DataDot
TECHNOLOGY LTD

ANNUAL REPORT 2019

Annual Report 2019

Contents

ABN : 54 091 908 726

Unit 9, 19 Rodborough Road

Frenchs Forest NSW 2086

P : (02) 8977 4900 F : (02) 9975 4700

www.datadotdna.com

Chairman's Review

Dear Shareholders

The Company's FY 2019 Financial Report released to the market on 23 August reflects a disappointing year which can be characterised by a continuation of recent years' significant declines in revenue, expense reductions that were peripheral and not sufficient to ensure a return to group profitability, and a lack of innovation.

Your new Board and executive team have drawn a line under the Company's previous performance and the Datadot Rescue Plan put forward by the Company's largest shareholder, Mr Brad Kellas, and subsequently approved by shareholders at the Extraordinary General Meeting ("EGM") held on 13 May 2019, is the basis of the broad strategic direction that we are now working hard to implement.

In the five months since the EGM the highest priority has been to stabilise and improve the Company's underlying financial position by conducting a very detailed line by line examination of costs across all aspects of the business. Very considerable progress has been made to date including; rationalising staffing, securing price reductions from suppliers for raw materials, packaging and freight, introducing more efficient production and administration processes, and identifying forward savings in respect to occupancy costs and corporate overheads.

The FY 2019 Financial Report and Results Announcement accompanying the report sets out in some detail the progress made in these areas and our plans for FY2020, however in the seven weeks since issuing that report there have been further developments in regard to actual and prospective revenue growth and cost savings.

On an annualised basis we now estimate that savings well in excess of $1 million have either already been implemented or will take effect in coming months. The Board is fully committed to continue this process of transformation of the businesses' local and global operations to deliver the most efficient model possible.

Simultaneously, the Directors and executive have been exploring all avenues for new sales channels and have sought to improve our relationships and commercial arrangements with our key distributors and licensees who are critical to our plans to restore and grow revenue in our international markets. These efforts are already delivering results.

Subject to any unforeseen events, the current FY projections for net royalties to be achieved from our new partnership and contract arrangements with South Africa ("DDSA") is estimated to be almost $1 million due to new OEM customers in Europe and Russia. We are also currently in negotiation of terms for the appointment of manufacturers / distributors in two countries where governments are proposing to introduce Whole of Vehicle Marking standards based on Microdot systems.

As outlined in the Director's report, the Board places significant importance on our on-going relationship with PropertyVAULT. The signing of a Distribution and Marketing agreement between DataDot and PropertyVAULT which delivers Datadot a fifty per cent share of net revenues from PropertyVAULT products is the first step in what we see as the highly beneficial relationship envisaged by the Rescue Plan.

The Board is also committed to achieving the best possible outcomes from DataTraceID. While the business model and full suite of product applications for Trace is still under review, there have been a number of developments that point to a positive future for the product. The Company has secured a further 3 year contract with a key international pharmaceutical client, with testing underway to expand the current application of Trace into other product lines, while advanced discussions have been held with Fairview, an Australian manufacturer of building cladding to apply Trace as a means of authenticating compliant cladding. We are also pursuing sales prospects with an international gambling chip manufacturer and an electrical cable distributor.

I am also reporting some significant changes that have recently occurred in respect to the senior management team's structure. The Board has accepted the resignation of Duncan Maclean who has been the company CEO since the EGM on 13 May 2019. Duncan, who has contributed to the many structural changes already made, has left the company due to personal reasons. We have also accepted the resignations of Mr. Andrew Winfield, the Managing Director of Datadot U.K. and Ms. Laura Whetstone, the Chief Operating Officer in the United States.

The Board has decided to secure additional efficiencies from these departures and Mr. Brad Kellas the Managing Director has assumed the duties and responsibilities of CEO. Decisions regarding the vacant positions in the United Kingdom and United States will be held over pending the outcome of the review into operations in those countries.

Your directors have made significant progress in the first five months of appointment and have a very clear vision of what is needed to deliver continuous improvement and build a sustainable business over the coming financial year. We remain very optimistic about the Company's long term prospects.

Ray Carroll
Chairman
21 October 2019

Financial Report 2019

Financial Year Ended 30 June 2019

ABN 54 091 908 726

Financial Report 2019

Financial Year Ended 30 June 2019

Contents

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 2019.

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

- Gary Flowers – resigned 31 May 2019
- Stephe Wilks – resigned 12 May 2019
- Temogen Hield – resigned 12 May 2019
- Roderick Keuris – appointed 13 May 2019, resigned 13 May 2019
- Chris McCann – appointed 13 May 2019, resigned 13 May 2019
- Ray Carroll – appointed 13 May 2019
- Brad Kellas – appointed 13 May 2019
- David Lloyd – appointed 13 May 2019

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

At an operational level, for almost eleven months of the 2019 financial year DataDot Technology Ltd. (DDT) followed the same steady decline in performance of the past several years. However, the end of the year was marked by a significant change in strategic direction aimed at reversing this trend. The sale of the foundation Dots business proposed in Q3 was abandoned in Q4 following an EGM and change of board and executive team. The vision and plan of the new leadership team had been laid out in the "DataDot Rescue Plan" and documentation for the EGM. Key elements of this plan included retaining and growing the Dots business and establishing a partnership with PropertyVAULT International Pty Ltd to provide new revenue streams from Q1 FY2020.

Revenue for FY2019 was $3,279,579, down $1,587,588 (33%) against FY2018. This was due to lower DataDot and DataTraceID sales from existing customers and lack of any offsetting new customer sales.

Expenses for FY2019 decreased marginally by $354,235 (9%) to $3,441,235. The decrease in recurring expenses due to lower activity and savings achieved was offset by costs of preparation of the unsuccessful sale of the Dots business, the May 2019 EGM, and subsequent change of the executive management and staff redundancies.

EBITDA for FY2019 was a loss of $1,757,295 (pcp: $422,339 loss), down $1,334,956.

NPAT for FY2019 was $2,301,317 loss (pcp; $3,119,909 loss); an improvement of $818,593 due largely to the previous years' large impairment of intangibles ($2,194,411) compared to this years' $284,249.

DataDotDNA - Microdot business performance review

The microdot (DataDotDNA) business saw a reduction in kits sales (-40.8%) due to lower orders from key clients in the 2019 financial year. Sales of Dots totalled $2,742,988 for FY2019.

1) revenue from a key client, Subaru Australia, reduced by 16.1% due to a production halt in Jan 2019 in Japan that resulted in lower order quantities from Jan 2019 – April 2019. Subaru are foreseeing a strong H1 in FY2020 and is expected to provide growth over FY19 kit orders.

2) Fiat Italy placed only one order in the first quarter of FY19, compared to consistent orders in the preceding 12 months due to an internal matter. At this point it is unclear if orders will be renewing.

3) DataDot Dealer Services (DDDS), a key distributor in the US, reduced kit orders resulting in a revenue reduction of 28.2%. Subsequently, board members met with DDDS and with operational matters resolved, it is believed that this partnership will be reinvigorated and is expected that FY20 kit orders will exceed those of FY19.

DataTraceID - Authentication business performance review

Although DataTraceID authentication business revenue was 12.5% up on FY18, it failed to deliver upon projections and represents only 16.3% of the company's revenue and a disproportionate share of expenses. There is, however, a reasonable pipeline of opportunities suggesting that revenue growth will continue and possibly accelerate.

FY2020 and Beyond

The new leadership team has drawn a line under the disappointing recent history of DataDot. The team has moved quickly and decisively to staunch mounting losses through attacking and tightening overheads; shoring up existing relationships to realise more revenue; and introducing new distributor relationships, customers and product lines to boost revenue. The leadership team also issued Convertible Notes which closed in July 2019 raising $1.15m to ensure sufficient working capital to execute on its plans.

Immediate overhead reductions included significantly lower board and management expenses, discontinuation of non-value adding activities and a line by line review of all expenses. The total reduction in recurring expenses identified by mid-August 2019 is approximately $700,000 with more to follow.

In the final weeks of FY19 the board met with DataDot South Africa, a licensed manufacturer and by mid-August renegotiated a new agreement that will see an OEM distribution supply of DataDots to a global car manufacturer in FY20. This agreement will see Dots supplied to a major OEM in Europe and in the Russian Federation, with further opportunities to grow the relationship globally. In addition, the new agreement provides a significant benefit to DataDot Technology Ltd. by way of a shared profit arrangement of 50%.

Board members also visited distributors in the USA and UK whose sales had been declining, in part due to uncertainty about the future of DDT, to demonstrate commitment to the business and giving assurance that distributor agreements have longevity and that incentives are being implemented to reward innovation and investment in DataDot product and service offerings. The response was immediate with sales again growing.

FY2020 and Beyond (continued)

Following stabilisation of the business, the leadership team's focus over the next 12 months is revenue growth, building on strengthened relationships with distributors and new products and services secured through the partnership with PropertyVAULT. The importance of the PropertyVAULT relationship to the future of DataDot cannot be underestimated. While the Dots themselves remain the leading technology for asset identification, their effectiveness in reducing theft and recovering stolen goods is limited without ease of use in recording and accessing asset details by stakeholders including retailers, product owners, police, insurers, traders/resellers and future owners. Moreover, there are powerful network effects when more people use the asset identification system and when it can leverage social media. PropertyVAULT brings the missing parts of the ecosystem within which Dots sales increases, and more importantly it brings the business models to monetise the benefits of asset identification as assets move through all points of the ownership chain. Most immediately though, the partnership with PropertyVAULT will increase DataDot sales through bundling Dots with PropertyVAULT products, particularly for bicycles and all classes of vehicles, and expanding the range of services to include a digital security solution which is compelling to retailers and customers of any asset.

While the board is focussed on enhancing and resurrecting the Dots business which accounts for the vast majority of revenue, they are also optimistic of growing the DataTraceID business and have secured a further 3 year contract with a key international pharmaceutical client, with testing underway to expand the current application of Trace into other product lines. The leadership team has also moved to renew the relationship with a gambling chip manufacture with strong prospects of Trace applications into international casino markets. In partnership with our Malaysian distributor we are developing a Trace solution to address wire/cable theft, which is a global problem and has potential for significant volume of Trace sales. In Australia, advanced discussions are being held with a manufacturer of building cladding materials to supply a Trace solution as means to identify cladding that is compliant with current building standards, as opposed to non-compliant materials that have been identified as a potential fire risk, which is now attracting public scrutiny.

At 30 June 2019, the cash balance was $194,551. The directors expect operating cash flow and profitability in FY20 to be significantly improved on the prior year. However, to provide a cushion against unexpected events, a Convertible Note was executed in July 2019 raising $1.15m. The directors do not foresee the need to raise additional capital in the year ahead to fund operations of the business.

Your directors have made significant progress in the first 3 months of appointment and are very clear on what is needed to deliver improved performance and build a sustainable business over the coming financial year. The commitment of the leadership team, and the continued dedication of our people to our purpose provides confidence that we can deliver an organisation for all stakeholders to be proud of.

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

Refer to notes above regarding:

- Contract with DataDot Technology South Africa for sale of asset identification products in the OEM Sector in Europe;
- DataDot becomes distributor of PropertyVAULT products and services; and
- DataDot finalises Convertible Note Issue raising $1.150m ($600,000 received after 30 June 2019).

No other matter or circumstance has arisen since 30 June 2019 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 13 May 2019. The voting on the resolutions put to the meeting confirmed majority shareholder support for a new board of directors and management.

Your new directors and management are mindful of shareholder support reflected in the voting at the EGM and subsequent to the EGM have undertaken a detailed review of operations and revenue generation opportunities. Underlying costs have been further cut and or diverted to revenue generation opportunities.

The Company is pursuing a range of product opportunities and other complementary activities that we believe will generate new revenues – of course – there can be no certainty that any such new products will be immediately successful.

The new DataDot Board is 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 Raymond Carroll
Chairman – appointed 13 May 2019
Ray was the driving force behind the establishment and success of Australia's National Motor Vehicle Theft Reduction Council (NMVTRC) and served as its Executive Director for over 19 years. He is an internationally recognised authority on developing and implementing strategic solutions to crime issues and holds a Bachelor Degree in Criminal Justice Administration.

In his former role, Ray devised the world's first comprehensive criteria and performance specification for whole of vehicle marking. His endorsement and advocacy for DataDot's micro-dot identification system nationally and internationally was the catalyst for the acceptance and growth of micro-dot identification in multiple markets across the world.

Ray's appointment brings to the Company an unsurpassed level of experience in fostering collaboration across multiple industry sectors, government agencies and the community sector to achieve desired outcomes. Ray secured and managed over $40 million dollars in direct funding to the NMVTRC and generated over $600 million expenditure by government agencies and motor related industries to implement NMVTRC facilitated reforms. During his tenure, vehicle crime in Australia reduced by over 70% delivering on-going insurance and community savings of more than $400 million per year in vehicle crime related costs.

Mr Bradley Charles Kellas
Managing Director – appointed 13 May 2019

Brad is the founder of PropertyVAULT International Pty Ltd and a decorated former Detective from the Victoria Police with 21 years' experience. For most part of his policing career he specialised in organised crime, corporate fraud, kidnapping, blackmail, extortion, product contamination and large-scale stolen property investigations.

Post his policing career, he used his entrepreneurial, investigative and analytical skills to develop a unique trading strategy capitalising on global market fluctuations and worked full time as a successful proprietary trader for a large investment firm for 5 years.

In 2015, Brad saw the opportunity that social media and a custom-built platform combined with a specialist service could have on countering bike theft and property crime in general. In late 2015, Brad put is trading career on hold and commenced a fulltime commitment to developing the BikeVAULT website (prelude to PropertyVAULT) coupled to a specialist victim and police service solution. BikeVAULT is now the number one platform and service to counter bike theft in Australia, with recoveries exceeding $1.5 million.

Never losing sight of the overall goal to substantially reduce property crime and increase recoveries, over the last four years, Brad and his small team of former police and an expert developer have continued to hone and expand on the offering to deliver a world class police and public accessible platform to counter property crime.

Backing up his commitment and belief, Brad has invested in DataDot and is the largest shareholder with a 10.35% holding.

Mr David Lloyd B.Sc. (ANU), Grad Dip Business (UQ), MBA with Distinction (INSEAD)
Non-Executive Director – appointed 13 May 2019

David is an experienced senior executive specialising in strategy, new technologies, business development, ventures and partnerships, whose skills will be essential for successfully turning around the DataDot business by leveraging an alliance with PropertyVAULT.

As a senior executive at Qantas and previously Virgin Blue and Virgin Australia, David has been the architect of several high-profile alliances with other airlines as a well as a joint venture with the Government of Samoa, demonstrating his ability to build valuable commercial relationships. While at Virgin Blue he also designed the Velocity Frequent Flyer program, valued at approximately $1 billion in its partial sale to a private equity partner and which continues to be the most profitable unit of Virgin Australia. Subsequently at Virgin he developed the business cases for fleet orders worth over USD2 billion and the establishment of a new international business.

More recently while at Qantas, David has mentored businesses in its tech accelerator program, overseen commercial relationships with start-up and scale-up businesses including those in which Qantas has taken equity stakes and warrants, and is working on externally commercialising the company’s own innovations.

Previously David has worked internationally as a consultant with the Boston Consulting Group and Arthur Andersen Business Consulting, and was a project manager for the Sydney Organising Committee for the Olympic Games. He is an internationally-competitive cyclist and member of numerous cycling organisations, bringing a customer viewpoint to the value of both DataDot and PropertyVAULT. David is Chair of the Audit and Risk Committee.

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 Options	Interest in Convertible Notes
Ray Carroll	-	-	-	-
Bradley Kellas	85,635,066	-	-	250,000
David Lloyd	-	-	-	100,000

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 2019 and the number of meetings attended by each of the directors were:

		Board Meetings		Remuneration and Nomination Committee Meetings		Audit and Risk Management Committee Meetings	
Director	Note	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Raymond Carroll		3	3	-	-	-	-
Brad Kellas		3	3	-	-	-	-
David Lloyd		3	3	-	-	-	-
Gary Flowers	1	13	13	1	1	3	3
Stephe Wilks	2	11	11	1	1	3	3
Temogen Hield	2	11	11	-	-	3	3
Chris McCann	3	1	1	-	-	-	-
Roderick Keuris	3	1	1	-	-	-	-

Note 1: Resigned 31 May 2019

Note 2: Resigned 12 May 2019

Note 3: Appointed 13 May 2019 - Resigned 13 May 2019

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
Nil	Nil	Nil	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 directc have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' a 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 2019 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 executives of DataDot Technology Limited or its subsidiaries:

Directors		
Raymond Carroll	Chairman	Appointed 13 May 2019
Brad Kellas	Managing Director	Appointed 13 May 2019
David Lloyd	Non-Executive Director	Appointed 13 May 2019
Gary Flowers	Chairman Non-Executive Director	Appointed 24 November 2017 – Resigned 31 May 2019 Appointed 27 November 2007
Stephe Wilks	Non-Executive Director	Appointed 26 February 2016 – Resigned 12 May 2019
Temogen Hield	CEO and Managing Director Chief Executive Officer	Appointed 24 November 2017 – Resigned 12 May 2019 Appointed 26 August 2015
Chris McCann	Non-Executive Director	Appointed 13 May 2019 – Resigned 13 May 2019
Roderick Keuris	Non-Executive Director	Appointed 13 May 2019 – Resigned 13 May 2019
Executives		
Duncan Maclean	CEO	Appointed 13 May 2019
Andrew Winfield	Managing Director DataDot UK	Appointed 1 July 2012
David Williams	Chief Financial Officer	Appointed 14 June 2016 Terminated effective 26 August 2019
Steve Delepine	Vice President Business Development DataTraceID	Appointed 15 February 2016 – Ceased 16 May 2019

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 30/6/2018**	**Vesting of Share Rights or Share Issues as part of remuneration**	**Other Additions**	**Disposals**	**Balance as at 30/6/2019 Note 5**
Directors						
Raymond Carroll		-	-	-	-	-
Brad Kellas	1	-	-	85,635,066	-	85,635,066
David Lloyd		-	-	-	-	-
Gary Flowers	2	5,487,265	-	-	-	5,487,265
Stephe Wilks		-	-	-	-	-
Temogen Hield	3	16,526,414	-	-	-	16,526,414
Chris McCann		-	-	-	-	-
Roderick Keuris		-	-	-	-	-
Executives						
David Williams		12,094,809	-	-	-	12,094,809
Andrew Winfield		-	-	-	-	-
Steve Delepine	4	12,094,809	-	-	-	12,094,809
Total Shares		**46,203,297**	**-**	**85,635,066**	**-**	**131,838,363**

Note 1. Mr Kellas acquired all his shares on market during the year.
Note 2. Holding as at 31 May 2019 = date Mr Flowers ceased to be a Director
Note 3. Holding as at 12 May 2019 = date Mr Hield ceased to be a Director. Mr Hield has subsequently agreed to forfeit all rights to 16,126,414 shares issued to him under the Share Loan Scheme.
Note 4. Holding as at cessation of employment on 16 May 2019.
Note 5. Balance as at 30 June 2019 or at the date they ceased their role as a KMP.

Share Options *Directors*	Note	Balance as at 30/6/2018	Issue of Options as part of remuneration	Other Additions	Disposals or Cancellations	Balance as at 30/6/2019
Ray Carroll		-	-	-	-	-
Brad Kellas		-	-	-	-	-
David Lloyd		-	-	-	-	-
Stephen Wilks	1	1,000,000	-	-	1,000,000	-
Executives						
Andrew Winfield	2	6,000,000	-	-	-	6,000,000
Other Executives	2	6,000,000	-	-	3,000,000	3,000,000
Total Share Options		**13,000,000**	**-**	**-**	**4,000,000**	**9,000,000**

Note 1. 1,000,000 Director's Options were approved at the 2016 AGM and due to expire on 19 December 2019 were cancelled when Mr Wilks ceased to be a Director.

Note 2. 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. 3,000,000 Options that had been issued to staff who left the employ of DataDot during the year 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 2019.

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 payable is currently $30,000pa plus SGL at 9.5% for the first twelve months of directorship for Mr Carroll, the Chairman of the Board, and $25,000 plus SGL at 9.5% for the first twelve months of directorship for Mr Lloyd. 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 is currently paid $100,000 pa plus SGL at 9.5% for the first twelve months of his directorship.

The Company has cancelled all STI and LTI programs in operation at 13 May 2019 and will look to implement a new and more effective program after the 2019 AGM.

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

	2015	**2016**	**2017**	**2018**	**2019**
Revenue	7,026,595	6,631,371	5,343,983	4,867,167	3,279,579
EBITDA	(279,228)	(1,464,259)	(835,729)	(422,339)	(1,757,295)
Net loss after tax	(867,354)	(3,264,627)	(1,379,453)	(3,119,910)	(2,301,317)
Basic earnings per share (in cents)	(0.22)	(0.12)	(0.43)	(0.40)	(0.30)
Share price at year end (in cents)	2.10	1.90	2.00	0.50	0.70

Performance based remuneration

At the date of this report, the remuneration of KMP who are non-executive directors includes only a fixed remuneration component. The LTI component for non-executive directors is being reviewed for approval at the 2019 Annual General Meeting and when determined may include performance shares, share options or share rights. No performance shares or share rights or share options are currently on issue to non-executive directors. The grant of director performance shares, or share rights or 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.

In 2019, the former Managing Director, Mr Hield was awarded and paid a STI in the amount of $100,000 for successfully achieving the signing of an agreement for the sale of the Dots business to DataDot South Africa. The sale of the Dots business was subject to shareholder approval at the EGM held on 13 May 2019. The shareholders voted against the sale of the Dots business at the EGM.

In 2019 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. Subject to the nest sentence, no STI's or LTI's were awarded to any KMP in 2019, however in the case of Mr Williams and Mr Delepine, payments were accrued in relation to the accrued but unpaid FY 2017 STI. Interest accumulated on the unpaid portion of these FY 2017 bonus payments is included in the remuneration report as a bonus.

Performance based remuneration (continued)

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, an Employee Share and Loan Scheme was adopted to supplement the existing options scheme however those KMPs participating in the Employee Share and Loan Scheme did not continue to participate in the options scheme. The characteristics of securities issued under the Share and Loan Scheme and remaining outstanding 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 2019	Note	Balance as at 30/06/2018	Granted as Remuneration Note 1	Expiring or Lapsing Shares	Balance as at 30/06/2019
CEO / Managing Director	2	16,126,414	-	-	16,126,414
CFO		12,094,809	-	-	12,094,809
Vice President Business Development		12,094,809	-	-	12,094,809

This Scheme has been cancelled following the votes of shareholders at the EGM held on 13 May 2019 on certain resolutions relevant to the scheme.

Note 2: Mr Temogen Hield has relinquished all rights to shares issued to him under the Share Issue and Loan Scheme.

For the year ended 30 June 2018	Note	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
CFO		-	12,094,809	-	12,094,809
Vice President Business Development		-	12,094,809	-	12,094,809

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 at the time believed that the amendment of the LTI scheme would more closely align the interests of these KMP to increases in shareholder value.

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 2019	Balance as at 30/06/2018	Granted as Remuneration	Vesting of Share Rights	Expiring or Lapsing Share Rights	Balance as at 30/06/2019
Directors	-	-	-	-	-
Executives					
Patrick Raper	2,000,000	-	-	-	2,000,000
	2,000,000	-	-	-	2,000,000

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

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	2,000,000	-	-	-	2,000,000
	2,000,000	-	-	-	2,000,000

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

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 2019	Balance as at 30/06/2018	Granted as Remuneration	Exercise of Share Options	Expiring or Lapsing Share Options	Balance as at 30/06/2019
Directors					
Gary Flowers	-	-	-	-	-
Stephe Wilks	1,000,000	-	-	(1,000,000)	-
Key Management Personnel					
Andrew Winfield	6,000,000	-	-	-	6,000,000
Other Executives – Note 1	6,000,000	-	-	(3,000,000)	3,000,000
	13,000,000	-	-	(4,000,000)	9,000,000

Note 1 – 3,000,000 of these options were cancelled on 21 June 2019 and not replaced when the executive left the employ of the Company.

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

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	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.

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

	Ordinary Shares	**Ordinary Shares / Loan Scheme**	**Options**	**Share Rights**
Directors	-	-	-	-
KMPs	-	12,094,809	6,000,000	-
Other Executives	-	-	3,000,000	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.

2019	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								
R Carroll - Note 1	4,038	-	-	384	-	-	-	4,422
B Kellas - Note 2	14,497	-	-	1,377	-	-	-	15,874
D Lloyd – Note 1	3,365	-	-	320	-	-	-	3,685
G Flowers	36,252	-	-	15,175	-	-	-	51,427
S Wilks	45,169	-	-	-	-	-	-	45,169
T Hield	229,965	106,188	-	20,531	62,638	-	2,688	422,010
Executives								
D Maclean	21,745	-	-	2,066	-	-	-	23,811
A Winfield	162,642	-	-	3,659	-	-	12,105	178,406
D Williams	184,053	3,000	-	18,746	-	-	6,719	212,518
S Delepine	154,353	3,704	-	-	-	-	6,719	164,776
	856,079	112,892	-	62,258	62,638	-	28,231	1,122,098

Note 1. These Directors have agreed to defer payment of all salaries and wages for 12 months from 13 May 2019.

Note 2. This Director has agreed to defer payment for 3 months from 13 May 2019.

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

		2018 Performance based remuneration		2019 Performance based remuneration	
		Bonus STI %	Share rights / Options LTI %	Bonus STI %	Share rights / Options LTI %
Directors	Ray Carroll	0.0%	0.0%	0.0%	0.0%
	Brad Kellas	0.0%	0.0%	0.0%	0.0%
	David Lloyd	0.0%	0.0%	0.0%	0.0%
	Gary Flowers	0.0%	0.0%	0.0%	0.0%
	Stephe Wilks	0.0%	0.0%	0.0%	0.0%
	Temogen Hield	2.64%	17.86%	25.3%	0.0%
Executives	Duncan Maclean	0.0%	0.0%	0.0%	0.0%
	Andrew Winfield	0.0%	7.48%	0.0%	0.0%
	David Williams	1.32%	10.65%	1.5%	0.0%
	Steve Delepine	2.80%	6.90%	2.3%	0.0%

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 left the employ of DataDot Technology in June 2019.

Mr Hield's remuneration in FY2019 included a base salary of approximately $250,000pa plus superannuation; a fixed sum STI for FY2019 relating to the deferred payment of the 2017 STI which was paid in June 2019 and a fixed sum completion bonus relating to the proposed sale of the Dots business to DataDot Technology South Africa.

In FY2018, the LTI component of Mr Hield's package 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.

Upon termination of his employment, Mr Hield relinquished all rights to the 16,126,414 shares issued to him under the Employee Share Issue and Loan Scheme and the loan amount was cancelled.

(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 FY2019 relating to the deferred payment of the 2017 STI which at the date of this report has been paid only to 50%. Mr Williams last day of employment with DataDot Technology will be 26 August 2019.

In FY 2018, the LTI component of Mr William's 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.

Due to the termination of his employment, Mr Williams is required to repay the loan to the company of $326,560 by 26 August 2020 or he will forfeit all rights to the 12,094,809 shares issued under the Share Issue and Loan Scheme and the shares will be cancelled.

(c) Stephen Delepine

Mr Delepine joined the company in February 2016 as Vice President Business Development. Mr Delepine left the employ of DataDot Technology in May 2019.

Mr Delepine's remuneration in FY2019 included a base salary of AUD 154,354 a fixed sum STI for FY2019 relating to the deferred payment of the 2017 STI.

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.

Upon termination of his employment, Mr Delepine relinquished all rights to the 16,094,809 shares issued to him under the Employee Share Issue and Loan Scheme and the loan amount was cancelled.

(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 FY2019 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 expired on 1 July 2019.

The Company has suspended all STI and LTI programs in operation at 13 May 2019 and will look to implement a new and more effective program after the 2019 AGM.

Mr Winfield was paid 0% of the 2019 STI.

(e) Duncan Maclean

Mr Maclean joined the company on 13 May 2019. His remuneration package includes a base salary of approximately $150,000plus superannuation and a STI that is yet to be determined.

The Company has suspended all STI and LTI programs in operation at 13 May 2019 and will look to implement a new and more effective program after the 2019 AGM.

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 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 were an appropriate balance between the principles of retention, incentivisation and alignment with shareholder interests.

The Board changed on 13 May 2019 and the new Board has reviewed all remuneration and secured material savings. Going forward the Board is looking to adopt a different STI and LTI scheme that can better achieve alignment of shareholder and employee interests.

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.

Ray Carroll – Chairman
23 August 2019

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
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 2019, 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 2019

Consolidated Financial Statements
for the year ended 30 June 2019

Contents **Page**

Consolidated Statement of Profit or Loss

for the year ended 30 June 2019

	Notes	2019	2018
		$	$
Revenue			
Sale of goods		**2,659,953**	4,248,147
Service and licence fees		**237,778**	161,862
Royalties		**381,848**	457,158
		3,279,579	4,867,167
Cost of sales		**1,818,102**	2,096,507
Gross Profit		**1,461,477**	2,770,660
Other income	3	**222,463**	602,471
Expenses			
Administrative expenses	4	**3,009,946**	3,029,933
Marketing expenses		**10,602**	103,099
Occupancy expenses		**370,059**	356,646
Restructuring expenses	4	**-**	234,475
Travel expenses		**50,628**	71,317
		3,441,235	3,795,470
EBITDA		**(1,757,295)**	(422,339)
Depreciation and Amortisation		**239,280**	444,204
Finance costs		**5,966**	23,710
Impairment of intangibles		**284,249**	2,194,411
Share of profit from an associated entity		-	-
Loss before income tax expense		**(2,286,790)**	(3,084,664)
Income tax expense	5	**14,527**	**35,246**
Loss after income tax expense for the year		**(2,301,317)**	(3,119,910)
Loss for the year attributable to :			
Owners of DataDot Technology Limited		**(2,301,317)**	(3,119,910)
		(2,301,317)	(3,119,910)
Basic loss per share (cents per share)	8	**(0.30)**	(0.40)
Diluted loss per share (cents per share)	8	**(0.30)**	(0.40)

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 2019

	2019 $	2018 $
Loss after income tax expense for the year	**(2,301,317)**	(3,119,910)
Other comprehensive income		
Items that may be classified subsequently to profit or loss		
Exchange difference on translation of foreign operations	**18,878**	39,429
Total comprehensive loss for the year, net of tax	**(2,282,439)**	(3,080,481)
Total comprehensive loss attributable to		
Owners of DataDot Technology Limited	**(2,282,439)**	(3,080,481)

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

Consolidated Statement of Financial Position

for the year ended 30 June 2019

	Notes	2019 $	2018 $
Current Assets			
Cash and cash equivalents	9	**194,752**	1,125,253
Trade and other receivables	10	**544,975**	775,306
Inventories	11	**421,702**	614,469
R&D grant receivable		**47,700**	177,047
Total Current Assets		**1,209,129**	2,692,075
Non-Current Assets			
Plant and equipment	12	**265,425**	359,735
Intangibles	13	**-**	370,437
Investments		**120**	120
Deferred Tax Asset	5	**16,264**	14,683
Total Non-Current Assets		**281,809**	744,975
Total Assets		**1,490,938**	3,437,050
Current Liabilities			
Trade and other payables	14	**712,997**	794,572
Borrowings	15	**2,323**	-
Employee benefits	16	**80,872**	102,599
Provisions	17	**81,424**	60,000
Other current liabilities	18	**43,659**	114,603
Total Current Liabilities		**921,275**	1,071,774
Non-Current Liabilities			
Borrowings	15	**454,831**	-
Employee benefits	16	**8,504**	20,385
Other non-current liabilities	18	**120**	94,436
Total Non-Current Liabilities		**463,455**	114,821
Total Liabilities		**1,384,730**	1,186,595
Net Assets		**106,208**	2,250,455
Equity			
Issued capital	19	**39,692,526**	39,692,526
Accumulated losses		**(37,670,096)**	(35,368,779)
Reserves	20	**(1,916,222)**	(2,073,292)
Equity attributed to the owners of DataDot Technology Limited		**106,208**	2,250,455
Total Equity		**106,208**	2,250,455

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 2019

	Issued capital $	Accumulated losses $	Foreign currency translation reserve $	Employee equity benefit reserve $	Other reserve $	Total equity $
	Attributable to equity holders of the parent					
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
Loss after income tax expense for the year	**-**	**(2,301,317)**	**-**	**-**	**-**	**(2,301,317)**
Other comprehensive income for the year, net of tax	**-**	**-**	**18,878**	**-**	**-**	**18,878**
Total comprehensive income for the year	**-**	**(2,301,317)**	**18,878**	**-**	**-**	**(2,282,439)**
Convertible Note Reserve					**95,169**	**95,169**
Transactions with owners in their capacity as owners :						
Share based payments	**-**	**-**	**-**	**43,023**	**-**	**43,023**
Share issues	**-**	**-**	**-**	**-**	**-**	**-**
Share issue costs	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2019	**39,692,526**	**(37,670,096)**	**(1,730,988)**	**398,220**	**(583,454)**	**106,208**

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 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**3,830,440**	5,490,024
Payments to suppliers and employees (inclusive of GST)		**(5,445,264)**	(6,327,234)
Interest paid		**(3,641)**	(23,710)
Income tax paid		**(16,108)**	(16,798)
Receipt of government grants		**192,963**	344,106
Net cash used in operating activities	9	**(1,441,610)**	(533,612)
Cash flows from investing activities			
Interest received		**1,015**	18,558
Payments for plant and equipment		**(58,397)**	(14,419)
Payments for development costs and other intangibles		**(6,929)**	(143,553)
Net cash flows used in investing activities		**(64,311)**	(139,414)
Cash flows from financing activities			
Payment for share issue costs		**-**	(1,838)
Proceeds from convertible notes issued		**550,000**	-
Net cash used in financing activities		**550,000**	(1,838)
Net decrease in cash and cash equivalents		**(955,921)**	(674,864)
Cash and cash equivalents at the beginning of the financial year		**1,125,253**	1,768,175
Effects of exchange rate changes on cash and cash equivalents		**25,420**	31,942
Cash and cash equivalents at the end of the financial year	9	**194,752**	1,125,253

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 2019. 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', 'the Company' 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.

Going Concern
The financial statements of the company have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.
During the year ended 30 June 2019, the company incurred a loss after tax of $2,301,317 (2018: $3,119,910) and negative operating cash flows of $1,441,610 (2018: $533,612). Revenue from sale of goods has declined by 37% in 2019 (2018: 20%).

The above indicators suggest a material uncertainty related to events or conditions that may cast significant doubt on whether the Company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

At the date of this report, the directors are of the opinion that there are reasonable grounds to expect that the Company will able to continue as a going concern.

The directors and management have implemented a revised business plan (the Rescue Plan as articulated in the papers leading to the EGM on 13 May 2019) and are aggressively pursuing new opportunities in different markets for the Company and have implemented cost rationalisations.

In addition, as disclosed in the Subsequent Events note, the company has raised $600,000 in capital during July 2019 through the issue of convertible notes, and as announced on 9 August 2019, has signed a new licensing agreement with DataDot South Africa to distribute to Toyota Europe and Toyota Russia and a distribution agreement with PropertyVault, a related party of the Company.

As such the financial report is pepared on a going concern basis.

Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

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 2019 and 30 June 2018.

Segment performance **Year ended 30 June 2019**	**DataDotDNA** **$**	**DataTraceID** **$**	**Intersegment eliminations** **$**	**Total** **$**
Revenue from external customers	**2,756,779**	**522,800**	**-**	**3,279,579**
Intersegment sales	**439,320**	**9,792**	**(449,112)**	**-**
Total revenue	**3,196,099**	**532,592**	**(449,112)**	**3,279,579**
Gross profit	**1,608,674**	**300,809**	**(448,006)**	**1,461,477**
Restructuring expenses	**-**	**-**	**-**	**-**
EBITDA	**(1,568,137)**	**(189,158)**	**-**	**(1,757,295)**
Depreciation and amortisation	**(206,892)**	**(32,388)**	**-**	**(239,280)**
Intangibles Impairment	**(284,249)**	**-**	**-**	**(284,249)**
Finance costs	**(5,966)**	**(11,221)**	**11,221**	**(5,966)**
Loss before income tax	**(2,065,244)**	**(232,767)**	**11,221**	**(2,286,790)**
Income tax expense	**(14,527)**	**-**	**-**	**(14,527)**
Loss after income tax	**(2,079,771)**	**(232,767)**	**11,221**	**(2,301,317)**
Segment assets	**14,088,291**	**199,008**	**(12,796,361)**	**1,490,938**
Segment liabilities	**17,905,943**	**2,289,869**	**(18,811,082)**	**1,384,730**

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

2 Segment Information (continued)

Geographic segments

DataDot operates facilities in three geographical regions of Australasia, Americas and Europe and each manufacture and distribute the DataDot asset identification system. Excluding intersegment transactions, Australasia accounts for $1,492,304 of total revenue, Americas $751,365 and Europe $1,035,910. 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 10% of total revenue (2018 : 9%), in Europe one customer accounts for 11% of total revenue (2018 : 22%), in the Americas one customer accounts for 21% of total revenue (2018 : 19%) and in DataTraceID one customer accounts for 5% total revenue (2018 : 3%).

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:
• depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
• enable users to understand the relationship with revenue segment information provided in note 2

Consolidated - 2019	DataDotDNA $	DataTraceID $	Total $
Geographical regions			
Asia	101,713	189,187	290,900
Americas	799,430	19,271	818,701
Africa	381,264	11,478	392,742
Australia	427,249	15,272	442,521
Europe	1,033,332	301,383	1,334,715
	2,742,988	536,591	3,279,579
Timing of revenue recognition			
Point in time	2,742,988	421,555	3,164,543
Over time	-	115,036	115,036
	2,742,988	536,591	3,279,579

Consolidated - 2018	DataDotDNA $	DataTraceID $	Total $
Geographical regions			
Asia	138,429	174,301	312,730
Americas	1,071,596	32,313	1,103,909
Africa	473,292	4,828	478,120
Australia	591,112	65,396	656,508
Europe	2,095,848	220,052	2,315,900
	4,370,277	496,890	4,867,167
Timing of revenue recognition			
Point in time	4,370,277	376,044	4,746,321
Over time	-	120,846	120,846
	4,370,277	496,890	4,867,167

3 Other Income

	2019	2018
	$	**$**
Interest revenue	**997**	18,558
Government grants:		
Research and development grants *	**215,295**	556,056
Sundry income	**6,171**	27,857
	222,463	602,471

* 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:	**2019**	2018
Cost of sales	**$**	**$**
Inventory	**518,014**	874,889
Stock obsolescence	**256,428**	7,913
Administration expenses		
Net loss / (gain) on foreign currency	**6,487**	(6,265)
Minimum equipment lease payments	**3,700**	4,020
Employee benefits expenses	**1,705,126**	1,645,311
Employee share based payment expenses	**43,023**	124,092
Superannuation expenses	**126,306**	133,906
Research & development expenses	**24,099**	15,456
Bad debt expense	**48,559**	127,018
Administrative expenses	**1,052,646**	986,395
	3,009,946	3,029,933
Occupancy expenses		
Minimum lease payments	**254,175**	234,993
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

	2019	2018
	$	$
(a) Major components of tax expenses		
Current income tax expense	-	20,661
Withholding tax	14,527	14,585
Income tax expense	14,527	35,246
(b) The prima facie tax on loss before income tax is reconciled to the income tax expense as follows :		
Loss before income tax expense	(2,286,790)	(3,084,664)
Net loss before income tax expense at the statutory income tax rate of 27.5%	(628,867)	(848,283)
Foreign tax rate adjustment	(39,747)	(29,764)
Income not subject to tax	(59,206)	(152,916)
Research and development expenditure added back	30,138	48,676
Expenditure not allowable	214,871	346,187
Other timing differences	(56,262)	156,553
Tax losses and tax offsets not recognised as deferred tax assets	539,073	500,208
Withholding tax	14,527	14,585
Aggregate income tax expense	14,527	35,246
(c) Recognised deferred tax assets and liabilities		
Opening balance	14,683	33,131
Deferred tax movement credited/charged to income	1,581	(18,448)
Closing balance	16,264	14,683
Deferred tax assets and liabilities		
Deferred income tax at 30 June relates to the following :		
Deferred tax liabilities		
Development costs	-	61,129
Patents & Trademarks	-	36,482
Gross deferred tax liabilities	-	97,611
Set-off of deferred tax assets	-	(97,611)
Net deferred tax liabilities	-	-
Deferred tax assets		
Provisions	23,425	30,855
Accruals	93,917	110,450
Equity raising costs	31,905	31,611
Doubtful debts and obsolescence	54,325	47,263
Other timing differences	18,715	33,985
Gross deferred tax assets	222,287	254,164
Set-off of deferred tax liabilities	-	(97,611)
Net deferred tax assets not brought to account	222,287	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.

	2019	2018
	$	$
The amount of the potential deferred tax assets attributable to revenue losses not brought to account	**10,699,453**	10,160,379

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

Returned Tax Losses in the USA of USD 5,328,294 (2018: USD 4,862,554) will expire progressively from 2021 to 2038.

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

	2019	2018
	$	$
Amounts paid or payable for audit services by BDO East Coast Partnership :		
An audit or review of the financial statements	**162,000**	143,000
Other services :		
Tax compliance	**29,000**	21,500
Other services - R&D and restructure advice	**75,992**	20,000
	266,992	184,500
Amounts paid or payable to BDO network firms :		
Audit or review of the financial statements	**24,506**	21,349
Tax compliance	**11,133**	-
	35,639	21,349

7 Dividends

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

8 Earnings Per Share

	2019	2018
	$	$
Basic loss per share (cents per share)	**(0.30)**	(0.40)
Diluted loss per share (cents per share)	**(0.30)**	(0.40)
Net loss after income tax expense used in calculating loss per share	**(2,301,317)**	(3,119,910)
Weighted average number of shares :	**No**	No
Weighted average number of shares used in calculating basic and diluted earnings per share	**770,290,319**	770,020,260
Adjustments for calculation of diluted earnings per share	**-**	-
Adjusted weighted average number of shares	**770,290,319**	770,020,260

The weighted average number of shares used in the prior year calculation of basic and diluted earnings per share incorrectly included 40,316,032 shares that were subject to recall and should have been excluded. These shares were issued as part of the key management personnel's remuneration package. The prior year weighted average number of shares has been revised from 804,924,003 to 770,020,260. This resulted in an increase in the loss per share from $0.39 to $0.40.

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

Reconciliation of cash

	2019	2018
	$	$
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	**194,752**	1,125,253
	194,752	1,125,253

Cash Flow Information

Reconciliation of loss after tax to net cash from operations :

	2019	2018
Loss after income tax expense for the year	**(2,301,317)**	(3,119,910)
Add/(less) items classified as investing/financing activities:		
Interest received	**(1,015)**	(18,558)
Add/(less) non-cash items:		
Depreciation, amortisation and impairment	**523,529**	2,638,615
Share based payments	**43,023**	154,092
Foreign exchange variance	**-**	(6,265)
Changes in assets and liabilities :		
Decrease in trade and other receivables	**230,333**	164,277
Decrease in non-current tax assets	**-**	2
Decrease in inventories	**192,767**	122,557
Decrease in grant receivable	**129,347**	142,953
Decrease in trade and other payables	**(81,575)**	(191,010)
Decrease/(Increase) in current tax liabilities	**(1,581)**	18,446
Decrease in other liabilities	**(165,260)**	(410,896)
Decrease in employee benefits	**(12,184)**	(27,915)
Increase in borrowings	**2,323**	-
Net cash used in operating activities	**(1,441,610)**	(533,612)

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

	2019	2018
	$	$
Trade receivables	**572,342**	854,420
Allowance for expected credit loss	**(182,635)**	(244,958)
	389,707	609,462
Prepayments	**137,189**	157,534
Other receivables	**18,079**	8,310
	544,975	775,306

(a) Allowance for Expected Credit Loss

Trade receivables are non interest bearing and are generally on 30 day terms. The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for both current and forward-looking information on macroeconomic factors affecting the Group's customers.

An allowance for expected credit loss is recognised when there is objective evidence that an individual trade receivable is impaired. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. An impairment amount of -$62,323 (2018 : $127,018 impairment) has been written back by DataDot. These amounts have been included in the allowance for expected credit loss expense item.

Other receivables are recognised at amortised cost, less any provision for impairment.

Movement in provision for impairment of receivables is as follows:	2019	2018
	$	$
At 1 July	**244,958**	117,940
(Write back)/ charge for the year	**(62,323)**	127,018
Amount written off	**-**	-
At 30 June	**182,635**	244,958

Customers with balances past due but without provision for impairment amounts to $190,746 (2018 : $146,685)

The ageing of the past due but not impaired receivables are as follows :		
30 days	**49,528**	102,021
60 days	**8,007**	15,575
90 days and over	**-**	29,089
	57,535	146,685

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.

There are no non-current trade receivables. All other receivables are current and have not been subject to a significant increase in credit risk since initial recognition and consequently, 12 month expected credit losses have been recognised.

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

11 Inventories

	2019	2018
	$	$
Raw materials	**414,519**	542,962
Finished goods	**7,183**	71,507
	421,702	614,469

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

	2019	2018
	$	$
Plant and equipment - at cost	**2,545,654**	2,711,544
Accumulated depreciation	**(2,327,264)**	(2,414,567)
Total owned plant and equipment	**218,390**	296,977
Plant and equipment under lease	**152,923**	152,923
Accumulated depreciation	**(107,046)**	(91,754)
Total plant and equipment under lease	**45,877**	61,169
Leasehold improvements - at cost	**207,329**	207,329
Accumulated depreciation	**(206,171)**	(205,740)
Total leasehold improvements	**1,158**	1,589
	265,425	359,735

Movements in carrying amounts

	Plant and equipment	Plant and equipment under lease	Leasehold Improvements	Totals
	$	$	$	$
Balance as at 1 July 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
Additions	**58,397**	**-**	**-**	**58,397**
Disposals	**(39,897)**	**-**	**-**	**(39,897)**
Depreciation expense for the year	**(100,153)**	**(15,292)**	**(431)**	**(115,876)**
Exchange adjustments	**3,066**	**-**	**-**	**3,066**
Balance at 30 June 2019	**218,390**	**45,877**	**1,158**	**265,425**

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

	2019	2018
	$	$
Development - at cost	**1,219,009**	1,219,009
Less: Accumulated amortisation	**(1,062,049)**	(996,723)
Less: Impairment of intangibles	**(156,960)**	-
	-	222,286
Patent and trademarks - at cost	**590,446**	583,517
Less: Accumulated amortisation	**(470,796)**	(450,855)
Less: Impairment of intangibles	**(119,650)**	-
	-	132,662
Goodwill	-	1,258,863
Less: Impairment of intangibles	-	(1,258,863)
	-	-
Software - at cost	**42,567**	42,567
Less: Accumulated amortisation	**(34,098)**	(27,078)
Less: Impairment of intangibles	**(8,469)**	-
	-	15,489
	-	370,437

Movements in carrying amounts

	Development	Patents and trademarks	Goodwill	Software	Totals
	$	$	$	$	$
Balance as at 1 July 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
Additions	-	**6,929**	-	-	**6,929**
Impairment of intangibles	**(156,130)**	**(119,650)**	-	**(8,469)**	**(284,249)**
Amortisation expense	**(66,156)**	**(19,941)**	-	**(7,020)**	**(93,117)**
Balance at 30 June 2019	-	-	-	-	-

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 2019, $31,010 (2018: $89,999) of costs (of which $6,929 was capitalised) associated with the lodging, renewal, and maintenance of patents & trademarks were incurred with $19,941 (2018: $107,098) 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

The write off of all intangibles remaining in the parent company post 30 June 2018 relates to a change in the strategic direction of the company under the new Board on consideration that these no longer meet recognition criteria under AASB 138. Intangible assets are considered to have uncertain definable economic benefits under the new strategy.

14 Trade and Other Payables

	2019	2018
	$	$
Trade payables	**158,102**	193,883
Sundry creditors and accruals	**554,895**	600,689
	712,997	794,572

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	2019	2018
	$	$
Current - Interest Payable	**2,323**	-
Non-Current - Convertible Notes issues	**454,831**	-
	457,154	-

Over the period 24 May 2019 to 22 June 2019, the consolidated entity issued 22 8% convertible notes, with a face value of $25,000 each, for total proceeds of $550,000. Interest is paid every six months in arrears at a rate of 8% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on the maturity date which is 2 years from the issue date of the notes. The conversion rate is $0.012 per ordinary share.

Total transactions costs have been offset against the convertible notes payable liability.

The convertible notes are unsecured.

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Unrestricted access was available at the reporting date to total credit facilities of $63,555 (2018 : $115,178). There are currently no lines of credit provided for immediate use. $49,500 (2018 : $49,500) was utilised in the provision of bank guarantees against commercial leases on real property. $2,475 (2018 : $2,603) was utilised against a corporate credit card facility with $11,580 (2018 : $65,678) available for immediate use.

16 Employee Benefits

	2019	2018
	$	$
Current		
Employee benefits	**80,872**	102,599
Non Current		
Employee benefits	**8,504**	20,385

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

	2019	2018
	$	$
Current		
Lease make good	**49,892**	50,000
Other provisions	**31,532**	10,000
	81,424	60,000

Other provisions
A provision of $9,250 (2018 : $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 $49,892 (2018 : $50,000) is included in other provisions.

Movements in provisions
There has been a reduction in the Lease Make Good provision due to upgrade work in the Trace lab. One claim for $750 was made against the motor vehicle warranty provision in July 2018.

Additional Provision
A new Warranty Reserve provision has been established for $22,282 relating to a customer claim which is currently under investigation and assessment.

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

	2019	2018
Current	**$**	$
Deferred income	**120**	23,579
Revenue received in advance	**43,539**	91,024
	43,659	114,603
Non-Current		
Other liabilities	**120**	120
Deferred income	**-**	94,316
	120	94,436

19 Issued capital

	2019	2019	2018	2018
	No	**$**	No	$
Issued capital at beginning of financial period	**810,606,351**	**39,692,526**	766,004,605	39,664,364
Shares issued or under issue during the year :				
Shares issued under the share issue and loan scheme to key management personnel	**-**	**-**	40,316,032	-
Share placement	**-**	**-**	4,285,714	30,000
Share issue costs	**-**	**-**	-	(1,838)
Issued capital at the end of the financial period	**810,606,351**	**39,692,526**	810,606,351	39,692,526

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 2018 Annual Report.

As disclosed in Note 15, DataDot has interest bearing liabilities as at 30 June 2019 relating to convertible notes issued. As a result, meeting these financing arrangements is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

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.

2018 Comparative Balance

The 2018 balance of shares on issue incorrectly excluded shares issued on the share issue and loan scheme for nil value.

20 Reserves

	2019	2018
	$	$
Foreign currency translation reserve	**(1,730,988)**	(1,749,866)

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	**355,197**	231,105
Movement in share-based payments	**43,023**	124,092
Employee equity benefits reserve	**398,220**	355,197

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

Balance at beginning of financial year	**(678,623)**	(678,623)
Movement in Convertible Note Reserve	**95,169**	-
	(583,454)	(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. This reserve is also used to record the equity residual differences on convertible notes, net of transaction costs.

Total Reserves	**(1,916,222)**	(2,073,292)

21 Commitments

	2019 $	2018 $
Operating lease commitments		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	**224,502**	233,183
One to five years	**298,259**	523,863
	522,761	757,046

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.

	2019 $	2018 $
Minimum remuneration payments payable:		
Within one year	**113,558**	129,161

22 Contingent Liabilities

Guarantees

DataDot has issued bank guarantees of $49,500 (2018: $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 % 2019	2018
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
DataTraceID (USA) Inc (formerly DataDot Security Solutions Inc)	USA	**100**	100
DataDot Technology (UK) Limited	UK	**100**	100
DataTraceID Europe Limited (formerly) DataDot Technology (Europe) Limited	UK	**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:

	2019	2018
Remuneration of key management personnel :	**$**	$
Short term employee benefits	**968,971**	917,222
Post employment benefits	**62,258**	56,488
Long term benefits	**62,638**	-
Share based payments (Note 27)	**28,231**	111,988
	1,122,098	1,085,698

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 offset the fully provided for outstanding Brandlok balance of $55,000 from 2018 against the income in advance of $51,000 received in 2017.

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

The group is not subject to any interest rate risk. Convertible notes issued are at a fixed interest rate. Therefore any official increase or decrease in the external interest rate will not have any effect on the profit before tax.

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. There has been no change to credit risk since initial recognition.

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 2019	Within 1 Year **$**
Financial Assets	
Cash and cash equivalents	**194,752**
Trade and other receivables	**407,786**
Grant receivable	**47,700**
	650,238
Financial Liabilities	
Trade and other payables	**712,997**
Net maturity	**(62,759)**

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

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

26 Financial Risk Management (continued)

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	-	712,997	-	712,997
Interest-bearing - fixed rate				
Convertible notes payable	8%	46,323	572,181	618,504
Total non-derivatives		759,320	572,181	1,331,501

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	-	794,572	-	794,572
Interest-bearing - fixed rate				
Convertible notes payable	-	-	-	-
Total non-derivatives		794,572	-	794,572

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

27 Option and Share Based Payments

	2019	2018
Expenses arising from share based payments to Key Management Personnel :	**$**	$
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	**2,688**	56,161
CFO Share Loan Scheme for David Williams issued @ 2.7c	**6,719**	28,939
Share Loan Scheme for Steve Delepine issued @ 2.7c	**6,719**	14,783
Total expense arising from options and share based payments during the period	**28,231**	**111,988**

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
18/08/2017	1/07/2019	$0.005	$0.027	101.00%	NIL	2.565%	$0.001
18/08/2017	1/07/2020	$0.005	$0.027	101.00%	NIL	2.565%	$0.002
18/08/2017	1/07/2020	$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	**2019 No**	**2019 Avg issue $**	2018 No	2018 Avg issue $
Balance at the beginning of the period	**2,000,000**	**0.0300**	2,000,000	0.0300
Shares issued	**-**	**-**	-	-
Rights expired/cancelled	**-**	**-**	-	-
Balance at the end of the period	**2,000,000**		2,000,000	

Movements in share options for the financial year	**2019 No**	**2019 Avg issue $**	2018 No	2018 Avg issue $
Balance at the beginning of the period	**13,000,000**	**0.0372**	54,000,000	0.0090
Options issued	**-**	**-**	-	-
Options expired	**(4,000,000)**	**-**	(41,000,000)	-
Balance at the end of the period	**9,000,000**		13,000,000	

27 Option and Share Based Payments (continued)

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.

The 4,000,000 expired share options related to employees who have left the company and were forfeited - Stephe Wilks 1,000,000 and Andrew Baker 3,000,000.

The options are issued for nil consideration.

No options issued in FY19.

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	**2019**	2018
	$	$
Current assets	**831,744**	975,999
Non-current assets	**3,279,235**	3,535,736
Total assets	**4,110,979**	4,511,735
Current liabilities	**403,988**	549,990
Non-current liabilities	**5,192,622**	5,309,487
Total liabilities	**5,596,610**	5,859,477
Equity		
Issued capital	**39,692,526**	39,692,526
Accumulated losses	**(41,340,443)**	(41,078,789)
Reserves	**176,713**	38,521
Total equity	**(1,471,204)**	(1,347,742)
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(2,263,896)**	(2,023,231)
Total comprehensive income	**(2,263,896)**	(2,023,231)

Parent Entity Commitments and Guarantees

DataDot has issued a bank guarantee of $49,500 (2018: $49,500). No liability was recognised by DataDot in relation to the bank guarantee as the fair value of the guarantee is immaterial.

Remuneration commitments	**2019**	2018
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	**99,976**	118,750

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments

The parent entity had no capital commitments for plant and equipment as at 30 June 2019 and 30 June 2018.

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

Refer to the Director's Report for further details regarding the below items.

On the 8 August 2019 DataDot Technology Limited entered into a contract with DataDot Technology South Africa for sale of asset identification products in the OEM sector in Europe.

On the 22 August 2019 DataDot Technology Limited signed an agreement with Property VAULT to become a distributor of Property VAULT products and services.

During the month of July 2019 the Convertible Note issue was finalised with an additional $600,000 of funds received and 24 notes issued.

No other matter or circumstance has arisen since 30 June 2019 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

The Group has adopted application of AASB 15 "Revenue from contracts with customers" from 1 July 2018. The core principle of the standard is that the Group 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.

Determining the transaction price
The Group's revenue is derived from fixed price agreements and therefore the amount of revenues to be earned from each agreement is determined by reference to those fixed prices. There is no variable consideration with these agreements.

Allocation of amounts to performance obligations
For most agreements, there is only one performance obligation and a fixed unit price for the good or service provided. As such, there is no judgement involved in the allocation of amounts specific performance obligations. In those instances where there is more than one performance obligation, the unit price is clearly defined and is allocated against the specific performance obligation. Some goods sold by the Group include warrantees which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with AASB 15, such warranties are not accounted for as separate obligations and hence no revenue is allocated to them.

(i) Sale of goods

Sale of goods revenue is recognised at a point in time when the Group have met all of their performance obligations including delivery. There is limited judgement in identifying the point control passes; once the goods have left the warehouse or are delivered, depending on the type of good. The group will have a present right to payment and retains none of the significant risk and rewards of the goods.

(ii) Rendering of services

Revenue from the rendering of a service is recognised on an over time basis based on stage of completion of the contract.

(iii) Royalties

Revenue is recognised at a point in time when the underlying goods are sold. Fixed rate manufacturing royalties are recognised over the period of the underlying agreement.

(iv) Licence fee

Licence fees are recognised over time in line with the invoice period. Performance obligations are satisfied over time. This is a faithful depiction of the transfer of services, as customers simultaneously receive and consume services provided over the invoiced period.

(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.

30 Summary of other significant accounting policies (continued)

(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.

(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.

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 30 June 2019, and which have given rise to changes in the Group's accounting policies are:

- AASB 9 Financial Instruments

- AASB 15 Revenue from Contracts with Customers

Details of the impact of these two standards are given in each respective note. The Group has selected to adopt these two standards using the fully retrospective approach.

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 Group has adopted application of AASB 15 "Revenue from contracts with customers" from 1 July 2018, applying the fully retrospective method of transition. With the exception of the additional disclosure requirements, the nature of the change in accounting policy has not had a material impact on the Group's financial statements and there have not been any significant changes to the judgements resulting from this adoption. As such, there is no change in the financial line items, no change to basic and diluted earnings per share and no adjustment relating to prior periods before those presented. A practical expedient has been adopted whereby the impact of significant financing components have not been considered as the Group expected, at contract inception, that the period between the transfer of the good or service and when the customer pays for that good or service is less than one year.

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 Group has adopted application of AASB 9 "Financial Instruments" from 1 July 2018, applying the fully retrospective method of transition. With the exception of the additional disclosure requirements, the most significant impact is the application of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables (both current and non-current)). This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying AASB 9 the group considered the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. The impact of the adoption of the expected credit loss model did not have a material impact on the historical method of provisioning for impairment of financial assets. As such, there is no change in the financial line items, no change to basic and diluted earnings per share and no adjustment relating to prior periods before those presented.

New Accounting Standards and Interpretations not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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 and depreciated as such. The consolidated entity will adopt this standard from 1 July 2019. The Group is yet to determine the transition method, either full retrospective or modified retrospective, for recognition of the right-of-use asset and liability. Based on the modified retrospective transition method, the estimated net effect of bringing in a 'right of use' asset with the corresponding liability for the Group is between \$380,000 and \$420,000.

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.

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 2019

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 2019 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

Ray Carroll - Chairman
23 August 2019, Sydney

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

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 2019, the consolidated statement of profit or loss, the 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 2019 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Key audit matter	***How the matter was addressed in our audit***
Refer to Note 2 of the financial report and Note 30 for the accounting policy. Revenue is a key driver to the Group. For the year ended 30 June 2019 the Group recognised $3,279,579 (2018: $4,867,167). The Group's management focuses on revenue as a key driver by which the performance of the Group is measured. This area is a key audit matter due to the differing revenue streams and total balance of the revenue.	Our audit procedures included, amongst others; • Assessing the Group's accounting policy for revenue to ensure it has been correctly formulated in accordance with the Australian Accounting Standards, with particular focus on the adoption of AASB 15; • Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations; • Checking a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue ensuring the amounts recorded agreed to supporting evidence; and • Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period.

Accounting for Convertible Notes

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 15 of the financial report, the company has issued convertible notes during the year. The accounting for convertible notes was considered a key audit matter due to the complexity involved in assessing whether to account for the notes as equity, a liability or a combination of both as well as the subsequent measurement of the individual components of the liability based on the terms and conditions of the agreement. The assessment includes significant judgement and there is a high degree of estimation applied in determining the fair value of the separate components of the liability.	Our audit procedures included, amongst others; • Obtaining an understanding of and assessing the terms and conditions of the convertible note agreement to determine if the convertible notes are to be accounted for as equity, a liability or a combination of both; • Considering the appropriateness of the valuation methodology against the requirements of the relevant Australian Accounting Standard; • Considering the reasonableness of the inputs to the valuation; • Reviewing the measurement and accounting for convertible notes subsequently to initial recognition; and • Reviewing the adequacy of the disclosures related to the initial and subsequent recognition of the convertible notes by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Group's Financial Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 2019.

In our opinion, the Remuneration Report of Datadot Technology Limited, for the year ended 30 June 2019, 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 2019

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 2019.

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 2,760. There are 815,871,626 ordinary fully paid shares listed on the Australian Securities Exchange. The twenty largest shareholders hold 46.459% of issued capital.

Substantial shareholders

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

Shareholders	**Number of shares**
Brad Kellas	85,635,066
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	88		
1,001 - 5,000	194		
5,001 - 10,000	204		
10,001 - 100,000	1,535		
100,000 and over	739	1	2
Total	**2,760**	**1**	**2**

Mr Patrick Raper holds 100% of share rights
Mr Andrew Winfield and Ms Laura Whetstone hold 100% of share options which have expired and will be cancelled.

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,784

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:	9,000,000
Convertible Notes:	$1,150,000

Voluntary escrow
No ordinary shares are under holding lock.

Twenty largest shareholders

	Number Held	% of Issued Shares
Mr Bradley Charles Kellas	85,635,066	10.496%
UBS Nominees Pty Ltd	41,758,883	5.118%
Citicorp Nominees Pty Limited	40,506,681	4.965%
Appwam Pty Limited	30,100,000	3.689%
Mr Collin Hwang	23,658,537	2.900%
Dixson Trust Pty Limited	20,289,725	2.487%
Temogen Hield (Note 1)	16,126,414	1.977%
Mr Norman Colburn Mayne <N C Mayne Family Fund A/C>	14,500,000	1.777%
Commonwealth Scientific and Industrial Research Organisation	13,718,327	1.681%
Mr David Williams	12,094,809	1.482%
Mr Steve Delepine	12,094,809	1.482%
Hamish Edward Elliot Brown	11,220,189	1.375%
Ralcortec Pty Ltd <Bashford Sf A/C>	9,135,512	1.120%
Mr Geoffrey George	8,634,398	1.058%
McDonogh Holdings Pty Ltd <McDonogh Family A/C>	8,500,000	1.042%
James McCallum	6,666,666	0.817%
Damnn Investments Pty Ltd	6,300,161	0.772%
J P Morgan Nominees Australia Pty Limited	6,282,792	0.770%
Mr Stephen Gamble	6,250,000	0.766%
HSBC Custody Nominees (Australia) Limited	5,569,851	0.683%
Total Securities of Top 20 Holdings	**379,042,820**	**46.459%**
Total of Securities	**815,871,626**	

DataDot Technology Limited

ABN 54 091 908 726

Corporate Information – 2019

Offices

Australia & registered office:
Unit 9, 19 Rodborough Road, Frenchs Forest NSW 2086, Australia
Phone: +61 2 8977 4900; Fax +61 2 9975 4700
Email: info@datadotdna.com

UK:
Unit 4, Twickenham Road, Union Park Industrial Estate, Norwich, Norfolk, NR6 6NG, UK
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 Ray Carroll - Chair
Mr David Lloyd - Independent Non-Executive Director
Mr Brad Kellas - Managing Director
Mr Patrick Raper - Company Secretary

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