2015 vesting 31/07/2015	-	-
Share Rights issued at 1.8c to John Kraft 01/07/2015 vesting 01/07/2017 & 01/7/2018	-	-
Share rights expired	-	-
Share and rights issued	-	-
Director options issued at 5c to Stephe Wilks 26/11/2016 expiring 26/11/2019	-	3,000
CEO options issued at 1.1c to Temogen Hield 27/08/2015 expiring 01/07/2018	-	40,349
CFO options issued at 1.1c to David williams 13/06/2016 expiring 01/07/2019	-	18,157
Executive options issued at 1.1c to Andrew Winfield 11/10/16 expiring 01/07/2019	**12,105**	12,105
CEO Share Loan Scheme for Temogen Hield issued @ 2.7c	**56,161**	-
CFO Share Loan Scheme for David Williams issued @ 2.7c	**28,939**	-
Share Loan Scheme for Steve Delepine issued @ 2.7c	**14,783**	-
Total expense arising from options and share based payments during the period	**111,988**	73,611

40,316,032 shares were issued to KMP in August 2017 as part of the modification to the share based payment scheme. These shares were valued at $0.001 for shares issued to the CEO / Managing Director and $0.002 for shares issued to other KMP. Calculations were based on a Black Scholes valuation methodology, using a risk free rate of 2.565%, the DDT share price of $0.005 and the share issue and loan price of $0.027. At the point of issue of these shares, the share options previously issued to the CEO / Managing Director and to other KMP's were cancelled. The original value of these options was determined at the time of issue as $175,517. The incremental fair value as a result of the modification of the share based payment scheme was $16,126 for Temogen Hield and $16,190 for David Williams.

For the shares granted as part of the Share Loan Scheme during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18-08-17	01-07-19	$0.005	$0.027	101.00%	NIL	2.565%	$0.001
18-08-17	01-07-20	$0.005	$0.027	101.00%	NIL	2.565%	$0.002
18-08-17	01-07-20	$0.005	$0.027	101.00%	NIL	2.565%	$0.002

Expected volatility was determined based on share price movement over a one year period prior to the grant date.

Movements in share rights for the financial year	2018 No	2018 Avg issue $	2017 No	2017 Avg issue $
Balance at the beginning of the period	**2,000,000**	**0.0300**	8,450,002	0.0242
Shares issued	-	-	(1,000,000)	0.0180
Rights expired/cancelled	-	-	(5,450,002)	0.0243
Balance at the end of the period	**2,000,000**		2,000,000	

Movements in share options for the financial year	2018 No	2018 Avg issue $	2017 No	2017 Avg issue $
Balance at the beginning of the period	**54,000,000**	**0.0090**	32,000,000	0.0110
Options issued	-	-	22,000,000	0.0060
Options expired	**(41,000,000)**	-	-	-
Balance at the end of the period	**13,000,000**		54,000,000	

Share rights are granted by the Board, under the DataDot Technology Executive Share Rights Plan, on such terms and conditions as the Board determines, to eligible employees. A grant of share rights does not confer any right or interest in shares until all terms and conditions have been satisfied. They confer no voting rights. At pre-determined vesting intervals, subject to grantees satisfying the terms and conditions of grant, including continuous employment, each share right provides an entitlement to the issue of one ordinary share in the Company.

Of the 41,000,000 share options expired, 3,000,000 were expensed in a prior period, 29,000,000 were modified into the Share Loan Scheme with the accelerated expense recorded as part of the expense of the new scheme. 9,000,000 share options related to employees who have left the company and were forfeited.

The options are issued for nil consideration.

No options issued in FY18.

27 Option and Share Based Payments (continued)

Share based payment transactions

Equity settled transactions:

DataDot provides benefits to its employees (including KMP) in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions).

The Executive Share Rights Plan (ESRP) provides benefits to senior executives of DataDot.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

For share options granted during the year, the cost of equity-settled transactions are measured at fair value on the grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

For shares issued under the share loan scheme during the year, the cost of equity-settled transactions are measured at fair value on the grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the scheme, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the scheme, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(i) The grant date fair value of the award.

(ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.

(iii) The expired portion of the vesting period.

The charge to the statement of profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if fewer awards vest than were originally anticipated. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had expired on the date of cancellation. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 8).

28 Parent Entity Information

The following information has been extracted from the books and records of the parent, DataDot Technology Limited and has been prepared in accordance with Accounting Standards.

Statement of financial position	**2018**	2017
	$	$
Current assets	**975,999**	1,475,768
Non-current assets	**3,535,736**	5,761,846
Total assets	**4,511,735**	7,237,614
Current liabilities	**549,990**	674,993
Non-current liabilities	**5,309,487**	5,646,006
Total liabilities	**5,859,477**	6,320,999
Equity		
Issued capital	**39,692,526**	39,664,364
Accumulated losses	**(41,078,789)**	(38,662,178)
Reserves	**38,521**	(85,571)
Total equity	**(1,347,742)**	916,615
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(2,023,231)**	(1,106,860)
Total comprehensive income	**(2,023,231)**	(1,106,860)

Parent Entity Commitments and Guarantees

DataDot has issued a bank guarantee of $49,500 (2017: $32,750). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Remuneration commitments	**2018**	2017
Commitments for the payment of salaries and other remuneration under long term employment contacts in existence at the reporting date but not recognised as liabilities.	**$**	$
Minimum remuneration payments payable		
Within one year	**118,750**	118,750

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments

The parent entity had no capital commitments for plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed throughout the report.

29 Events after the reporting period

On 8 August 2018 it was announced that DataDot (DDT) and the Beston Global Food Company Limited (BFC) have determined that more work is needed to advance the business case for the proposed merger with Beston Technologies to support the intended capital raising. To that end, DDT and BFC have terminated the previous heads of agreement, and agreed a new framework to complete the additional work.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the operations of the Group, the results of its operations or the state of affairs in future financial years.

30 Summary of other significant accounting policies

(a) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 28.

(b) Principles of consolidation

Interests in associates and joint ventures are equity accounted and are not part of the Consolidated Group.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by DataDot and cease to be consolidated from the date on which control is transferred from DataDot.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interest and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised as a separate reserve within equity attributable to owners of DataDot Technology Limited.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of DataDot Technology Limited and its Australian subsidiaries is Australian dollars ($). Each entity in DataDot determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currencies of the overseas subsidiaries are:

Name of overseas subsidiaries	*Functional currency*
DataDot Technology USA Inc	United States Dollar (US$)
DataDot Technology (UK) Ltd	Great Britain Pound (£)

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

30 Summary of other significant accounting policies (continued)

(c) Foreign currency translation (continued)

Translation of Group Companies functional currency to presentation currency

The results of the overseas subsidiaries are translated into Australian dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of DataDot Technology Limited at the rate of exchange ruling at the statement of financial position date and their statements of comprehensive income are translated at the average exchange rate for the year.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. These variations are recognised in the statement of comprehensive income in the period.

(d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(iii) Royalties

Revenue is recognised when the underlying goods are sold. Fixed rate manufacturing royalties are recognised over the period of the underlying agreement.

(iv) Licence fee
Revenue is recognised when DataDot has an unconditional entitlement to the fee.

(v) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that DataDot will obtain ownership by the end of the lease term.

30 Summary of other significant accounting policies (continued)

(g) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. DataDot has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the entity :

Standard name	Effective date for entity	Requirements	Impact
AASB 15 Revenue from Contracts with Customers	30-Jun-19	The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers.	The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and is in the process of completing its impact assessment of AASB15 on its revenue recognition policies with particular focus placed on royalties and licences. Based on a preliminary assessment performed over each revenue stream of the business, the effects of AASB15 are not expected to have a material effect on the consolidated entity.

30 Summary of other significant accounting policies (continued)

(g) Adoption of new and revised accounting standards (continued)

AASB 9 Financial Instruments (issued December 2009 and amended December 2014)	30-Jun-19	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	The consolidated entity has assessed the financial impact of the updated IFRS 9 on transition and is expected to be approximately $4,000 by applying expected credit losses impacting receivables. The consolidated entity will adopt this standard from 1 July 2018.
AASB 16 Leases	30-Jun-20	AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard are as follows: • Recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets); • Depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components; • Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date; • Application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and • Inclusion of additional disclosure requirements.	An initial assessment suggests that the main impact of the adoption of the new standard is that the operating leases of 12 months or longer will be recognised on the balance sheet. The leases affected are for commercial property rental. The consolidated entity has yet to calculate the expected financial impact as the method of transition has not been determined. The consolidated entity will adopt this standard from 1 July 2019.

30 Summary of other significant accounting policies (continued)

(h) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Impairment of non-financial assets

DataDot assesses impairment of all assets at each reporting date by evaluating conditions specific to DataDot and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

Capitalised development costs

Development costs are only capitalised by DataDot when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

Taxation

DataDot's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss.

Impairment of goodwill and intangibles with indefinite useful lives

DataDot determines, at least on an annual basis, whether goodwill and intangibles with indefinite useful lives are impaired. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in the estimation of recoverable amount are discussed in Note 13.

30 Summary of other significant accounting policies (continued)

(h) Critical accounting estimates and judgements (continued)

Share-based payment transactions

DataDot measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased manufacturing premises. The provision includes future cost estimates associated with factory dismantling and make good of the office environment.

Estimation of useful lives of assets

The estimation of the useful lives of property, plant and equipment and finite intangible assets has been based on historical experience as well as lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Employee benefits provision

As discussed in Note 16, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimate of attrition rates and pay increases through promotion and inflation have been taken into account.

Directors' Declaration

for the year ended 30 June 2018

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Gary Flowers - Chairman
23rd August 2018, Sydney

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Fax: +61 2 9240 9821
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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of DataDot Technology Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of DataDot Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Testing of DataTrace Non-Current Assets

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 13 of the financial report, following DataDot's annual impairment testing an impairment charge has been applied to the DataTrace cash generating unit's (CGU) goodwill and other intangible assets. Impairment testing, and the resulting impairment charge recorded in the DataTrace CGU is a key audit matter as the impairment charge of $2,194,411 is material to the financial statements, and due to the degree of judgement required to be made of key assumptions in the Value In Use (VIU) model prepared by the Group in testing impairment, which are affected by current and future market conditions.	Our audit procedures included, among others: • Evaluating the Group's assumptions and estimates used to determine the recoverable amount of the DataTrace CGU and the resulting impairment charge; • Assessing the reasonableness of the forecasts, budgeted growth and pipeline prospects for the DataTrace CGU with reference to historical performance; and • Applying a sensitivity analysis to the key assumptions used in the VIU model prepared by the Group, including reasonably possible variations in revenue growth rates, terminal growth rates and discount rates, and analysing the impact on results.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 21 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of DataDot Technology Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Gillian Shea
Partner

Sydney, 23 August 2018

Shareholder Information

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 11 October 2018.

Corporate Governance Statement

The corporate governance statement is located on the Company's website at the following URL http://www.datadotdna.com/au/investors/corporate_governance/

Statement of Issued Shares

The total number of shareholders is 3,050. There are 810,606,351 ordinary fully paid shares listed on the Australian Securities Exchange. The twenty largest shareholders hold 37.513% of issued capital.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of shares
UBS Nominees Pty Ltd	41,758,883

Voting rights

Ordinary Shares - On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
Share Rights - No voting rights.
Share Options – No voting rights

On-Market Buyback

There is no current on-market buyback.

Distribution of equity security holders

Holding	Shares	Share Rights	Share Options
1 - 1,000	86	-	-
1,001 - 5,000	198	-	-
5,001 - 10,000	213	-	-
10,001 - 100,000	1,685	-	-
100,000 and over	868	1	4
Total	**3,050**	**1**	**4**

Mr Patrick Raper holds 100.0% of share rights
Mr Andrew Winfield holds 46.2% of share options

The number of shareholders holding less than a marketable parcel of ordinary shares is 2,606.

Securities exchange

The Company is listed on the Australian Securities Exchange.

Shareholder Information - continued

Unquoted equity securities

Share Rights issued:	2,000,000
Share Options issued:	13,000,000

Voluntary escrow

No ordinary shares are under holding lock.

Twenty largest shareholders

	Ordinary shares	
	Number held	**% of issued shares**
UBS Nominees Pty Ltd	41,758,883	5.152%
Katrat Investments Pty Ltd	30,000,000	3.701%
Dixson Trust Pty Limited	25,000,000	3.084%
Mr Collin Hwang	23,658,537	2.919%
Bannaby Investments Pty Limited <Bannaby Super Fund A/C>	21,726,702	2.680%
Temogen Hield	16,126,413	1.989%
Mainpack Pty Ltd	14,521,571	1.791%
Mr Norman Colburn Mayne <N C Mayne Family Fund A/C>	14,500,000	1.789%
Mr Brent Mclaws	14,040,000	1.732%
CSIRO IP & L	13,718,327	1.692%
David Williams	12,094,809	1.492%
Steve Delepine	12,094,809	1.492%
Hamish Edward Elliot Brown	11,220,189	1.384%
Appwam Pty Ltd	10,050,000	1.240%
Geoff George	8,634,398	1.065%
Citicorp Nominees Pty Ltd	7,603,073	0.938%
Mr Gary Owen Hewitt & Mrs Frances Lorraine Dawson	7,200,000	0.888%
Tresdam Pty Ltd	7,078,030	0.873%
James McCallum	6,666,666	0.822%
BNP Paribas Nominees Pty Ltd ,IB AU Noms RetailClient DRP	6,388,855	0.788%
Total Securities of Top 20 Holdings	**304,081,263**	**37.513%**
Total of Securities	**810,606,351**	

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DataDot Technology Limited

ABN 54 091 908 726

Corporate Information

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Phone: +44 0 1603 407171; Fax +44 (0) 1603 401005

USA:
3606 East Wellesley Ave., Spokane, WA 99217, USA
Phone: +1 800 546 4454; Fax +1 509 483 6906

Directors & Officers
Mr G. Flowers Chair
Mr Stephe Wilks Independent Non-Executive Director
Mr T. Hield Managing Director and CEO
Mr P Raper Company Secretary
Mr D Williams Chief Financial Officer

Auditors
BDO East Coast Partnership
Level 11, 1 Margaret Street, Sydney NSW 2000, Australia

Bankers
Commonwealth Bank of Australia
Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW, Australia, 2000

Share Register
Boardroom Pty Limited
Level 12, 225 George Street, Sydney NSW 2000
Phone: +61 2 9290 9600; Fax +61 2 9279 0664

Website www.datadotdna.com

DataDot TECHNOLOGY LTD

DataDotDNA®

datadotdna.com

DataTraceID

Authentication Solutions

datatraceid.com

NMR NATIONAL METALS REGISTER

nationalmetalsregister.com

NATIONAL EQUIPMENT REGISTER

nationalequipmentregister.com.au

NATIONAL MARINE REGISTER

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NATIONAL BIKE REGISTER

nationalbikeregister.com.au

NATIONAL LIFESTYLE REGISTER

nationallifestyleregister.com.au